

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

Annual Report and Financial Statements  
For the year ended 31 March 2023

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

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# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Company Summary

### The Company

The Lindsell Train Investment Trust plc (the "Company" or "LTIT") is a listed investment company. Its shares are quoted on the premium segment of the Official List and traded on the main market of the London Stock Exchange. The Company is a member of the Association of Investment Companies ("AIC").

The Company is a UK Alternative Investment Fund ("AIF") under the European Union Alternative Investment Fund Managers' Directive ("AIFMD"). The Board is the Small Registered UK Alternative Investment Fund Manager ("AIFM") of the Company.

### Investment Objective

The objective of the Company is to maximise long-term total returns with a minimum objective to maintain the real purchasing power of Sterling capital.

### Investment Manager

Lindsell Train Limited ("LTL") acts as discretionary Investment Manager (the "Manager") of the Company's assets. However, the Board retains ultimate discretion over the holding in LTL and LTL managed fund products. Decisions on these holdings are based on advice and information received from the Manager.

Further details concerning the Agreements with the Company's service providers can be found in Appendix 3, on page 98.

### Performance and Benchmark

The performance and financial highlights are provided on pages 4 and 5.

The Company compares its performance and calculates its performance fee relative to its benchmark, the MSCI World Index in Sterling.

The Combined Benchmark is a combination of the Old Benchmark (the annual average redemption yield of the longest dated UK government fixed rate bond, plus a premium of 0.5% subject to a minimum yield of 4%) until 31 March 2021 and the Current Benchmark (MSCI World index in Sterling) from 1 April 2021.

### Dividend

A final dividend of £51.50 per Ordinary Share (2022: a final dividend of £51.12 and a special dividend of £1.88) is proposed for the year ended 31 March 2023. If this dividend is approved by shareholders at the Annual General Meeting, it will be paid on Tuesday, 12 September 2023 to shareholders on the register at close of business on Friday, 11 August 2023 (ex-dividend Thursday, 10 August 2023).

### Annual General Meeting

The notice of the Annual General Meeting, scheduled for Wednesday, 30 August 2023 at 2.30 p.m. at the Marlborough Suite, St Ermin's Hotel, 2 Caxton Street, London, SW1H 0QW, is provided on pages 99 to 103.

### Capital Structure

The Company's capital structure comprises 200,000 Ordinary Shares of 75 pence each. Details are given in note 13 to the Financial Statements on page 80.

**THIS DOCUMENT IS IMPORTANT AND, IF YOU ARE A HOLDER OF ORDINARY SHARES, REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to what action to take, you should seek advice from your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 (as amended). If you have sold or otherwise transferred all of your Ordinary Shares in the capital of the Company you should send this document, together with any other accompanying documents, including the form of proxy, at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer, was effected, for onward transmission to the purchaser or transferee.

## Strategic Report

### Business Review

The Directors present their Strategic Report for the Company for the year ended 31 March 2023. The Report contains: a review of the Company's strategy, an analysis of its performance during the financial year, comment on its future outlook and details of the principal risks and challenges that it faces.

Reviews of the financial year and commentary on the future outlook are presented in the Chairman's Statement on pages 5 to 8 and the Manager's Report on pages 11 to 12. The Company's Investment Objective and Investment Policy are set out on page 3.

The Strategic Report has been prepared to provide shareholders with information to assess how the Directors have performed their duty to promote the success of the Company.

Further information on how the Directors have discharged their duty under Section 172 of the Companies Act 2006 can be found on pages 21 to 24.

The Strategic Report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the date of this Report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

As an externally managed investment company the Company has no executive directors, employees or internal operations. The Company delegates its day-to-day management to third-parties.

The Board is responsible for all aspects of the Company's affairs, including the setting of parameters for and monitoring of the investment strategy as well as the review of investment performance and policy. It also has responsibility for all strategic issues and corporate governance matters.

Throughout the year under review, the Company continued to operate as an approved investment company, pursuing its investment objective.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Investment Objective

The objective of the Company is to maximise long-term total returns with a minimum objective to maintain the real purchasing power of Sterling capital.

## Investment Policy

The Investment Policy of the Company is to invest:

- (i) in a wide range of financial assets including equities, unlisted equities, bonds, funds, cash and other financial investments globally with no limitations on the markets and sectors in which investment may be made, although there is likely to be a bias towards equities and Sterling assets, consistent with a Sterling-dominated investment objective. The Directors expect that the flexibility implicit in these powers will assist in the achievement of the investment objective;
- (ii) in LTL managed fund products, subject to Board approval, up to 25% of its gross assets; and
- (iii) in LTL and to retain a holding, currently 24.2%, in order to benefit from the growth of the business of the Company's Manager.

The Company does not envisage any changes to its objective, its investment policy or its management for the foreseeable future. The current composition of the portfolio as at 31 March 2023, which may be changed at any time (excluding investments in LTL and LTL managed funds) at the discretion of the Manager within the confines of the policy stated above, is shown on pages 9 and 10.

### Diversification

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

### Gearing

The Directors have discretion to permit borrowings up to 50% of the Net Asset Value. However, the Directors have decided that it is in the Company's best interests not to use gearing. This is in part a reflection of the increasing size and risk associated with the Company's unlisted investment in LTL, but also in response to the additional administrative burden required to adhere to the full scope regime of the AIFMD.

### Dividends

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

In a year when this policy would imply a reduction in the ordinary dividend the Directors may choose to maintain the dividend by increasing the percentage of revenue paid out or by drawing down on revenue reserves. Revenue reserves are currently more than twice the annual proposed 2023 ordinary dividend.

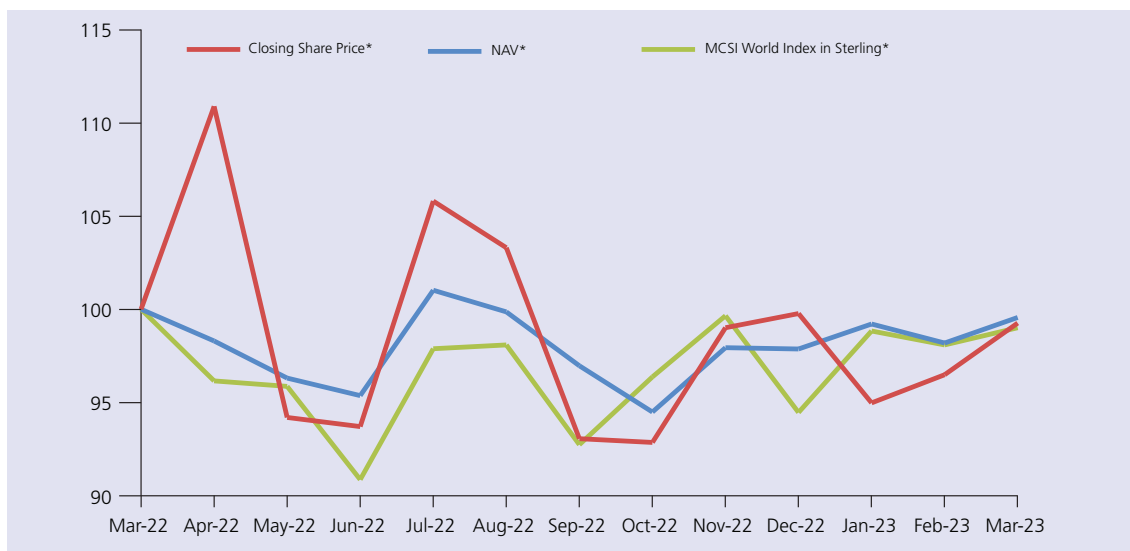
All dividends have been distributed from revenue.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Strategic Report

### Company Performance

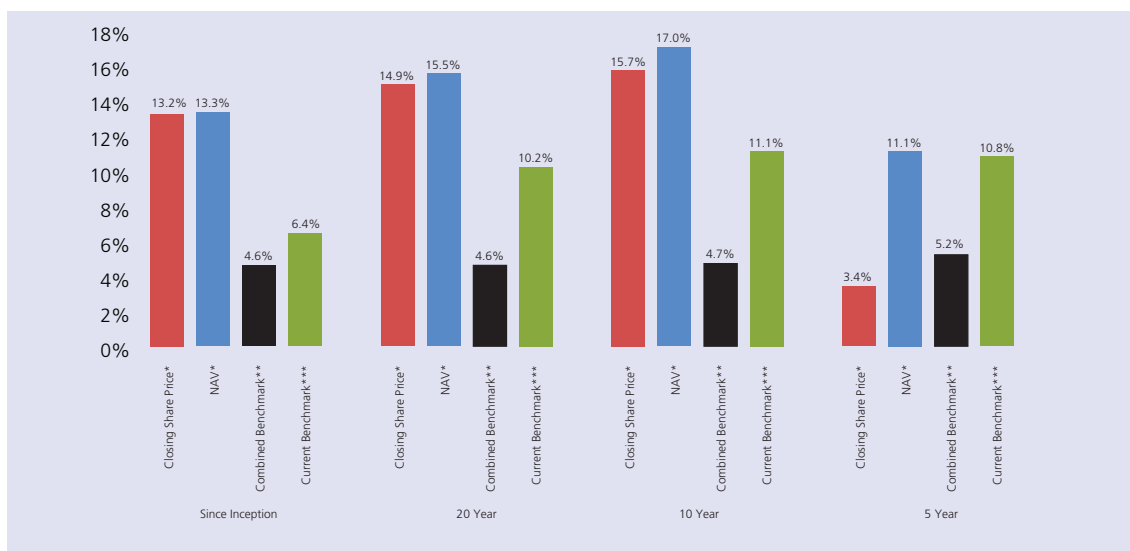
Share price performance and Net Asset Value ("NAV") compared with the Benchmark for the year ended 31 March 2023 (based on total return performance with reinvested net dividend)



\* Rebased to show the performance per £100 invested.

The closing price is adjusted for the dividends of £53.00 per share which went ex-dividend on 11 August 2022.

#### Annualised Total Return of the Share Price, NAV and Benchmark



Note: The table is based on monthly raw data.

\* The NAV and share price are adjusted for dividends and show annualised total returns.

\*\* The Combined Benchmark is a combination of the Old Benchmark (the annual average redemption yield of the longest dated UK government fixed rate bond, plus a premium of 0.5% subject to a minimum yield of 4%) until 31 March 2021 and the Current Benchmark (MSCI World index in Sterling) from 1 April 2021. The Combined Benchmark does not include adjustments relating to the High Water Mark.

\*\*\* The Current Benchmark shows the performance of the MSCI World Index in Sterling. It was only adopted as the Current Benchmark from 1 April 2021.

Source: Bloomberg and LTL.

## Financial Highlights for the Year

Performance Comparisons	2023	2022
Net Asset Value total return per Ordinary Share*^	-0.4%	-2.3%
Share price total return per Ordinary Share*^	-0.7%	-20.0%
MSCI World Index total return (Sterling)	-1.0%	15.4%
UK RPI Inflation (all items)	13.5%	8.9%

\* The Net Asset Value and the share price at 31 March 2023 have been adjusted to include the Ordinary dividend of £51.12 and a special dividend of £1.88 per Share paid on 13 September 2022, with the associated ex-dividend date of 11 August 2022.

^ Alternative Performance Measure ("APM"). See Glossary of Terms and Alternative Performance Measures beginning on page 104.

Source: Morningstar and Bloomberg.

## Chairman's Statement

The Company's net asset value per share ("NAV") was £1,056.95 on 31 March 2023. Although it fell from £1,113.81 a year earlier, the payment of the Company's total annual dividend of £53.00 per share in September 2022 ensured that the NAV total return was only fractionally down, by 0.4%. This was a marginally better result than the performance of the Company's benchmark, the MSCI World Index in Sterling, which fell in value by 1.0% over the year. The Company's share price closely tracked the NAV for most of the year and at 31 March 2023 closed at £1,052.50, a 0.4% discount. After two consecutive years of underperformance compared with the benchmark index between 31 March 2020 and 31 March 2022 it was pleasing to see comparative returns improving.

The Company's long-term returns remain satisfactory even with rising inflation over the last two years and continue to meet the Company's investment objective as outlined on page 1. The annual NAV total return since inception was 13.3% and remained well ahead of annual RPI inflation of 3.5%. Over the last five years NAV annual total returns were 11.1% compared with a rise in the RPI of 5.7%, even though this captures the lower NAV returns and higher inflation of the last two years. The Manager believes that the best way to mitigate rising inflation is to invest in companies whose market positions allow them to raise prices or innovate through the application of technology to grow and to offset cost pressures. We see some evidence of this from the strong corporate performances reported by the Company's quoted holdings after lockdowns ended.

In the face of these challenging circumstances there is a reassuring consistency and thus no change to the Manager's overall approach to investment. Indeed the quoted portfolio is all but unchanged from this time last year. It is comprised of ten durable cash generative companies and two pooled funds, themselves made up of similar companies, generating in aggregate higher returns on capital than the average quoted company. The Manager believes that by letting these great quoted businesses compound their returns from year to year rather than changing them in the hope of anticipating shorter-term market price fluctuations, which incurs execution risk and dealing expense, performance will generate lasting real returns for shareholders as has been the case for much of the Company's existence.

### Lindsell Train Limited ('LTL')

The Company's cornerstone holding in LTL, which represented 40.3% of NAV at 31 March 2023, has held back the Company's overall performance in recent years even if in the year to 31 March 2023, the LTL valuation total return was marginally positive at 0.2%. From LTL's peak valuation

## Strategic Report

### Chairman's Statement *continued*

on 30 June 2021, LTL's total return to 31 March 2023 was down by 14.0%. Over the last two years LTL has been defending its approach to investment in the face of disappointing investment performance across all its strategies. Relative performance was worst in 2021 and improved for some strategies in 2022 but cumulatively there is some ground to be made up. In the circumstances, and exacerbated by other factors unrelated to performance, it is perhaps not surprising that LTL's FUM has fallen on account of net client withdrawals. FUM for LTL peaked in June 2021 at £24.6 billion and had fallen to £18.6 billion at 31 March 2023, experiencing over that time £5.3 billion of net outflows. Lower FUM has resulted in LTL's valuation falling from £18,730.17 at its peak at 30 June 2021 to £13,212.40 at 31 March 2023, a reduction of 29.5%.

Throughout this period LTL has stuck to its investment approach and, almost without exception, to the companies it owns in each of its strategies. LTL is encouraged by how well most of its investee companies have progressed as businesses even if this has not been reflected in market prices. Provided LTL's companies continue to thrive, market prices should in time recover and relative performance improve.

