



THE LINDSELL TRAIN INVESTMENT TRUST PLC

Report and Accounts
For the year ended 31 March 2006

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Contents

	Page
Objective of the Company	1
Highlights for the Year	1
Performance	2
Chairman's Statement	3
Directors, Investment Manager, Administrator and Secretary	5
Portfolio Holdings	6
Investment Portfolio	7
Investment Manager's Report	8
Report of the Directors	10
Corporate Governance Statement	14
Directors' Remuneration Report	18
Report of the Independent Auditor	20
Income Statement	22
Reconciliation of Movement in Shareholders' Funds	23
Balance Sheet	24
Cash Flow Statement	25
Notes to the Financial Statements	26
Notice of Annual General Meeting	44
Company Information	46
Form of Proxy	47

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Objective of the Company

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

Highlights for the Year

Performance comparisons

1 April 2005 - 31 March 2006

Middle market share price per Ordinary Share#	+23.0%
Net Asset Value per Ordinary Share^	+17.2%
Benchmark*	+4.3%
MSCI World Index (sterling)#	+25.9%
UK RPI Inflation (all items)	+2.4%

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

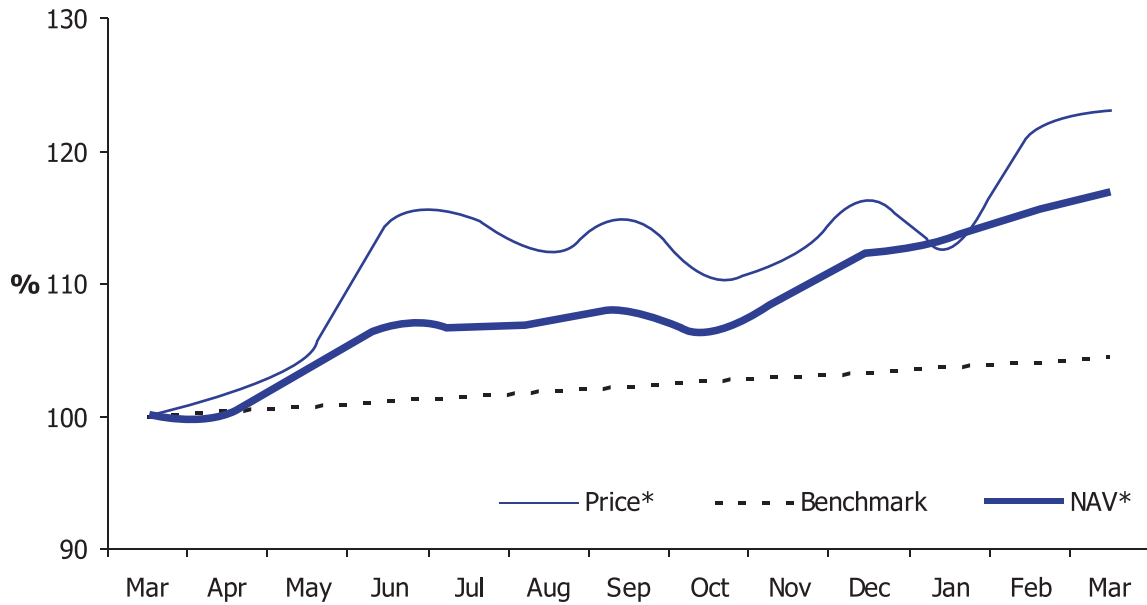
^ The Net Asset Value per Ordinary Share performance for the year to 31 March 2006 is based on the restated Net Asset Value per Ordinary Share as at 31 March 2005. The NAV at 31 March 2006 has been adjusted to include the dividend of £1.55 per ordinary share paid on 14 July 2005.

Calculated on a total return basis.

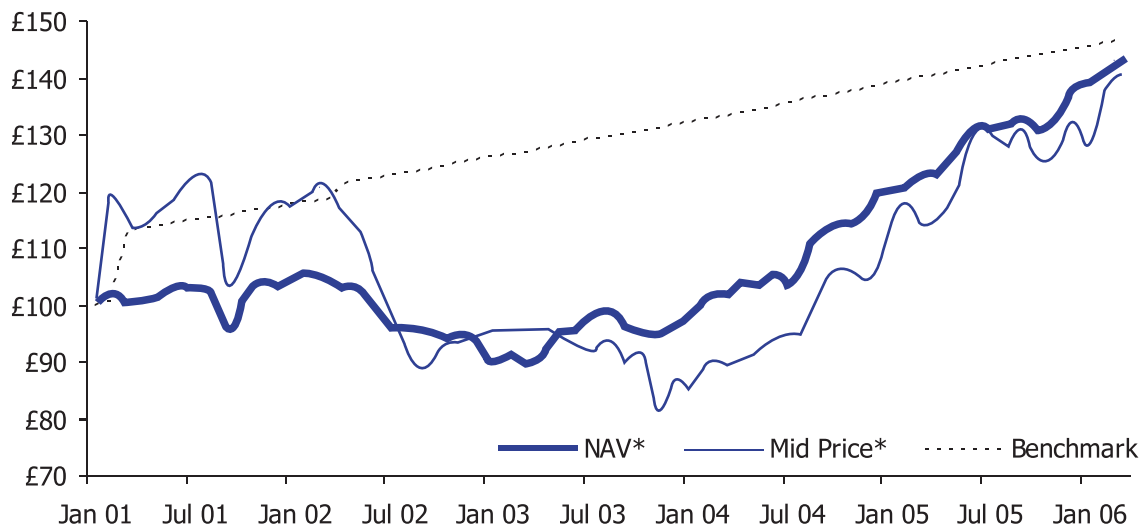
THE LINDSELL TRAIN INVESTMENT TRUST PLC

Performance

Share price performance relative to the NAV and benchmark for the year ended 31 March 2006



Share price performance relative to the NAV and benchmark since inception on 22 January 2001 to 31 March 2006



Source: Bloomberg and Lindsell Train Limited

* Adjusted to include dividends

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Chairman's Statement

It has been another satisfactory year for the Company in that its net asset value ('NAV') total return of 17.2%* exceeded that of the benchmark return of 4.3%. However, unlike the last two years the Company's returns were unable to keep pace with the performance of world equity markets (MSCI World index in Sterling) that rose in value by 25.9%. We have noted in the past how the Company can perform very differently from stock markets in the short-term. It is important to note that the compound annual increase in the NAV achieved since inception is now 7.3%*, in excess of both the benchmark, excluding adjustments for the payment of performance fees, (5.8%) and UK inflation (RPI index, 2.6%), satisfying the core objective of the Fund to maintain or grow shareholders value in real terms and well ahead of the annualised 1.7% fall in the value of global stock markets (MSCI World index in Sterling).

Last year the performance of the shares (up 23%*) proved better than the NAV as the discount to the NAV narrowed from 6% to 3% by the end of March 2006.

The shift in the Company's assets to a greater equity orientation continued. The combination of the sale of part of the US Treasury bond, market movements and an increase in the gearing from 6% to 14% to fund three new purchases raised the proportion of the Fund invested in equities (excluding funds and preference shares) by 46% to 59%.

The best equity performances were delivered by the long-standing holdings in Nintendo (up 54%*) and Diageo (up 26%*). The former continues to produce innovative new games titles designed for a new generation of game hardware and to disperse more of its abundant cash flows to shareholders through higher dividends (its dividend increased 37%) and the latter's business transition to a pure drinks company is now complete, yielding better returns on capital. Other large equity positions such as AG Barr, Wolverhampton and Dudley and Cadbury continued to rise in value but not at the pace of prior years. We are encouraged by the Manager's comments that there remains much long-term potential for price appreciation in these businesses, as if this occurs it could have a significant impact on the Company's NAV.

The value of the Company's fixed interest holdings advanced steadily during the year before peaking in early 2006 and falling since, including into the new financial year. The Manager maintains its long held view that UK and US inflation will remain low, discussed overleaf (see Manager's report), and expects government bonds to deliver returns in excess of the benchmark.

Your Company retains valuable stakes in both Lindsell Train Managed Funds and Lindsell Train Limited itself and these may be influential in maintaining or adding value for the investment portfolio. Last year, for instance, the holding of the Finsbury Growth and Income Trust performed exceptionally well rising 32%*.

The Lindsell Train Media Fund also performed well rising 14% last year as its strategy of investing in media content owners and shorting media distribution businesses was vindicated. Conversely the Lindsell Train Japan Fund performed poorly falling in value by 31%. This result was attributable to its net short position in a rising Japanese equity market and a bias in its short positions to cyclical, capital intensive businesses, which led the market up last year. The performance of the Japan Fund was a significant concern to your Board. We and the other shareholders of the Fund consulted with the Manager about restricting the net short exposure of the Fund to mitigate any further loss of value. Measures were introduced in December and January that have contributed to a stabilisation of value. The Manager and your Board believe the Fund retains the potential to regain lost value and generate additional gains should investor preferences in Japan change, which seems possible given the disparity of valuations and long term prospects of the companies on either side of the strategy.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Chairman's Statement continued

Another important source of possible value creation for your Company comes from its 25% holding in Lindsell Train Limited itself. Last year it increased its funds under management by 98% to £339m. New revenues on a stable cost base, controlled in the main by the salary and bonus cap (Lindsell Train restricts salary and bonus payments to 25% of revenues, except for those from the Lindsell Train Investment Trust), have a high level of marginal profitability. As a result the company's operating margin rose from 39% in 2005 to 46% in 2006. This greater profitability is reflected in higher dividends that increased a further 54% in 2006. The expansion of funds under management was due to positive market effects, the addition of new mandates and the expansion of existing ones such as the Finsbury Growth and Income Trust that raised £25m of new capital as a direct result of the excellent long term track record in UK equities. Both the UK and Japan equity strategies have potential to add new clients and new funds under management over the course of this year. In an important development, Lindsell Train Limited hopes to establish a UK equity open ended OEIC under its own name during 2006, which if successful should help build significant further value for the company. As always the Board remains live to ways in which the Company can help support the expansion of arguably its most important investment.

