Finsbury Growth & Income Trust PLC

Annual Report

for the year ended 30 September 2005

CLOSE FINSBURY
DIFFERENT BY DESIGN

COMPANY SUMMARY

Investment Policy and Objective
Finsbury Growth & Income Trust PLC invests in the shares of UK listed companies with the objective of achieving capital and income 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).

Capital Structure
At 30 September 2005 the Company had 44,948,643 Ordinary shares of 25p each in issue (2004: 38,456,430). As at 12 December 2005 the issued Ordinary shares had increased to 46,531,573.

Gearing
The Company has a £20 million committed and a £5 million uncommitted borrowing facility with Allied Irish Banks plc.

Annual General Meeting
The Annual General Meeting of the Company will be held at 10 Crown Place, London EC2A 4FT at 12 noon on Thursday, 26 January 2006.

Dividends
Ordinary shares	
– first interim dividend	4.0p paid on 26 April 2005 (2004: 1.8p)
– second interim dividend	4.0p paid on 28 October 2005 (2004: Nil)
– final dividend	Nil (2004: 4.1p paid on 26 January 2005)
Total dividend for the year	2005: 8.0p (2004: 5.9p)

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The Company is a member of the Association of Investment Trust Companies.

FINANCIAL HIGHLIGHTS

		30 September 2005	30 September 2004	Change
Share Price *(capital return)*		260.3p	199.5p	+30.5%
Share Price *(total return)*		+37.2%	+37.4%	n/a
Net Asset Value per share *(total return)*		+31.5%	+26.0%	n/a
FTSE All-Share Index *(total return) (company benchmark)*		+24.9%	+15.7%	n/a
Net Asset Value per share *(capital return)*		253.8p	203.5p	+24.7%
Premium/(discount)		2.6%	(2.0%)	n/a
Shareholders' Funds		£114.1m	£74.2m	+53.8%
Market Capitalisation^		£117.0m	£72.8m	+60.7%
Dividends	First Interim paid	4.0p	1.8p	+122.2%
	Second Interim paid	4.0p	–	–
	Final paid	–	4.1p	–
	Total	8.0p	5.9p	+35.6%
†Total Expense Ratio (excluding exceptional expenses – see note 4 on page 33)		1.0%	1.3%	–

FIVE YEAR PERFORMANCE SUMMARY

	30 September 2000	30 September 2001	30 September 2002	30 September 2003	30 September 2004	30 September 2005
Share Price *(capital return)*	202.5p	162.0p	124.5p	149.5p	199.5p	260.3p
Share price *(total return)*	13.8%	-19.5%	-21.8%	24.0%	37.4%	37.2%
Net Asset Value per share *(total return)*	12.4%	-24.8%	-17.7%	16.9%	26.0%	31.5%
FTSE All-Share index* *(total return)*	9.6%	-20.8%	-20.8%	16.7%	15.7%	24.9%
Net Asset Value per share *(capital return)*	241.0p	179.7p	146.7p	165.8p	203.5p	253.8p
(Discount)/premium	(16.0%)	(9.8%)	(15.1%)	(9.8%)	(2.0%)	2.6%
Shareholders' Funds	£94.9m#	£69.8m#	£57.0m	£64.4m	£74.2m#+	£114.1m~
Market Capitalisation^	£78.7m	£62.9m	£48.4m	£58.1m	£72.8m	£117.0m
Total dividends paid and proposed	4.25p	3.20p	3.75p	5.00p	5.90p	8.00p

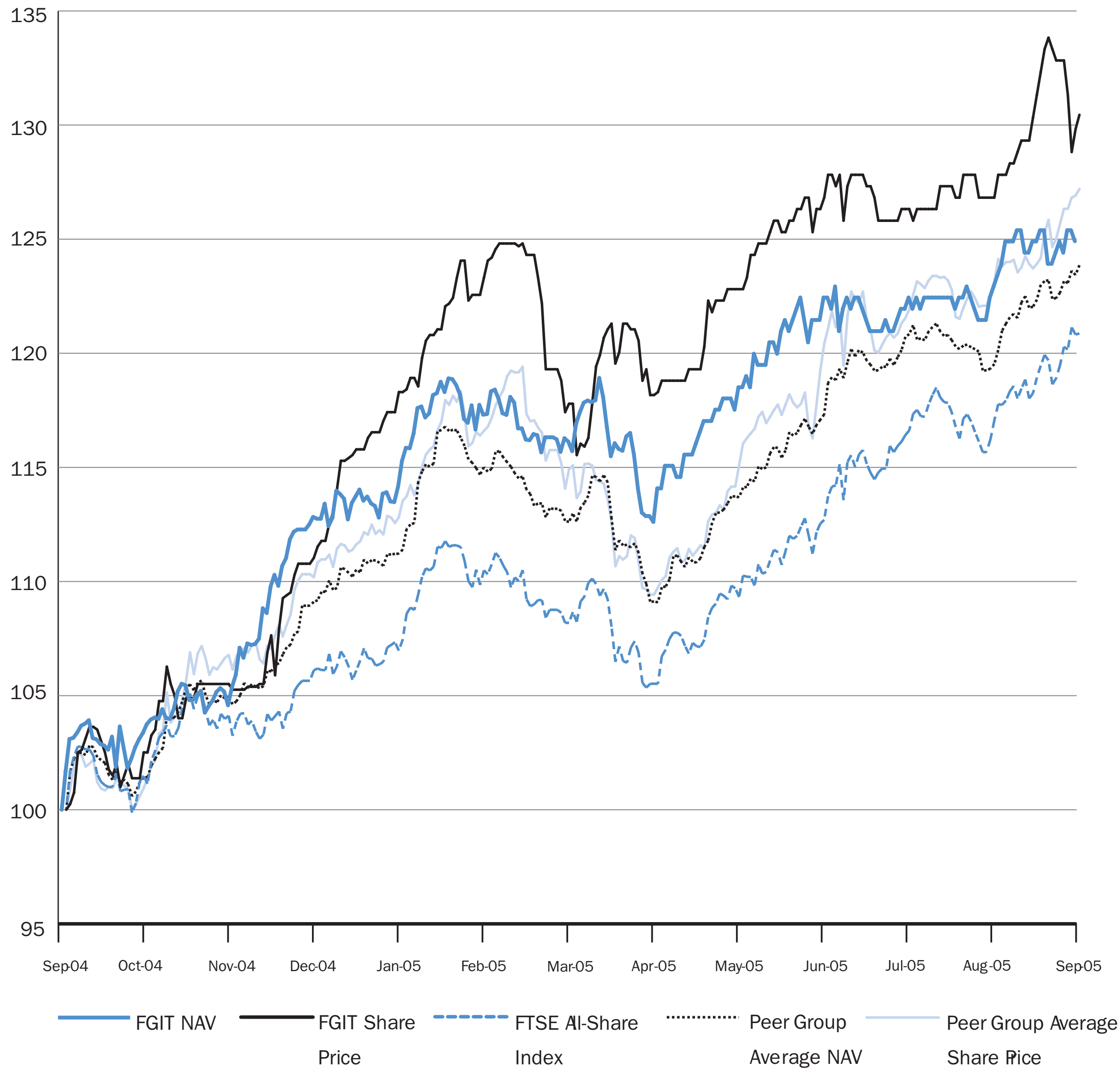
^ Based on the share price x number of Ordinary shares in issue, adjusted for treasury shares where appropriate.
† TER is calculated based on assets as at 30 September.
* Figures relate to percentage total return over one year periods.
# The Company repurchased Ordinary shares for cancellation in the following amounts: 2004: 1.0%, 2001: 1.3% and 2000 13.5%.
+ In the year ended 30 September 2004, the Company resold into the market 1,022,822 Ordinary shares held in treasury.
~ In the year ended 30 September 2005, the Company resold into the market 1,972,178 Ordinary shares held in treasury and allotted 6,492,213 new Ordinary shares.

PERFORMANCE

The graph below shows the performance of the Company's share price and net asset value ("NAV") against the peer group and the benchmark, the FTSE All-Share Index.

One Year Performance

to 30 September 2005



The peer group included above is comprised of Dunedin Income Growth Investment Trust PLC, Lowland Investment Company PLC, Perpetual Income & Growth Investment Trust PLC, Schroder Income Growth Fund PLC, Temple Bar Investment Trust PLC, The City of London Investment Trust PLC, The Merchants Trust PLC, Securities Trust of Scotland PLC.

Figures have been rebased to 100 at 30 September 2004.

Source: Close Finsbury Asset Management Ltd

THE BOARD

Michael Reeve, MA, FCA~ (Chairman)
Michael Reeve, aged 68, has served on the Board as Chairman since 1991. He is also Chairman of Close Brothers AIM VCT PLC and a Director of several other companies.

John Allard#
John Allard, aged 59, has served on the Board as a Director since 2000. John was a Fund Manager with M&G for over 20 years and is now a Director of Exeter Equity Growth & Income Fund Limited and Exeter Securities (Guernsey) Ltd.

Vanessa Renwick
Vanessa Renwick, aged 44, has served on the Board as a Director since 2000. Vanessa has over 18 years of experience in the investment funds industry, having worked for Laing & Cruickshank and UBS Warburg. Vanessa has particular expertise in corporate finance and marketing.

Anthony Townsend, MA (Cantab)
Anthony Townsend, aged 57, rejoined the Board on 1 February 2005. Anthony has spent over 35 years working in the City and was Chairman of The Association of Investment Trust Companies from 2001 to 2003 and is currently Chairman of iimia Investment Trust plc, British and American Investment Trust PLC and The Ukraine Opportunities Trust plc. He is also a Director of Brit Insurance Holdings PLC and F&C Global Smaller Companies PLC. Anthony is also a Director of Finsbury Emerging Biotechnology Trust PLC, Finsbury Technology Trust PLC and Finsbury Worldwide Pharmaceutical Trust PLC, all of which are managed by the Manager to the Company.

Giles Warman
Giles Warman, aged 57, has served on the Board as a Director since 1989. Giles is employed by, and is a Director of Numis Securities Limited. He is also a Director of European Assets Trust NV. He has over 30 years experience in the investment industry.

CONSULTANT TO THE BOARD

Stewart Urry LLB, FCA^
Stewart Urry, aged 59, has been a consultant to the Company since 2002. He was previously a Director from 1995 to 2002. Stewart is a barrister, and was also for 15 years a partner in Binder Hamlyn, Chartered Accountants. He is currently a Director of various private US based investment companies, and is an investment consultant to a number of funds in the UK.