LTL has further expanded its profit share scheme to ensure that key individuals are incentivised to continue to pursue their careers with LTL. From LTL's current financial year 15% of its net profits, up from 8% last year, will be paid to selected individuals within the scheme. 50% of these profit share payments have to be invested in LTL shares at the prevailing LTL valuation. The shares are sourced from LTL's founders, Nick Train and Michael Lindsell, and your Company, with the founders providing 75% and your Company 25% after LTL's Treasury is exhausted. These profit share commitments are perpetual provided that the individual remains in LTL's employment. This transfer of ownership will mean that the Company's holding in LTL diminishes slowly over time. The Board believes that by ceding ownership to future successors in this way it builds up an alignment of interests between employees and shareholders to allow LTL to flourish in the future. The number of shares the Company holds in LTL has remained static since 31 March 2019 but from this year will begin to fall, reflecting these sales.

It is intended that these initiatives will accompany a transfer of responsibilities to selected employees to ensure that LTL thrives beyond the founders active involvement. Any change is likely to be incremental as both founders remain bound to the business, having recently renewed their seven year rolling commitment to continue to work at LTL.

The rising profit share payments outlined above should not materially affect the profitability of LTL, as the payments transfer rewards previously destined to the founders to successors within the constraints of LTL's salary and bonus cap. If LTL increases the profit share awards in the future beyond a certain level it may be necessary to give consideration to amending the salary and bonus cap to accommodate the payments. Any change in the salary and bonus cap will require approval from the Board of this Company.

#### **The Valuation of Lindsell Train Limited**

An important task for the Board is to determine the valuation of its 24.2% minority stake in LTL. The valuation methodology, which was amended at 31 March 2022 having taken professional advice, has been applied throughout the year. It is based on a percentage of LTL's FUM, with the percentage applied adjusted to reflect the ongoing profitability of LTL, and currently values the LTL stake at £85 million (2022: £97 million). The increase in UK Corporation Tax from April 2023



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from 19% to 25% has already impacted the LTL valuation as the Directors accounted for a staged increase in the tax rate when calculating LTL's valuation from October 2022. The Board continues to monitor a number of alternative approaches to the valuation of LTL to ensure that the result of the new methodology makes sense in the context of the future prospects for LTL and also when it is compared with similar businesses.

As the share transfers resulting from profit share awards increase, so the utility and importance of LTL's valuation expands from primarily determining a monthly price for LTL's shares to becoming the price that governs the transfer of value between founders, employees and the Company.

## **Dividend**

The Board proposes to pay a total dividend for the year to 31 March 2023 of £51.50 per share which represents a small 0.7% rise in the ordinary dividend from £51.12. No special dividend will be paid this year as LTL did not earn any performance fees. It represents a 2.8% fall in the total dividend and means that the Company will retain slightly less than the maximum amount it is permitted to retain to guarantee continued Investment Trust status.

In framing its dividend policy the Company has always assumed that retaining as much net income as allowable within the Company is preferable and more tax efficient for our shareholders. However this principle also runs alongside a desire to see LTL's dividends grow, reflecting the success of the Company. In three instances in the past (in 2007, 2010 and 2011) following market volatility, the Board decided either to retain less than the maximum allowed or to draw down on its revenue reserves to prevent the dividend from falling, which would have resulted if there had been a strict interpretation of the dividend policy. The Board is minded to do the same in the future but is aware that, as the LTL dividend now represents 84% of the Company's total revenues (a much higher percentage compared with earlier years), depleting revenue reserves to simply maintain the dividend without some assurance that those reserves would soon be replenished might not be in the best interests of shareholders. We do not know what 2023 will bring for LTL, but at current levels of FUM the LTL dividend is likely to fall again in its year ending January 2024.

## **Board Changes**

During the year the Board was delighted to welcome Roger Lambert and Helena Vinnicombe, who were appointed as Directors in September 2022 following a formal recruitment process. A resolution proposing their election together with resolutions for those Directors standing for re-election will be put to Shareholders at the forthcoming Annual General Meeting.

Richard Hughes resigned as the Chairman of the Audit Committee in April 2023 and has also decided to retire from the Board following the Annual General Meeting. Both decisions were taken for personal reasons. Richard's experience as a fund manager and as an observer of companies and markets over his career made his contribution to the company as the Audit Committee Chairman particularly valuable, especially in revising the valuation methodology for LTL and cataloguing and assessing the potential risks facing the Company. The Board is sad to lose a valued member. We wish him well for the future.

## Strategic Report

### Chairman's Statement *continued*

Following Richard's resignation Helena Vinnicombe agreed to become the Chairman of the Audit Committee for an interim period and Cornforth Consulting Ltd ("Cornforth") was appointed by the Board in April 2023 to assist with the appointment of a new Audit Committee Chairman.

I have been honoured and privileged to serve as Chairman of the Company since 2015. I have indicated to the Board that I wish to stand down as part of the normal succession process and it has been agreed that I will do so at the end of 2023. I am delighted that Roger Lambert has been chosen by my Board colleagues to succeed me from 1 January 2024.

#### **Change of Auditor**

During the year the Board initiated a formal competitive tender process for our external audit engagement. At the forthcoming Annual General Meeting, the Board will propose that BDO LLP replace PricewaterhouseCoopers LLP as the Company's external auditor. Full details of this process can be found in the Report of the Audit Committee beginning on page 55.

#### **The Annual General Meeting**

This year's Annual General Meeting will be held at 2.30 p.m. on Wednesday, 30 August 2023, at the Marlborough Suite, St Ermin's Hotel, 2 Caxton Street, London, SW1H 0QW. As well as the formal proceedings, there will be an opportunity for shareholders to meet the Board and the Investment Manager, and to receive an update on the Company's strategy and its key investments. This year for the first time voting will be conducted via a poll and I encourage all shareholders to exercise their right to vote. The Board strongly encourages shareholders to register their votes online in advance. Registering your vote in advance will not restrict shareholders from attending and voting at the meeting in person should they wish to do so. As investors we demand high standards of corporate governance from the companies that we own in the Company's portfolio, and we urge you, our shareholders, to follow suit and vote on the resolutions that are proposed, as we the Directors intend to do ourselves.

#### **Considerations for the Future**

With interest rates rising as much and as quickly as they have, it is encouraging that markets have been able to absorb these increases with relative equanimity. Recent troubles in the global banking sector show that perhaps markets have yet to fully adjust to the effects of this change.

In this environment the Board is much reassured that the Company owns a selection of durable quoted companies with a history of having thrived through more difficult times in the past. The holding in LTL, as a unquoted, relatively young company, may represent more risk from this perspective but, as its business is built on the same durable platform of companies that it owns for its clients, it is also uniquely aligned with the risks faced by the quoted portfolio.

Let us hope these companies continue to compound the returns we seek. If they do, market prices should eventually respond, which should be to the benefit of our direct holdings and LTL's business.

**Julian Cazalet**

Chairman

12 June 2023

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Portfolio Holdings at 31 March 2023

(All ordinary shares unless otherwise stated)

Holding	Security	Fair value £'000	% of net assets	Look through basis % of total assets <sup>†</sup>
6,450	Lindsell Train Limited	85,220	40.32	40.32
235,000	London Stock Exchange	18,490	8.75	8.94
12,500,000	LF Lindsell Train North American* Equity Fund	17,361	8.21	0.00
420,500	Diageo	15,195	7.19	7.40
410,000	Nintendo	12,828	6.07	6.07
363,000	RELX	9,500	4.49	4.73
222,000	Unilever	9,301	4.40	4.57
149,980	Mondelez International	8,468	4.00	4.45
1,263,393	A.G. Barr	6,367	3.01	3.03
89,000	Heineken	6,618	3.13	3.24
97,400	PayPal	5,988	2.83	3.06
39,000	Laurent Perrier	4,016	1.90	1.90
420,000	Finsbury Growth & Income Trust*	3,776	1.79	0.00
	<i>Indirect Holdings</i>	–	–	8.26
	Total Investments	203,128	96.09	95.97
	Net Current Assets	8,262	3.91	4.03
	Net Assets	211,390	100.00	100.00

† Look-through basis: Percentages held in each security are adjusted upwards by the amount of securities held by LTL managed funds owned by the Company. A downward adjustment is applied to the fund's holdings to take into account the underlying holdings of these funds. It provides shareholders with a measure of stock specific risk by aggregating the direct holdings of the Company with the indirect holdings held within LTL managed funds.

\* LTL managed funds.

### Leverage

We detail below the equity exposure of the Funds managed by LTL as at 31 March 2023:

	Net Equity Exposure
LF Lindsell Train North American Equity Fund ACC	97.91%
Finsbury Growth & Income Trust PLC	101.48%

## Strategic Report

### Analysis of Investment Portfolio at 31 March 2023

#### Breakdown by Location of Listing

(look-through basis)^

UK*	70%
USA	15%
Japan	6%
Europe excluding UK	5%
Rest of World	0%
Cash & Equivalents	4%
	<hr/>
	<b>100%</b>
	<hr/> <hr/>

#### Breakdown by location of underlying company revenues

(look-through basis)^

USA**	28%
Europe excluding UK**	27%
UK**	26%
Rest of World	12%
Japan	3%
Cash & Equivalents	4%
	<hr/>
	<b>100%</b>
	<hr/> <hr/>

#### Breakdown by Sector

(look-through basis)^

Financials	54%
Consumer Staples	27%
Communication Services	7%
Industrials	5%
Information Technology	2%
Consumer Discretionary	1%
Cash & Equivalents	4%
	<hr/>
	<b>100%</b>
	<hr/> <hr/>

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

\* LTL accounts for 40.3% and is not listed.

\*\* LTL accounts for 17 percentage points of the Europe figures, 18 percentage points of the UK figures, 5 percentage points of the USA figures and 0 percentage points of the RoW figure.

## Manager's Report

We did not initiate any holdings over the last six months, nor did we dispose of any. In fact, our only activity was to add to our most recent position, Laurent Perrier. This is now getting on for a 2% holding and we look to build it further, when shares come available, which is infrequently.

We know this lack of activity could be construed as us running out of ideas, or complacency. I assure you this is not so, and that Michael Lindsell and I remain as committed to and ambitious for your Company as ever. We both added to our own holdings in the Company over the period.

Instead, the lack of portfolio activity reflects our double conviction. First, that the companies we own are fine businesses with plenty of growth ahead of them and, therefore, with the potential to command higher (we hope much higher) share prices in the future. Second, we reiterate our view that buying and selling shares in the hope of improving investment performance is, on balance and for most investors, over time, a loser's game. The costs of such selling and buying are certain, while the benefits of switching horses in mid-stream are most uncertain, particularly when you own a stable of thoroughbreds, which we believe is the case for ours.

Nonetheless, we know that for the NAV of your Company to make significant progress, the shares of our investee companies must also progress. In fact, we want as many as possible to be hitting regular all-time highs, because that is the best validation of our kind of investment approach. That investment approach being based on identifying long-term winners and then running those winners for the genuinely long-term. Candidly, we wish more of our holdings had been hitting new highs over the last couple of years.

However, in this report let me note: three portfolio holdings hit all-time share price highs in the first quarter of 2023. We hope this trio goes even better as the year progresses and that they are soon joined by other important holdings hitting all-time share price highs too.

The three recent winners were Laurent Perrier, Mondelez and RELX, each of which had encouraging recent trading updates. I hope it doesn't sound flippant, but we think there is every ground for expecting these companies to continue to do well. Their respective business franchises – one of the world's premium champagne brands (and the only publicly-quoted one); the owner of two beloved global mega-brands, Cadbury and Oreos; and a globally-significant provider of "must-have data" for scientists, lawyers and risk professionals – remain compelling propositions for investors, we think. All three have been terrific long-term investments too, in addition to their 2023 gains. Why shouldn't they carry on being so?

Elsewhere, there are several holdings where the shares have picked up in recent months and are now within striking distance of all-time highs. Diageo for instance is less than 10% off its peak. A period of dull price performance since 2021 has coincided with some interesting changes to the share register. We note three relatively recent buyers of Diageo shares: the Gates Foundation (as in Bill Gates), Berkshire Hathaway and Diageo itself. We are encouraged to see investors and an industry participant of this calibre sharing our confidence in the secular growth and inflation protection offered by Diageo's brands. And, of course, Diageo's purchases of its own shares for cancellation increase the value of each remaining share; great for long-term holders like us.

Bill Gates also took advantage of a recent corporate placing of Heineken shares to acquire a stake in that company, worth nearly \$1.0 billion. This is a nice approbation of the durability and likely long-term prosperity of this great business, and we hope to see our Heineken shares surpass their 2019 peak soon. They are currently about 10% shy.

## Strategic Report

### Manager's Report *continued*

Bill Gates' old business, Microsoft, recently acquired £1.7 billion-worth of shares in London Stock Exchange Group ("LSEG") – as part of a strategic joint venture between the two companies. This has pushed LSEG shares better, and they are now c10.7% below their 2021 highs (at worst they traded 35% below those levels). With each passing set of results the wisdom of LSEG's 2021 purchase of Refinitiv looks more certain. Certainly, it is the reason that Microsoft has partnered with LSEG. And if the LSEG board's ambitions are achieved – and that board now has a senior Microsoft officer as a non-executive - then we have no doubt that old share price peak will be handsomely superseded.

Another new strategic holding has been built in one of your portfolio companies. Nintendo has a new, major investor; the Saudi Public Wealth Fund now speaks for 8% of its equity. Today the shares are 20% below the highs they reached in 2021 (although admittedly somewhat further below their all-time high of as long ago as 2007). What will make those highs be surpassed? Well – how about the news that Nintendo's Mario movie, released in April 2023, has rapidly become the most successful video-game film spin-off ever and is, after just a week's release, the second most successful animated movie released since the onset of Covid-19? To us and, we assume, the Saudi Public Wealth Fund, that success reinforces our confidence in the longevity of Nintendo's wonderful gaming franchises, which have been loved by generation after generation of kids and their parents. Nintendo shares are valued on a lowly 14x historic earnings and a dividend yield of nearly 3%, which speaks of a scepticism on the part of investors about the earnings power of the company. To us that scepticism seems profoundly wrong.

Unilever shares currently stand 16% below their 2019 peak (though 28% above their lows of early 2022) and probably need a resurgence of confidence in Emerging Markets to really get going again; of course, this will happen one day.

I must acknowledge that for the other two holdings in your portfolio, all-time high share prices look more distant in the short term. A.G. Barr sits 45% below its 2019 highs and PayPal a disappointing 75%. Yet both are forecast to grow sales and earnings over the next few years, each have obviously valuable brands or market positions and both have very strong balance sheets – so you never know.

In summary, we are pretty pleased with the business performance of the companies in your portfolio. Excepting the impact of Covid-19, they have exhibited the reliability we hoped for. Their share prices have been less satisfactory, at least until recently. But we are sure if the businesses continue to prosper, the shares will follow – to the benefit of your Company.

**Nick Train**  
Investment Manager  
Director, Lindsell Train Limited  
12 June 2023

## Performance and Prospects

As set out in the Chairman's statement beginning on page 5, considering the opportunities and challenges faced during the year, relative to the wider market, the Board is satisfied with the Company's performance compared with the benchmark and other key performance indicators, when assessed over the five and ten year periods referred to in the chart on page 4.

