



THE LINDSELL TRAIN INVESTMENT TRUST PLC

Interim Report for the six months
ended 30 September 2002

Directors

Rhoderick Swire (Chairman)
Donald Adamson
Michael Lindsell
Michael Mackenzie

Investment Manager

Lindsell Train Limited
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Company Secretary and Registered Office

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Registrars

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The Lindsell Train Investment Trust plc

The Lindsell Train Investment Trust plc

The Lindsell Train Investment Trust plc is an investment trust listed on the London Stock Exchange. The Company invests in equities, fixed interest, cash, Lindsell Train Limited and Lindsell Train Funds (up to a limit of 25% of NAV at cost).

Objective of the Company

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.

The Benchmark

The annual average yield on the 2.5% Consolidated Loan Stock.

Financial highlights

Performance comparisons in the current performance period (1 April 2002 – 30 September 2002)

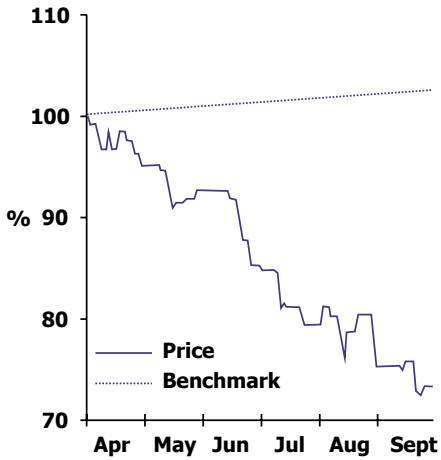
Middle market share price per ordinary share	-26.7%
Net Asset Value per ordinary share	-8.7%
Benchmark*	+2.6%
MSCI World Index (Sterling)	-33.4%
UK RPI Inflation	+1.8%

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

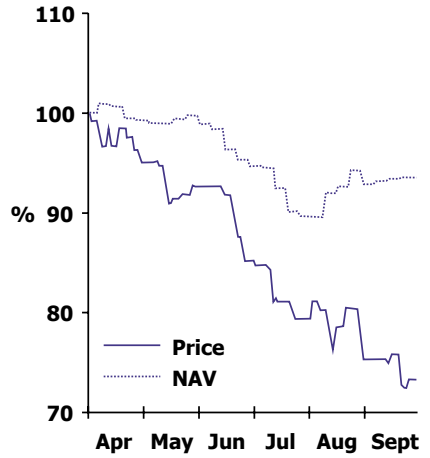
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Financial highlights continued

**The Lindsell Train Investment Trust plc
Performance relative to the Benchmark
from 1 April 2002 to 30 September 2002**



**The Lindsell Train Investment Trust plc
Performance relative to NAV
from 1 April 2002 to 30 September 2002**



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Chairman's Statement

The net asset value (NAV) of your Company has fallen in value by 9% since 31 March 2002. This compares favourably with a fall in the share price of 27%, which reflects the substantial premium to net assets that the shares had been quoted on, contracting to a discount of 7% by 30 September. The fall in premium is somewhat understandable in light of sharply falling markets. The fall in the NAV was attributable to the weakness of the equities and also the weakness of the US Dollar relative to Sterling. It was hoped that the gains from the fixed interest investments would offset any equity losses should the market fall. This might have been the case were it not for the weakness of some shares reliant on the fortunes of capital markets. This is discussed in further detail in the Managers' Report. Furthermore 53% of the Company's assets were denominated in US Dollars. Although the Managers are confident that the US Dollar will stabilise and perhaps appreciate, while it remains weak, the Company's NAV will suffer from the translation effect. In mitigation, the Managers have done a good job in preserving value in what has been the most challenging environment for world equity markets since the 1970's, even if they have failed to keep pace with the benchmark. In particular, credit should be due to the decision to invest half of the net assets of the Company in long term fixed interest, which has appreciated significantly over the period as well as providing a useful income return. Through all of this the Company has continued to maintain a moderate degree of leverage. Short-term borrowings, that amounted to 14% NAV at 30 September 2002, rose from 10% of NAV at 31 March 2002.