MANAGER

Close Finsbury Asset Management ("CFAM")
The Manager was established in 1985 and is a subsidiary of one of the UK's leading independent merchant banks, Close Brothers Group plc. CFAM provides management, marketing, administration and company secretarial services to five investment trusts and a range of Dublin domiciled OEICs. In aggregate, CFAM manages over £750 million for both retail and institutional investors, and was named as the Investment Week 'Investment Trust Management Group of the Year' for 2004 and was shortlisted for the same award in 2005.

INVESTMENT ADVISER

Nick Train, Lindsell Train Limited
Nick Train, aged 46, was appointed Investment Adviser to the Company in December 2000. He is co-founder of an investment management business, Lindsell Train Limited, which specialises in UK and Global equities. Nick was previously head of Global Equities at M&G PLC and head of Pan-European Equities at GT Management PLC. Nick has managed money in the UK equity market since 1983, including the top decile performer GT Income Fund (1985-1998).

~ Chairman of the Management Engagement Committee and Nominations Committee

Chairman of the Remuneration Committee

^ Chairman of the Audit Committee

CHAIRMAN'S STATEMENT

I am pleased to report on a very successful year for your Company during which it has substantially increased in size and value. As reported in the interim statement all shares held in treasury have been sold, and up to the year end, 6,492,213 new shares had been issued at a premium to net asset value ("NAV"). The number of shares in issue increased by 16.9% during the year and the market capitalisation of your Company increased by 60.7% to £117m. The market value of your shares increased by 30.5% and they have traded at a premium to NAV for most of the second half of the year, one of the few investment trust shares to do so. Furthermore the total dividend for the year, which was almost entirely paid out of retained profits of the year, represented an increase of 35.6% over that paid in the previous year.

The NAV total return for the year was 31.5%, an outperformance of 6.6% against our benchmark, the FTSE All–Share Index.

The total expense ratio reduced from 1.3% in the previous year (after excluding the exceptional costs incurred in connection with the placing and acquisition of Hansa Trust plc's shares in the Company) to 1.0% in the year under review. This cost may be compared with the much larger costs of approximately 2.0% incurred by open ended investment companies and unit trusts.

Revenue Return and Dividend

The revenue return per share rose to 8.21p compared with 6.12p in the previous year. Your Board has declared two interim dividends totalling 8.0p per share, the second one being in lieu of a final dividend (paid on 28 October 2005), which compares to dividends of 5.9p in aggregate in 2004.

Statement of Total Return

The statement of total return is set out on page 27. The total return for the year was 57.62p per share (2004: 43.39p) made up of a revenue return of 8.21p (2004 : 6.12p) and a capital return of 49.41p (2004 : 37.27p).

Investments

Shareholders will be aware that the Company has a highly concentrated portfolio, which at the year end included only 21 equity investments. Such a narrow range of investments is likely to produce a disparate performance to that in the more broadly based FTSE All-Share Index. Investments are made with a view to the long term and investment turnover is low. Investments in the FTSE Small Capitalisation and others decreased from 27.4% to 14.5% of the portfolio, largely as a result of the takeover of Glenmorangie and Manchester United. The proceeds of these sales were largely invested in building up existing FTSE 100 holdings and increasing the preference share portfolio. The average total return on the 21 equity investments held in the portfolio during the year was 34.6%. The seven fixed interest investments, which at the year end accounted for 15.5% of the value of the portfolio, made on average a total return of 21.7%. The sale of our investment in Manchester United for over £5m resulted in a profit of 81.3% on cost.

The valuation of investments at 30 September 2005 was £132,911,000 (2004: £90,539,000). The NAV per Ordinary share was 253.8p (2004: 203.5p).

An analysis of the investment portfolio is set out on page 11.

Borrowings

Your Company has a revolving credit facility of £20m for a fixed term expiring in December 2008. This facility carries a variable rate of interest which may be fixed if so required. In addition your Company has an uncommitted facility of £5m. At 30 September 2005 £18,100,000 was drawn down under the revolving credit facility.

Purchase and Sale of Shares

Your Board intend to continue to grow your Company by issuing shares at a premium to NAV as demand arises. At the time of writing a further 1,582,930 Ordinary shares at a total consideration of £4,042,612, have been issued at a premium since the year end. An Extraordinary General Meeting of the Company was held on Friday, 9 December 2005 at which resolutions to renew the authority to allot new Ordinary shares and to disapply pre-emption rights in respect of such allotments up to 10% of the issued Ordinary share capital were proposed and passed by shareholders. Such resolutions enable your Board to continue the policy of issuing new shares at a premium to NAV into the market when demand arises. It is also your Board's policy to continue to manage the discount, by buying back shares, at the absolute discretion of the Board, should shares in your Company trade at a discount of 5% to NAV in the market. Therefore an appropriate resolution will be tabled at the Annual General Meeting to empower your Company to acquire up to 14.99% of its issued share capital of which 10% may be retained in treasury and be available for re-issue as demand arises.

Outlook

In the current year it will not be easy for your Company to repeat the substantial progress I have just reported on. There are a number of clouds on the horizon, which could influence the performance of the stock market: substantial increases in fuel costs, a slowing rate of economic growth in the developed world and continuing terrorist attacks coupled with the ongoing problems in the Middle East, to name just a few.

However your Board believes that the investment strategy adopted by your Investment Adviser with the objective of achieving long term growth and increasing revenue return should continue to enable your Company to grow and deliver increasing total returns to shareholders.

Annual General meeting

The Annual General Meeting of the Company will be held at 10 Crown Place, London EC2A 4FT on Thursday, 26 January 2006 at 12 noon. I hope that as many shareholders as are able will attend so that they, the Board and our advisers can exchange views. Nick Train of Lindsell Train Limited, our Investment Adviser, will give a presentation following the formal business of the meeting. Thereafter light refreshments will be served.

Michael Reeve
Chairman
12 December 2005

INVESTMENT ADVISER'S REVIEW

Lindsell Train Limited has now advised Finsbury Growth & Income Trust for 5 years, since appointment in December 2000. In truth, it has scarcely been a vintage half-decade for the stockmarket, with the FTSE All-Share Index up just 7.0%, including dividends, between 29 December 2000 and 30 September 2005. Against this, we are relatively pleased with the net asset value ("NAV") performance of your Company over that period, up 28.8% on the same basis. Looking ahead to 2010, we expect a more helpful market backdrop and acceleration in the annualised returns we can earn for you. We are optimistic about such an improvement for two reasons. First, there is our general sense that, worldwide, capitalism is creating wonderful new profit opportunities for corporations – the Emerging Markets and the Internet being two mighty themes, far from played out. Even more specific, we are enthusiastic about the business and investment prospects for the constituents of your portfolio. We believe it consists of great companies, often significantly undervalued.

One way shareholders can gauge our conviction about the portfolio is to consider the fact that during the last financial year, excluding corporate actions and a switch between two preference shares, we conducted no sales of any or any part of any of the investments. This is an unusually low level of activity, even for us and certainly by the rather more hyperactive standards of the broader investment community – but we say, "Why should we dispose of any of your interest in great, undervalued companies?" It is also notable that many of the current core investments have been nurtured for a number of years, with 18 ordinary equity holdings, out of the 21 in total, established as long ago as 2001. The longevity of these positions confirms our stated investment approach – which is to commit your capital to what we analyse to be strategically advantaged companies, then to participate in their long term growth in earnings and dividends. Strong capital gains over the past financial year from such portfolio stalwarts as **Youngs**, +70.0%, **London Stock Exchange**, +65.0%, **Schroders**, +49.0%, **Sage**, +42.0%, **A.G. Barr**, +36.0%, **Cadbury Schweppes**, +34.0%, **Wolves**, +33.0% and **Fullers**, +30.0% demonstrate that good things can keep on coming to those who wait.

Although sales amounted to effectively zero, we have been busy buying - reinvesting takeover monies, notably from Glenmorangie and Manchester United and deploying capital raised from new share issuance. This activity has resulted in material addition to some previously more modest holdings, including **Diageo**, which has become the largest single equity holding in the portfolio, at 8.0%, **Lloyds Bank**, now generating more annual income for the Company, £536,000 net, than any other asset and **Pearson**, where we have accumulated the shares on a higher net dividend yield than available on a Gilt. In addition, we have introduced two new holdings to the portfolio, **Rathbone Brothers** and **Royalblue**, both businesses we have followed for many years. We discuss the investment rationale for this pair below in some detail, at risk of exaggerating their significance in your Company's affairs, but believing their selection not only illustrates how we "pick stocks", but also several underlying portfolio investment themes.

The purchase of Rathbone Brothers expands our interest in companies more or less directly affected by the long-term vitality of capital markets. We judge the prospects for capital markets to be excellent, not just in terms of index levels, but also in the proliferation of instruments traded, participants trading them and velocity of trade. Globalisation, whatever that "hard to define, but harder to ignore" term means, is encouraging more pieces of paper to be traded by more individuals in more locations. In particular this holds true for the London financial complex, with the London Stock Exchange emerging as a true global bourse, attracting new issues and investors from all over the world. LSE trading volumes are running 30.0% higher than 2004, through to end September, stimulated by, for instance, the decision of Royal Dutch Shell to unify its corporate structure and select London as its primary listing, or the extraordinary fecundity of the AIM marketplace (owned by the LSE), with its 389 new listings in the first 9 months of 2005. Rathbone joins our investments in the London Stock Exchange itself, Schroders, **Reuters**, Pearson, **Euromoney** and, to a degree, the bancassurers, **HBOS** and Lloyds, all as beneficiaries of the rapid formation of global capital and its more frequent trade. Rathbone is a private wealth manager of impressive vintage, established in 1742, managed and staffed by individuals of the highest calibre, as we can vouch from direct experience.

We like asset management companies, because the business economics of successful ones are outstanding, meaning their growth often throws off surplus cash. This propensity can be seen in the very cash-rich balance sheets of Rathbone and Schroders and their long histories of dividend growth, up 140.0% and 91.0% respectively over the past decade. Further, private wealth management is a growth industry, we think, and Rathbone has a

INVESTMENT ADVISER'S REVIEW (continued)

terrific opportunity ahead of it. We have been able to access this potential at what we regard as an attractive valuation. Notably, we earn a dividend yield on purchase price of over 3.4%, more than 10.0% greater than the market average, with the last increase up 9.5%. We are pleased to note that Rathbone has returned the compliment and is a significant investor in your Company, on behalf of its discretionary clients.