The Board proposes to raise this year's dividend to £1.75 per share, a 12.9% increase from last year. Consistent with the Board's policy established in 2002, they deem it in the best interests of shareholders to retain the maximum permitted earnings according to Investment Trust regulations.

I am pleased to announce the appointment of Dominic Caldecott as an Independent Director of the Company. Aside from owning, since its inception, 4.1% of the Company's equity, Dominic has 25 years of experience in the investment management industry, latterly as managing director of Morgan Stanley Investment Management Limited and will bring these skills to the Board.

* Adjusted to include dividends

R M Swire
Chairman
9 June 2006

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Directors

Rhoderick Swire F.C.A.*^†, Chairman, aged 55, is senior partner and founder of Pantheon Holdings Limited, all its substantial subsidiaries and, chairman of Clyde Marine plc. He is also a director of the China Navigation Company Limited, Pantheon International Participations plc, The Establishment Investment Trust plc and substantially all Guernsey based funds managed by the Pantheon Group. In 1981 he joined GT Management PLC to oversee and manage venture capital investments and before this he was an executive at John Swire & Sons Limited, working in Hong Kong, Sydney and London. He obtained a BSc in Engineering and Economics from Birmingham University and qualified as a Chartered Accountant with Peat Marwick.

Donald Adamson^†, aged 47, has over 20 years experience of fund management, corporate finance and private equity in Edinburgh, London and Jersey. He is the principal of Research and Consulting Associates Limited, a specialist off-shore consulting business. He serves as director or chairman of a number of listed and privately-held investment companies including funds managed by the Pantheon Group, the chairmanship of the Lindsell Train Japan Fund and the Lindsell Train Global Media Fund. He was awarded an M.A. in economics and history from University College, Oxford, carried out post-graduate research at Nuffield College, Oxford, and is a member of the Securities & Investment Institute.

Michael Mackenzie*^†, aged 49, is a specialist in private equity investments focusing primarily on the wine industry. He holds the positions of directeur-général of Champagne Jacquesson & Fils, chairman of Mayfair Cellars Limited, chairman of Tasmanian Vineyards Pty Limited and is a director of Taltarni Vineyards. He is also a director of Zi Corporation. His career in financial services started in 1978 with Kleinwort Benson Limited in London and then in Hong Kong. In 1986 he joined James Capel (Far East) Limited as a director before becoming executive director of Wardley James Capel (Far East) Limited in 1991. In 1994 he was appointed 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.

Dominic Caldecott*, aged 49, 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.

All Directors are non-executive

* Independent

^ Audit Committee member

† Management Engagement Committee member

All the Directors were appointed on 29 November 2000 with the exception of Dominic Caldecott who was appointed on 23 May 2006.

Investment Manager

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

Administrator and Secretary

Phoenix Administration Services Limited acts as Administrator and Secretary to the Company.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Portfolio Holdings at 31 March 2006

(All Ordinary Shares unless otherwise stated)

Holding	Company	Market value £'000	% of total assets
1,843,000	HBOS 9.25% Non-Cumulative Preferred	3,055	11.07
38,092	Lindsell Train Global Media (Distributor) Inc	2,978	10.79
269,457	Barr (AG)	2,614	9.47
385,500	Cadbury Schweppes	2,205	7.99
US\$3,260,000	US Treasury 6.25% 15/05/2030	2,197	7.96
232,000	Diageo	2,102	7.62
£3,350,000	2.5% Consolidated Loan Stock	1,985	7.19
127,118	Wolverhampton & Dudley Breweries	1,621	5.87
666	Lindsell Train Limited *	1,580	5.72
£2,500,000	UK Treasury 2.5%	1,471	5.33
35,094	Lindsell Train Japan (Distributor) Inc	1,464	5.30
16,000	Nintendo	1,370	4.96
420,000	Finsbury Growth & Income Trust	1,260	4.57
202,500	Reed Elsevier	1,118	4.05
131,500	Pearson	1,050	3.80
227,000	Reuters Group	900	3.26
803,126	HBOS 6.475% Non-Cumulative Preferred	861	3.12
36,900	Heineken	732	2.65
12,500	Clarins	471	1.71
18,000	Dow Jones & Co	408	1.48
	Total investments	31,442	113.91
	Net current liabilities	(3,839)	(13.91)
	Total assets less current liabilities	27,603	100.00

* Unlisted investment

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Investment Portfolio at 31 March 2006

Breakdown by industry sector

	2006	2005 (Restated - see note 24)	
Long-term fixed interest			
Bonds	20.48%	23.40%	
Preference stock*	<u>14.19%</u>	<u>13.72%</u>	
	34.67%		37.12%
Equities			
Beverages	19.74%	16.13%	
Media	17.55%	12.91%	
Lindsell Train funds	16.09%	18.17%	
Consumer products	7.99%	7.57%	
Breweries	5.87%	5.96%	
Investment management	5.72%	3.78%	
Investment companies	4.57%	4.11%	
Personal care	1.71%	—	
Index future	—	0.03%	
	<u>79.24%</u>	<u>68.66%</u>	
Cash	(13.91)%	(5.78)%	
	<u>100.00%</u>	<u>100.00%</u>	

Breakdown by geography

Long-term fixed interest			
UK *	26.71%	26.83%	
USA	<u>7.96%</u>	<u>10.29%</u>	
	34.67%		37.12%
Equities			
UK	52.35%	45.28%	
World-wide	15.15%	10.01%	
Japan	10.26%	11.91%	
USA	<u>1.48%</u>	<u>1.46%</u>	
	79.24%	68.66%	
Cash			
USA	5.43%	3.46%	
Europe	(2.51)%	—	
Japan	(2.67)%	(3.13)%	
UK	<u>(14.16)%</u>	<u>(6.11)%</u>	
	(13.91)%	(5.78)%	
	<u>100.00%</u>	<u>100.00%</u>	

Breakdown by currency

£	64.90%	66.00%	
US\$	30.96%	33.39%	
Yen	2.29%	0.61%	
Euro	<u>1.85%</u>	<u>—</u>	
	100.00%	100.00%	

* Includes HBOS 6.475% Non-Cumulative Preferred and HBOS 9.25% Non-Cumulative Preferred although strictly speaking, these are equity investments.

Investment Manager's Report

Grant us the merit of consistency. Our investment objective is to earn an annual return above that of our benchmark, a benchmark that can, by definition, never deliver a negative return and is, moreover, likely to set a hurdle for us well in excess of UK inflation year-in and year-out. So, our challenge is to identify assets that can appreciate by at least the rate of UK inflation, while offering limited downside risk. We have been abundantly clear about the investment strategy we believe is appropriate to beat this benchmark over the past five years, certainly in our own minds and, we hope, in our communication with shareholders and we have stuck to that strategy determinedly.

The strategy, in brief, is as follows. We started out five years ago with a meaningful commitment to government bonds, getting on for 40% of NAV, because we believed they were cheap compared to equities in general and because we expected inflation to remain surprisingly low in the UK and US, which meant, we thought, that government bonds were cheap in their own right, too. This was a good call, which has contributed to our outperformance of the benchmark. We still expect Sterling and US Dollar government bonds to earn returns in excess of UK inflation. However, in recent years we have pursued a policy of selling bonds and gilts, but only when we are presented with compelling opportunities in the equity market, which must meet a number of criteria. The most important of these being –

- i. The equity in question appears to us significantly better value than the bond we sell against it.
- ii. The equity is engaged in a business activity that we understand and have confidence will trade profitably over our investment time horizons, which are long.
- iii. The equity offers access to investment themes which we believe are undiscounted.

Last year saw us stick to the implementation of this strategy. Our holdings in government bonds fell, now to 20%, the lowest since inception, while we not only added to existing equity holdings, we also initiated positions in three new names. That last may not read as being overly dynamic, but the addition of three holdings represented an increase in individual stocks of getting on for 40%, from 8 to 11. The three were Clarins, Heineken and Pearson and we provide some explanation below as to what attracts us to them.

Clarins, manufacturer of French beauty and perfume products, we purchased on an earnings yield getting on for 6.0%, well in excess of any return we can earn on a bond today. The business is easy to understand – selling, if not actually the elixir of eternal youth, then certainly a deferment of the aging process, promoted with Gallic élan to both ladies and, increasingly, gentlemen worldwide. The actual trigger for us to buy was an interview in the Financial Times with Alan Lafley, CEO of Procter & Gamble (P&G), where he spoke about the value of truly global brands and particularly about the demographic and regional opportunities presented to P&G by the “beauty” industry. We have no doubt Lafley is correct and no doubt that Clarins is blessed with truly global brands in a bona fide growth industry, with much still to come – even though this a business that has already been able to demonstrate its profitable growth by lifting its dividend 17.0% per annum, on average, over the last 20 years. Our only disappointment has been the almost immediate 20.0% gain in Clarins’ price, since we invested, which has discouraged us from further purchases. We hope for another dull period, when we will build the holding.

Heineken, like Clarins, is a business with a terrific pedigree and globally recognised brands. It had, in addition, been a dull stock market performer, falling 30.0% from its peaks around 2000 and, until recently, showing few signs of recovery. With Heineken we have bought a participation in the growth of beer consumption in the developing economies, bolstered by its entrenched positions in Europe and

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Investment Manager's Report *continued*

North America. For this we paid a P/E of little more than 13.0x, for an earnings yield of over 7.0%. An attractive entry point, we think.

