

# FINSBURY GROWTH TRUST PLC

## Annual Report

Year Ended 30 September 2003



**CLOSE FINSBURY**  
DIFFERENT BY DESIGN



## 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.

It is the Company's policy to invest no more than 15% of its gross assets in other listed investment companies (including listed investment trusts).

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## Financial Highlights

	<b>30 September 2003</b>	30 September 2002	% change	
Share Price ( <i>total return</i> )	<b>+24.0%</b>	-21.8%	n/a	
Net Asset Value per share ( <i>total return</i> )	<b>+16.9%</b>	-17.7%	n/a	
FTSE All-Share Index ( <i>total return</i> )	<b>+16.7%</b>	-20.8%	n/a	
Share Price ( <i>capital return</i> )	<b>149.5p</b>	124.5p	+20.1	
Net Asset Value per share ( <i>capital return</i> )	<b>165.8p</b>	146.7p	+13.0	
Discount	<b>9.8%</b>	15.1%	n/a	
Shareholders' Funds	<b>£64.4m</b>	£57.0m	+13.0	
Market capitalisation	<b>£58.1m</b>	£48.4m	+20.1	
Dividends				
	Interim	1.8p	1.2p	+50.0
	Second interim	-	2.55p	-
	Final proposed	<b>3.2p</b>	-	-
	Total	<b>5.0p</b>	3.75p	+33.3

## Company Summary

### Dividends

Ordinary shares

- interim dividend

1.8p (paid on 25 July 2003)

- final dividend proposed

3.2p (payable on 30 January 2004 to shareholders on the register of members on 30 December 2003, shares will go ex-dividend on 24 December 2003)

### 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, 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 17.



## Financial Performance Summary

### Five year performance

	30 September 1998	30 September 1999	30 September 2000	30 September 2001	30 September 2002	30 September 2003
Share price**	-14.2%	19.3%	13.8%	-19.5%	-21.8%	<b>24.0%</b>
Net Asset Value per share**	-7.5%	18.74%	12.39%	-24.8%	-17.7%	<b>+16.9%</b>
FTSE All-Share index**	-2.0%	23.6%	9.6%	-20.8%	-20.8%	<b>16.7%</b>
Share Price#	156.0p	182.5p	202.5p	162.0p	124.5p	<b>149.5p</b>
Net Asset Value per share#	187.2p	218.5p	241.0p	179.7p	146.7p	<b>165.8p</b>
Discount	16.7%	16.5%	16.0%	9.8%	15.1%	<b>9.8%</b>
Shareholders' Funds	£86.3m	£99.7m*	£94.9m*	£69.8m*	£57.0m*	<b>£64.4m*</b>
Market Capitalisation	£60.6m	£70.9m	£78.7m	£62.9m	£48.4m	<b>£58.1m</b>

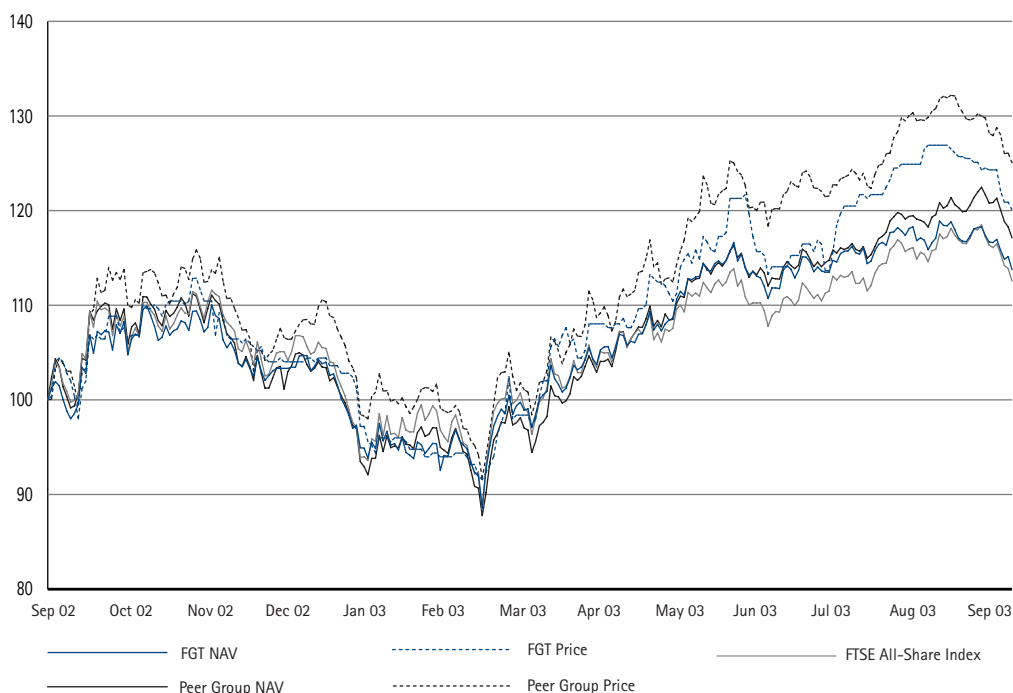
\*In the year ended 30 September 2003, the Company did not repurchase any shares for cancellation (2002: Nil; 2001: 1.3%; 2000: 13.5%; 1999: 1.1% of the issued Ordinary share capital).

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

#Capital Return only.

### Performance Graph

for the year to 30 September 2003



The peer group is comprised of 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: Close Finsbury Asset Management Limited



## Company Information

### Directors

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

### Company Secretary

Close Finsbury Asset Management Limited

### Registered Office

59 Lothian Road, Festival Square,  
Edinburgh EH3 9BY

### Company Registration Number

13958 (Registered in Scotland)

### Investment Manager

Close Finsbury Asset Management Limited  
10 Crown Place, London EC2A 4FT  
authorised and regulated by the Financial Services  
Authority

### Investment Advisors

Lindsell Train Limited  
35 Thurloe Street, London SW7 2LQ

### Stockbrokers

Close Brothers Securities Limited  
The Atrium Building, Cannon Bridge,  
25 Dowgate Hill, London EC4R 2GA

### Auditors

RSM Robson Rhodes LLP  
186 City Road, London EC1V 2NU

### Registrars

Capita IRG plc  
The Registry  
34 Beckenham Road, Beckenham,  
Kent BR3 4TU  
Telephone: 0870 162 3100

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

### Close Finsbury ISA, Savings Scheme and PEP

3 Finsbury Avenue  
London EC2M 2NB

Investor Helpline: 0800 169 6968\*  
Professional Advisors Helpline: 020 7426 4372  
E-Mail: [info@closefinsbury.com](mailto:info@closefinsbury.com)

Please contact the Close Finsbury Helpline to obtain information and literature concerning the Company or other Close Finsbury investment trusts, or if you have a query concerning a Close Finsbury ISA, Savings Scheme or PEP account.

\*Calls to this number are recorded for monitoring purposes.

Online investment and account management is available for the Close Finsbury ISA, Savings Scheme and PEP at [www.closefinsbury.com](http://www.closefinsbury.com)

### Share Price Listings

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

The Company's net asset value per share is announced daily and is available daily on the Close Finsbury website at [www.closefinsbury.com](http://www.closefinsbury.com) and on the TrustNet website at [www.trustnet.com](http://www.trustnet.com)

The London Stock Exchange Daily Official List (SEDOL) code is 0781606



## The Board

Director	<b>Michael Reeve, MA, FCA Chairman</b>	<b>John Allard</b>	<b>Vanessa Renwick</b>
<b>Current Employment</b>	Company Director	Company Director	Company Director
<b>Relevant Experience</b>	Chairman of Close Brothers AIM VCT PLC and a director of several other companies.	Fund Manager with M&G for over 20 years. Director of Exeter Equity Growth & Income Fund Limited.	Over 15 years experience in the investment funds industry.
<b>Length of Service and Age</b>	Aged 66. Served on the Board as Chairman since 1991.	Aged 57. Served on the Board since 2000.	Aged 42. Served on the Board since 2000.
<b>All other public company directorships</b>	Close Brothers AIM VCT plc	Exeter Securities (Guernsey) Ltd	–
<b>Employment by Manager</b>	None	None	None
<b>Other connections with the Trust or Manager</b>	None	None	None
<b>Shared directorships with any commercial company</b>	None	None	None
<b>Employment in Company investments of over 1%</b>	None	None	None

