

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Report and Accounts
For the year ended 31 March 2013

THIS DOCUMENT IS IMPORTANT and, if you are a holder of Ordinary shares requires your immediate attention. If you are in doubt as to what action to take you should seek advice from your own independent personal financial advisor. If you have sold or otherwise transferred all of your Ordinary shares in the capital of the Company you should send this document, and the Form of Proxy which accompanies it, immediately to the purchaser or transferee; or to the stockbroker, bank or other agent through whom the sale or transfer was effected.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

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Highlights for the Year

Performance comparisons 1 April 2012 – 31 March 2013

Middle market share price per Ordinary Share #	32.9%
Net asset value per Ordinary Share †	27.2%
Benchmark *	3.8%
MSCI World Index (Sterling)	18.5%
UK RPI Inflation (all items)	3.3%

Calculated on a total return basis

† The net asset value at 31 March 2013 has been adjusted to include the dividend of £4.15 per Ordinary Share paid on 3 August 2012.

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

Objective of the Company

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

Investment Policy

The Investment Policy of the Company is to invest:

- in a wide range of financial assets including equities, unquoted equities, bonds, funds, cash and other financial investments globally with no limitations on the markets and sectors in which investment may be made, although there may be bias towards Sterling assets, consistent with a Sterling-dominated investment objective. The Directors expect that the flexibility implicit in these powers will assist in the achievement of the absolute returns that the investment objective requires;
- in Lindsell Train managed fund products, subject to Board approval, up to 25% of its gross assets;
- to retain a holding, currently a 24.4% interest, in Lindsell Train Limited in order to benefit from the growth of the business of the Company's Investment Manager.

Diversification

The Company expects to invest in a concentrated portfolio of securities with the number of equity investments averaging fifteen companies. The Company will not make investments for the purpose of exercising control or management and will not invest in securities of or lend to any one company (or other members of its group) more than 15% by value of its gross assets. The Company will not invest more than 15% of gross assets in other closed-ended investment funds.

Gearing

The Directors' policy is to permit borrowings up to 50% of the net asset value of the Company in order to enhance returns where and to the extent that this is considered appropriate.

Dividends

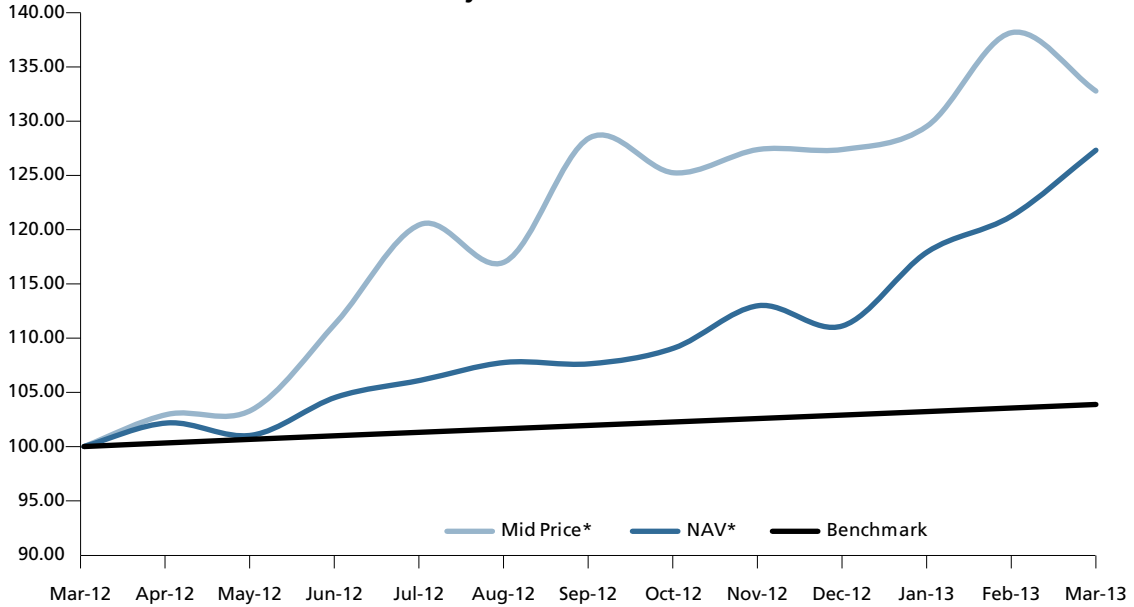
The Directors' policy is to pay annual dividends consistent with retaining the maximum permitted earnings in accordance with investment trust regulations.

The current composition of the portfolio, which may be changed at any time at the discretion of the Investment Manager within the confines of the policy stated above, is shown on pages 6 and 7.

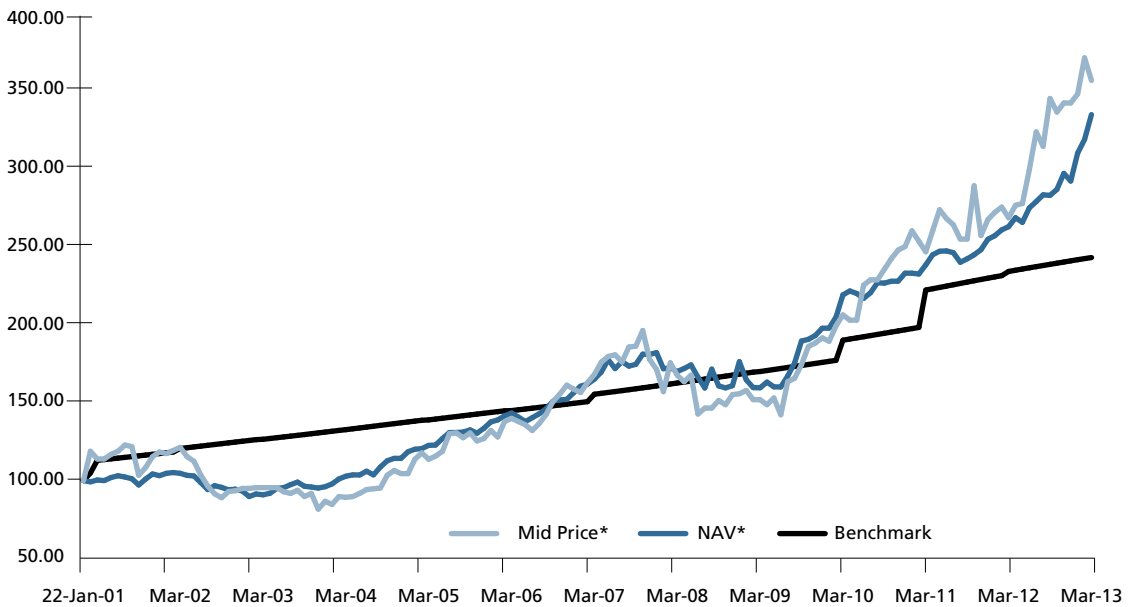
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Performance

Share price performance relative to the net asset value and benchmark for the year ended 31 March 2013



Share price performance relative to the net asset value and benchmark since inception on 22 January 2001 to 31 March 2013



*NAV and price total return performance figures are based on net dividends reinvested and net of fees and expenses. Figures are rebased to show the performance per £100 invested.

Source: Bloomberg and Lindsell Train Limited

Chairman's Statement

The year to March 2013 proved to be one of the most successful yet for your Company. The net asset value total return per share ('NAV') advanced 27.2% and the share price total return did even better, rising 32.9%. Set against this return the benchmark compounded at a lesser rate (3.8%) than in earlier years reflecting lower long-term bond yields. Performance was admittedly aided by stronger markets, with the MSCI World Index total return in Sterling up 18.5%, but nonetheless the Company's return well exceeded this comparator for the third year running. The Board extend their appreciation to the Manager for attaining such a result even though I know they would say that this twelve month achievement was unplanned and fortuitous. It results from decisions taken years ago to accumulate a stable of attractive and sustainable businesses whose value happens to have appreciated this year more than in others.

This performance has come with a consequence – the accrual of a material performance fee for the Manager. It amounts to £1.7m, or 3% of NAV, which when added to the regular cost of running the Company (1.1% of NAV – see ongoing charges on page 45) makes a high ongoing charge for this year. Of course, most of this is a justifiable reward for the good performance but, as the fee is calculated on the market capitalisation of the Company rather than its NAV (a policy originally designed to favour shareholders as many investment trusts at that time traded at discounts to NAV), a part of it results from the widening of the share price premium relative to the NAV. The Managers drew attention to this anomaly in their September 2012 monthly report and in it discouraged new shareholders from paying too high a premium when buying shares. This caution was repeated in my Chairman's interim statement. Although the extent of the premium has moderated somewhat from its peak, it still remained at 6% at the end of the year.

Following detailed discussions between the Manager and the Board, the Managers proposed two concessions to address this anomaly. First, in future the performance fee will be calculated on the lower of the net assets or market capitalisation. Then, in respect of the performance fee just accrued, 50% of the part attributable to the expansion of the premium, £252,169, will be withheld by the Company and only paid in full if the NAV in March 2014 is higher than at the end of this year. The Board accepts these changes with gratitude and notes that, as has been demonstrated over the course of the Company's tenure to date, the Managers continue to prioritise a close alignment of interest with shareholders of the Company.

Another consequence of good performance is the proposed 51% rise in the total dividend from last year's £4.15 to £6.25 per share, which is the minimum distribution necessary for the Company to remain compliant with investment trust regulations. Splitting this, as we did last year, would give an ordinary dividend of £5.63 per share and a special of £0.62. The special dividend reflects the income earned by the Company from LTL performance fees.

The biggest contributor to this year's performance – and arguably the main reason for expansion of the share price premium – was the performance of LTL itself. Its share price was up 47% and its dividends contributed 46% to the revenues of the Company. LTL's funds under management rose to £2.1bn at 31 December 2012, up by £527m or 33% over the year, £221m of which was attributable to an increase in net new assets. It remains a tightly run, lean and simple business earning high margins of 61% whilst continuing to invest for the future to support the growth of the business. Over the last three years staff numbers have increased by a third. However, it still remains heavily dependent on its founders, and will do for the foreseeable future, which

Chairman's Statement continued

tempers the valuation that the Board ascribes to it through its valuation formula (see page 44). Last year was another strong year of performance for the core UK equity strategy and most encouragingly for the Global equity strategy, which has a younger record but arguably the most potential to grow in the future.

Although the performance of LTL as a business is in a sense an indirect long-term reflection of its own portfolio performance we nonetheless disaggregate the actual performance of LTL's stock picking skills from the Company as a whole by separating the performance contribution of LTL from the other quoted and fund investments. Since inception such stock picking has generated a net of fees return of 8.2% pa. This compared to the Company's total return including LTL of 10.4% pa. and the performance of markets measured by the MSCI Index (in Sterling) of 3.4% pa. Such outperformance has underpinned LTL's success in being able to grow its funds under management over the years.

Last year all the quoted equity investments advanced between 35% and 45% other than the London Stock Exchange that was up 26%, and the two disappointments – Pearson up by 2% and Nintendo that fell 19%. You will not be surprised to learn that these were the two investments that were added to over the year. Also, the small holding in Canon was sold just after it had benefited from a burst of performance from the rising Japanese market with the proceeds transferred into Nintendo.

The investments in Lindsell Train managed funds were up 30% or more and all exceeded their relevant benchmark indices. However the partial hedge on the holding of the Lindsell Train Japanese Equity Fund through Nikkei futures detracted from returns following the sharp rise in the market. The policy of reducing the Company's investment in these funds as their size increases continued. The Lindsell Train Global Equity Fund position was reduced by 30% during the year whilst the fund's size increased to £200m by early April 2013.