Rapid dividend growth is a standout feature of the other new holding, software company Royalblue. In 1997/8 this company paid an annual dividend of 2.25p. Seven years later the distribution has quadrupled to 9.1p and this ignores a special dividend paid in 2004 of 25.3p. Meanwhile, Royalblue still had £22.0 million of net cash at its June 2005 interims. Whatever else one says about this company - it throws off the folding stuff. Your Company now invests in two pure software businesses, Royalblue and Sage and while neither of them is likely to grow to the size of Microsoft or SAP (today just the net cash on Microsoft's balance sheet is 8.0x greater than Sage's entire market capitalisation, notwithstanding its FTSE 100 status), both have carved out impressive and profitable market positions.

Royalblue's product, branded "Fidessa", is an electronic equity dealing platform for global investment banks, including such blue chips as Merrill Lynch, J P Morgan Cazenove and HSBC and hundreds of other institutions. Of course, this means that Royalblue participates in the same broad and favourable trends driving capital markets as Rathbone, discussed above. Once Fidessa becomes embedded in the daily operations of a financial service company, two important things can happen, both advantageous for Royalblue shareholders. First, it becomes disruptive and expensive for the customer to consider switching to an alternative - indeed Royalblue argues that there is no viable alternative - bringing predictability to revenues. Next, as the number of Fidessa users expands and as they use the platform to trade global equities with each other, important "network" effects arise, which increase the value of the product to its customers, but also encourage more rapid propagation of the software.

Similar beneficial network effects can be seen today in the expansion of Reuters' currency dealing services, or the communities of scientists and lawyers that rely on **Reed Elsevier's** internet platforms to access data and communicate research (both important investments for your Company). Royalblue is a small company, with a market value of c£210.0 million, in general we are always sceptical about the likelihood of a given small company growing into a big one. However, occasionally we find companies which seem to have a realistic potential to become much bigger. Glenmorangie was one and we regret the loss of that company to takeover and Royalblue is another. Sage's FTSE membership gives a false impression of its maturity, we think and it too has a lot of growth ahead. Meanwhile, we accessed Royalblue shares at what we believe to be very reasonable terms. The stock peaked in March 2000 - inevitably, at over £21.60 per share. We knew and admired the business then, but could make no sense of the valuation. On offer in 2005, though, at prices as low as £4.45 we have accumulated shares on earnings yields as high as 5.5%, similar to the interest yield on a gilt, but with, it is fair to say, rather better real growth prospects.

We trust shareholders have observed the frequency in this report to which we refer to dividends, dividend growth and dividend yields. All remain at the heart of our thinking about stock selection and portfolio construction. For instance, Diageo has become the largest portfolio equity holding because of a simple, but powerful equation. We bought the stock on a dividend yield of nearly 4.0%, getting on twice the current rate of UK inflation, at a time when the company is growing its dividend by c7.0% per annum, three times the current rate of inflation. The result of that equation, if those terms and growth rates are sustained, is that Diageo will be a wonderful investment for the Company, whatever the vagaries of its short term performance relative to the stockmarket.

It would be remiss not to note here, however, the contribution to your Company's dividend paying potential made by the holdings we have built in high-yielding preference shares. The £16.5 million of your capital committed here throws off over £1.0 million per annum of net income and now commands a market value of over £18.0 million, making for a very attractive total annualised return to date. However, we are conscious that this stream of income is fixed and that there is, therefore, a price, or yield level, at which we shall wish to sell these securities. We do not believe that that level has been reached yet, because we expect a continuation of surprisingly low inflation in the UK. Any of our shareholders who take a strongly contrary view though, should be aware of the scale of the exposure to these somewhat illiquid assets.

INVESTMENT ADVISER'S REVIEW (continued)

Conclusion

Your Chairman prudently warns that the strong recent performance delivered by the UK stockmarket and your Company cannot be relied upon to continue. He is quite right. Indeed, the last three months of the past financial year, June through September 2005, saw poor relative returns from our strategy, as our longstanding dislike of mining and oil companies told against us – temporarily, we trust. We hope, nonetheless, that this report encourages shareholders to share our confidence in the investment approach and portfolio and thank them for their interest and support.

Nick Train, Lindsell Train Limited, *Investment Adviser*
Close Finsbury Asset Management Limited, *Manager*
12 December 2005

INVESTMENTS

The investments as at 30 September 2005 were:

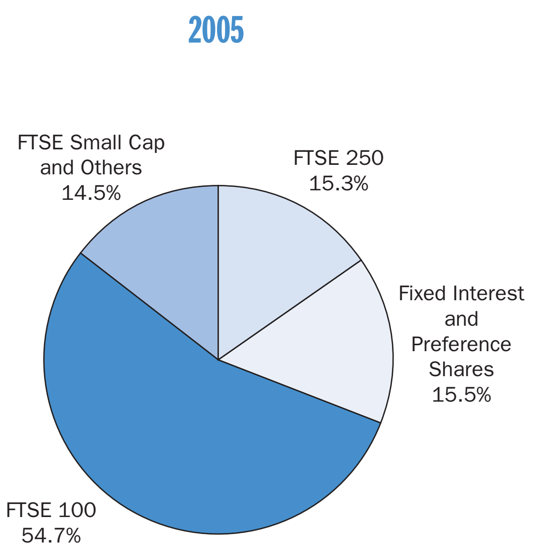
Investments	Market Value £'000	% of investments
HBOS (non cum preference)#+	11,882	8.9
Diageo	10,677	8.0
Cadbury Schweppes	10,382	7.8
Wolverhampton & Dudley Breweries	9,210	6.9
Barr (AG)	8,611	6.5
Lloyds TSB Group	7,285	5.5
HBOS	7,148	5.4
Royal Dutch Shell	6,839	5.2
Sage	6,281	4.7
Reed Elsevier	5,848	4.4
Top 10 investments	**84,163**	**63.3**
Reuters	5,408	4.0
Bradford & Bingley	5,119	3.9
Pearson	4,794	3.6
National Westminster 9% (non cum preference)#	4,642	3.5
Schroders	4,477	3.4
Rathbone Brothers	3,497	2.6
Young & Co Brewery (non voting)	3,323	2.5
Royalblue Group	3,286	2.5
London Stock Exchange	3,199	2.4
Fuller Smith & Turner 'A'	2,751	2.1
Top 20 investments	**124,659**	**93.8**
UK Treasury 2.5% 29/12/49 *	1,745	1.3
Halma	1,475	1.1
Euromoney Institutional Investor	1,339	1.0
Lindsell Train Investment Trust	1,255	1.0
Consolidated 2.5% 05/04/23 *	1,230	0.9
Warburg (SG) Group 7.625% (non cum preference)#	1,208	0.9
Total investments	**132,911**	**100.0**

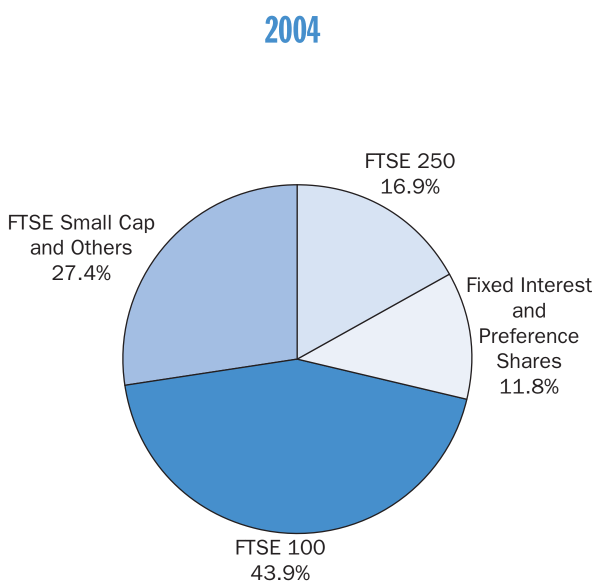
All of the above investments are equities unless otherwise stated. All investments are listed in the UK.

Non-equity – Preference Shares
+ Includes HBOS 6.475%, 9.25% and 9.75%
* Non-equity – Fixed Interest Holdings

PORTFOLIO DISTRIBUTION

as at 30 September 2005





ANALYSIS OF INVESTMENT PORTFOLIO

as at 30 September 2005

	£'000	%
Listed on recognised stock exchange	112,204	84.5
Total listed equities	**112,204**	**84.5**
HBOS (non cum preferences)*	11,882	8.9
National Westminster 9% (non cum preference)	4,642	3.5
UK Treasury 2.5% 29/12/49	1,745	1.3
Consolidated 2.5% 05/04/23	1,230	0.9
Warburg (SG) Group 7.625% (non cum preference)	1,208	0.9
Total non equity	**20,707**	**15.5**
Total investments	**132,911**	**100.0**

* includes: HBOS 9.25%, HBOS 6.475% and HBOS 9.75% non cum preference shares

SECTOR ANALYSIS OF PORTFOLIO

as at 30 September 2005

Comparison of sector weightings with the FTSE All-Share Index

	2005 Finsbury Growth & Income %	FTSE All-Share Index %	2005 Finsbury Growth & Income (under)/over weight %	2004 Finsbury Growth & Income (under)/over weight %
Resources				
Mining	–	4.5	(4.5)	(4.3)
Oil & gas	5.1	18.0	(12.9)	(7.5)
	5.1	**22.5**	**(17.4)**	**(11.8)**
Basic Industries				
Chemicals	–	0.8	(0.8)	(0.8)
Construction & building materials	–	2.3	(2.3)	(2.7)
Forestry & paper	–	0.1	(0.1)	–
Steel & other metals	–	0.1	(0.1)	(0.2)
	–	**3.3**	**(3.3)**	**(3.7)**
General industrials				
Aerospace & defence	–	1.6	(1.6)	(1.4)
Electronic & electrical equipment	–	0.3	(0.3)	(0.2)
Engineering & machinery	1.1	0.7	0.4	1.1
	1.1	**2.6**	**(1.5)**	**(0.5)**
Cyclical consumer goods				
Automobiles & parts	–	0.3	(0.3)	(0.3)
Household goods & textiles	–	0.1	(0.1)	(0.1)
	–	**0.4**	**(0.4)**	**(0.4)**
Non-cyclical consumer goods				
Beverages	14.6	2.4	12.2	21.7
Food producers & processors	7.8	2.3	5.5	5.4
Health	–	0.4	(0.4)	(0.5)
Personal care & household products	–	0.9	(0.9)	(0.8)
Pharmaceuticals & biotechnology	–	8.0	(8.0)	(8.6)
Tobacco	–	2.1	(2.1)	(1.9)
	22.4	**16.1**	**6.3**	**15.3**
Cyclical services				
General retailers	–	2.9	(2.9)	(3.8)
Leisure & hotels	11.5	2.2	9.3	14.3
Media & entertainment	13.1	3.7	9.4	7.4
Support services	–	2.6	(2.6)	(2.6)
Transport	–	1.8	(1.8)	(1.8)
	24.6	**13.2**	**11.4**	**13.5**

