



# THE LINDSELL TRAIN INVESTMENT TRUST PLC

Report and Accounts  
For the period ended 31 March 2002

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Contents

	Page
Objective of the Company	1
Highlights for the Period	1
Performance	2
Chairman's Statement	3
Directors, Investment Manager, Administrator and Secretary	4
Portfolio Holdings	5
Investment Portfolio	6
Investment Manager's Report	7
Report of the Directors	11
Corporate Governance Statement	16
Report of the Independent Auditors	19
Statement of Total Return	21
Balance Sheet	22
Cash Flow Statement	23
Notes to the Financial Statements	24
Notice of Annual General Meeting	38
Company Information	39
Form of Proxy	40

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Objective of the Company

The objective of the Company is to maximise long-term total returns subject to the avoidance of loss of absolute value and with a minimum objective to maintain the real purchasing power of Sterling capital, as measured by the annual average yield on the 2.5% Consolidated Loan Stock.

### Highlights for the Period

#### **Performance comparisons since establishment (22 January 2001 - 31 March 2002)**

<b>Middle market share price per ordinary share</b>	<b>+21.5%</b>
Net Asset Value per ordinary share	+4.7%
Net Asset Value per ordinary share (adjusted for launch expenses)	+5.9%
Benchmark*	+6.1%
MSCI World Index (Sterling)	-16.3%
UK RPI Inflation	+2.0%

#### **Performance comparisons in the first performance period (22 January 2001 - 31 March 2001)**

Middle market share price per ordinary share	+14.0%
Benchmark*	+1.0%

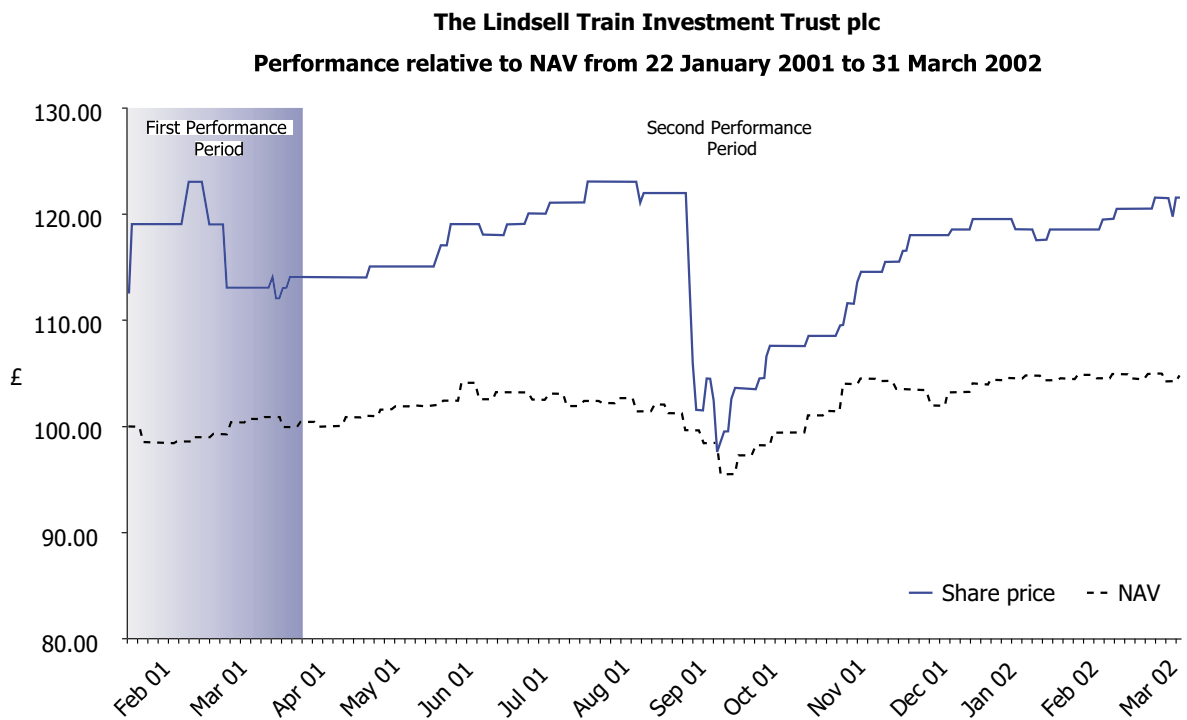
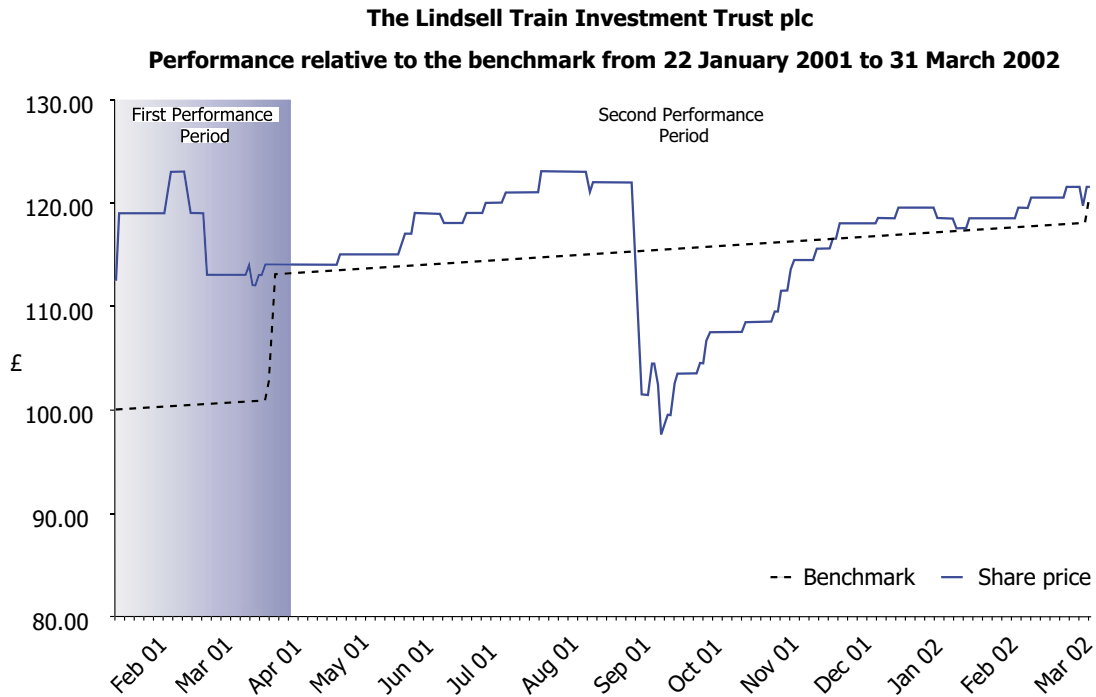
#### **Performance comparisons in the second performance period (1 April 2001 - 31 March 2002)**

Middle market share price per ordinary share	+6.6%
Benchmark*	+5.1%

\* The index of the annual average yield on the 2.5% Consolidated Loan Stock between the relevant dates

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Performance



# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Chairman's Statement

The share price of your Company has risen in value since establishment by 21.5% and by 6.6% since 31 March 2001. The net asset value rose by 4.7% and 4.3% over equivalent periods. The benchmark, as illustrated on the previous page, rose by 6.1% and 5.1% respectively. This represents a satisfactory outcome from the perspective of the share price exceeding the benchmark (the investment objective) but that should be tempered by the realisation that over the long term the performance of the net asset value ('NAV') is likely to be the best indicator of the Company's success. As this has lagged the benchmark over both periods there is some catching up to do.

In fairness the Manager deserves a plea for mitigating circumstances as over the last year returns from the asset classes that they would normally invest in have been particularly disappointing. World equities, as measured by the MSCI world index (in Sterling) fell by 5.9%, Global Bonds, as measured by the JP Morgan Global Bond Index (in Sterling) rose by 0.4% and Sterling cash (annual average 1 month LIBOR rate) rose by 4.6%. In light of these figures achieving a 4.3% advance in NAV is a satisfactory outcome.

However it is important to remind shareholders that the NAV performance included the rise in the Directors' estimate of the value of Lindsell Train Limited. Lindsell Train is valued with reference to the formula detailed under 'Shareholder information' on page 11 of the placing memorandum. The value represented the change in the simple average of three different valuation methodologies last updated at the beginning of January. The Directors' policy is to adjust the value of Lindsell Train Limited at the beginning of each calendar quarter.

*5% of funds under management.* Lindsell Train had £102m of funds under management at the end of December. Value per share from this methodology was £1,926.

*Book Value.* Lindsell Train's unaudited book value at the end of December was £166 per share.

*Earnings.* The deemed earnings yield for the calculation was 7.99% (the annual average 2.5% Consolidated Loan Stock yield plus 3%). The 3 month moving average of Lindsell Train's annualised monthly earnings (less performance fees) in December was £43.50 per share which, when divided by the deemed earnings yield, generated a value by this methodology of £544 per share.

The simple average of these calculations was £879 per share, a rise of £779 or 779% from the value at cost. This contributed £519,000 (or 29%) to the total rise of £1,785,000 in the value of the NAV, before expenses, since establishment.

Another contributor to the performance of the NAV was the Lindsell Train Japan Fund. The Company invested just under 15% of its assets in the Fund on its establishment in May 2001. The Fund is designed to take advantage of investment opportunities in Japan investing both long and short. In doing so it was able to generate returns of 14.6% (in US Dollars) even though the market declined by 32.6%, as measured by the TOPIX Index (in US Dollars). This illustrates the effectiveness of investing in alternative assets or hedge funds, albeit measured over a short period of time. The Company further increased its allocation to hedge funds with its investment in the Lindsell Train Global Media Fund. A small proportion of the Japan Fund was sold to finance this and to bring the weighting in each to 12.5%, totalling 25% of the NAV, the maximum permitted at cost. The Company's investment in Lindsell Train Funds in addition to contributing £421,000 (or 24%) to overall returns helped to provide Lindsell Train with more critical mass in the early stage of its development thereby nurturing the business of what could be the Company's most important asset. (In doing so there was no double charging of fees on The Funds and no double counting of assets in the funds-under-management calculation for valuing Lindsell Train Limited.)