Pearson offers access to three attractive investment themes. Education – as the First and Developing Worlds race to build intellectual capital and the burgeoning of global capital markets. In addition, Pearson is another company in our portfolio which is doing interesting things with the Internet – in both education and particularly with the development of FT.com. It has taken some “old” media companies time to work out how to enhance their businesses via the Internet. We believe that the rewards for those that do successfully exploit the new medium will be measured in improving profitability, more rapid growth and, in due course, better stock market valuations than are currently accorded. This thinking informs our investments in other owners of great media brands, Dow Jones, Nintendo, Reed Elsevier and Reuters and drives the strategy of the Lindsell Train Global Media Fund. One very successful “old” media company is McGraw Hill, which we own in the Media Fund, and hence, indirectly, for your Company. Its shares have more than doubled since we bought it in 2001 and it is valued at nearly 2.5x more, per unit of annual revenues, than Pearson is today. We think there is an opportunity in Pearson for the next five years and, by extension, for our other Media holdings, including the Fund, of similar magnitude to that enjoyed by McGraw Hill's shareholders over the last five. Finally, reverting to the implementation of our investment strategy outlined above, we were able to purchase Pearson on a net dividend yield higher than the then annual interest on a UK government bond – absolutely consistent with the strategy.

In conclusion, we look forward in your Company's next financial year to the investment portfolio prospering across several fronts. We expect government bond prices to rise again, possibly taking yields down to new lows since 2000, in response to continuing very low inflation and the deflationary effects of higher energy costs and US interest rates. We look for major share price gains for those of our equity investments exposed to the growth in private consumption in Emerging Markets, a likely follow on from the current industrial boom in those parts. In particular, in addition to Clarins and Heineken, we see multi year opportunities for Cadbury and Diageo to benefit from this theme, each with at least 30.0% of their revenues deriving from the developing economies. Meanwhile, the recent 10.0% dividend increases from both A.G. Barr and Wolverhampton & Dudley reaffirm the attractive returns that can be earned from investing in such well-entrenched regional franchises. Taking the 2005/6 dividends from these two companies and calculating a dividend yield for each against the book costs of the holdings results in yields of 7.0% and 9.0% net respectively. This is the kind of investment arithmetic that excites us.

N Train

Investment Manager
Lindsell Train Limited
9 June 2006

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Report of the Directors for the year ended 31 March 2006

The Directors submit their report together with the audited financial statements of the Company for the year ended 31 March 2006.

Activities and status

The principal activity of the Company is to carry on the business of an investment trust company and the Company is registered under section 266 of the Companies Act 1985 as an investment company.

The Directors have conducted the affairs of the Company with a view to maintaining approval as an investment trust for the purposes of section 842 of the Income and Corporation Taxes Act 1988 in order to obtain exemption from United Kingdom taxation on capital gains. However, such approval is only given retrospectively in respect of each accounting period of the Company. HM Revenue and Customs (HMRC) approval has been given for the year ended 31 March 2005 but this does not preclude HMRC from opening a subsequent enquiry into the Company's tax return.

Duration of the Company

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

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. The Board follows certain key performance indicators in assessing the development and performance of the business. These include the total return and discount to NAV which are discussed in the Chairman's Statement on page 3.

Results and dividend

The revenue return for the financial year ended 31 March 2006 after taxation amounted to £487,000 (2005: £431,000). A dividend of 175.00p per Ordinary Share (2005: 155.00p) is proposed in respect of the year ended 31 March 2006. The dividend will be paid on 26 July 2006 to shareholders whose names appear on the register at close of business on 7 July 2006 (ex-dividend 5 July 2006).

Principal risks and financial instruments

The principal risks in relation to financial instruments and how they are managed are discussed in note 19 on pages 35 to 40.

Directors

Details of the Directors of the Company who served throughout the year are set out on page 5.

Dominic Caldecott was appointed a Director of the Company on 23 May 2006 and, in accordance with the provisions of the Company's Articles of Association, having been appointed a Director since the last Annual General Meeting, retires and, being eligible, offers himself for election.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Report of the Directors *continued*

In accordance with the Combined Code on Corporate Governance (Combined Code) and the Company's Articles of Association, Donald Adamson retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. Without Mr Adamson being present, the other members of the Board evaluated his performance as a Director of the Company and consider that the Company has benefited significantly from his services and contribution to the Board's deliberations and are happy to recommend that shareholders vote in favour of Mr Adamson's re-election.

Investment Manager

The Investment Manager, Lindsell Train Limited, is engaged under the terms of a contract dated 21 December 2000, details of which are given in note 6 to the financial statements, and is terminable by 12 months' notice. During the year the Directors reviewed the performance of the Investment Manager and, as a result of that review, consider that the continued engagement of the Investment Manager under the existing terms is in the best interests of the Company and shareholders.

Directors' interests

The beneficial interests of the Directors in the Ordinary Shares of the Company as declared and recorded in accordance with the Companies Act 1985, are set out below.

	Ordinary Shares of 75p 1 April 2005	Ordinary Shares of 75p 31 March 2006
R Swire	500	1,000
D Adamson	2,750	2,750
M Mackenzie	250	250
M Mackenzie *	4,000	4,000
* Non beneficial interests		

No changes in the above interests occurred between 31 March 2006 and 9 June 2006. None of the Directors have been granted or exercised any rights to subscribe for Ordinary Shares of the Company.

Disclosure of interests

Donald Adamson is Chairman of the Lindsell Train Japan Fund and the Lindsell Train Global Media Fund, both Lindsell Train fund products in which the Company has made investments (see page 6). Mr Adamson is also a shareholder of Lindsell Train Japan (Accumulator) Inc and Lindsell Train Global Media (Accumulator) Inc.

All of the Directors are non-executive and no Director has 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.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Report of the Directors *continued*

Substantial shareholdings

At 9 June 2006 the Company had been notified of the following holdings of 3% or more of the issued share capital of the Company in accordance with sections 198 to 208 of the Companies Act 1985:

	No. of Ordinary Shares of 75p	% of issued share capital
Brewin Dolphin Securities Limited	18,294	9.15
Laing & Cruickshank Investment Management	12,563	6.28
Mr Nicholas Train	10,125	5.06
Finsbury Growth & Income Trust	10,000	5.00
Mr Dominic Caldecott	8,250	4.12
Troy Asset Management Limited	6,769	3.38

Share capital

As at 31 March 2005 and throughout the year ended 31 March 2006, the authorised and issued nominal share capital was £150,000 comprising 200,000 Ordinary Shares of 75p each.

There were no changes to the capital structure between 31 March 2006 and 9 June 2006.

Creditors' payment policy

It is the Company's policy to obtain the best terms for all business including purchases of investments, and to abide by those agreed terms. As at 31 March 2006 the Company had no trade creditors (creditors' days: nil).

Statement of Directors' responsibilities for the annual report

Company law in the United Kingdom requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the return of the Company for that period. In preparing these financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable United Kingdom law and United Kingdom accounting standards; and
- prepared the financial statements on the going concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for ensuring that the Report of the Directors and other information included in the annual report is prepared in accordance with company law in the United Kingdom. They are also responsible for ensuring that the annual report includes information required by the Listing Rules of the Financial Services Authority.

Audit information

Each Director has taken all steps that he ought to have taken in order to:

- make himself aware of any information relevant to the audit;
- establish that the Company's auditors are aware of that information; and
- that, as far as the Director is aware, there is no information relevant to the audit of which the Company's auditors are unaware.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Report of the Directors *continued*

Auditor

RSM Robson Rhodes LLP, Chartered Accountants, has indicated its willingness to continue in office and, in accordance with Section 385 of the Companies Act 1985, a resolution will be proposed at the forthcoming Annual General Meeting re-appointing RSM Robson Rhodes LLP as auditor and authorising the Directors to determine the auditor's remuneration for the ensuing year.

Special Business at the Annual General Meeting

Authority to issue Shares outside of pre-emption rights

Resolution 7 is proposed as a Special Resolution and would, if passed, permit the Company to issue shares other than on a pre-emptive basis. This authority would be limited to the allotment of new Ordinary Shares, or the transfer or sale of any shares held by the Company as treasury shares, up to an aggregate nominal value of £7,500 being 5% of the issued Ordinary Shares. The Directors would only exercise this authority if they believed it to be advantageous to the Company's shareholders to do so and would not result in a diminution of the net asset value per share.

Share buy back authority

An authority from shareholders granted at the Annual General Meeting held on 5 July 2005 for the Company to make market purchases of up to 14.99% (being 29,999 in total of its own Ordinary Shares) remained in force at 31 March 2006. Your Board proposes seeking renewal of this authority as it provides an option to mitigate the possibility of Ordinary Shares trading at a discount to the net asset value per Ordinary Share. A special resolution will accordingly be proposed at the forthcoming Annual General Meeting.

Resolution 8 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 9 June 2006).

Purchases of Ordinary Shares of 75p each will be made in accordance with the Companies Act 1985, the rules of the UK Listing Authority and the London Stock Exchange and within guidelines established from time to time by the Board. Purchases will only be made through the market for cash at prices below the prevailing net asset value per Ordinary Share, thereby resulting in an increased net asset value per share.

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

Current legislation allows companies to purchase their own shares and hold them in treasury rather than being cancelled. Up to 10% of the issued capital 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) can apply to shares held in treasury.