SECTOR ANALYSIS OF PORTFOLIO (continued)

as at 30 September 2005

Comparison of sector weightings with the FTSE All-Share Index

	2005 Finsbury Growth & Income %	FTSE All-Share Index %	2005 Finsbury Growth & Income (under)/over weight %	2004 Finsbury Growth & Income (under)/over weight %
Non-cyclical services				
Food & drug retailers	–	2.2	(2.2)	(2.4)
Telecommunications services	–	8.4	(8.4)	(8.7)
	–	**10.6**	**(10.6)**	**(11.1)**
Utilities				
Electricity	–	1.6	(1.6)	(1.3)
Utilities - other	–	2.4	(2.4)	(2.8)
	–	**4.0**	**(4.0)**	**(4.1)**
Financials				
Banks	27.1	17.0	10.1	3.2
Insurance	–	0.6	(0.6)	(0.5)
Life assurance	–	2.8	(2.8)	(2.7)
Investment companies	0.9	2.5	(1.6)	(1.3)
Real estate	–	1.8	(1.8)	(1.8)
Speciality & other finance	11.6	1.6	10.0	4.2
	39.6	**26.3**	**13.3**	**1.1**
Information technology				
Information technology hardware	7.2	0.3	6.9	(0.3)
Software & computer services	–	0.7	(0.7)	2.0
	7.2	**1.0**	**6.2**	**1.7**
Total	**100.0**	**100.0**	**–**	**–**

REPORT OF THE DIRECTORS

The Directors present their report and the financial statements for the year ended 30 September 2005.

Status and Activities

The Company has continued to conduct its affairs so as to qualify as an investment company, as defined under Section 266 of the Companies Act 1985, and an investment trust within the meaning of Section 842 of the Income and Corporation Taxes Act 1988. Inland Revenue approval of the Company's status as an investment trust has been received for all years up to and including the year ended 30 September 2004. This is however subject to review should there be any enquiry under Corporate Tax Self Assessment. The Directors are of the opinion that the Company has subsequently directed its affairs so as to enable it to continue to obtain HM Revenue & Customs approval as such.

There has been no significant change in the activities of the Company during the year and the Directors anticipate that the Company will continue to operate in the same manner during the current year.

The Company currently manages its affairs so as to be a fully qualifying investment trust for ISA purposes. As a result, under current UK legislation, the 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 in each tax year up to 5 April 2010 for maxi-account ISAs and £4,000 for mini-account 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 from reserves are shown on page 27. The dividends paid during the year to 30 September were:

	2005 £'000	2004 £'000
First Interim paid of 4.0p (2004: 1.8p) per share	1,538	636
Second Interim paid of 4.0p (2004: nil) per share	1,796	–
Final paid of nil (2004: 4.1p) per share	–	1,496
Adjustment to prior year final dividend*	27	–
Total	3,361	2,132

* The dividend adjustment arose due to the movement in the Ordinary share capital between the date of the 2004 Annual Report and the ex-dividend date of the final dividend, 15 December 2004.

Accounting Standards

The financial statements are currently prepared in accordance with UK GAAP. If International Financial Reporting Standards ("IFRS") had been applied as at 30 September 2005, the main effect would be the valuation of investments on a fair value (bid) basis. As an indication of the effect of this, if investments were valued on a bid basis as opposed to a mid basis, the effect on the NAV would be a reduction on investment value of £31,000.

Fixed Asset Investments

The market value of the Group's investments, at 30 September 2005 was £132,911,000 (2004: £90,539,000) showing an unrealised gain of £24,402,000 (2004: £12,647,000). Taking these investments at this valuation, the net assets attributable to each Ordinary share at 30 September 2005 amounted to 253.8p (2004: 203.5p).

Management

Investment Management Agreement:

Discretionary investment management services are provided by Close Finsbury Asset Management Limited ("Manager"). The Manager is a wholly owned subsidiary of Close Brothers Group plc. Full details of the fees payable to the Manager can be found in note 3 on page 32. The Investment Management Agreement may be terminated by either party giving notice of not less than 12 months.

REPORT OF THE DIRECTORS (continued)

The Manager is appointed to manage the investment trust and to advise the Company in relation to the investment of the portfolio. The Manager has delegated, under the Investment Advisory Agreement, to the Investment Adviser the management of the investment portfolio.

Investment Advisory Agreement:
Investment advisory services are provided by Lindsell Train Limited ("Investment Adviser"). Details of the fees payable to the Investment Adviser can be found in note 3 on page 32. The Investment Advisory Agreement may be terminated by either party giving notice of not less than 12 months. The Investment Adviser under the terms of the Agreement provides inter alia the following services:

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

Administrative and Secretarial Services Agreement:
The Manager also provides secretarial and accounting services to the Company as the Company Secretary. The Company Secretary under the terms of the Agreement provides inter alia the following services:

- *administrative services to such extent and from such dates as the board may determine;*
- *maintain adequate books of account and records in respect of company dealing, investments, transactions, dividends and other income, the revenue account, balance sheet and cash books and statements;*
- *preparation and despatch of the audited annual and unaudited interim report and accounts; and*
- *attending to general tax affairs where necessary.*

The Company pays a secretarial fee, fixed at £50,000 per annum plus VAT, to the Company Secretary.

Continuing Appointment of the Manager, the Investment Adviser and the Company Secretary:
The Board keeps under review the performance of the Manager, Investment Adviser and Company Secretary and their continuing appointment was agreed at a meeting of the Management Engagement Committee held on 6 September 2005 and was subsequently confirmed by the Board. The Board believes the continuing appointment of the Manager, Investment Adviser and Company Secretary, under the terms described above, is in the interests of shareholders as a whole for the following reasons:

- the excellent results achieved by the Investment Adviser in the year;
- the high calibre of service provided by the Manager during a year which has included the sale of the remaining treasury shares, two Extraordinary General Meetings and many new share issues at a premium to net asset value; and
- the marketing effort carried out during the year by both the Manager and the Investment Adviser which resulted in an increase of 16.9% to the issued share capital by the creation of new share demand and the elimination of the share price discount to net asset value and the building of a share price premium.

Directors

The members of the Board, who served throughout the year, are detailed on page 4 and are as follows:

Michael Reeve (Chairman)
John Allard
Vanessa Renwick
Anthony Townsend (appointed on 1 February 2005)
Giles Warman

Under the Articles of Association John Allard and Vanessa Renwick retire by rotation and, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Independence
The Combined Code on Corporate Governance issued in July 2003 (the "Code") discusses the circumstances under which a director may not be considered to be independent, including if the director holds cross-directorships or has significant links with other directors through involvement in other companies or bodies or has served on the Board for more than nine years from the date of first election. The Code provides however for the Board to state its reasons if it determines that a director is independent notwithstanding the existence of circumstances that may appear to determine otherwise.

REPORT OF THE DIRECTORS (continued)

Anthony Townsend is a non-executive Director but is not considered to be independent by the Code or the Board. This position has been adopted as he is also a director of Finsbury Emerging Biotechnology Trust PLC, Finsbury Technology Trust PLC and Finsbury Worldwide Pharmaceutical Trust PLC, all of which are managed by the Manager to the Company. Additionally, Anthony Townsend, until 1 October 2005 provided a consultancy service to Close Brothers Group plc, the parent company of the Manager to the Company, and he has served on the Board for more than nine years from the date of his first election. Anthony Townsend does not have any other connections with the Manager or Investment Adviser and is not employed by any of the companies in which the Company holds an investment.

Michael Reeve and Giles Warman have both served in excess of nine years on the Board since their first election. Nonetheless, the Board consider them to be independent in character and judgement and does not consider that the criterion of length of service should necessarily preclude them from being so considered. This position accords with the recommendation of the Association of Investment Trust Companies that a director may be viewed as being independent notwithstanding service that could be considerably more than nine years. Accordingly, Michael Reeve and Giles Warman are considered by the Board to be independent.

In accordance with best practice, notwithstanding the determination by the Board of independence, all Directors not considered by the Code to be independent will stand for re-election at the Annual General Meeting each year.

John Allard and Vanessa Renwick, were first elected to the Board in 2000 and are considered by the Code and the Board to be independent.

Board Evaluation

The Board has chosen not to commission an independent review by an external body, however, each year an evaluation process is independently managed on behalf of the Board by Stewart Urry, Consultant. As a result of the evaluation the Board considers that all the current Directors contribute effectively and that all have skills and experience, which are relevant to the leadership and direction of the Company.

John Allard and Vanessa Renwick have extensive experience in fund management and corporate finance respectively, they bring a wealth of knowledge to the Board in both these and other areas of the industry.

Anthony Townsend has considerable financial, investment management and specifically investment trust experience. Michael Reeve has led the Company as Chairman since 1991 with the assistance of the Directors through its successful evolution since that time. The Directors are unanimously supportive of his continuance in the role. Giles Warman has over 30 years experience in the industry and is considered to be a highly valuable member of the Board.

Having given careful consideration to the above, the Board unanimously supports the re-election of John Allard, Michael Reeve, Vanessa Renwick, Anthony Townsend and Giles Warman.

Directors' Interests

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

	Ordinary shares of 25p each	
	30 September 2005	30 September 2004
Michael Reeve	14,000	14,000
John Allard	8,581	8,533
Vanessa Renwick	7,220	7,220
Anthony Townsend *	38,897	38,897*
Giles Warman	60,000	60,000

* Anthony Townsend was appointed a Director on 1 February 2005, holding stated as at 1 February 2005.

There have been no changes in the interests of the Directors up to the date of this report. None of the Directors were granted or exercised rights over shares during the year. None of the Directors has any contract (including service contracts) with the Company.

Directors' Fees

A report on Directors' Remuneration is set out on pages 23 and 24. The Remuneration Committee reviews the level of remuneration on an annual basis by reference to the activities of the Company and comparison with other companies of a similar structure and size.

Meeting Attendance

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

Type and number of meetings held in 2004/5:	AGM (1)	EGM (2)	Board (8)	Audit Committee (2)	Management Engagement Committee (2)	Nominations Committee (1)	Remuneration Committee (1)
Michael Reeve	1	2	8	2	2	1	1
John Allard	1	2	8	2	2	1	1
Vanessa Renwick	1	2	8	2	2	1	1
Anthony Townsend*	n/a	2	3	n/a	n/a	n/a	n/a
Giles Warman	1	1	8	2	2	1	1

* Anthony Townsend was appointed as a Director on 1 February 2005.