The remaining £845,000 of value was generated by quoted equity, bond and cash investments, which the Manager will describe in greater detail in the Manager's report overleaf.

The gross gain in value was reduced by the costs of running and establishing the Company. These amounted to £844,000 and include performance fee payments of £309,000 and establishment expenses of £217,000. All expenses have been charged to the revenue account. The Company generated a small profit of £50,000 for the period since establishment. As the profit is lower than the maximum amount the Company could retain under investment trust regulations, the Directors' propose paying no dividend for this financial period. The Directors' policy is to retain as much profit as is permissible under investment trust regulations in their belief that this policy is likely to be most tax efficient for the majority of investors in the Company.

**R M Swire**  
Chairman  
19 April 2002

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Directors

**Rhoderick Swire F.C.A.\*†**, Chairman, aged 51, is chairman of Pantheon Holdings Limited and all its substantial subsidiaries, and of Pantheon International Participations plc and Clyde Marine plc. He is also a director of the China Navigation Company Limited and 13 Guernsey based funds, managed by Pantheon Group. In 1981 he joined GT Management PLC to oversee and manage venture capital investments. Before joining GT Management PLC he was an executive at John Swire & Sons Limited for 4 years, working in Hong Kong, Sydney and London. He obtained a BSc in Engineering and Economics from Birmingham University, and qualified as a Chartered Accountant with Peat Marwick.

**Donald Adamson\*†**, aged 43, has over 18 years experience of fund management, corporate finance and private equity in Edinburgh, London and Jersey. He is the principal of Research and Consulting Associates Limited, a specialist off-shore consulting business linked to Collins Stewart Limited and was most recently the joint principal of Graham Investment Managers Limited, a fund manager overseeing assets worth over £250 million, whose acquisition by Aberdeen Asset Management Plc he co-ordinated. He serves as director or chairman of a number of listed and privately-held investment companies including a number of funds managed by the Pantheon Group and the chairmanship of Lindsell Train Japan Fund and Lindsell Train Global Media Fund. He was awarded an M.A. in Economics and History from University College, Oxford, carried out post-graduate research at Nuffield College, Oxford and is a Member of the Securities Institute.

**Michael Lindsell**, aged 42, joined the investment department of Lazard Brothers in 1982 after obtaining a BSc (Hons) degree in Zoology from Bristol University. In 1985 he moved to Scimitar Asset Management in Hong Kong where he ran Pacific and Japanese mandates before specialising in Japan. He moved to Warburg Asset Management in London in 1989 where he was a director and head of Mercury Asset Management's Japanese fund management. In 1992 Mr Lindsell moved to GT Management's Tokyo office where he held the post of chief investment officer with responsibility for GT's Japanese funds together with global funds sourced out of Japan. He returned to the United Kingdom in 1997 to assume responsibility for GT's global and international funds. Following the acquisition of GT by INVESCO in 1998, Mr Lindsell was appointed head of the combined global product team. He left INVESCO to set up the Investment Manager in 1999.

**Michael Mackenzie\*†**, aged 45, specialises in private equity investments focusing primarily on the wine industry and holds the positions of directeur-général of Champagne Jacquesson & Fils, chairman of Mayfair Cellars Limited, chairman of Tasmanian Vineyards Pty. Limited and director of Taltarni Vineyards. He is also a director of Zi Corporation. His career in financial services started in 1978 with Kleinwort Benson Limited in London and then in Hong Kong. In 1986 he joined James Capel (Far East) Limited as a director before becoming executive director of Wardley James Capel (Far East) Limited in 1991. In 1994 he was appointed Director of Jeffries Pacific Limited, a position that he held for three years. He has an M.A. in Modern Languages from New College, Oxford.

All Directors are non executive

\* Independent

† Audit and Management Engagement Committee member

## Investment Manager

The Directors appointed Lindsell Train Limited as discretionary investment manager of the Company's assets on 21 December 2000.

## Administrator and Secretary

Phoenix Administration Services Limited appointed on 21 December 2000, acts as Administrator and Secretary to the Company.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Portfolio Holdings at 31 March 2002

(All Ordinary Shares unless otherwise stated)

Holding	Company	Market Value £'000	% of Portfolio
35,001	Lindsell Train Japan (Distributor) Inc	2,746	13.10
US\$3,700,000	US Treasury 6.25% 15/05/2030	2,697	12.88
36,000	Lindsell Train Global Media (Distributor) Inc	2,533	12.09
US\$1,899,000	US Treasury 3.875% 15/04/2029 Index Linked	1,525	7.28
1,443,126	Halifax Group 6.125% Non - Cumulative Preferred	1,411	6.73
28,500	Dow Jones & Co	1,165	5.56
238,154	Cadbury Schweppes	1,154	5.51
£2,300,000	2.5% Consolidated Loan Stock	1,059	5.05
215,000	Barr (AG)	1,023	4.89
£2,000,000	UK Treasury 2.5%	919	4.39
8,800	Nintendo	917	4.38
127,118	Wolverhampton & Dudley Breweries	864	4.13
575,000	HBOS 9.25% Non - Cumulative Preferred	851	4.06
143,500	Reuters Group	777	3.71
105,000	Glenmorangie Plc 'A' (Limited Voting)	743	3.55
87,500	HBOS	664	3.17
666	Lindsell Train Limited*	585	2.79
36,515	Wolters Kluwer	537	2.56
540,000	Daily Mail & General Trust 2.5% 05/10/2004	511	2.44
26,380	Glenmorangie Plc 'B'	303	1.45
26,300	Instinet Group	120	0.57
	Total Investments	23,104	110.29
	Net current liabilities	(2,156)	(10.29)
	<b>Total assets less current liabilities</b>	<b>20,948</b>	<b>100.00</b>

\*Unlisted investment

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Investment Portfolio at 31 March 2002

### Breakdown by Industry Sector

#### Long Term Fixed Interest

Bonds	32.04%	
Preference Stock *	10.79%	
		42.83%

#### Equities

Lindsell Train Funds	25.19%	
Media	16.78%	
Beverages	9.89%	
Consumer Products	5.51%	
Breweries	4.13%	
Banks	3.17%	
Investment Management	2.79%	
		67.46%

#### Cash

(10.29)%
100.00%

### Breakdown by Geography

#### Long Term Fixed Interest

UK *	22.67%	
USA	20.16%	
		42.83%

#### Equities

UK	29.20%	
Japan	17.48%	
World-wide	12.09%	
USA	6.13%	
Europe	2.56%	
		67.46%

#### Cash

USA	0.59%	
Japan	(4.03)%	
UK	(6.85)%	
		(10.29)%
		100.00%

### Breakdown by Currency

US\$	52.08%
£	45.02%
Euro	2.56%
Yen	0.34%
	100.00%

\* Includes Halifax Group 6.125% Non - Cumulative Preferred and HBOS 9.25% Non - Cumulative Preferred although strictly speaking, these are equity investments.

## Investment Manager's Report

### **Investment Portfolio**

This is only our first annual review of the Company's investment strategy and portfolio, yet we already feel that we are beginning to repeat ourselves, not that we regard consistency as in any way a bad thing. Most of the investment issues we raised in the Interim Report remain alive, so far as we are concerned and all the conclusions we arrived at then are unchanged. None of the investments we made in the first year of the Company's life have been sold, excepting some short-dated government bonds for liquidity purposes. Only three new investments have been made during 2002 and two of these effectively only increased our exposure to existing positions. The shape of the portfolio has not altered materially, although, as discussed below, we have added some debt to the structure. In other words, as we hope we communicated to our investors, from the prospectus onwards, we do have genuinely long-term, strategic views about asset prices and the outlooks for individual companies and once we have committed ourselves to these views we hold them stubbornly. We hate selling successful investments and our primary response to a temporarily unsuccessful investment is to look for an opportunity to buy more. Above everything else, we are conscious of our fallibility when making tactical, short-term trades and acutely conscious of the drag that transaction costs represent on long haul returns. Our inclination, therefore, is to keep all such activity to a minimum, an inclination that we have stuck to through the life of the Company to date. So, for better or for worse, we advise investors to expect the review which follows to be reminiscent of that conducted at the interim and to act as a preview of the next report after this. Don't expect much change, indeed worry if there is radical change, because that would mean that we had decided that we are badly wrong about something.

### **Investment Review**

Our starting point for portfolio construction is not an analysis of expected trends in economies, nor even capital markets, though, of course, we are not immune from having views about the progress of each. Rather, we analyse and select investments based on our assessment of whether they will enable us to meet our minimum objective, that of outpacing the annual average yield on the 2.5% Consolidated Loan Stock, currently 5.1%, with the minimum of risk.

It is fair to say, however, that we do harbour one macro-economic conviction and that that conviction is reflected in the structure of the portfolio. The Company could still perform perfectly adequately if our conviction turns out misplaced, but for us to generate exceptional returns for shareholders the view needs to be a sound one. The conviction is that inflation in the developed world is likely to remain surprisingly low for a surprisingly long time. What we mean by "surprisingly low" is lower than the inflation expectation built into the spread between the redemption yields on long dated conventional government bonds and long dated index linked or inflation protected government bonds. The current implied inflation expectation in the UK for the next 30 years is 2.9% pa (5.0%-2.1%) and in the US 2.4% pa (5.9%-3.5%). By "surprisingly long" we mean that we expect inflation to undershoot these market-derived forecasts for a decade or more. In our view investors and consumers are going to get used to inflation of between -1% and +1% pa. Until this level is regarded as "normal", as it has been for most of financial history, there is an opportunity in the capital markets, we believe.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Investment Manager's Report *continued*

The opportunity is two-fold. First, to profit from a further rerating of the highest quality, longest dated fixed interest stock.



