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Finsbury Growth & Income Trust PLC

(Company Number: SCO13958)

Accounts for the year ended 30 September 2017

Financial Statements / Income Statement

for the year ended 30 September 2017

	Notes	Revenue £'000	2017 Capital £'000	Total £'000	Revenue £'000	2016 Capital £'000	Total £'000
Gains on investments at fair value through profit or loss	9	-	116,495	116,495	-	134,001	134,001
Exchange difference			(122)	(122)	-	(69)	(69)
Income	2	27,731		27,731	23,300	-	23,300
AIFM and Portfolio management fees	3	(2,097)	(4,257)	(6,354)	(1,594)	(3,236)	(4,830)
Other expenses	4	(1,063)	(32)	(1,095)	(981)	-	(981)
Return on ordinary activities before finance charges and taxation		24,571	112,084	136,655	20,725	130,696	151,421
Finance charges	5	(228)	(462)	(690)	(219)	(445)	(664)
Return on ordinary activities before taxation		24,343	111,622	135,965	20,506	130,251	150,757
Taxation on ordinary activities	6	(397)	-	(397)	(469)	-	(469)
Return on ordinary activities after taxation		23,946	111,622	135,568	20,037	130,251	150,288
Basic and diluted return per share	7	15.8p	73.8p	89.6p	15.2p	99.2p	114.4p

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

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

All items in the above statement derive from continuing operations.

The Company had no recognised gains or losses other than those declared in the Income Statement, therefore no separate statement of Total Comprehensive Income has been presented.

There is no material difference between the net return on ordinary activities before taxation and the net return on ordinary activities after taxation stated above and their historical cost equivalents.

Financial Statements / Statement of Changes in Equity

for the year ended 30 September 2017

	Called up Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total Shareholders' funds £'000
At 1 October 2016	35,579	463,833	3,453	12,424	403,417	17,316	936,022
Net return from ordinary activities	-	-	-	-	111,622	23,946	135,568
Second interim dividend (7.0p per share) for the year ended 30 September 2016*	-	-	-	-	-	(9,982)	(9,982)
First interim dividend (6.8p per share) for the year ended 30 September 2017*	-	-	-	-	-	(10,290)	(10,290)
Issue of shares	4,145	109,047	-	-	-	-	113,192
Cost of share issuance	-	(89)	-	-	-	-	(89)
At 30 September 2017	39,724	572,791	3,453	12,424	515,039	20,990	1,164,421

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total Shareholders' funds £'000
At 1 October 2015	30,241	341,188	3,453	12,424	273,166	13,218	673,690
Net return from ordinary activities	-	-	-	-	130,251	20,037	150,288
Second interim dividend (6.6p per share) for the year ended 30 September 2015*	-	-	-	-	-	(8,008)	(8,008)
First interim dividend (6.1p per share) for the year ended 30 September 2016*	-	-	-	-	-	(7,931)	(7,931)
Issue of shares	5,338	122,754	-	-	-	-	128,092
Cost of share issuance	-	(109)	-	-	-	-	(109)
At 30 September 2016	35,579	463,833	3,453	12,424	403,417	17,316	936,022

*All dividends paid during the year have been funded from the Revenue reserve.

Financial Statements / Statement of Financial Position

as at 30 September 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Investments designated at fair value through profit or loss	9	1,186,911	956,592
Current assets			
Debtors	10	3,936	3,284
Cash and cash equivalents		11,482	12,198
		15,418	15,482
Current liabilities			
Creditors: amounts falling due within one year	11	(1,208)	(1,552)
Bank loan	11	-	(34,500)
	11	(1,208)	(36,052)
Net current assets/(liabilities)		14,210	(20,570)
Total assets less current liabilities		1,201,121	936,022
Creditors: amounts falling due after more than one year			
Bank loan	12	(36,700)	-
Net assets		1,164,421	936,022
Capital and reserves			
Called up share capital		39,724	35,579
Share premium account		572,791	463,833
Capital redemption reserve		3,453	3,453
Special reserve		12,424	12,424
Capital reserve		515,039	403,417
Revenue reserve		20,990	17,316
Total shareholders' funds		1,164,421	936,022
Net asset value per share – basic and diluted	13	732.8p	657.7p

Director:

Neil Collins

Date: **8 November 2017**

Neil Collins

Company Registration Number 13958 (Registered in Scotland)