Other ad hoc meetings of the Board and Committees were held in connection with specific events as necessary.

Substantial Shareholdings

As at 20 November 2005 the Company is aware of the following interests in the Ordinary shares of the Company, which exceed 3% of the issued share capital:

Investment Manager	Registered Holder(s)	Number of shares	% of issued share capital
Rathbone	Rathbone Nominees/BNY (OCS) Nominees/ WJM Share Nominees	3,096,174	6.73%
Brewin Dolphin	Brewin Nominees/Giltspur Nominees/ BDS Nominees/North Castle Street Nominees	2,952,405	6.41%
iimia Investment Group	Pershing Keen Nominees	2,859,134	6.21%
Gerrard	RC Greig Nominees/Greig Middleton Nominees/ Gerrard Nominees	2,172,771	4.72%
BWD Rensburg Investment Management	Rensburg Client Nominees	1,807,180	3.93%
HSBC Investment Management	James Capel Nominees	1,695,555	3.68%
Laing & Cruickshank Investment Management	Productive Nominees/Jocar Nominees	1,655,713	3.60%
Legal & General Investment Management	HSBC Global Custody Nominee (UK)/ Nortrust Nominees	1,384,300	3.01%

Repurchase and Issue of Shares

At the Annual General Meeting of the Company held on 19 January 2005 authority was granted for the repurchase of 5,537,943 Ordinary shares and the disapplication of pre-emption rights on allotment of up to 3,694,425 Ordinary shares. At the Extraordinary General Meeting held on 6 April 2005, the authority to allot shares on a non pre-emptive basis was replaced with authority to allot 3,845,000 Ordinary shares on a non pre-emptive basis as a Placing and up to a further 4,230,143 Ordinary shares on a non pre-emptive basis to the market.

REPORT OF THE DIRECTORS (continued)

Of the authorities granted 3,845,000 new Ordinary shares and, to the date of this report, a further 4,230,143 new Ordinary shares have been allotted into the market. At the Extraordinary General Meeting held on 9 December 2005, the authority to allot shares on a non pre-emptive basis was renewed with authority to allot up to 10% of the issued Ordinary share capital of the Company.

The Board continue to believe the use of a discount management policy and the use of the treasury share facility when required is in the best interests of the Company and Shareholders, which the Board feel has been demonstrated by the significant growth in the share capital of the Company within the year under review.

Creditors' Payment Policy

Terms of payment are negotiated with suppliers when agreeing settlement details for transactions. While the Company does not follow a formal code, it is the Company's continuing policy to pay amounts due to creditors as and when they become due. As at 30 September 2005, the Company did not have any trade creditors (2004: nil).

Environmental and Ethical Policy

The Company's primary objective is to achieve a high level of capital and income growth by investing in the shares of UK listed companies. The Board recognises that this should be done in an environmentally responsible and ethical way.

Charitable and Political Donations

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

Auditors

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

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 the www.closefinsbury.com website, which is a website maintained by the Company's Manager, Close Finsbury Asset Management Limited ("Close Finsbury"). The maintenance and integrity of the website maintained by Close Finsbury or any of its subsidiaries is, so far as it relates to the Company, the responsibility of Close Finsbury. 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 may differ from legislation in their jurisdiction.

REPORT OF THE DIRECTORS (continued)

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.

Corporate Governance
A formal statement on Corporate Governance and the Company's compliance with the various codes of practice is set out on pages 20 to 22.

Annual General Meeting
The formal Notice of Annual General Meeting is set out on pages 42 and 43.

A resolution relating to the following item of special business will be proposed at the forthcoming Annual General Meeting:

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

At the Annual General Meeting the Company will seek shareholder approval to repurchase up to 6,975,083 Ordinary shares, representing approximately 14.99% of the Company's issued share capital (the maximum permitted under the Listing Rules) at a price that is not less than 25p a share (the nominal value of each share) and not more than the higher of 105% of the average of the middle market quotations for the five business days preceding the day of purchase and the last independent trade price. The authority being sought will last until the date of the Annual General Meeting to be held in 2007 or, if less 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.

The Directors consider that the resolution relating to the above item of special business is in the best interests of shareholders as a whole. Accordingly, the Directors unanimously recommend to the shareholders that they vote in favour of the above resolution to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Close Finsbury Asset Management Limited
Company Secretary
12 December 2005

CORPORATE GOVERNANCE

The UK Listing Authority requires all listed companies to disclose how they have applied the principles and complied with the provisions of the Combined Code (the "Combined Code").

Throughout the year under review the Combined Code on Corporate Governance issued by the Financial Reporting Council in 2003 for periods commencing on or after 1 November 2003, was in force. In addition, the Association of Investment Trust Companies in July 2003 issued the AITC Code of Corporate Governance (the "AITC Code").

Application of the Principles of the Code

The Company is committed to high standards of corporate governance and the Board attaches importance to the matters set out in the Combined Code and continues to apply the Main and Supporting Principles where relevant.

As an investment trust company, most of the Company's day to day responsibilities are delegated to third parties and the Directors are all non-executive. Thus not all the provisions of the Combined Code are directly applicable to the Company. The Board has taken appropriate action to ensure that the appropriate level of corporate governance is attained and the Company's practices are consistent with the Principles of the Combined Code. The Board considers that unless otherwise stated the Company has complied with the Principles, other than those it believes are not appropriate to an investment trust company, throughout the year ended 30 September 2005, and the additional requirements of the AITC Code.

Internal Control

The Directors are responsible for overseeing the effectiveness of the internal control systems for the Company, 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 Company are safeguarded. Such a system of internal control is designed to manage rather than eliminate the risks of failure to achieve the Company's business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Directors, through the procedures outlined below, have kept the effectiveness of the Company'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") published in September 1999.

The Board recognises its ultimate responsibilities for the Company's system of internal controls and for monitoring its effectiveness. The Manager has established an internal control framework to provide reasonable assurance on the effectiveness of the internal controls operated on behalf of its clients. The Manager's compliance and risk department on an ongoing basis assess the effectiveness of the internal controls. The Manager provides the Board with regular reports on all aspects of internal control (including financial, operational and compliance control, risk management and relationship with external service providers). Business risks have been analysed and recorded in a Risk Map which is reviewed at each Audit Committee and at other times as necessary. It is believed that an appropriate framework is in place to meet the requirements of the Combined Code.

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

CORPORATE GOVERNANCE (continued)

Principles of the Combined Code

Directors

The Board currently consists of five members, all of whom are non-executive. The Directors' biographical details, set out on page 4 demonstrate a breadth of investment, commercial and professional experience.

The circumstances surrounding the independence of each Director are given in the Report of the Directors on pages 15 and 16. Michael Reeve and Giles Warman are deemed by the Board to be independent Directors, but the Combined Code, deems a Director appointed for nine or more years not to be independent. Similarly, Anthony Townsend is not independent due to length of service and connections with the Manager. The Board considers that all the Directors have different qualities and areas of expertise on which they may lead when issues arise. The Board has not created a position of Senior Independent Director as the Board regard this as inappropriate for a Board that has only non-executive directors.

The Board meets at least on a quarterly basis and at other times as necessary. The Board is responsible for the important aspects of the Company's affairs, including the setting of parameters for and the monitoring of investment strategy and the review of investment performance and investment policy. The Board has contractually delegated to external agencies the management of the investment portfolio, the custodial services which includes safeguarding of the assets, and the day-to-day accounting and company secretarial requirements. Each of these contracts is only entered into after proper consideration of the quality and cost of services.

A full report is received from the Investment Adviser at each quarterly meeting on the investment holdings and performance. In the light of these reports, the Board gives direction to the Investment Adviser as to the investment objectives and guidelines. The Investment Adviser takes decisions as to the purchase and sale of individual investments. The Manager ensures that all Directors receive, in a timely manner, all relevant management, regulatory and financial information.

Representatives of the Manager and Investment Adviser attend each Board meeting, enabling the Directors to seek clarification on specific issues or to probe further on matters of concern. There is a formal schedule of matters reserved for the decision of the Board and there is an agreed procedure for Directors, in the furtherance of their duties, to take independent professional advice if necessary at the Company's expense. The Directors have access to the advice and services of the corporate company secretary, through its appointed representative, who is responsible to the Board for ensuring that Board procedures are followed.

When a Director is appointed he or she is offered an induction briefing, which is organised by the Manager. Directors are also provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements and internal controls. Changes affecting Directors' responsibilities are advised to the Board as they arise.

A Board evaluation process is carried out on an annual basis. Full details of the evaluation can be found in the Report of the Directors on page 16.

Board Committees

Copies of the full Terms of Reference of each Committee can be obtained from the Company Secretary.

Audit Committee

The Company's Audit Committee meets at least twice per year, is chaired by Stewart Urry a consultant contracted to the Board who has recent and relevant financial experience, and comprises the entire Board excluding the Chairman of the Board. The Board acknowledge their departure from 'Smith' guidance in respect of the Audit Committee Chairman but consider the appointment of Stewart Urry to be the most appropriate and to be in the best interests of the Company and shareholders. The Audit Committee is responsible for the review of the annual report and the interim report, the nature and scope of the external audit and the findings therefrom, and the terms of appointment of the auditors, including their remuneration and the provision of any non-audit services by them. The Audit Committee reviews the need for non-audit services and authorises such on a case by case basis, non-audit services provided are considered to be cost effective and have not created any infringement on the independence and objectivity of the auditors. The Audit Committee meets representatives of the Manager and

CORPORATE GOVERNANCE (continued)

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

Management Engagement Committee

The Management Engagement Committee meets at least once per year, is composed of the Directors considered by the Board to be independent and is chaired by Michael Reeve. The Management Engagement Committee is responsible for the regular review of the terms of the management and advisory contracts with the Manager and Investment Adviser and for making recommendations to the Board in respect of such contracts.

Nominations Committee

The Directors considered by the Board to be independent fulfil the function of a nominations committee which is chaired by Michael Reeve. The Nominations Committee is responsible for the Board appraisal process and for making recommendations on the appointment of new Directors. Where appropriate each Director is invited to submit nominations and external advisers may be used to identify potential candidates. Directors are not appointed for specified terms, but are subject to re-election, in accordance with the Company's Articles of Association new Directors stand for election at the first Annual General Meeting following their appointment and as agreed by the Board at every third Annual General Meeting thereafter.