As the accompanying chart above illustrates such a rerating commenced as long ago as 1982, when the US 30-year bond yield peaked at 13.9% and has continued, with periodic setbacks associated with economic growth spurts, ever since. An example of such a setback in this solidly established bull market for long bonds is current market action. US yields today have retraced from the lows of last year, as evidence of recovery has mounted. However, at a fraction below 6.0%, the 30-year yield is already approaching the 6.7% peak of the last cycle, back in January 2000. We would be very surprised if the economic conditions of the immediate aftermath of the Millennium, of combined capital and consumer spending boom, were to be repeated for a very long time and therefore believe that government bond investors are being unduly pessimistic. Straight government bonds, both US and UK, account for 29.6% of the Company's NAV, while quasi-bonds, two preference shares and one convertible bond, make up another 13.2%.

This fixed interest opportunity is not, as some might expect, based on any conviction that bonds will necessarily continue to outperform equities, as they have done over the past two years. Nor are we convinced that returns from equities are certain to be lower in nominal terms than were generated in the 1980s and 1990s. It is simply that we expect a relatively low risk asset class, namely the highest quality government bonds, to do well and to beat our investment hurdle. We want a substantive exposure to such an opportunity before we consider riskier alternatives. If we are wrong about the course of US inflation, some of the resulting investment pain could be mitigated by our holding of the US inflation-protected bond, nearly half of our US bond position, which we expect to deliver acceptable returns in any inflation environment. If we are wrong about the course of UK inflation our gilts holdings will suffer, but we assume that Sterling would most likely weaken against the Dollar, which would be a not trivial compensation, given our 52% total exposure to US Dollar assets.

Second, surprisingly low inflation should also benefit the type of equities that we are attracted to. Our focus is primarily on companies possessed of durable, preferably immortal, business franchises. We like these franchises to be growing, although current rates of growth are not as important to us as confidence in the long-term sustainability of returns on equity. In our view, low growth, but secure franchises will pay us attractive dividends and may deliver capital gain, if we are correct and bond

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Investment Manager's Report continued

prices do rise, while secure franchises, which are growing to boot, should deliver exceptional returns, as their real rate of growth accelerates and real returns on equity rise. Of the roughly 40% we have invested in quoted equities, 12% is committed to low growth, enduring franchises, AG Barr, Wolverhampton & Dudley and Wolters Kluwer, while 28% gives us exposure to businesses with higher real growth potential, Dow Jones, Cadbury, HBOS, Glenmorangie, Nintendo and Reuters/Instinet. In addition, the "long" exposures in the two Lindsell Train funds tend to be made up of similar companies, meaning that the Investment Trust's net exposure to "our" kind of equity is higher than is immediately apparent.

### **Investment Activity**

Here we highlight notable recent activity within the portfolio or events that challenge our views about existing holdings.

One important development for the Company is our move to gear its balance sheet. As this report is written we have borrowed £2.3m or 11% of NAV. Both Nick Train and Michael Lindsell (of the Investment Manager) have lived through enough investment history to understand how dangerous debt can be and are watching a debt-driven tragedy for the investment trust industry unfold even now. However, the quality of our assets, the income they generate and our relatively modest and floating cost of borrowing, which we expect to be lower in two years time, all encourage us to believe the current level of gearing is readily supportable and can create value for shareholders. For instance, the debt is matched by the investment we have made in two preference shares, which both offer a franked income yield higher than our cost of borrowing. Thus we create a positive cost of carry, with the potential to earn capital gains if long bond yields fall. We will borrow more, if we find assets that offer similar certainty of risk-adjusted return.

There are three new holdings. First, the HBOS 9.25% Irredeemable Preference Shares. We established this position rather than adding to our existing Halifax Preference stock, because the new shares offer a slightly higher yield and because of their irredeemability, which means they offer greater appreciation potential when interest rates fall. Both stocks offer a yield comparable to that on a poor quality corporate bond, say 9.0% gross, but are issued by one of the soundest credits in the UK financial services industry. Your Company's total exposure to HBOS is now high, at 14%. Unfortunately we find no other preference shares that, in our view, match the HBOS issues for credit quality. It goes without saying that we are confident in the financial stability of HBOS, but the scale of our exposure makes us most circumspect and sensitive to any deterioration in outlook.

Next, we made a 5.0% investment in the "A" and "B" shares of Glenmorangie, the last independent, quoted Scotch single-malt whisky distiller. We believe the company is a wonderful store of value, with its eponymous malt, which is still only very early into the exploitation of its potential as a global brand, as well as other valuable properties, including Ardbeg, which really is the most delicious of all the Islay malts. The share register is dominated by two holders – a family trust and Brown Forman Inc, the distiller of Jack Daniels, which now owns 25% of the "A" shares. Other shareholders, like us, must, therefore, share similar ambitions and time horizons as these two strategic investors. We do, but recognize that the success of this investment will become apparent over years, not the next few quarters and that the shares are illiquid and susceptible to being ignored by investors for long periods. Indeed, we were able to take advantage of the illiquidity of the stock to acquire our stake. Glenmorangie's shares have recently been ejected from the FT Small Companies Index, because of low trading volumes. Some investors who take indices literally have been forced to sell their shares, driving the price of the "A" shares down from £8.00 to £5.85, where we purchased our interest.

## Investment Manager's Report *continued*

Finally, we have established a holding in a Daily Mail convertible bond, with a 2.5% coupon maturing in 2004. This bond is unusual, because it converts not into shares of the Daily Mail and General Trust, but into the shares in Reuters that the Daily Mail has held on its balance sheet as a strategic investment for many years. In truth the conversion terms mean that Reuters share price will have to rise dramatically before the bond offers much equity value, although our view of the true worth of that company means that such a gain is not impossible over the remaining two and a half years of the life of the instrument. Meanwhile, the bond will generate a total return of over 4.0% per annum through to redemption, so long as the Daily Mail does not default, a remote threat, we believe. The bond therefore offers a certain, adequate return, with an option on a substantial recovery in Reuters' stock, which we believe is possible.

Reuters itself has been the one really serious error of, being charitable, investment timing, that we have made for the Company. We have lost 2.75% of NAV in the shares and its associated, quoted subsidiary Instinet. We misjudged the extent to which the downturn in the investment banking industry would hit Reuters' valuation, though, in our opinion, this downturn is not so relevant for the intrinsic value of the company. The cycle will turn. However, we may also have misjudged the intensity of competition confronting the company and missed a secular as well as cyclical problem. This makes us nervous. Yet it remains easy to underestimate the strengths of Reuters. It has the largest installed base in its industry, generates cash, has no debt and expenses £300m per annum on new product development. In our experience, bad companies almost never become good companies. Unfortunately, the reverse does not hold true and it is regrettably common for good companies to become bad ones. Nonetheless, Reuters has been such a good company, for so many decades and its strategic flexibility is so great, that we are reluctant to abandon it, especially after a 66% fall in price.

### **Conclusion**

The strategy made modest amounts of money for our shareholders last year, through a hostile set of market circumstances when losing money was disconcertingly easy. What the current strategy will not do is generate an exciting return if equity markets embark on a sustained bull run. Yet we do not intend to alter the current asset disposition, nor indeed vary the stock positions. This is not because we are fantastically bearish of equity markets, although we do believe that recovery expectations are too high, but because we place such a high value on protecting our clients' and our own capital. Of course, we must take some risk simply to protect the real, post tax value of the capital entrusted to us and, indeed, we have, by leveraging the Company, by purchasing long dated bonds and via the various stocks and fund strategies. However we have not and do not intend to take as much risk as a policy of attempting to maximise returns at all times and all costs would require. Our hope is that investors who share these objectives will not only support the value of your company, but also the other Lindsell Train investment mandates. If the Investment Management company were to prosper further, an enormously contingent "if", of course, then your investment trust might generate more exceptional returns on its net assets than the current, rather risk-averse, strategy could deliver on its own.

### **N Train**

Trust Manager

19 April 2002

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Report of the Directors for the accounting period 29 November 2000 to 31 March 2002

The Directors submit their report together with the audited financial statements of the Company for the accounting period 29 November 2000 to 31 March 2002.

The Company was incorporated in England and Wales as a public limited company on 29 November 2000 with the registered number 4119429.

### **Activities and Status**

During the period 29 November 2000 to 21 January 2001, the Company did not trade. On 7 December 2000 the Company was issued with a certificate under Section 117 of the Companies Act 1985, as amended ("the Act") entitling it to commence business and to exercise borrowing powers. On 21 December 2000, the Company notified the Registrar of Companies of its intention to carry on business as an investment company within the meaning of Section 266 of the Companies Act 1985, as amended.

On 22 January 2001, 200,000 Ordinary Shares of 25 pence each in the Company were issued pursuant to the Placing and admitted to the Official List and to the London Stock Exchange for trading.

Since 22 January 2001, the Company has carried on business as an investment trust. In order to obtain exemption from United Kingdom taxation on capital gains, the Directors have conducted the affairs of the Company with a view to obtaining and maintaining approval as an investment trust for the purposes of Section 842 of the Income and Corporation Taxes Act 1988. However, such approval is only given retrospectively in respect of each accounting period of the Company.

### **Duration of the Company**

The Company does not have a fixed life, but the Board considers it desirable that shareholders should have the opportunity to review the future of the Company in 2008. Accordingly, at the Annual General Meeting of the Company in 2008, an ordinary resolution will be proposed that the Company should continue as an investment trust. In the event that this resolution is not passed, the Directors will formulate proposals for the future of the Company for submission to and approval by shareholders.

### **Review of the Accounting Period**

The review of the accounting period and commentary on the future outlook are presented further in the Chairman's statement on page 3 and the Investment Manager's Report on pages 7 to 10.

### **Results and Dividend**

The revenue return for the accounting period 29 November 2000 to 31 March 2002 after taxation amounted to £50,000. No dividend is proposed in respect of the accounting period ended 31 March 2002.

