

# FINSBURY GROWTH TRUST PLC

The image shows a page from a financial document, possibly a share price table, with a semi-transparent image of a person's face overlaid on it. The table contains columns of numbers and text, representing financial data for various entities. The text is small and difficult to read, but it appears to be a list of companies or financial metrics with associated values and changes.

## Annual Report

Year Ended 30 September 2002



Close Finsbury





## 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.

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## Financial Highlights

	30 September 2002	30 September 2001	% change
Shareholders' Funds	£57.0m	£69.8m	-18.3
Net Asset Value per share	146.7p	179.7p	-18.3
Share Price	124.5p	162.0p	-23.1
Discount	15.1%	9.8%	-
Market capitalisation	£48.4m	£62.9m	-23.1
FTSE All-Share Index total return	1,821.6	2,299.8	-20.8
Share price total return over 1 year	-21.8%	-19.5%	-

## Company Summary

### Dividends

#### Ordinary shares

- interim dividend

1.2p (paid on 31 May 2002)

- second interim dividend

2.55p (payable on 11 December 2002 to shareholders on the register of members on 6 December 2002)

### Corporate Details

#### Capital Structure

The Company has 38,856,430 Ordinary shares of 25p each in issue

### Management Details

#### Investment Manager

Close Finsbury Asset Management Limited (*novated from AFIM Limited on 27 February 2002*), which is a wholly owned subsidiary of Close Brothers Group plc

#### Investment Adviser

Lindsell Train Limited

#### Company Secretary

Close Finsbury Asset Management Limited

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 19.



## Performance Summary

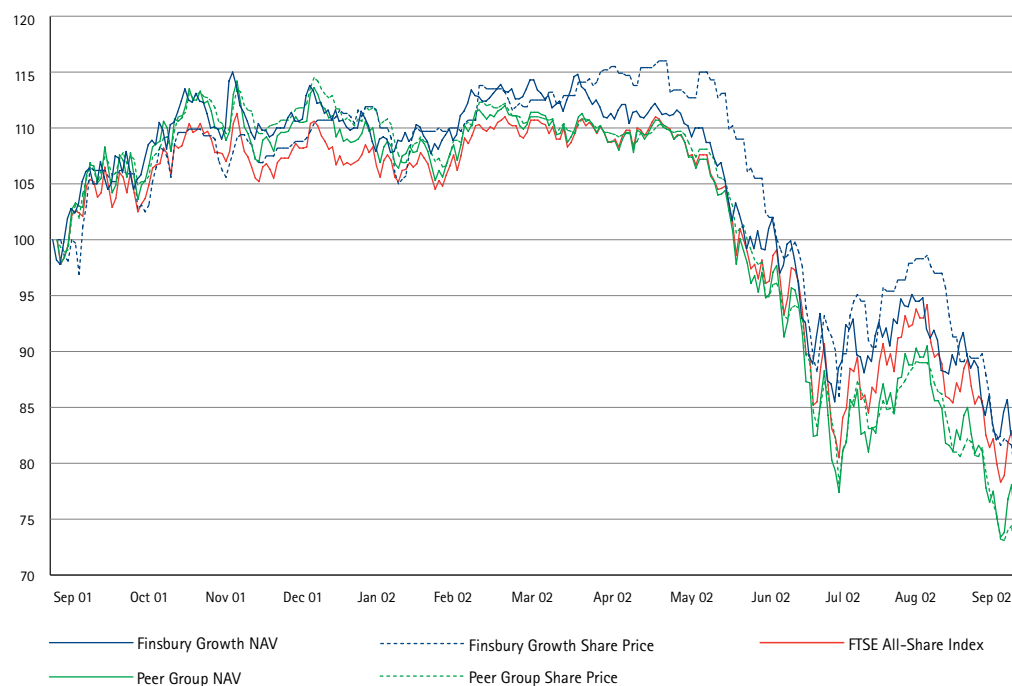
### Five year performance

	30 September 1997	30 September 1998	30 September 1999	30 September 2000	30 September 2001	30 September 2002
Shareholders' Funds	£95.0m	£86.3m	£99.7m*	£94.9m*	£69.8m*	£57.0m*
Net Asset Value per share	206.0p	187.2p	218.5p	241.0p	179.7p	146.7p
Share Price	185.5p	156.0p	182.5p	202.5p	162.0p	124.5p
Discount	10.0%	16.7%	16.5%	16.0%	9.8%	15.1%
FTSE All-Share index total return**	30.6%	-2.0%	23.6%	9.6%	-20.8%	-20.8%
Share price total return**	24.1%	-14.2%	19.3%	13.8%	-19.5%	-21.8%

\* In the year ended 30 September 2002, the Company did not repurchase any shares for cancellation (2001: 1.3%; 2000: 13.5%; 1999: 1.1% of the issued Ordinary share capital).

\*\* Figures relate to percentage total return over 1 year discrete periods.

### 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

In my interim statement in May I was able to report an increase in the first six months of the year in both the net asset value and the market price of your shares but said that the outlook was uncertain. Since then there has been a further substantial fall in the FTSE All-Share Index with the result that for the whole year under review, although your Company outperformed its benchmark index in terms of net asset value, this outperformance failed to prevent another year of reduction in shareholder value. Net assets per share declined by 18.3% and the share price total return was -21.8%. In the same period the FTSE All-Share Index total return declined by 20.8%. However, your Company performed significantly better than its peer group where the average decline in net asset value and share price total return was 26.8% and 29.1% respectively.

### Revenue Return and Dividend

The revenue return per share was 4.41p compared with 2.38p per share in the previous year which was much influenced by the restructuring of our investment portfolio by our new investment advisers. This significant increase also results from the absence of dealing losses, the decrease in loan interest and in management fees, which are now linked to market capitalisation.

Your Board is paying a dividend in respect of the six months to 30 September 2002, by way of a second interim dividend, of 2.55p, to be paid on 11 December 2002 to shareholders on the register of members on 6 December 2002 which together with the interim dividend already declared, makes a total distribution for the year of 3.75p (2001: 3.20p). In making this dividend payment the Company will ensure compliance with s264 of the Companies Act ("the Act") and this may require the crystallisation of certain unrealised losses. The Company has applied for, and expects to regain, investment company status from 1 October 2003. When this occurs, the requirements of s264 will not apply and this will make it easier for the Company to pay dividends in the future.

### Statement of Total Return

The statement of total return is set out on page 25 of this report. The total return for the year was a negative 29.26p per share (2001: negative 58.52p) made up of a revenue return of 4.41p per share (2001: 2.38p) and a negative capital return of 33.67p per share (2001: negative 60.90p).

### Investments

The valuation of investments at 30 September 2002 was £66,922,000 (2001 : £76,886,000). The net asset value per share at the year-end was 146.7p (2001: 179.7p).

The investment portfolio, an analysis of which is set out in the Annual Report, is a concentrated one with a total of 31 holdings. The portfolio does not track the FTSE All-Share Index and in particular is underweight by 6.6% in food and drug retailers and telecommunication stocks, by 9.6% in mining and oil and gas and overweight by 9.5% in cyclical services, primarily media. A review of investments by our investment adviser is set out on pages 6 to 10.

### Borrowing

During the year just over half of the £20 million facility was utilised. At the year-end gearing amounted to 16%. Full use of the borrowing facilities will be made when it is considered appropriate to do so.