Remuneration Committee

The Directors considered by the Board to be independent, fulfil the function of a remuneration committee, which is chaired by John Allard. 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 fees paid to the Directors in the year under review are detailed in the Directors' Remuneration Report on pages 23 and 24.

Relations with Shareholders

The Company has regular contact with its institutional shareholders and the Investment Adviser regularly attends meetings with current and potential new investors. The Board supports the principle that the Annual General Meeting be used to communicate with private investors. The full Board attends the Annual General Meeting and the Chairman of the Board chairs the Annual General Meeting. Details of the proxy votes received in respect of each resolution are made available to shareholders at the meeting. The Investment Adviser attends to give a presentation to the meeting. The Company has adopted a nominee share code, which is set out on page 43.

Accountability and Audit

The Directors' statement of responsibilities in respect of the accounts is set out on page 18. The report of the auditors is set out on pages 25 and 26. The Board has delegated contractually to external agencies, including the Manager, the management of the investment portfolio, the custodial services (which include the safeguarding of the assets), the day to day accounting, company secretarial and administration requirements and the registration services.

Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered, including the control systems in operation in so far as they relate to the affairs of the Company. The Board receives and considers regular reports from the Manager and ad hoc reports and information are supplied to the Board as required.

Exercise of Voting Powers

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

DIRECTORS' REMUNERATION REPORT

The Board has prepared this report, in accordance with the requirements of Schedule 7A to the Companies Act 1985. 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 26.

Remuneration Committee

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

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 2006 and subsequent years.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of 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

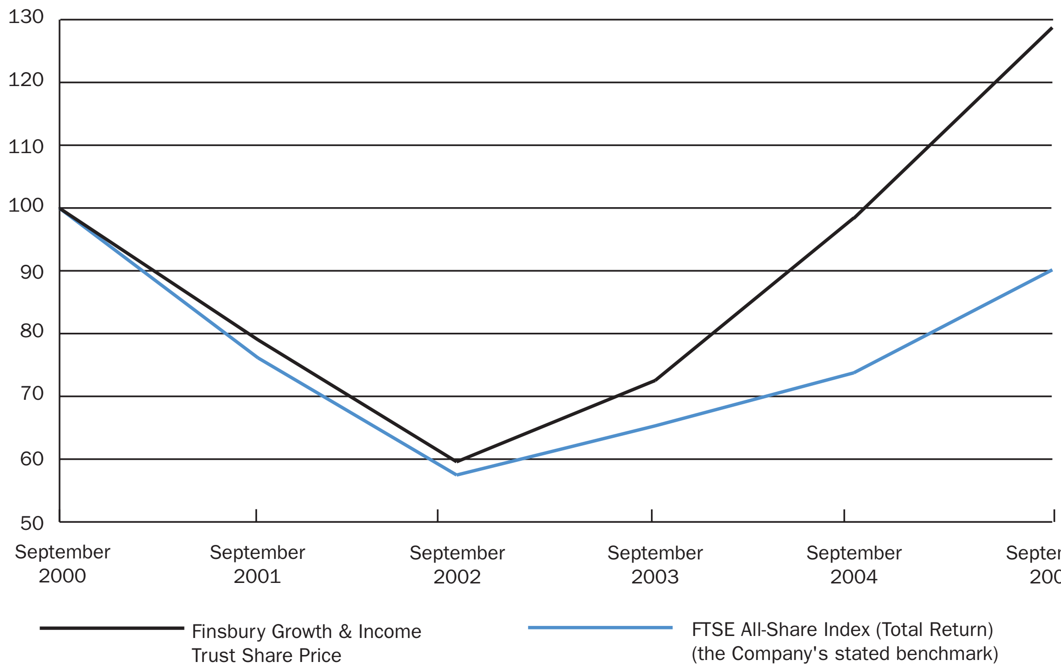
It is the Board's policy that none of the Directors has a service contract. The terms of their appointment provide that Directors shall retire and be subject to re-election at the first annual general meeting after their appointment, and at least every three years after that. The terms also provide that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

Your Company's Performance

The Regulations require a line graph be included in the Directors' Remuneration Report showing total shareholder return for each of the financial years in the relevant period. The graph set out on page 24 compares, on a cumulative basis, 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)

Total Shareholder Return for the five years to 30 September 2005



Rebased to 100 at 30 September 2000. Source: Close Finsbury Asset Management.

Directors' Emoluments for the Year (audited)

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

	Fees 2005 £'000	Fees 2004 £'000
Michael Reeve (Chairman of the Board)	24	24
John Allard	12	12
Vanessa Renwick	12	12
Anthony Townsend*	8	6
Giles Warman	12	12
	68	66

*Anthony Townsend resigned as a Director on 1 April 2004 and was re-appointed as a Director on 1 February 2005.

Fees in respect of Michael Reeve's services were paid to The Tregeare Company Ltd. Otherwise no Directors' fees were paid to third parties.

Approval

The Directors' Remuneration Report on this page was approved by the Board of Directors on 12 December 2005 and signed on its behalf by Michael Reeve (Chairman).

REPORT OF THE INDEPENDENT AUDITORS

to the Shareholders of Finsbury Growth & Income Trust PLC

We have audited the financial statements on pages 27 to 41. 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 as 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 Report of the Directors is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding Directors' remuneration and transactions with the Company and other members of the group is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 Financial Reporting Council 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 Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Investment Adviser's Review, the Corporate Governance Statement and the Five Year performance 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.

REPORT OF THE INDEPENDENT AUDITORS (continued)

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 2005 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 Auditor
London, England
12 December 2005

SHAREHOLDER ANALYSIS

as at 30 September

	2005 number of shares	2005 % of issued share capital	2004 number of shares	2004 % of issued share capital
Nominee Companies*	40,085,346	89.2	31,736,010	82.5
Private Individuals	3,517,653	7.8	3,517,861	9.2
Other Institutions, Investment Funds and Companies	1,136,841	2.5	3,054,551	7.9
Banks and Bank Nominees	208,803	0.5	148,008	0.4
Total shares in issue	44,948,643^	100.0	38,456,430	100.0
*Includes				
Close Finsbury Savings Scheme, ISA and PEP Clients	5,945,005	13.2	5,798,579	15.1

^ At the date of this report the issued Ordinary share capital of the Company had increased to 46,531,573.

CONSOLIDATED STATEMENT OF TOTAL RETURN

incorporating the revenue account for the year ended 30 September 2005

	Notes	Revenue 2005 £'000	Capital 2005 £'000	Total 2005 £'000	Revenue 2004 £'000	Capital 2004 £'000	Total 2004 £'000
Gains on investments	*11*	–	21,224	21,224	–	14,617	14,617
Income	*2*	4,369	–	4,369	3,283	–	3,283
Investment management fee	*3*	(246)	(499)	(745)	(163)	(332)	(495)
Other expenses	*4*	(458)	–	(458)	(631)	–	(631)
Net return before finance costs and taxation		3,665	20,725	24,390	2,489	14,285	16,774
Interest payable and similar charges	*5*	(334)	(677)	(1,011)	(212)	(430)	(642)
Return on ordinary activities before taxation		3,331	20,048	23,379	2,277	13,855	16,132
Taxation on ordinary activities	*6*	–	–	–	–	–	–
Return on ordinary activities after taxation for the financial year		3,331	20,048	23,379	2,277	13,855	16,132
Dividends in respect of equity shares	*8*	(3,361)	–	(3,361)	(2,132)	–	(2,132)
Transfer (from)/to reserves	*15*	(30)	20,048	20,018	145	13,855	14,000
Return per share	*9*	8.21p	49.41p	57.62p	6.12p	37.27p	43.39p

The revenue column of this statement is the profit and loss account of the Group.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.

The accompanying notes are an integral part of this statement.

BALANCE SHEETS OF THE GROUP AND OF THE COMPANY

as at 30 September 2005

	Notes	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Fixed asset investments					
Investment in subsidiary undertaking	*10*	–	–	645	645
Financial investments	*11*	132,911	90,539	132,911	90,539
		132,911	90,539	133,556	91,184
Current assets					
Debtors	*12*	1,313	530	1,313	530
Cash at bank		218	251	218	251
		1,531	781	1,531	781
Creditors					
Amounts falling due within one year	*13*	(20,370)	(17,090)	(21,015)	(17,735)
Net current liabilities		(18,839)	(16,309)	(19,484)	(16,954)
Net assets		114,072	74,230	114,072	74,230
Capital and reserves					
Called up share capital	*14*	11,237	9,614	11,237	9,614
Other reserves:					
Share premium	*15*	14,843	121	14,843	121
Special reserve	*15*	12,424	12,424	12,424	12,424
Capital redemption reserve	*15*	3,453	3,453	3,453	3,453
Capital reserve – realised	*15*	45,931	34,159	45,931	34,159
Capital reserve – unrealised	*15*	24,402	12,647	25,047	13,292
Revenue reserve	*15*	1,782	1,812	1,137	1,167
Equity shareholders' funds		114,072	74,230	114,072	74,230
Net asset value per share	*16*	253.8p	203.5p	253.8p	203.5p

The financial statements on pages 27 to 41 were approved by the Board of Directors on 12 December 2005 and were signed on its behalf by:

Michael Reeve
Chairman

The accompanying notes are an integral part of this statement.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 30 September 2005

	Notes	2005 £'000	2004 £'000
Net cash inflow from operating activities	*21*	2,573	1,952
Servicing of finance			
Bank overdraft and loan interest paid		(1,020)	(577)
Taxation			
Taxation recovered		–	–
Financial investment			
Purchases of investments		(40,111)	(10,169)
Sales of investments		19,006	7,567
Net cash outflow from financial investment		(21,105)	(2,602)
Equity dividends paid		(3,061)	(1,879)
Net cash outflow before financing		(22,613)	(3,106)
Financing			
Repurchase and cancellation of own shares		–	(736)
Shares purchased and held in Treasury		–	(7,013)
Treasury shares sold		4,236	3,571
Issue new shares		15,494	–
Drawdown of loans		2,850	6,550
Net cash inflow from financing		22,580	2,372
Decrease in cash	*22*	(33)	(734)
Reconciliation of net cash flow to movement in net debt			
Decrease in cash resulting from cashflows		(33)	(734)
Increase in debt		(2,850)	(6,550)
Movement in net debt		(2,883)	(7,284)
Net debt at 1 October		(14,999)	(7,715)
Net debt at 30 September	*22*	(17,882)	(14,999)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

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

(a) Accounting Convention

The financial statements have been prepared under the historical cost convention, as modified to include the valuation of the subsidiary at net asset value and other investments at market value, and in accordance with applicable accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' issued in January 2003.