The Board continues to fully support the Manager's strategy and firmly believes that it will continue to deliver strong investment returns over the long-term.

This is supported by the Company's performance since inception (21 January 2001) with a net asset value per share total return<sup>^</sup> of 13.3% compared with a total return from the Company's combined benchmark index of 4.6% both calculated on an annualised basis.

The Directors provide an explanation in the Viability Statement on pages 19 and 20 as to how they have assessed the prospects of the Company, over what period they have done so and why they consider that period to be appropriate.

## Key Performance Indicators ("KPIs")

The Board reviews the performance of the portfolio in detail and is presented with the views of the Manager at each meeting. Information on the Company's performance is provided in the Chairman's Statement (beginning on page 5) and the Manager's Report (beginning on page 11). This performance is assessed against the following KPIs: Net Asset Value Total Return, Share Price Total Return and Dividend per Ordinary Share which are unchanged from last year with the exception of Dividend per Ordinary Share.

Net Asset Value Total Return<sup>^</sup> and Share Price Total Return<sup>^</sup> are compared with the benchmark and provide the key performance indicators for assessing the development and performance of the Company.

### Principal Data

	<b>31 March 2023</b>	31 March 2022	% Change
Shareholders' funds (£'000)	<b>211,390</b>	222,761	-5.1%
NAV per Ordinary Share	<b>£1,056.95</b>	£1,113.81	-5.1%
Discount to NAV <sup>^</sup>	<b>0.42%</b>	0.79%	
Share price per Ordinary Share	<b>£1,052.50</b>	£1,105.00	-4.8%
Recommended final dividend per Ordinary Share	<b>£51.50</b>	£51.12	+0.7%
Recommended special dividend per Ordinary Share	–	£1.88	-100.0%
Total dividends recommended for the year	<b>£51.50</b>	£53.00	-2.8%
Dividend yield <sup>^</sup>	<b>4.89%</b>	4.80%	
Ongoing Charges <sup>^</sup>	<b>0.87%</b>	0.82%	
Earnings/(loss) per Ordinary Share – basic	<b>£(3.85)</b>	£(21.77)	
Revenue	<b>£61.06</b>	£63.65	
Capital	<b>£(64.91)</b>	£(85.42)	
NAV total return <sup>^†</sup>	<b>-0.4%</b>	-2.3%	
Share price total return <sup>^†</sup>	<b>-0.7%</b>	-20.0%	
Benchmark (MSCI World Index in Sterling) <sup>†</sup>	<b>-1.0%</b>	15.4%	

<sup>^</sup> Alternative Performance Measure (see Glossary beginning on page 104).

<sup>†</sup> These are percentage change figures for the year to 31 March.

Please see Glossary of Terms beginning on page 104 for an explanation of terms used.

## Strategic Report

### Key Performance Indicators ("KPIs") continued

#### Five Year Historical Record

To 31 March	Gross income £'000	Net revenue available for Ordinary Shares £'000	Dividends on Ordinary Shares Cost £'000	Dividends on Ordinary Shares Rate (£)	Net asset value per Ordinary Share (£)	Share price per Ordinary Share (£)
2019	8,680	7,172	5,900	29.50	895.93	1,475.00
2020	12,395	10,598	8,800	44.00	956.65	1,060.00
2021	13,782	12,002	10,000	50.00	1,185.58	1,420.00
2022	14,784	12,729	10,600	53.00	1,113.81	1,105.00
<b>2023</b>	<b>14,135</b>	<b>12,211</b>	<b>10,300</b>	<b>51.50</b>	<b>1,056.95</b>	<b>1,052.50</b>

### Alternative Performance Measures ("APM")

The Board believes that each of the APMs, which are typically used within the Investment Trust Sector, provides additional useful information to shareholders in order to assess the Company's performance between reporting periods and against its peer group. The measures used for the year under review have remained consistent with the prior year.

#### (Discount)/premium to NAV<sup>^</sup>

The Board regularly reviews the level of the discount/premium of the Company's share price to the net asset value per share and considers ways in which share price performance may be enhanced, including the effectiveness of share buybacks, where appropriate. Any decision to repurchase shares is at the discretion of the Board.

#### Dividend Yield<sup>^</sup>

The Directors regard the Company's dividend yield to be a key indicator of performance. The dividend yield measures the gross income receivable based on the payment of the historic dividend per share expressed as a percentage of the Company's current share price.

#### Ongoing Charges<sup>^</sup>

Ongoing charges represent the costs that shareholders can reasonably expect to pay from one year to the next, under normal circumstances. The Board continues to be conscious of expenses and works hard to maintain a sensible balance between high quality service and the cost of provision.

#### NAV Total Return<sup>^</sup>

The Directors regard the Company's net asset value per share total return as being the overall measure of value delivered to shareholders over the long term. The Board considers the principal comparator to be the MSCI World Index Total Return (Sterling adjusted).

#### Share Price Total Return<sup>^</sup>

The Directors also regard the Company's share price total return to be a key indicator of performance. This reflects share price growth of the Company which the Board recognises is important to investors.

<sup>^</sup> Further information on each of the Alternative Performance Measures and the basis of their calculation can be found in the Glossary beginning on page 104.











# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Principal Risks

The Board is responsible for managing the risks faced by the Company. Through delegation to the Audit Committee, the Board has established procedures to manage risk, to review the Company's internal control framework and to establish the level and nature of the principal risks the Company is prepared to accept in order to achieve its long-term strategic objective. At least once a year the Audit Committee carries out a robust assessment of the principal and emerging risks with the assistance of Frostrow. A risk management process has been established to identify and assess risks, their likelihood and the possible severity of impact. Further information is provided in the Audit Committee Report beginning on page 55. These principal risks and the ways they are managed or mitigated are set out on the following pages.

The Board's policy on risk management has not materially changed during the course of the reporting period and up to the year end.

Movement during the year:  Unchanged,  Reduced,  Increased,  New risk included during the year

Movement	Key Risks and Uncertainties	Key Mitigations
	<p><b>Corporate Strategy</b></p> <p>The Board may have to reduce the Company's dividend.</p> <p>84% of the Company's income is represented by dividends from LTL. If LTL's funds under management fall the Company's dividend paying potential could be negatively impacted.</p>	<p>The Board reviews at every Board meeting the investment portfolio, income forecasts and levels of available revenue reserves prepared by the Company Secretary at every Board meeting.</p> <p>Sufficient dividends are paid to maintain investment trust status.</p> <p>The Company has retained revenue reserves, which can be used to supplement dividend payments in the event of a short-term reduction in net revenue.</p> <p>In the event of a sustained fall in LTL's FUM and its dividend paid to the Company, the Company's dividend would have to be adjusted downwards.</p>
	<p>The Company's share price total return may differ materially from the NAV per share total return resulting in the shares trading at either a premium or a discount to NAV.</p>	<p>Regular consideration is given to the share price premium or discount to NAV per share and the Company has authority to buy back shares and hold in treasury.</p>
	<p><b>Investment Strategy and Activity</b></p> <p>The departure of a key individual at the Manager may affect the Company's performance.</p>	<p>The Board keeps the investment management arrangements under continual review. In turn, the Manager reports on developments at LTL, including succession and business continuity plans. The Board meets with other members of the wider team employed by the Manager.</p> <p>Key-man insurance has been secured by the Company to help mitigate this risk. The Board is also encouraged by the continued development of the investment management team at LTL who are now taking on greater responsibility at a more senior level.</p>
	<p>The investment strategy adopted by the Manager, including the high degree of concentration of the investment portfolio, may lead to an investment return that is materially lower than the Company's benchmark index, and/or a possible failure to achieve the Company's investment objective.</p>	<p>The Board regularly discusses with the Manager the structure of the portfolio, including asset allocation and portfolio concentration.</p> <p>The Board reviews the performance of the portfolio against the benchmark at every meeting.</p>

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Strategic Report

### Principal Risks *continued*

Movement	Key Risks and Uncertainties	Key Mitigations
→	The adverse impact of climate change on the portfolio companies' operational performance.	<p>The Board receives quarterly ESG updates, which include an update on any climate change related engagement, from the Manager. The Board monitors the Manager on ESG matters to ascertain that the portfolio companies are acting in accordance with the Manager's ESG approach.</p> <p>The Manager is a signatory to the UK Stewardship Code and actively engages with portfolio companies on ESG matters including climate change.</p> <p>LTL developed its own methodology to assess the carbon impact of the portfolio. LTL became a signatory of Net Zero Asset Managers ("NZAM") in December 2021. This reflects LTL's enhanced efforts as a firm to support the goal of net zero greenhouse gas emissions by 2050.</p> <p>Details of the Company's and Manager's ESG policies together with the weighted average carbon intensity of the portfolio companies are set out on pages 25 to 29.</p>
→	The investment in LTL becomes an even greater proportion of the overall value of the Company's portfolio.	<p>The Board holds quarterly discussions with the Manager at each Board meeting. Consideration is given during a strategy meeting to the prospects of LTL and subsequent impact on the Company.</p> <p>The Board receives monthly compliance reports from the Company Secretary which monitor compliance with the investment restrictions.</p>
→	<p><b>Operational</b></p> <p>Adverse reputational impact of one or more of the Company's key service providers which, by association, causes the Company reputational damage.</p>	<p>The Board has appointed reputable service providers who are well experienced in the investment trust sector. Individual Directors are well connected in the investment market and investment company sector and thereby keep themselves apprised of developments in the sector. The Manager and the Company Secretary provide regular news updates on all matters affecting the Company.</p> <p>The Board undertakes an annual review of the level of service provision of the service providers.</p>
→	<p><b>Financial</b></p> <p>Fraud (including unauthorised payments and cyber fraud) occurs leading to a loss.</p>	<p>The Manager and the Company Secretary have in place robust compliance and risk monitoring programmes.</p> <p>The Board receives monthly compliance reviews and quarterly expenses analysis.</p> <p>An annual statement is obtained by the Audit Committee from all service providers giving representations that there have been no instances of fraud or bribery.</p>

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

Movement	Key Risks and Uncertainties	Key Mitigations
→	The Company is exposed to credit risk.	<p>The Manager is responsible for undertaking reviews of the creditworthiness of the counterparties that it uses.</p> <p>All business with respect to portfolio activity is conducted through selected brokers on a delivery versus payment basis thereby minimising exposure to broking counterparties.</p> <p>Further information on financial instruments and risk can be found in note 17 to the Financial Statements beginning on page 82.</p>
→	The Company is exposed to market price risk.	<p>The Directors acknowledge that market risk is inherent in the investment process as the Manager maintains a concentrated portfolio of securities. The Board has imposed guidelines within its investment policy to limit exposure to individual holdings.</p> <p>The Company Secretary reports to the Board with respect to compliance with investment guidelines on a monthly basis. The Manager provides the Board with regular updates on market movements. No investment is made in derivative instruments and no currency hedging is undertaken.</p> <p>Further information on financial instruments and risk can be found in note 17 to the Financial Statements beginning on page 82.</p>
→	<p><b>Accounting, Legal and Regulatory</b></p> <p>The Company and/or the Directors fail(s) to comply with its legal requirements in relation to FCA dealing rules/handbook procedures, the Listing Rules, the Companies Act 2006, relevant accounting standards, the Bribery Act 2010, the Criminal Finances Act 2017, the Association of Investment Companies ("AIC") Statement of Recommended Practice ("SORP"), GDPR, tax regulations or any other applicable regulations.</p>	<p>The Board monitors regulatory changes with the assistance of the Company Secretary, the Manager and external professional advisers to ensure compliance with applicable laws and regulations.</p> <p>The Board reviews compliance reports and internal control reports provided by its service providers, as well as the Company's Financial Statements and revenue forecasts.</p> <p>The Company Secretary presents a quarterly report on changes in the regulatory environment and how and when changes are to be addressed</p> <p>As a member of the AIC, the Board receives regular technical updates which highlight forthcoming compliance obligations and regulatory issues.</p>
→	The regulatory environment in which the Company operates changes, affecting the Company's business model.	The Board monitors the regulatory environment with the assistance of its Company Secretary, Manager and external professional advisers to ensure that the Board is aware of any likely changes in the regulatory environment and will be able to adapt as required.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Strategic Report

Movement	Key Risks and Uncertainties	Key Mitigations
→	The Company's valuation of its investment in LTL is materially misstated.	<p>The Board approves the monthly valuation of the Company's Investment.</p> <p>An audit of LTL's valuation is conducted annually by a leading independent external audit firm.</p> <p>J.P. Morgan Cazenove Ltd undertook an independent review of the Company's valuation methodology applied to its unlisted investment in LTL during 2022.</p> <p>The Manager and the Company Secretary report to the Board at every meeting. An internal controls report is produced by the Company Secretary on an annual basis covering controls over valuation and release of weekly net asset value per share.</p>

## Emerging Risks

The Audit Committee reviews a risk map regularly during the year. Emerging risks are discussed in detail as part of this process and also throughout the year to try and ensure that new (as well as known) risks are identified and, so far as practicable, mitigated. Current identified emerging risks are as follows:

Movement	Key Risks and Uncertainties	Key Mitigations
→	<p><b>Emerging Risks</b></p> <p>Geopolitical and macroeconomic developments introduce new risks and exacerbate existing risks. These include:</p> <ul style="list-style-type: none"> <li>higher inflation is leading policy makers to increase interest rates. This in turn may lead to a reduction in trade, a threat of recession and higher unemployment;</li> <li>sanctions damage the prospects of investee companies with material exposure to Russia;</li> <li>increased market volatility and reduced risk appetites across a wide variety of asset classes;</li> <li>increased threat of state sponsored cyber-attacks; and</li> <li>geopolitical tension between China and the West.</li> </ul>	<p>The Manager monitors portfolio construction, performance and liquidity to assess and manage the impact of increased market volatility on the listed portfolio and on the Company's holding in LTL.</p> <p>The Manager monitors the current impact of sanctions and other economic responses to the war in Ukraine on investee companies.</p> <p>The Company's investment approach means that it owns companies with strong brand equity and pricing power making them more able to pass on cost increases and mitigate the effects of inflation on portfolio holdings.</p> <p>The Board reviews regular internal control reports from its key service providers that include cyber defences and other mitigants against unauthorised network access.</p>

## Future Developments

The Board's primary focus is on LTL's investment approach and performance both as the Company's Manager and as an investment. The subject is thoroughly discussed at every Board meeting.

In addition, the Company Secretary updates the Board on investor feedback, as well as wider investment company issues.

An outline of performance, investment activity and strategy, and market background during the year, as well as the outlook, is provided in the Chairman's Statement beginning on page 5 and the Manager's Report beginning on page 11.

It is expected that the Company's strategy will remain unchanged in the coming year.