The rising proportion of net assets accounted for by the investment in LTL does however change the risk profile of the Company. When the next fall in global markets occurs it is likely that LTL's business will be directly affected as funds under management fall, and that would be in addition to any fall in value of the Company's portfolio of quoted investments. The confluence of these negative hits would be almost impossible to offset with the current portfolio structure. In addition, a fall in LTL dividends were it to happen, could have implications for the stability of the Company's dividend, given its current significant contribution. These risks may sound obvious but we want to draw shareholders' attention to them as in past bouts of market weakness the Company's NAV has held up better than the performance of markets in general. This may not be the case in the future.

D L Adamson
Chairman
30 May 2013

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Directors

Donald Adamson^{*^†}, Chairman, has over 25 years' experience of fund management, corporate finance and private equity in Edinburgh, London and Jersey. He serves as director or chairman of a number of listed and privately-held investment companies including funds managed by the Pantheon Group. 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 Chartered Institute for Securities and Investment.

Dominic Caldecott^{*^†}, worked at Morgan Stanley Investment Management Limited, London, from 1986 to 2006, specialising in the management of overseas equity portfolios for U.S. institutions. He was a managing director of Morgan Stanley from 1992 until 2006. Prior to Morgan Stanley he worked for GT Management in Hong Kong and Tokyo as an analyst and portfolio manager of Japanese equities. He has an M.A. in law from New College, Oxford.

Rory Landman^{*^†}, is the Senior Bursar of Trinity College, Cambridge, and was previously a senior director and the head of global emerging markets at Baring Asset Management. He was a founding partner of the Nevsky emerging market equities team at Thames River Capital, and is a director of The Eastern European Trust plc.

Michael Lindsell, 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, then Warburg Asset Management in London in 1989 where he was a director and head of Mercury Asset Management's Japanese fund management division. In 1992 he joined GT Management's Tokyo office where he held the post of chief investment officer with responsibility for GT's Japanese funds, and global funds sourced out of Japan. He returned to the UK in 1997 and following the acquisition of GT by INVESCO in 1998, he was appointed head of the combined global product team. He left INVESCO to set up Lindsell Train Limited in 1999.

Michael Mackenzie^{*^†}, is a specialist in private equity investments focusing primarily on the wine industry. 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 a director of Jefferies 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 Committee member

† Management Engagement Committee member

D Adamson and M Mackenzie were appointed on 29 November 2000. D Caldecott was appointed on 23 May 2006. M Lindsell was appointed on 13 July 2006 and R Landman was appointed on 20 July 2011.

Investment Manager

Lindsell Train Limited acts as discretionary Investment Manager of the Company's assets.

Administrator and Secretary

Phoenix Administration Services Limited is the Administrator and Corporate Secretary of the Company.

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Portfolio Holdings at 31 March 2013 (All Ordinary Shares unless otherwise stated)

Holding	Security	Fair value £'000	% of net assets	Look-through basis % of net assets†
651	Lindsell Train Limited	9,010	15.55	15.55
1,263,393	Barr (AG)	6,885	11.88	12.10
318,000	Diageo	6,591	11.37	12.05
6,555,661	Lindsell Train Japanese Equity Fund – B	4,178	7.21	2.84++
149,750	Unilever	4,169	7.19	8.00
2,838,420	Lindsell Train Global Equity Fund – B	4,012	6.92	3.47
73,000	Heineken	3,077	5.32	6.08
223,000	Pearson	2,638	4.55	5.26
36,000	Nintendo	2,522	4.35	5.32
66,400	eBay	2,369	4.09	4.44
£3,350,000	2.5% Consolidated Loan Stock	2,093	3.61	3.61
252,500	Reed Elsevier	1,971	3.40	3.91
420,000	Finsbury Growth & Income Trust	1,932	3.33	1.38
123,750	London Stock Exchange	1,615	2.79	3.28
£2,500,000	Treasury 2.5%	1,594	2.75	2.75
76,552	Mondelez International Inc	1,542	2.66	2.95
1,067,791	Marston's	1,508	2.60	2.69
25,517	Kraft Foods	865	1.49	1.64
	Total Investments	58,571	101.06	97.32
(25)	Nikkei 225 Index 13-Jun-13 Future	(127)	(0.22)	(0.22)
	Net current liabilities	(484)	(0.84)	2.90 ++
	Total assets less current liabilities	57,960	100.00	100.00

† Look through basis: This adjusts the percentages held in each security upwards by the amount held by Lindsell Train managed funds and adjusts the funds holdings downwards to account for the overlap. It provides shareholders with a measure of stock specific risk by amalgamating the direct holdings of the Company with the indirect holdings held within the Lindsell Train funds.

++ adjusted for the Nikkei Futures hedge against Japanese Equity Fund.

Leverage

As well as the direct borrowings of the Company, funds managed by Lindsell Train Limited also have powers to borrow. We detail below the balance sheet positions of these funds at 31 March 2013:

Fund	Net equity exposure
Lindsell Train Japanese Equity Fund	98.15%
Lindsell Train Japanese Equity Fund	98.50%
Finsbury Growth & Income Trust	100.00%

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Analysis of Investment Portfolio at 31 March 2013

Breakdown by geography (look through basis)^

Long-term fixed interest	2013		2012	
UK	<u>6.36%</u>		<u>7.99%</u>	
		6.36%		7.99%
Equities				
UK	67.69%		60.06%	
USA	9.03%		9.41%	
Japan	8.16%		10.18%+	
Europe	<u>6.08%</u>		<u>8.42%</u>	
		90.96%		88.07%
Cash				
USA	8.19%		8.70%	
Japan	3.97%		3.87%+	
Europe	(0.79)%		(0.43)%	
UK	<u>(8.69)%</u>		<u>(8.20)%</u>	
		2.68%		3.94%
		<u>100.00%</u>		<u>100.0%</u>

Breakdown by currency (look through basis)^

£	65.36%	59.85%
US\$	17.22%	18.11%
Yen	12.13%	14.05%
Euro	5.29%	7.09%
	<u>100.00%</u>	<u>100.0%</u>

^ Look-through basis: This adjusts the percentages held in each asset class, country or currency by the amount held by Lindsell Train managed funds. It provides shareholders with a more accurate measure of country and currency exposure by aggregating the direct holdings of the Company with the indirect holdings held by the Lindsell Train funds.

+ Adjusted for the underlying exposure of the Nikkei 225 Futures position.

Look Through Sector Exposure

	Direct	Look-through basis
Consumer Franchise/Brands	42.51%	49.68%
Financials	18.34%	20.03%
Media	16.39%	20.14%
Healthcare	0.00%	0.91%
Other	0.00%	0.14%
Bonds	6.36%	6.38%
Funds	17.46%	0.02%
Futures (Notional)	-0.22%	-3.74%
Cash & Equivalent	<u>-0.84%</u>	<u>6.44%</u>
Total	<u>100.00%</u>	<u>100.00%</u>

Investment Manager's Report year ended 31 March 2013

As a generalisation we claim that your portfolio comprises "quality" companies. Of course this is a qualitative and subjective term; nonetheless, identifying "quality" is the first and most important filter in our research effort. It is a defensible proposition, then, that the reason for our competitive performance in recent years is because "quality" companies have done well. Certainly the big contributors and winners for your Company over the last six months are fine businesses – London Stock Exchange +38%, Heineken +38%, Reed Elsevier +32% and Marston's +24% – all long established and high profit margin companies.

But shareholders must be asking themselves the same questions we ask ourselves – when will this period of strong relative performance for companies such as these come to an end and, not necessarily the same, are "quality" businesses now overvalued?

Our answers are as follows, though they are necessarily statements of opinion, rather than certain, verifiable fact. First, we imagine that what will bring an end to our outperformance will be a shift in other investors' appetite to lower quality companies than we choose to invest in. These lower quality companies could be "cyclical" or, perhaps, "speculative" (an alternative energy boom? a nanotechnology boom?). During such episodes, as we experienced in 2007 (mining) or 1999/2000 (technology), even the highest quality companies can go through extended periods of dull or poor returns, as investors' attention is diverted to more exciting tales.

What is important for us to convey to shareholders is that even if we were smart enough to recognise a change in the investment weather, which meant lower quality companies were likely to outperform for a period – we would not act on that recognition. This is because our approach is based on the conviction that long term investment in high quality companies is a winning strategy and for that strategy to have any value we absolutely must stick to it. So, in passing, let us here assert that we have no intention today to sell any or any part of any current equity holding and that we remain alert to the possibility of selling our remaining gilts in order to fund existing or new positions.

As to when "quality" companies become overvalued, we say that when or if P/Es of over 30x are accorded there is a risk that even the most exceptional companies may have become strategically overvalued. Now, a P/E of 30x equates to an earnings yield of around 3% and it is, surprisingly, still possible to regard this level as "fair" – after all, a 3% "inflation-protected" running yield delivered by a great company looks like a bargain compared to government bond and cash yields today. But we acknowledge that at 30x any margin of investment safety, even for a business as durable as, say, Unilever, becomes too low.

However, our portfolio stocks are far from being valued at 30x or more earnings, even after their recent good returns. So, while it is quite conceivable that some of the positions may "have a rest" for a quarter or two, we dismiss the proposition that, for example, Diageo, on a P/E of 19x is dangerously overvalued.

Elsewhere, Pearson has been a dull share now for some quarters. We happily retain the holding because it offers pure access to what we still regard as the most important thematic opportunity in the portfolio – namely companies with a credible strategy to grow and improve profitability by exploiting technology change. This is the big bull market idea of the next decade, in our opinion and Pearson, eBay, Nintendo and Reed Elsevier are probable participants.

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Finally, Japan too remains a possible source of “surprise” future returns for the Company and we are already grateful that your holding in the LT Japan Fund gained 38% over the last six months. It’s clear to us that “quality” Japanese companies are some of the best value we find anywhere in the world. But we still maintain that fiscal or monetary juggling alone is not enough for a true and sustained equity bull market to unfold in Japan. There needs to be more consolidation and restructuring in the productive economy – just as there was in the UK through, say, 1980-87. We wait and watch to see whether the Japanese corporate sector has a comparable appetite for rationalisation and improved returns to capital.

N Train

Investment Manager
Lindsell Train Limited
30 May 2013

Report of the Directors

The Directors present their report together with the audited financial statements of the Company for the year ended 31 March 2013.

Activities and Status

The principal activity of the Company is to carry on the business of an investment trust company. The Company is an investment company as defined in Section 833 of the Companies Act 2006.

HM Revenue & Customs approval as an investment trust has been received for all financial years to 31 March 2012, but this does not preclude a subsequent enquiry into a tax return from being opened.

The Company has been confirmed by HM Revenue & Customs as having approved investment trust status under the Investment Trusts (Approved Company)(Tax) Regulations 2011 for financial periods commencing from 1 April 2012, subject to it continuing to comply with the Regulations. The Directors conduct the affairs of the Company with a view to maintaining this approved investment trust status in order to preserve the Company's exemption from UK capital gains tax.

Objective of the Company

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

Business Review

The review of the year and commentary on the future outlook are presented in the Chairman's Statement on pages 3 and 4 and the Investment Manager's Report on pages 8 and 9. Total return and net asset value are measured against the benchmark (see Objective of the Company above) and provide the key performance indicators for assessing the development and performance of the business. The Company does not envisage changing its objective or investment policy, which constitute its Business Model, or its management in the foreseeable future.