Following the extraordinary general meeting on 28 August 2002, the Directors now have the ability to buy back a limited proportion of the shares in issue, for cancellation. The Directors will seek to exercise these powers at a time when they judge it appropriate and when it is in the best interests of all shareholders.

A small contribution to the increase of the NAV arose from the Company's holding in Lindsell Train Limited, which rose in value by 13% (£74,000) over the half year. This was aided by an increase in funds under management from £102m to £116m. In addition, there was a contribution from the improved profitability of the business as more of the ongoing revenues have been derived from the two long/short funds, The Lindsell Train Japan Fund and the Lindsell Train Global Media Fund. External client assets in these two funds have expanded from £19m at the end of March to £24m at the end of September. Recently, Lindsell Train has been appointed as one of the sub-investment managers for the Aon UK Equity Fund. The new mandate is due to be funded over the next six months and should grow as Aon expands the size of its product. The funds will be run exactly in line with the Finsbury Growth Trust, will earn a similar annual fee but will not have the ability to earn a performance fee. As a result, when calculating the Directors' valuation for Lindsell Train, the Aon mandate will attract a 2.5% multiple in the funds under management calculation, rather than the 5% for the rest of the business.

The performance of the long/short funds in calendar year 2002 has been unspectacular. The Lindsell Train Japan Fund fell in value by 1.4% to the end of September. The rally in the market earlier in the year and the strength of the Yen contributed to its fall. Performance since June has been improving again and the fund is tantalisingly near its high water mark above which it would earn a performance fee. The Lindsell Train Global Media Fund has had to cut its teeth in the face of a vicious bear market for Media stocks, which fell 33% in the first 9 months of the year. Even though the strategy has been on average 20% net long the fund was up 0.8%. This shows that the strategy is working and, should better markets prevail in the future, better absolute returns should materialise. Although shareholders should justifiably consider both Funds as equity investments, at the end of September the Japan fund

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was only 6% net weighting to equities and the Media fund 17%, which illustrate how their positioning today remains relatively defensive.

There is no doubt that the last six months have represented a difficult period for your Company and some of its investments. However the Company has so far suffered only a relatively small fall in NAV as compared to other investments and the Managers have the ability to benefit from opportunities, which are sure to arise, in the future.

R Swire

Chairman

22 November 2002

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Managers' Report

Strategy Reprise

The strategy adopted for the Company is long term in nature and, thus, unchanged over the recent period. In support of this double contention we think it noteworthy that calendar year to date, we have not sold a single investment, nor any part of any investment, either equity or bond. On the other hand, we have continued to add to existing positions, responding to periodic setbacks in the bond markets and, regrettably, rather more frequent falls in the price of some of our stocks. Such an approach has one certain benefit, of keeping our transaction expenses to a minimum. Unhappily, the approach can also expose us to obloquy when we hold on to losing investments. It is galling for us and we're sure for other shareholders too, so early in the life of the Company, to view the extent of the attrition in one or two of our positions, whatever their long-term merits. These individual errors of, being generous, timing, take some of the gloss off an otherwise broadly appropriate portfolio structure. We, briefly, review our thinking on all our holdings below.

Our strategy is based on three assumptions. First, we still believe there is a sizeable, but one-off opportunity to benefit from falls in long bond yields, which we think do not reflect the risk of deflation. The target yields we have set for our fixed interest holdings would, if realised, add significant capital value to the Company. Our challenge, of which the Board, rightly, keeps us acutely conscious, is to recognise when this opportunity is spent, not only in absolute terms, but also relative to equities.

Next, we expect earning sustained investment returns from equities will remain a challenge, with a significant proportion of the returns derived from dividends and lots of disagreeable shocks. We will concentrate the portfolio on cash generative franchises we think we understand, with, preferably, low debt and high dividend yields.