## Longer-Term Viability Statement

The Directors have carefully assessed the Company's financial position and prospects as well as the principal risks facing the Company and have formed a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five financial years. The Board has chosen a five year horizon in view of the long-term outlook adopted by the Investment Manager when making investment decisions.

To make this assessment and in reaching this conclusion, the Audit Committee has considered the Company's financial position and its ability to liquidate its portfolio and meet its liabilities as they fall due and notes the following:

- The Company has a liquid investment portfolio of UK and internationally listed securities and funds, and has some short-term cash on deposit. These liquid assets represent 59.7% of net assets. The other 40.3% is the unlisted investment in LTL, which is not readily realisable.
- Based on historic analysis, including the holding in the LTL fund, 56.8% of the current portfolio could be liquidated within 30 business days with 51.0% in five business days. There is no expectation that the nature of the investments held within the portfolio will be materially different in the future.
- With an ongoing charges ratio of 0.87%, the expenses of the Company are predictable and modest in comparison with its assets and there are no capital commitments currently foreseen which would alter that position.
- Revenue expenses of the Company are covered more than five times by investment income.
- The closed-ended nature of the Company means that, unlike an open-ended fund, it does not need to realise investments when shareholders wish to sell their shares.
- The founder directors of LTL, in which the Company holds 24.2%, have given their verbal assurance that they remain committed to LTL for at least seven years on a rolling basis.
- The Company has decided not to use gearing.
- The Company has no employees, only its non-executive Directors. Consequently it does not have any potential redundancy or other employment related liabilities or responsibilities.

## Strategic Report

### Longer-Term Viability Statement *continued*

The Directors, as well as considering the potential impact of the principal risks and various severe but plausible downside scenarios, have also made the following assumptions in considering the Company's longer-term viability:

- The Board and the Investment Manager will continue to adopt a long-term view when making investments, and anticipated holding periods will be at least five years.
- Regulation will not increase to a level that makes running the Company uneconomical.

The Board's long-term view of viability will, of course, be updated each year in the Company's Annual Report.

## Section 172 Disclosure

### Engaging with the Company's Stakeholders

The following Section 172 disclosure, which is required by the Companies Act 2006 and the AIC Code, describes how the Directors have had regard to the views of the Company's stakeholders in their decision making.

STAKEHOLDER GROUP		
Who?	Why?	How?
<b>Investors</b>	<p><b>The benefits of engagement with the Company's Stakeholders</b></p> <p>The Board recognises the importance of communication with shareholders.</p> <p>Clear communication of the Company's strategy and the performance against the Company's objective can help maintain demand for the Company's shares.</p>	<p><b>How the Board, the Manager and the Company Secretary have engaged with the Company's Stakeholders</b></p> <p>The Board and the Manager receive shareholder feedback directly from shareholders or from the appointed broker.</p> <p>An analysis of the Company's shareholder register is provided to the Directors at each Board meeting</p> <p>Shareholders have access to the Board, directly and via the Company Secretary, throughout the year. These communications help the Board make informed decisions when considering how to promote the success of the Company for the benefit of shareholders over the long-term.</p> <p>Key mechanisms of engagement include:</p> <ul style="list-style-type: none"> <li>• The Annual General Meeting.</li> <li>• Should any significant votes (greater than 20%) be cast against resolutions proposed at the Annual General Meeting, the Board will engage with shareholders. The Board will explain in its announcement of the results of the Annual General Meeting the actions it intends to take to consult shareholders in order to understand the reasons behind the significant votes against. Following the consultation, an update will be published no later than six months after the Annual General Meeting and the Annual Report will detail the impact the shareholder feedback has had on any decisions the Board has taken and any actions or resolutions proposed.</li> <li>• The Company's website which hosts monthly reports and Annual and Half-year Reports.</li> <li>• One-on-one investor meetings as required.</li> </ul>

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Strategic Report

### Engaging with the Company's Stakeholders *continued*

STAKEHOLDER GROUP		
Who?	Why?	How?
<b>Manager</b>	<p><b>The benefits of engagement with the Company's Stakeholders</b></p> <p>Engagement with the Company's Manager is necessary to evaluate its performance against the Company's stated strategy and to understand any risks or opportunities this may present.</p> <p>The Board monitors the Manager's approach to environmental, social and governance ("ESG") issues.</p> <p>Engagement also helps ensure that investment management costs are closely monitored and remain competitive.</p> <p>The Chairman's Statement beginning on page 5 and Appendix 3 beginning on page 98 describe the key decisions taken during the year relating to LTL.</p>	<p><b>How the Board, the Manager and the Company Secretary have engaged with the Company's Stakeholders</b></p> <p>The Board meets regularly with the Company's Manager throughout the year both formally at the quarterly Board meetings and informally as needed. The Board and Manager communicate regularly outside these meetings to ensure a collegiate approach.</p> <p>Furthermore, Michael Lindsell is a Director of both the Company and of the Manager. The aim is to maintain a strong relationship between the Board and Manager when considering the interests of the Company's stakeholders, whilst upholding the Company's values.</p> <p>The Manager's attendance at each Board meeting also provides the opportunity for the Manager and Board to further reinforce their mutual understanding of what is expected from both parties.</p> <p>The Manager's performance is evaluated informally on a regular basis, with a formal review carried out on an annual basis by the Management Engagement Committee. The Investment Management Agreement is reviewed as part of this process.</p> <p>The Audit Committee review the Manager's, internal controls and governance policies on an annual basis.</p>
<b>Service Providers</b>	<p>The Company contracts with third-parties for other services including: Company Secretary and administration, Registrar and Custodian. The Company ensures that the third-parties to whom the services have been outsourced complete their roles in line with expectation thereby supporting the Company.</p>	<p>The Board and the Company Secretary engage regularly with other service providers both in one-to-one meetings and via regular written reporting. This regular interaction provides an environment where topics, issues and business development needs can be dealt with efficiently and collegiately.</p> <p>The Board maintains regular contact with the Company's key service providers as well as carrying out a review of the service providers' business continuity plans and additional cyber security provisions.</p> <p>The key service providers' performance is evaluated by the Management Engagement Committee on an annual basis, or more often if appropriate. The terms and conditions underlying the relationship between the service providers are reviewed as part of this process. This approach is taken to enhance service levels and strengthen relationships between the Company and its providers to ensure the interests of the Company's stakeholders are best served by maintaining a high level of service whilst keeping costs proportionate.</p>



# THE LINDSELL TRAIN INVESTMENT TRUST PLC

STAKEHOLDER GROUP		
Who?	Why?	How?
<b>Portfolio companies</b>	<p><b>The benefits of engagement with the Company's Stakeholders</b></p> <p>The Manager invests in a concentrated portfolio of durable business franchises with the intention of holding these positions for a considerable time.</p> <p>The Manager engages with the management of these companies on a periodic basis and reports its impressions on the prospects of the companies to the Board.</p> <p>Gaining a deeper understanding of the portfolio companies and their strategies as well as incorporating consideration of ESG factors into the investment process assists in understanding and mitigating risks of investments as well as identifying future potential opportunities.</p>	<p><b>How the Board, the Manager and the Company Secretary have engaged with the Company's Stakeholders</b></p> <p>The Board encourages the Company's Manager to engage with companies and in doing so expects ESG issues to be a key consideration.</p> <p>The Board receives an update on LTL's engagement activities within a dedicated quarterly ESG report together with quarterly updates concerning the prospects of the portfolio companies.</p> <p>Details of LTL's approach to responsible ownership can be found on pages 25 to 29.</p>
<b>Regulators</b>	<p>The Board ensures compliance with rules and regulations as relevant to the Company.</p>	<p>The Company Secretary reports to the Board on a monthly basis and at each Board meeting.</p>

KEY AREAS OF ENGAGEMENT WITH STAKEHOLDERS	HOW THE BOARD HAS ENGAGED WITH THE COMPANY'S STAKEHOLDERS
<ul style="list-style-type: none"> <li>Ongoing dialogue with shareholders concerning the strategy of the Company, performance and the portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>The Manager meets with shareholders as required and at the Annual General Meeting.</li> <li>Shareholders are provided with performance updates via the Company's website as well as the usual financial reports and monthly reports.</li> </ul>
<ul style="list-style-type: none"> <li>Board Composition.</li> </ul>	<ul style="list-style-type: none"> <li>Cornforth was appointed by the Board in April 2022 to assist with the appointment of two new Directors, resulting in the appointment of Roger Lambert and Helena Vinnicombe, who joined the Board on 23 September 2022 and will offer themselves for election by shareholders at the 2023 Annual General Meeting.</li> <li>As part of the Board's succession plans, it is intended that Julian Cazalet will retire as Chairman of the Board and Management Engagement Committee at the end of December 2023. Mr Cazalet will be succeeded as Chairman by Mr Lambert.</li> </ul>

## Strategic Report

### Engaging with the Company's Stakeholders *continued*

KEY AREAS OF ENGAGEMENT WITH STAKEHOLDERS	HOW THE BOARD HAS ENGAGED WITH THE COMPANY'S STAKEHOLDERS
<ul style="list-style-type: none"> <li>Board Composition (continued).</li> </ul>	<ul style="list-style-type: none"> <li>Richard Hughes will retire as a Director at the conclusion of the Company's Annual General Meeting. Ms Vinnicombe took over from Mr Hughes as Chairman of the Audit Committee with effect from 14 April 2023, on an interim basis.</li> <li>Cornforth was appointed by the Board in April 2023 to assist with the appointment of a new Audit Committee Chairman.</li> </ul>
<ul style="list-style-type: none"> <li>Audit Tender</li> </ul>	<ul style="list-style-type: none"> <li>During the year the Audit Committee led a competitive audit tender process, which resulted in the recommendation that BDO LLP be appointed as the Company's new auditor. Further information concerning the audit tender process can be found on pages 58, 59 and 60.</li> </ul>

## LTIT's Responsible Investment Policy

The Board believes that it is in shareholders' best interests to consider ESG factors when selecting and retaining investments and the Manager takes these issues into account.

In its Responsible Engagement & Investment Policy, the Manager states that its evaluation of ESG factors is an inherent part of the investment process. These factors include, but are not limited to: "corporate strategy, operating performance, competitive positioning, governance, environmental factors (including climate change), social factors, remuneration, reputation and litigation risks, deployment of capital, regulation and any other risks or issues facing the business".

The Board has delegated authority to the Manager to vote the shares owned by the Company that are held on its behalf by its Custodian. The Board has instructed that the Manager submits votes for such shares wherever possible and practicable. The Manager is required to refer to the Board on any matters of a contentious nature.

The Manager's Responsible Investment and Engagement Policy has been reviewed and endorsed by the Board. The Manager is a signatory to the United Nations Principles for Responsible Investment and a signatory of the 2021 UK Stewardship Code.

LTL became a signatory of Net Zero Asset Managers in December 2021.

### UK Sanctions

The Board has made due diligence enquiries of the service providers that process the Company's shareholder data to ensure the Company's compliance with the UK sanctions regime. The relevant service providers have confirmed that they check the Company's shareholder data against the UK sanctions list on a daily basis. At the date of this report, no sanctioned individuals had been identified on the Company's shareholder register. The Board notes that stockbrokers and execution-only platforms also carry out their own due diligence.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## **Taskforce for Climate Related Financial Disclosures (“TCFD”)**

The Company notes the TCFD recommendations on climate related financial disclosures. The Company is an investment company and, as such, it is exempt from the Listing Rules requirement to report against the TCFD frame work.

## **Disclosure Concerning Greenhouse Gas Emissions (“GHG”) for the year ended 31 March 2023**

The Company is an investment trust, with neither employees nor premises, nor has it any financial or operational control of the assets which it owns. It has no greenhouse gas emissions to report from its operations, nor does it have responsibility for any other emissions producing sources under the Companies Act 2006 (Strategic Reports and Directors’ Reports) Regulations 2013 or the Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, including those within the Company’s underlying investment portfolio.

Consequently, the Company consumed less than 40,000 kWh of energy during the year in respect of which the Directors’ Report is prepared and therefore is exempt from the disclosures required under the Streamlined Energy and Carbon Reporting criteria.

The Board is aware of the continued emphasis on ESG matters in recent years. The Manager engages with all the companies in the portfolio to understand their ESG approach and has developed its own methodology to assess the carbon impact of the portfolio.

## **LTL’s approach to Responsible Ownership**

### **ESG integration**

#### **Seeking Sustainability**

As a long-term investor, LTL aims to identify companies that can generate long-term sustainable high returns on capital. LTL has historically found that such companies tend to exhibit characteristics associated with good corporate governance and responsible business practices. Indeed, LTL believes that companies which observe such standards, and that are serious in their intention of addressing environmental and social factors, will not only become more durable but will likely prove to be superior investments over time.

To that end LTL’s initial analysis and ongoing company engagement strategy seeks to incorporate all sustainability factors that it believes will affect the Company’s ability to deliver long-term value to shareholders. Such factors may include but are not limited to: environmental (including climate change), social and employee matters (including turnover and culture) and governance factors (including remuneration and capital allocation), cyber resilience, responsible data utilisation, respect for human rights, anti-corruption and anti-bribery, and any other risks or issues facing the business and its reputation. This work is catalogued in a proprietary database of risk factors in order to centralise and codify LTL’s investment team’s views, as well as to prioritise its ongoing research and engagement work and is cross-referenced with the SASB Materiality Map ©.

If, as a result of this assessment, LTL believes that an ESG factor is likely to materially impact a company’s long-term business prospects (either positively or negatively) then this will be reflected in the long-term growth rate that is applied in LTL’s valuation of that company, which alongside its more qualitative research will influence any final portfolio decisions (for example, whether LTL starts a new position or sells out of an existing holding).

## Strategic Report

### LTL's approach to Responsible Ownership *continued*

#### Positive/Negative Screening

As a product of LTL's investment philosophy, it does not invest in the following industries:

- capital intensive industries (energy, commodities or mining) or any companies involved in the extraction and production of coal, oil or natural gas; and
- industries that LTL judges to be sufficiently detrimental to society that they may be exposed to burdensome regulation or litigation that could impinge on financial returns (e.g. tobacco, gambling or arms manufacturers).

Similarly, LTL's investment approach has steered it to invest in a number of companies that play an important positive social or environmental role, for example through providing access to educational information (e.g. RELX) or encouraging environmental progress and best practice (e.g. Mondelez). LTL believes that such positive benefits for society should be consistent with its aim to generate competitive long-term returns, thus helping LTL meet its clients' investment objectives.

#### Climate Change

The risks associated with climate change represent the great issue of our era and the transition to a low-carbon economy will affect all businesses, irrespective of their size, sector or geographic location. Therefore, no company's revenues are immune and the assessment of such risks must be considered within any effective investment approach, particularly one like LTL's that seeks to protect their clients' capital for decades to come.