The principal financial risks and how these are managed are discussed in note 18 to the financial statements on pages 40 to 45.

Non-financial risks to which the Company is exposed include market, economic and regulatory factors, and loss of services by third party suppliers. These are considered at each Board meeting and the Investment Manager closely monitors them. Where any factor poses a potential risk to the Company the Board will be alerted immediately so that it can consider what action (if any) should be taken.

The price of shares is subject to the interaction of supply and demand, market and economic influences, net asset value per share and the general perceptions of investors. The share price will accordingly fluctuate and the Company cannot guarantee that it will appreciate. The Company's activities are conducted within operational and regulatory environments and could be materially impacted by a failure of systems at third party service providers, a loss of key member(s) of the investment management team, breach of applicable tax regulation/legislation, or breach of the UKLA Listing Rules.

Results and Dividend

The revenue return for the financial year ended 31 March 2013 after taxation amounted to £1,483,000 (2012: £1,047,000). A final dividend of 625p per Ordinary Share (2012: 415p) is proposed for the year ended 31 March 2013 and if approved by Shareholders at the forthcoming Annual General Meeting will be paid on 2 August 2013 to Shareholders on the register at close of business on 12 July 2013 (ex-dividend 10 July 2013).

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Directors

Details of the Directors of the Company who served during the year are set out on page 5. Particulars of their remuneration are given on pages 21 and 22.

At the forthcoming Annual General Meeting, Donald Adamson and Michael Mackenzie retire in accordance with the UK Corporate Governance Code. Michael Lindsell retires in accordance with the UKLA Listing Rules. All being eligible they offer themselves for re-election. The Board evaluated the individual performance of each of the Directors standing for re-election, and considers that the Company has benefited significantly from their contribution to the Board's deliberations.

Whilst Mr Adamson and Mr Mackenzie have served on the Board for more than nine years, they demonstrate impartiality when participating in matters being considered by the Board, and accordingly the Board deems them both to be independent. The Board accordingly recommends that Shareholders vote in favour of the Directors standing for re-election.

Powers of the Directors

The powers of the Directors are contained in the Company's Articles of Association, which are publicly available at Companies House. Subject to the provisions of the Companies Acts and the Company's Articles, the Directors may exercise all powers within their scope to manage the business of the Company and may delegate any of those powers to a Director, Committee or Agent.

The Directors may exercise the Company's authority to borrow, to pay fees, expenses and additional remuneration or salary for special duties undertaken by any Director, and vote the shares of portfolio companies.

The Directors may pay or provide for any pension, superannuation, share incentive or share purchase scheme calculated to advance the interests of the Company, but to date have not exercised these rights.

Investment Manager

The Investment Manager, Lindsell Train Limited, is engaged under the terms of a contract dated 1 September 2009, details of which are given in note 6 to the financial statements, terminable on twelve months' notice by either party. During the year the Directors reviewed the performance of the Investment Manager and consider that the continued engagement of the Investment Manager under the existing terms is in the best interests of the Company and Shareholders. Being an employee and shareholder of the Investment Manager, Michael Lindsell did not participate in the review. As explained in the Chairman's Statement on page 3 new arrangements are being implemented in respect of the payment of performance fees.

In addition to the day to day management of investments, the Investment Manager advises the Board on liquidity and borrowings, and liaises with major Shareholders. The Investment Manager has a stated policy on stewardship and engagement with investee companies, which the Board has reviewed and endorses, and provides verbal reports to the Board where any concerns or issues have been raised.

Administration and Secretarial Agreement

Accounting, company secretarial and administrative services are provided by Phoenix Administration Services Limited ("Phoenix") pursuant to an agreement dated 21 December 2000. The agreement is terminable by either party on not less than three months' notice. Details of the fees paid to Phoenix are given in note 4 to the financial statements. The services provided by Phoenix were also reviewed during the year and the Board considered it to be in the best interests of the Company to continue Phoenix's appointment under the existing terms.

Report of the Directors *continued*

Other third party service providers

In addition to the Investment Manager and Administrator the Company has engaged Capita Registrars to maintain the share register of the Company. During the year the Company changed its custodian from Morgan Stanley & Co International to the London Office of the Northern Trust Company (“Northern Trust”). Northern Trust also provide a £5m short-term borrowing facility to the Company. The agreements for these services are only entered into after careful consideration of their terms, and their cost-effectiveness for the Company.

Directors’ Interests

The interests of the Directors, and connected persons, in the Ordinary Shares of the Company were as follows:

	Ordinary Shares of 75p 31 March 2012	Ordinary Shares of 75p 31 March 2013
D Adamson	2,750	2,750
D Caldecott	8,250	8,250
R Landman	402	402
M Lindsell	6,995	7,235
M Lindsell*	3,600	3,600
M Mackenzie	250	250
M Mackenzie*	2,075	2,075

* Non beneficial interests

No changes in the above interests occurred between 31 March 2013 and the date of this report. None of the Directors have been granted, or exercised, any options or rights to subscribe for Ordinary Shares of the Company.

Disclosure of Interests

Michael Lindsell is a director of the Investment Manager, Lindsell Train Limited, of which he also holds 36.5% of the issued share capital. Brief details of the terms of the Investment Management Agreement are set out on page 11 and in note 6 to the financial statements.

Michael Lindsell is actively involved in the management of the Lindsell Train Global Equity Fund and the Lindsell Train Japanese Equity Fund, in which the Company and Mr Adamson have investments. Mr Landman has interests in Finsbury Growth & Income Trust PLC and the Lindsell Train Global Equity Fund in which the Company has investments and Mr Caldecott has an interest in the Lindsell Train Japanese Equity Fund. Details of the Company’s investments in the above funds can be found on page 6.

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

Save as disclosed above and in note 6 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

Because of his connection with the Investment Manager, Michael Lindsell has waived his entitlement to fees and performance related bonus.

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Substantial Shareholdings

In addition to the holdings of Directors shown on page 12, at the below dates the Company had been notified and/or become aware of the following holdings representing 3% or greater of the Ordinary Share capital of the Company:

	<i>No. of Shares at 31 March 2013</i>	<i>No. of Shares at 20 May 2013</i>	<i>% of issued capital</i>
Brewin Dolphin	20,269	20,107	10.05
Rathbone Investment Management Ltd	14,338	14,198	7.10
Alliance Trust plc	12,448	12,217	6.11
Mr Nicholas Train	11,930	11,930	5.97
Hargreaves Lansdown Asset Management Ltd	10,806	11,142	5.57
Finsbury Growth & Income Trust PLC	10,000	10,000	5.00

Share Capital

At 31 March 2013 and 31 March 2012, and up to the date of this report, the Company had an authorised and issued share capital comprising 200,000 Ordinary Shares of 75p nominal each. At 31 March 2013 the Ordinary Share price was £307.50 (31 March 2012: £235.00).

Income entitlement

The Company's revenue earnings are distributed to holders of Ordinary Shares by way of dividends (if any) as may from time to time be declared by the Directors.

Capital entitlement

On a winding up of the Company, after settling all liabilities of the Company, holders of Ordinary Shares are entitled to a distribution of any surplus assets in proportion to the respective amounts paid up or credited as paid up on their shares.

Voting entitlement

Holders of Ordinary Shares are entitled to one vote on a show of hands, and on a poll to one vote for each Ordinary Share held. Notices of Meetings and Proxy Forms set out the deadlines for the valid exercise of voting rights and, other than with regard to Directors not being permitted to vote on matters upon which they have an interest, there are no restrictions on the voting rights of Ordinary Shareholders.

Transfers

There are no restrictions on transfers of Ordinary Shares except: a) dealings by Directors, Persons Discharging Managerial Responsibilities and their connected persons which may constitute insider dealing or are otherwise prohibited by the rules of the UKLA; b) transfers to more than 4 joint holders; c) transfers to US persons other than as specifically permitted by the Directors; d) if, in the Directors' opinion, the assets of the Company might become "plan assets" for the purposes of US ERISA 1974; and e) transfers which in the opinion of the Directors would cause material legal, regulatory, financial or tax disadvantage to the Company.

The Company is not aware of any agreements with or between Shareholders which restrict the transfer of Ordinary shares, or which would take effect or alter or terminate in the event of a change of control of the Company.

Report of the Directors *continued*

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 terms. At 31 March 2013 the Company had no trade creditors (2012: none).

Corporate Governance, Employment, Social and Environmental Statements

The Corporate Governance Statement, which forms part of this Report of the Directors, is set out on pages 16 to 20 and includes statements on social, economic and environmental issues. The Company has no employees.

Directors' Indemnity

Articles 165 and 166 of the Company's Articles of Association provide that, insofar as permitted by law, every Director shall be indemnified by the Company against all costs, charges, expenses, losses or liabilities incurred in the execution and discharge of the Directors' duties, powers or office. The Company has arranged appropriate insurance cover in respect of legal action against its Directors.

Statement of Directors' Responsibilities for the Annual Report

The Directors are responsible for preparing the annual report, the Directors' Remuneration Report, and financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit and loss for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and to enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. 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 annual report and financial statements are made available on a website. Financial statements are published on that website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the website selected by the Company is the responsibility of the Directors, which also extends to the ongoing integrity of the financial statements contained thereon.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Directors' Confirmation Statement

The Directors listed on page 5, as the persons responsible within the Company, hereby confirm to the best of their knowledge:

- a) that the financial statements within the annual report of which this statement forms part have been prepared in accordance with applicable UK accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and
- b) the Management Report – which comprises the Chairman's Statement, Investment Manager's Report, Business Review and associated notes – includes a fair review of the development and performance of the business and position of the Company, together with the principal risks and uncertainties which the Company faces.

Audit information

Each of the persons who were Directors at the date of approval of this annual report confirm, in accordance with the provisions of Section 418 of the Companies Act 2006 that:

- so far as each is aware there is no relevant audit information (as defined in the Companies Act 2006) of which the Company's auditors are unaware; and
- each has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

A resolution to re-appoint Grant Thornton UK LLP as Auditor to the Company and to authorise the Directors to determine the Auditor's remuneration will be proposed at the forthcoming Annual General Meeting.

Special Business at the Annual General Meeting

Share buyback authority

Resolution 10 is proposed as a Special Resolution and would, if passed, renew the authority to permit the Company to buy back through the stock market up to a maximum of 29,999 Ordinary Shares of 75p each (equivalent to 14.99% of the Ordinary Shares in issue at the date of this report). 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.

Shares bought back may be held in treasury, which are then eligible for subsequent resale or cancellation. Treasury shares would not be resold at a price below that at which they had been bought back. No voting rights or entitlement to distribution (either dividend or on a winding up) applies to shares held in treasury.

Authority to allot/sell treasury shares

Resolution 11 authorises the Directors to sell or transfer back into the market shares held in treasury.

The Directors recommend that Shareholders vote in favour of all Resolutions being put to the Annual General Meeting, as they themselves intend to do in respect of their own holdings representing 12.3% of total voting rights.

By order of the Board

Phoenix Administration Services Limited

Secretary

30 May 2013

Corporate Governance Statement

The Corporate Governance Statement forms part of the Report of the Directors.

The Board supports the high standards of corporate governance contained within the UK Corporate Governance Code ("Code") issued by the Financial Reporting Council ("FRC") effective from October 2012, and the principles published in February 2013 by the Association of Investment Companies ("the AIC Principles") and their predecessors issued in 2010. The Board confirms that it complies with these subject to those aspects explained below where the Company has not complied, or does not feel it appropriate to do so. As the Company has no executive Directors the provisions of the Code in respect of the role of the Chief Executive and executive Directors' remuneration do not apply to the Company.