Director	<b>Anthony Townsend, MA</b>	<b>Giles Warman</b>
<b>Current Employment</b>	Company Director	Numis Securities Limited
<b>Relevant Experience</b>	Director of Brit Insurance Holdings PLC and of eight other investment trust companies. Chairman of The Association of Investment Trust Companies.	Over 30 years experience in the investment industry.
<b>Length of Service and Age</b>	Aged 55. Served on the Board since 1998.	Aged 55. Served on the Board since 1989.
<b>All other public company directorships</b>	Finsbury Life Sciences Investment Trust PLC, Finsbury Technology Trust PLC, Finsbury Worldwide Pharmaceutical Trust PLC, BRIT Insurance Holdings PLC, British and American Investment Trust PLC, Gartmore Balanced Assets Trust PLC, The Zero Preference Growth Trust PLC	European Asset Trust NV
<b>Employment by Manager</b>	None	None
<b>Other connections with the Trust or Manager</b>	Consultant to Close Asset Management Holdings Limited and Chairman of Reabourne Technology Investment Management Limited.	None
<b>Shared directorships with any commercial company</b>	None	None
<b>Employment in Company investments of over 1%</b>	None	None

The Audit Committee is formed of the whole board, the Nomination and Remuneration Committees are formed of the whole board with the exception of Anthony Townsend. The Committees take advice from the Investment Manager and external advisers where necessary. All directors are non-executive and all, with the exception of Anthony Townsend, are considered independent.

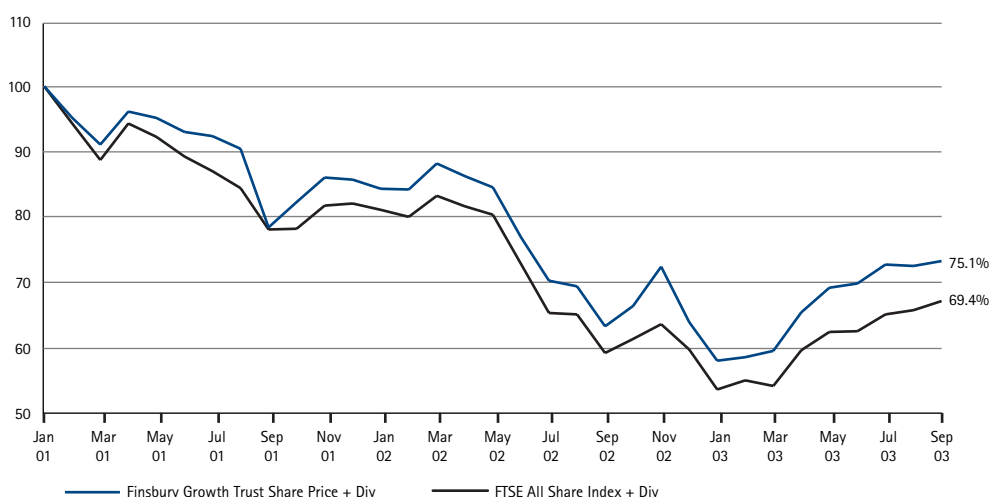


## Chairman's Statement

The recovery in the UK stock market which, I noted at the time of the interim statement, has continued. At 30 September 2003 the market price of your shares was some 20% higher than it was a year earlier and since that date it has increased by a further 5%. The discount to net asset value at which your shares trade reduced from 15.1% at 30 September 2002 to 9.8% at 30 September 2003. The net asset value total return produced by your Company's investment portfolio was 16.9% for the year ended 30 September 2003, which compares to the total return produced by the FTSE All Share Index of 16.7%.

It is now nearly three years since Lindsell Train became our investment advisers. During that period the stock market has been extremely volatile, peaking in March 2001 and plummeting 45.1% by March 2003 since when there has been a recovery. During this period the Company's investments have not been immune from the ups and downs of the market, but from 1 January 2001 to 30 September 2003 they have produced a total return which exceeds the benchmark, the FTSE All Share Index total return, by 6%. As shown in the graph below.

### NAV Performance



### Revenue Return and Dividend

The revenue return per share rose to 5.04p compared with 4.41p in the previous year. This increase was due to higher dividend income, which offset the absence of special scrip dividends, together with a reduction in interest charges and management fees.

Your board has already announced that it is proposing a final dividend of 3.2p per share to be paid on 30 January 2004 to shareholders on the register on 30 December 2003. The final dividend, together with the interim dividend already paid of 1.8p per share, makes a total distribution for the year of 5.0p, compared to 3.75p in 2002. This increase in dividends of 33.3% over that paid in respect of the previous year is being paid out of earnings in the year and not out of reserves. It represents a yield of 3.34% on the share price at 30 September 2003 compared to 3.01% in 2002. The importance your Board attaches to the contribution which dividends make to the achievement of growth is reflected in the style adopted by our investment adviser, which seeks investments that offer dividend as well as capital growth. This should enable us to maintain a progressive dividend policy.



## Chairman's Statement *(continued)*

### Statement of Total Return

The statement of total return is set out on page 25. The total return for the year was 24.05p per share (2002: loss of 29.26p) made up of a revenue return of 5.04p per share (2002: 4.41p) and a capital return of 19.01p (2002: loss of 33.67p).

### Investments

The valuation of investments at 30 September 2003 was £73,380,000 (2002: £66,922,000). The net asset value per share at the year end was 165.8p (2002: 146.7p).

The investment portfolio, an analysis of which is set out on page 13, remains a concentrated one with 29 holdings. Weightings against the FTSE All Share Index remain similar to this time last year, the portfolio being underweight in oils and telecommunications and overweight in beverages, media and financials.

A review of investments by our investment adviser is set out on pages 8 to 11. It is significant that of the companies in which we are invested, nearly 80% in value of the investments in your Company's portfolio increased their dividends in the year.

### Purchase of shares for Treasury

Following changes in legislation which came into force on 1 December 2003 your Company can be empowered to acquire up to 10% of its issued share capital in any twelve month period, if shareholders so agree. Such shares purchased can be retained in Treasury for reissue at a future date unlike any shares acquired by the Company prior to that date, which have had to be cancelled. Your board considers that circumstances could arise in which it would be in shareholders' interests for such a power to be exercised. As in previous years therefore a resolution is being tabled at the Annual General Meeting to enable your board to make purchases of your Company's shares should it be deemed to be appropriate to do so.

### Outlook

In the last few months there has been a marked change in sentiment in the stock market with the result that share prices have recouped some of the losses incurred during the last two years. The recent bear market in UK equities has caused a reduction in the long run rate of real total returns from 6.0% per annum over the last 100 years to 5.75% per annum today. It would clearly be wrong to dismiss as a "blip" the recent bear market during which the FTSE All-Share index fell nearly 50% from peak to trough.

However the very long run reward from owning equities remains little changed. With UK inflation currently running at less than 2% per annum and no sign of acceleration, we think it reasonable, therefore, for investors in UK equities to anticipate a nominal total return of between 6% to 8% per annum, being the sum of current inflation and the very long term trend in returns. Long run averages do of course have a smoothing effect and returns over the next five years or so are likely to arise in a lumpier fashion. Your board believes that your Company's concentrated portfolio should continue to deliver out-performance.

### Annual General Meeting

The Annual General Meeting of the Company will be held at 10 Crown Place, London EC2A 4FT on 27 January 2004 at 12 noon and I would very much encourage as many shareholders as are able to attend. Nick Train, of our investment adviser Lindsell Train Limited, will make a presentation after the meeting. A map showing the location of 10 Crown Place can be found on page 42 of this Annual Report.

**Michael Reeve**

*Chairman*

12 December 2003



## Investment Review

Your Company modestly outperformed its benchmark for a second full year. In addition, earnings available for distribution increased and your dividends have duly risen, as detailed by the Chairman. This rate of dividend increase, of over 30.0%, is clearly not sustainable, but we hope to grow the dividend further over coming years in real or inflation-adjusted terms. Although your Company is named Finsbury "Growth", as opposed to Finsbury "Income", we pay close attention to the contribution dividends make to the achievement of "growth" for our shareholders, a contribution which can be meaningful, as is confirmed by all academic studies of the pattern of returns from UK equities. Moreover, our investing style has always tended to generate strong dividend flows and, consistent with this observation, the historic yield on the current portfolio is in excess of that of the UK market in general.