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

On behalf of the Board

Phoenix Administration Services Limited

Secretary
9 June 2006

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Corporate Governance Statement

The Board supports high standards of corporate governance. On 3rd February 2006, the Financial Reporting Council confirmed that companies who report against the AITC Code of Corporate Governance ("AITC Code") and who follow the AITC's Corporate Governance Guide for Investment Companies ("AITC Guide") will be meeting their obligations in relation to the Combined Code and paragraph 9.8.6 of the Listing Rules.

The Board has carried out a review of the principles set out in the Combined Code and AITC Code and in the AITC Guide and confirms that, it complies with the Combined Code and AITC Code and follows the AITC Guide, subject to those aspects explained below where the Company has not complied or does not feel it appropriate to do so.

Internal control

The Board confirms that there is an ongoing process for identifying, evaluating and managing those risks which are significant for the Company and that this process reflects the guidance provided by the Turnbull Committee in September 1999. This process has been in place for the year ended 31 March 2006 and up to the date of approval of the annual report and financial statements and, is regularly reviewed by the Board. The review covers all material controls, including 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, which has detailed operating procedures in place. The internal controls operated by the Board include the authorisation of the investment strategy and regular reviews of the investment performance and financial results. The system is designed to manage rather than eliminate the risk of being unable to meet business objectives and can provide reasonable but not absolute assurance against material misstatements or loss, as explained by Turnbull. The Board has reviewed the operation and effectiveness of the Company's system of internal controls during the period through its ongoing identification, assessment and management of the Company's key risks, including an annual review.

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, which include the safeguarding of the assets, to Morgan Stanley & Co International Limited. These contracts are only entered into after full consideration by the Board of the services undertaken. The Investment Manager, Administrator and the Custodian of the Company's assets all maintain their own systems of internal and financial controls.

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

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

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Corporate Governance Statement continued

Board Independence

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.

Board Structure

There is clear division of responsibility between the Chairman, the Board, the Manager and other third party service providers. The Chairman leads the Board and ensures that the Directors receive accurate, timely and clear information. The Board leads on matters concerning the Company's investment objective, gearing, capital structure, governance, the appointment of service providers and keeps in touch with shareholders. It is the sole responsibility of the Manager to take decisions on the purchase and sale of individual investments. Representatives of the Manager, the Secretary and Administrator attend each Board meeting. The Board, the Manager and Secretary operate in a supportive and cooperative manner.

Directors

Following the appointment of Dominic Caldecott on 23 May 2006 the Board comprises four members, all of whom are non-executive and three of whom are fully independent of the Investment Manager. Mr Adamson is a non-executive chairman of two of the Investment Manager's funds and receives remuneration for each of those positions. The Board therefore deems him not to be fully independent of the Investment Manager. The Board does not however consider Mr Adamson to be sufficiently linked to the Investment Manager to require that he be put up for re-election annually. The Board does not consider it necessary to appoint a Senior Independent Director, as the majority of the Directors, including the Chairman, are independent. Particulars of the Directors are set out on page 5.

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

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 provision contained in the Code, all Directors are required to submit themselves for re-election at least every three years.

In accordance with the Combined Code and the Company's Articles of Association, Donald Adamson retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. The Board considers that the Company has benefited significantly from his services and his contribution to the Board's deliberations and are happy to recommend that shareholders vote in favour of Mr Adamson's re-election.

Dominic Caldecott was appointed a Director of the Company on 23 May 2006 and, in accordance with the provisions of the Company's Articles of Association, having been appointed a Director since the last Annual General Meeting, retires and, being eligible, offers himself for election.

The biographies of the Directors are set out on page 5 of this report. None of the Directors consider longevity of service as an impairment of independence or judgement but were this to become the case the relevant Director(s) would stand down.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Corporate Governance Statement *continued*

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 (4)	Audit Committee (2)	Management Engagement (1)
Rhoderick Swire	4	2	1
Donald Adamson	4	2	1
Michael Mackenzie	3	1	1

Subsequent to the year end the Board conducted an evaluation of the performance of the Board, Committees, individual Directors and third party service providers. The evaluation was led by the Chairman, other than in respect of appraisal of his own performance which was led by Mr Mackenzie, using regular informal evaluations. The Board is satisfied from the results of the appraisals that the Board, its Committees and its third party providers function effectively, collectively and individually, and that the Board contains an appropriate balance of skills and experience for the effective management of the Company.

Under the UK Listing Rules, where an investment trust company has no executive directors, the Code's provisions relating to directors' remuneration do not apply. Details of the Directors' fees are given in the Directors' remuneration report on pages 18 and 19.

The Board as a whole fulfils the function of a Nomination Committee. The Nomination Committee considers appointments to the Board and makes recommendations to the Board on such appointments. 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 no such suitably skilled individuals can be identified.

Accountability and audit

The Company's Audit Committee comprises Michael Mackenzie, who took over as Chairman of the Committee from 1 April 2005 and Roderick Swire, who are both independent, and Donald Adamson. The Committee meets with representatives of the Manager, at least twice each year, who report on the proper conduct of business in accordance with the regulatory environment in which both the Company and the Manager operate. Minutes of meetings are formally recorded and reported to the Board by the Audit Committee Chairman. The Company's external auditor also attends the Committee at its request, at least once a year, and reports on its work procedures, the quality and effectiveness of the Company's accounting procedures and its findings in relation to the Company's statutory audit. The responsibilities of the Audit Committee include the review of internal controls, accounting policies, financial statements, the independence of the external auditor, the auditor's appointment and remuneration and the carrying value of unquoted investments.

The Audit Committee keeps under review non audit services supplied by the external auditor. 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.

As the Company has no employees it does not consider there is a need for 'whistleblowing'. The Audit Committee reviews the 'whistleblowing' procedures of the Manager.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Corporate Governance Statement *continued*

The Company does not have an internal audit function since all services are delegated to third parties. It satisfies itself about the effectiveness of internal controls by requiring service providers to report and give assurance on their internal controls to the Audit Committee. Although the Directors can thereby provide reasonable assurance against material misstatement or loss, they acknowledge that risk cannot be eliminated altogether. Their approach to managing internal control and risk conforms to the recommendations of the Internal Control Guidance for Directors ('Turnbull Guidance'). The Board confirms that in this manner it has reviewed the effectiveness of the Company's internal controls for the period under review, taking into account matters arising up to the date of this report.

The Terms of Reference for the Audit Committee are available from the Registered Office of the Company.

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

Manager's and Administrator's remuneration

Roderick Swire (as Chairman), Donald Adamson 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 6 and 4 respectively to the financial statements, are kept under review.

Social, Economic and Environmental Matters

As an investment trust, the Company has no direct impact on social, economic and 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 on environmental matters in relation to areas where their operations are located.

Voting Policy

The Company has authorised the Investment Manager to vote at its discretion but with a view to preserving the best interests of the Company on ordinary business proposed by investee companies but is required to consult with the Chairman before voting on special business.

Shareholder relations

The Company, through the Manager, has regular contact with its institutional shareholders. The Board supports the principle that the Annual General Meeting be used to communicate with private investors. It has implemented the provisions of the Combined 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 shareholders may have in relation to the Company and its activities.

Going concern

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

The Annual General Meeting of the Company will be held on Thursday 13 July 2006 and all shareholders are encouraged to attend. In accordance with the Combined Code, the Notice of Meeting is circulated more than 20 working days before the meeting. Details of the Proxy votes received in respect of each resolution will be available to shareholders at the meeting.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Directors' Remuneration Report for the year ended 31 March 2006

The Board has prepared this report in accordance with the requirements of Schedule 7A to the Companies Act 1985. An ordinary resolution for the approval of this report will be put to shareholders at the forthcoming Annual General Meeting.

The law requires your Company's auditor to audit certain of the disclosures provided. Where disclosures have been audited, they are indicated as such. The auditor's opinion is included in its report on pages 20 and 21.

Remuneration Committee

The Company has no executive Directors and the Board as a whole fulfils the function of a Remuneration Committee.

The Committee conducted a review of the fees paid to directors and concluded that the amounts should remain unchanged for the present.

Policy on directors' fees

The Board's policy is that the remuneration of non-executive Directors should be based on fixed fees lower or equal to that of other investment trusts that are similar in size, together with the potential for a bonus, based on the achievement of the investment objective of the Company, to foster a strong alignment of interest between Directors and shareholders. It is intended that this policy will continue for the year ending 31 March 2007 and subsequent years.

The maximum aggregate Directors' fees (see note 5 to the financial statements) pursuant to the Company's Articles of Association are capped at £220,000 per financial year. The remuneration terms are reviewed annually by the independent Directors. No Director may vote on his own remuneration. Directors are entitled to a bonus at the rate of 1%, calculated on the same basis as for the Investment Manager's performance fee (as described in note 6 to the financial statements) subject to a cap of £100,000 for all Directors in each performance period. Directors are not eligible for pension benefits, share options, long-term incentive schemes or other benefits.

Directors' service contracts

It is the Board's policy that none of the Directors have a service contract. The terms of their appointment provide that 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 after that. The terms also provide that a Director may be removed without notice and that compensation will not be due on leaving office.