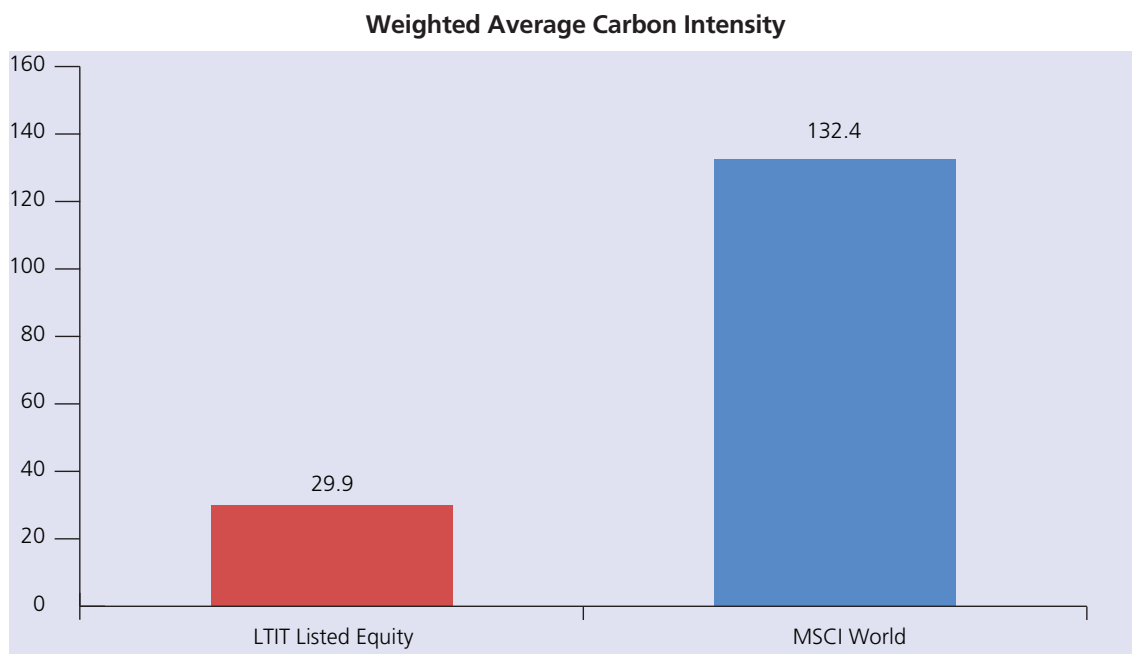
As a relatively small company with a single office location and 28 employees, LTL's climate exposure comes predominantly from the investment portfolios that it manages on behalf of its clients. LTL recognises the systemic risk posed by climate change and the potential financial impacts associated with a transition to a low-carbon economy. To address this, LTL became a signatory of the NZAM initiative in December 2021 and is now committed<sup>1</sup> to becoming net zero across all assets under its management by 2050. In line with this ambition, LTL set a 2030 interim target which has since been approved by The Institutional Investors Group on Climate Change ("IIGCC"). LTL felt it was most appropriate to set a Portfolio Coverage Target, and has duly targeted 55% of its asset-weighted committed assets to be considered Aligned<sup>2</sup> by 2030, as set out by the Paris Aligned Investment Initiative ("PAII") Net Zero Investment Framework. This represents a circa 50% improvement from its baseline of 36% of assets being Aligned as of 2022, consistent with a fair share of the 50% global reduction in CO<sub>2</sub> identified as a requirement in the IPCC special report on global warming of 1.5°C.

<sup>1</sup> Committed assets are currently 94% of LTL's total AUM. The assets that were excluded relate to segregated clients that either declined to have their assets included at this time or did not respond by the required deadline. There is scope to increase the level of committed assets over time.

<sup>2</sup> Aligned status, as set out by the PAII Net Zero Framework, has prescribed requirements of the portfolio companies, including; 1) Setting short and medium term emission reduction targets, 2) Monitoring emission intensity performance relative to those targets, and 3) Disclosure of scope 1, 2 and 3 emissions. For higher impact sectors, further criteria are required to be categorised as Aligned. LTL also supports the recommendations of the Task Force on Climate-Related Financial Disclosures ("TCFD") and its efforts to encourage companies to report their climate related disclosures and data in a uniform and consistent way. Further information on LTL's TCFD related disclosures can be found on LTL's website: [www.lindselltrain.com](http://www.lindselltrain.com) within its 2023 TCFD Report.

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Further, using Morningstar’s carbon metrics calculations, LTL is pleased to note that LTIT’s listed equity holdings have a significantly lower weighted average carbon intensity than its comparable benchmark.



*LTIT Listed Equity Source: Bloomberg and individual Company Annual Reports. Data as at March 2023. Carbon Intensity is computed for each equity holding as follows: Total Emissions (metric tons of Co2) / Revenue (Mil USD), and aggregated at the fund level. Data reflects Scope 1 & 2 emissions only. For the sake of clarity, the calculation does not include the holdings (or look through) of Lindsell Train Limited, Finsbury Growth & Income Trust PLC or LT North American Fund.*

*MSCI World Source: Morningstar, data as at March 2023. The Morningstar carbon intensity definition is as follows: The asset-weighted average of holdings with actual emissions data from the Carbon Disclosure Project or estimated values from Sustainalytics in a portfolio. A lower score is better. Carbon Intensity is computed for each holding as follows: Total Emissions (metric tons of Co2) / Revenue (Mil USD), and aggregated at the fund level. Sustainalytics looks at the latest reported scope 1 (direct emissions from owned or controlled sources) and scope 2 (indirect emissions from the generation of purchased energy) Greenhouse Gas intensity and emissions for over 10,000 companies. More than 100 different estimation models are used for non-reporting companies.*

## Stewardship

### Engagement

Engaging with and monitoring investee companies on matters relating to stewardship have always been an essential element of LTL’s investment strategy. Its long-term approach generally leads it to be supportive of company management. However, where LTL disagrees with a company’s actions, it will try to influence management on specific matters or policies if LTL believes it is in the best interests of its clients. Constructive dialogue has more often than not resulted in satisfactory outcomes, thus limiting the need for escalation. However, where this is not the case, LTL will consider escalating its engagement and stewardship activities.

During the year, LTL engaged with three companies held within the Company’s portfolio, focussed on six governance topics (please refer to page 28).

## Strategic Report

### LTL's approach to Responsible Ownership *continued*

#### Engagement (continued)

In addition, Madeline Wright, Deputy Portfolio Manager and Head of Investment ESG at LTL, completed her process of holding an ESG specific discussion with all of LTL's portfolio companies (c.70 in total), aimed at establishing a baseline for LTL's ongoing engagement and clarifying its portfolio companies' stances on, and approaches to, certain ESG factors, with the objective of ensuring that all portfolio companies report this essential data going forward. This information is stored, assessed, and monitored within Sentinel, LTL's proprietary ESG database.

As a public supporter of the TCFD and The IFRS Sustainability Alliance (previously known as the Sustainability Accounting Standards Board), LTL's encouraging its portfolio companies to report in line with these, or similar (if more relevant to their business) frameworks, and also to report on positive impact goals and progress to net-zero. Furthermore, as signatories of NZAM, LTL is monitoring carefully the transition to net-zero of each of its businesses and encouraging the companies to set science-based targets where possible.

#### Key Engagement Examples:

##### Unilever

This engagement in Q2 2022 centred on the recent news of the appointment of activist investor, Nelson Peltz of Trian Fund Management, to its board as a non-executive director, after his purchase of 1.5% of Unilever's shares. As Trian's objectives are ostensibly in line with that of LTL, LTL had no objection to the appointment despite being somewhat surprised at the small size of the investment required to get a seat at the table. LTL did however take the opportunity to urge the board to resist any proposals that merely boost short-term value. Nils Andersen (non-executive chairman), confirmed that the board remains committed to their long-term strategy and is focussed on protecting the strategic value of Unilever's assets.

In early 2023, LTL engaged with the Chairman of Unilever regarding the announcement of its choice of new CEO.

##### PayPal

LTL has engaged with PayPal on several occasions to share its views regarding compensation best practice and continues to believe that it could foster greater shareholder alignment through improved compensation structures. In accordance with LTL's escalation process, it voted against PayPal's resolution. LTL wrote to the management of PayPal, outlining the reasons for its vote, and encouraging them to review their compensation structure.

##### Proxy Voting

The primary voting policy of LTL is to protect or enhance the economic value of its investments on behalf of its clients. LTL has appointed Glass Lewis to aid the administration of proxy voting and provide additional support in this area. However, the Manager maintains decision making responsibility based on its detailed knowledge of the investee companies. It is LTL's policy to exercise all voting rights which have been delegated to LTL by its clients.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Voting record:

	Management Proposals	Shareholder Proposals	Total Proposals
With Management	199	2	201
Against Management	1	–	1
Abstain	1	1	2
<b>Totals</b>	<b>201</b>	<b>3</b>	<b>204</b>

Source: Glass Lewis. 1 April 2022 – 31 March 2023.

Votes against management have typically been in the low single-digit range. The main reason for this is that LTL's long-term approach to investment generally leads it to be supportive of company management and, where required, LTL will try to influence management through its engagement activities. Given LTL often builds up large, long-term stakes in the businesses in which it invests, LTL finds that management is open to (and very often encourages) engagement with LTL. Furthermore, it is LTL's aim to be invested in 'exceptional' companies with strong corporate governance and hence it ought to be rare that LTL finds itself in a position where it is voting against management.

In the majority of cases where LTL has voted against management, it has been on matters relating to remuneration. Where LTL does not believe that a company's compensation policy is aligned with the long-term best interests of the shareholders LTL will write to management to inform them of LTL's intention to vote against such policies.

## Integrity and Business Ethics

The Company is committed to carrying out business in an honest and fair manner. The Board has adopted a zero tolerance approach to instances of bribery, tax evasion and corruption. Accordingly, it expressly prohibits any Director or associated persons when acting on behalf of the Company from accepting, soliciting, paying, offering or promising to pay or authorise any payment, public or private, in the United Kingdom or abroad to secure any improper benefit from themselves or for the Company. As such, policies and procedures are in place to prevent this and can be found on the Company's website.

The Board applies the same standards to its service providers in their activities for the Company.

The Company's culture is driven by its values of integrity, knowledge, skill and frank and courteous conduct. It focuses on achieving returns for shareholders in line with the Company's Investment Objective, as set out on page 3. In carrying out its activities, the Company aims to conduct itself responsibly, ethically and fairly, including in relation to social and human rights issues. As an investment company with limited internal resource, the Company has little direct impact on the environment. The Company believes that high standards of ESG make good business sense and have the potential to protect and enhance investment returns. Consequently, the Manager's investment criteria ensure that ESG and ethical issues are taken into account and best practice is encouraged. The Board's expectations are that its principal service providers have appropriate governance policies in place.

By order of the Board

**Julian Cazalet**  
Chairman  
12 June 2023

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Governance

### Board of Directors

**Julian Cazalet**\*^††, Chairman, is a director of Deltex Medical Group plc and two charitable trusts. He was previously Chairman of Herald Investment Trust plc for 10 years, retiring in 2019. Before that he was a Managing Director – Corporate Finance at J.P. Morgan Cazenove where he advised investment trusts in addition to his work with industrial and commercial companies, having been a partner in Cazenove since 1978. A qualified Chartered Accountant, he has an M.A. in Economics from Cambridge University.

**Nicholas Allan**\*^††, Chairman of the Nomination Committee, has significant experience of investment management. He was a founder of Boyer Allan Investment Management in 1998 and joint fund manager of the Boyer Allan Pacific Fund Inc until 2012. Prior to that he worked in various roles in UK merchant bank Kleinwort Benson and its affiliates in London, Boston, New York, Tokyo and Hong Kong between 1980 and 1998. This included setting up a pan-Asian securities business and running its global emerging markets securities area. He is a non-executive director of Walled City Hotels Pte Limited (India), trading as RAAS Hotels, and is also a director of several charities. He has an M.A. in Natural Sciences from Cambridge University. Nicholas was appointed Nomination Committee Chairman in March 2022.

**Vivien Gould**\*^††, Senior Independent Director, is a non-executive director of Baring Emerging EMEA Opportunities PLC, Schroder AsiaPacific Fund plc, Third Point Investors Limited and National Philanthropic Trust UK. She has worked in the financial services sector since 1981. She was a founder director of River & Mercantile Investment Management Limited (1985) and served as a senior executive and Deputy Managing Director with the Group until 1994. She then worked as an independent consultant and served on the boards of a number of investment management companies, listed investment trusts, other financial companies and charitable trusts. Vivien was appointed Senior Independent Director in September 2020.

**Richard Hughes**\*^††, Non-Executive Director, was a non-executive director and the Senior Independent Director of Middlefield Canadian Income PCC, where he also served as the Chair of its Nomination & Remuneration and Audit Committees. He also formerly served as a non-executive director of Edentree Asset Management Limited and chaired its Investment Committee and was a member of its Risk and Audit Committee. Richard has significant experience with closed-end funds, namely M&G's Investment Trust business of which he was a director. He also managed a number of funds, including M&G Smaller Companies Fund, M&G Recovery Fund and M&G Charifund. He was a director of M&G Group plc and Managing Director of M&G Investment Management Limited. He was a director of M&G Limited and M&G Group plc from 1994 to 2000, and a director of M&G Recovery Trust plc from 1992 to 1998. Richard was Chairman of the Audit Committee until April 2023.



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**Roger Lambert**<sup>\*^†+</sup>, Non-Executive Director, had a forty year career in investment banking, mostly with JP Morgan Cazenove, where he advised companies in the consumer and financial services sectors and gained experience of corporate finance, public equity investments and public company boards. He was a non-executive director of Young & Co.'s Brewery PLC where he was the Senior Independent Director and Chair of the Audit Committee. He is currently Chair of Trustees of the Imperial War Graves Endowment Fund, a Governor and Chair of the Finance & Estates Committee of King's Schools, Taunton, a Trustee of the Wykeham Crown & Manor Trust and a Trustee of the Hestercombe Gardens Trust. In addition he is an adviser and trustee to a number of family trusts. He has an M.A. in History from Oxford University.

**Michael Lindsell**, Non-Executive Director, joined the investment department of Lazard Brothers in 1982 after obtaining a BSc (Hons) degree in zoology from Bristol University. In 1985 he moved to Scimitar Asset Management in Hong Kong where he ran Pacific and Japanese mandates before specialising in Japan. In 1989 he moved to Warburg Asset Management where he was a director and head of Mercury Asset Management's Japanese fund management division. In 1992 he joined GT Management's Tokyo office where he held the post of chief investment officer with responsibility for GT's Japanese funds, and global funds sourced out of Japan. He returned to the UK in 1997 and following the acquisition of GT by INVESCO in 1998, he was appointed head of the combined global product team. He left INVESCO to set up LTL in 1999.