(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 2005.

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 an investment company during the year under review for the purposes of making distributions under Section 265 of the Companies Act 1985.

(d) Investments held as Fixed Assets

All fixed asset investments are listed investments stated at closing middle-market prices on recognised stock exchanges or last traded price for all investments where appropriate.

(e) 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.

Income from investments in fixed income securities is recognised on an accruals basis.

(f) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(g) 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.

(h) 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.

(i) 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; and

(iv) the cost of purchasing treasury shares and the proceeds from the sale of treasury shares up to the original purchase price; any surplus on the disposal of treasury shares (measured against the weighted average purchase price) is taken to the share premium account.

Capital reserves – Unrealised
The following are taken to this reserve:

(i) increase and decrease in the valuation of investments held at the year end; and

(ii) unrealised exchange differences of a capital nature.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Income

	2005 £'000	2004 £'000
Income from UK listed investments		
Franked investment income	4,187	3,214
Unfranked investment income	109	51
	4,296	3,265
Other income		
Bank interest receivable	73	18
	73	18
Total income	4,369	3,283
Total income comprises:		
Dividends	4,187	3,214
Income from fixed interest securities	109	51
Bank interest	73	18
	4,369	3,283

3. Investment Management Fees

	Revenue 2005 £'000	Capital 2005 £'000	Total 2005 £'000	Revenue 2004 £'000	Capital 2004 £'000	Total 2004 £'000
Investment management fees	209	425	634	138	283	421
Irrecoverable VAT thereon	37	74	111	25	49	74
	246	499	745	163	332	495

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 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. Since 2001 no performance fee has been payable and there is a compound deficit on the fee. The 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 (2004: nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Other Expenses

	Revenue 2005 £'000	Capital 2005 £'000	Total 2005 £'000	Revenue 2004 £'000	Capital 2004 £'000	Total 2004 £'000
Secretarial services	59	–	59	59	–	59
Directors' emoluments (see page 24)	68	–	68	66	–	66
Auditors' remuneration for						
audit services	19	–	19	18	–	18
Printing	31	–	31	28	–	28
ISA, PEP & Savings Scheme costs	49	–	49	51	–	51
Bank and custody fees	19	–	19	12	–	12
Marketing costs	80	–	80	65	–	65
Legal and professional fees*	25	–	25	217	–	217
Commitment fee for AIB facilities	12	–	12	39	–	39
Other expenses	96	–	96	76	–	76
	458	–	458	631	–	631

All of the above expenses include irrecoverable VAT where applicable.

In addition, the auditors received £9,000 for non-audit services in relation to the new issue, which took place in April 2005. This amount has been charged to the share premium account.

Details of the amounts paid to Directors are included in the Directors' Remuneration Report on pages 23 and 24.

*The total expense ratio, shown on page 2, excludes exceptional expenses of £179,000 incurred in 2004 in connection with the placing and acquisition of Hansa Trust plc's shares in the Company.

5. Interest Payable and Similar Charges

	Revenue 2005 £'000	Capital 2005 £'000	Total 2005 £'000	Revenue 2004 £'000	Capital 2004 £'000	Total 2004 £'000
Interest payable on AIB revolving						
credit facility	315	638	953	203	412	615
Other bank interest	19	39	58	9	18	27
	334	677	1,011	212	430	642

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Taxation Charge

(a) Analysis of charge for year

	Revenue 2005 £'000	Capital 2005 £'000	Total 2005 £'000	Revenue 2004 £'000	Capital 2004 £'000	Total 2004 £'000
Corporation tax	–	–	–	–	–	–

(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% (2004: 30%). The differences are explained below:

	2005 £'000	2004 £'000
Revenue return on ordinary activities before tax	3,331	2,277
Return on ordinary activities multiplied by standard tax rate of corporation tax	999	683
Effects of:		
Non-taxable UK investment income	(1,256)	(964)
Expenses charged to capital account available to be utilised	(353)	(229)
Excess administration expenses unused	594	436
Disallowed expenses	16	74
Current tax charge for the year	–	–

(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 £6,800,000 (2004: £6,206,000) 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.

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 £3,331,000 (2004: £2,277,000). 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

	2005 £'000	2004 £'000
Dividends on equity shares:		
Interim dividend paid on 26 April 2005 4.0p (2004: 1.8p)	1,565	636
Second Interim dividend paid on 28 October 2005 4.0p (2004: nil)	1,796	–
Final dividend paid nil (2004: 4.1p)	–	1,496
	3,361	2,132

9. Return per Share

	Revenue 2005 £'000	Capital 2005 £'000	Total 2005 £'000	Revenue 2004 £'000	Capital 2004 £'000	Total 2004 £'000
Return per share	8.21p	49.41p	57.62p	6.12p	37.27p	43.39p

Revenue return per share is based on £3,331,000 (2004: £2,277,000) net revenue on ordinary activities after taxation, and on the weighted average number of shares in issue during the year, and for this purpose, shares held in treasury are treated as not being in issue, of 40,573,992 (2004: 37,177,663). Capital return per share is based on net capital return for the financial year of £20,048,000 (2004: £13,855,000) and on the weighted average number of shares in issue during the year of 40,573,992 (2004: 37,177,663).

10. Investment in Subsidiary Undertaking

The Company's subsidiary undertaking Tynepower Limited, an investment dealing company, did not trade during the year. The Company owns 100% of the ordinary share capital and voting rights of Tynepower Limited, which is registered in England. At the year end there was a £645,000 creditor of which £100 relates to unpaid share capital.

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Financial Investments

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Investments listed on recognised investment exchanges	132,911	90,539	132,911	90,539
	132,911	90,539	132,911	90,539

Movement of Listed Investments

	Group and Company		
	Listed US 2005 £'000	Listed UK 2005 £'000	Total 2005 £'000
Opening book cost	487	77,405	77,892
Opening unrealised (depreciation)/appreciation	(231)	12,878	12,647
Opening valuation	256	90,283	90,539
Movements in the year:			
Purchases at cost	–	40,154	40,154
Sales – proceeds	(265)	(18,741)	(19,006)
Sales – realised (losses)/gains on sales	(222)	9,691	9,469
Increase in unrealised appreciation	231	11,524	11,755
Closing valuation	–	132,911	132,911
Closing book cost	–	108,509	108,509
Closing unrealised appreciation	–	24,402	24,402
	–	132,911	132,911

	2005 £'000	2004 £'000
Realised gains on sales	9,469	11
Amounts recognised as unrealised in previous years	(8,887)	(935)
Realised gains/(losses) based on carrying value at previous balance sheet date	582	(924)
Net movement in unrealised appreciation	20,642	15,541
Gains on investments in the year	21,224	14,617

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Debtors

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Proceeds due from share issue	129	–	129	–
Taxation recoverable	2	2	2	2
Prepayments and accrued income	1,182	528	1,182	528
	1,313	530	1,313	530

13. Creditors

Amounts falling due within one year

	Group 2005 £'000	Group 2004 £'000	Company 2005 £'000	Company 2004 £'000
Bank loan	18,100	15,250	18,100	15,250
Securities purchased for future settlement	192	149	192	149
Due to subsidiary undertaking	–	–	645	645
Expense accruals	247	195	247	195
Other creditors	35	–	35	–
Declared dividend	1,796	1,496	1,796	1,496
	20,370	17,090	21,015	17,735

14. Share Capital

	2005 £'000	2004 £'000
Authorised:		
Ordinary shares of 25p	13,658	13,658
	13,658	13,658
Allotted, issued and fully paid:		
Ordinary shares of 25p 44,948,643# (2004: 38,456,430*)	11,237	9,614
	11,237	9,614

#On 11 April 2005 3,845,000 new Ordinary shares were allotted as a Placing, since 21 April 2005 several allotments of new Ordinary shares have been made, increasing the issued share capital at 1 December 2005, to 46,531,573. All such allotments of new Ordinary shares were made at a minimum premium to net asset value of 1.5%.

*At 1 December 2004 1,612,178 Ordinary shares of 25p each were held in treasury for reissue into the market or cancellation at a future date. Shares held in treasury are non-voting and not eligible for receipt of dividends. At the date of this report all treasury shares had been reissued.

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. Reserves

	Share Premium £'000	Special Reserve £'000	Capital Redemption Reserve £'000	Capital Reserve realised £'000	Capital Reserve unrealised £'000	Revenue Reserve £'000
Group						
Balance as at 1 October 2004	121	12,424	3,453	34,159	12,647	1,812
Revenue deficit	–	–	–	–	–	(30)
Gains on investments	–	–	–	582	20,642	–
Shares issued	14,000	–	–	–	–	–
Treasury shares sold	722	–	–	3,479	–	–
Transfer on disposal of investments	–	–	–	8,887	(8,887)	–
Expenses charged to capital	–	–	–	(1,176)	–	–
Balance as at 30 September 2005	14,843	12,424	3,453	45,931	24,402	1,782
Company						
Balance as at 1 October 2004	121	12,424	3,453	34,159	13,292	1,167
Revenue surplus	–	–	–	–	–	(30)
Gains on investments	–	–	–	582	20,642	–
Shares issued	14,000	–	–	–	–	–
Treasury shares sold	722	–	–	3,479	–	–
Transfer on disposal of investments	–	–	–	8,887	(8,887)	–
Expenses charged to capital	–	–	–	(1,176)	–	–
Balance as at 30 September 2005	14,843	12,424	3,453	45,931	25,047	1,137

16. Net Asset Value per Share

	2005	2004
Net asset value per share	253.8	203.5p

The net asset value per share is based on the net assets attributable to equity shareholders of £114,072,000 (2004: £74,230,000) and on 44,948,643 (2004: 36,484,252*) shares in issue at 30 September 2005.

*The number of shares in issue has been adjusted for shares held in treasury which, for this purpose, are treated as not being in issue.

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. Movement in Shareholders' Funds

	2005 £'000	2004 £'000
Opening shareholders' funds	74,230	64,408
Total recognised gains for the year	23,379	16,132
Dividends	(3,361)	(2,132)
Shares purchased and cancelled	–	(736)
Shares issued	15,623	–
Treasury shares purchased	–	(7,013)
Treasury shares sold	4,201	3,571
Balance as at 30 September 2005	114,072	74,230

18. Contingent Liabilities

There were no capital commitments or contingent liabilities at 30 September 2005 (2004: nil).

19. Related Parties

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 2005 amounted to £745,000 (2004: £495,000) of which £74,000 was outstanding at the year-end (2004: £45,000).