## Chairman's Statement *(continued)*

### **Cancellation of Share Premium Account and Investment Company Status**

The Court has confirmed the cancellation of the share premium account, which was approved by shareholders in July. The consequence of the cancellation is that a special reserve of £13.16 million previously standing in the share premium account has been created and this will not be counted as an undistributable reserve for the purposes of s264 Companies Act 1985, thus reducing the amount of undistributable reserves by that amount. This assists the Company in its ability to pay dividends until the Company regains investment company status under s266 Companies Act 1985. The relevant notice under s266 has been given and it is anticipated that the Company will achieve investment company status with effect from 1 October 2003.

### **Outlook**

We have now witnessed nearly a three year decline in the UK stock market. Prior thereto it is now clear equities had become extensively overvalued relative to fixed interest instruments. Your Company's investment portfolio has a prudent element of fixed interest investments and is a highly concentrated one, where exceptional growth opportunities have been perceived. When the UK stock market recovers your Board believes that your Company's investment portfolio will provide a satisfactory increase in total return.

### **Annual General Meeting**

The Annual General Meeting of the Company will be held at 10 Crown Place, London EC2 on 14 January 2003 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 42 of this report.

**Michael Reeve**

*Chairman*

28 November 2002





## Review of Investments

### Introduction

Your Board measures our performance as your investment adviser against two hurdles. First, they track the performance of your Company's net asset value relative to the total return on the FTSE All-Share Index. Next, our performance is compared to that delivered by a group of other investment trusts with similar objectives. As a result, in order to maintain the confidence of your Board over the medium term, we need to outperform the FTSE All-Share Index, no trivial task if history is a guide, and to perform competitively against our peers. Separately, we have a clear interest in protecting and growing the value of the Company, because our remuneration is based on its market value. Moreover, we may earn a performance related fee, but only if the Company's share price rises in absolute terms, at a rate significantly ahead of inflation. It is important to make a distinction between these investment objectives, where success is measured by our relative performance and our means of remuneration, which can be enhanced by the achievement of an absolute return.

We have agreed with your Board a number of portfolio guidelines, which are designed to ensure that the Company sticks to its investment objectives and therefore, implicitly, reinforces the distinction referred to above. Specifically, the guidelines require us to maintain a fully invested portfolio, predominantly in UK equities. In this case, "fully invested" means maintaining some utilised borrowings at all times. In other words, always being more than 100% invested in permitted assets. Of these permitted assets, only 15% may be in fixed interest securities. The guidelines have two intended effects. First, they make it impossible for us, the adviser, to stray too far from the UK equity market. In a bear market we must seek protection in UK stock selection, not in running to cash or government bonds. Second, the guidelines are intended to give shareholders the best chance of achieving satisfactory long-term investment returns. This is because we both believe that a policy of maintaining at all times a modestly geared portfolio of UK equities is a value creating one, over a reasonable investment horizon. UK equities have demonstrated a long run propensity to deliver real returns, in the order of 6% per annum, well in excess of the real cost of borrowing. By being fully invested one captures this effect. By contrast, strategies that rely on market timing, shifting in and out of asset classes, that seem so attractive during a bear market, have, nonetheless, tended to disappoint over time, because calling the turns has proven beyond the wit of man or machine.

As some shareholders may have expected, the foregoing is, in part, an apology. As you have learned from the Chairman's statement, the Company's net asset value has fallen sharply over the period of our tenure. You will not be surprised to hear that your adviser has not earned a performance fee, there having been no absolute gain in share price. However, we have succeeded in exceeding the investment objectives set by the Board, outperforming the market in net asset value terms and our peer group. We believe that if we continue to do so, absolute gains will follow.

### Strategy and Portfolio

Bear markets are cruel. And this is far and away the cruelest of my investment career, which began in 1981. They are cruel not only because they uncover ruthlessly weaknesses in companies and in the fond imaginings of investors, but also because they eat away at self-confidence, raising worries that previously successful strategies may have become outmoded or ineffective. We are not exempt from the bear market and not just in the sense that the value of my own personal investment in your Company has fallen, along with the quantum of fee we earn from advising it. We too have had weaknesses in favoured companies exposed and been forced to abandon some fond imaginings. However, we have not been tempted to abandon the investment strategy we outlined in last year's Annual Report and, indeed, have no intention of doing so. The strategy, in brief, is based on our attempt to identify wonderful companies, of which there are not many on the London exchange, accumulate shares in such wonderful companies when we judge





## Review of Investments *(continued)*

them to be undervalued and, from that point on, to do very little. This is a "buy and hold" approach. The approach only has one certain benefit, when compared to alternatives. The certain benefit is that, once established, transaction costs are kept to a minimum. Buying and selling shares is expensive and often unnecessary. Our strategy also offers the possibility of enjoying the multi-year rewards that accrue from a firm commitment to value-creating companies. Unhappily, the strategy also risks exposing an investor, like us, to obloquy for holding on too long to losing investments. The grounds for such criticism are plentiful during a bear market.

The portfolio of your Company is, to our mind, now firmly fixed. There is no individual holding we currently intend to sell. There are several to which we might add and a short short-list of stocks in which we might initiate holdings. Given the likely immutability of the portfolio, we believe it appropriate to offer shareholders a brief analysis of each of our positions, so they can judge whether the Company may meet their investment objectives.

### Fixed Interest

We are permitted to hold up to 15% of assets in fixed interest securities issued by UK corporations. Given the relative security of such instruments we have thought it right to use up our full capacity, investing in a convertible bond issued by the **Daily Mail** and preference shares of the **Halifax PLC**. The **Daily Mail** bond has, rather disappointingly, been called early by that company, meaning that our holding turned into cash in October 2002, after the year end. The **Halifax** preference shares, however, are an important commitment for your Company, at 8.5% of investments and may be retained for some years. The stock pays a fixed dividend of 6.8% at the price we paid. We believe this is already attractive, given the balance sheet strength of **Halifax**, one of the UK's best-capitalised banks. We expect the asset could become even more attractive and its price rise further if interest rates decline in the UK. We might consider selling these shares on a yield of 4.0%, or a price of £1.60, compared to £0.98 today.

### Oil and Gas

In the parlance of the investment industry we are underweight in oil and gas shares, with an exposure of 7.2%, compared to the 16.8% weight of the sector in the FTSE All-Share Index. We are underweight because we regard the sector as attractive when the oil price is low and when dividend yields on the shares are high. Today the reverse is the case, with geopolitics holding the oil price well above its clearing level and the dividend yields on **BP** and **Shell** somewhat below the market average. We think the odds are against an investor making much money from these valuations. We own rather more **Shell** than **BP**, because it has greater geographic and product diversity, a higher dividend yield and much less debt.

### Engineering

We do not expect to find wonderful companies amongst the UK engineering sector. However, we have retained our inherited shares in **Halma**, a safety equipment manufacturer. The company has one of the most consistently excellent records of value creation and dividend growth in the UK market, with a return on equity of over 20.0%, despite net cash on its balance sheet and 24 years of unbroken 15.0% or more annual dividend increases. We see no reason why this record should snap and hence no reason to sell the shares.

### Consumer Staples – Beverages, Breweries and Confectionary

This group of stocks is crucial to the fortunes of your Company, with over 32.4% of investments committed. We are attracted by the great durability of drinks and confectionary companies. Their products tend to command loyalty from consumers, meaning that we may rely on very certain profits and an ability to increase prices at least in line with inflation. This makes them akin to utilities, but without regulatory





## Review of Investments *(continued)*

risk. For example, each of the three brewers we own, **Wolverhampton & Dudley**, **Fullers** and **Young & Co's**, produces a well-loved product that has retained customer affection for generations. Each also owns a pub estate, which brings significant balance sheet strength, particularly the London properties of **Fullers** and **Youngs**. It is hard to imagine these companies failing to deliver steady dividend growth ahead of inflation, as they have done for decades. The three beverage companies, **Diageo**, **AG Barr** and **Glenmorangie** are each owners of long established, cash-generative brands that, moreover, have a growth opportunity. In particular, the two Scottish companies, **Barr** with IRN BRU and **Glenmorangie** with its range of malt whiskies could be exceptionally under-valued, if the former continues to grow its share of the English soft drinks market at double digit rates and the latter fulfills its international potential.