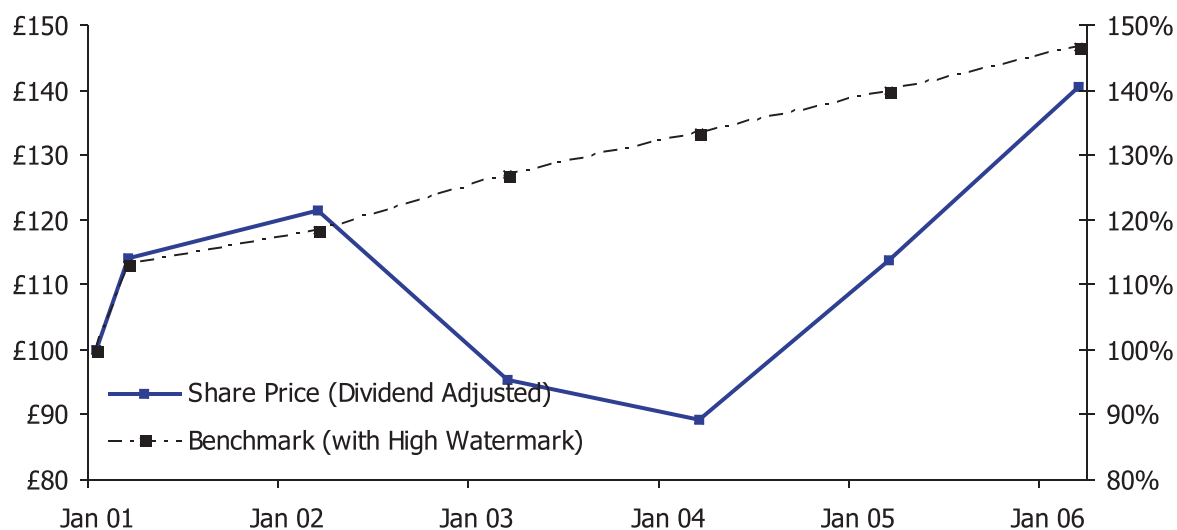
Your Company's performance

The graph on page 19 compares the 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.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Directors' Remuneration Report continued

Share price performance relative to the benchmark for the five years to 31 March 2006



Directors' emoluments and benefits for the year ended 31 March 2006 (audited)

	Directors' fees	
	2006	2005
	£	£
Rhoderick Swire (Chairman of the Board)	10,000	5,000
Michael Mackenzie	7,500	5,000

Sum paid to third party for Director's services (audited)

The following sum was paid to the third party stated for the services of Donald Adamson to act as a Director of the Company:

Name of director	Name of company	Fee	Amount paid	
			2006	2005
			£	£
Donald Adamson	Research & Consulting Associates Ltd	Director's	7,500	5,000

On behalf of the Board

Phoenix Administration Services Limited

Secretary
9 June 2006

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Report of the Independent Auditors

We have audited the financial statements on pages 22 to 43. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Report of the Directors, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Investment Manager's Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Report of the Directors includes that specific information presented in the Chairman's Statement and Investment Manager's Report that is cross referred from the Business Review section of the Report of the Directors.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors'

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Report of the Independent Auditors *continued*

Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 March 2006 and of its total return for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

RSM Robson Rhodes LLP

Chartered Accountants and Registered Auditors

London, England

9 June 2006

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Income Statement for the year ended 31 March 2006

	Notes	2006			2005 Restated (see note 24)		
		Revenue	Capital	Total	Revenue	Capital	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Gains on investments	11	—	3,512	3,512	—	3,435	3,435
Exchange differences		—	61	61	—	(37)	(37)
Gains on forward currency contracts		—	43	43	—	72	72
Income	2	961	—	961	864	—	864
Investment management fees	3	(141)	—	(141)	(106)	—	(106)
Other expenses	4	(132)	(3)	(135)	(116)	(1)	(117)
Net return before finance costs and tax		688	3,613	4,301	642	3,469	4,111
Interest payable and similar charges	7	(197)	—	(197)	(208)	—	(208)
Return on ordinary activities before tax		491	3,613	4,104	434	3,469	3,903
Tax on ordinary activities	8	(4)	—	(4)	(3)	—	(3)
Return on ordinary activities after tax for the financial year		487	3,613	4,100	431	3,469	3,900
Return per Ordinary Share:	10	£2.43	£18.07	£20.50	£2.16	£17.34	£19.50

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.

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 in the year.

The notes on pages 26 to 43 form part of these financial statements.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Reconciliation of Movements in Shareholders' Funds

for the years ended 31 March 2005 and 31 March 2006

	Share capital £'000	Special reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
For the year ended 31 March 2006						
Net assets at 31 March 2005 (as restated see note 24)	150	19,850	1,124	1,985	704	23,813
Net profit from operating activities	—	—	102	3,511	487	4,100
Dividends paid (see note 9)	—	—	—	—	(310)	(310)
Net assets at 31 March 2006	150	19,850	1,226	5,496	881	27,603

	Share capital £'000	Special reserve £'000	Capital reserve realised £'000	Capital reserve unrealised £'000	Revenue reserve £'000	Total £'000
For the year ended 31 March 2005						
Net assets at 31 March 2004 (as restated see note 23)	150	19,850	(33)	(327)	563	20,203
Net profit from operating activities	—	—	1,157	2,312	431	3,900
Dividends paid (see note 9)	—	—	—	—	(290)	(290)
Net assets at 31 March 2005	150	19,850	1,124	1,985	704	23,813

The notes on pages 26 to 43 form part of these financial statements.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Balance Sheet as at 31 March 2006

	Notes	2006		2005 Restated (see note 24)	
		£'000	£'000	£'000	£'000
Fixed assets					
Investments held at fair value through profit and loss	11		31,442		25,189
Current assets					
Debtors	12	1,032		1,021	
Cash at bank		1,467		796	
		2,499		1,817	
Creditors: amounts falling due within one year	13	(6,338)		(3,193)	
Net current liabilities			(3,839)		(1,376)
Total assets less current liabilities			27,603		23,813
Capital and reserves					
Called up share capital	14		150		150
Special reserve			19,850		19,850
			20,000		20,000
Capital reserve – realised	15		1,226		1,124
Capital reserve – unrealised	15		5,496		1,985
Revenue reserve	16		881		704
Equity shareholders' funds	17		27,603		23,813
Net asset value per Ordinary Share			£138.01		£119.06

The financial statements on pages 22 to 43 were approved by the Board on 9 June 2006 and were signed on its behalf by:

R M Swire
Chairman

The notes on pages 26 to 43 form part of these financial statements.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Cash Flow Statement for the year ended 31 March 2006

	Notes	2006	2005
		£'000	£'000
Net cash inflow from operating activities	18a	706	695
Returns on investments and servicing of finance		(185)	(214)
Financial investment		(2,716)	2,327
		(2,195)	2,808
Equity dividends paid		(310)	(290)
(Decrease)/increase in cash		(2,505)	2,518
Reconciliation of net cash flow to movement in net debt			
(Decrease)/increase in cash in the year		(2,505)	2,518
Exchange movements		61	(37)
Opening net debt		(1,593)	(4,074)
Closing net debt	18b	(4,037)	(1,593)

The notes on pages 26 to 43 form part of these financial statements.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

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 accounts are prepared on the historical cost basis of accounting, modified to include the revaluation of investments. The accounts have been prepared in accordance with United Kingdom applicable accounting standards and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies' dated January 2003 revised December 2005. All of the Company's operations are of a continuing nature.

(b) Changes in presentation

UK GAAP is converging with International Financial Reporting Standards ('IFRS'). The Company has adopted the provisions of the revised SORP and revised UK accounting standards which has resulted in some changes to the presentation of the Company's accounts. The Statement of Total Return is now called the Income Statement and the Reconciliation of Movement in Shareholders' Funds now becomes a primary statement (see page 23).

Prior year results have accordingly been restated and this is shown in notes 23 and 24 on pages 41 to 43.

(c) Reporting currency

The accounts are presented in Sterling which is the functional currency and presentational currency of the Company. Sterling is the functional currency because it is the currency of the primary economic environment in which the Company operates.

(d) Dividends

Dividends declared and approved by the Company after the balance sheet date are not recognised as a liability of the Company at the balance sheet date.

(e) Fixed asset investments

Quoted investments are valued at fair value (previously investments were stated at mid market price). This is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. The Company's investments have accordingly been revalued to bid price. 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 or control because their value to the Company is through their marketable value as part of a basket of investments rather than as a media through which the Company carries out its business.

The investment in Lindsell Train Limited (representing 25% of the Manager) is held as part of the investment portfolio. Accordingly, the shares are accounted for and disclosed in the same way as other investments in the portfolio. The valuation of the investment 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 formula based and takes into account inter alia, the net assets of Lindsell Train Limited, the value of the funds under its management and the moving average of its monthly earnings. The investment in Lindsell Train Global Media (Distributor) Inc represents seed capital.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notes to the Financial Statements *continued*

The investment has not been consolidated in the Company's financial statements because the shareholding does not constitute a dominant influence.

(f) Income

Dividends are credited to the revenue account on an ex-dividend basis or as soon as entitlement has been established, if later. 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.

(g) Expenses

All investment management fees are charged to the revenue account. 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.

All expenses are accounted for on an accruals basis. Expenses are charged through the revenue account except as follows:

- expenses which are incidental to the purchase or sale of an investment are expensed to capital reserves.
- any other expenses incurred in connection with the acquisition or disposal of an investment are charged to capital reserve – realised.
- finance costs are accounted for on an accruals basis. All finance costs are charged to revenue.

(h) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

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.

(i) Foreign currency

Transactions denominated in foreign currencies are recorded in Sterling at actual exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year end are recorded in Sterling at the rates of exchange prevailing at the year end. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the income statement. The value of investments in foreign currencies is expressed in Sterling at the rates of exchange prevailing at the year end. Surpluses and deficits arising from conversion at this rate of exchange are taken to capital reserves or the income statement according to their nature.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notes to the Financial Statements continued

2 Income

	2006	2005
	£'000	£'000
Income from investments		
Overseas dividends	42	31
Overseas fixed interest income	131	142
UK dividends	601	535
UK fixed interest income	146	146
	<u>920</u>	<u>854</u>
Other income		
Deposit interest	<u>41</u>	<u>10</u>
Total income comprises:		
Dividends	643	566
Interest	318	298
	<u>961</u>	<u>864</u>

3 Investment management fees

	2006	2005
	£'000	£'000
Investment management fee	159	129
Rebate of investment management fee (see below)	(18)	(23)
	<u>141</u>	<u>106</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 Investment Manager has agreed that any performance fees that it earns from a Lindsell Train fund product in respect of the Company's investment in that fund will be reinvested in the shares of that fund and the shares rebated to the Company.