Dividends and particularly growing dividends from the companies in which we are invested are doubly important, then. These dividends enable the Company to enhance its value for its owners, by increasing the income they derive from it – growing dividends will drive the share price of the Company. Second, the rate of dividend growth announced by the portfolio companies is, we believe, the best indicator of the true rate of underlying progress for these companies. Revenues, profits, earnings – all these measures can be manipulated, or tell you more about the past than the future. Dividends, though, tell no lies. They are cash and, once paid, irretrievable for the company – they had better be, then, genuinely affordable.

In this spirit, we thought it might be instructive this year for shareholders to learn about the recent dividend histories of the companies in which the Company is invested, with some commentary about prospects for future dividend growth. This analysis goes most of the way, we believe, to explaining not only why the shares we own performed as they did over the last financial year, but, more importantly, gives shareholders an indication of the prospects for future returns, which will be intimately correlated with the quantum of future dividend payments.

We divide the following report according to rate of dividend growth, taking the last declared dividend, whether interim or final and comparing that to its counterpart 12 months previously. All the companies discussed below, which comprise the Company's entire portfolio, were held 12 months ago.

### **Dividend Increase of 20.0% or more**

2.5% Company Assets at Year-end. 1 company.

**Sage** is the only company we hold that raised its last dividend by more than 20.0%. In fact, Sage increased its recent distribution from 0.157p to 0.555p, representing a 3.5 fold increase. The company signalled that the enhanced payment represents a change of policy, moving to a more generous payout that reflects its improved cash generation and earnings predictability (although it had for years already been the most predictable of any of the UK's thin crop of "technology" companies). Nonetheless, we believe it would be an error to interpret this dividend hike as an admission by the company that its long-term business growth rate is set to slow – that Sage is becoming a "mature" company. Dividend cover, even after the increase, remains a prospective 4.2x, way above the stock market's average cover of 1.7x. Such a level of retained earnings implies, we think correctly, that Sage identifies exceptional growth opportunities across its business. The shares, regrettably but understandably, do not offer a high starting dividend yield, but we add periodically to the Company's holding. The shares have recovered well during 2003, up 18.0%.



## Investment Review *(continued)*

### Dividend Increase of Between 10.0% and 20.0%

32.0% Company Assets at Year-end. 7 companies.

We are pleased to report that by number and by weighting in the Company, we have more companies that increased dividends by between 10.0 and 20.0% last year than any other. With UK inflation running at either 1.4% or 2.8%, according to whether you prefer the EU harmonised calculation or the Bank of England's own (and, unusually for us, in this instance we find ourselves with more sympathy for an EU statistic than a home grown one), with inflation so low, double digit rates of dividend increase represent truly exceptional corporate performance. These paragons were **A.G. Barr, Bradford & Bingley, Halma, London Stock Exchange, Manchester United, Vodafone** and **Wolverhampton & Dudley**. Not surprisingly all of these shares have made good relative and absolute returns for the Company. We expect the strongest long-term dividend growth from this pack to derive from A.G. Barr, last dividend increase 15.0% and Manchester United, 19.0%. Each company, in separate ways has a significant growth opportunity and a growth opportunity, what is more, which is not particularly capital intensive, meaning that the fruits of the growth are available for distribution as dividends. Barr is selling increasing quantities of IRN BRU into its largest foreign market, England and like all successful soft drinks companies, with Coke the ultimate exemplar, this growth produces an embarrassment of cash/ riches. Barr is, we think, the best value investment in the Company's portfolio, which is appropriate, given the 7.0% weighting at year-end. Investors will find it impossible to replicate exposure to this, we think wonderful investment, in any other UK investment trust. Meanwhile, Manchester United is discovering ways to get its "content", the games that it contests, watched by more people around the world, most obviously by satellite or cable. The increased revenues that accrue to Manchester United from this growing audience of subscribers bear almost no marginal costs for the company and, therefore, flow through as profit and cash. The club ended its recent financial year with £29.0m net cash on its balance sheet, up from less than £1.0m last year, testament to the cash generative nature of this unique franchise. Bradford & Bingley, a major position for the Company, has outperformed the All-Share by a marked amount over the three years of its existence as a public company, having risen 13.0% over the period, while the market has fallen 29.0%. In the meantime, its shares offer a dividend yield some 55.0% greater than that of the market, covered 1.8x. We expect B&B's capital outperformance of the market to moderate, failing a takeover, however we also believe that its combination of high yield and dividend growth, last increase over 12.0%, is hard to beat.

### Dividend Increase of Between 5.0% and 10.0%

23.0% Company Assets at Year-end. 6 companies.

The six are **Daily Mail and General Trust, Diageo, Fullers, Glenmorangie, HBOS** and **Young & Co's Brewery**. In some ways, the investment proposition offered by HBOS today symbolises all that is attractive about investing in UK equities. Here is a major company, with a durable franchise, a significant growth opportunity and one of the strongest balance sheets amongst any of the European financial service companies. Today, as we rehearsed, UK inflation runs at less than 2.0% pa. UK short interest rates stand at 3.75%. Yet HBOS ordinary shares offer a historic dividend yield of 4.3%, growing, at the last declaration, at over 5.0%pa. In other words, HBOS offers a dividend yield in excess of current base rates, in excess of current inflation and growing more quickly than inflation. This is the stuff of outstanding long-term investment returns. This important investment for the Company has performed in line with the All-Share over the past 12 months, as this report is written. We believe it to be materially undervalued, with a dividend yield 35.0% in excess of the All-Share, but growing ahead of the market average. Our brewers, including Wolverhampton & Dudley, from the preceding category, can best be understood, we believe, as index-linked bonds, albeit with higher starting yields than government index-linkers. None of these brewers



## Investment Review *(continued)*

is likely to grow earnings very rapidly over the next 25 years, but each of them might very well be expected to at least maintain the real value of 2003 earnings, if not increase them marginally in real terms, because of their long proven ability to pass rising costs through to consumers in higher retail prices and because of the very substantial real estate assets underpinning each business. All this points to a continuation of steady real dividend growth from these franchises, which will be value creating for Company shareholders from the starting dividend yields, which are ahead of inflation. Wolverhampton & Dudley has been a star performer for your Company, with a book profit on the holding of 65.0% since purchase in 2001, accrued over a period when the market as a whole fell sharply. The company has increased dividends by somewhat more than 10.0% pa every year since 1976 and we expect more real dividend growth. From a current yield of over 4.0%, such growth should generate further value for shareholders.

### Dividend Increase of Between 2.5% and 5.0%

21.0% Company Assets at Year-end. 5 companies.

It does not do to be too churlish about these companies "only" growing their dividends at double the rate of UK inflation. Some of our favourite investments are among these five and we see mitigating circumstances in some cases, which justify the companies erring on the side of dividend caution. The five are **BP, Cadbury, Pearson, Reed Elsevier** and **Shell**. Nonetheless, this somewhat muted pace of dividend growth has registered with investors in general and some of these shares have been dull investments over the past 12 months. The strength of Sterling against the US Dollar over the past year has been a factor in the dividend decisions made by their respective Boards. All these companies earn a substantial proportion of their revenues in US Dollars, any decline in the value of which shrinks the pool of cash available for Sterling dividends. Meanwhile, the two media companies have been challenged by two or three of the toughest years for that industry in decades. Any weakness in Sterling and recovery in business fortunes should have an opposite and beneficial effect for owners. BP and Shell are enjoying the high, unnaturally high we think, oil price, but have needed all the windfall from this war-inflated commodity price to fund their exploration and development programmes. Both BP and Shell need to replenish reserves, to ensure they will be able to pay growing dividends not just next year, but in 25 years and this is an expensive and risky challenge. We remain underweight in the oil majors and note that UK investors clearly "see through" current high profitability, because their shares have notably underperformed the market in calendar 2003. Cadbury has for a number of years pursued a policy of growing its dividend only marginally ahead of inflation, last year 4.3%, while allowing dividend cover to expand, in pursuit of more rapid reinvestment-driven earnings growth. Cover is 2.3x, notably above market, while earnings have risen from 9.4p in 1995 to 27.4p last year, justifying the Board's broader and dividend strategies, in our view. Over the past decade Cadbury has grown its dividend by 80.0%, which, combined with the earnings growth outlined above, drove the shares to outperform the All-Share over the same period. Cadbury is currently our largest holding in the Company and we look forward to a continuation of the historic outperformance.

### Dividend Unchanged or Maiden Dividend

13.5% Company Assets at Year-end. 6 companies.