**Cadbury Schweppes** is our largest single equity exposure, at 9.9% of investments. Its shares have held up well through the bear market, as investors have appreciated the security that properties such as Dairy Milk and Dr Pepper bring, with their decades of profitable heritage, over 110 years for Dr Pepper. We believe the shares remain undervalued. For instance, **Cadbury's** current price to earnings ratio of 14 times is 70.0% below that offered by Wrigley recently to acquire US confectioner Hershey. We do not believe that Cadbury will be bid for itself, but note that the discount to its value if an auction ever were to develop, makes for an attractive margin of safety for our investment.

### Leisure

We own shares in **Manchester United**, 2.9% of investments. We think the club is a great franchise and potentially very undervalued. It is unique amongst quoted football clubs in being consistently profitable and having a robust balance sheet. We have not and have no intention of investing in any other football club. We expect **Manchester United** to gradually win control of more of the media rights associated with its games and players and that this accretion of rights will drive shareholder value. Recent bids for US sporting franchises have taken place at valuations way in excess of **Manchester United's**.

### Media

The current exposure to media stocks in your Company is 21.3%. This commitment has resulted in a significant loss of value for shareholders, one we can only hope is temporary. We have no doubt that the business of media, which we take to be the provision of news, information and entertainment to individuals and corporations, is an attractive one. Demand for each is growing, while few companies have the reputation or assets to deliver it. We also have no doubt that the companies in which we have invested own unique properties with enduring value. The companies are **Capital Radio**, **Daily Mail**, **EMI**, **Euro money** (which serves the financial services industry with a variety of periodicals), **Metal Bulletin** (which serves the mining industry with similar), **Pearson**, **Reed Elsevier** and **Reuters**, plus its quoted subsidiary **Instinet**.

However, we failed to appreciate how overvalued these assets had become during the late 1990s, even though we purchased them well below their 2000 share price peaks. We also failed to recognize how seriously their profits could be eroded in an advertising and, particularly, a financial services recession. In sum, the exposure to the sector has been made prematurely, to say the least, but the assets we own are, by and large, durable and cash generative.

**Reuters**, currently 2.6% of assets after a 75% collapse in value year-to-date, of all our investments has most dismayed us and made our policy of "buy and hold" appear most asinine. The company has fallen victim, as those more foresighted than us have long warned, to the recession in the investment banking industry, which it serves and the outbreak of fierce competition between itself and its one really substantive global rival, Bloomberg. Any defense of the investment we might attempt is tempered by our acknowledgement that we have been spectacularly wrong so far. However, we note that Reuters retains



## Review of Investments *(continued)*

some strengths, primarily its existing business relations with almost every investment bank on the planet, its relatively lowly geared balance sheet and its cash generative model (capital expenditure is routinely well below depreciation and amortisation charges). Perhaps the best we can venture about Reuters today is that there may be a point over the next six months when we can revisit the investment case in less ferociously negative circumstances.

### Telecommunications

Here we only hold an inherited position in **Vodafone**, albeit one underweight to the market. The stock has halved since we decided to retain it, so the relative benefit is of dubious value to your Company. Nonetheless, we can imagine wanting to own more **Vodafone**, believing that mobile phone networks are very valuable places and that the company owns the best in the world. Successful acquisition of cash-strapped rivals, or simply driving them out of business, could boost **Vodafone** stock.

### Banks

Our holdings in the sector, just over 25.0%\* of investments, are concentrated on three franchises, **HBOS**, **Bradford & Bingley** and **Lloyds TSB**, which share a number of characteristics. Each is predominantly a retail, rather than a commercial, bank, meaning that they earn their profits from relationships with millions of UK depositors, savers and borrowers, rather than hundreds of international companies and institutions, as is the case with the latter. We think such a diversified customer base is less risky in current economic conditions. Each has a well-trusted brand, especially **HBOS**, which at 7.9% of investments is our second largest equity investment. Each also has a strong balance sheet, even by the well-capitalised standards of the UK banking sector. It is idle to pretend that any bank is exempt the stresses brought on by the collapse of financial markets in 2002. It may be that the banks we have chosen are forced to hold or even reduce their dividends if economies deteriorate further. However, we judge that the possibility of a really unpleasant accident with any of these three is acceptably low.

### Financial Services

We own four stocks here, amounting to 5.3% of investments. **Schroders** is the largest position, at 2.8% and a significant loss-maker for the Company. Owning a fund management company during a bear market of the current magnitude is unrewarding, to say the least. Unfortunately, we do not know when the bear market will end. What we do know, however, is that there are only three independent, quoted fund management companies of **Schroder's** size in the world, Amvescap and Franklin Templeton in the US being the other two. **Schroders'** brand is recognized around the world and half the company's current capitalization is made up of cash or quoted investments. We assume that either **Schroders** will prosper, or, if not, the family will sell, eventually. In such a circumstance, the strategic value of **Schroders** is greater than the current £1.5bn market capitalization, we believe. Elsewhere, we own part of two stock markets, the **London Stock Exchange** and the Swiss, via a small investment in a company called **Virt-x**. **Virt-x** has the rights to the trading volumes of the 30 biggest Swiss companies and is 39% owned by the Swiss Exchange itself. We expect European stock exchanges to consolidate and for our holdings to return good value in this eventuality. Finally we own shares in **The Lindsell Train Investment Trust**, a vehicle with a defensive portfolio, made up of nearly 50.0% fixed interest. The trust's NAV has fallen by less than 6% since its flotation in January 2001.

\*includes Halifax preference shares



## Review of Investments *(continued)*

### Software

We have a modest, 1.1%, holding in **Sage**, the last pure technology company in the FTSE 100 Index. **Sage** has survived because, almost unique among British technology companies, it has a dependable and cash generative business. It is also undervalued, we believe, on less than 20 times earnings. Regrettably, we find no other candidates from this part of the market. "Regrettably", because we are sure that software companies can be wonderful investments again.

### Conclusion

It is near mandatory to conclude these reviews with a promise, or at least the hope, of better times to come. In current depressed and feverish circumstances it is particularly tempting to strike an upbeat note. In truth, though, we have been surprised and then appalled by the relentless attrition of value that the market and your Company have endured. Having failed to forecast the severity of the bear market, it is perhaps stretching credulity to call any bottom. All we know is that, to the best of our ability, we have sought to maintain exposure to companies with durable businesses and secure balance sheets. We hope that shareholders have been encouraged by the account given in this report, or if not, have had their minds made up for them! We thank shareholders for their patience through a testing time.