The Company holds an investment of £1,255,000 (2004: £1,005,000) 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

(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 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; and
- 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 Adviser's 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 (2004: 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 2005 £'000	Floating rate interest received/ paid 2005 £'000	Financial assets on which no interest is paid 2005 £'000	Total 2005 £'000	Fixed rate interest received 2004 £'000	Floating rate interest received 2004 £'000	Financial assets on which no interest is paid 2004 £'000	Total 2004 £'000
Equities								
– denominated in sterling	–	–	112,204	112,204	–	–	79,663	79,663
– denominated in US dollars	–	–	–	–	–	–	256	256
*Non equities – sterling	2,975	–	17,732	20,707	1,139	–	9,481	10,620
Cash balances	–	218	–	218	–	251	–	251
Total financial assets	2,975	218	129,936	133,129	1,139	251	89,400	90,790
Financial liabilities	–	(18,100)	–	(18,100)	–	(15,250)	–	(15,250)
Net financial assets/(liabilities)	2,975	(17,882)	129,936	115,029	1,139	(14,999)	89,400	75,540

*Non-equity investments include the Halifax and HBOS (non-cumulative preference shares), UK Treasury 2.5% 29/12/49, Consolidated 2.5% 05/04/23, National Westminster 9% (non-cumulative preference shares) and Warburg (SG) Group 7.625% (non-cumulative preference shares).

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 2005 are represented by a £20,000,000 revolving credit facility, with Allied Irish Banks plc, of which £18,100,000 was drawn down at the rate of 5.1969% (base rate of 4.590 and margin and Rate of Additional Costs of 0.6069%), repayable on 7 October 2005 (2004: £20,000,000 revolving credit facility with Allied Irish Banks plc, of which £15,250,000 was drawn down). This facility may be drawn down on either a fixed or floating rate basis. Where there are short-term debit balances, this is debited at base rate plus 2%.

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 which is 3.15%.

Currency Exposure

The currency denomination of the Group's assets and liabilities is sterling which is the accounting currency of the Group. There are no securities denominated in any other currency (2004: £256,000).

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

	2005 £'000	2004 £'000
Net return before interest payable and taxation	3,665	2,489
Increase in accrued income	(656)	(169)
Decrease/(increase) in prepayments	2	(6)
Increase/(decrease) in other creditors and accruals	61	(30)
Expenses allocated to capital	(499)	(332)
Net cash inflow from operating activities	2,573	1,952

22. Analysis of Net Debt

	At 1 October 2004 £'000	Cashflow £'000	At 30 September 2005 £'000
Cash	251	(33)	218
Debt falling due within one year	(15,250)	(2,850)	(18,100)
Total	(14,999)	(2,883)	(17,882)

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 class	Market value £'000
Barr (A.G.)	885,000	4.5	8,611
Young & Co Brewery	199,873	4.2	3,323
Lindsell Train Investment Trust	10,000	5.0	1,255
Warburg (SG) Group 7.625% (non cum preference)	990,000	9.1	1,208

NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Finsbury Growth & Income Trust PLC will be held at 10 Crown Place, London EC2A 4FT on Thursday, 26 January 2006 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 2005.

2 To re-elect John Allard, who retires by rotation, as a Director of the Company.

3 To re-elect Vanessa Renwick, who retires by rotation, as a Director of the Company.

4 To re-elect Michael Reeve as a Director of the Company.

5 To re-elect Anthony Townsend as a Director of the Company.

6 To re-elect Giles Warman as a Director of the Company.

7 To re-appoint RSM Robson Rhodes LLP as the Company's auditors and to authorise the Directors to determine their remuneration.

8 To approve the Directors' Remuneration Report.

Special Business

To consider, and if thought fit, pass the following resolution proposed as a special resolution:

Authority to Repurchase Ordinary Shares

9 THAT the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of section 163(3) of the Companies Act 1985) of Ordinary shares of 25p in the capital of the Company (''Ordinary shares'') provided that:

(i) the maximum aggregate number of Ordinary shares authorised to be purchased is 6,975,083 or, if less, the number representing 14.99 per cent. of the issued Ordinary share capital of the Company (excluding shares held in treasury) 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 the higher of, 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 and, the last independent trade price;

(iv) this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2007 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

10 Crown Place
London EC2A 4FT

Close Finsbury Asset Management Limited
Company Secretary
12 December 2005

NOTICE OF THE ANNUAL GENERAL MEETING (continued)

Nominee share code

Where notification has been provided in advance, the Company will arrange for copies of shareholder communications to be provided to the operators of nominee accounts. Nominee investors may attend general meetings and speak at meetings when invited to do so by the Chairman.

Investors who hold shares through the Close Finsbury Savings Scheme, MileStones Plan, ISA or PEP receive all shareholder communications and a letter of direction is provided to facilitate voting at general meetings of the Company.

Notes

1 Ordinary shareholders, proxies and authorised representatives of corporations which are Ordinary shareholders are entitled to attend the meeting. 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 24 January 2006. 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.

2 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.

3 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.

4 If the meeting is adjourned to a time not more than 48 hours after the time applicable to the original meeting, the specified time noted above will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If however the meeting is adjourned for a longer period then, to be so entitled, members must be entered on the Company's register of members at the time which is 48 hours before the time fixed for the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.

5 The Register of Directors' interests is available at the Company's registered office during normal business hours on any weekday and will be available for inspection at the above Meeting. No Director has a service contract with the Company.

Location of Annual General Meeting

to be held at 10 Crown Place, London EC2A 4FT on
Thursday, 26 January 2006 at 12 noon.

GLOSSARY OF 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.

CAPITA REGISTRARS – SHARE DEALING SERVICE

A quick and easy share dealing service is available to either sell or buy more shares. An online and telephone dealing facility is available providing shareholders with an easy to access and simple to use service, stamp duty may also be payable on purchases:

All transactions incur a compliance charge of £2.50 in addition to the charges below, stamp duty may also be payable on purchases:

Type of trade	Online	Telephone
Share certificates	1% of the value of the deal (Minimum £17.50, max £40)	1.25% of the value of the deal (Minimum £20, max £50)

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

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

For further information on this service please contact:
www.capitadeal.com (online dealing) or 0870 458 4577 (telephone dealing)

COMPANY INFORMATION

Directors
Michael Reeve MA, FCA (Chairman)
John Allard
Vanessa Renwick
Anthony Townsend MA Cantab
Giles Warman

Consultant to the Board
Stewart Urry LLB, FCA

Registered Office
59 Lothian Road, Festival Square,
Edinburgh EH3 9BY

Company Registration Number
13958 (Registered in Scotland)

Manager and Company Secretary
Close Finsbury Asset Management Limited
10 Crown Place, London EC2A 4FT
Telephone: 020 7426 4000
Website: www.closefinsbury.com
Authorised and regulated by the Financial Services Authority

Investment Adviser
Lindsell Train Limited
35 Thurloe Street, London SW7 2LQ
Authorised and regulated by the Financial Services Authority

Stockbrokers
Winterflood Investment Trusts
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 Savings Scheme, MileStones Plan, ISA and PEP
Block C, Western House
Lynchwood Business Park
Peterborough PE2 6BP
Investor Helpline: 0800 169 6968*
Professional Advisors Helpline: 020 7426 4372
E-Mail: 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 Savings Scheme, MileStones Plan, ISA or PEP account.

*Calls to this number are recorded for monitoring purposes.

Online investment and account management is available for the Close Finsbury Savings Scheme, MileStones Plan, ISA and PEP at www.closefinsbury.com

Share Price Listings
The price of your shares can be found on the Close Finsbury website and 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 and on the TrustNet website at www.trustnet.com

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

Disability Act
Copies of this annual report and other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including braille, audio tape or larger type as appropriate. You can contact the Registrar to the Company, Capita IRG plc, which has installed telephones to allow speech and hearing impaired people who have their own telephone to contact them directly, without the need for an intermediate operator, for this service please call 020 8639 2062. Specially trained operators are available during normal business hours to answer queries via this service. Alternatively, if you prefer to go through a 'typetalk' operator (provided by The Royal National Institute for Deaf People) you should dial 18001 from your textphone followed by the number you wish to dial.

INVESTING WITH FINSBURY GROWTH & INCOME TRUST PLC

There are a variety of ways you can buy shares in the Company. You have the choice of lump sum or regular savings within a Close Finsbury Savings Scheme, MileStones Plan and ISA. There is also a PEP transfer facility if you already hold a PEP. Alternatively you can buy shares direct through your stockbroker or bank.

As the Company pays dividends, you have the benefit of automatic income reinvestment, therefore compounding your returns.

The ***CLOSE FINSBURY SAVINGS SCHEME***
– is open to lump sum investment or regular savings

INVESTING FOR CHILDREN "MILESTONES PLAN"
– is available within the Savings Scheme

The ***CLOSE FINSBURY ISA***
– enables investors to invest tax free up to £7,000 each year

Investment in the ISA and Savings Scheme can be made by lump sum from £1,000 or regular monthly savings from as little as £100 per month. Once invested, you can top up your Schemes at any time subject to a minimum of £100. For the Investing for Children plan, the minimums are £25 monthly savings, or £100 lump sums or top ups.

The ***CLOSE FINSBURY PEP TRANSFER***
– can be used to transfer the value of your existing PEP. A minimum of £1,000 can be invested in shares of the Company.

You can open an account and deal ***ONLINE*** for the Savings Scheme and ISA (but not the MileStones Plan or PEP) on the Close Finsbury website **www.closefinsbury.com**. Account management for all the Investment Schemes is also available on the website. This enables you to:

Access your account 24 hours a day	Amend your personal details
Obtain up-to-date valuations	Change Direct Debit details
View current and historic statements	Set up income payments
Purchase online by debit card	Sell online

To find out more either:

Phone: **0800 169 6968***

Click: **www.closefinsbury.com**

Email: **info@closefinsbury.com**

All of the Close Finsbury managed investment trusts are available within the Close Finsbury Savings Scheme, MileStones Plan, ISA or PEP. The range includes:

Close Finsbury EuroTech Trust PLC

Finsbury Emerging Biotechnology Trust PLC

Finsbury Growth & Income Trust PLC

Finsbury Technology Trust PLC

Finsbury Worldwide Pharmaceutical Trust PLC

*calls to this number are recorded for monitoring purposes

Close Finsbury Asset Management Limited is authorised and regulated by the Financial Services Authority

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Finsbury Growth & Income Trust PLC
10 Crown Place, London EC2A 4FT
www.closefinsbury.com info@closefinsbury.com