Finally, while it would not surprise us to see the UK stock market in general offering a higher dividend yield than gilts, as befits the riskier asset class in a low or zero inflation environment, we also expect true growth companies, so hard to identify in advance, to sustain yields well below those of bonds. Moreover, we assume that equity markets will continue to confound the majority of participants and that the best stock returns will arise from companies that deliver unexpected profits growth. Pursuing this theme, we suspect that something important is happening at the nexus where software, media content and communications assets overlap and that unexpected profit growth will indeed arise from it. Certainly, such an outcome is, today, very far from being accepted by the average equity market participant.

As noted in the Chairman's statement we have continued to build up our borrowings. Mentally, we tag this debt against our holdings of fixed interest assets. These instruments tend to offer a running yield higher than our cost of borrowing, which is immediately value creating for the Company, a value which could be enhanced if UK interest rates decline and the price of these assets rise, as we think possible.

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Holdings

US Treasury 6.25% 2030

The former long bond has traded like an equity in 2002, with a low of \$104 and high of \$122. At \$115, as this report is written, the instrument yields 5.2% to maturity. Clearly what follows is a statement of opinion, but we believe asset allocators will come to value 5.0%, safe returns more highly than they do today.

US Treasury 3.875% 2029

Our TIP yields over 3.0% per annum real to its redemption, at the end of the third decade of the Twenty-First Century. This is double the real return earned on conventional government bonds during the previous century. We think our reward for the certainty of real return over such a long time span is amazingly high.

UK Treasury 2.5%, Consolidated 2.5% Loan Stock

The two irredeemable gilts have been volatile instruments year-to-date, with a 20.0% spread in capital value, from high to low. The volatility arises from their illiquidity, they are tiny issues and their acute sensitivity to long run inflation expectations. These are precisely the characteristics that appeal to us.

Halifax 6.125% Preference Stock, HBOS 9.25% Preference Stock, HBOS Ordinary

HBOS ordinary shares have outperformed the UK stock market over the past 12 months and marginally outpaced the Bank sector. We take this as a comforting indicator that our fundamental analysis of the bank is sound. We believe HBOS has one of the most secure balance sheets in the UK banking industry and can fund its growth and a modestly progressive dividend. So long as these characteristics hold we find the Ordinary shares worthy of their position in the portfolio and regard the Preference shares as exceptionally attractive. We think it possible the Preference shares could yield less than the Ordinary, implying a substantial capital uplift.

Daily Mail & General Trust 2.5% Convertible Bond 2004

This bond has been called early by the company and the holding turned into cash in October 2002.

Barr (AG)

We were mildly disappointed the company did not increase its interim dividend, despite raising profits and generating cash, adding to its already debt-free balance sheet. However, Barr is funding an increased marketing budget for IRN-BRU in England, which promises well but depresses margins. The shares already yield more than a gilt, at 5.0% and the dividend has risen from 6.5p in 1993 to 21.6p in 2001/2. We will be richly rewarded if such progress is maintained.

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Cadbury Schweppes

We added recently to this, our largest equity position, on a dull share performance. Investors have allowed Cadbury shares to drift in advance of an anticipated acquisition, which they fear will be dilutive to earnings. This may be, but the resulting valuation leaves Cadbury looking cheap on an earnings yield of over 7.0%.

Dow Jones, Reuters, Instinet

We collect these three stocks under one heading because they have common characteristics. Most obviously, we have contrived to lose a lot of shareholders' capital in the group. We made the investments because each company has economic qualities, demonstrated over long periods that are objectively attractive. They have relatively understandable franchises, they generate more cash each year than they need divert to capital expenditure and they have proven capable of earning high returns on equity. Each, still, has a virtually debt-free balance sheet. Each offers a participation in the fortunes of capital markets. And here is the crux. We have a lot of "defensive" investments in the Trust, including significantly more fixed interest than we believe is appropriate on a long-term view. The temptation in Dow Jones and Reuters, for us, then, was to access "franchise"-type companies, which could, moreover, boost the Trust's value if it turned out that we were too cautious about markets. In hindsight, an ill-conceived strategy – it was not possible to be too cautious about markets in 2001/2.