**Euromoney, Lloyds Bank, Reuters** and **Schroders** did not increase their dividends last year, though did not cut. **Instinet** does not pay dividends, as a corporate policy, not through inability. **The Lindsell Train Investment Trust** paid a maiden dividend. All four of the non-increasers are implicated in the financial services recession of the last few years. All four have been among the best performers in the Company, in capital terms, since the market bottomed in early 2003, up 66.0%, 40.0%, 122.0% and 71.0% respectively



## Investment Review *(continued)*

from their 2003 lows. All four too, in our judgement, have the type of business – high profit margin, high return on equity, low need for capital reinvestment, that will permit them to return to dividend growth, if current levels of market activity and asset prices are sustained. Who knows? – is our honest answer to the question begged in the previous sentence about the sustainability of capital market recovery. We continue to believe though, that owning companies that are beneficiaries of the long-term propensity of capital markets to deepen (more participants, more instruments traded) and go up, like these four, makes sense. Meanwhile, the four offer historic dividend yields of 4.1%, 8.1%, 4.1% and 2.4% respectively, meaning they make a valuable contribution to the Company's own dividend.

### Fixed Interest Assets

8.0% Company Assets. 4 securities.

We own two preference shares, the **Halifax 6.125%** and **HBOS 9.25%** and two irredeemable gilts, the **2.5% Consolidated Loan Stock** and the **2.5% Treasury Stock**. The rationale for owning all this paper is the same. The instruments offer a running yield, which we analyse as exceptionally safe, that makes a valuable contribution to the Company's own dividend-paying capacity. In particular, the near 7.0% yields on the Halifax and HBOS instruments match the likely average returns from the broader UK equity market over the next few years, we believe. Meanwhile, the gilts yield just under 5.0% gross and their income, which can be offset against interest and management expenses, enhances the tax-efficiency of the Company, if resorted to in moderation.

### Outlook

Nearly 80.0% of the assets within the Company, on the above analysis, seem likely to increase their dividends ahead of UK inflation. The remainder is invested in shares or assets that either have high current dividend yields, or where dividend growth may renew, or both. The portfolio in total offers a yield of 3.6%, before management expenses, some 10.0% ahead of the FT All-Share yield at the same date. We expect further dividend increases for Company shareholders and a return competitive with the All-Share benchmark, over the long haul.

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

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

15 December 2003



## Investments

The investments as at 30 September 2003 were:

Investment	Market value £000	% of investments
Cadbury Schweppes	5,994	8.2
Wolverhampton & Dudley Breweries	5,472	7.5
Halifax (non cum preference)#	5,354	7.3
HBOS	5,332	7.3
Glenmorangie 'A' & 'B'	5,236	7.1
Barr (A.G.)	5,154	7.0
Bradford & Bingley	4,515	6.1
Manchester United	3,677	5.0
Reed Elsevier	3,194	4.4
Vodafone	3,015	4.1
<b>Top 10 investments</b>	<b>46,943</b>	<b>64.0</b>
Shell Transport & Trading Co.	2,937	4.0
Schroders	2,785	3.8
Reuters	2,611	3.5
Fuller Smith & Turner	2,057	2.8
Diageo	2,013	2.7
BP	1,755	2.4
Sage	1,725	2.4
Pearson	1,551	2.1
Young & Co Brewery	1,394	1.9
Halma	1,390	1.9
<b>Top 20 investments</b>	<b>67,161</b>	<b>91.5</b>
Lloyds TSB Group	1,383	1.9
Euromoney Institutional Investor	1,186	1.6
Lindsell Train Investment Trust	885	1.2
Daily Mail & General Trust 'A'	856	1.2
London Stock Exchange	683	0.9
UK Treasury 2.5% 29/12/49*	519	0.7
Consolidated 2.5% 05/04/23*	303	0.4
Instinet	265	0.4
HBOS 9.25% (non cum preference)#	139	0.2
<b>Total investments</b>	<b>73,380</b>	<b>100.0</b>

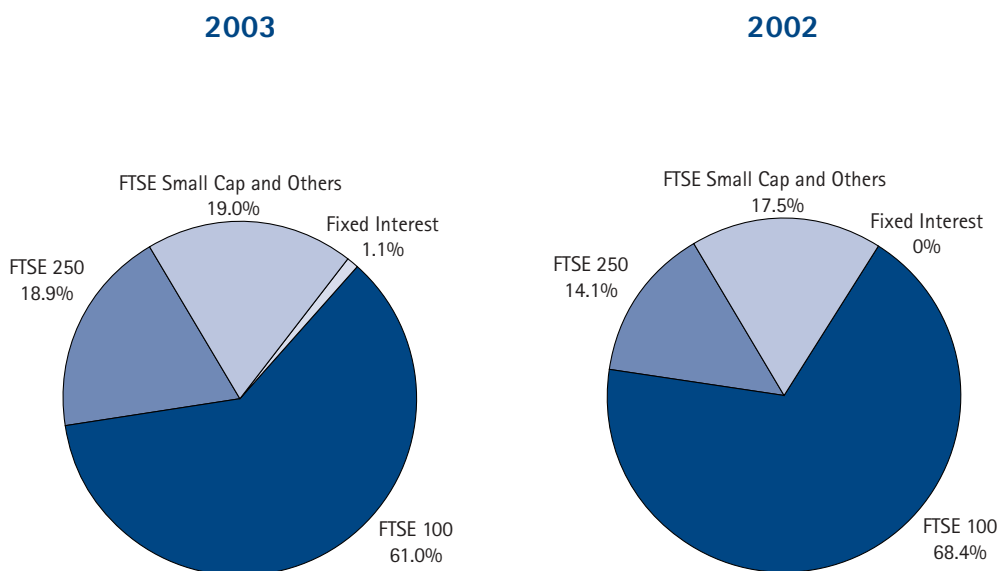
All of the above investments are equities unless otherwise stated. All investments are listed in the UK with the exception of Instinet which is listed in the USA.

# Non-equity – Preference Shares

\* Non-equity – Fixed Interest Holdings



## Portfolio Distribution by Market Capitalisation



## Analysis of Investment Portfolio

as at 30 September 2003

	£000	£000
Listed on recognised stock exchange	67,065	91.4
<b>Total listed equities</b>	<b>67,065</b>	<b>91.4</b>
Halifax (non cum preference)	5,354	7.3
UK Treasury 2.5% 29/12/49	519	0.7
Consolidated 2.5% 05/04/23	303	0.4
HBOS 9.25% (non cum preference)	139	0.2
<b>Total non equity</b>	<b>6,315</b>	<b>8.6</b>
<b>Total investments</b>	<b>73,380</b>	<b>100.0</b>

## Sector Analysis of Portfolio

as at 30 September 2003

### 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	0.0	3.7	-3.7
Oil & gas	6.4	11.7	-5.3
	<b>6.4</b>	<b>15.4</b>	<b>-9.0</b>
<b>Basic Industries</b>			
Chemicals	0.0	0.8	-0.8
Construction & building materials	0.0	2.5	-2.5
Forest & paper	0.0	0.1	-0.1
Steel & other materials	0.0	0.1	-0.1
	<b>0.0</b>	<b>3.5</b>	<b>-3.5</b>
<b>General industrials</b>			
Aerospace & defence	0.0	1.2	-1.2
Diversified industrials	0.0	0.0	0.0
Electronic & electrical equipment	0.0	0.3	-0.3
Engineering & machinery	1.9	0.7	1.2
	<b>1.9</b>	<b>2.2</b>	<b>-0.3</b>
<b>Cyclical consumer goods</b>			
Automobiles & parts	0.0	0.3	-0.3
Household goods & textiles	0.0	0.1	-0.1
	<b>0.0</b>	<b>0.4</b>	<b>-0.4</b>
<b>Non-cyclical consumer goods</b>			
Beverages	16.9	2.7	14.2
Food producers & processors	8.2	2.4	5.8
Health	0.0	0.9	-0.9
Personal care & household products	0.0	0.7	-0.7
Pharmaceuticals & biotechnology	0.0	10.4	-10.4
Tobacco	0.0	1.8	-1.8
	<b>25.1</b>	<b>18.9</b>	<b>6.2</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>			
General retailers	0.0	3.8	-3.8
Leisure & hotels	17.2	2.1	15.1
Media & entertainment	12.8	4.1	8.7
Support services	0.0	2.9	-2.9
Transport	0.0	1.8	-1.8
	<b>30.0</b>	<b>14.7</b>	<b>15.3</b>
<b>Non-cyclical services</b>			
Food & drug retailers	0.0	2.4	-2.4
Telecommunications services	4.1	8.9	-4.8
	<b>4.1</b>	<b>11.3</b>	<b>-7.2</b>
<b>Utilities</b>			
Electricity	0.0	1.2	-1.2
Utilities – other	0.0	2.4	-2.4
	<b>0.0</b>	<b>3.6</b>	<b>-3.6</b>
<b>Financials</b>			
Banks	22.8	19.8	3.0
Insurance	0.0	0.6	-0.6
Life Assurance	0.0	2.6	-2.6
Investment companies	1.2	2.5	-1.3
Real estate	0.0	1.6	-1.6
Speciality & other finance	6.2	1.7	4.5
	<b>30.2</b>	<b>28.8</b>	<b>1.4</b>
<b>Information technology</b>			
Information technology hardware	0.0	0.3	-0.3
Software & computer services	2.3	0.9	1.4
	<b>2.3</b>	<b>1.2</b>	<b>1.1</b>

## Report of the Directors

The Directors present their report and the financial statements for the year ended 30 September 2003.