As at 31 March 2006 the Company had investments in the following Lindsell Train products:

35,094 shares in Lindsell Train Japan (Distributor) Inc at a total cost of £2,380,161;

38,092 shares in Lindsell Train Global Media (Distributor) Inc at a total cost of £2,545,249.

The amounts rebated on the Investment Management fee are shown above, of which £14,138 (2005: £20,313) relates to the Company's investment in the Lindsell Train Japan Fund and £3,573 (2005: £2,743) relates to the Company's investment in the Finsbury Growth & Income Trust.

In June 2003 Lindsell Train Limited waived its management fees on the Lindsell Train Global Media fund for a period of two years. In June 2005 the waiver was extended until further notice.

In January 2006 Lindsell Train Limited waived its management fees on the Lindsell Train Japan Fund until further notice.

The performance fee earned by the Manager in relation to the Company's investment in Lindsell Train Global Media (Distributor) Inc has been reinvested in that company's shares and the 344 shares issued have been rebated to the Company.

Details of the investment management agreement are disclosed in note 6 to the financial statements.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notes to the Financial Statements continued

4 Other expenses

	2006	2005
	£'000	£'000
Administration fee	53	50
Directors' emoluments (see note 5)	25	15
Auditor's remuneration for:		
– audit	14	12
– tax services to the Company	4	4
Other*	36	35
	<hr/> 132	<hr/> 116
Transaction charges – capital	3	1
	<hr/> 135 <hr/>	<hr/> 117 <hr/>

* Includes registrars fees, printing fees, London Stock Exchange/FSA fees and directors' liability insurance.

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 £60,000 which was increased from £50,000 to £55,000 on 1 October 2005 and increased from £55,000 to £60,000 on 1 March 2006.

5 Directors' emoluments

One Director received emoluments by way of consultancy fees totalling £7,500 (2005: £5,000 - one Director). The consultancy fees are reflected in the table below:

	2006	2005
	£'000	£'000
Directors' fees	25	15

The Chairman and Directors receive emoluments of £10,000 and £7,500 per annum respectively.

A Directors' bonus is payable to Directors at a rate of 1% and calculated on the same basis as for the Investment Manager's performance fee (as described in note 6 below) subject to a cap of £100,000 for all Directors in each performance period.

There is no Directors' bonus payable for the year to 31 March 2006 (2005:nil).

There were no pension contributions paid or payable.

The Company has no employees.

6 Disclosure of interests (see page 11 also)

In accordance with an investment management agreement dated 21 December 2000, 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 on the last business day of each calendar month, payable in arrears. The amount charged during the period is shown in note 3 and £10,552 (2005: £10,522) of the fee for the year was outstanding as at the balance sheet date.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notes to the Financial Statements *continued*

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. The Company has twelve month performance periods, each ending on 31 March in each year. The performance fee is payable in arrears in respect of each performance period. As the Adjusted Market Capitalisation per Ordinary Share of £133.66 was below the performance hurdle of £145.22, no performance fee is payable for the year ended 31 March 2006 (2005: nil). If the annual average gross running yield on the 2.5% Consolidated Loan Stock was to continue at the current rate, the estimated performance hurdle for the year ending 31 March 2007 would be £151.49. Lindsell Train Limited's appointment as Investment Manager is subject to termination by the Company on 12 months' notice.

7 Interest payable and similar charges

	2006	2005
	£'000	£'000
Overdraft interest	197	208

8 Taxation

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

	2006	2005
	£'000	£'000
UK corporation tax	<u>—</u>	<u>—</u>
Overseas tax	4	3
Overseas tax – double tax relief	<u>—</u>	<u>—</u>
	<u>4</u>	<u>3</u>

The current taxation charge for the year is different from the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006	2005
	£'000	£'000
Revenue on ordinary activities before taxation	<u>491</u>	<u>434</u>
Theoretical tax at UK corporation tax rate of 30% (2004: 30%)	147	130
Effects of:		
– UK dividends which are not taxable	(180)	(161)
– Small companies relief	<u>—</u>	<u>—</u>
– Current year excess expenses	33	31
– Unrelieved overseas tax suffered	4	3
Actual current tax charge	<u>4</u>	<u>3</u>

The Company is an investment trust and therefore is not taxable on capital gains.

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

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notes to the Financial Statements continued

Factors that may affect future tax charges

The Company has a deferred tax asset of £71,847 (2005: £38,727) in respect of timing differences on overseas dividends which has not been recognised as it will be recoverable only to the extent that the Company has sufficient future taxable revenue.

9 Dividends and other appropriations

The Directors have proposed the payment of a final dividend of 175p (2005: 155p) per Ordinary Share payable on 26 July 2006 to shareholders registered on 7 July 2006 (ex-dividend 5 July 2006). Dividends paid during the year totalled £310,000 (2005: £290,000).

10 Return per Ordinary Share

Revenue return:

The calculation of the revenue return per Ordinary Share is based on net revenue on ordinary activities after taxation of £487,000 (2005: £431,000 as restated) divided by 200,000 Ordinary Shares (2005: 200,000) being the weighted average number of Ordinary Shares in issue during the year.

Capital return:

The calculation of the capital return per Ordinary Share is based on net capital gains for the financial year of £3,613,000 (2005: £3,469,000) divided by 200,000 Ordinary Shares (2005: 200,000) being the weighted average number of Ordinary Shares in issue during the year.

11 Investments held at fair value through profit and loss

	2006
	£'000
Investments listed on a recognised investment exchange	29,862
Unlisted investments	1,580
Valuation at year end	<u>31,442</u>
Opening book cost	23,253
Opening unrealised appreciation (Restated - see note 24)	1,936
Opening valuation (Restated - see note 24)	25,189
Movements in the year:	
Purchases at cost	3,374
Sales – proceeds	(633)
– realised losses on sales	(35)
Unrealised appreciation for the year	3,547
Closing valuation	<u>31,442</u>
Closing book cost	25,959
Closing unrealised appreciation	5,483
	<u>31,442</u>

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notes to the Financial Statements *continued*

11 Investments *continued*

Sale proceeds	633
Investments at cost	(668)
Realised losses on sales based on historical cost	(35)
Add losses recognised as unrealised in previous year	23
Realised losses on sales based on carrying value at previous year's balance sheet date	(12)
Unrealised appreciation for the year	3,524
Net gains on investments	3,512

Investment transaction costs on purchases and sales of investments during the year to 31 March 2006 amounted to £52,000 and £14,000 respectively (2005: £22,000 and £52,000 respectively) and are included in the above figures.

Significant holdings

Included in the above are the following investments in which the Company has an interest exceeding 20% of the nominal value of the shares of that class in the investee company as at 31 March 2006.

Investments	Country of registration or incorporation	Class of capital	% of class held
Lindsell Train Limited*	England	Ordinary Shares of £100	24.98
Lindsell Train Japan (Distributor) Inc**†	Cayman Islands	Red Vtg Prf Shares US\$0.001	31.94
Lindsell Train Global Media (Distributor) Inc **‡	Cayman Islands	Red Vtg Prf Shares US\$0.001	85.00

*As at 31 January 2006, the latest year end for Lindsell Train Limited, the unaudited aggregate capital and reserves amounted to £776,912 (2005: £544,515) and the profit for that year ended amounted to £379,027 (2005: £253,000). The total amount of dividends paid during the year was £146,630. The total amount of dividends paid during the year was £146,630, equating to a dividend of £55 per share. The earnings per share was £142.17 and the dividend was covered 2.58 times. The cost of the investment in Lindsell Train Limited was £66,600.

A further interim dividend of £159,960 was declared on 24th March 2006 and under FRS21 dividends can only be recognised when paid. Accordingly this second interim dividend will only be recognised in Lindsell Train Limited's financial year ending 31st January 2007.

If FR21 had not been adopted, this dividend of £159,960 would have been included in financial year 2006 giving a total dividend of £306,590 for 2006 (2005: £198,617).

**Country of listing - Republic of Ireland

† The unaudited aggregate capital and reserves of Lindsell Train Japan Fund (Distributor) Inc as at 31 March 2006 was US\$8,011,027 (2005: US\$12,899,282) and the profit for the year amounted to US\$ (nil)^ (2005: US\$ nil).

The unaudited aggregate capital and reserves of Lindsell Train Global Media (Distributor) Inc as at 31 March 2006 was US\$6,340,198 (2005: US\$5,171,784) and the loss for the year amounted to US\$ (58,265)^ (2005: nil).

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notes to the Financial Statements continued

^ The only assets of Lindsell Train Japan (Distributor) Inc ('Japan Distributor') and Lindsell Train Global Media (Distributor) Inc ('Media Distributor') comprised investments as limited partner of the Lindsell Train Japan L.P. and the Lindsell Train Global Media L.P. Investment gains/losses and income/operating expenses incurred are charged at the respective fund level which are reflected in the net asset value of the respective funds. Performance fees attributable to Japan Distributor and Media Distributor are only charged at the Limited Partnership level.

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

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).