As this report is written, in early November, Dow Jones stock has rallied 27.0%, Instinet 34.0% and Reuters 35.0%. These rallies confirm the sensitivity of each stock to sentiment about global equities, but they, clearly, do not validate our investments. What will validate them is if Dow Jones can ever earn \$3.0 a share again, if Reuters' new web-based products can increase utility for customers, while reducing their costs, as the company claims and if Instinet can make money again, on its 16.0% share of the daily volumes of US equities. Shareholders will expect us to answer these questions in the affirmative and we do. We promise, though, that we will not be sentimental about selling these stakes if our convictions weaken.

Glenmorangie

The company reports in mid-November. We hope Glenmorangie volumes have increased and for more information about the deepening commercial relationship between the company and its largest outside shareholder, Brown Forman, recently appointed distributor for its brands in Europe and, we presume, its ultimate owner.

Nintendo

This share has been weaker than we anticipated and we have added gradually to the holding. If the company's recent forecast that it will sell 25 million game consoles and 105 million pieces of game software in 2002/3 is correct, we believe the shares are exceptionally cheap. Nearly 50.0% of the current capitalisation is net cash, some \$7billion, meaning Nintendo is one company we do not have to worry about surviving any downturn.

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Wolters Kluwer

The company recently sold its academic publishing subsidiary for 4x its revenues. If we value the parent on a similar basis and, in truth, we think the remaining assets are more valuable, then WK would trade at Euro 36, rather than Euro 18 today.

Wolverhampton & Dudley

What we remember of a recent investor trip around Wolves' Midland pub estate confirms the company's ability to service and pay down its debt, while increasing the dividend ahead of inflation. The shares yield 4.5%.

Conclusion

We have a short short-list of new equities that we hope to purchase for the Trust, contingent on their prices declining to the levels we are prepared to pay. Any material further investment would likely be made out of a reduction in the fixed interest portion of the portfolio, rather than assuming more borrowings. This establishes an important discipline for us, to ensure that any new holdings are more attractive than our bonds on a risk adjusted basis. So far we have been correct not to increase the equity portion to any marked degree, such has been the unforgiving nature of the markets. It is fair to say that the bonds are not burning a hole in our pockets and that any stocks we purchase will be bought as select bargains, rather than wholesale.

N Train

Lindsell Train Limited
Trust Manager
22 November 2002

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Statement of Total Return

Six months to
30 September 2002
Unaudited

	Revenue £'000	Capital £'000	Total £'000
(Losses)/gains on investments	—	(1,998)	(1,998)
Exchange differences	—	(1)	(1)
Gains on forward sales of Yen	—	18	18
Income	372	—	372
Investment management fee	(48)	—	(48)
Managers performance fee	—	—	—
Directors bonus	—	—	—
Other expenses	(97)	(1)	(98)
Net return/(deficit) before finance costs and taxation	227	(1,982)	(1,755)
Interest payable and similar charges	(63)	—	(63)
Return/(deficit) on ordinary activities before tax	164	(1,982)	(1,818)
Tax on ordinary activities	(7)	—	(7)
Return/(deficit) on ordinary activities after tax for the period	157	(1,982)	(1,825)
Dividends in respect of equity shares	—	—	—
Transfer to/(from) reserves	157	(1,982)	(1,825)
Return/(loss) per ordinary share	£0.79	£(9.91)	£(9.12)

The revenue column of this statement is the profit and loss account of the Company.