The Terms of Reference of all Committees of the Board are available from the Registered Office of the Company. The Codes referred to above can be found on the following websites: www.frc.org.uk and www.theaic.co.uk.

Internal Control

The Board confirms that there is an ongoing process for identifying, evaluating and managing those risks which are significant for the Company (particularly operational risks) and that this process reflects the guidance provided by the FRC. This process has been in place for the year ended 31 March 2013 and up to the date of the annual report and financial statements, and is regularly reviewed by the Board. The review covers all material financial, operational and compliance controls, and risk management systems.

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, all of whom have detailed operating procedures in place. The 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 misstatement or loss. The Board reviews the operation and effectiveness of the Company's internal controls regularly through identification and assessment of key risks, and an annual review of how these are managed.

The Board has contractually delegated 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 including the safeguarding of assets to Northern Trust Company (see note 18). These contracts have been entered into after full consideration by the Board of the services undertaken and are reviewed annually. The Investment Manager, Administrator and Custodian all maintain their own systems of internal and financial controls.

The Investment Manager has established a framework to provide reasonable assurance on the effectiveness of internal controls operated on behalf of its clients. The Investment Manager's compliance officer assesses and reports to the Board on that effectiveness and on the business risk exposure of the Investment Manager.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

The Corporate Secretary and Administrator also has established internal controls and procedures in place.

The Audit Committee reviews, at least annually, a detailed analysis of the activities and potential risks which the Company might be exposed to, and the key controls in place to minimise risk and confirm the status of each activity.

The Board is satisfied that its approach to managing internal control and risk conforms to the recommendations of the FRC's Internal Control Revised Guidance for Directors.

As the Company's investment management, administration and custodial activities are carried out by third party service providers, the Board does not consider it necessary to have an internal audit function or whistleblowing procedures. The Audit Committee reviews annually the whistleblowing procedures of the Investment Manager and the Administrator.

Board Structure

The Board recognises that its prime purpose is to direct the business so as to maximise shareholder value within a framework of proper controls. It is predominantly an independent Board. The Board comprises five members, all of whom are non-executive and four of whom are independent of the Investment Manager. The Board does not consider it necessary to appoint a Senior Independent Director as the majority of the Directors, including the Chairman, are independent.

Mr Lindsell is a director and shareholder of Lindsell Train Limited which is the Investment Manager of the Company. He is therefore not independent and stands for re-election annually.

Mr Adamson and Mr Mackenzie, having served on the Board for more than nine years, stand for re-election annually. Other Directors retire by rotation.

Board Responsibilities

There is a clear division of responsibility between the Board, led by the Chairman to ensure effectiveness, the Manager and third party service providers. The Board receives accurate, timely and clear information to assist it in its decision making, and no one Director has unfettered powers of decision. The Board has delegated responsibility for decisions on the purchase and sale of individual investments to the Investment Manager. The Board, Investment Manager, Company Secretary and Administrator all operate in a supportive and cooperative manner, and representatives of each attend Board meetings.

Directors

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

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

Corporate Governance Statement continued

The Company's Articles of Association require newly appointed Directors to submit themselves for election by Shareholders at the next Annual General Meeting. Thereafter, in compliance with the Code, all independent Directors are required to submit themselves for re-election at least every three years and non-independent Directors annually.

None of the Directors consider longevity of service to be an impairment of independence or judgement but, were this to become the case, the relevant Director(s) would stand down. Directors are required to stand for election annually after nine or more years service on the Board.

The number of meetings of the Board and Committees for the year under review is given below, together with individual Director's attendance at those meetings:

Number of meetings	Board Regular (4)	Audit Committee (2)	Management Engagement (1)
Donald Adamson	4	2	1
Dominic Caldecott	3	1	1
Rory Landman	4	2	1
Michael Lindsell	4	n/a	n/a
Michael Mackenzie	4	2	1

The Board evaluates the performance of the Board, Committees, individual Directors and third party service providers using a structured questionnaire, and without recourse to an external facilitator. The Board is satisfied from the results of these that the Board, its Committees and its third party providers function effectively, both collectively and individually, and contain an appropriate balance of skills and experience for the effective management of the Company.

The Nomination Committee

The Board as a whole fulfils the function of a Nomination Committee. The Directors have many years' experience within the industry between them and a broad knowledge of individuals who would have the necessary skills to promote and develop the Company. Accordingly the Nomination Committee does not consider it necessary to engage the services of third party search consultants unless the Directors are unable to identify suitably skilled individuals.

Accountability and Audit

The Company's Audit Committee comprises Michael Mackenzie (Chairman), Donald Adamson, Dominic Caldecott and Rory Landman. Mr Adamson is Chairman of the Board but the Board considers it desirable that he continues as a member of the Committee. The Committee meets at least twice each year. Proceedings are formally minuted and reported to the Board by the Audit Committee Chairman. The Company's external Auditor attends the Committee at its request at least once a year and reports on its work, the quality and effectiveness of the Company's accounting procedures, and its findings in relation to the Company's statutory audit. The Audit Committee reviews the internal controls of the Company's service providers, accounting policies, financial statements, the independence of the external Auditor, the auditor's appointment and remuneration, cost effectiveness of services and the fair value of unquoted investments.

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The Audit Committee keeps under review non-audit services supplied by the external Auditor having consideration of the cost effectiveness of those services, the independence and objectivity of the Auditor, and their suitability in respect of the work to be carried out. The external Auditor currently provides tax compliance services to the Company. The scope of any additional non-audit services has to be reviewed and agreed by the Audit Committee in advance of engagement.

The Company satisfies itself on risk management and internal control principally by requiring its third party service providers to report to the Audit Committee on their internal controls and procedures. Although the Directors can thereby provide reasonable assurance against material misstatement or loss, they acknowledge that these risks cannot be eliminated altogether.

As part of the above process, and the Company's financial reporting procedures, the Audit Committee has identified risks it believes could materially impact on the Company's affairs, and it reviews the effectiveness of the controls over these at each of its meetings. The Company's independent auditor carries out an external review of the Company's financial controls to the extent necessary to give its audit opinion. Any control weaknesses identified during this process are reported to those charged with governance. The Directors will take such action as they deem appropriate, if any, to ensure that such weaknesses are addressed and controls satisfactorily maintained.

The Corporate Secretary & Administrator ensures that the Company complies with regulatory and financial reporting requirements. Representatives of the Corporate Secretary and Administrator attend meetings of the Audit Committee at which drafts of the annual report & financial statements and half-year reports are considered.

The Directors are satisfied that all members of the Audit Committee have recent and relevant experience. The Corporate Secretary is Secretary to the Audit Committee.

Management Engagement Committee

Donald Adamson (Chairman), Dominic Caldecott, Rory Landman and Michael Mackenzie comprise the Management Engagement Committee. Terms, fees and other remuneration payable to Lindsell Train Limited and Phoenix Administration Services Limited (set out in notes 3, 4 and 6 to the financial statements), are kept under review by the Committee. It also reviews the performance of the Investment Manager at least annually.

Social, Economic, Environmental and Employment Matters

As an investment trust the Company has no direct impact on social, economic or environmental issues. The Company's investments being predominantly in blue chip companies, the Board is of the opinion that investee companies are likely to have considerable regard both for the welfare of their employees and for environmental matters in relation to areas where their operations are located. The Company has no employees.

Voting Policy

In the absence of any direct instruction from the Board the Directors have authorised one Director, Mr Michael Lindsell, to vote shares of investee companies at his discretion, but with a view to preserving the best interests of the Company. However, he is required to consult with the Chairman before voting on special business or any issues of a contentious nature.

Corporate Governance Statement continued

Shareholder Relations

The Company, through the Investment Manager (in accordance with its stated policy on stewardship), has regular contact with its institutional Shareholders. The Board supports the principle that the Annual General Meeting should be used to communicate with private investors. It has implemented the provisions of the Code in this report for the forthcoming Annual General Meeting and recommends that Shareholders attend the meeting, where the Directors present will be able to answer any questions they may have in relation to the Company and its activities.

Rather than read out proxy voting figures at General Meetings of the Company, the Board has instead elected to provide attending Shareholders with a printed summary of proxy voting. The proxy voting figures are also made available on the web pages of the Company after the meeting.

Shareholders may contact the Board through either the Investment Manager or the office of the Corporate Secretary, contact details for whom are given on page 50.

Going Concern

After considering a schedule of the Company's current financial resources and liabilities for the next twelve months, and as the majority of the net assets of the Company are securities which are traded on recognised stock exchanges, the Directors have determined 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 Company does not have a fixed life.

Annual General Meeting

The Annual General Meeting of the Company will be held on Wednesday 24 July 2013 at 2.30pm and all Shareholders are encouraged to attend. In accordance with the Code, the Notice of Meeting is circulated more than twenty working days before the meeting. The Meeting will be held at One Queen Anne's Gate, London SW1H 9BT.

Directors' Remuneration Report

The Board has prepared this report in accordance with the requirements of Section 421 of the Companies Act 2006. An Ordinary Resolution for the approval of this report will be put to Shareholders at the forthcoming Annual General Meeting.

Your Company's Auditors are required to audit certain of the disclosures provided in this Report, and where they have been audited they are indicated as such. The Auditor's opinion is included in their Report on pages 23 and 24.

Remuneration Committee

The Company has no executive Directors and the Board as a whole fulfils the function of a Remuneration Committee. It reviews the fees paid to Directors periodically, and at its last review concluded that the amounts should remain unchanged for the present.

Policy on Directors' Fees

The Company's Articles of Association stipulate that the maximum aggregate Directors' fees payable per financial year is £220,000. No change to this ceiling is currently envisaged. The Board's policy on Directors' remuneration is that Directors are paid fixed annual fees in line with those paid by other investment trusts of similar size, without any entitlement to performance related bonus. The fixed annual fee rates are currently £22,500 (Chairman of the Board), £20,000 (Chairman of the Audit Committee) and £18,000 (other Directors).

All Directors are non-executive and accordingly are not entitled to pension benefits, share options, long-term incentive schemes or other benefits. The Company does not have any employees.

Directors' & Officers' liability insurance is maintained by the Company on behalf of the Directors.