### **Directors**

The first Directors were the company registration agents, Mr Daniel James Dwyer and Mr Daniel John Dwyer who were appointed on and resigned on 29 November 2000.

Details of the Directors of the Company who were also appointed on 29 November 2000 and who served throughout the period are set out on page 4.

The Company's Articles of Association provide that when the Board has appointed new directors, those directors must retire and offer themselves for election at the next Annual General Meeting. Accordingly, shareholders will be asked to elect Mr R Swire, Mr D Adamson, Mr M Lindsell and Mr M Mackenzie as Directors at the forthcoming Annual General Meeting.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Report of the Directors *continued*

### Directors Interests

The beneficial and non beneficial interests of the Directors in the Ordinary Shares of 25p each of the Company from the date of the placing and at the period end, 31 March 2002, are set out below.

	Ordinary Shares	
	22 January 2001	31 March 2002
R Swire	250	250
D Adamson	2,500	2,500
M Lindsell	6,600	6,600
M Lindsell *	3,500	3,500
M Mackenzie	250	250
M Mackenzie *	4,000	4,000

\* Non beneficial interests

Particulars of the interests of Mr Lindsell in the Ordinary Shares and Redeemable Shares of the Company from 29 November 2000 to 22 January 2001 are disclosed on page 13 in the section headed "Changes in Capital Structure". Prior to 22 January 2001, none of the Directors who served throughout the accounting period, other than Mr Lindsell, were interested in the Ordinary Shares of the Company.

No changes in the above interests occurred between 31 March 2002 and 19 April 2002. None of the Directors has been granted or exercised any rights to subscribe for Ordinary Shares of the Company.

### Disclosure of Interests

Mr Lindsell is a director of the investment manager, Lindsell Train Limited, of which he is also a shareholder of 37.5 per cent. of the issued share capital. The terms of the Investment Management Agreement are set out in note 7 to the financial statements. Mr Lindsell is a shareholder of the Lindsell Train Japan (Distributor) Inc and the Lindsell Train Global Media (Distributor) Inc. Mr Lindsell is also connected with the daily management of these funds.

On 7 December 2000, the Company entered into a conditional sale and purchase agreement with Messrs Lindsell and Train and on 22 January 2001 the Company purchased 666 Lindsell Train Limited ordinary shares at a total cost of £66,600 (25 per cent. of the issued share capital of Lindsell Train Limited).

Mr Adamson is Chairman of the Lindsell Train Japan Fund and Lindsell Train Global Media Fund, both Lindsell Train Fund Products, in which the Company has made investments (see page 5). Mr Adamson is also a shareholder of the Lindsell Train Japan (Accumulator) Inc and the Lindsell Train Global Media (Accumulator) Inc.

Mr Mackenzie has a non beneficial interest in the Lindsell Train Japan (Accumulator) Inc and the Lindsell Train Global Media (Accumulator) Inc.

All of the Directors are non-executive and no Director has at any time during the accounting period had a contract of service with the Company.

Save as disclosed above and in note 7 to the financial statements, no Director was a party to, or had an interest in, any contract or arrangement with the Company.

### Waiver of Emoluments

Mr Lindsell has agreed to waive his entitlement in full to fees as a Director of the Company.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Report of the Directors continued

### Substantial Shareholdings

At 19 April 2002 the Company had been notified of the following holdings of 3% or more of the issued share capital of the Company:

	<b>No of Ordinary Shares</b>	<b>% of Issued Share Capital</b>
Michael Lindsell	10,100	5.05
Nicholas Train	10,000	5.00
Dominic Caldecott	8,250	4.12

### Changes in Capital Structure

On incorporation, the authorised share capital of the Company was £50,000 divided into 50,000 shares of £1 each, two of which were agreed to be taken by the subscribers to the Memorandum of Association and on 4 December 2000 were transferred to Mr Michael Lindsell and Mr Nicholas Train.

On 4 December 2000 the authorised share capital of the Company was increased from £50,000 to £100,000 by the creation of 50,000 redeemable shares of £1 each and the existing shares in the Company were subdivided into and re-designated as Ordinary Shares of 25 pence each. To enable the Company to obtain a trading certificate under section 117 of the Companies Act 1985, 25,000 Redeemable Shares were allotted to each of Mr Michael Lindsell and Mr Nicholas Train against irrevocable undertakings to pay £1 in cash for each such Redeemable Share on the date of Admission.

The Redeemable Shares were paid up in full on 22 January 2001, (the Placing date) and redeemed out of the proceeds of the Placing. The unissued share capital created by the redemption of the Redeemable Shares was subdivided into and re-designated as Ordinary Shares. Pursuant to the placing, 199,992 Ordinary Shares were issued for a total consideration of £19,999,200.

Following the Placing on 22 January 2001, the Company's authorised share capital was £100,000 divided into 400,000 Ordinary Shares of 25 pence each of which 200,000 Ordinary Shares of 25 pence each were issued. The Ordinary Shares were fully paid up as to their nominal value and the Placing price represented a premium over the nominal value of each Ordinary Share equal to £99.75.

Save as disclosed above, there has been no alteration in the share capital of the Company during the period and there were no changes to the capital structure between 31 March 2002 and 19 April 2002.

### Creditors' Payment Policy

It is the Company's policy to obtain the best terms for all business including purchases of investments, and to abide by those agreed terms. As at 31 March 2002 the Company had no trade creditors (creditors' days: nil).

## Report of the Directors *continued*

### **Statement of Directors' Responsibilities for the Annual Report**

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 of the return of the Company 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 law and 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 to 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 Directors' report 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.

### **Auditors**

RSM Robson Rhodes, Chartered Accountants, appointed by the Board on 4 December 2000, have indicated their willingness to continue in office and, in accordance with Section 385 of the Companies Act 1985, a resolution will be proposed at the forthcoming Annual General Meeting re-appointing them as auditors and authorising the directors to fix their remuneration for the ensuing year.

### **Share Buy Back Authority**

As noted in the Listing Particulars, the Directors have considered all options available to them to mitigate the possibility of the Ordinary Shares trading at a discount to Net Asset Value per Ordinary Share, such as obtaining Shareholder consent to repurchase Ordinary Shares.

**The Special Resolution No 7** contained in the Notice of Annual General Meeting would, if passed, grant authority to permit the Company to buy back through the stock market, up to a maximum of 29,999 Ordinary Shares of 25p each (equivalent to 14.99% of the Ordinary Shares in issue at 19 April 2002). The Company cannot fully utilise this authority unless it applies to and receives confirmation from the High Court allowing the Company to cancel the Share Premium account and create a Special Reserve account to fund any such re-purchases.

Purchases of Ordinary Shares of 25p each will be made in accordance with the Companies Act 1985, the rules of the UK Listing Authority and the London Stock Exchange and within guidelines established from time to time by the Board. Purchases will only be made through the market for cash at prices below the prevailing net asset value per Ordinary Share, thereby resulting in an increased net asset value per share.

Under the rules of the UK Listing Authority, the price which may be paid for Ordinary Shares pursuant to the share buy back policy must not be more than 5% above the average of the market values of the Ordinary Shares for the five business days before the purchase is made. Ordinary Shares which are purchased will be cancelled.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Report of the Directors *continued*

The Board recommend that shareholders vote in favour of these resolutions.

On behalf of the Board

Phoenix Administration Services Limited  
Secretary  
19 April 2002

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Corporate Governance Statement

The Board of Directors support high standards of corporate governance. The Board has carried out a review of the principles of good governance and the code of best practice (hereinafter referred to as the "Combined Code") prepared by the Committee on Corporate Governance in June 1998 and chaired by Sir Ronald Hampel.

The Board confirms that arrangements are in place to enable compliance with section 1 of the Combined Code, as required by the Listing Rule 12.43A issued by the Financial Services Authority.

The Board considers that the Company has complied with the provisions of Section 1 of the Combined Code throughout the accounting period to 31 March 2002, except where disclosed below, and this statement describes how the relevant principles of governance are applied to the Company.

### **Internal Control**

The Board of Directors confirms that there is an ongoing process for identifying, evaluating and managing those risks which are significant for the Company and that this process reflects the guidance provided by the Turnbull Committee in September 1999. This process has been in place for the period ended 31 March 2002 and up to the date of approval of the annual report and financial statements, and it has been regularly reviewed by the Board.

The Board has ultimate responsibility for the system of internal control and for reviewing its effectiveness. The key elements of the system are the appointment of an independent custodian with responsibility for safeguarding the Company's assets and clearly defined responsibilities between the Board, the Custodian and the Investment Manager, which has established detailed operating procedures. The internal controls operated by the Board include the authorisation of the investment strategy and regular reviews of the investment performance and financial results. The system is designed to manage rather than eliminate the risk of being unable to meet business objectives and can provide reasonable but not absolute assurance against material misstatements or loss, as explained by Turnbull. The Board has reviewed the operation and effectiveness of the Company's system of internal controls during the period through its ongoing assessment and management of the Company's key risks, including an annual review, the receipt and consideration of quarterly financial and exception reports from the Manager.

The Board has contractually delegated to external agencies the management of the investment portfolio to the Investment Manager, Lindsell Train Limited, the day to day administration and the company secretarial requirements to Phoenix Administration Services Limited and the custodial services which include the safeguarding of the assets to Morgan Stanley & Co International Limited. These contracts are only entered into after full consideration by the Board of the services undertaken. The Investment Manager, Administrator and the Custodian of the Company's assets, maintain their own systems of internal and financial controls.

The Investment Manager has established an internal control framework to provide reasonable assurance on the effectiveness of internal controls operated on behalf of its clients. The Investment Manager's Compliance department assesses and reports to the Board on the effectiveness of the internal controls and the business risk exposure of the Investment Manager.