### 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.

During the year under review the Company has operated as an investment company as defined under section 266 of the Companies Act 1985. It achieved investment company status with effect from 1 October 2003.

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. The Company has received approval as an investment trust for the year ended 30 September 2002. Such approval will not preclude the Inland Revenue from opening a subsequent enquiry into the Company's tax return. The Directors are of the opinion 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 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 and proposed are as follows:

	2003 £000	2002 £000
Ordinary shares		
Interim paid of 1.8p (2002: 1.2p) per share	699	466
Second interim declared of Nil p (2002: 2.55p) per share	-	991
Final proposed of 3.2p (2002: nil) per share	1,243	-
	<b>1,942</b>	<b>1,457</b>

The final dividend is payable on 30 January 2004 to shareholders on the register of members on 30 December 2003.

### Fixed Asset Investments

The market value of the Group's investments at 30 September 2003 was £73,380,000 (2002: £66,922,000) showing an unrealised loss of £1,959,000 (2002: unrealised loss of £20,528,000). Taking these investments at this valuation, the net assets attributable to each Ordinary share amounted to 165.8p at 30 September 2003 (2002: 146.7p).

### Management

#### *Investment Management Agreement:*

Investment Management services are provided by 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.



## Report of the Directors *(continued)*

The Board keeps under review the performance of its investment manager and investment advisers. In the opinion of the Directors the continuing appointment of the investment manager and investment advisers on the terms agreed is in the interests of shareholders as a whole. The Directors believe the investment manager and investment adviser are particularly well equipped to administer the Company and identify attractive investment opportunities.

### *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 2003 there were company secretarial and administration fees of £64,000 (2002: £59,000). 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 5.

Anthony Townsend retires by rotation and, being eligible, offers himself for re-election for a term not to extend beyond the third Annual General Meeting following.

The beneficial interests of Directors and their families in the Company at 30 September 2003 and at 1 October 2002 were as set out below:

	Ordinary shares of 25p each	
	30 September 2003	1 October 2002
Michael Reeve	14,000	14,000
John Allard	8,413	3,491
Vanessa Renwick	7,220	7,220
Anthony Townsend	42,938	42,938
Giles Warman	45,000	25,000

None of the Directors were granted or exercised rights over shares during the year. No change in the Directors' interests disclosed above has occurred prior to the date of this report.

### Substantial Shareholdings

As at 24 November 2003 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	17.76
Close Finsbury Saving Plans	5,887,396	15.15
Gerrard Private Clients (various accounts)	4,731,137	12.18

### Repurchase of Shares

No shares were repurchased for cancellation during the year (2002: nil).

### 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 2003, there were no trade creditors (2002: nil).



## Report of the Directors *(continued)*

### Auditors

On 3 May 2003 RSM Robson Rhodes transferred their business to a limited liability partnership, incorporated under the Limited Liability Partnerships Act 2000, called RSM Robson Rhodes LLP. The Directors have treated the appointment of RSM Robson Rhodes as extending to RSM Robson Rhodes LLP.

RSM Robson Rhodes LLP 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, all 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.

### 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 2003, other than those it believes are not appropriate to an investment trust company (as detailed below under Principles of the Code).

## Report of the Directors *(continued)*

### 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 with the exception of Anthony Townsend. 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 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.

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 independent Directors fulfil 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

## Report of the Directors *(continued)*

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 independent directors fulfil 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. Details of the Directors' fees are disclosed fully in the Directors' Remuneration Report on pages 22 and 23.

### *(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) Approval of the Directors' Remuneration Report*

Resolution 5 in the Notice of Annual General Meeting seeks shareholder approval of the Directors' Remuneration Report.

### *(b) Authority to allot shares*

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.

### *(c) 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 or the sale by the Company of shares held by it in treasury – see below ("treasury shares"), pursuant to a rights issue or a sale equivalent to a rights issue or b) the allotment (other than as part of a rights issue) of shares or the sale of treasury shares for cash up to an aggregate nominal value of £485,705. No such allotment will be made at less than the NAV per share (as determined in the absolute discretion of the Directors). However, Ordinary shares held in treasury may

## Report of the Directors *(continued)*

be resold by the Company at a discount to such NAV provided that such shares are resold by the Company at a lower discount to NAV than the discount at which they were repurchased by the Company.

### *(d) 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 re-purchase of shares at a discount to the underlying NAV would enhance the NAV on the remaining shares.

At the Annual General Meeting the Company will seek shareholder approval to repurchase up to 5,824,579 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 per 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 or, if less, for a period of 15 months. The decision as to whether to repurchase any shares will be at the absolute discretion of the Board. Shares repurchased under this authority may either be held by the Company in treasury for resale up to a maximum of 10% of the issued Ordinary shares or cancelled.

By order of the Board

**Close Finsbury Asset Management Limited**

Company Secretary

15 December 2003



## Directors' Remuneration Report

The Board has prepared this report, in accordance with the requirements of Schedule 7a to the Companies Act 1985, which applies for the first time for this financial year. An ordinary resolution for the approval of this report will be put to the members at the forthcoming Annual General Meeting.

The law requires your Company's auditors to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditors' opinion is included in their report on page 24.

### Remuneration Committee

The Company has five non-executive directors. The independent directors fulfil the function of a Remuneration Committee. The Board has appointed the Company Secretary, Close Finsbury Asset Management Limited, to provide advice when the Directors consider the level of Directors' fees.

The Board carried out a review of the level of Directors' fees during the year, and concluded that the amounts should remain unchanged.

### Policy on Directors' Fees

The Board's policy is that the remuneration of non-executive directors should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts that are similar in size, have a similar capital structure (Ordinary shares), and have a similar investment objective. It is intended that this policy will continue for the year ending 30 September 2004 and subsequent years.

The fees for the non-executive directors are determined within the limits set out in the Company's Articles and Association, the maximum aggregate amount being £100,000, and they are not eligible for bonuses, pension benefits, share options, long-term incentive schemes or other benefits.

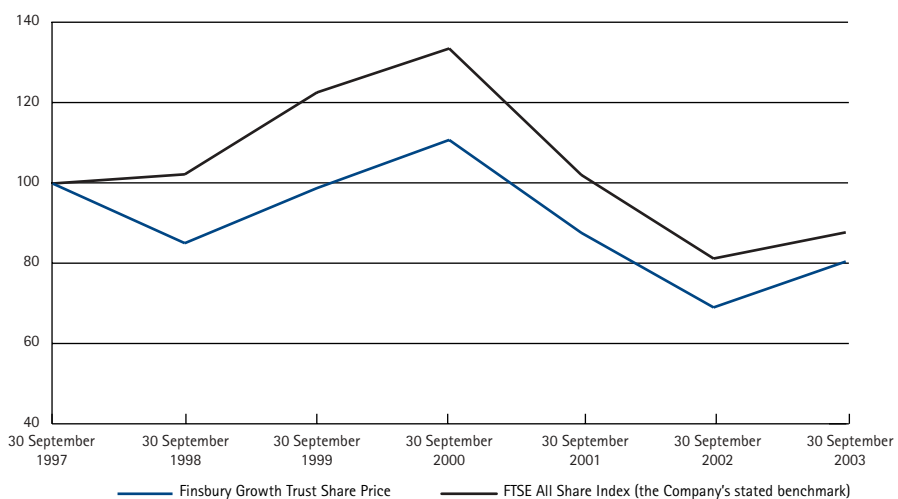
### Directors' Service Contracts

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

### Your Company's Performance

The graph set out on page 23 compares the total return (assuming all dividends are reinvested) to Ordinary shareholders compared to the total shareholder return on a notional investment made up of shares of the same kind and number as those by reference to which the FTSE All-Share Index (the Company's stated benchmark) is calculated.