**Nick Train, Lindsell Train Limited, Investment Adviser**

**Close Finsbury Asset Management Limited, Investment Manager**

28 November 2002



## Investments

The investments as at 30 September 2002 were:

<b>Investment</b>	<b>Market value £000</b>	<b>% of investments</b>
Cadbury Schweppes	6,609	9.9
Halifax (non-cumulative pref)	5,657	8.5
HBOS	5,288	7.9
Wolverhampton & Dudley Breweries	4,443	6.6
Bradford & Bingley	4,185	6.3
Glemorangie A & B	3,833	5.7
Daily Mail & General Trust 2.5% Exch Bond	3,461	5.1
Barr (A.G.)	3,345	5.0
Reed Elsevier	3,279	4.9
Shell Transport & Trading Co	2,996	4.5
<b>Top 10 investments</b>	<b>43,096</b>	<b>64.4</b>
Vodafone Group	2,048	3.1
Manchester United	1,970	2.9
Schroders	1,868	2.8
BP	1,806	2.7
Reuters Group	1,723	2.6
EMI Group	1,700	2.5
Fuller, Smith & Turner	1,604	2.4
Lloyds TSB Group	1,570	2.4
Pearson	1,386	2.1
Halma	1,170	1.7
<b>Top 20 investments</b>	<b>59,941</b>	<b>89.6</b>
Young & Co's Brewery	1,111	1.7
The Lindsell Train Investment Trust	890	1.3
Euromoney Institutional Investor	765	1.1
Daily Mail & General Trust 'A'	752	1.1
Diageo	750	1.1
Sage Group	720	1.1
London Stock Exchange	684	1.0
Metal Bulletin	652	1.0
Capital Radio	368	0.5
Instinet	183	0.3
<b>Top 30 investments</b>	<b>66,816</b>	<b>99.8</b>
Virt-x	106	0.2
<b>Total investments</b>	<b>66,922</b>	<b>100.0</b>

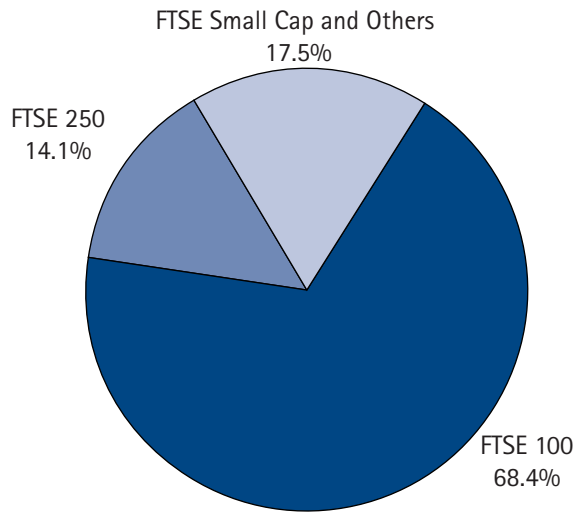
All of the above investments are equities unless otherwise stated.



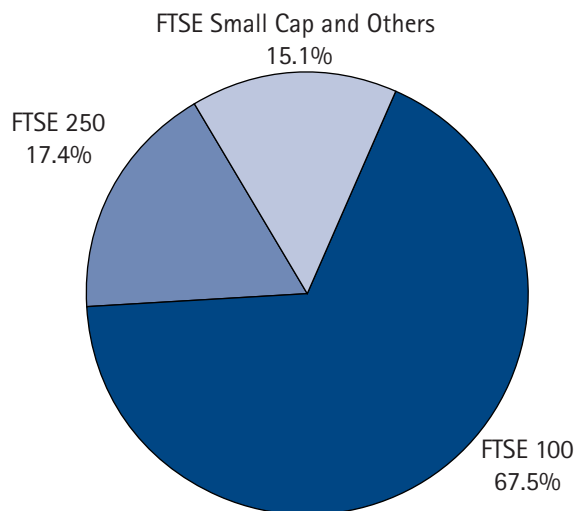


## Portfolio Distribution by Market Capitalisation

2002



2001





## Sector Analysis of Portfolio

as at 30 September 2002

### Comparison of sector weightings with the FTSE All-Share Index

	Finsbury Growth %	FTSE All Share Index %	Finsbury Growth (Under)/over weight %
<b>Resources</b>			
Mining	-	3.1	-3.1
Oil & gas	7.2	13.7	-6.5
	<b>7.2</b>	<b>16.8</b>	<b>-9.6</b>
<b>Basic Industries</b>			
Chemicals	-	1.0	-1.0
Construction & building materials	-	2.2	-2.2
Forest & paper	-	-	-
Steel & other materials	-	0.1	-0.1
	<b>-</b>	<b>3.3</b>	<b>-3.3</b>
<b>General industrials</b>			
Aerospace & defence	-	1.3	-1.3
Diversified industrials	-	-	-
Electronic & electrical equipment	-	0.4	-0.4
Engineering & machinery	1.7	0.7	1.0
	<b>1.7</b>	<b>2.4</b>	<b>-0.7</b>
<b>Cyclical consumer goods</b>			
Automobiles	-	0.3	-0.3
Household goods & textiles	-	-	-
	<b>-</b>	<b>0.3</b>	<b>-0.3</b>
<b>Non-cyclical consumer goods</b>			
Beverages	22.5	3.7	18.8
Food producers & processors	9.9	3.0	6.9
Health	-	1.0	-1.0
Packaging	-	-	-
Personal care & household products	-	0.8	-0.8
Pharmaceuticals	-	10.8	-10.8
Tobacco	-	2.1	-2.1
	<b>32.4</b>	<b>21.4</b>	<b>11.0</b>



## Sector Analysis of Portfolio *(continued)*

### Comparison of sector weightings with the FTSE All-Share Index

	Finsbury Growth %	FTSE All Share Index %	Finsbury Growth (Under)/over weight %
<b>Cyclical services</b>			
Distributors	–	–	–
General retailers	–	3.8	–3.8
Leisure, entertainment & hotels	2.9	2.2	0.7
Media & photography	21.3	3.9	17.4
Restaurants & pubs	–	–	–
Support services	–	2.9	–2.9
Transport	–	1.9	–1.9
	<b>24.2</b>	<b>14.7</b>	<b>9.5</b>
<b>Non-cyclical services</b>			
Food & drug retailers	–	2.4	–2.4
Telecommunications	3.1	7.3	–4.2
	<b>3.1</b>	<b>9.7</b>	<b>–6.6</b>
<b>Utilities</b>			
Electricity	–	2.1	–2.1
Gas distribution	–	1.3	–1.3
Water	–	0.8	–0.8
	<b>–</b>	<b>4.2</b>	<b>–4.2</b>
<b>Financials</b>			
Banks	25.0	18.3	6.7
Insurance	–	0.4	–0.4
Life Assurance	–	2.5	–2.5
Investment companies	1.3	2.2	–0.9
Real estate	–	1.7	–1.7
Speciality & other finance	4.0	1.4	2.6
	<b>30.3</b>	<b>26.5</b>	<b>3.8</b>
<b>Information technology</b>			
Information technology	–	0.2	–0.2
Software & computer services	1.1	0.5	0.6
	<b>1.1</b>	<b>0.7</b>	<b>0.4</b>



## Company Information

### Directors

Michael Reeve (*Chairman*)

John Allard

Vanessa Renwick

Anthony Townsend

Giles Warman

### Michael Reeve, MA, FCA (*Chairman*)

Michael Reeve (65) joined the Board in 1991. He is Chairman of Close Brothers AIM VCT PLC and a director of several other companies.

### John Allard

John Allard (56) joined the Board on 1 October 2000. He was a fund manager with M&G for over 20 years and is a director of Exeter Equity Growth & Income Fund Limited.

### Vanessa Renwick

Vanessa Renwick (41) 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 (54) joined the Board in 1998. He is 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 chairman of The Association of Investment Trust Companies.