Since the Company's investment management, accounting and custodial activities are carried out by third party service providers, the Board does not consider it necessary to have a separate internal audit function.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Corporate Governance Statement continued

### **Directors**

The Board consists of four members, all of whom are non executive and three are independent of the Company's Manager. Particulars of the Directors are set out on page 4. The Board has considered the need to appoint a senior independent director but believes this is not necessary as the majority of the Directors, including the Chairman, are independent.

The Directors normally meet as a Board on a quarterly basis. The Board lays down guidelines within which the Manager implements investment policy and has a schedule of matters reserved for the resolution of the Directors. All Board members have access to the advice and services of the Company Secretary, the removal or replacement of whom is a matter of the Board as a whole. The Directors also have the facility to take independent professional advice if necessary, at the Company's expense.

A full report on the investment holdings and performance is received from the Manager at Board meetings. The Manager also reports regularly to the Board on the Company's financial position.

The Board as a whole fulfils the function of a nomination committee. The Company's Articles of Association require newly appointed Directors to submit themselves for election by shareholders at the next Annual General Meeting. Notwithstanding the requirement contained in the Company's Articles of Association that one third of the Board is subject to retirement by rotation each year, the Board intends to comply with the provision contained in the Code whereby all Directors are required to submit themselves for re-election at least every three years.

### **Accountability and Audit**

The Company's Audit Committee which comprises Messrs D Adamson (as Chairman), M Mackenzie and R Swire are all independent and meet, at least twice per year, representatives of the Manager who report on the proper conduct of business in accordance with the regulatory environment in which both the Company and the Manager operate. Minutes of meetings are formally recorded and reported to the Board by the Audit Committee Chairman. The Company's external auditors also attend the Committee at its request, at least once a year, and report on their work procedures, the quality and effectiveness of the company's accounting procedures and their findings in relation to the Company's statutory audit. The responsibilities of the Audit Committee include review of internal controls, accounting policies, financial statements, the Auditors appointment and remuneration and the carrying value of unquoted investments.

### **Directors' and Manager's Remuneration**

The Company has no executive directors and the Board as a whole fulfils the function of a Remuneration Committee. The maximum aggregate Directors' fees according to the Company's Articles of Association is £220,000 per financial year (see note 6). The remuneration terms are reviewed annually, by the independent Directors. No Director may vote on his own remuneration.

Messrs M Mackenzie (as Chairman), D Adamson and R Swire comprise the Management Engagement Committee. Terms, fees and other remuneration payable to Lindsell Train Limited and Phoenix Administration Services Limited set out in note 7 to the financial statements, are kept under review.

## Corporate Governance Statement continued

### **Shareholder Relations**

The Company, through the Manager, has regular contact with its institutional shareholders. The Board supports the principle that the Annual General Meeting be used to communicate with private investors and has implemented the provisions of the Combined Code in this report for the forthcoming Annual General Meeting.

### **Going Concern**

After considering the Company's current financial resources, and as the majority of the net assets of the Company are securities which are traded on recognised stock exchanges, the Directors are satisfied that its resources are adequate for continuing in business for the foreseeable future and that it is appropriate to prepare the financial statements on a going concern basis.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Report of the Independent Auditors

### **Independent Auditor's Report to the Shareholders of The Lindsell Train Investment Trust plc**

We have audited the financial statements on pages 21 to 37.

### **Respective Responsibilities of Directors and Auditors**

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

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

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

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

### **Basis of Audit Opinion**

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

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

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## 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 as at 31 March 2002 and of the Company's net revenue return, total return and cashflow for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes  
Chartered Accountants  
and Registered Auditors  
London, England

19 April 2002

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Statement of Total Return incorporating the revenue account for the period ended 31 March 2002

		<b>2002</b>		
	Notes	<b>Revenue*</b>	<b>Capital</b>	
		<b>£'000</b>	<b>£'000</b>	
			<b>Total</b>	
			<b>£'000</b>	
Gains on investments	12	—	727	727
Exchange differences		—	64	64
Gains on forward sales of Yen		—	112	112
Income	3	882	—	882
Investment management fees	4	(425)	—	(425)
Other expenses	5	(383)	(5)	(388)
<b>Net return before</b>				
<b>finance costs and taxation</b>		74	898	972
Interest payable and similar charges	8	(20)	—	(20)
<b>Return on ordinary</b>				
<b>activities before tax</b>		54	898	952
Tax on ordinary activities	9	(4)	—	(4)
<b>Return on ordinary activities</b>				
<b>after tax for the financial period</b>		50	898	948
Dividends in respect of equity shares	10	—	—	—
Transfer to reserves		<b>50</b>	<b>898</b>	<b>948</b>
<b>Return per Ordinary Share (pence):</b>	11	<b>24.88</b>	<b>448.97</b>	<b>473.85</b>

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

\*The revenue account in this statement represents the profit and loss account of the Company for the financial period.

The notes on pages 24 to 37 form part of these financial statements.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Balance Sheet as at 31 March 2002

		<b>2002</b>	
	Notes	<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>			
Investments	12		23,104
<b>Current assets</b>			
Debtors	13	1,093	
Cash at bank		53	
		<u>1,146</u>	
Creditors: amounts falling due within one year	14	<u>(3,302)</u>	
<b>Net current liabilities</b>			<u>(2,156)</u>
<b>Total assets less current liabilities</b>			<u><b>20,948</b></u>
 <b>Capital and reserves</b>			
Called up share capital	15		50
Share premium account	16		<u>19,950</u>
			20,000
Capital reserve – realised	17		156
Capital reserve – unrealised	17		742
Revenue reserve	18		<u>50</u>
Equity shareholders' funds	19		<u><b>20,948</b></u>
<b>Net asset value per Ordinary Share:</b>	20		<b>£104.74</b>

The financial statements on pages 21 to 37 were approved by the Board of Directors' on 19 April 2002 and were signed on its behalf by:

Rhoderick Swire  
Chairman

The notes on pages 24 to 37 form part of these financial statements.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Cash Flow Statement for the period ended 31 March 2002

	Notes	<b>2002</b> <b>£'000</b>
Net cash inflow from operating activities	21a	127
Returns on investments and servicing of finance	21b	(11)
Financial investment	21b	<u>(22,274)</u>
		(22,158)
Equity dividends paid		<u>—</u>
		(22,158)
Financing	21b	<u>19,783</u>
Decrease in cash		<u><b>(2,375)</b></u>
<b>Reconciliation of net cash flow to movement in net debt</b>		
Decrease in cash in the period		(2,375)
Exchange movements		64
Opening net debt		<u>—</u>
<b>Closing net debt</b>	21c	<u><b>(2,311)</b></u>

The notes on pages 24 to 37 form part of these financial statements.

## Notes to the Financial Statements

### 1 Accounting policies

During the period since incorporation, 29 November 2000 to 21 January 2001, the Company did not trade. The Financial Statements on pages 21 to 37 therefore report on the activities of the Company during the period 22 January 2001 to 31 March 2002.

A summary of the principal accounting policies, all of which have been consistently applied throughout the period, is set out below:

- (i) The Company prepares its annual accounts under the historical cost accounting convention, as modified by the revaluation of investments, in compliance with the requirements of the Companies Act 1985, and in accordance with applicable accounting standards and with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" issued by the Association of Investment Trust Companies in December 1995.
- (ii) Dividend income from investments is taken into account by reference to the date the security becomes ex-dividend. Interest from short-term deposits and fixed interest investments is accounted for on an accruals basis, as are interest payable and other expenses. In accordance with FRS 16 "Current Tax" dividends received from the UK companies are not grossed up by the imputed tax credit, but instead recorded at the amount receivable. Overseas dividends and other income that is subject to withholding tax continue to be grossed up.
- (iii) Realised and unrealised capital surpluses and deficits on revaluations of investments are taken direct to the capital reserve.
- (iv) Listed investments are stated at closing middle market prices on recognised stock exchanges.
- (v) Unlisted investments are valued by the Directors at cost unless subsequent financings or other events indicate that a different valuation is warranted. Except in exceptional circumstances where the Directors consider it to be appropriate, no adjustments are made to the valuation in anticipation of such events. The valuation of unlisted investments reflects current circumstances; realisable value in the short term could differ materially from the amount at which these investments are included in the accounts.

The investment in Lindsell Train Limited (representing 25% of the manager) is held as part of the investment portfolio. Accordingly the shares are accounted for and disclosed in the same way as other investments in the portfolio. The valuation of the Company's investment in the manager, Lindsell Train Limited, is calculated at the end of each quarter on the basis of fair value as determined by the Directors of the Company and detailed under "Shareholder information" on page 11 of the Placing Memorandum.

- (vi) The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting, on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by Financial Reporting Standard 19. Previously under Statement of Standard Accounting Practice 15, provision for deferred taxation was necessary only to the extent that it was probable that the tax would be payable in the foreseeable future.
- (vii) All investment management fees are charged to the revenue account. Details of the arrangements whereby the Manager waives and rebates fees on the Company's investments in Lindsell Train Fund Products are shown in note 4 to the financial statements. Where performance fees earned by the Manager in respect of the Company's investment in a Lindsell Train Fund Product are reinvested in shares of the relevant Fund, those additional shares are recorded at nil cost in the Company's records and then restated on the basis in note 1(iv) above.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Notes to the Financial Statements continued

### 1 Accounting policies continued

- (viii) Transactions in a foreign currency, whether of a revenue or capital nature, are translated into sterling at the rates of exchange ruling on the dates of such transactions. Revenue items accrued and other foreign currency assets and liabilities at the balance sheet date are translated into sterling at the rates of exchange ruling on that date. Any profits or losses on foreign currency held, whether realised or unrealised, are taken direct to capital reserves.
- (ix) The value of investments in foreign currencies are expressed in sterling at the rates of exchange prevailing at the balance sheet date. Surpluses and deficits arising from conversion at this rate of exchange are taken directly to the capital reserve.
- (x) All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:
- expenses which are incidental to the acquisition of an investment are included within the cost of investment.
  - expenses which are incidental to the disposal of an investment are deducted from the disposal proceeds of an investment.
  - additional expenses incurred which are incidental to the acquisition/disposal of an investment and are excluded from the cost of the investment or disposal proceeds of an investment are charged to capital reserve.
- (xi) Finance costs are accounted for on an accruals basis, and in accordance with the provisions of Financial Reporting Standard 4 "Capital Investments". All finance costs are charged to revenue.