**Helena Vinnicombe**<sup>\*^†+</sup>, Chairman of the Audit Committee, is a member of the Advisory Committee for the M&G Charity Multi Asset Fund and a non-executive director on the board of Lowland Investment Company plc, where she also serves as a member of the Audit and Remuneration Committees. She also provides independent investment consulting to clients with long-term investment objectives, typically charities and family trusts. Helena was previously a Director at Smith & Williamson, where she spent most of her career, focussed on private client investment management. Additionally, she is a Governor of Aureus Primary School, and Trustee and member of the Finance & Investment Committee of The Child Health Research CIO. Helena was appointed as Chairman of the Audit Committee on an interim basis in April 2023.

All Directors are Non-Executive.

\* Independent

^ Audit Committee member

† Management Engagement Committee member

+ Nomination Committee member

*Michael Lindsell was appointed as a director on 13 July 2006; Julian Cazalet and Vivien Gould were appointed on 29 January 2015; Nicholas Allan and Richard Hughes were appointed on 18 September 2018; and Roger Lambert and Helena Vinnicombe were appointed on 23 September 2022.*

## Governance

### Report of the Directors

The Directors present the Annual Report together with the audited Financial Statements of the Company and the Independent Auditor's Report for the year ended 31 March 2023.

In accordance with the requirement for Directors to prepare a Strategic Report and an enhanced Directors' Remuneration Report for the year ended 31 March 2023, the following information is set out in the Strategic Report: a review of the business of the Company including details about its objective, strategy and details of the key risks and uncertainties associated with the Company's activities. The Corporate Governance Statement (beginning on page 36) forms part of this Directors' Report.

Listing Rule 9.8.4 requires the Company to include certain information, more applicable for traditional trading companies, in a single identifiable section of the Annual Report or a cross reference table indicating where the information is set out. The Directors confirm that there are no disclosures to be made in this regard.

#### **Business and Status of the Company**

The Company is registered as a public company in England & Wales under number 04119429 and is an investment company within the terms of Section 833 of the Companies Act 2006. The Company is limited by shares, which are listed on the premium segment of The Official List of the UK Listing Authority and traded on the main market of the London Stock Exchange, which is a regulated market as defined in Section 1173 of the Companies Act 2006.

The Company has received approval from HM Revenue & Customs as an investment company under sections 1158 and 1159 of the Corporation Tax Act 2010. In the opinion of the Directors, the Company continues to conduct its affairs to qualify for such approval.

The Board has been approved by the Financial Conduct Authority to be a Small Registered UK Alternative Investment Manager ("AIFM").

The Alternative Investment Fund Managers' Directive ("AIFMD") requires certain disclosures to be made in respect of any remuneration policy for the AIFM, leverage, risk disclosures and pre-investment disclosures. The Board is the AIFM, and receives no remuneration in this regard. The Company does not use gearing, makes sufficient risk disclosure within the Report, and there have been no material changes to investment policy or objectives. Therefore, it is considered that separate disclosures are not required.

#### **Results and Dividend**

The return/(loss) on ordinary shares after taxation is shown on page 68. Details of the proposed final dividend can be found on page 7 and the dividend policy is outlined in the Strategic Report on page 3.

#### **Share Capital**

Full details of the Company's Ordinary Share capital are provided in Note 13 of the Financial Statements on page 80 and in Appendix 2 on page 96.

The Company's Articles of Association permit the Company to purchase its own shares. At the Annual General Meeting held on 8 September 2022 a special resolution was passed giving the Company authority, until the conclusion of the Annual General Meeting in 2023, to make market purchases to be cancelled or held in treasury of the Company's ordinary shares up to a maximum of 29,980 shares being 14.99% of the issued Ordinary Share capital and this figure remains unchanged at 12 June 2023. This authority has not been used. The Directors intend to seek a fresh authority at the Annual General Meeting in 2023.

There are no restrictions concerning the transfer of securities in the Company; no special rights with regard to control attached to securities; no agreements between holders of securities

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regarding their transfer which are known to the Company; and no agreements to which the Company is party that might affect its control following a successful takeover bid.

## Substantial Shareholdings

As at 31 March 2023 and 31 May 2023 (being the latest practicable date before publication of the Annual Report), the Company had been notified of the following substantial interests in the Company's voting rights:

	<i>No. of Shares as at 31 March 2023</i>	<i>% of Capital</i>	<i>No. of Shares as at 31 May 2023</i>	<i>% of Capital</i>
Hargreaves Lansdown	34,201	17.10	34,026	17.01
Interactive Investor	22,383	11.19	22,686	11.34
Mr Nick Train	13,332	6.67	13,332	6.67
Mr Michael Lindsell	11,481	5.74	11,581	5.79
Finsbury Growth & Income Trust PLC	10,000	5.00	10,000	5.00
AJ Bell	9,997	5.00	10,229	5.11
Rathbones	6,739	3.37	6,739	3.37

As at 31 March 2023 and 31 May 2023 the Company had 200,000 Ordinary Shares in issue.

## Beneficial Owners of Shares – Information Rights

The beneficial owners of shares who have been nominated by the registered holder of those shares to receive information rights under Section 146 of the Companies Act 2006 are required to direct all communications to the registered holder of their shares rather than to the Company's registrar, Link Group, or to the Company directly.

## Directors

Details of the Directors of the Company who served during the year are set out on pages 30 and 31. Particulars of their remuneration are given on pages 46 to 49.

No other person was a Director during any part of the year or up to the approval of this Report.

## Powers of the Directors

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

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

Unless otherwise determined by the Company by ordinary resolution, the number of Directors shall not be less than two.

## Directors' Interests

The beneficial interests in the Company of the Directors, and of the persons closely associated with them, are set out on page 49.

## Conflicts of Interest

Directors report on actual or potential conflicts of interest at each Board meeting. Any Director with a conflict would be excluded from any related discussion.

## Governance

### Report of the Directors *continued*

#### **Disclosure of Interests**

No Director was a party to, or had an interest in, any contract or arrangement with the Company, except that Michael Lindsell is a director of the Manager, LTL, and the beneficial holder of 36.22% of the issued share capital of that company.

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

#### **Directors' Indemnification and Insurance**

During the year under review and to the date of this report, indemnities were in force between the Company and each of its Directors under which the Company has agreed to indemnify each Director, to the extent permitted by law, in respect of certain liabilities incurred as a result of carrying out his or her role as a Director of the Company. The Directors are also indemnified against the costs of defending any criminal or civil proceedings or any claim by the Company or a regulator as they are incurred. Where the defence is unsuccessful the Director must repay those defence costs to the Company. The indemnities are qualifying third-party indemnity provisions for the purposes of the Companies Act 2006. A copy of each deed of indemnity is available for inspection at the Company Secretary's offices during normal business hours and will be available at the Annual General Meeting.

Directors' and officers' liability insurance cover was maintained by the Company during the year. It is intended that this policy will continue for the year ending 31 March 2024 and subsequent years.

Given the importance of the investment in LTL, the Company has insured the lives of the founders and key managers, Michael Lindsell and Nick Train, for £10m each. In the unfortunate event of a claim being made, the proceeds would partly offset the likely fall in the value of the investment in LTL.

#### **Political Donations**

The Company does not make political donations.

#### **Independent Auditor**

Following an audit tender which commenced in September 2022, a resolution to appoint BDO LLP as the Company's auditor and authorise the Audit Committee to determine its remuneration will be proposed at the forthcoming Annual General Meeting. Further details of the audit tender are included in the Chairman's Statement and the Report of the Audit Committee.

#### **Statement of Disclosure of Information to the Auditor**

So far as the Directors are aware, there is no relevant information (as defined in the Companies Act 2006) of which the Company's auditor is unaware. The Directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information (as defined) and to establish that the auditor is aware of such information.

The above information is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

#### **Going Concern**

The Company's portfolio, investment activity, the Company's cash balances and revenue forecasts, and the trends and factors likely to affect the Company's performance are reviewed and discussed at each Board meeting. The Board has considered a detailed assessment of the Company's ability to meet its liabilities as they fall due, including stress tests which modelled the effects of substantial falls in portfolio valuations and liquidity constraints on the Company's NAV, cash flows and expenses.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

Based on the information available to the Directors at the date of this report, including the results of these stress tests, the conclusions drawn in the Viability Statement in the Strategic Report on pages 19 and 20, the Company's cash balances and access to funding, the Directors are satisfied that the Company has adequate financial resources to continue in operation for at least the next 12 months from the date of approval of this report, and that, accordingly, it is appropriate to continue to adopt the going concern basis in preparing the Financial Statements. In reaching these conclusions and those in the Viability Statement, the stress testing conducted also featured consideration of the long-term effects of the continuing uncertainty created by the increase in global inflation and rising interest rates, together with the consequences of the war in Ukraine and the subsequent long-term effects on economies and international relations.

Further information is provided in the Audit Committee report beginning on page 55.

## **Annual General Meeting**

The Annual General Meeting of the Company will be held on Wednesday, 30 August 2023 at 2.30 p.m. Please refer to the Notice of Meeting beginning on page 99 for details of this year's arrangements, together with the explanations of the proposed resolutions.

## **Other Statutory Information**

The following information is disclosed in accordance with the Companies Act 2006:

- The rules on the appointment and replacement of directors are set out in the Company's Articles of Association (the "Articles"). Any change to the Articles would be governed by the Companies Act 2006.
- Subject to the provisions of the Companies Act 2006, to the Articles, and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company.

The powers shall not be limited by any special powers given to the Directors by the Articles and a meeting of the Directors at which a quorum is present may exercise all the powers exercisable by the Directors. The Directors' powers to issue and buy back shares, in force at the end of the year, are recorded in the Directors' Report.

There are no agreements:

- i. to which the Company is a party that might affect its control following a takeover bid; and/or
- ii. between the Company and its Directors concerning compensation for loss of office.

By order of the Board

**Frostrow Capital LLP**  
Company Secretary  
12 June 2023

## Governance

### Corporate Governance Statement

The Board has considered the principles and recommendations of the AIC Code of Corporate Governance the (“AIC Code”), The AIC Code addresses all the principles set out in the UK Corporate Governance Code (“UK Code”), as well as setting out additional principles and recommendations on issues that are of specific relevance to investment companies.

The Board considers that reporting in line with the principal recommendations of the AIC Code will provide the best information to shareholders. The Financial Reporting Council has confirmed that by following the AIC Code, boards of investment companies will meet their obligations in relation to the UK Corporate Governance Code and paragraph 9.8.6 of the UK Listing Rules.

#### Statement of Compliance

The Board confirms that it complies with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

UK Corporate Governance Code	Additional Information
<ul style="list-style-type: none"> <li>• The role of the chief executive.</li> <li>• Executive directors’ remuneration.</li> <li>• The need for an internal audit function.</li> <li>• The Chairman of the Board should not be a member of the Audit Committee.</li> </ul>	<p>The Board considers these provisions are not relevant to the Company, as it is an externally managed investment company. All of the Company’s day-to-day management and administrative functions are outsourced to third-parties. As a result, the Company has no executive directors, employees or internal operations. Although Julian Cazalet is Chairman of the Board, in light of his continued independence and his valued contributions in Committee meetings, the Audit Committee considers it appropriate that he continues to be a member. The Company has therefore not reported further in respect of these provisions.</p>

AIC Code	Additional Information
<ul style="list-style-type: none"> <li>• The Board should establish a Remuneration Committee.</li> </ul>	<p>The Board does not consider this provision relevant as the Company has no employees and there are no executive directors. Non-executive Directors’ remuneration is determined by the Board in line with the Directors’ Remuneration Policy.</p>

#### Company’s Culture, Values and Strategy

The Company’s culture is driven by its values of integrity, knowledge, skill and frank and courteous conduct. It focusses on achieving returns for shareholders in line with the Company’s Investment Objective, as set out on page 1.

The Strategic Report describes how opportunities and risks to the future success of the business have been considered and addressed, the sustainability of the Company’s business model and how its governance contributes to the delivery of its strategy. The Board’s key responsibilities are to set the Company’s strategy, values and standards; to provide leadership within a controls framework which enables risks to be assessed and managed; to challenge constructively and scrutinise performance of all outsourced activities; and to review regularly the contracts, performance and remuneration of the Company’s principal service providers and, in particular, the Manager.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Matters Reserved for the Board

The Board is responsible for setting the Company's investment objectives, strategy and benchmark. It also decides on the appointment and replacement of key suppliers including the Manager, the Auditor (subject to shareholder approval), Registrar, Custodian, Company Secretary, Administrator and Tax Services Supplier.

The Board seeks to establish and maintain a corporate culture characterised by fairness in its treatment of the Company's service providers, whose efforts are collectively directed towards delivering returns to shareholders in line with the Company's purpose and objectives. It is the Board's belief that this contributes to the greater success of the Company, as well as being an appropriate way to conduct relations between parties engaged in a common purpose.

The Board determines what resolutions will be put to shareholders at general meetings, approves financial results and any communications/announcements relating to the Company. Within the authority granted by shareholders the Board approves allotments and buy-backs of Ordinary Shares and increases/reductions of Ordinary Shares in issue and in treasury.

The Board monitors key risks and ensures that there is a structure of internal controls in place to mitigate the likelihood of risks materialising. These are explained in greater detail on pages 15 to 18. Authority has been delegated to the Manager to take decisions on the purchase and sale of individual investments. However, the Board retains discretion in relation to the investment in LTL and LTL managed funds. The Board has also delegated authority to the Committees listed on page 38 and has established Terms of Reference which are available on the Company's website and from the Company's Registered Office.

A schedule of matters reserved for the Board is also available on the Company's website and from the Company's Registered Office.

## Board Structure

The Board recognises that its prime purpose is to direct the business so as to maximise shareholder value within a framework of proper controls. All Directors are non-executive and six are independent of the Manager.

The Directors normally meet as a Board on a quarterly basis. The Board lays down guidelines within which the Manager implements investment policy. All Board members are able to take independent professional advice at the Company's expense.

The Manager, the Company Secretary and Administrator all operate in a supportive and cooperative manner and representatives of each attend Board meetings.

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:

	Board (regular meetings)	Audit Committee	Management Engagement Committee	Nomination Committee	Annual General Meeting
<b>Total number of meetings</b>	<b>4</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>1</b>
Julian Cazalet	4	3	1	1	1
Nicholas Allan	4	3	1	1	1
Vivien Gould	4	3	1	1	1
Richard Hughes	4	3	1	1	1
Roger Lambert**	2	2	1	1	n/a
Michael Lindsell	4	3*	1*	1*	1
Helena Vinnicombe**	2	2	1	1	n/a

\* Present as an attendee and not a Committee member.

\*\* Appointed to the Board on 23 September 2022.

## Governance

### Corporate Governance Statement *continued*

#### **Board Committees**

##### **Nomination Committee**

The Company's Nomination Committee during the year comprised Nicholas Allan (Chairman), Julian Cazalet, Vivien Gould, Richard Hughes, Roger Lambert and Helena Vinnicombe.