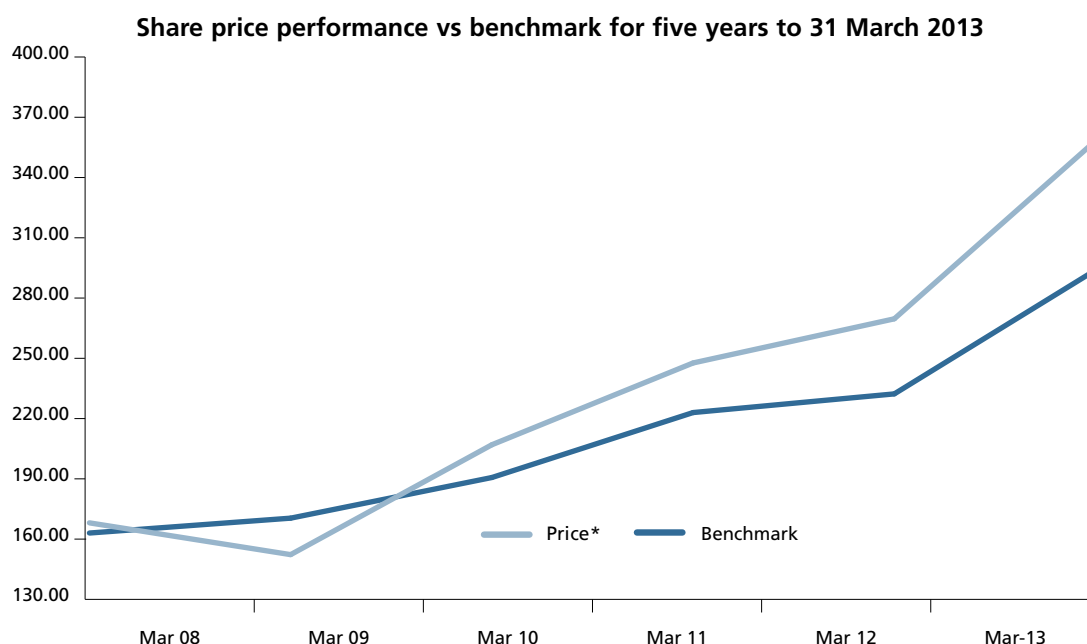
Directors' Service Contracts

It is the Board's policy that none of the Directors has a service contract. In accordance with the Articles of Association a Director shall retire and be subject to re-election at the first Annual General Meeting after their appointment, and at least every three years thereafter. Directors who have served on the Board for nine years or more are subject to annual re-election. In accordance with the UKLA Listing Rules Michael Lindsell stands for re-election each year because of his connection with the Investment Manager. The terms of appointment provide that a Director may be removed without notice and that compensation will not be due on leaving office.

Your Company's Performance

The graph on page 22 compares the share price total return (assuming all dividends are reinvested) to Ordinary Shareholders compared to the annual average yield on the 2.5% Consolidated Loan Stock. This index was chosen for comparison as it is the benchmark for performance purposes.

Directors' Remuneration Report *continued*



* Share price performance is based on total return (dividends reinvested)

Directors' emoluments and benefits for the year ended 31 March 2013 (audited)

	2013	2012
	Fees	Fees
	£	£
Donald Adamson	22,500	18,750
Dominic Caldecott	18,000	15,375
Rory Landman	18,000	12,554
Michael Lindsell	n/a	n/a
Michael Mackenzie (Audit Committee Chairman)	20,000	16,875
Rhoderick Swire*	–	3,711
	<u>78,500</u>	<u>67,625</u>

* Retired 20 July 2011

In view of his connection with the Investment Manager, Michael Lindsell has waived his entitlement to fees totalling £18,000 as a Director of the Company which would have been payable to him.

Sum paid to a Third Party (audited)

Of the fees shown above, £22,500 (2012: £18,750) was paid to Research & Consulting Associates Limited in respect of the services provided by Donald Adamson (Chairman of the Board).

Phoenix Administration Services Limited

Secretary
30 May 2013

Independent auditor's report to the members of The Lindsell Train Investment Trust Plc

We have audited the financial statements of The Lindsell Train Investment Trust Plc for the year ended 31 March 2013 which comprise the Income Statement, the Reconciliation of Movements in Shareholders' Funds, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 14, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2013 and of its return for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report continued

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 20, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to the shareholders by the Board on Directors' remuneration.

Julian Bartlett

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

London

30 May 2013

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Income Statement for the years ended 31 March 2013 and 31 March 2012

		2013			2012		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Gains on investments	11	–	13,100	13,100	–	3,546	3,546
Exchange (losses)/gains on currency balances		–	(247)	(247)	–	97	97
Gains on forward currency contracts		–	195	195	–	–	–
Losses on futures contracts		–	(242)	(242)	–	(188)	(188)
Income	2	2,078	–	2,078	1,535	–	1,535
Investment management fees	3	(301)	(1,698)	(1,999)	(245)	(127)	(372)
Other expenses	4	(260)	(14)	(274)	(229)	(15)	(244)
Net return before finance costs and tax		1,517	11,094	12,611	1,061	3,313	4,374
Interest payable and similar charges	7	(16)	–	(16)	(5)	–	(5)
Return on ordinary activities before tax		1,501	11,094	12,595	1,056	3,313	4,369
Tax on ordinary activities	8	(18)	–	(18)	(9)	–	(9)
Return on ordinary activities after tax for the financial year		1,483	11,094	12,577	1,047	3,313	4,360
Return per Ordinary Share	10	£7.41	£55.47	£62.88	£5.23	£16.57	£21.80

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

The total columns of this statement represent the profit and loss accounts of the Company. The revenue and capital return columns are supplementary to this and are prepared under the guidance published by the Association of Investment Companies.

A Statement of Total Recognised Gains and Losses is not required as all gains and losses of the Company have been reflected in the above statement.

No operations were acquired or discontinued during the year.

The notes on pages 29 to 45 form part of these financial statements.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Reconciliation of Movements in Shareholders' Funds

for the years ended 31 March 2013 and 31 March 2012

	Share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
For the year ended 31 March 2013					
At 31 March 2012	150	19,850	24,239	1,974	46,213
Return on ordinary activities after tax for the financial year	–	–	11,094	1,483	12,577
Dividends paid (see note 9)	–	–	–	(830)	(830)
At 31 March 2013	150	19,850	35,333	2,627	57,960

	Share capital £'000	Special reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
For the year ended 31 March 2012					
At 31 March 2011	150	19,850	20,926	1,657	42,583
Return on ordinary activities after tax for the financial year	–	–	3,313	1,047	4,360
Dividends paid (see note 9)	–	–	–	(730)	(730)
At 31 March 2012	150	19,850	24,239	1,974	46,213

The notes on pages 29 to 45 form part of these financial statements.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Balance Sheet at 31 March 2013 and 31 March 2012

	Notes	2013		2012	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments held at fair value through profit or loss	11		58,571		46,311
Current assets					
Debtors	12	4,936		4,663	
Cash at bank		1,739		239	
		6,675		4,902	
Creditors: amounts falling due within one year	13	(7,286)		(5,000)	
Net current liabilities/assets			(611)		(98)
Net assets			57,960		46,213
Capital and reserves					
Called up share capital	14		150		150
Special reserve			19,850		19,850
			20,000		20,000
Capital reserve	15		35,333		24,239
Revenue reserve			2,627		1,974
Equity Shareholders' funds	16		57,960		46,213
Net asset value per Ordinary Share	16		£289.80		£231.06

The financial statements on pages 25 to 45 were approved by the Board on 30 May 2013 and were signed on its behalf by:

D L Adamson
Chairman
The Lindsell Train Investment Trust Plc
Registered in England, No: 4119429

The notes on pages 29 to 45 form part of these financial statements.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Cash Flow Statement for the years ended 31 March 2013 and 31 March 2012

	Notes	2013 £'000	2012 £'000
Net cash inflow from operating activities	17a	734	522
Servicing of finance		(16)	(5)
Taxation		(18)	(11)
Financial investment	17b	<u>1,346</u>	<u>(1,095)</u>
Net cash inflow/(outflow) before financing		<u>2,046</u>	<u>(589)</u>
Equity dividends paid		<u>(830)</u>	<u>(730)</u>
Increase/(decrease) in cash in the year		<u><u>1,216</u></u>	<u><u>(1,319)</u></u>
Reconciliation of net cash flow to movement in net (debt)/funds			
Increase/(decrease) in cash in the year		1,216	(1,319)
Exchange movements		(247)	97
Opening net (debt)/funds		<u>(467)</u>	<u>755</u>
Closing net funds/(debt)	17c	<u><u>502</u></u>	<u><u>(467)</u></u>

The notes on pages 29 to 45 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

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

(a) Basis of accounting

The financial statements are prepared on the historical cost basis of accounting, except for the measurement at fair value of investments. The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and with the AIC Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' dated January 2009. All of the Company's operations are of a continuing nature.

As the majority of the Company's assets are readily realisable securities and its projected revenue exceeds its projected expenses, the financial statements are prepared on a going concern basis.

(b) Reporting currency

The financial statements are presented in Sterling which is the functional currency of the Company, because it is the currency of the primary economic environment in which the Company operates.

(c) Dividends

Dividends paid by the Company are recognised in the financial statements for the period in which they are paid.

(d) Valuation of fixed asset investments

When a purchase or sale is made under a contract, the terms of which require delivery within the time frame of the relevant market, the investments concerned are recognised or derecognised on the trade date.

Investments have been designated by the Board as held at fair value through profit or loss and accordingly are valued at fair value, deemed to be bid or last market prices depending on the convention of the exchange on which they are listed. As the entity's business is investing in financial assets with a view to profiting from their total return in the form of interest, dividends or increases in fair value, investments are designated as fair value through profit or loss on initial recognition. The entity manages and evaluates the performance of these investments on a fair value basis in accordance with its investment strategy, and information about the Company is provided internally on this basis to the Board.

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 as disclosed above. Lindsell Train fund products are valued monthly using prices supplied by the administrator of these funds.

Unquoted investments are valued by the Directors at fair value using market valuation techniques. Investments are held as part of the investment portfolio, even those over which the Company has significant influence because their value to the Company is through their marketable value as part of a basket of investments rather than as a vehicle through which the Company carries out its business.

The investment in Lindsell Train Limited (representing 24.42% 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 investment (see note 18) is calculated at the end of each quarter on the basis of fair value as determined by the Directors of the Company. The valuation process is based upon a formula that takes into account, inter alia, the value of the funds under Lindsell Train Limited's management and the moving average of its monthly earnings.

Notes to the Financial Statements *continued*

(e) Income

Dividends are credited to the revenue column of the Income Statement on an ex-dividend basis. Where an ex-dividend date is not available, dividends received on or before the year end are treated as revenue for the year. The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective interest rate on the debt security.

Bank and deposit interest is accounted for on an accruals basis.

(f) Expenses

All expenses are accounted for on an accruals basis. Finance costs are accounted for on an accruals basis using the effective interest rate method. Expenses are charged through the revenue column of the Income Statement except as follows:

- expenses which are incidental to the acquisition or disposal of an investment are charged to the capital column of the Income Statement;
- expenses are charged to the realised capital reserve, via the capital column of the Income Statement, where a connection with the maintenance or enhancement of the value of the investments can be demonstrated; and
- performance fees payable to the Investment Manager are charged 100% to capital.

(g) Taxation

Deferred taxation is provided on all differences which have originated but not reversed by the balance sheet date, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset. Deferred tax assets and liabilities are not discounted to reflect the time value of money.

(h) Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency, at the actual exchange rates as at the date of the transaction. Assets and liabilities denominated in foreign currencies at the year end are reported at the rate of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates, subsequent to the date of the transaction, is included as an exchange gain or loss in the capital or revenue column of the Income Statement, depending on whether the gain or loss is of a capital or revenue nature respectively.

(i) Capital reserve

The following are taken to this reserve:

- Gains and losses on the disposal of investments;
- Exchange differences of a capital nature;
- Expenses, together with the related taxation effect, allocated to this reserve in accordance with the above policies; and
- Investment holding gains being the increase and decrease in the valuation of investments held at the year end.

(j) Futures contracts

Futures contracts are classified at fair value through profit or loss and fall within the classification of 'held for trading' under FRS 26. The fair value is the applicable closing price of the underlying contract.

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(k) Forward currency contracts

Forward currency contracts are classified as derivatives held for trading and are held at fair value through profit or loss. The forward currency contracts are revalued to the relevant forward rates of exchange at the balance sheet date.