### 2 Period-end exchange rates

The relevant rates of exchange ruling at 31 March 2002 were 1.6323 Euros to the pound sterling, 1.4240 US dollars to the pound sterling and 188.7300 Japanese Yen to the pound sterling.

### 3 Income

	<b>2002</b>
	<b>£'000</b>
<b>Income from investments</b>	
Overseas dividends	28
Overseas stock dividends	8
Overseas fixed interest income	223
UK dividends	235
UK stock dividends	7
UK fixed interest income	321
	<hr/>
	822
	<hr/>
<b>Other income</b>	
Deposit interest	60
	<hr/>
<b>Total income comprises:</b>	
Dividends	263
Stock dividends	15
Interest	604
	<hr/>
	<b>882</b>
	<hr/> <hr/>

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Notes to the Financial Statements *continued*

### 4 Investment management fees

	<b>2002</b>
	<b>£'000</b>
Investment management fee	180
Reduction in investment management fee (see below)	(36)
Managers performance fee	281
Rebate of performance fees in relation to the Company's investment in Lindsell Train Fund Products (see below)	—
	<hr/>
	<b>425</b>
	<hr/> <hr/>

For the avoidance of double charging management fees, the Investment Manager has agreed to abate any periodic management fee that it receives from the Company by the amount of fees receivable by it from the Lindsell Train Fund Products in respect of the Company's investments in those Funds. The Investment Manager has agreed that any performance fees that it earns from a Lindsell Train Fund Product in respect of the Company's investment in that Fund will be reinvested in the shares of that Fund, and the shares rebated to the Company.

As at 31 March 2002 the Company had investments in the following Lindsell Train Products:

35,001 shares in Lindsell Train Japan (Distributor) Inc at a total cost of £2,373,753;

36,000 shares in Lindsell Train Global Media (Distributor) Inc at a total cost of £2,545,249.

The amounts abated on the Investment Management fee are shown above, of which £26,592 relates to the Company's investment in Lindsell Train Japan Fund and £9,266 relates to the Company's investment in Lindsell Train Global Media Fund.

The Performance fee earned by the Manager in relation to the Company's investment in Lindsell Train Japan (Distributor) Inc has been reinvested in that company's shares, and the 980 shares issued have been rebated to the Company.

Details of the investment management agreement are disclosed in note 7 to the financial statements.

### 5 Other expenses

	<b>2002</b>
	<b>£'000</b>
Administration fee	56
Directors' emoluments (see note 6)	46
Auditors' remuneration for:	
– audit	12
– other services to the Company	5
Expenses incidental to the Placing and Listing of shares*	217
Other	47
	<hr/>
	383
Transaction charges – capital	5
	<hr/>
	<b>388</b>
	<hr/> <hr/>

\* includes £7,000 paid to the Auditors as non-audit remuneration.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Notes to the Financial Statements *continued*

### 6 Directors' emoluments

Directors' fees totalling £11,936 have been waived by 2 Directors' who received emoluments by way of consultancy fees. The consultancy fees are reflected in the table below:

	<b>2002</b>
	<b>£'000</b>
Directors' fees	18
Directors' bonus	28
	<hr/>
	<b>46</b>
	<hr/> <hr/>

Directors' Fees totalling £5,968 have been waived in full by Mr Michael Lindsell as a Director of the Company.

The Directors' bonus is payable to Directors' at a rate of 1 per cent. and calculated on the same basis as for the Investment Manager's Performance Fee (as described in note 7 below) subject to a cap of £100,000 for all Directors' in each performance period. Mr Michael Lindsell is not entitled to a Directors' bonus.

There were no pension contributions paid or payable.

The Company has no employees.

### 7 Disclosure of interests (see page 9 also)

In accordance with an investment management agreement dated 21 December 2000 between the Company and Lindsell Train Limited, Lindsell Train Limited has been appointed to provide investment management services to the Company for which Lindsell Train Limited receives an annual fee of 0.65 per cent. of the Adjusted Market Capitalisation of the Company on the last Business Day of each calendar month payable in arrears in respect of each calendar month. The amount charged during the period is shown in note 4. £9,133 of the fee for the period was outstanding as at the balance sheet date.

A Performance Fee is payable at the rate of 10 per cent. of the amount by which the growth in the Adjusted Market Capitalisation per Ordinary Share of the Company in each Performance Period exceeds a specified Performance Hurdle calculated with reference to the annual average gross running yield on the 2.5% Consolidated Loan Stock over the period. The Company has twelve month Performance Periods except for the first Performance Period, each ending on 31 March in each year. The Performance Fee is payable in arrears in respect of each Performance Period.

A Performance Fee for the period to 31 March 2001 has been paid to Lindsell Train Limited and amounted to £243,638. The Performance Fee for the year to 31 March 2002 amounts to £37,582 and was outstanding as at the balance sheet date.

In accordance with an administration agreement dated 21 December 2000 between the Company and Phoenix Administration Services Limited ("Phoenix"), Phoenix has been appointed to provide administration services to the Company for which Phoenix receives an annual fee of £45,000.

### 8 Interest payable and similar charges

	<b>2002</b>
	<b>£'000</b>
Overdraft interest	20
	<hr/>

### 9 Taxation

The tax charge on the profit on ordinary activities for the period was as follows:

	<b>2002</b>
	<b>£'000</b>
UK corporation tax at 20%	4
Overseas tax	4
Overseas tax – double tax relief	(4)
	<hr/>
	<b>4</b>
	<hr/> <hr/>

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Notes to the Financial Statements continued

### 9 Taxation continued

	<b>2002</b> <b>£'000</b>
Revenue on ordinary activities before taxation	54
Theoretical tax at UK Corporation tax rate 20%	11
Effects of:	
– UK dividends which are not taxable	(47)
– Stock dividends which are not taxable	(3)
– Expenses disallowed for tax purposes	43
Actual current tax charge	<b>4</b>

In the opinion of the Directors the Company has complied with the requirements of Section 842 ICTA 1988.

### 10 Dividends and other appropriations

No payment of a final dividend is proposed by the Directors for this financial period.

### 11 Return per Ordinary Share

Revenue Return:

The calculation of the Revenue Return per Ordinary Share of 25 pence each is based on net revenue on ordinary activities after taxation of £50,000 divided by 200,000 Ordinary Shares being the weighted average number of Ordinary Shares in issue during the period.

Capital Return:

The calculation of the Capital Return per Ordinary Share of 25 pence each is based on the net capital gains for the financial period of £898,000 divided by 200,000 Ordinary Shares being the weighted average number of Ordinary Shares in issue during the period.

### 12 Investments

	<b>2002</b> <b>£'000</b>
Investments listed on a recognised investment exchange	22,519
Unlisted investments	585
Valuation at year end	<b>23,104</b>
Opening book cost	—
Opening unrealised appreciation/depreciation	—
Opening valuation	—
Movements in the year:	
Purchases at cost	30,169
Sales – proceeds	(7,792)
– realised losses on sales	(11)
Unrealised appreciation for the period	738
Closing valuation	<b>23,104</b>
Closing book cost	22,366
Closing unrealised appreciation	738
	<b>23,104</b>

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Notes to the Financial Statements continued

### 12 Investments continued

Sale proceeds	7,792
Investments at cost	(7,803)
	<hr/>
Realised losses on sales based on historical cost	(11)
Unrealised appreciation for the period	738
	<hr/>
Net gains on investments	<b>727</b>
	<hr/> <hr/>

#### Significant holdings

Included in the above are the following UK investments in which the Company has an interest exceeding 20% of the nominal value of the shares of that class in the investee company.

Investments	Country of registration	Class of capital	% of class held
Lindsell Train Limited*	England	Ordinary Shares of £100	25.00%
Lindsell Train Japan (Distributor) Inc**	Cayman Islands	Red Vtg Prf Shares US\$0.001	28.50%
Lindsell Train Global Media (Distributor) Inc **†	Cayman Islands	Red Vtg Prf Shares US\$0.001	83.00%

\*As at 31 January 2002, the latest year end for Lindsell Train Limited, the aggregate capital and reserves amounted to £419,000 and the profit for that year ended amounted to £252,000.

\*\*Country of listing - Republic of Ireland

† The unaudited aggregate capital and reserves of the Lindsell Train Global Media Fund (Distributor) Inc as at 31 March 2002 was US\$ 4,353,000.

The 83% investment in the Lindsell Train Global Media (Distributor) Inc ('Global Media Fund') has not been consolidated in the Company's financial statements. The Company provided start-up capital for the Global Media Fund. It is anticipated that as third party investment into the Global Media Fund takes place, the Company's percentage holding will decrease to a point that the Company's holding is expected to be less than 50%. Accordingly, the Directors are of the opinion that no good purpose would be served by accounting for the Global Media Fund as if it were a subsidiary Company. The investment is therefore accounted for in the same way as other investments in the portfolio. As at 28 February 2002 (the last practical valuation date) the published net asset value of the Global Media Fund was US\$4,347,000, of which US\$739,000 represented the interest of third party investors. The comparable figures at 31 March 2002 were US\$4,353,000 and US\$740,000 respectively.

The Company has arrangements in place with the Investment Manager to avoid double charging of fees and expenses on investments made in other Lindsell Train Fund Products (see note 4).