Financial Statements / Statement of Cash Flows

for the year ended 30 September 2017

	2017 £'000	2016 £'000
Net cash inflow from operating activities before interest	18,740	16,135
Interest paid	(689)	(664)
Net cash inflow from operating activities	18,051	15,471
Investing activities		
Purchase of investments	(125,470)	(140,760)
Sale of investments	11,205	11,189
Net cash outflow from investing activities	(114,265)	(129,571)
Financing activities		
Equity dividends paid	(20,272)	(15,939)
Shares issued	113,781	128,475
Drawdown of loans	2,200	5,500
Cost of share issuance	(89)	(109)
Net cash inflow from financing activities	95,620	117,927
Increase in cash and cash equivalents	(594)	3,827
Exchange movements	(122)	(69)
Cash and cash equivalents at 1 October	12,198	8,440
Cash and cash equivalents at 30 September	11,482	12,198

Financial Statements / Notes to the Financial Statements

1. Accounting Policies

The Company is a public limited company (PLC) incorporated in England and Wales, with registered office of 50 Lothian Road, Festival Square, Edinburgh EH3 9WJ.

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

(a) Basis of preparation

The Financial Statements have been prepared under UK Company Law, FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland' and under the historical cost convention, except for the measurement at fair value of investments, and in accordance with UK Generally Accepted Accounting Practice (GAAP) and the Statement of Recommended Practice (SORP) for "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the Association of Investment Companies and dated November 2014 and the Companies Act 2006.

The Financial Statements have been prepared on a going concern basis. The Directors believe this is appropriate as the Company's net assets consist almost entirely of liquid securities which are quoted on recognised stock exchanges.

Presentation of the Income Statement

In order to reflect better the activities of an investment trust company and in accordance with the SORP, supplementary information which analyses the Income Statement between items of a revenue and capital nature has been presented alongside the Income Statement. The net revenue return is the measure the Directors believe appropriate in assessing the Company's compliance with certain requirements set out in Sections 1158 and 1159 of the Corporation Tax Act 2010.

Judgements and key sources of estimation and uncertainty

The preparation of the financial statements requires the Directors to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. In the process of applying the Company's accounting policies, the Directors have made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

- The unquoted investment in Frostrow Capital LLP has been valued by the Directors at two times Frostrow's annual recurring revenues with a 10% liquidity discount applied.

(b) Investments held at fair value through profit or loss

As the Company's business is investing in financial assets with a view to profiting from their total return in the form of dividends, interest or increases in fair value, investments are designated at fair value through profit or loss and are initially recognised at fair value. The Company manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the investments is provided internally on this basis to the Board. Fair value for quoted investments is deemed to be bid market prices, or last traded price, depending on the convention of the stock exchange on which they are quoted.

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

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

The Company's policy is to expense transaction costs on acquisition through the capital column of the Income Statement.

Financial Statements / Notes to the Financial Statements

1. Accounting Policies continued

(c) Investment Income

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

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

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

The limited liability partnership (LLP) profit share is recognised in the financial statements when the entitlement to the income is established.

(d) Dividend Payments

Dividends paid by the Company on its shares are recognised in the financial statements in the period in which they are paid and are shown in the Statement of Changes in Equity.

(e) Expenditure and Finance Charges

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

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

(f) Taxation

Deferred taxation is provided on all timing differences that have originated but not been reversed by the Statement of Financial Position date other than those differences regarded as permanent. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable profits from which the reversal of timing differences can be deducted. Any liability to deferred tax is provided for at the rate of tax enacted or substantially enacted.

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

(g) Foreign currency

Transactions recorded in overseas currencies during the year are translated into Sterling at the exchange rates ruling at the date of the transaction. Assets and liabilities denominated in overseas currencies at the Statement of Financial Position date are translated into sterling at the exchange rate ruling at that date.

(h) Cash and Cash Equivalents

Cash and cash equivalents are defined as cash and demand deposits readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

(i) Nature and purpose of reserves

Special reserve

The special reserve arose following Court approval in July 2002 to transfer £13.16 million from the share premium account. This reserve is distributable and has historically been used to fund any share buy-backs by the Company.

Capital redemption reserve

This reserve arose when ordinary shares were redeemed by the Company and subsequently cancelled, at which point the amount equal to the par value of the ordinary share capital was transferred from the ordinary share capital to the capital redemption reserve.