The Directors have many years' experience within the industry between them and have the necessary skills to promote and develop the Company. As part of the fulfilment of the Succession Plan, the Board engaged the services of third-party search consultants. Further details can be found on page 39.

The Board's policy on diversity is described in more detail on pages 39 and 40.

The Board's policy on tenure is that Directors' appointments are reviewed through the regular board performance evaluations. There is no requirement for Directors to stand down after a fixed period of time as the Company values experience over a number of investment cycles.

##### **Audit Committee**

The Company's Audit Committee during the year comprised Richard Hughes (Chairman of the Committee during the year until 14 April 2023), Helena Vinnicombe (Chairman on an interim basis from 14 April 2023), Nicholas Allan, Julian Cazalet, Vivien Gould and Roger Lambert. Although Mr Cazalet is Chairman of the Board, the Board considers it desirable that he continues as a member of the Committee. The Audit Committee has set out a formal Report on pages 55 to 60 of the Annual Report.

##### **Management Engagement Committee**

The Company's Management Engagement Committee during the year comprised Julian Cazalet (Chairman), Nicholas Allan, Vivien Gould, Richard Hughes, Roger Lambert and Helena Vinnicombe.

The Committee reviews LTL's performance against comparator indices and market peers and considers whether terms of the contract and the fees and other remuneration payable to LTL remain appropriate on at least an annual basis.

The Committee also considers the performance, terms, fees and other remuneration payable to the Company Secretary and Administrator, the Custodian, and the Registrar.

Additionally the Committee considers the quality and depth of experience that LTL and Frostrow bring to the management of the Company.

Following a review at a Committee meeting in March 2023, the Board considers that the continuing appointment of LTL and Frostrow is in the best interests of the Company's shareholders.

##### **Appointments to the Board**

The rules governing the appointment and replacement of Directors are set out in the Company's Articles of Association and the succession planning policy. Where the Board appoints a new Director during the year or after the year end and before the notice of annual general meeting is published, that Director will stand for election by shareholders at the next Annual General Meeting.



# THE LINDSELL TRAIN INVESTMENT TRUST PLC

When considering new appointments, the Board endeavours to ensure that it has the capabilities required to be effective and oversee the Company's strategic priorities. This will include an appropriate range, balance and diversity of skills, experience and knowledge. The Company is committed to ensuring that any vacancies arising are filled by the best qualified candidates.

Subject to there being no conflict of interest, all Directors are entitled to vote on candidates for appointment as new Directors and to recommend to shareholders the re-election of Directors at the Annual General Meeting. The Chairman does not chair the meeting when the Board is dealing with the appointment of his successor.

As part of the process to appoint Roger Lambert and Helena Vinnicombe, the Board engaged the services of specialist recruitment consultants, Cornforth, who prepared a list of potential candidates for consideration by the Board. A short list was then arrived at, the candidates were interviewed, and Mr Lambert and Ms Vinnicombe were subsequently appointed.

Cornforth are signatories of The Standard Voluntary Code of Conduct for Executive Search Firms, which aims to broaden ethnic diversity and gender balance on boards through executive search firms' commitment throughout their recruitment processes, such as initial planning stages, long/short listing and candidate support.

Cornforth has no other connection with the Company or the individual Directors.

## **Succession Planning**

The Board, meeting as the Nomination Committee, regularly considers its structure and recognises the need for progressive refreshment.

The Board has an approved succession planning policy to ensure that (i) there is a formal, rigorous and transparent procedure for the appointment of new directors; and (ii) the Board and its Committees are comprised of members who collectively display the necessary balance of professional skills, experience and industry/company knowledge. The policy is reviewed annually and at such other times as circumstances may require.

## **Diversity Policy**

### *Board Diversity*

The Board supports the principle of boardroom diversity of which gender and ethnicity are two important aspects and therefore the Company's Diversity Policy applies to both the Board and its Committees.

The Company's policy is that the Board and its Committees should be comprised of directors with a diverse range of skills, knowledge and experience and that appointments to the Board and its Committees should be made on merit, against objective criteria, including diversity in its broadest sense. The objective of the policy is to ensure there is a broad range of approaches, backgrounds, skills, knowledge and experience represented on the Board and its Committees. The Board believes that this will make the Board and its Committees more effective at promoting the long-term sustainable success of the Company and generating value for all shareholders by ensuring there is a breadth of perspectives among the Directors and the challenge needed to support good decision-making.

To this end achieving a diversity of perspectives on the Board and its Committees during the year has been, and will continue to be, a key consideration in any Director search process.

## Governance

### Corporate Governance Statement *continued*

The Board will not discriminate on the grounds of gender, ethnicity, age, sexual orientation, disability or socio-economic background when considering the appointment of Directors. Education, professional background and cognitive and personal strengths are considered against the specification prepared for each appointment.

The Board has noted the FCA's new Listing Rules which require companies to report against the following diversity targets:

- i) At least 40% of individuals on the board are women;
- ii) At least one of the senior board positions is held by a woman; and
- iii) At least one individual on the board is from a minority ethnic background.

The Board has chosen to align its diversity reporting reference date with the Company's financial year end and proposes to maintain this alignment for future reporting periods.

As an externally managed investment company, the Company does not have the positions of CEO or CFO. The role of senior independent director is currently held by a woman.

As at 31 March 2023, the Company did not meet the target of at least 40% of the individuals on its board of directors being women, nor at least one individual on its board of directors being from a minority ethnic background.

The relatively small size of the Company's Board, and therefore more infrequent vacancies and opportunities for recruitment, make achieving diversity on the Board a more challenging, but ongoing process. As succession planning of the Board progresses in future years, the Company will seek to increase its diversity on its Board through its Diversity Policy.

As required under LR 9.8.6R(10), further detail in respect of the three targets outlined above as at 31 March 2023 is disclosed in the tables below.

	<b>Number of Board Members</b>	<b>Percentage of the Board</b>	<b>Number of Senior Positions on the Board (Chair and SID)*</b>
Men	5	71%	1
Women	2	29%	1
Not specified/prefer not to say*	–	–	–

\* Directors were also given the opportunity to indicate if there was an 'other category' they wished to specify.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

	Number of Board Members	Percentage of the Board	Number of Senior Positions on the Board (Chair and SID)*
White British or other White (including minority-white groups)	7	100%	2
Mixed/Multiple Ethnic Groups	–	–	–
Asian/Asian British	–	–	–
Black/African/Caribbean/Black British	–	–	–
Other ethnic group, including Arab	–	–	–
Not specified/prefer not to say	–	–	–

*\* As an externally managed investment company, the Company has no executive directors, employees or internal operations. The Board has therefore excluded the columns relating to executive management from the tables above. In addition, the senior positions on the Company's Board of (B) the chief executive and (D) the chief financial officer are not applicable to the Company. In the absence of the aforementioned roles, the board considers the Chairman and the SID to be the senior positions on the Board.*

In order to collect the data required to fulfil the disclosures in the tables above and on page 40, the Board agreed that self-reporting by the individuals concerned was the most appropriate method. The data was collected anonymously by the Company Secretary using a web-based survey where the following two questions were posed, and individuals were reminded that 'Not specified/prefer not to say' could be recorded in response:

1. For the purposes of the Listing Rules disclosures, how should you be categorised; and
2. Please advise your ethnicity.

There have been no changes in Board composition that have occurred between the reference date and the date on which the Annual Report was approved.

## Induction/Development

New appointees to the Board are provided with a full induction programme. The programme covers the Company's investment strategy, policies and practices. New Directors are also given key information on the Company's regulatory and statutory requirements as they arise including information on the role of the Board, matters reserved for its decision, the terms of reference for the Board Committees, the Company's corporate governance practices and procedures and the latest financial information. Directors are encouraged to participate in training courses where appropriate.

## Board Responsibilities

### *Division of Responsibilities*

It is the responsibility of the independent members of the Board, led by the Chairman, to ensure the effectiveness of the Manager and other third-party service providers. The Board receives accurate, timely and clear information to assist it in its decision making, and no one Director has unfettered powers of decision.

## Governance

### Corporate Governance Statement *continued*

#### **Responsibilities of the Chairman**

The Chairman's primary role is to provide leadership to the Board, assuming responsibility for its overall effectiveness in directing the Company. The Chairman is responsible for:

- taking the chair at general meetings and Board meetings, conducting meetings effectively and ensuring all Directors are involved in discussions and decision-making;
- setting the agenda for Board meetings and ensuring the Directors receive accurate, timely and clear information for decision-making;
- taking a leading role in determining the Board's composition and structure;
- overseeing the induction of new directors and the development of the Board as a whole;
- leading the annual board evaluation process and assessing the contribution of individual Directors;
- supporting and also challenging the Manager (and other suppliers) where necessary;
- ensuring effective communications with shareholders and, where appropriate, stakeholders; and
- engaging with shareholders to ensure that the Board has a clear understanding of shareholder views.

#### **Responsibilities of the Senior Independent Director ("SID")**

The SID serves as a sounding board for the Chairman and acts as an intermediary for the other Directors and the shareholders. The SID is responsible for:

- working closely with the Chairman and providing support;
- leading the annual assessment of the performance of the Chairman;
- holding meetings with the other non-executive Directors without the Chairman being present, on such occasions as necessary;
- working with the Chairman, other Directors and shareholders to resolve major issues;
- working with the Chairman of the Nomination Committee to carry out succession planning for the Chairman's role; and
- being available to shareholders and other Directors to address any concerns or issues they feel have not been adequately dealt with through the usual channels of communication (i.e. through the Chairman or the Manager).

#### **Company Secretary**

The Directors have access to the advice and services of a specialist company secretary, which is responsible for advising the Board on all governance matters. The Company Secretary ensures governance procedures are followed and that the Company complies with applicable statutory and regulatory requirements.

#### **Directors' Other Commitments**

Each of the Directors assessed the overall time commitment of their external appointments and it was concluded that they have sufficient time to discharge their duties. When appointing new Directors, the Board takes into account other demands on the Directors' time. Any additional significant external appointments are only undertaken with prior approval of the Board.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## **Board Performance Evaluation**

The Board annually evaluates the performance of the Board, Committees, individual Directors and third-party service providers using a structured questionnaire and without recourse to an external facilitator. The Board is satisfied from the results of these that the Board, its Committees and its third-party providers function effectively, both collectively and individually, and contain an appropriate balance of skills and experience for the effective management of the Company. No material weaknesses or concerns were identified.

## **Risk and Internal Control**

The Board confirms that there is an ongoing process for identifying, evaluating and managing those risks which are significant for the Company (particularly operational risks) and that this process reflects the guidance provided by the FRC. This process has been in place for the year ended 31 March 2023 and up to the date of the Annual Report and Financial Statements, and is regularly reviewed by the Board. The review covers all material financial, operational and compliance controls and risk management systems.

The Board has ultimate responsibility for the system of internal control and for reviewing its effectiveness. The key elements of the system are the appointment of an independent custodian with responsibility for safeguarding the Company's assets and clearly defined responsibilities between the Board, the Custodian and the Manager, all of whom have detailed operating procedures in place. The controls operated by the Board include the authorisation of the investment strategy and regular reviews of the investment performance and financial results. The system is designed to manage rather than eliminate the risk of being unable to meet business objectives and can provide reasonable but not absolute assurance against material misstatement or loss. The Board reviews the operation and effectiveness of the Company's internal controls regularly through identification and assessment of key risks and there is an annual review of how these are managed.

The Board has delegated the management of the investment portfolio to the Manager, LTL, while maintaining discretion over the holdings in LTL and LTL managed funds. LTL and the Board regularly discuss the investments in LTL and LTL managed funds. The day-to-day administration and the Company Secretarial requirements are contractually delegated to Frostrow Capital LLP, and the custodial services including the safeguarding of assets to Northern Trust Company (see note 17 to the Financial Statements). These contracts have been entered into after full consideration by the Board of the services undertaken and are reviewed annually. The Manager, Administrator and Custodian all maintain their own systems of internal and financial controls.

The Manager has established a framework to provide reasonable assurance on the effectiveness of internal controls operated on behalf of its clients. The Manager's Compliance Officer assesses and reports to the Board on that effectiveness and on the various business risks that may be encountered by the Manager.

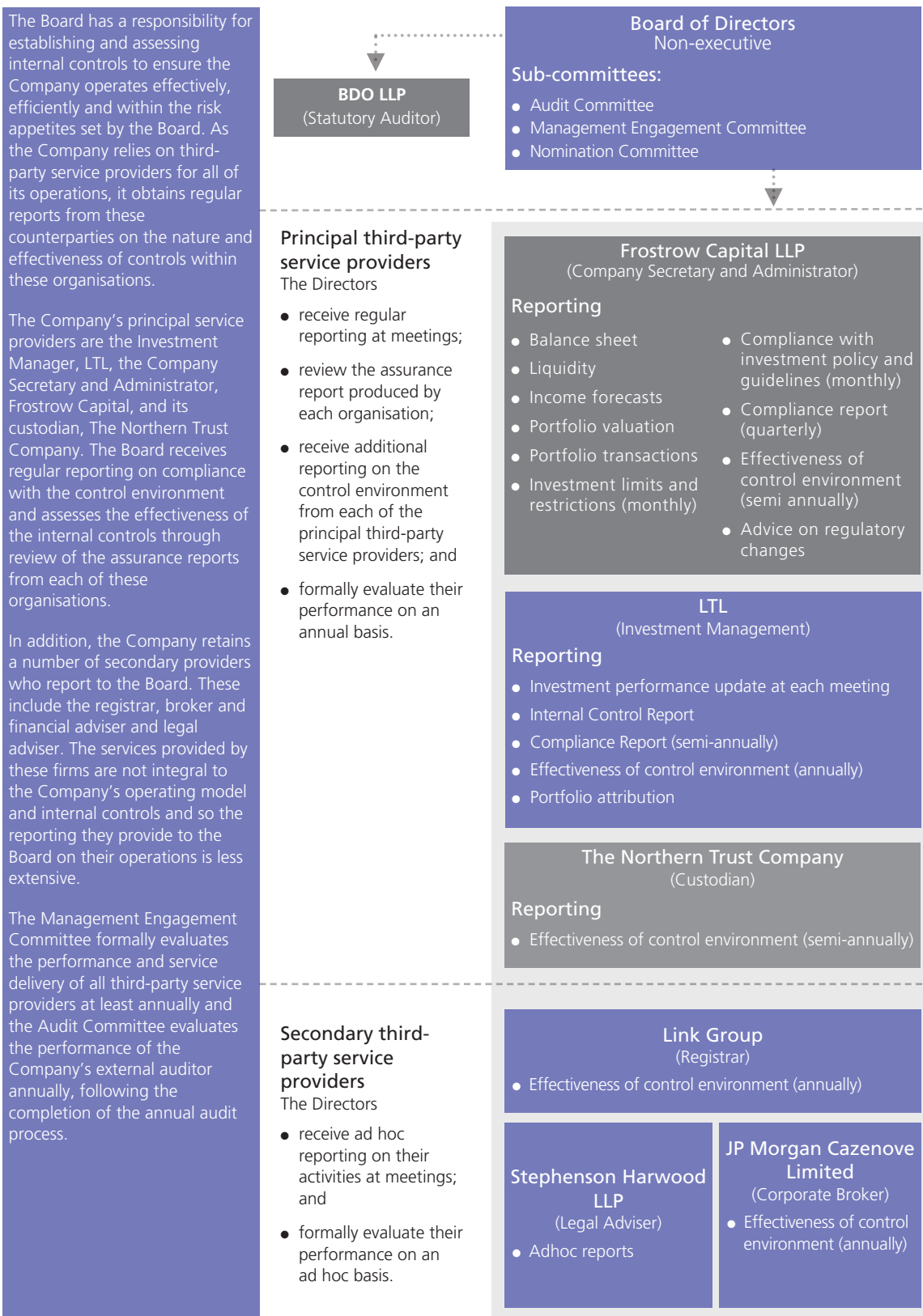
The Company Secretary and Administrator have established internal controls and have procedures in place to monitor them.