## Directors' Remuneration Report *(continued)*



### Directors' Emoluments for the Year (audited)

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

	Fees	Fees
	2003	2002
	£000	£000
Michael Reeve (Chairman of the Board)	24	24
John Allard	12	12
Vanessa Renwick	12	12
Anthony Townsend	12	12
Giles Warman	12	12
Stewart Urry	–	14
	<b>72</b>	<b>86</b>

Fees in respect of Michael Reeve's services were paid to The Tregear Company Ltd. Otherwise no directors fees were paid to third parties. Stewart Urry retired as a director on 9 July 2002.

### Approval

The Directors' Remuneration Report on this page was approved by the Board of Directors on 15 December 2003 and signed on its behalf by Michael Reeve (Chairman).

## Report of the Independent Auditors

to the Shareholders of Finsbury Growth Trust PLC

We have audited the financial statements on pages 25 to 39. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration 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 and the part of the Directors' Remuneration Report to be audited 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 whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report 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 company'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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Investment Manager's Report, the Corporate Governance Statement and the Five Year Summary. 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 other information.

### 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 and the part of the Directors' Remuneration Report to be audited. 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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

### Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and group as at 30 September 2003 and of the group's net revenue, total return and cashflow for the year then ended; and the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

### RSM Robson Rhodes LLP

Chartered Accountants and Registered Auditors  
186 City Road, London EC1V 2NU, England  
3 December 2003



## Consolidated Statement of Total Return

incorporating the revenue account for the year ended 30 September 2003

		Revenue	Capital	Total	Revenue	Capital	Total
		2003	2003	2003	2002	2002	2002
	Notes	£000	£000	£000	£000	£000	£000
Gains/(losses) on investments	11	–	7,892	7,892	–	(11,939)	(11,939)
Exchange (losses)/gains on currency balances		–	(1)	(1)	–	1	1
Income	2	2,654	–	2,654	2,733	–	2,733
Investment management fee	3	(134)	(271)	(405)	(165)	(335)	(500)
Other expenses	4	(449)	–	(449)	(447)	–	(447)
<b>Net return/(loss) before finance costs and taxation</b>		<b>2,071</b>	<b>7,620</b>	<b>9,691</b>	<b>2,121</b>	<b>(12,273)</b>	<b>(10,152)</b>
Interest payable and similar charges	5	(114)	(231)	(345)	(399)	(810)	(1,209)
<b>Return/(loss) on ordinary activities before tax</b>		<b>1,957</b>	<b>7,389</b>	<b>9,346</b>	<b>1,722</b>	<b>(13,083)</b>	<b>(11,361)</b>
Taxation on ordinary activities	6	–	–	–	(9)	–	(9)
<b>Return/(loss) on ordinary activities after tax for the financial year</b>		<b>1,957</b>	<b>7,389</b>	<b>9,346</b>	<b>1,713</b>	<b>(13,083)</b>	<b>(11,370)</b>
Dividends in respect of equity shares	8	(1,942)	–	(1,942)	(1,457)	–	(1,457)
<b>Transfer to/(from) reserves</b>	15	<b>15</b>	<b>7,389</b>	<b>7,404</b>	<b>256</b>	<b>(13,083)</b>	<b>(12,827)</b>
<b>Return/(loss) per share</b>	9	<b>5.04p</b>	<b>19.01p</b>	<b>24.05p</b>	<b>4.41p</b>	<b>(33.67)p</b>	<b>(29.26)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 2003

	Notes	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
<b>Fixed assets investments</b>					
Group undertaking	10	–	–	645	647
Financial Investments	11	73,380	66,922	73,380	66,922
		<b>73,380</b>	66,922	<b>74,025</b>	67,569
<b>Current assets</b>					
Debtors	12	355	467	355	467
Cash at bank		985	227	982	227
		<b>1,340</b>	694	<b>1,337</b>	694
<b>Creditors</b>					
Amounts falling due within one year	13	(10,312)	(10,612)	(10,954)	(11,259)
<b>Net current liabilities</b>		<b>(8,972)</b>	(9,918)	<b>(9,617)</b>	(10,565)
<b>Net assets</b>		<b>64,408</b>	57,004	<b>64,408</b>	57,004
<b>Capital and reserves</b>					
Called up share capital	14	9,714	9,714	9,714	9,714
Other reserves:					
Special reserve	15	13,160	13,160	13,160	13,160
Capital redemption reserve	15	3,353	3,353	3,353	3,353
Capital reserve – realised	15	38,473	49,653	38,473	49,653
Capital reserve – unrealised	15	(1,959)	(20,528)	(1,314)	(19,881)
Revenue reserve	15	1,667	1,652	1,022	1,005
<b>Equity shareholders' funds</b>		<b>64,408</b>	57,004	<b>64,408</b>	57,004
Net asset value per share	16	<b>165.8p</b>	146.7p	<b>165.8p</b>	146.7p

The financial statements on pages 25 to 27 were approved by the Board of Directors on 12 December 2003 and were signed on its behalf by:

**M A F Reeve** *Chairman*

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



## Consolidated Cash Flow Statement

for the year ended 30 September 2003

	Notes	2003 £000	2002 £000
<b>Net cash inflow from operating activities</b>	21	1,927	1,646
<b>Servicing of finance</b>			
Bank overdraft and loan interest paid		(355)	(1,654)
<b>Taxation</b>			
Tax recovered		–	13
<b>Financial investment</b>			
Purchases of investments		(7,938)	(18,195)
Sales of investments		9,581	16,533
<b>Net cash inflow/(outflow) from financial investment</b>		1,643	(1,662)
<b>Equity dividends paid</b>		(1,690)	(1,243)
<b>Net cash inflow/(outflow) before financing</b>		1,525	(2,900)
<b>Financing</b>			
Repayment of Loan Notes		–	(20,000)
(Repayment)/drawdown of loans		(766)	9,466
<b>Net cash outflow from financing</b>		(766)	(10,534)
<b>Increase/(decrease) in cash</b>	22	759	(13,434)
<b>Reconciliation of net cash flow to movement in net debt</b>			
Increase/(decrease) in cash resulting from cashflows		759	(13,434)
Decrease in debt		766	10,534
Exchange movements		(1)	1
Amortisation of finance costs included in net debt		–	(39)
<b>Movement in net funds/(debt)</b>		1,524	(2,938)
Net debt at 1 October		(9,239)	(6,301)
<b>Net debt at 30 September</b>	22	(7,715)	(9,239)

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:

*(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 2003.

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 was not an investment company during the year under review for the purposes of making distributions under Section 265 of the Companies Act 1985. The Company reapplied for investment company status, within the meaning of Section 266 of the Companies Act 1985, for the year commencing 1 October 2003 and has subsequently met all requirements. The Directors 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 was 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 £7,892m (2002: loss of £11,939m); and management expenses and finance costs charged to capital of £0,271m and £0,231m respectively (2002: £0,335m and £0,810m). 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.

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

	2003 £000	2002 £000
<b>Income from UK listed investments</b>		
Franked investment income	2,627	2,398
Unfranked investment income	7	115
UK Scrip dividends	–	123
	<b>2,634</b>	<b>2,636</b>
<b>Other income</b>		
Bank interest receivable	17	97
Other income	3	–
	<b>20</b>	<b>97</b>
<b>Total income</b>	<b>2,654</b>	<b>2,733</b>
<b>Total income comprises:</b>		
Dividends	2,627	2,581
Interest from fixed interest securities	7	55
Bank interest	17	97
Other	3	–
	<b>2,654</b>	<b>2,733</b>

### 3. Investment Management Fees

	Revenue 2003 £000	Capital 2003 £000	Total 2003 £000	Revenue 2002 £000	Capital 2002 £000	Total 2002 £000
Investment management fees	114	231	345	140	285	425
Irrecoverable VAT thereon	20	40	60	25	50	75
	<b>134</b>	<b>271</b>	<b>405</b>	<b>165</b>	<b>335</b>	<b>500</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. No performance fee was payable for the year under review (2002: nil).