Financial Statements / Notes to the Financial Statements

1. Accounting Policies continued

Capital reserve

This reserve reflects any:

- gains or losses on the disposal of investments;
- exchange differences of a capital nature;
- the increases and decreases in the fair value of investments which have been recognised in the capital column of the Income Statement;
- expenses which are capital in nature as disclosed in note I(e); and
- following amendments to the Company's Articles of Association in 2015, this reserve can be used to distribute realised capital profits by way of dividend.

Revenue reserve

This reserve reflects all income and expenditure which are recognised in the revenue column of the income statement and is distributable by way of dividend.

2. Income

	2017 £'000	2016 £'000
Income from investments		
Franked investment income		
– dividends	23,358	19,370
Unfranked investment income		
– overseas dividends	4,032	3,491
– limited liability partnership – profit-share	295	401
– limited liability partnership – priority profit share on AIFM capital contribution	43	38
– Other operating income	3	-
Total income	27,731	23,300

3. AIFM and Portfolio Management Fees

Revenue	2017			2016		
	£'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
AIFM fee	542	1,100	1,642	416	844	1,260
Portfolio management fee	1,555	3,157	4,712	1,178	2,392	3,570
Total fees	2,097	4,257	6,354	1,594	3,236	4,830

4. Other Expenses

	2017			2016		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Directors' fees	154	-	154	146	-	146
Auditors' fees – statutory annual audit	27	-	27	27	-	27
Stock listing fees	211	-	211	157	-	157
Registrar fees	78	-	78	107	-	107
Depositary fees	169	-	169	155	-	155
Custody fees	108	-	108	96	-	96
Legal and professional fees	23	32	55	6	-	6
Promotional costs	72	-	72	47	-	47
Printing and postage	56	-	56	80	-	80
Other expenses*	165	-	165	160	-	160
Total expenses	1,063	32	1,095	981	-	981

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

*includes £5,000 payable to Grant Thornton UK LLP in relation to taxation compliance services carried out during the year.

Financial Statements / Notes to the Financial Statements

5. Finance Charges

	Revenue £'000	Capital £'000	2017 Total £'000	Revenue £'000	Capital £'000	2016 Total £'000
On bank loans wholly repayable within five years	164	332	496	198	402	600
Arrangement fees	19	38	57	-	-	-
Loan facility expenses	45	92	137	21	43	64
	228	462	690	219	445	664

6. Taxation on Ordinary Activities

(a) Analysis of charge in the year

	Revenue £'000	Capital £'000	2017 Total £'000	Revenue £'000	Capital £'000	2016 Total £'000
UK Corporation tax at 19.5% (2016 20.0%)	-	-	-	-	-	-
Overseas withholding taxation	461	-	461	577	-	577
Recoverable overseas withholding taxation	(64)	-	(64)	(108)	-	(108)
	397	-	397	469	-	469

(b) Factors affecting current tax charge for year

The tax assessed for the year is lower (2016: lower) than the standard rate of UK corporation tax of 19.5% (2016: 20%)

The differences are explained below:

	Revenue £'000	Capital £'000	2017 Total £'000	Revenue £'000	Capital £'000	2016 Total £'000
Total return on ordinary activities before taxation	24,343	111,622	135,965	20,506	130,251	150,757
Return on ordinary activities multiplied by UK corporation tax of 19.5% (2016: 20%)	4,749	21,778	26,527	4,101	26,050	30,151
Effects of:						
Overseas tax	461	-	461	577	-	577
Overseas tax recoverable	(64)	-	(64)	(108)	-	(108)
Franked investment income not subject to corporation tax – UK dividend income	(4,557)	-	(4,557)	(3,874)	-	(3,874)
Overseas dividends not taxable	(787)	-	(787)	(698)	-	(698)
Excess expenses unutilised	595	-	595	471	-	471
Amounts charged to capital	-	927	927	-	736	736
Expenses not deductible for tax purposes	-	23	23	-	14	14
Capital return not subject to tax*	-	(22,728)	(22,728)	-	(26,800)	(26,800)
Current tax charge for the year (note 6(a))	397	-	397	469	-	469

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

(c) Provision for deferred taxation

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

At 30 September 2017, the Company has not recognised a deferred tax asset of £10,788,000 (17% tax rate) (2016: £9,462,000 20% tax rate) arising principally as a result of surplus management and loan expenses. It is not anticipated that this asset will be utilised in the foreseeable future.