2 Income

	2013 £'000	2012 £'000
Income from investments		
Overseas dividends	216	164
Overseas stock dividends	–	38
UK dividends	1,692	1,165
UK fixed interest income	170	168
	<u>2,078</u>	<u>1,535</u>
Other income		
Deposit interest	–	–
	<u>–</u>	<u>–</u>
Total income comprises:		
Dividends	1,908	1,367
Interest	170	168
	<u>2,078</u>	<u>1,535</u>

3 Investment management fees

	2013 £'000	2012 £'000
Investment management fee	359	303
Manager's performance fee – charged to capital	1,698	127
Rebate of investment management fee (see below)	(58)	(58)
	<u>1,999</u>	<u>372</u>

For the avoidance of double charging management fees, the Investment Manager has agreed to rebate any periodic management fee that it receives from the Company by the amount of fees receivable by it from Lindsell Train fund products and other fund products where Lindsell Train Limited is the investment manager in respect of the Company's investments in those funds. The amounts rebated on the Investment Management fee are shown above, of which £22,873 (2012: £19,500) relates to the Company's investment in the Lindsell Train Japanese Equity Fund, £28,117 (2012: £32,580) relates to the Company's investment in the Lindsell Train Global Equity Fund and £7,204 (2012: £6,200) relates to the Company's investment in the Finsbury Growth & Income Trust plc.

Notes to the Financial Statements *continued*

3 Investment management fees *continued*

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. In respect of the Company's investment in Finsbury Growth & Income Trust PLC shares, any performance fee earned by the Investment Manager will be rebated to the Company in cash.

As at 31 March 2013 the Company had investments in the following Lindsell Train products:

6,555,661 shares in Lindsell Train Japanese Equity Fund at a total cost of £2,661,165;

2,838,420 shares in Lindsell Train Global Equity Fund at a total cost of £1,530,000.

Details of the Investment Management Agreement are disclosed in note 6 on page 33.

4 Other expenses

	2013 £'000	2012 £'000
Directors' emoluments (see note 5)	79	67
Administration fee	77	70
Auditor's remuneration for:		
– audit of the financial statements of the Company	22	22
Auditor's remuneration for the provision of tax services:		
– taxation compliance	7	6
– taxation advisory	1	–
Other*	74	64
	<u>260</u>	<u>229</u>
Capital charges	14	15
	<u>274</u>	<u>244</u>

* Includes registrar's fees, printing fees, London Stock Exchange/FSA fees, Directors' liability insurance and irrecoverable VAT.

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 and company secretarial services to the Company for which Phoenix receives an annual fee of £80,000.

5 Directors' emoluments

One Director's emoluments are assigned to a consultancy of which he is the principal Director. These total £22,500 (2012: £18,750) and are reflected in the table below:

	2013 £'000	2012 £'000
Directors' fees	79	67

THE LINDSELL TRAIN INVESTMENT TRUST PLC

5 Directors' emoluments continued

Since 1 July 2011, the Chairman of the Board, Chairman of the Audit Committee, and other Directors receive fixed fees at rates of £22,500, £20,000 and £18,000 respectively per annum, and have no entitlement to any performance fees. Directors' fees amounting to £18,000 have been waived by Mr Michael Lindsell in view of his connection with the Investment Manager.

There were no pension contributions paid or payable.

6 Disclosure of interests

In accordance with an Investment Management Agreement dated 21 December 2000 (revised in May 2008) between the Company and Lindsell Train Limited, Lindsell Train Limited has been appointed to provide investment management services to the Company. Lindsell Train Limited receives an annual fee of 0.65% of the Adjusted Market Capitalisation of the Company calculated on the last Business Day of each calendar month and payable in arrears in respect of each calendar month. The amount charged during the year is shown in note 3 and £29,536 (2012: £20,947) of the fee for the year was outstanding as at the balance sheet date.

A performance fee is payable at the rate of 10% 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, subject to a high watermark. The Company has twelve month performance periods, ending on 31 March in each year. The performance fee is payable in arrears in respect of each performance period.

The performance fee for the year to 31 March 2013 amounts to £1,697,980 (2012: £127,047) and was outstanding as at the balance sheet date. Under a 'claw-back' arrangement agreed with the Manager after the year end, 50% of the performance fee deemed attributable to expansion of the share price premium over the NAV will be withheld by the Company and only paid out if the NAV at 31 March 2014 (adjusted for any payment of dividends) exceeds the NAV at 31 March 2013. This change is not an adjusting event under FRS21.

Lindsell Train Limited is also the Investment Manager of Finsbury Growth & Income Trust PLC in which the Company has an investment (see page 6).

Lindsell Train Limited's appointment as Investment Manager is subject to termination by either party on twelve months' notice.

7 Interest payable and similar charges

	2013	2012
	£'000	£'000
On overdrafts	<u>16</u>	<u>5</u>

8 Taxation

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

	2013			2012		
	Revenue	Capital	Total	Revenue	Capital	Total
	£'000	£'000	£'000	£'000	£'000	£'000
UK corporation tax	-	-	-	-	-	-
Overseas tax – double tax relief	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Overseas tax	19	-	19	24	-	24
Overseas tax recoverable	(1)	-	(1)	(6)	-	(6)
Prior year adjustment	-	-	-	(9)	-	(9)
Tax charge per accounts	<u>18</u>	<u>-</u>	<u>18</u>	<u>9</u>	<u>-</u>	<u>9</u>

Notes to the Financial Statements *continued*

8 Taxation *continued*

The current taxation charge for the year is different from the standard rate of corporation tax in the UK of 24% (2012: 26%). The differences are explained below:

	2013 £'000	2012 £'000
Net return on ordinary activities before taxation	<u>12,595</u>	<u>4,369</u>
Theoretical tax at UK corporation tax rate of 24% (2012: 26%)	3,023	1,136
Effects of:		
– UK dividends which are not taxable	(406)	(303)
– Overseas dividends which are not taxable	(52)	(52)
– Capital gains not subject to corporation tax	(3,073)	(898)
– Current year excess expenses	97	80
– Unutilised capital expenses	411	37
– Overseas tax suffered	19	24
– Overseas tax recoverable	(1)	(6)
– Prior year adjustment	–	(9)
Actual current tax charge	<u>18</u>	<u>9</u>

As an investment trust the Company, whilst it obtains exemption under Sections 1158/1159 Corporation Tax Act 2010, is not subject to UK taxation on capital gains. In the opinion of the Directors, the Company has complied with the requirements of Section 1159 Corporation Tax Act 2010.

Factors that may affect future tax charges

The Company has not recognised a deferred tax asset of £1,076,000 (2012: £664,000) arising from management expenses exceeding taxable income. These expenses could only be utilised if the Company were to generate taxable profits in the future.

9 Dividends

	2013 £'000	2012 £'000
Final dividend for the year ended 31 March 2012 of 415p per Ordinary Share	<u>830</u>	<u>730</u>
	<u>830</u>	<u>730</u>

The total dividend forming the basis of Sections 1158/1159 Corporation Tax Act 2010 payable in respect of the financial year is set out below:

Final dividend for the year ended 31 March 2013 of 625p per Ordinary Share	<u>1,250</u>	<u>830</u>
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THE LINDSELL TRAIN INVESTMENT TRUST PLC

10 Return per Ordinary Share

	2013	2012
Total return per Ordinary Share		
Total return	£12,577,000	£4,360,000
Weighted average number of Ordinary Shares in issue during the year	<u>200,000</u>	<u>200,000</u>
Total return per Ordinary Share	<u><u>£62.88</u></u>	<u><u>£21.80</u></u>

The total return per Ordinary Share detailed above can be further analysed between revenue and capital, as below:

Revenue return per Ordinary Share		
Revenue return	£1,483,000	£1,047,000
Weighted average number of Ordinary Shares in issue during the year	<u>200,000</u>	<u>200,000</u>
Revenue return per Ordinary Share	<u><u>£7.41</u></u>	<u><u>£5.23</u></u>
Capital return per Ordinary Share		
Capital return	£11,094,000	£3,313,000
Weighted average number of Ordinary Shares in issue during the year	<u>200,000</u>	<u>200,000</u>
Capital return per Ordinary Share	<u><u>£55.47</u></u>	<u><u>£16.57</u></u>

Notes to the Financial Statements *continued*

11 Investments held at fair value through profit or loss

	2013	2012
	£'000	£'000
Investments listed on a recognised investment exchange	49,561	40,034
Unlisted investments	9,010	6,277
Valuation at year end	<u>58,751</u>	<u>46,311</u>
Opening book cost	24,983	23,909
Opening investment holding gains	21,328	18,267
Opening valuation	46,311	42,176
Movements in the year:		
Purchases at cost	1,248	1,618
Sales – proceeds	(2,088)	(1,029)
– gains on sales	1,097	485
Increase in investment holding gains for the year	12,003	3,061
Closing valuation	<u>58,571</u>	<u>46,311</u>
Closing book cost	25,241	24,983
Closing investment holding gains	33,330	21,328
	<u>58,571</u>	<u>46,311</u>
Sale proceeds	2,088	1,029
Investments at cost	(991)	(544)
Gains/(losses) on sales based on historical cost	1,097	485
Investment holding (gains)/losses recognised in previous years	(1,039)	(487)
Gains/(losses) on sales based on carrying value at previous year's balance sheet date	58	(2)
Investment holding gains for the year	13,042	3,548
Net gains on investments	<u>13,100</u>	<u>3,546</u>

Investment transaction costs on purchases and sales of investments during the year to 31 March 2013 amounted to £5,000 and £2,000 respectively (2012: £8,000 and £1,000 respectively).

During the year the investment holding gain attributable to the Company's holding in Lindsell Train Limited amounted to £2,905,000 (2012: £1,678,000).

THE LINDSELL TRAIN INVESTMENT TRUST PLC

11 Investments held at fair value through profit or loss continued

Significant holdings

Included in the above are the following investments in which the Company has an interest exceeding 10% of the nominal value of the shares of that class in the investee company as at 31 March 2013.

Investments	Country of registration or incorporation	Class of capital	% of class held
Lindsell Train Limited*	England	Ordinary Shares of £100	24.42
Lindsell Train Japanese Equity Fund†	Ireland	Class B Redeemable Participating Share	27.97
Lindsell Train Global Equity Fund#	Ireland	Class B Redeemable Participating Share	5.41

*As at 31 January 2013, the latest year end for Lindsell Train Limited, the unaudited aggregate capital and reserves amounted to £6,780,468 (2012: £3,775,534) and the profit for that year ended amounted to £4,471,234 (2012: £3,392,557). The total amount of dividends paid during the year was £1,466,300, equating to a dividend of £550.00 per share. The earnings per share was £1,789.66. The cost of the investment in Lindsell Train Limited was £66,800.00.

† The unaudited aggregate net assets of Lindsell Train Japanese Equity Class B Redeemable Participating Shares as at 30 March 2013 was ¥2,138,500,241.

The unaudited aggregate net assets of Lindsell Train Global Equity B Institutional Class Shares as at 30 March 2013 was £74,169,999.

These companies have been accounted for as investments in accordance with the accounting policy in note 1 (d).

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 3).