### 13 Debtors

	<b>2002</b>
	<b>£'000</b>
Amounts due from brokers re open forward currency contracts	852
VAT recoverable	50
Prepayments and accrued income	191
	<hr/>
	<b>1,093</b>
	<hr/> <hr/>

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Notes to the Financial Statements continued

### 14 Creditors: amounts falling due within one year

	<b>2002</b>
	<b>£'000</b>
Bank overdraft	2,364
Amounts due to brokers re open forward currency contracts	848
Accruals and deferred income	90
	<b>3,302</b>
	<b>3,302</b>

### 15 Called up share capital

	<b>2002</b>	
	<b>No of shares</b>	<b>£'000</b>
	<b>000's</b>	<b>£'000</b>
Authorised: Ordinary shares of 25 pence each	<b>400</b>	<b>100</b>
	<b>400</b>	<b>100</b>
Issued and fully paid:		
Arising on issue of shares 22 January 2001	200	50
	200	50
Balance at end of period	<b>200</b>	<b>50</b>
	<b>200</b>	<b>50</b>

Details of changes in the capital structure prior to 22 January 2001 are shown on page 13.

### 16 Share premium

	<b>2002</b>
	<b>£'000</b>
Arising on issue of shares 22 January 2001	19,950
Balance at end of period	<b>19,950</b>
	<b>19,950</b>

### 17 Capital reserve

	<b>Realised</b>	<b>Unrealised</b>	<b>Total</b>
	<b>2002</b>	<b>2002</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance at beginning of period	—	—	—
Net realised losses on investments	(11)	—	(11)
Unrealised appreciation arising in period	—	738	738
Net realised profits on forward currency contracts	108	—	108
Unrealised profits on forward currency contracts	—	4	4
Foreign currency exchange differences	64	—	64
Capital expenses on investments	(5)	—	(5)
	<b>156</b>	<b>742</b>	<b>898</b>
Balance at end of period	<b>156</b>	<b>742</b>	<b>898</b>

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Notes to the Financial Statements continued

### 18 Revenue reserve

	<b>2002</b> <b>£'000</b>
Balance at beginning of period	—
Transfer to reserve account	50
	50
Balance at end of period	<b>50</b>

### 19 Reconciliation of movements in shareholders' funds

	<b>2002</b> <b>£'000</b>
Opening shareholders' funds	—
Arising on issue of Ordinary shares 22 January 2001	20,000
Net revenue for the period	50
Capital surplus for the period	898
	20,948
Closing shareholders' funds	<b>20,948</b>

The initial issue of shares and their redemption for the amount paid on them prior to 22 January 2001 are not material and have been excluded from the above reconciliation.

### 20 Net asset value per share

The net asset value per Ordinary Share and the net asset value at the period end calculated in accordance with the Articles of Association were as follows:

<b>Net asset value per share attributable</b>	<b>Net asset value attributable</b>
<b>2002</b>	<b>2002</b>
<b>£</b>	<b>£'000</b>
<b>104.74</b>	<b>20,948</b>
	<b>20,948</b>

The movements during the period of the assets attributable to each Ordinary Share was as follows:

	<b>Ordinary Shares</b> <b>£'000</b>
Total net assets attributable at beginning of period	—
Arising on issue of Ordinary shares 22 January 2001	20,000
Total recognised gains for the period	948
	20,948
Total net assets attributable at end of period	<b>20,948</b>

The net asset value per Ordinary Share is based on net assets of £20,948,000 and on 200,000 Ordinary Shares, being the number of Ordinary Shares in issue at the period end.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Notes to the Financial Statements continued

### 21 Cash flow statement

(a) Reconciliation of net operating revenue to operating cash flows

	<b>2002</b>
	<b>£'000</b>
Net return before finance costs and taxation	74
Expenses incidental to the Placing and Listing of shares	217
Taxation	(4)
Increase in other debtors	(63)
Increase in accrued income	(178)
Increase in creditors	81
	<u>127</u>

(b) Analysis of cash flows for headings netted in the cash flow statement

	<b>2002</b>
	<b>£'000</b>
<b>Servicing of finance</b>	
Interest paid	(11)
Net cash outflow from servicing of finance	<u>(11)</u>

#### Financial investment

Purchases of investments	(30,169)
Sales of investments	7,792
Forward Currency Profits	108
Capital expenses on investment	(5)
<b>Net cash outflow for financial investments</b>	<u><b>(22,274)</b></u>

#### Financing

Initial Share Offer 22 January 2001	20,000
Expenses incidental to the Placing and Listing of shares	(217)
<b>Net cash inflow from financing</b>	<u><b>19,783</b></u>

(c) Analysis of net debt

	<b>At</b>		<b>Other</b>		<b>At</b>
	<b>Beginning of</b>	<b>Cash</b>	<b>non-cash</b>	<b>Exchange</b>	<b>31 March</b>
	<b>Period</b>	<b>Flow</b>	<b>changes</b>	<b>movement</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Cash at bank	—	(11)	—	64	53
Overdrafts	—	(2,364)	—	—	(2,364)
Total	<u>—</u>	<u>(2,375)</u>	<u>—</u>	<u>64</u>	<u>(2,311)</u>

## Notes to the Financial Statements continued

### **22 Financial instruments and risk profile**

The investment objective of the Company is to maximise long-term total returns subject to the avoidance of loss of absolute value and with a minimum objective to maintain the real purchasing power of Sterling capital, as measured by the annual average yield on the 2.5% Consolidated Loan Stock. In pursuit of this objective, the Company may be exposed to various forms of risk, as described below.

The Company's financial instruments comprise:

Equity shares held in accordance with the Company's investment objectives and policies.

Fixed interest securities, cash and liquid resources as well as short-term debtors and creditors that arise from its operations.

The Company also enters into forward currency contracts in order to manage the risks arising from its investment activities. As at the period end there was one contract outstanding.

The Company, as stated in the Directors' report on page 11, conducts its affairs so as to enable it to qualify as an investment trust. As part of the rules governing this status, no investment at the time of purchase can represent more than 15% by value of the Company's portfolio of investments.

The risks arising from the Company's financial instruments are market price risk, which comprises interest rate risk, equity price changes and foreign currency exposure. The Board review and agrees policies with the investment manager, Lindsell Train Limited, for managing each of these risks. These policies have remained unchanged since the beginning of the accounting period.

There is no detailed disclosure of credit risk as this is not considered material in the context of the Company's overall activities.

Short-term debtors and creditors are excluded from the analysis of the financial assets/liabilities, maturity and fair value disclosures.

#### **Market price risk**

Market price risk arises mainly from the uncertainty about future prices of financial instruments used in the Company's business. It represents the potential loss the Company might suffer through holding market positions in the face of price movements and changes in exchange rates. The Board meets quarterly to consider the asset allocation of the portfolio and the risk associated with particular markets and industry sectors.

The investment manager is responsible for actively monitoring the portfolio and seeks to ensure that individual stocks meet an acceptable risk-reward profile.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Notes to the Financial Statements *continued*

### 22 Financial instruments and risk profile *continued*

#### Interest rate risk profile of financial assets and liabilities

Substantially all of the Company's assets are either equity investments or fixed interest securities. The Company's investments earn interest and its overdraft facilities incur interest on the following terms:

	31 March 2002			Total £'000
	Non-interest £'000	Floating £'000	Fixed £'000	
<i>Financial assets</i>				
<b>Equity investments</b>				
Sterling	8,375	—	—	8,375
US Dollar	3,818	—	—	3,818
Euro	537	—	—	537
Japanese Yen	3,663	—	—	3,663
<b>Non-equity investments</b> (fixed interest securities)				
Sterling	—	—	2,489	2,489
US Dollar	—	—	4,222	4,222
<b>Forward currency contracts</b>				
Sterling	852	—	—	852
Japanese Yen	(848)	—	—	(848)
<b>Cash at bank</b>				
Sterling	15	—	—	15
US Dollar	—	38	—	38
<i>Financial liabilities</i>				
<b>Overdrafts</b>				
Sterling	—	(2,364)	—	(2,364)
	<u>16,412</u>	<u>(2,326)</u>	<u>6,711</u>	<u>20,797</u>

#### Aggregate currency position

	31 March 2002				%
	Non-interest £'000	Floating £'000	Fixed £'000	Total £'000	
Sterling	9,242	(2,364)	2,489	9,367	45.04%
US Dollar	3,818	38	4,222	8,078	38.84%
Euro	537	—	—	537	2.58%
Japanese Yen	2,815	—	—	2,815	13.54%
	<u>16,412</u>	<u>(2,326)</u>	<u>6,711</u>	<u>20,797</u>	<u>100.00%</u>

The Sterling overdraft was incurring interest at the Libor Proxy rate based on Morgan Stanley's actual or derived cost of funding plus 0.85% giving an overdraft interest rate of 4.45% per annum as at the period end date.

The cash balance of £38,000 denominated in US dollars received interest at the Libor Proxy rate based on Morgan Stanley's actual or derived cost of funding less 0.35% giving a credit interest rate of 1.4775% per annum as at the period end date.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Notes to the Financial Statements continued

### 22 Financial instruments and risk profile continued

The weighted average interest rates, together with the weighted average maturity dates, of the fixed rate financial assets, analysed by currency, as at the year end were as follows:-

	<b>31 March 2002</b>	
	<b>Weighted Average Interest Rate</b>	<b>Weighted Average Maturity Date</b>
Financial assets – non-equity investments:		
Sterling	2.500%	05-Oct-04
US Dollar	5.392%	23-Dec-29
	<u><b>4.320%</b></u>	<u><b>04-Apr-27</b></u>

#### Foreign currency risk

The Company's total return and balance sheet can be significantly affected by foreign exchange movements because some of the Company's assets and income are denominated in currencies other than the Company's base currency (Sterling).

The Board have identified three principal areas where foreign currency risk could impact the Company:

- Movements in rates affecting the value of investments
- Movements in rates affecting short term timing differences
- Movements in rates affecting the income received

The Company has hedged the foreign currency exchange movement of the Japanese investment in the portfolio during the period by use of forward currency contracts. As at the period end, there was one open contract reducing the exposure of the Japanese investment to the value of Yen 160,000,000 against Sterling £852,000 for value 29 May 2002.