12 Debtors

	2006	2005
	£'000	£'000
Amounts due from brokers re open forward currency contracts	767	814
VAT recoverable	30	8
Prepayments and accrued income	235	199
	<u>1,032</u>	<u>1,021</u>

13 Creditors: amounts falling due within one year

	2006	2005
	£'000	£'000
Bank overdraft	5,504	2,389
Amounts due to brokers re outstanding purchases	25	—
Amounts due to brokers re open forward currency contracts	754	764
Accruals and deferred income	55	40
	<u>6,338</u>	<u>3,193</u>

14 Called up share capital

	2006		2005	
	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 2006.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notes to the Financial Statements continued

15 Capital reserve

	Realised	Unrealised	Total
	2006	2006	2006
	£'000	£'000	£'000
Balance at beginning of year - restated (see note 24(a))	1,124	1,985	3,109
Net realised gains on investments	(12)	—	(12)
Unrealised appreciation arising in year	—	3,524	3,524
Transfer on disposal of investments	(23)	23	—
Net realised profits on forward currency contracts	30	—	30
Unrealised profits on forward currency contracts	—	13	13
Transfer on closure of forward currency contracts	49	(49)	—
Foreign currency exchange differences	61	—	61
Capital expenses on investments	(3)	—	(3)
Balance at end of year	<u>1,226</u>	<u>5,496</u>	<u>6,722</u>

16 Revenue reserve

	2006
	£'000
Balance at beginning of year - restated (see note 24(a))	704
Transfer to reserve account	487
Dividend paid	(310)
Balance at end of year	<u>881</u>

17 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	
2006	2005	2006	2005
£	£	£'000	£'000
<u>138.01</u>	<u>119.06</u>	<u>27,603</u>	<u>23,813</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 - restated (see note 24(a))	23,813
Total recognised gains for the year	4,100
Dividends paid during the year	(310)
Total net assets attributable at end of year	<u>27,603</u>

The net asset value per Ordinary Share is based on net assets of £27,603,000 (2005: £23,813,000 as restated) and on 200,000 Ordinary Shares (2005: 200,000), being the number of Ordinary Shares in issue at the year end.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notes to the Financial Statements continued

18 Cash flow statement

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

	2006	2005
	£'000	£'000
Total return before finance costs and taxation	4,301	4,111
Gains on investments held at fair value	(3,512)	(3,435)
(Gains)/losses on exchange movements	(61)	37
Decrease/(increase) in other debtors	23	(101)
Increase in accrued income	(34)	(14)
(Decrease)/increase in creditors	(7)	98
Taxation	(4)	(1)
Net cash inflow from operating activities	<u>706</u>	<u>695</u>

(b) Analysis of net debt

	At			At
	1 April	Cash	Exchange	31 March
	2005	Flow	movement	2006
	£'000	£'000	£'000	£'000
Cash at bank	796	610	61	1,467
Bank Overdraft	(2,389)	(3,115)	—	(5,504)
Total	<u>(1,593)</u>	<u>(2,505)</u>	<u>61</u>	<u>(4,037)</u>

19 Financial instruments and risk profile

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

The Company's financial instruments comprise:

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

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

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

The Company, as stated in the Report of the Directors on page 10, conducts its affairs so as to enable it to qualify as an investment trust. As part of the rules governing this status, no investment at the time of purchase can represent more than 15% by value of the Company's portfolio of investments.

The risks arising from the Company's financial instruments are market price risk, which comprises interest rate risk, equity price changes and foreign currency exposure. The Board reviews and agrees policies with the Investment Manager, Lindsell Train Limited, for managing each of these risks. These policies have remained unchanged since 1 April 2005.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notes to the Financial Statements *continued*

19 Financial instruments and risk profile *continued*

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

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

Market price risk

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

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

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notes to the Financial Statements continued

19 Financial instruments and risk profile continued

Interest rate risk profile of financial assets and liabilities

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

	31 March 2006			Total £'000
	Non-interest £'000	Floating £'000	Fixed £'000	
<i>Financial assets</i>				
Equity investments				
Sterling (including preference stocks)	18,366	—	—	18,366
US dollar	3,386	—	—	3,386
Japanese yen	2,834	—	—	2,834
Euro	1,203	—	—	1,203
Non-equity investments (fixed interest securities)				
Sterling	—	—	3,456	3,456
US dollar	—	—	2,197	2,197
Cash at bank				
Sterling	19	—	—	19
US dollar	—	1,448	—	1,448
<i>Financial liabilities</i>				
Overdrafts				
Sterling	—	(4,811)	—	(4,811)
Japanese Yen	—	(4)	—	(4)
Euro	—	(689)	—	(689)
Forward currency contracts				
Sterling	767	—	—	767
Japanese yen	(754)	—	—	(754)
	<u>25,821</u>	<u>(4,056)</u>	<u>5,653</u>	<u>27,418</u>

The Sterling, Japanese Yen and Euro overdrafts were incurring overdraft interest as at the year end of 5.22% (2005: 5.47%) 0.55% and 3.17% respectively.

The cash balance of £1,448,000 denominated in US dollars received interest at 4.63% (2005: 2.5875%) as at the year end.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notes to the Financial Statements *continued*

19 Financial instruments and risk profile *continued*

	31 March 2005 (Restated - see note 24)			
	Non-interest £'000	Floating £'000	Fixed £'000	Total £'000
<i>Financial assets</i>				
Equity investments				
Sterling (including preference stocks)	14,050	—	—	14,050
US dollar	2,730	—	—	2,730
Japanese yen	2,836	—	—	2,836
Non-equity investments (fixed interest securities)				
Sterling	—	—	3,122	3,122
US dollar	—	—	2,451	2,451
Cash at bank				
Sterling	16	—	—	16
US dollar	—	775	—	775
Japanese yen	5	—	—	5
<i>Financial liabilities</i>				
Overdrafts				
Sterling	—	(2,389)	—	(2,389)
Forward currency contracts				
Sterling	814	—	—	814
Japanese yen	(764)	—	—	(764)
	<u>19,687</u>	<u>(1,614)</u>	<u>5,573</u>	<u>23,646</u>

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

	31 March 2006		31 March 2005	
	Effective interest rate	Weighted average maturity date	Effective interest rate	Weighted average maturity date
Financial assets – non-equity investments:				
Sterling	4.23%	—	4.68%	—
US dollar	5.35%	15 May 2030	5.19%	15 May 2030

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notes to the Financial Statements *continued*

19 Financial instruments and risk profile *continued*

Foreign currency risk

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

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

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

The Company has hedged the foreign currency exchange movement of the Japanese investments in the portfolio during the year by use of forward currency contracts. As at the year end, there was an open contract reducing the exposure of the Japanese investment to the value of yen 150,000,000 against sterling £767,000 for value 27 November 2006.

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

Currency exposures

As at 31 March 2006 the Company's net currency exposures were as follows:

	Sterling*	US\$	JPY	Euro	Total
	£'000	£'000	£'000	£'000	£'000
Fixed asset investments	21,822	7,047	1,370	1,203	31,442
Cash and overdrafts	(4,792)	1,448	(4)	(689)	(4,037)
Open forward currency contracts	767	—	(754)	—	13
Other net monetary items	115	50	22	(2)	185
	<u>17,912</u>	<u>8,545</u>	<u>634</u>	<u>512</u>	<u>27,603</u>
	64.89%	30.96%	2.30%	1.85%	100.00%

The US\$ fixed asset investments currency exposure includes the Company's holding of Lindsell Train Japan (Distributor) Inc as this investment's base currency in US\$.

* The currency profile of FRS25 does not require the disclosure of sterling (£) assets and liabilities, nor of investments, however they are included here for completeness.

As at 31 March 2005 the Company's net currency exposures were as follows (Restated - see note 24):

	Sterling*	US\$	JPY	Euro	Total
	£'000	£'000	£'000	£'000	£'000
Fixed asset investments	17,172	7,126	891	—	25,189
Cash and overdrafts	(2,373)	775	5	—	(1,593)
Open forward currency contracts	814	—	(764)	—	50
Other net monetary items	104	49	14	—	167
	<u>15,717</u>	<u>7,950</u>	<u>146</u>	<u>—</u>	<u>23,813</u>
	66.00%	33.39%	0.61%	0.00%	100.00%

* The currency profile of FRS25 does not require the disclosure of sterling (£) assets and liabilities, nor of investments, however they are included here for completeness.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notes to the Financial Statements *continued*

19 Financial instruments and risk profile *continued*

Liquidity risk

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

Maturity of financial liabilities

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

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

	2006	2005
	£'000	£'000
In one year or less, or on demand	<u>5,504</u>	<u>2,389</u>

Fair values of financial assets and financial liabilities

The Directors consider that all financial assets and liabilities have been recorded at fair value as at 31 March 2006 and 31 March 2005.

20 Financial commitments and contingent liabilities

There were no financial commitments or contingent liabilities outstanding at the year end (2005: None).

21 Total expense ratio %

	2006		2005	
	£'000	%	£'000	%
Total operating expenses *	291	1.13	245	1.12

* Total operating expenses excludes £18,000 (2005: £23,000) in respect of management fee waiver (see note 3).

The above total expense ratios are based on the average total assets/shareholders' funds of £25,715,000 (2005: £21,913,000) 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.