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notes to the Financial Statements *continued*

12 Debtors

	2013	2012
	£'000	£'000
Amounts due from Brokers	–	506
Open forward currency contract held at fair value through profit or loss	4,146	3,940
VAT recoverable	26	27
Prepayments and accrued income	764	190
	<u>4,936</u>	<u>4,663</u>

13 Creditors: amounts falling due within one year

	2013	2012
	£'000	£'000
Bank overdraft	1,237	706
Futures contract held at fair value through profit or loss	127	92
Open forward currency contract held at fair value through profit or loss	4,163	4,021
Accruals and deferred income	1,759	181
	<u>7,286</u>	<u>5,000</u>

14 Called up share capital

	2013		2012	
	No. of shares 000's	£'000	No. of shares 000's	£'000
Authorised:				
Ordinary Shares of 75p each	<u>200</u>	<u>150</u>	<u>200</u>	<u>150</u>
Allotted, called up and fully paid:				
Ordinary Shares of 75p each	<u>200</u>	<u>150</u>	<u>200</u>	<u>150</u>

There has been no change in the capital structure during the year to 31 March 2013.

15 Capital reserve

The capital reserve includes investment holding gains of £33,330,000 (2012: £21,328,000).

The Institute of Chartered Accountants in England and Wales has issued guidance stating that profits arising out of a change in fair value of assets, recognised in accordance with Accounting Standards, may be distributed provided the relevant assets can be readily convertible into cash. Securities listed on a recognised stock exchange are generally regarded as being readily convertible into cash. In accordance with the Company's Articles of Association, the capital reserve and special reserve may not be distributed by way of dividend but may be utilised for the purposes of share buybacks, and the Company may only distribute by way of dividend accumulated revenue profits.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

16 Net asset value per share

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

Net asset value per share attributable		Net asset value attributable	
2013	2012	2013	2012
£	£	£'000	£'000
<u>289.80</u>	<u>231.06</u>	<u>57,960</u>	<u>46,213</u>

The movements during the year of the assets attributable to each Ordinary Share were as follows:

	Ordinary Shares £'000
Total net assets attributable at beginning of year	46,213
Total recognised gains for the year	12,577
Dividends paid during the year	(830)
Total net assets attributable at end of year	<u>57,960</u>

The net asset value per Ordinary Share is based on net assets of £57,960,000 (2012: £46,213,000) and on 200,000 Ordinary Shares (2012: 200,000), being the number of Ordinary Shares in issue at the year end.

17 Cash flow statement

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2013 £'000	2012 £'000
Net return before finance costs and taxation	12,611	4,374
Gains on investments held at fair value	(13,100)	(3,546)
Movement in derivatives contracts held at fair value	35	68
Losses/(gains) on exchange movements	247	(97)
Increase in other debtors	(205)	(46)
(Increase)/decrease in accrued income	(574)	7
Increase/(decrease) in creditors	1,720	(238)
Net cash inflow from operating activities	<u>734</u>	<u>522</u>

Notes to the Financial Statements *continued*

17 Cash flow statement *continued*

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

	2013	2012
	£'000	£'000
Financial investment		
Purchase of investments	(1,248)	(1,618)
Sale of investments	2,594	523
Net cash inflow/(outflow) from financial investment	<u>1,346</u>	<u>(1,095)</u>

(c) Analysis of net funds

	At			At
	1 April	Cash	Exchange	31 March
	2012	flow	movement	2013
	£'000	£'000	£'000	£'000
Cash at bank	239	1,693	(193)	1,739
Bank overdraft	(706)	(477)	(54)	(1,237)
Total	<u>(467)</u>	<u>1,216</u>	<u>(247)</u>	<u>502</u>

18 Financial instruments and capital disclosures

Risk management policies and procedures

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

When judged appropriate by the Investment Manager, the Company may use the overdraft facility with Northern Trust Company in order to gear the portfolio. The Investment Manager will use this facility only when investments, or specific investment opportunities are identified where the Investment Manager judges that the likely returns will exceed the cost of the borrowed capital. In practice, this means that the Investment Manager looks for sustainable high income, dividend yields or special situations, typically takeovers, where it expects to arbitrage a meaningful annualised return.

The Board sets out its investment policies and its policy on gearing (bank borrowing), diversification and dividends at the front of this report and as part of the Business Review on page 10.

The Board and its Investment Manager consider and review the number of risks inherent with managing the Company's assets which are detailed below.

Market risk

The fair values or future cash flows of the Company's financial instruments may fluctuate due to changes in market risk. Market risk encompasses mainly equity price risk but also foreign exchange risk and interest rate risk which are discussed below.

Market risk is monitored by the Board on a quarterly basis and on a continuous basis by the Investment Manager.

The company transacts futures contracts, which alter the exposure to equity price risk.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

18 Financial instruments and capital disclosures continued

Foreign currency exposure at 31 March 2013

	Sterling £'000	US\$ £'000	Euro £'000	JPY £'000	Total £'000
Investments held at fair value through profit or loss that are monetary items	3,687	–	–	–	3,687
Forward currency contracts held at fair value through profit or loss	(4,163)	4,146	–	–	(17)
Futures contracts held at fair value through profit or loss	–	–	–	(127)	(127)
Short-term debtors	722	44	1	23	790
Cash at bank	1,739	–	–	–	1,739
Short-term creditors	(1,756)	–	(2)	(1)	(1,759)
Overdraft facility	–	–	(913)	(324)	(1,237)
Foreign currency exposure on net monetary items	229	4,190	(914)	(429)	3,076
Investments held at fair value through profit or loss that are equities	40,331	4,776	3,077	6,700	54,884
Total net foreign currency exposure	<u>40,560</u>	<u>8,966</u>	<u>2,163</u>	<u>6,271</u>	<u>57,960</u>

Foreign currency exposure at 31 March 2012

	Sterling £'000	US\$ £'000	Euro £'000	JPY £'000	Total £'000
Investments held at fair value through profit or loss that are monetary items	3,695	–	–	–	3,695
Forward currency contracts held at fair value through profit or loss	(4,021)	3,940	–	–	(81)
Futures contracts held at fair value through profit or loss	–	–	–	(92)	(92)
Short-term debtors	652	41	–	30	723
Cash at bank	21	54	–	164	239
Short-term creditors	(181)	–	–	–	(181)
Overdraft facility	(277)	–	(196)	(233)	(706)
Foreign currency exposure on net monetary items	(111)	4,035	(196)	(131)	3,597
Investments held at fair value through profit or loss that are equities	26,635	11,198	2,134	2,649	42,616
Total net foreign currency exposure	<u>26,524</u>	<u>15,233</u>	<u>1,938</u>	<u>2,518</u>	<u>46,213</u>

Notes to the Financial Statements *continued*

18 Financial instruments and capital disclosures *continued*

Over the year against all of the Company's principal investing currencies, Sterling weakened against the US Dollar by 4.90% (2012: weakened by 0.32%) and against the Euro by 1.21% (2012: strengthened by 6.21%) but strengthened against the Japanese Yen by 8.89% (2012: weakened by 1.03%).

A 5% decline or rise of Sterling against foreign currency denominated (i.e. non Sterling) assets held at the year end would have increased/decreased respectively the net asset value by £870,000 or 1.50% of net asset value (2012: £984,000 or 2.13% of net asset value). The impact on the profit and loss account is impossible to estimate since the profit and loss is the net result of all the transactions in the portfolio throughout the year.

Interest rate risk

The Company is only exposed to significant interest rate risk through its overdraft facility with Northern Trust Company. Borrowing varied throughout the year as part of a Board endorsed policy. Borrowings at the year end consisted of €1,082,000 and ¥46,362,000 with a Sterling equivalent of £913,000 and £324,000 respectively. If that level of borrowing were maintained for a year a 1% change in LIBOR (up or down) would decrease or increase net revenue by £12,000 or 6.18p per Ordinary Share (2012: £7,100 or 3.53p per Ordinary Share).

The Company's fixed rate financial assets are disclosed on page 6 and details of the split between equities and fixed interest securities are disclosed on page 7. The weighted average interest rate for the fixed rate financial assets is 5.21% (2012: 5.21%) and the weighted average period for which rates are fixed is indefinite (2012: indefinite).

Other price risk

If the fair value of the Company's investments (see portfolio holdings on page 6) at the year end increased/decreased by 10% then it could have the effect of £5,857,000 or £29.29 per Ordinary Share (2012: £4,631,000 or £23.16 per Ordinary Share) on the capital return.

Derivative exposure

At 31 March 2013 there was one open forward currency contract increasing the exposure to the US Dollar by US\$6,300,000 against Sterling of £4,147,000 which matured on 22 April 2013.

The Company has sold 25 Nikkei 225 Index Futures due to expire on 13 June 2013 (as a partial hedge against exposure to the Japanese equity content of the portfolio).

The Manager's strategy in using forward currency contracts is to maintain additional exposure to the US Dollar at levels previously recorded in prior years.

Liquidity risk

Liquidity risk is not significant in normal market conditions as the majority of the Company's investments are listed on recognised stock exchanges and for the most part readily realisable securities which can be easily sold to meet funding commitments if necessary. Short-term flexibility is achieved by the use of overdrafts as required and are repayable on demand.

Credit risk

Credit risk is mitigated by diversifying the counterparties through whom the Investment Manager conducts investment transactions. The credit standing of all counterparties is reviewed periodically with limits set on amounts due from any one broker.

Cash at bank and other debtors of the Company at the year end as shown on the balance sheet was £6,675,000 (2012: £4,902,000).

THE LINDSELL TRAIN INVESTMENT TRUST PLC

18 Financial instruments and capital disclosures continued

Counterparty risk

Northern Trust Company (the "Bank") is the appointed custodian of the Company. It provides securities clearing, safe-keeping, foreign exchange, advance credits and overdrafts, and cash deposit services. The Bank has a credit rating of A1 from both Moody and S&P.

As cash placed at the Bank is deposited in its capacity as a banker not a trustee, in line with usual banking practice such cash is not held in accordance with the Financial Conduct Authority's client money rules. The Bank's London Branch provides a short-term overdraft facility not exceeding £5 million to the Company which is linked to the master custody agreement. The facility is an unsecured and uncommitted line of credit which can be recalled at any time by notice in writing. Whilst there are drawings on the overdraft the Bank has a right of set-off and a lien on all of the Company's assets held and maintained by the Bank pursuant to the master custody agreement, which may be exercised for the purposes of securing any sums due and payable to the Bank by the Company.

Valuation of financial instruments

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

- Level 1 – valued using quoted prices unadjusted in active markets for identical assets or liabilities.
- Level 2 – valued by reference to valuation techniques using observable inputs for the asset or liability other than quoted prices included within Level 1.
- Level 3 – valued by reference to valuation techniques using inputs that are not based on observable market data for the asset or liability.

The table below sets out fair value measurements of financial instruments as at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised.

Financial assets at fair value through profit or loss at 31 March 2013

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	45,874	–	9,010	54,884
Fixed interest investments	3,687	–	–	3,687
Forward currency contract	–	4,147	–	4,147
	<u>49,561</u>	<u>4,147</u>	<u>9,010</u>	<u>62,718</u>

Financial liabilities at fair value through profit or loss at 31 March 2013

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Forward currency contract	–	(4,163)	–	(4,163)
Derivatives	(127)	–	–	(127)
	<u>(127)</u>	<u>(4,163)</u>	<u>–</u>	<u>(4,290)</u>

Notes to the Financial Statements *continued*

18 Financial instruments and capital disclosures *continued*

Financial assets at fair value through profit or loss at 31 March 2012

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equity investments	36,339	–	6,277	42,616
Fixed interest investments	3,695	–	–	3,695
Forward currency contract	–	3,940	–	3,940
	<u>40,034</u>	<u>3,940</u>	<u>6,277</u>	<u>50,251</u>

Financial liabilities at fair value through profit or loss at 31 March 2012

	Level 1	Level 2	Level 3	Total
Forward currency contract	–	(4,021)	–	(4,021)
Derivatives	(92)	–	–	(92)
	<u>(92)</u>	<u>(4,021)</u>	<u>–</u>	<u>(4,113)</u>

The valuation techniques used by the Company are explained in the accounting policies note on page 29.