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

### 4. Other Expenses

	Revenue 2003 £000	Capital 2003 £000	Total 2003 £000	Revenue 2002 £000	Capital 2002 £000	Total 2002 £000
Secretarial services	64	–	64	59	–	59
Directors' emoluments (see page 22)	72	–	72	86	–	86
Auditors' remuneration for						
audit services	18	–	18	15	–	15
Printing	33	–	33	35	–	35
ISA, PEP & Savings Scheme costs	47	–	47	63	–	63
Bank and custody fees	7	–	7	10	–	10
Marketing costs	60	–	60	79	–	79
Legal and professional fees	39	–	39	42	–	42
Commitment fee for AIB facilities*	42	–	42	–	–	–
Other expenses	67	–	67	58	–	58
	<b>449</b>	<b>–</b>	<b>449</b>	<b>447</b>	<b>–</b>	<b>447</b>

Details of the amounts paid to directors are included in the directors' remuneration report on pages 21 and 22.

\*As recommended within the revised AITC Statement of Recommended Accounting Practice (SORP), bank commitment fees, previously stated as a finance charge and charged 33% to revenue and 67% to capital, have been stated as an expense and charged 100% to revenue.

### 5. Interest Payable and Similar Charges

	Revenue 2003 £000	Capital 2003 £000	Total 2003 £000	Revenue 2002 £000	Capital 2002 £000	Total 2002 £000
Interest payable on £20m 7.95%						
Senior Loan Notes	–	–	–	117	238	355
Early redemption fee on £20m 7.95%						
Senior Loan Notes	–	–	–	135	274	409
Amortisation of issue expenses of						
Senior Loan Notes	–	–	–	13	26	39
Interest payable on AIB revolving						
credit facility	112	228	340	110	223	333
Commitment fee for AIB facilities	–	–	–	23	46	69
Other bank interest	2	3	5	1	3	4
	<b>114</b>	<b>231</b>	<b>345</b>	<b>399</b>	<b>810</b>	<b>1,209</b>

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

### 6. Taxation Charge

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

	Revenue 2003 £000	Capital 2003 £000	Total 2003 £000	Revenue 2002 £000	Capital 2002 £000	Total 2002 £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.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 30% (2002: 30%). The differences are explained below:

	2003 £000	2002 £000
Revenue return on ordinary activities before tax	1,957	1,722
Return on ordinary activities multiplied by standard tax rate of corporation tax	587	517
<i>Effects of:</i>		
Non-taxable UK investment income	(788)	(719)
Overseas withholding tax written off	-	9
Income taxable in different periods	18	(18)
Expenses charged to capital account available to be utilised	(150)	(344)
Excess administration expenses unused	296	531
Non-taxable stock dividends	-	(37)
Disallowed expenses	37	28
Loss on subsidiary	-	42
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 £5,765,000 (2002: £5,469,000) 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 capital losses of £3,876,000 realised during the year ended 30 September 2001, which are available to be carried forward as at 30 September 2003. The Company has now regained its Investment Trust status and so no chargeable gains will arise to utilise these capital losses.

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

### 7. Revenue Attributable to Shareholders

The return on ordinary activities after tax dealt with in the accounts of the Company is £1,959,000 (2002: £1,853,000). 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.

### 8. Dividends

	2003 £000	2002 £000
Dividends on equity shares:		
Interim dividend paid on 25 July 2003 1.8p (2002: 1.2p)	699	466
Final dividend payable on 30 January 2004 3.2p (2002: Second interim dividend 2.55p)	1,243	991
	<b>1,942</b>	1,457

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

	Revenue 2003 £000	Capital 2003 £000	Total 2003 £000	Revenue 2002 £000	Capital 2002 £000	Total 2002 £000
Return/(loss) per share	5.04p	19.01p	24.05p	4.41p	(33.67)p	(29.26)p

Revenue return per share is based on £1,957,000 (2002: £1,713,000) net revenue on ordinary activities after taxation, and on the weighted average number of shares in issue during the year of 38,856,430 (2002: 38,856,430). Capital return per share is based on net capital return for the financial year of £7,389,000 (2002: losses of £13,083,000) and on the weighted average number of shares in issue during the year of 38,856,430 (2002: 38,856,430).

### 10. Investment in Subsidiary Undertaking

The Company's investment in its subsidiary undertaking Tynepower Limited, an investment dealing company, is shown in Note 11. 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)*

### 11. Fixed Asset Investments

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Investments listed on recognised investment exchanges	73,380	66,922	73,380	66,922
Subsidiary undertaking (see note 10)	–	–	645	647
	<b>73,380</b>	<b>66,922</b>	<b>74,025</b>	<b>67,569</b>

#### Movement of Listed Investments

	Group and Company		
	Listed US 2003 £000	Listed UK 2003 £000	Total 2003 £000
Opening book cost	487	86,963	87,450
Opening unrealised depreciation	(304)	(20,224)	(20,528)
Opening valuation	183	66,739	66,922
<i>Movements in the year:</i>			
Purchases at cost	–	8,147	8,147
Sales – proceeds	–	(9,581)	(9,581)
– realised losses on sales	–	(10,677)	(10,677)
Decrease in unrealised depreciation	82	18,487	18,569
Closing valuation	265	73,115	73,380
Closing book cost	487	74,852	75,339
Closing unrealised depreciation	(222)	(1,737)	(1,959)
	<b>265</b>	<b>73,115</b>	<b>73,380</b>

	2003 £000	2002 £000
Realised losses on sales	(10,677)	(2,473)
Less: Amounts recognised as unrealised in previous years	(9,497)	4,108
Realised (losses)/gains based on carrying value at previous balance sheet date	(20,174)	1,635
Net movement in unrealised depreciation	28,066	(13,574)
Gains/(losses) on investments in the year	7,892	(11,939)

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

### 12. Debtors

	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Taxation recoverable	2	2	2	2
Prepayments and accrued income	353	465	353	465
	<b>355</b>	467	<b>355</b>	467

### 13. Creditors

Amounts falling due within one year	Group 2003 £000	Group 2002 £000	Company 2003 £000	Company 2002 £000
Bank loan	8,700	9,466	8,700	9,466
Securities purchased for future settlement	209	–	209	–
Due to subsidiary undertaking	–	–	645	647
Other creditors and accruals	160	155	157	155
Proposed dividend	1,243	991	1,243	991
	<b>10,312</b>	10,612	<b>10,954</b>	11,259

### 14. Share Capital

	2003 £000	2002 £000
Authorised:		
Ordinary shares of 25p	13,658	13,658
	<b>13,658</b>	13,658
Allotted, issued and fully paid:		
Ordinary shares of 25p 38,856,430 (2002: 38,856,430)	9,714	9,714
	<b>9,714</b>	9,714

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

### 15. Reserves

	Special Reserve £000	Capital Reserve realised £000	Capital Reserve unrealised £000	Capital Redemption Reserve £000	Revenue Reserve £000
<b>Group</b>					
Balance as at 1 October 2002	13,160	49,653	(20,528)	3,353	1,652
Revenue surplus	-	-	-	-	15
(Losses)/gains on investments	-	(20,174)	28,066	-	-
Foreign exchange currency loss	-	(1)	-	-	-
Transfer on disposal of investments	-	9,497	(9,497)	-	-
Expenses charged to capital	-	(502)	-	-	-
Balance as at 30 September 2003	13,160	38,473	(1,959)	3,353	1,667
<b>Company</b>					
Balance as at 1 October 2002	13,160	49,653	(19,881)	3,353	1,005
Revenue surplus	-	-	-	-	17
(Losses)/gains on investments	-	(20,174)	28,064	-	-
Foreign exchange currency loss	-	(1)	-	-	-
Transfer on disposal of investments	-	9,497	(9,497)	-	-
Expenses charged to capital	-	(502)	-	-	-
Balance as at 30 September 2003	13,160	38,473	(1,314)	3,353	1,022

### 16. Net Asset Value per Share

	2003	2002
Net asset value per share	<b>165.8p</b>	146.7p

The net asset value per share is based on the net assets attributable to equity shareholders of £64,408,000 (2002: £57,004,000) and on 38,856,430 (2002: 38,856,430) shares in issue at 30 September 2003.