22 Related party disclosure

Lindsell Train Limited acts as Manager to the Company. The amounts paid to the Manager are disclosed in note 3 and further details of the relationship between the Company and the Manager are set out in note 6. Full details of Directors' interests are set out in the Report of the Directors on page 11.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notes to the Financial Statements continued

23 Restatement of opening balances at 31 March 2004

	Notes	Previously reported 31 March 2004 £'000	Adjustments £'000	Restated 31 March 2004 £'000
Fixed assets				
Investments	1	24,182	(101)	24,081
Current assets		914	-	914
Creditors: amounts falling due within one year	2	(5,082)	290	(4,792)
Net assets		20,014	189	20,203
Capital and reserves				
Called up share capital		150	-	150
Special reserve		19,850	-	19,850
Capital reserve - realised		(33)	-	(33)
Capital reserve - unrealised	1	(226)	(101)	(327)
Revenue reserve	2	273	290	563
Equity shareholders' Funds		20,014	189	20,203
Net asset value per Ordinary Share		£100.07	£0.94	£101.01

Notes to the reconciliation

- Investments are designated as held at fair value in accordance with FRS26 and are carried at bid prices which total their fair value of £24,081,000 (previously they were carried at mid prices). The aggregate differences, being a revaluation downwards of £101,000, also decreased capital reserve - unrealised.
- No provision has been made for the final dividend on Ordinary Shares for the year ended 31 March 2004 of £290,000. Under FRS21 the final dividend is not recognised until it is no longer at the discretion of the Company.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notes to the Financial Statements continued

24 (a) Restatement of balances as at and for the year ended 31 March 2005

	Notes	Previously reported 31 March 2005 £'000	Adjustments £'000	Restated 31 March 2005 £'000
Fixed assets				
Investments	1	25,272	(83)	25,189
Current assets		1,817	-	1,817
Creditors: amounts falling due within one year	2	(3,503)	310	(3,193)
Net assets		23,586	227	23,813
Capital and reserves				
Called up share capital		150	-	150
Special reserve		19,850	-	19,850
Capital reserve - realised		1,124	-	1,124
Capital reserve - unrealised	1	2,068	(83)	1,985
Revenue reserve	2	394	310	704
Equity Shareholders' Funds		23,586	227	23,813
Net asset value per Ordinary Share		£117.93	£1.13	£119.06

Notes to the reconciliation

1. Investments are designated as held at fair value in accordance with FRS26 and are carried at bid prices which total their fair value of £25,189,000 (previously they were carried at mid prices). The aggregate differences, being a revaluation downwards of £83,000, also decreased capital reserve - unrealised.

2. No provision has been made for the final dividend on Ordinary Shares for the year ended 31 March 2005 of £310,000. Under FRS21 the final dividend is not recognised until it is no longer at the discretion of the Company.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notes to the Financial Statements *continued*

24 (b) Reconciliation of the Statement of Total Return (restated) for the year ended 31 March 2005

	Notes	31 March 2005 £'000	Earnings Per Share Impact £
Total transfer to reserves per the Statement of Total Return (previously reported)		3,572	-
Add back dividends paid and proposed	1	310	-
Investments held at fair value changed from mid to bid basis at 31 March 2004	2	101	0.51
Investments held at fair value changed from mid to bid basis at 31 March 2005	2	(83)	(0.42)
Net return per the Statement of Total Return (restated)		<u>3,900</u>	<u>0.09</u>

Notes to the reconciliation

1. Ordinary dividends declared and paid during the period are dealt with through the Reconciliation of Movements in Shareholders' Funds.

2. The Portfolio valuations at 31 March 2004 and 31 March 2005 are required to be valued at fair value under FRS26. These are lower than the previous valuations by £101,000 and £83,000 respectively.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notice of Annual General Meeting

Notice is hereby given that the fifth Annual General Meeting of The Lindsell Train Investment Trust plc will be held at the offices of JPMorgan Cazenove, 20 Moorgate, London EC2R 6DA on Thursday 13 July 2006 at 4.00 p.m. for the following purposes:

Ordinary business

1. to receive the accounts and the reports of the Directors and the auditor for the year ended 31 March 2006;
2. to approve the Directors' Remuneration Report for the year ended 31 March 2006;
3. to declare a dividend of 175p per Ordinary Share;
4. to re-elect Mr D Adamson as a Director of the Company;
5. to appoint Mr D Caldecott as a Director of the Company;
6. to re-appoint RSM Robson Rhodes LLP as auditor to the Company and to authorise the Directors to determine the auditor's remuneration.

Special business

To consider and, if thought fit, pass the following resolutions as Special Resolutions:

7. THAT the Directors be and they are hereby generally and unconditionally authorised and empowered to exercise all the powers of the Company to allot relevant securities (as defined in Section 80 of the Act) pursuant to Section 95 of the Act, or transfer or sell treasury shares, as if Section 89(1) of the Act did not apply to any such allotment, transfer or sale, provided that this authority and power shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2007 or 12 October 2007 and shall be limited to:
 - a. the allotment, transfer or sale of any such securities having an aggregate nominal value not exceeding £7,500 being 5% of the equity share capital currently in issue;
 - b. the allotment of equity securities at a price of not less than the net asset value per share on the day preceding allotment or, if earlier, the agreement to allot; and
 - c. the transfer or sale of any shares held by the Company as treasury shares at a price not less than the asset value per share on the day preceding such transfer or sale;

save that the Directors may, before the expiry of such period, make offers or agreements which would or might require any such securities to be allotted, transferred or sold after the expiry of such period and the Directors may allot, transfer or sell such securities in pursuance of such offers or agreements as if the authority hereby granted had not expired.

8. THAT: the Company be and is hereby generally and unconditionally authorised in accordance with section 166 of the Companies Act 1985 (the "Act") to make market purchases (within the meaning of Section 163 of the Act) of Ordinary Shares of 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;

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Notice of Annual General Meeting *continued*

- c. the maximum price (excluding expenses) which may be paid for an Ordinary Share shall be 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;
- d. any purchase of shares will be made in the market for cash at prices below the prevailing net asset value per Ordinary Share;
- e. any shares so purchased shall be cancelled unless the Directors otherwise determine, subject to the provisions of the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003, that they are to be treated as Treasury Shares; and
- f. unless renewed, such authority hereby conferred shall expire at the Annual General Meeting of the Company to be held in 2007, or if earlier, the date 15 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.

Dated this 9th day of June 2006

By order of the Board

Phoenix Administration Services Limited

Secretary

Notes

- (i) A shareholder entitled to attend and vote is entitled to appoint a proxy or proxies to attend in their place and, on a poll, vote instead of that shareholder. A proxy need not be a shareholder of the Company.
- (ii) Shareholders are invited to complete and return the reply paid form of proxy which accompanies this report. Lodgement of the form of proxy will not prevent a shareholder from attending and voting at the meeting if they subsequently so decide.
- (iii) To be effective, the form of proxy and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority) must be completed and returned to the offices of the Company's registrars, Capita Registrars (Proxies), PO Box 25, Beckenham, Kent BR3 4BR, as soon as possible and, in any event, so as to be received by not later than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.
- (iv) Entitlement to attend and vote at the Annual General Meeting or any adjournment thereof, and the number of votes which may be cast thereat, will be determined by reference to the register of shareholders of the Company at 6 pm on 11 July 2006 or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting (as the case may be). Changes to the register of shareholders after such time will be disregarded.
- (v) No Director has a service contract with the Company.
- (vi) The register of Directors' interests will be available for inspection at the Annual General Meeting for fifteen minutes prior to and throughout the meeting.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Company Information

Directors

Rhoderick Swire (Chairman)
Donald Adamson
Dominic Caldecott
Michael Mackenzie

Investment Manager

Lindsell Train Limited
35 Thurloe Street
London
SW7 2LQ

Company Secretary and registered office

Phoenix Administration Services Limited
Springfield Lodge
Colchester Road
Chelmsford
Essex
CM2 5PW

Solicitors

Dechert
2 Serjeants' Inn
London
EC4Y 1LT

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Registered auditor

RSM Robson Rhodes LLP
30 Finsbury Square
London
EC2P 2YU

Brokers

JPMorgan Cazenove
20 Moorgate
London
EC2R 6DA

Custodian

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

Shareholder relations

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

Individual Savings Account ('ISA')

The Company's shares are eligible to be held in a Maxi ISA allowing investment of up to £7,000 in each tax year up to 2010.

THE LINDSELL TRAIN INVESTMENT TRUST PLC

Form of Proxy

Name(s) in full

(BLOCK CAPITALS PLEASE)

I/We, the undersigned, being (a) member(s) of the above Company, hereby appoint the Chairman of the Meeting or

(see note 3) as my/our proxy to vote for me/us and on my/our behalf at the fifth Annual General Meeting of the Company to be held on 13 July 2006 and at any adjournment thereof, in the following manner:

	FOR*	AGAINST*	WITHHELD*	
1.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	the resolution to receive the accounts and the reports of the Directors and the auditor for the year ended 31 March 2006;
2.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	the resolution to approve the Directors' Remuneration Report for the year ended 31 March 2006;
3.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	the resolution to declare a dividend of 175p per Ordinary Share;
4.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	the resolution to re-elect Mr D Adamson as a Director of the Company;
5.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	the resolution to appoint Mr D Caldecott as a Director of the Company;
6.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	the resolution to re-appoint RSM Robson Rhodes LLP as auditor to the Company and to authorise the Directors to determine the auditor's remuneration;
7.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	the special resolution to authorise the Company to issue Shares outside of pre-emption rights;
8.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	the special resolution to authorise the Company to make market purchases of Ordinary Shares.

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

As WITNESS my/our hand(s) this day of 2006

Signature(s)

Notes:

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

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BUSINESS REPLY SERVICE
Licence No. MB 122

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Capita Registrars (Proxies)
PO Box 25
Beckenham
Kent
BR3 4BR

First Fold

Second Fold



Company Secretary and registered office

Phoenix Administration Services Limited

Springfield Lodge

Colchester Road

Chelmsford, Essex CM2 5PW

Tel: 01245 398950

Fax: 01245 398951

www.phoenixadmin.co.uk

The Lindsell Train Investment Trust plc

Registered in England 4119429