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

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Period ended 30 September 2001			Period ended 31 March 2002		
Unaudited			Audited		
Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
—	(463)	(463)	—	727	727
—	(11)	(11)	—	64	64
—	45	45	—	112	112
591	—	591	882	—	882
(94)	—	(94)	(144)	—	(144)
(244)	—	(244)	(281)	—	(281)
(24)	—	(24)	(28)	—	(28)
(349)	(4)	(353)	(355)	(5)	(360)
(120)	(433)	(553)	74	898	972
(1)	—	(1)	(20)	—	(20)
(121)	(433)	(554)	54	898	952
(5)	—	(5)	(4)	—	(4)
(126)	(433)	(559)	50	898	948
—	—	—	—	—	—
(126)	(433)	(559)	50	898	948
<u>£(0.63)</u>	<u>£(2.17)</u>	<u>£(2.80)</u>	<u>£0.25</u>	<u>£4.49</u>	<u>£4.74</u>

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Balance Sheet

	30 September 2002 Unaudited £'000	30 September 2001 Unaudited £'000	31 March 2002 Audited £'000
Fixed assets			
Investments	21,785	18,967	23,104
Current assets			
Debtors	939	835	1,093
Cash at bank and short-term deposits	10	244	53
	949	1,079	1,146
Creditors: amounts falling due within one year	(3,611)	(605)	(3,302)
Net current (liabilities)/assets	(2,662)	474	(2,156)
Total assets less current liabilities	19,123	19,441	20,948
Capital and reserves			
Called up share capital	50	50	50
Share premium account	100	19,950	19,950
Special reserve	19,850	—	—
Capital reserve - realised	129	8	156
Capital reserve - unrealised	(1,213)	(441)	742
Revenue reserve	207	(126)	50
Equity shareholders' funds	19,123	19,441	20,948
Net asset value per ordinary share:	£95.62	£97.20	£104.74

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Cash Flow Statement

	Six months to 30 September 2002 Unaudited £'000	Period ended 30 September 2001 Unaudited £'000	Period ended 31 March 2002 Audited £'000
Net cash inflow/(outflow) from operating activities	234	(124)	131
Returns on investment and servicing of finance	(60)	(1)	(11)
Taxation	(2)	(3)	(4)
Financial investment	(704)	(19,400)	(22,274)
	(532)	(19,528)	(22,158)
Financing - Initial Share Offer	—	19,783	19,783
(Decrease)/Increase in cash	(532)	255	(2,375)
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the period	(532)	255	(2,375)
Exchange movements	(1)	(11)	64
Opening net debt	(2,311)	—	—
Closing net (debt)/funds	(2,844)	244	(2,311)
Represented by:			
Cash at bank	10	244	53
Overdrafts	(2,854)	—	(2,364)
	(2,844)	244	(2,311)

Reconciliation of Movements in Shareholders' Funds

	Six months to 30 September 2002 Unaudited £'000	Period ended 30 September 2001 Unaudited £'000	Period ended 31 March 2002 Audited £'000
Opening shareholders' funds	20,948	—	—
Arising on issue of Ordinary Shares 22 January 2001	—	20,000	20,000
Net revenue/(deficit) for the period	157	(126)	50
Capital (deficit)/surplus for the period	(1,982)	(433)	898
Closing shareholders' funds	19,123	19,441	20,948

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Notes to the Interim Accounts

1. The financial information for the year ended 31 March 2002 included in this half-year report has been taken from the Company's full accounts, which for the year to 31 March 2002 carry an unqualified audit report and did not include statements under Section 237(2) or (3) of the Companies Act 1985 and which have been filed with the Registrar of Companies.
2. The financial statements for the period to 30 September 2002 have been prepared on a basis consistent with the accounting policies adopted by the Company in its statutory accounts for the year ended 31 March 2002.
3. The Statement of Total Return for the six months to 30 September 2002, period to 30 September 2001 and period to 31 March 2002 have been prepared in accordance with the Statement of Recommended Practice "Financial Statements of Investment Trust Companies" which have been adopted by the Company.
4. The Statement of Total Return includes the results of the Company and together with the Balance Sheet and Cash Flow Statement at 30 September 2002, are unaudited and do not constitute full statutory accounts within the meaning of Section 240 of the Companies Act 1985.
5. The net asset value per Ordinary Share is based on net assets at 30 September 2002 of £19,123,000 (31 March 2002: £20,948,000 and 30 September 2001: 19,441,000) and on 200,000 Ordinary Shares in issue at 30 September 2002 (31 March 2002 and 30 September 2001: 200,000).