### Giles Warman

Giles Warman (54) joined the Board in 1989. Mr Warman has over 30 years experience in the investment industry and is currently an executive with Numis Securities 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

Close Finsbury Asset Management Limited (*novated from AFIM Limited on 27 February 2002*)

12 Appold Street

London EC2A 2AW

Investor Helpline 0800 169 6968

### Investment Adviser

Lindsell Train Limited

35 Thurloe Street

London SW7 2LQ

### Auditors

RSM Robson Rhodes

186 City Road

London EC1V 2NU

### Stockbrokers

Close Brothers Securities Limited

The Atrium Building

Cannon Bridge

25 Dowgate Hill

London EC4R 2GA





## Shareholder Information

### Investment Manager

Close Finsbury Asset Management Limited  
12 Appold Street  
London EC2A 2AW  
Investor Helpline: 0800 169 6968

Please contact Close Finsbury to obtain information and literature concerning the Company or the other Close 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 ISA, Savings Scheme & PEP

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

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

### 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:

	Code:
<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	<a href="http://www.closefinsbury.com">www.closefinsbury.com</a>
TrustNet	<a href="http://www.Trustnet.com">www.Trustnet.com</a>

### Financial Calendar

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



## Shareholder Analysis

	As at 30 September 2002		As at 30 September 2001	
	number of shares	% holding	number of shares	% holding
Pension funds	659,497	1.7	306,466	0.8
Insurance companies	4,084,898	10.5	4,952,895	12.7
Investment funds	9,737,472	25.1	11,089,566	28.5
Other institutions	1,329,012	3.4	889,800	2.3
<b>Total institutions</b>	<b>15,810,879</b>	<b>40.7</b>	<b>17,238,727</b>	<b>44.3</b>
Individuals	16,530,240	42.5	11,755,311	30.3
Close Finsbury retail savings plans	5,154,802	13.3	8,222,145	21.2
Other PEP & ISA clients	1,360,509	3.5	1,640,247	4.2
<b>Total individuals</b>	<b>23,045,551</b>	<b>59.3</b>	<b>21,617,703</b>	<b>55.7</b>
<b>Total shares in issue</b>	<b>38,856,430</b>	<b>100.0</b>	<b>38,856,430</b>	<b>100.0</b>



## Report of the Directors

The Directors present their report and the financial statements for the year ended 30 September 2002.

### Status and Activities

During the year the Company has carried on the business of investing 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.

The Company is registered as an investment company under section 266 of the Companies Act 1985 and it is anticipated that the Company will achieve investment company status with effect from 1 October 2003.

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

The Inland Revenue will grant investment trust status where a company has specifically applied to qualify as an investment trust within the meaning of section 842 of the Income and Corporation Taxes Act 1988. Such approval will not preclude the Inland Revenue from opening a subsequent enquiry into the Company's tax return.

We informed shareholders in last year's Annual Report that the Company did not meet the requirements for investment trust status during the year ended 30 September 2001 and would not therefore receive approval as such for that year. The Directors believe that since 1 October 2001 the Company has directed its affairs so as to meet the requirements of investment trust status.

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 25.

The dividends paid are as follows:

	2002 £000	2001 £000
Ordinary shares		
Interim paid of 1.2p (2001: 1.2p) per share	466	453
Second interim declared of 2.55p (2001: nil) per share	991	-
Final proposed of nil (2001: 2.0p) per share	-	777
	1,457	1,230

The second interim dividend is payable on 11 December 2002 to shareholders on the register of members on 6 December 2002.

### Fixed Asset Investments

The market value of the Group's investments at 30 September 2002 was £66,922,000 (2001: £76,886,000) showing an unrealised loss of £20,528,000 (2001: unrealised loss of £11,062,000) below book value. Taking these investments at this valuation, the net assets attributable to each Ordinary share amounted to 146.7p at 30 September 2002 (2001: 179.7p).



## Report of the Directors *(continued)*

### Management

#### *Investment Management Agreement:*

Until 27 February 2002, AFIM Limited, a wholly owned subsidiary of the Close Brothers Group plc acted as Investment Manager. With effect from that date, the Investment Management Agreement was novated to Close Finsbury Asset Management Limited, a wholly owned subsidiary of Close Brothers Group plc. Details of the fees paid to the Investment Manager may be found in note 3 on page 30. 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"). In the year ended 30 September 2002 there were company secretarial and administration fees of £59,000 (2001: £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 15. Stewart Urry retired as a director of the Company with effect from 9 July 2002 but the Board is pleased that he continues as a consultant.

Vanessa Renwick and John Allard retire by rotation and, being eligible, offer themselves for re-election for terms not to extend beyond the third Annual General Meeting following.

The beneficial interests of Directors and their families in the Company at 30 September 2002 and at 1 October 2001 were as set out below:

	Ordinary shares of 25p each 30 September 2002	1 October 2001
Michael Reeve	14,000	14,000
John Allard	3,491	3,491
Vanessa Renwick	7,220	7,220
Anthony Townsend	42,938	42,938
Giles Warman	25,000	5,080

None of the Directors was 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:

	Number of shares	% of issued capital
Hansa Trust PLC	6,900,000	17.8
Close Finsbury Retail Savings Plans	5,123,570	13.2
Merchant Investors Assurance Co	1,405,000	3.6

### Repurchase of Shares

No shares were repurchased for cancellation during the year (2001: 517,500 Ordinary shares).





## Report of the Directors *(continued)*

### 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 2002, there were no trade creditors (2001: nil).

### 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.

The financial statements are published on [www.closefinsbury.com](http://www.closefinsbury.com), which is a website maintained by the Company's Investment Manager. The work carried out by the auditors does not involve consideration of the maintenance and integrity of this website and accordingly, the auditors accept no responsibility for any changes that have occurred to the financial statements since they were initially presented on the website. Visitors to the website need to be aware that legislation in the United Kingdom governing the preparation and dissemination of the financial statements might differ from legislation in other jurisdictions.

### 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.



## Report of the Directors *(continued)*

### 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 2002, other than those it believes are not appropriate to an investment trust company (as detailed below under Principles of the Code).

### 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).

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 five 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.

In addition to a monthly report, 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.



## Report of the Directors *(continued)*

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.

### *(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 Michael Reeve. The Audit Committee meets representatives of the Investment Manager and the Investment Adviser and their Compliance Officers who report as to the proper conduct of business in accordance with the regulatory environment in which the Company, Investment Manager and the Investment Adviser 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 6 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 7 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.



## Report of the Directors *(continued)*

### *(c) Authority to repurchase shares*

Resolution 8 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 repurchase 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 5,824,579 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.

By order of the Board

**Close Finsbury Asset Management Limited**

Secretary

28 November 2002



## Report of the Independent Auditors

to the Shareholders of Finsbury Growth Trust PLC

We have audited the financial statements on pages 25 to 39.