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

Financial Statements / Notes to the Financial Statements

7. Return per Share

	Revenue pence	Capital pence	2017 Total pence	Revenue pence	Capital pence	2016 Total pence
Return per share	15.8	73.8	89.6	15.2	99.2	114.4

The total return per share is based on the total return attributable to equity shareholders of £135,568,000 (2016: £150,288,000), and on 151,191,262 (2016: 131,338,370) shares, being the weighted average number of shares in issue during the year.

Revenue return per share is based on the net revenue on ordinary activities after taxation of £23,946,000 (2016: £20,037,000). Capital return per share is based on the net capital profit for the year of £111,622,000 (2016: £130,251,000).

8. Dividends

In accordance with FRS 102 dividends are included in the Financial Statements in the year in which they are paid or approved by shareholders.

	Ex-Dividend Date	Register Date	Payment Date	2017 £'000	2016 £'000
First interim dividend of 6.8p per share (2016: 6.1p)	7 April 2016	8 April 2016	11 May 2016	10,290	7,931
Second interim dividend of 7.4p per share (2016: 7.0p)	12 October 2017	13 October 2017	10 November 2017	11,786	9,982

The second interim dividend of 7.4p per share (2016: 7.0p) has not been included as a liability in these Financial Statements as it is only recognised in the financial year in which it is paid.

The total dividends payable in respect of the financial year which forms the basis of Section 1158 of the Corporation Tax Act 2010 are set out below:

	2017 £'000
Revenue available for distribution by way of dividend for the year	23,946
2017: First interim dividend of 6.8p per share paid on 10 May 2017	(10,290)
2017: Second interim dividend of 7.4p per share paid on 10 November 2017	(11,786)
Net addition to revenue reserves	1,870

Financial Statements / Notes to the Financial Statements

9. Investments

Analysis of portfolio movements

	2017 £'000	2016 £'000
Opening book cost	583,681	446,682
Opening investment holding gains	372,911	246,269
Valuation at 1 October	956,592	692,951
Movements in the year:		
Purchases at cost	125,029	140,829
Sales		
– Proceeds	(11,205)	(11,189)
– Gain on sales	8,514	7,359
Net movement in investment holding gains	107,981	126,642
Valuation at 30 September	1,186,911	956,592
Closing book cost	706,019	583,681
Investment holding gains at 30 September	480,892	372,911
Valuation at 30 September	1,186,911	956,592

Investment holding gains

	2017 £'000	2016 £'000
Gains based on historical cost	8,514	7,359
Net movement in investment holding gains in the year	107,981	126,642
Gains on investments during the year	116,495	134,001

Purchase transaction costs for the year to 30 September 2017 were £429,000 (2016: £788,000). These comprise of stamp duty costs of £346,000 (2016: £650,000) and commission of £83,000 (2016: £138,000). Sales transaction costs for the year to 30 September 2017 were £4,500 (2016: £11,000) and comprise commission. These transaction costs are included within the gains on investments within the Income Statement.

10. Debtors

	2017 £'000	2016 £'000
Amount due from broker in respect of shares issued by the Company	–	589
Prepayments and accrued income	3,936	2,695
	3,936	3,284

11. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank loan*	–	34,500
Amounts due to brokers	468	909
Other creditors and accruals	740	643
	1,208	36,052

* Scotiabank Europe PLC, the provider of the Company's loan facility, has a fixed and floating charge over the assets of the Company as security against any funds drawn down under the loan facility. As at 30 September 2017, the Company was entering the second year of its three year secured fixed term multicurrency revolving credit facility of £75 million (with an additional £25 million facility available if required).

The main covenant under the loan facility required that, at each month end, total borrowings should not exceed £75 million and the ratio of Adjusted Total Net Assets to Debt was not permitted to be less than 4:1. There were no breaches of the covenant during the year.

The Board has set a gearing limit which must not exceed 25% of the Company's Net Asset Value.

Financial Statements / Notes to the Financial Statements

12. Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Bank loan	36,700	-
	36,700	-

13. Net Asset Value per Share

The net asset value per share is based on net assets of £1,164,421,000 (2016: £936,022,000) and on 158,896,712 (2016: 142,318,212) shares in issue at the year end.