### 17. Movement in Shareholders' Funds

	2003 £000	2002 £000
Opening shareholders' funds	<b>57,004</b>	69,831
Total recognised gains/(losses) for the year	<b>9,346</b>	(11,370)
Dividends	<b>(1,942)</b>	(1,457)
Balance as at 30 September 2003	<b>64,408</b>	57,004

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

### 18. Contingent Liabilities

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There are no capital commitments or contingent liabilities at 30 September 2003 (2002: nil).

### 19. 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 Close Finsbury Asset Management Limited for the year ended 30 September 2003 amounted to £405,000 (2002: £500,000) of which £38,000 was outstanding at the year-end (2002: £34,000).

The Company holds an investment of £885,000 (2002: £890,000) 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.

### 20. 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)*

### 20. Risk Management *continued*

#### Interest Rate Risk

The Group's borrowings consist of a Sterling short term bank loan (2002: Sterling short term bank loan).

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 2003 £000	Floating rate interest received/ paid 2003 £000	Financial assets on which no interest is paid 2003 £000	Total 2003 £000	Fixed rate interest received/ paid 2002 £000	Floating rate interest received 2002 £000	Financial assets on which no interest is paid 2002 £000	Total 2002 £000
Equities								
– denominated in sterling	–	–	66,800	66,800	–	–	57,621	57,621
– denominated in US dollars	–	–	265	265	–	–	183	183
Non equities	822	–	5,493	6,315	3,461	–	5,657	9,118
Cash balances	–	985	–	985	–	227	–	227
Total financial assets	822	985	72,558	74,365	3,461	227	63,461	67,149
Financial liabilities	–	(8,700)	–	(8,700)	–	(9,466)	–	(9,466)
Net financial assets/(liabilities)	822	(7,715)	72,558	65,665	3,461	(9,239)	63,461	57,683

Non-equity investments include the Halifax and HBOS (non-cumulative preference shares), UK Treasury 2.5% 29/12/49 and the Consolidated 2.5% 05/04/23.

#### 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 2003 are represented by a £15,000,000 revolving credit facility, with Allied Irish Banks plc, of which £8,700,000 was drawn down (2002: £20,000,000 fixed rate 7.95% Senior Loan Notes). This facility 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 £265,000 (2002: £183,000).



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

### 20. Risk Management *continued*

#### Primary Financial Instruments

All of the assets and liabilities of the Group are shown at fair value.

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

	2003 £000	2002 £000
Net return before interest payable and taxation	2,071	2,121
Decrease/(increase) in accrued income	109	(5)
Decrease/(increase) in prepayments	3	(5)
Increase in other creditors and accruals	15	2
Expenses allocated to capital	(271)	(335)
Overseas withholding tax suffered	–	(9)
Scrip dividends included in investment income	–	(123)
<b>Net cash inflow from operating activities</b>	<b>1,927</b>	<b>1,646</b>

### 22. Analysis of Net Debt

	At 1 October 2002 £000	Cashflow £000	Exchange movements £000	Other non cash movements 2003 £000	At 30 September 2003 £000
Cash	227	759	(1)	–	985
Debt falling due within one year	(9,466)	766	–	–	(8,700)
<b>Total</b>	<b>(9,239)</b>	<b>1,525</b>	<b>(1)</b>	<b>–</b>	<b>(7,715)</b>

### 23. Substantial interests

The Company holds interests in 3% or more of any class of capital in the following companies:

Company	Shares held	% of issued share capital	Market value £000
Barr (A.G.)	847,673	4.4	5,154
Glenmorangie	584,020	7.6	5,236
Young & Co Brewery	199,873	3.6	1,394
Lindsell Train Investment Trust	10,000	5.0	885

None of these investments are considered significant in the context of these accounts.



## 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 27 January 2004 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 2003.
- 2 To re-elect Anthony Townsend, who retires by rotation, a Director of the Company for a term not to extend beyond the third Annual General Meeting following.
- 3 To declare a final dividend of 3.2p per share.
- 4 To re-appoint RSM Robson Rhodes LLP as the Company's auditors and to authorise the Directors to determine their remuneration.

### Special Business

To consider, and if thought fit, pass the following resolutions, of which, numbers 7 and 8 will be proposed as special resolutions:

### Approval of the Directors' Remuneration Report

- 5 THAT the Directors' Remuneration Report be, and is hereby approved.

### 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 (representing 1,942,820 Ordinary shares of 25p each, such amount being equivalent to 5% of the present issued share capital) 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 by resolution 6 above or otherwise as if subsection (1) of Section 89 of the Act did not apply to any such allotment and to sell relevant shares (within the meaning of Section 94 of the Act) if, immediately before the sale, such shares are held by the Company as treasury shares (as defined in Section 162A of the Act ("treasury shares")) for cash as if Section 89(1) of the Act did not apply to any such sale provided that this power shall be limited to the allotment of equity securities and the sale of treasury shares:
  - (a) an offer of equity securities open for acceptance for a period fixed by the Directors 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

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

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) (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal value of £485,705 (representing 1,942,820 Ordinary shares of 25p each, such amount being equivalent to 5% of the present issued share capital)

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company shall be entitled to make, prior to the expiry of such authority, an offer or agreement which would or might require equity securities to be allotted or treasury shares to be sold after such expiry and the Board may allot equity securities or sell treasury shares pursuant to such offer or agreement as if the power conferred hereby had not expired. No allotment or sale 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 2005 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**  
Company Secretary  
15 December 2003

10 Crown Place  
London EC2A 4FT



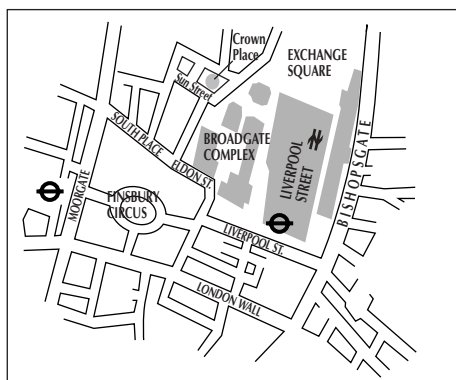
## Notice of the Annual General Meeting *(continued)*

### 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 25 January 2004. 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 27 January 2004 at 12 noon.



## Shareholder Analysis

	2003 number of shares	2003 % of issued share capital	2002 number of shares	2002 % of issued share capital
Nominee Companies and Private Individuals*	30,637,665	78.9	23,380,268	60.2
Bank and Bank Nominees	7,353,639	18.9	7,357,756	18.9
Insurance Companies	24,300	0.1	7,545,635	19.4
Pension Funds	19,298	-	-	-
Other Institutions, Investment Funds and Companies	821,528	2.1	572,771	1.5
<b>Total</b>	<b>38,856,430</b>	<b>100.0</b>	<b>38,856,430</b>	<b>100.0</b>
*Includes				
Close Finsbury Savings Scheme	1,356,297	3.5	1,198,445	3.1
Close Finsbury PEP and ISA	4,608,383	11.9	3,950,587	10.2

## 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.

#### Initial Public Offering (IPO)

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

#### 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.

#### Potential Gearing

Potential gearing is the amount currently available for the company to use by way of a loan already arranged. The directors may choose to draw down an amount less than the amount available, this is usually due to market conditions.

#### 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 managing the following investment trusts:

**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.

**Close Finsbury EuroTech Trust PLC** invests primarily in the equity securities of quoted European technology companies with the aim of achieving long-term capital growth.

**Finsbury Life Sciences Investment Trust PLC** invests in life science companies based in the UK, Western Europe (including Scandinavia) and Israel, with particular emphasis on biotechnology, with the aim of achieving long-term capital growth.

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

**Finsbury Worldwide Pharmaceutical Trust PLC** invests worldwide in pharmaceutical and biotechnology companies with the aim of achieving a high level of 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)**, the **Close Finsbury Savings Scheme** and the **Close Finsbury PEP**. For full details of the investment schemes please contact the Investor Helpline on Freephone: 0800 169 6968\*.

Online dealing and account management are available at [www.closefinsbury.com](http://www.closefinsbury.com).

Should you require further copies of any Close Finsbury literature, again please call the Investor Helpline on Freephone: 0800 169 6968\*  
or e-mail to [info@closefinsbury.com](mailto:info@closefinsbury.com)  
[www.closefinsbury.com](http://www.closefinsbury.com)

\*calls to this number are recorded for monitoring purposes.

This page has been approved for the purposes of the Financial Services and Markets Act 2000 by Close Finsbury Asset Management Limited which is authorised and regulated by the Financial Services Authority.







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