The Company might also be subject to short-term exposure from exchange rate movements, for example between the date when an investment is bought or sold and the date when settlement of the transaction occurs. Investment income denominated in foreign currencies is not converted into Sterling upon receipt.

#### Currency exposures

As at 31 March 2002 the Company's net currency exposures were as follows:

	<b>Sterling*</b>	<b>US\$</b>	<b>JPY</b>	<b>Euros</b>	<b>Total</b>
Fixed asset investments	10,864	10,786	917	537	23,104
Cash and overdrafts	(2,349)	38	—	—	(2,311)
Amounts due from brokers	—	—	—	—	—
Amounts due to brokers	—	—	—	—	—
Open forward currency contract	852	—	(848)	—	4
Other net current assets	63	86	2	—	151
	<u><b>9,430</b></u>	<u><b>10,910</b></u>	<u><b>71</b></u>	<u><b>537</b></u>	<u><b>20,948</b></u>
	<b>45.02%</b>	<b>52.08%</b>	<b>0.34%</b>	<b>2.56%</b>	<b>100.00%</b>

\* The currency profile of FRS13 does not require the disclosure of sterling (£) assets and liabilities, nor of investments, however they are included here for completeness.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Notes to the Financial Statements continued

### 22 Financial instruments and risk profile continued

#### Liquidity risk

The Company's assets mainly comprise readily realisable securities, which can be easily sold to meet funding commitments if necessary. Short-term flexibility is achieved by the use of overdraft facilities as required.

#### Maturity of financial liabilities

The Company's financial liabilities, other than short term creditors, comprise overdrafts which are repayable on demand. There is no stated limit to the credit facility.

The maturity profile of the Company's financial liabilities as at 31 March 2002 was as follows:

	<b>£'000</b>
In one year or less, or on demand	<b><u>2,364</u></b>

#### Fair values of financial assets and financial liabilities

Set out below is a comparison by book values and fair values of all the Company's financial assets and financial liabilities as at 31 March 2002:

	<b>Book value £'000</b>	<b>Fair Value £'000</b>
Primary financial instruments:		
Short-term loans and overdrafts	(2,364)	(2,364)
Equity investments	16,393	16,393
Non-equity investments (fixed interest securities)	6,711	6,711
Cash	53	53
Derivative financial instruments:		
Open forward currency contract Sterling	852	852
Open forward currency contract Japanese Yen	(848)	(848)

### 23 Financial commitments and contingent liabilities

There were no financial commitments or contingent liabilities outstanding at the period end.

### 24 Total expense ratio %

	<b>2002</b>	
	<b>£'000</b>	<b>%</b>
Total operating expenses *	844	4.14
Less expenses incidental to the Placing and Listing of shares	<u>(217)</u>	
	627	3.08
Less Performance related payments	<u>(309)</u>	
Annual recurring operating expenses	<b><u>318</u></b>	1.56

\* Total operating expenses excludes the reduction in expenses of £36,000 in respect of management fee waiver (see note 4).

The above total expense ratios are based on the average total assets/shareholders' funds of £20,364,000 calculated at the end of each month during the period.

It should be noted that administrative expenses borne by the Lindsell Train Funds are excluded from the above.

Notes to the Financial Statements *continued*

**25 Related party disclosure**

Lindsell Train Limited acts as Manager to the Company. The amounts paid to the Manager are disclosed in note 4 to the financial statements and further details of the relationship between the Company and the Manager are set out in note 7 to the financial statements. Full details of Directors' interests are set out in the Directors' report on page 12.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Notice of Annual General Meeting

Notice is hereby given that the first Annual General Meeting of The Lindsell Train Investment Trust plc will be held at 10 St James's Square, London, SW1Y 4LE on Wednesday 29 May 2002 at 11.45 a.m. for the following purposes:

### Ordinary Business

1. to receive the accounts and the reports of the Directors and Auditors for the period ended 31 March 2002;
2. to elect Mr R Swire as a Director of the Company;
3. to elect Mr D Adamson as a Director of the Company;
4. to elect Mr M Lindsell as a Director of the Company;
5. to elect Mr M Mackenzie as a Director of the Company;
6. to re-appoint RSM Robson Rhodes as Auditors of the Company and authorise the Directors to fix their remuneration.

### Special Business

To consider the following resolution which will be proposed as a special resolution:

7. THAT: the Company be and is hereby generally and unconditionally authorised in accordance with section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 of the Act) of Ordinary Shares of 25p each ("Ordinary Shares") in the capital of the Company provided that:
  - (i) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 29,999;
  - (ii) the minimum price which may be paid for an Ordinary Share shall be 25 pence;
  - (iii) the maximum price which may be paid for an Ordinary Share shall be not more than 5 per cent. above the average of the market price of the Ordinary Shares for the 5 business days before the purchase is made;
  - (iv) any purchase of shares will be made in the market for cash at prices below the prevailing net asset value per Ordinary Share and;
  - (v) unless renewed, such authority hereby conferred shall expire at the Annual General Meeting of the Company to be held in 2003, save that the Company may, prior to such expiry, enter into a contract to purchase shares which will or may be completed or executed wholly or partly after such expiry.

Dated this 19th day of April 2002

By order of the Board

Phoenix Administration Services Limited

Secretary

Notes

- (i) A shareholder entitled to attend and vote is entitled to appoint a proxy or proxies to attend in their place and, on a poll, vote instead of that shareholder. A proxy need not be a shareholder of the Company.
- (ii) Shareholders are invited to complete and return the reply paid Form of Proxy which accompanies this report. Lodgement of the Form of Proxy will not prevent a shareholder from attending and voting at the meeting if they subsequently so decide.
- (iii) No Director has a service contract with the Company.
- (iv) The Register of Directors' Interests will be available for inspection at the Annual General Meeting.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Company Information

### Directors

Rhoderick Swire (Chairman)  
Donald Adamson  
Michael Lindsell  
Michael Mackenzie

### Investment Manager

Lindsell Train Limited  
35 Thurloe Street  
London  
SW7 2LQ

### Company Secretary and Registered Office

Phoenix Administration Services Limited  
77a High Street  
Brentwood  
Essex  
CM14 4RR

### Solicitors

Dechert  
2 Serjeants' Inn  
London  
EC4Y 1LT

### Registrars

Capita IRG plc  
Bourne House  
34 Beckenham Road  
Beckenham  
Kent  
BR3 4TU

### Registered Auditors

RSM Robson Rhodes  
186 City Road  
London  
EC1V 2NU

### Brokers

Cazenove & Co  
12 Tokenhouse Yard  
London  
EC2R 7AN

### Custodian

Morgan Stanley & Co. International Limited  
25 Cabot Square  
London  
E14 4QA

### Shareholder Relations

The Company's share price for ordinary shares is listed daily in the Financial Times.

### Individual Savings Account ('ISA')

The Lindsell Train Investment Trust plc is eligible in full to be held in a Maxi ISA allowing investment of up to £7,000 in the tax year 2002/2003.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Form of Proxy

Name(s) in full.....

(BLOCK CAPITALS PLEASE)

I/We, the undersigned, being (a) member(s) of the above Company, hereby appoint the Chairman of the Meeting or .....  
(see note 3) as my/our proxy to vote for me/us and on my/our behalf at the first Annual General Meeting of the Company to be held on Wednesday 29 May 2002 and at any adjournment thereof, in the following manner:

- |    | FOR*                     | AGAINST*                 |  |
|----|--------------------------|--------------------------|--|
| 1. | <input type="checkbox"/> | <input type="checkbox"/> | the resolution to receive the accounts and the reports of the Directors and Auditors for the period ended 31 March 2002;         |
| 2. | <input type="checkbox"/> | <input type="checkbox"/> | the resolution to elect Mr R Swire as a Director of the Company;   |
| 3. | <input type="checkbox"/> | <input type="checkbox"/> | the resolution to elect Mr D Adamson as a Director of the Company;   |
| 4. | <input type="checkbox"/> | <input type="checkbox"/> | the resolution to elect Mr M Lindsell as a Director of the Company;  |
| 5. | <input type="checkbox"/> | <input type="checkbox"/> | the resolution to elect Mr M Mackenzie as a Director of the Company;   |
| 6. | <input type="checkbox"/> | <input type="checkbox"/> | the resolution to re-appoint RSM Robson Rhodes as Auditors of the Company and authorise the Directors to fix their remuneration; |
| 7. | <input type="checkbox"/> | <input type="checkbox"/> | the special resolution to authorise the Company to make market purchases of Ordinary Shares.                                     |

\*Please vote by marking "X" in the appropriate box.

As WITNESS my/our hand(s) this                      day of                      2002

Signature(s) .....

### Notes:

1. If this form is returned without any indication as to how the person appointed proxy shall vote, he will exercise his discretion as to how he votes or whether he abstains from voting.
2. This form of proxy, duly signed and any power of attorney under which it is executed must be deposited at the offices of the Company's Registrars not less than 48 hours before the time fixed for holding the meeting or an adjourned meeting.
3. A member may appoint a proxy of his own choice by deleting the reference to the Chairman and inserting the name of his proxy in the space provided. A proxy need not be a member of the Company but must attend the meeting in person to represent the member.  
A proxy may vote only in the event of a poll.
4. A corporation should complete this form under its common seal or under the hand of a duly authorised officer or attorney.
5. In the case of joint holders, this form may be signed by any one of the holders, but the names of all of them should be stated.

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BUSINESS REPLY SERVICE  
Licence No. MB 122

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Capita IRG Plc (Proxies)  
Balfour House  
390/398 High Road  
Ilford  
Essex  
IG1 1BR

First Fold

Second Fold

**Company Secretary and Registered Office**

Phoenix Administration Services Limited

77a High Street

Brentwood Essex CM14 4RR

Tel: 01277 201222

Fax: 01277 200975

[www.phoenixadmin.co.uk](http://www.phoenixadmin.co.uk)

The Lindsell Train Investment Trust plc

Registered in England 4119429