### 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 2002 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  
28 November 2002





## Consolidated Statement of Total Return

incorporating the revenue account for the year ended 30 September 2002

	Notes	Revenue 2002 £000	Capital 2002 £000	Total 2002 £000	Revenue 2001 £000	Capital 2001 £000	Total 2001 £000
Losses on investments	12	–	(11,939)	(11,939)	–	(22,155)	(22,155)
Exchange gains on currency balances		–	1	1	–	10	10
Income	2	2,733	–	2,733	2,142	–	2,142
Investment management fee	3	(165)	(335)	(500)	(212)	(431)	(643)
Other expenses	4, 5	(447)	–	(447)	(459)	–	(459)
<b>Net return/(loss) before finance costs and taxation</b>		<b>2,121</b>	<b>(12,273)</b>	<b>(10,152)</b>	<b>1,471</b>	<b>(22,576)</b>	<b>(21,105)</b>
Interest payable and similar charges	6	(399)	(810)	(1,209)	(547)	(1,111)	(1,658)
<b>Return/(loss) on ordinary activities before tax</b>		<b>1,722</b>	<b>(13,083)</b>	<b>(11,361)</b>	<b>924</b>	<b>(23,687)</b>	<b>(22,763)</b>
Taxation on ordinary activities	7	(9)	–	(9)	–	–	–
<b>Return/(loss) on ordinary activities after tax for the financial year</b>		<b>1,713</b>	<b>(13,083)</b>	<b>(11,370)</b>	<b>924</b>	<b>(23,687)</b>	<b>(22,763)</b>
Dividends in respect of equity shares	9	(1,457)	–	(1,457)	(1,230)	–	(1,230)
<b>Transfer to/(from) reserves</b>	16	<b>256</b>	<b>(13,083)</b>	<b>(12,827)</b>	<b>(306)</b>	<b>(23,687)</b>	<b>(23,993)</b>
<b>Return/(loss) per share</b>	10	<b>4.41p</b>	<b>(33.67)p</b>	<b>(29.26)p</b>	<b>2.38p</b>	<b>(60.90)p</b>	<b>(58.52)p</b>

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 2002

	Notes	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
<b>Fixed assets investments</b>					
Group undertaking	11	–	–	647	787
Financial Investments	12	66,922	76,886	66,922	76,886
		66,922	76,886	67,569	77,673
<b>Current assets</b>					
Debtors	13	467	660	467	12,604
Cash at bank		227	13,660	227	929
		694	14,320	694	13,533
<b>Creditors</b>					
Amounts falling due within one year	14	(10,612)	(21,375)	(11,259)	(21,375)
<b>Net current liabilities</b>					
		(9,918)	(7,055)	(10,565)	(7,842)
<b>Net assets</b>					
		57,004	69,831	57,004	69,831
<b>Capital and reserves</b>					
Called up share capital	15	9,714	9,714	9,714	9,714
Share premium account	16	–	13,160	–	13,160
Other reserves:					
Special reserve	16	13,160	–	13,160	–
Capital redemption reserve	16	3,353	3,353	3,353	3,353
Capital reserve – realised	16	49,653	53,270	49,653	53,270
Capital reserve – unrealised	16	(20,528)	(11,062)	(19,881)	(10,275)
Revenue reserve	16	1,652	1,396	1,005	609
<b>Equity shareholders' funds</b>					
		57,004	69,831	57,004	69,831
Net asset value per share	17	146.7p	179.7p	146.7p	179.7p

The financial statements on pages 25 to 39 were approved by the Board of Directors on 28 November 2002 and were signed on its behalf by:

**M A F Reeve** *Chairman*

**J A V Townsend** *Director*

*The accompanying notes are an integral part of this statement.*





## Consolidated Cash Flow Statement

for the year ended 30 September 2002

	Notes	2002 £000	2001 £000
<b>Net cash inflow from operating activities</b>	22	<b>1,646</b>	2,028
<b>Servicing of finance</b>			
Bank overdraft and loan interest paid		(1,654)	(1,602)
<b>Taxation</b>			
Tax recovered		13	-
<b>Financial investment</b>			
Purchases of investments		(18,195)	(70,850)
Sales of investments		16,533	85,651
<b>Net cash (outflow)/inflow from financial investment</b>		<b>(1,662)</b>	14,801
<b>Equity dividends paid</b>		<b>(1,243)</b>	(1,418)
<b>Net cash (outflow)/inflow before financing</b>		<b>(2,900)</b>	13,809
<b>Financing</b>			
Repayment of Loan Notes		(20,000)	-
Drawdown of loans		9,466	-
Purchase of own shares		-	(4,944)
<b>Net cash outflow from financing</b>		<b>(10,534)</b>	(4,944)
<b>(Decrease)/increase in cash</b>	23	<b>(13,434)</b>	8,865
<b>Reconciliation of net cash flow to movement in net debt</b>			
(Decrease)/increase in cash resulting from cashflows		(13,434)	8,865
Cashflow from financing		10,534	-
Exchange movements		1	-
Movement in valuation of current asset investments		-	(1,422)
Amortisation of finance costs included in net debt		(39)	(58)
<b>Movement in net debt</b>		<b>(2,938)</b>	7,385
Net debt at 1 October		(6,301)	(13,686)
<b>Net debt at 30 September</b>	23	<b>(9,239)</b>	(6,301)

The accompanying notes are an integral part of this statement.





## Notes to the Financial Statements

### 1. Accounting Policies

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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 financial statements are set out below, with the exception of the adoption of FRS19 'Deferred Tax', set out in (h) below:

*(a) Accounting Convention*

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' except where stated in 1(c) and 1(d) below.

*(b) Basis of Consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiary undertaking all made up to 30 September 2002.

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

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

*(c) Investment Company 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 18, the Company has given notice of the intention to carry on business as an investment company. The Directors intend that the Company will direct its affairs so as to enable it to regain investment company status for the year commencing 1 October 2003. 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, gain of £1.6m (2001: loss of £5.9m); and management expenses and finance costs charged to capital of £0.3m and £0.8m respectively (2001: £0.4m 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 the return is established.



## Notes to the Financial Statements *(continued)*

### 1. Accounting Policies *continued*

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#### *(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*

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by Financial Reporting Standard 19. Previously under Statement of Standard Accounting Practice 15, provision for deferred taxation was necessary only to the extent that it was probable that the tax would be payable in the foreseeable future.

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

#### *(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 *(continued)*

### 2. Income

	2002 £000	2001 £000
<b>Income from UK listed investments</b>		
Franked investment income	2,398	1,903
Unfranked investment income	115	21
UK Scrip dividends	123	121
	<b>2,636</b>	<b>2,045</b>
<b>Other income</b>		
Dealing losses	–	(705)
Underwriting income	–	2
Bank interest receivable	97	800
	<b>97</b>	<b>97</b>
<b>Total income</b>	<b>2,733</b>	<b>2,142</b>
<b>Total income comprises:</b>		
Dividends	2,581	2,024
Interest from convertible fixed interest securities	55	21
Bank interest	97	800
Other	–	(703)
	<b>2,733</b>	<b>2,142</b>

### 3. Investment Management Fees

	Revenue 2002 £000	Capital 2002 £000	Total 2002 £000	Revenue 2001 £000	Capital 2001 £000	Total 2001 £000
Investment management fees	140	285	425	181	368	549
Irrecoverable VAT thereon	25	50	75	31	63	94
	<b>165</b>	<b>335</b>	<b>500</b>	<b>212</b>	<b>431</b>	<b>643</b>

An annual fee is payable by the Company to Close Finsbury Asset Management Limited ("CFAM") of 0.65% of the average market capitalisation of the Company over the year ("Periodic Fee"). The Investment Manager is also entitled to an annual performance fee ("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 Periodic Fee and the 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, Lindsell Train Limited.



## Notes to the Financial Statements *(continued)*

### 4. Directors Emoluments

During the year Michael Reeve (Chairman) received fees of £24,000 (2001: £24,000). The remaining Directors received fees of £12,000 each (2001: £12,000).

Total remuneration for the year amounted to £86,000 (2001: £92,000). Other than disclosed above none of the Directors received any salary, benefit, bonus or pension contributions (2001: nil).

All of the Directors fees were charged to the revenue account.