Returns per Ordinary Share:

The calculation of the revenue return per Ordinary Share of 25 pence each is based on net revenue on ordinary activities after taxation of £157,000 for the six months to 30 September 2002 (31 March 2002: profit £50,000 and 30 September 2001: deficit £(126,000)) divided by 200,000 (31 March 2002 and 30 September 2001: 200,000) being the weighted average number of Ordinary Shares in issue during the period.

The calculation of the capital return per Ordinary Share of 25 pence each is based on net capital losses of £(1,982,000) for the six months to 30 September 2002 (31 March 2002: profit £ 898,000 and 30 September 2001: loss £(433,000)) divided by 200,000 (31 March 2002 and 30 September 2001: 200,000) being the weighted average number of Ordinary Shares in issue during the period.

7. On 25 September 2002 the High Court approved the Company's application made on 2 September 2002 to reduce the Share Premium account and to create a Special Reserve. The Order was filed at Companies House on 30 September 2002.
8. It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions for approval as an Investment Trust Company set out in Section 842 of the Income and Corporation Taxes Act 1988.

By order of the Board

Phoenix Administration Services Limited
Secretary
22 November 2002

The Lindsell Train Investment Trust plc

Portfolio Holdings at 30 September 2002

(All Ordinary Shares unless otherwise stated)

<i> Holding</i>	<i> Company</i>	<i> £'000</i>	<i> %</i>
US\$3,700,000	US Treasury 6.25% 15/05/2030	2,869	15.00
35,001	Lindsell Train Japan (Distributor) Inc	2,442	12.77
36,000	Lindsell Train Global Media (Distributor) Inc	2,309	12.07
US\$1,899,000	US Treasury 3.875% 15/04/2029 Index Linked	1,631	8.53
1,443,126	Halifax 6.125% Non – Cumulative Preferred	1,414	7.39
£2,300,000	2.5% Consolidated Loan Stock	1,243	6.50
£2,000,000	UK Treasury 2.5%	1,082	5.66
250,654	Cadbury Schweppes	1,065	5.57
713,000	HBOS 9.25% Non – Cumulative Preferred	1,021	5.34
230,000	Barr (AG)	966	5.05
127,118	Wolverhampton & Dudley Breweries	741	3.88
9,900	Nintendo	733	3.83
28,500	Dow Jones & Co	696	3.64
666	Lindsell Train Limited *	659	3.45
105,000	Glenmorangie Plc 'A' (Limited Voting)	651	3.40
640,000	Daily Mail & General Trust 2.5% 05/10/2004	599	3.13
87,500	HBOS	514	2.69
37,384	Wolters Kluwer	430	2.25
173,000	Reuters Group	391	2.05
26,380	Glenmorangie Plc 'B'	228	1.19
51,300	Instinet Group	101	0.53
	Total investments	21,785	113.92
	Net current liabilities	(2,662)	(13.92)
	Total assets less current liabilities	19,123	100.00

* Unlisted investment

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Investment Portfolio at 30 September 2002

Breakdown by Industry Sector

Long Term Fixed Interest		
Bonds	38.82%	
Preference Stock*	12.73%	
		51.55%
Equities		
Lindsell Train Funds	24.84%	
Media	12.30%	
Beverages	9.64%	
Consumer Products	5.57%	
Breweries	3.88%	
Investment Management	3.45%	
Banks	2.69%	
		62.37%
Cash		(13.92)%
		100.00%

Breakdown by Geography

Long Term Fixed Interest		
UK*	28.02%	
USA	23.53%	
		51.55%
Equities		
UK	27.28%	
Japan	16.60%	
World-wide	12.07%	
USA	4.17%	
Europe	2.25%	
		62.37%
Cash		
USA	0.58%	
Japan	(3.69)%	
UK	(10.81)%	
		(13.92)%
		100.00%

Breakdown by Currency

US\$	53.12%
£	44.49%
Euro	2.25%
Yen	0.14%
	100.00%

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

Company Secretary and Registered Office

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