The valuation of the investment in Lindsell Train Limited is based upon a formula which takes into account the funds under management and the moving average of its monthly earnings. If the value of funds under management changes by 10% with unchanged earnings, this will impact the valuation of the investment by 4.3%. If funds under management are unchanged and earnings change by 10%, the impact on the valuation of the investment would be 5.7%. If both the value of funds under management and earnings change by 10% then the impact to the valuation of the investment would be 10%.

The valuation of the investment in Lindsell Train Limited ('LTL') derives from a formula adopted by the Board in October 2007, after taking advice from an expert in the sector, and uses a simple average of two different components:

- 1.5% of LTL's most recent funds under management; and
- LTL's net earnings (adjusted for a notional increase in staff costs to 45% of revenues excluding performance fees) divided by the annual average yield on the 2.5% Consolidated Loan Stock plus an equity risk premium of 4.5%.

There have been no transfers during the year between Levels 1 and 2. A reconciliation of fair value measurements in Level 3 is set out below.

Level 3 Financial assets at fair value through profit or loss at 31 March

	2013 £'000	2012 £'000
Opening fair value	6,277	4,599
Purchases at cost	–	–
Sales proceeds	(172)	–
Total gains or losses included in gains on investments in the Income Statement		
– on sold assets	170	–
– on assets held at the end of the year	2,735	1,678
Closing fair value	<u>9,010</u>	<u>6,277</u>

THE LINDSELL TRAIN INVESTMENT TRUST PLC

18 Financial instruments and capital disclosures continued

Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to maximise long-term total returns subject to the avoidance of loss of absolute value through an appropriate balance of equity capital and debt. The policy is that borrowings should amount to no more than 50% of the net asset value (including borrowings) of the Company. The Board, with the assistance of the Investment Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis. This review includes:
 - the level of gearing, which is only used to finance investment in specific assets held by the Company; and
 - takes into account the Investment Manager's view on the market.

The Company's objectives, policies and processes for managing capital are unchanged from last year.

The Company is subject to externally imposed capital requirements:

- as a public company, the Company has a minimum share capital of £50,000; and
- in order to be able to pay dividends out of profits available for distribution, the Company has to be able to meet one of the two capital restriction tests imposed on investment companies by UK company law.

These requirements are unchanged since last year and the Company has complied with them at all times.

The Company intends to renew its authority to repurchase shares at a discount to net asset value in order to enhance value for Shareholders.

19 Guarantees, financial commitments and contingent liabilities

There were no financial commitments or contingent liabilities outstanding at the year end (2011: None).

20 Ongoing charges

	2013		2012	
	£'000	%	£'000	%
Total operating expenses	561	1.11	474	1.08

Total operating expenses include £58,000 (2012: £58,000) in respect of a management fee waiver (see note 3). They exclude the Manager's performance fee of £1,698,000 charged to capital in 2013 (2012: £127,000). The fees of the principal clearing broker and custodian, Northern Trust Company, are transaction based and not included in these figures.

The above total expense ratios are based on the average Shareholders' Funds of £50,578,000 (2012: £44,060,000) calculated at the end of each month during the year.

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

21 Related party disclosures

Lindsell Train Limited acts as Manager of the Company. The amounts paid to the Investment Manager are disclosed in note 3 and further details of the relationship between the Company and the Investment Manager are set out in note 6. Full details of Directors' interests are set out in the Report of the Directors on page 12.

Notice of Annual General Meeting

Notice is hereby given that the eleventh Annual General Meeting of The Lindsell Train Investment Trust Plc will be held at One Queen Anne's Gate, London SW1H 9BT on 24 July 2013 at 2.30 pm for the following purposes:

Ordinary business

1. To receive the Accounts and Reports of the Directors and the Auditor for the year ended 31 March 2013;
2. To approve the Directors' Remuneration Report for the year ended 31 March 2013;
3. To approve the payment of a final dividend for the year ended 31 March 2013 of 625p per Ordinary Share;
4. To re-elect Mr Donald Adamson as a Director of the Company;
5. To re-elect Mr Dominic Caldecott as a Director of the Company;
6. To re-elect Mr Rory Landman as a Director of the Company;
7. To re-elect Mr Michael Lindsell as a Director of the Company;
8. To re-elect Mr Michael Mackenzie as a Director of the Company;
9. To re-appoint Grant Thornton UK LLP as Auditor to the Company and authorise the Directors to determine the Auditor's remuneration;

Special business

To consider and, if thought fit, pass resolutions 10 and 11 as Special Resolutions:

10. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693(4) of the Act) of Ordinary Shares of 75p each ("Ordinary Shares") in the capital of the Company provided that:
 - a. the maximum number of Ordinary Shares hereby authorised to be purchased shall be 29,999;
 - b. the minimum price which may be paid for an Ordinary Share shall be 75p;
 - c. the maximum price (excluding expenses) which may be paid for an Ordinary Share shall be the higher of (a) 5% above the average of the mid market values for the Ordinary Shares in the Stock Exchange Daily Official List for the five business days immediately preceding the date of the purchase and (b) the higher of the last independent trade and highest independent bid;
 - d. any purchase of Ordinary Shares will be made in the market for cash at prices below the then prevailing Net Asset Value per Ordinary Share;
 - e. any shares so purchased shall be cancelled unless the Directors otherwise determine that they shall be held in treasury and treated as treasury shares; and
 - f. unless renewed, such authority hereby conferred shall expire at the end of the next following Annual General Meeting of the Company to be held after the passing of this resolution, or if earlier, the date fifteen months from the passing of the resolution, save that the Company may, prior to such expiry, enter into contract(s) to purchase shares which will or may be completed or executed wholly or partly after such expiry.

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11. THAT the Directors be and are hereby generally and unconditionally authorised in accordance with Section 573 of the Companies Act 2006 ("Act") to sell and/or transfer Ordinary shares held by the Company in treasury for cash as if Section 561 of the Act did not apply to such sale or transfer, provided that the authority hereby granted shall expire at the earlier of the conclusion of the next following Annual General Meeting of the Company or the date fifteen months after the passing of this resolution, save that the Directors may before such expiry enter into offer(s) or agreement(s) which may or shall require Ordinary shares held in treasury to be sold or transferred after such expiry and the Directors shall be entitled to sell or transfer Ordinary shares pursuant to such offer(s) or agreement(s) as if the authority hereby granted had not so expired.

Dated this 30th day of May 2013

By order of the Board

Phoenix Administration Services Limited

Secretary

Notice of Annual General Meeting continued

Notes

- (i) This Report & Accounts is sent to holders of Ordinary shares, all of whom are entitled to attend, speak and vote at the above Annual General Meeting ("AGM").
- (ii) Members entitled to attend and vote at the AGM are also entitled to appoint one or more proxies to exercise all or any of their rights to attend and speak and vote on their behalf. Where multiple proxies are appointed they must be appointed to exercise the rights in relation to different Ordinary shares. Proxies need not be members of the Company.
- (iii) A form of proxy is sent to members with the Report & Accounts. To be valid the form of proxy and any power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of that power of attorney or authority) must be sent to the Company's registrar – Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU – so as to arrive no later than 2.30 pm on 22 July 2013. Where multiple proxies are being appointed the form of proxy should be copied and a separate one completed for each proxy identifying, that the form of proxy is a multiple form and the different Ordinary shares that each proxy represents. Completion and return of form(s) of proxy will not preclude a member from attending, speaking and voting in person at the AGM.
- (iv) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (v) In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent Capita Registrars (ID: RA10) by 2.30 pm on 22 July 2013. In this respect the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message in the manner prescribed by CREST.
- (vi) CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by the particular time the CREST member requires.
- (vii) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (viii) A person who is not a member of the Company and receives this notice of meeting as a person nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 ("Act") does not have a right to appoint proxies. However, if a nominated person has an agreement with the member who nominated them, the nominated person may have a right to be appointed as a proxy or a right to instruct the member as to the exercise of voting rights at the AGM.
- (ix) Shareholders entered on the Register of Members of the Company at the close of business on 22 July 2013, or the close of business on the day two days prior to the time of an adjourned meeting, shall be entitled to attend and vote at the AGM. Any changes to the Register of Members after such dates shall be disregarded in determining the rights of any shareholders to attend and vote at the AGM.
- (x) Under Section 319(A) of the Act, the Company must cause to be answered any question relating to the business being dealt with at the AGM put by a member attending the AGM unless answering the question would interfere unduly with the preparation for the meeting, would involve the disclosure of confidential information, an answer has already been given on a website, or is undesirable in the interests of the Company or the good order of the AGM.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

- (xi) Members may not use any electronic address provided in this notice or any related document(s) to communicate with the Company for any purpose other than as specifically stated.
- (xii) As at 30 May 2013, the latest practicable date prior to the publication of this notice, the Company's issued share capital comprised 200,000 Ordinary shares of 75p each, of which none are held in treasury. Each Ordinary share carries a right to one vote at general meetings of the Company and accordingly the total number of voting rights in the Company as at 30 May 2013 is 200,000.
- (xiii) Information regarding the AGM, including the information required by Section 311A of the Act, can be found on the Company's web-pages by following the appropriate links at www.lindselltrain.com.
- (xiv) No Director has a service agreement with the Company. Directors' letters of appointment will be available for inspection at the AGM venue from 15 minutes before the time for the meeting until conclusion of the meeting.
- (xv) Member(s) have a right in accordance with Section 388 of the Act to require the Company to give to members of the Company entitled to receive the above notice of meeting, notice of any resolution which they may properly move at the meeting. Under Section 338A of the Act member(s) may request the Company to include in the business to be dealt with at the meeting any matter, other than a proposed resolution, which may be properly included in that business.
- (xvi) Members may require the Company, under Section 527 of the Act, to publish on a website a statement setting out any matter relating to the audit of the Company's Accounts being laid before the meeting, including the auditor's report and the conduct of the audit at the Company's expense. Where the Company is required to place such a statement on a website it must forward the statement to the Company's auditor not later than the time it makes the statement available on that website, and include the statement in the business to be dealt with at the meeting.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Company Information

Directors

Donald Adamson (Chairman)
Dominic Caldecott
Rory Landman
Michael Lindsell
Michael Mackenzie

Investment Manager

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Tel: 020 7802 4700

Company Secretary and Registered Office

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www.phoenixfundservices.com
email: pfsinfo@phoenixfundservices.com

Registrars

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Solicitors

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Auditor

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EC2P 2YU

Stephenson Harwood LLP
1 Finsbury Circus
London
EC2M 7SH

Custodian

Northern Trust Company
50 Bank Street
Canary Wharf
London
E14 5NT

Brokers

JPMorgan Cazenove plc
20 Moorgate
London
EC2R 6DA

Shareholder relations

The Company's share price for Ordinary Shares is listed daily in the Financial Times.

For further information visit: www.lindselltrain.com and follow the links.

Individual Savings Account ('ISA')

The Company's shares are eligible to be held in an ISA account subject to HM Revenue & Customs' limits.

Registered in England, No: 4119429

Company Secretary and Registered Office

Phoenix Administration Services Limited

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The Lindsell Train Investment Trust plc

Registered in England, No: 4119429