### 5. Other Expenses

	Revenue 2002 £000	Capital 2002 £000	Total 2002 £000	Revenue 2001 £000	Capital 2001 £000	Total 2001 £000
Secretarial services	59	–	59	47	–	47
Auditors' remuneration for audit services	15	–	15	15	–	15
Auditors' remuneration non-audit services	–	–	–	1	–	1
Printing	35	–	35	41	–	41
ISA, PEP & Savings Scheme costs	63	–	63	62	–	62
Bank and custody fees	10	–	10	27	–	27
Marketing costs	79	–	79	84	–	84
Legal and professional fees	42	–	42	8	–	8
Other expenses	58	–	58	82	–	82
	<b>361</b>	<b>–</b>	<b>361</b>	<b>367</b>	<b>–</b>	<b>367</b>

### 6. Interest Payable and Similar Charges

	Revenue 2002 £000	Capital 2002 £000	Total 2002 £000	Revenue 2001 £000	Capital 2001 £000	Total 2001 £000
Interest payable on £20m 7.95% Senior Loan Notes	117	238	355	525	1,065	1,590
Early redemption fee on £20m 7.95% Senior Loan Notes	135	274	409	–	–	–
Amortisation of issue expenses of Senior Loan Notes	13	26	39	19	39	58
Interest payable on AIB revolving credit facility	110	223	333	–	–	–
Arrangement fee for AIB facilities	23	46	69	–	–	–
Other bank interest	1	3	4	3	7	10
	<b>399</b>	<b>810</b>	<b>1,209</b>	<b>547</b>	<b>1,111</b>	<b>1,658</b>



## Notes to the Financial Statements *(continued)*

### 7. Taxation Charge

#### (a) Analysis of charge for year

	Revenue 2002 £000	Capital 2002 £000	Total 2002 £000	Revenue 2001 £000	Capital 2001 £000	Total 2001 £000
Overseas tax suffered	9	–	9	–	–	–

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

Approved investment trusts are exempt from tax on capital gains made within the trust. During the year ended 30 September 2001, when the Company was not an approved investment trust, no capital gains were made within the Company.

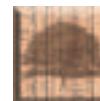
The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30% (2001: 30%). The differences are explained below:

	2002 £000	2001 £000
Revenue return on ordinary activities before tax	1,722	924
Return on ordinary activities multiplied by standard tax rate of corporation tax	517	277
<i>Effects of:</i>		
Non-taxable UK investment income	(719)	(571)
Overseas withholding tax written off	9	–
Income taxable in different periods	(18)	–
Expenses charged to capital account available to be utilised	(344)	(463)
Excess administration expenses unused	531	704
Non-taxable stock dividends	(37)	(36)
Disallowed expenses	28	21
Loss on subsidiary	42	68
Current tax charge for the year	9	–

#### (c) Provision for deferred taxation

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

The Company has not recognised a deferred tax asset of £5,469,000 (2001: £4,938,000) arising as a result of excess management expenses and excess business charges. These expenses will only be utilised if the Company generates sufficient taxable profits in the future. The Company has not recognised a deferred tax asset of £1,163,000 arising from capital losses realised during the year ended 30 September 2001. It is anticipated that the Company will be an approved investment trust for subsequent accounting periods and so no chargeable gains will arise to utilise these capital losses.



## Notes to the Financial Statements *(continued)*

### 8. Revenue Attributable to Shareholders

The return on ordinary activities after tax dealt with in the accounts of the Company is £1,853,000 (2001: £1,148,000). 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

	2002 £000	2001 £000
Dividends on equity shares:		
Interim dividend paid on 31 May 2002 1.2p (2001: 1.2p)	466	453
Second interim dividend payable on 11 December 2002 2.55p (2001: nil)	991	–
Final dividend in respect of 30 September 2002 nil (2001: 2.0p)	–	777
	<b>1,457</b>	<b>1,230</b>

### 10. Return/(loss) per Share

	Revenue 2002 £000	Capital 2002 £000	Total 2002 £000	Revenue 2001 £000	Capital 2001 £000	Total 2001 £000
Return/(loss) per share	4.41p	(33.67)p	(29.26)p	2.38p	(60.90)p	(58.52)p

Revenue return per share is based on £1,713,000 (2001: £924,000) net revenue on ordinary activities after taxation, and on the weighted average number of shares in issue during the year of 38,856,430 (2001: 38,893,807). Capital return per share is based on net capital losses for the financial year of £13,083,000 (2001: losses of £23,687,000) and on the weighted average number of shares in issue during the year of 38,856,430 (2001: 38,893,807).

### 11. Investment in Subsidiary Undertaking

The Company's investment in its subsidiary undertaking Tynepower Limited, an investment dealing company, is shown in Note 12. Tynepower Limited has not traded during the year. 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 *(continued)*

### 12. Fixed Asset Investments

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Investments listed on recognised investment exchanges	<b>66,922</b>	76,886	<b>66,922</b>	76,886
Subsidiary undertaking (see note 11)	–	–	<b>647</b>	787
	<b>66,922</b>	76,886	<b>67,569</b>	77,673

#### Movement of Listed Investments

	Group and Company	
	Listed UK 2002 £000	Total 2002 £000
Opening book cost	<b>87,948</b>	<b>87,948</b>
Opening unrealised depreciation	<b>(11,062)</b>	<b>(11,062)</b>
Opening valuation	<b>76,886</b>	<b>76,886</b>
<i>Movements in the year:</i>		
Purchases at cost	<b>18,318</b>	<b>18,318</b>
Sales – proceeds	<b>(16,343)</b>	<b>(16,343)</b>
– realised losses on sales	<b>(2,473)</b>	<b>(2,473)</b>
Increase in unrealised depreciation	<b>(9,466)</b>	<b>(9,466)</b>
Closing valuation	<b>66,922</b>	<b>66,922</b>
Closing book cost	<b>87,450</b>	<b>87,450</b>
Closing unrealised depreciation	<b>(20,528)</b>	<b>(20,528)</b>
	<b>66,922</b>	<b>66,922</b>
	2002 £000	2001 £000
Realised losses on sales	<b>(2,473)</b>	(3,097)
Less: Amounts recognised as unrealised in previous years	<b>4,108</b>	(2,803)
Realised gains/(losses) based on carrying value at previous balance sheet date	<b>1,635</b>	(5,900)
Net movement in unrealised depreciation	<b>(13,574)</b>	(16,255)
Losses on investments in the year	<b>(11,939)</b>	(22,155)



## Notes to the Financial Statements *(continued)*

### 13. Debtors

	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Due from subsidiary undertaking	–	–	–	11,944
Future settlements – sales	–	190	–	190
Taxation recoverable	2	15	2	15
Prepayments and accrued income	465	455	465	455
	<b>467</b>	<b>660</b>	<b>467</b>	<b>12,604</b>

### 14. Creditors

Amounts falling due within one year	Group 2002 £000	Group 2001 £000	Company 2002 £000	Company 2001 £000
Proposed dividends	991	777	991	777
7.95% Senior Notes	–	20,000	–	20,000
Bank loan	9,466	–	9,466	–
Issue costs less amounts amortised	–	(39)	–	(39)
Other creditors and accruals	155	637	155	637
Due to subsidiary undertaking	–	–	647	–
	<b>10,612</b>	<b>21,375</b>	<b>11,259</b>	<b>21,375</b>

### 15. Share Capital

	2002 £000	2001 £000
Authorised:		
Ordinary shares of 25p	13,658	13,658
	<b>13,658</b>	<b>13,658</b>
Allotted, issued and fully paid:		
Ordinary shares of 25p 38,856,430 (2001: 38,856,430)	9,714	9,714
	<b>9,714</b>	<b>9,714</b>



## Notes to the Financial Statements *(continued)*

### 16. Reserves

	Share Premium Account £000	Special Reserve £000	Capital Reserve realised £000	Capital Reserve unrealised £000	Revenue Reserve £000	Capital Redemption Reserve £000
<b>Group</b>						
Balance as at 1 October 2001	13,160	–	53,270	(11,062)	1,396	3,353
Revenue surplus	–	–	–	–	256	–
Gains/(losses) on investments	–	–	1,635	(13,574)	–	–
Foreign exchange currency gain	–	–	1	–	–	–
Transfer on disposal of investments	–	–	(4,108)	4,108	–	–
Expenses charged to capital	–	–	(1,145)	–	–	–
Cancellation of share premium account	(13,160)	13,160	–	–	–	–
Balance as at 30 September 2002	–	13,160	49,653	(20,528)	1,652	3,353
<b>Company</b>						
Balance as at 1 October 2001	13,160	–	53,270	(10,275)	609	3,353
Revenue surplus	–	–	–	–	396	–
Gains/(losses) on investments	–	–	1,635	(13,714)	–	–
Foreign exchange currency gain	–	–	1	–	–	–
Transfer on disposal of investments	–	–	(4,108)	4,108	–	–
Expenses charged to capital	–	–	(1,145)	–	–	–
Cancellation of share premium account	(13,160)	13,160	–	–	–	–
Balance as at 30 September 2002	–	13,160	49,653	(19,881)	1,005	3,353

### 17. Net Asset Value per Share

	2002	2001
Net asset value per share	<b>146.7p</b>	179.7p

The net asset value per share is based on the net assets attributable to equity shareholders of £57,004,000 (2001: £69,831,000) and on 38,856,430 (2001: 38,856,430) shares in issue at 30 September 2002.

### 18. Movement in Shareholders' Funds

	2002 £000	2001 £000
Opening shareholders' funds	<b>69,831</b>	94,872
Total recognised losses for the year	<b>(11,370)</b>	(22,763)
Share buy-backs	–	(1,048)
Dividends	<b>(1,457)</b>	(1,230)
Balance as at 30 September 2002	<b>57,004</b>	69,831



## Notes to the Financial Statements *(continued)*

### 19. Contingent Liabilities

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There are no capital commitments or contingent liabilities at 30 September 2002 (2001: nil).

### 20. Related Parties

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Details of the relationship between the Company and Close Finsbury Asset Management Limited are disclosed in the Report of the Directors. The management fees payable to AFIM Limited and Close Finsbury Asset Management Limited for the year ended 30 September 2002 amounted to £500,000 (2001: £643,000) of which £34,000 was outstanding at the year-end (2001: £41,000).

The Company holds an investment of £890,000 (2001: £1,035,000) 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.

### 21. Risk Management

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#### (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 *(continued)*

### 21. Risk Management *continued*

#### Interest Rate Risk

The Group's borrowings consist of a Sterling short term bank loan (2001: 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 received/ paid 2002 £000	Floating rate interest received/ paid 2002 £000	Nil interest received 2002 £000	Total 2002 £000	Fixed rate interest received/ paid 2001 £000	Floating rate interest received 2001 £000	Nil interest received 2001 £000	Total 2001 £000
Equities								
– denominated in sterling	–	–	57,621	57,621	–	–	69,997	69,997
– denominated in US dollars	–	–	183	183	–	–	118	118
Non equities	3,461	–	5,657	9,118	1,446	–	5,325	6,771
Cash balances	–	227	–	227	–	13,660	–	13,660
Total financial assets	3,461	227	63,461	67,149	1,446	13,660	75,440	90,546
Financial liabilities	–	(9,466)	–	(9,466)	(19,961)	–	–	(19,961)
Net financial assets/(liabilities)	3,461	(9,239)	63,461	57,683	(18,515)	13,660	75,440	70,585

Non-equity investments include the Daily Mail and General Trust 2.5% Exchangeable Bond 5/10/04. The bond was redeemed early on 18 October 2002.

#### 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 2002 are represented by a bank loan of £9,465,644 bearing a floating rate of interest (2001: £20,000,000 fixed rate 7.95% Senior Loan Notes). The floating rate applicable to these facilities is LIBOR plus 0.85% per annum. 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") of which the above amount is currently drawn down. 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 £183,000 (2001: £118,000).



## Notes to the Financial Statements *(continued)*

### 21. Risk Management *continued*

#### Primary Financial Instruments

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

Fair value of Group liabilities	2002 £000 Book	2002 £000 Fair value	2001 £000 Book	2001 £000 Fair value
7.95% Senior Notes	–	–	19,961	20,761

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

### 22. Reconciliation of Operating Revenue to Net Cash Inflow from Operating Activities

	2002 £000	2001 £000
Net return before interest payable and taxation	2,121	1,471
Net sales of trading stock	–	1,422
Increase in prepayments and accrued income	(5)	(25)
(Increase)/decrease in other debtors	(5)	86
Increase/(decrease) in other creditors and accruals	2	(374)
Expenses allocated to capital	(335)	(431)
Overseas withholding tax suffered	(9)	–
Scrip dividends included in investment income	(123)	(121)
<b>Net cash inflow from operating activities</b>	<b>1,646</b>	<b>2,028</b>

### 23. Analysis of Net Debt

	At 1 October 2001 £000	Cashflow £000	Exchange movements £000	Other non cash movements 2002 £000	At 30 September 2002 £000
Cash	13,660	(13,434)	1	–	227
Debt falling due within one year	(20,000)	10,534	–	–	(9,466)
Issue costs	39	–	–	(39)	–
Total	(6,301)	(2,900)	1	(39)	(9,239)



## 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 14 January 2003 at 12 noon, for the following purposes:

### Ordinary Business

- 1 To receive and consider the audited accounts and the Report of the Directors for the year ended 30 September 2002.
- 2 To re-elect Vanessa Renwick, who retires by rotation, a Director of the Company for a term not to extend beyond the third Annual General Meeting following.
- 3 To re-elect John Allard, 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-appoint RSM Robson Rhodes as the Company's auditors.
- 5 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

- 6 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

- 7 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 of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company shall be entitled to



## Notice of the Annual General Meeting *(continued)*

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.

### **Authority to Repurchase Ordinary Shares**

- 8 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 5,824,579 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 2004 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*  
5 December 2002

12 Appold Street  
London EC2A 2AW



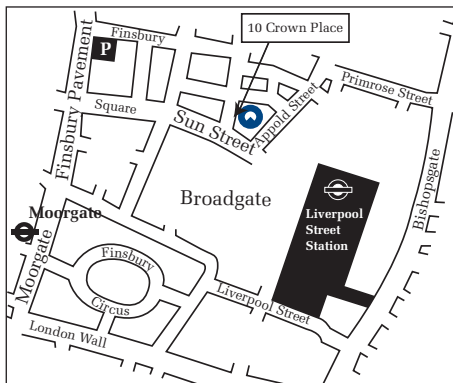
## Notice of the Annual General Meeting *(continued)*

### 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 12 January 2003. 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  
14 January 2003 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 or Premium

A description of the situation when the share price is lower or higher 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 Limited, which is a member of the Close Brothers Group plc, is a specialist investment house with the following investment trusts:

**Finsbury Growth Trust PLC** which 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.

**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.

Close Finsbury now offers on-line dealing and account management at [www.closefinsbury.com](http://www.closefinsbury.com).

Should you require copies of any Close Finsbury literature, again please call our Investor Helpline on 0800 169 6968 or e-mail to [info@closefinsbury.com](mailto:info@closefinsbury.com)  
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