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

## Governance

### Corporate Governance Statement continued

#### Internal Controls Structure



# THE LINDSELL TRAIN INVESTMENT TRUST PLC

The Board is satisfied that its approach to managing internal control and risk conforms to the recommendations of the FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting.

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

An overview of the Internal Controls structure of the Company and its service providers is shown on the previous page.

## **Stakeholders**

As an externally managed investment company, the Company does not have employees. Its main stakeholders therefore comprise its shareholders and a small number of service providers.

## **Exercise Of Voting Powers**

The Board has delegated authority to LTL (as Manager) to cast its vote in relation to the shares owned by the Company.

## **Nominee Share Code**

Where shares in the Company are held via a nominee company, the Company undertakes:

- to provide the nominee company with multiple copies of shareholder communications, so long as an indication of quantities has been provided in advance; and
- to allow investors holding shares through a nominee company to attend general meetings.

Nominee companies are encouraged to provide the necessary authority to underlying shareholders to attend the Company's Annual General Meeting and to vote via proxy.

## **Reporting on Engagement with Stakeholders**

The AIC Code requires directors to explain their statutory duties as stated in sections 171–177 of the Companies Act 2006. Under section 172, directors have a duty to promote the success of the Company for the benefit of its members as a whole and in doing so have regard to the consequences of any decisions in the long-term, as well as having regard to the Company's stakeholders amongst other considerations.

The Board's report on its compliance with Section 172 of the Companies Act 2006 is contained within the Strategic Report on pages 21 to 24.

**Julian Cazalet**

Chairman

12 June 2023

## Governance

### Directors' Remuneration Report

This Remuneration Report has been prepared in accordance with the requirements of Section 421 of the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. An Ordinary Resolution for the approval of this Report will be put to shareholders at the Company's forthcoming Annual General Meeting. The Directors' Remuneration Policy Report, which is separate to this Report, can be found on pages 50 to 52.

The law requires the Company's Auditor to audit certain disclosures within this Report. Where disclosures have been audited, they are included as such and the Auditor's opinion is included in its report to members on pages 61 to 67.

The Board does not consider it necessary or appropriate to establish a separate Remuneration Committee as the Company has no employees, the Board is small, and there are no executive Directors. Non-executive Directors' remuneration is determined by the Board in line with the Directors' Remuneration Policy. The Board considers the framework for the remuneration of the Directors on an annual basis. It reviews the ongoing appropriateness of the Company's remuneration of Directors by reference to the activities of the Company and comparison with other companies of a similar structure and size together with a review of independent research. This is in line with the AIC Code.

#### Directors' Fees

At the most recent review held in December 2022, it was agreed that with effect from 1 January 2023, the Directors' fees would be as follows:

Chairman £40,000 (January 2022: £38,500)

Chairman of the Audit Committee £34,000 (January 2022: £31,500)

Directors £27,000 (January 2022: £26,000), with the exception of Michael Lindsell who, because of his connection with the Manager, waives his entitlement to fees.

The table below contains the annual percentage increase in remuneration over the three financial years prior to the current year in respect of the various director roles:

	31 March 2023 (£)	31 March 2022 (£)	31 March 2021 (£)	31 March 2020 (£)
<b>Annual Income:</b>				
Chairman	38,875 5.1%	37,000 4.6%	35,375 8.0%	32,750
Chairman of the Audit Committee	32,125 5.8%	30,375 10.5%	27,500 1.9%	27,000
Directors	26,250 4.0%	25,250 4.1%	24,250 7.8%	22,500
Taxable expenses	1,694	1,083	Nil	Nil

No advice from remuneration consultants was received during the year under review although a review of remuneration of the Company's peer group of investment companies was undertaken, supported by a review of published research by Nurole Limited and Trust Associates Limited.



# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Directors' Emoluments

None of the Directors is entitled to pensions or pension related benefits, medical or life insurance, share options, long-term incentive plans, or any form of performance related pay. Also, no Director has any right to any payment by way of monetary equivalent to an entitlement or to any assets of the Company except in their capacity as shareholders.

## Expenses

Under the Articles of Association, Directors are entitled to reimbursement of reasonable expenses incurred by them in connection with attendance at Board and General Meetings, the performance of their duties, and any additional work or duties they undertake at the Company's request.

## Loss of office

Directors do not have service contracts with the Company but are engaged under Letters of Appointment. These expressly exclude any entitlement to compensation upon leaving office for whatever reason.

The single total figure of remuneration for each Director for the year to 31 March 2023 is detailed below together with the prior year comparative.

### Single Total Figure Table (audited information)

Name of Director	Fees paid/Total (£)		Taxable Expenses (£)†	
	Year to 31 March:		2023	2022
	2023	2022	2023	2022
Julian Cazalet	38,875	37,000	–	–
Nicholas Allan	26,250	25,250	66	192
Vivien Gould	26,250	25,250	1,299	891
Richard Hughes	32,125	30,375	–	–
Roger Lambert*	13,850	–	–	–
Michael Lindsell	–	–	–	–
Helena Vinnicombe*	13,850	–	329	–
Totals	<u>151,200</u>	<u>117,875</u>	<u>1,694</u>	<u>1,083</u>

† Taxable expenses primarily comprise travel and associated expenses incurred by the Directors in attending Board and Committee meetings in London.

\* Appointed to the Board on 23 September 2022.

As the Company does not have a Chief Executive Officer or any executive Directors, there are no percentage increases to disclose in respect of their Single Total Figure.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Governance

### Directors' Remuneration Report *continued*

#### Voting at Annual General Meeting

A binding Ordinary Resolution approving the Directors' Remuneration Policy and a non-binding Ordinary Resolution adopting the Annual Report on Directors' Remuneration for the year ended 31 March 2022 were approved by shareholders at the Annual General Meeting held on 8 September 2022. The votes cast by proxy were as follows:

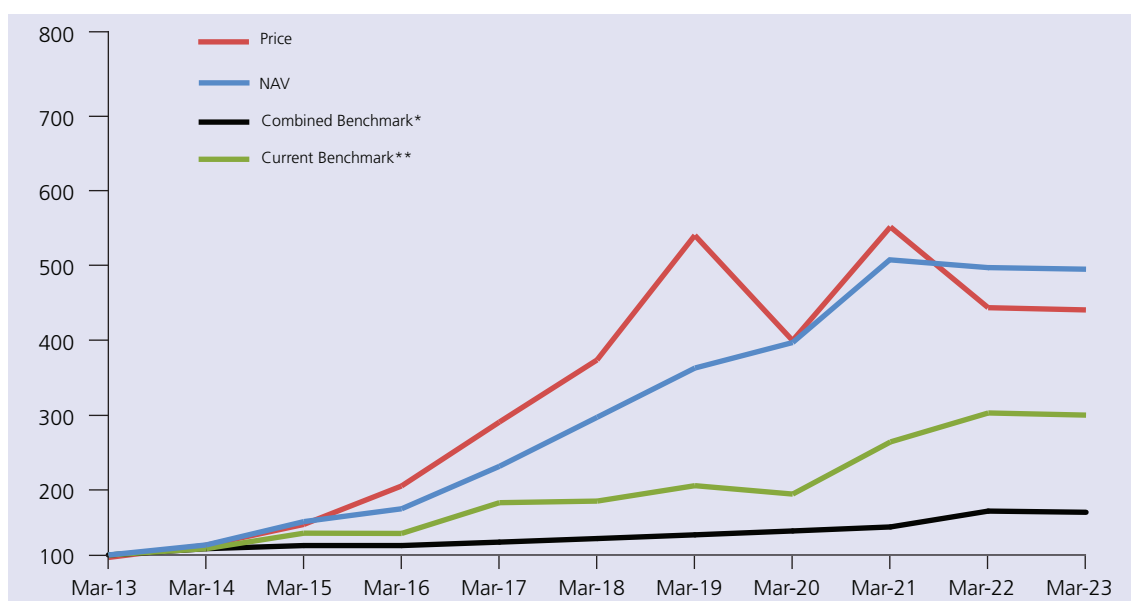
Resolutions	Votes Cast		Votes Cast		Total Votes Cast	Votes Withheld*
	For	%	Against	%		
Directors' Remuneration Report	53,784	99.70%	161	0.30%	53,945	49
Directors' Remuneration Policy	53,799	99.70%	160	0.30%	53,959	35

\* A vote withheld is not a vote in law and is not counted in the calculation of the proportion of votes "For" and "Against" a resolution.

#### Share Price Total Return

The chart below illustrates the total Shareholder return for a holding in the Company's shares as compared with the Benchmark between the relevant dates.

#### Share price and net asset value performance compared with the Combined and Current Benchmark for ten years to 31 March 2023



Note: The chart is rebased to 100 from 31 March 2013, includes dividends and is plotted yearly.

Rebased to show the performance per £100 invested.

\* The Combined Benchmark is a combination of the Old Benchmark (the annual average redemption yield of the longest dated UK government fixed rate bond, plus a premium of 0.5% subject to a minimum yield of 4%) until 31 March 2021 and the Current Benchmark (MSCI World index in Sterling) from 1 April 2021. The Combined Benchmark does not include adjustments relating to the High Water Mark.

\*\* The Current Benchmark shows the performance of the MSCI World Index in Sterling from 31 March 2013 to 31 March 2023. It was only adopted as the Current Benchmark from 1 April 2021.

Source: Bloomberg and LTL.

The Old Benchmark was chosen to act as an absolute return measure that was originally designed as a market-based proxy for inflation, in line with the Company's minimum objective to protect the real value of Shareholders' capital from year to year. The Current Benchmark replaced the Old Benchmark on 1 April 2021 as a reflection that the portfolio had become predominantly invested in equities and was likely to remain so for the foreseeable future. The MSCI World Index total return in Sterling was chosen as the Current Benchmark as a representative index to capture the portfolio's global equity opportunity set.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Relative Importance of Spend on Pay

The table below shows the amount of the Company's income spent on Directors' remuneration in comparison with investment management and performance fees paid to LTL and dividends paid to shareholders.

	Year to 31 March 2023 (£)	Year to 31 March 2022 (£)	Increase (decrease)
Directors' remuneration	151,200	117,875	28.3%
Investment management fees and other expenses	1,829,000	1,978,000	(7.5%)
Performance fees (charged to capital)	nil	nil	nil
Dividends to shareholders (final and special)	10,300,000	10,600,000	(2.8%)

## Statement of Directors' shareholding and share interests (audited information)

Neither the Articles nor the Directors' Letters of Appointment require any Director to own shares in the Company. The interests of the Directors and their connected persons in the equity securities of the Company at 31 March 2023 and 31 March 2022 are shown in the table below:

	Ordinary Shares of 75p 31 March 2023	Ordinary Shares of 75p 31 March 2022
Julian Cazalet	100	50
Nicholas Allan	100	50
Vivien Gould	25	25
Richard Hughes	25	25
Roger Lambert*	50	n/a
Michael Lindsell (including spouse and children)	7,720	7,345
Helena Vinnicombe*	15	n/a
Michael Lindsell (non-beneficial)**	3,600	3,600

\* Appointed to the Board on 23 September 2022.

\*\* Michael Lindsell's non-beneficial shares relate to him acting as a trustee of a family trust.

Since the year end to the date of this report, Michael Lindsell has bought a further 100 shares and Helena Vinnicombe has bought a further 8 shares. There have not been any other changes in the Directors' interests since the year end. None of the Directors has been granted, or exercised, any options or rights to subscribe for Ordinary Shares of the Company.

## Annual Report on Remuneration

A Resolution to adopt this Remuneration Report will be put to the forthcoming Annual General Meeting. The vote is advisory only and not binding on the Company, but does give shareholders a chance to inform the Board of their views on Directors' remuneration. The Board has not proposed any significant changes to the way the remuneration policy will be implemented in the next financial year.

## Statement by the Chairman of the Board

The Directors confirm that the Directors' Remuneration Policy and the Annual Report on Directors' Remuneration set out above provide a fair and reasonable summary for the financial year ended 31 March 2023 of:

- a) the major decisions on Directors' remuneration;
- b) any changes relating to Directors' remuneration made during the year; and
- c) the context in which those changes occurred and the decisions which have been taken.

By order of the Board

**Julian Cazalet**  
Chairman  
12 June 2023

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Governance

### Directors' Remuneration Policy

This Directors' Remuneration Policy ("Policy") sets out details of the Company's policy on the remuneration of Directors of the Company.

The Policy is subject to a triennial binding vote. However, the Board has resolved that, for good governance purposes, the Policy will be put to shareholders every year. Accordingly, a resolution to approve the Policy will be put to shareholders at the 2023 Annual General Meeting. The Policy, subject to the vote, is set out in full below and is currently in force.

The Company has only non-executive directors and no employees. The Directors of the Company are entitled to such rates of annual fees as the Board at its discretion determines, subject to aggregate annual fees not exceeding £220,000 under the Company's Articles of Association ("Articles"). No change to this ceiling is currently envisaged. Each Director abstains from voting on the specific remuneration to be paid to them.

In addition to fees, Directors are entitled to reimbursement of reasonable expenses incurred by them in the performance of their duties. In line with the majority of investment trusts, no component of any Director's remuneration is subject to performance factors. There are no provisions in Directors' Letters of Appointment for recovery or withholding of fees or expenses. Annual fees are pro-rated where a change takes place during a financial year.

The Board reviews annually the remuneration paid by other similar investment trusts and considers research from third-parties. The Board considers it important to pay sufficient compensation in order to promote the long-term success of the Company.

#### Directors' Fees Current and Projected

	Date of Appointment to the Board	Annual Fees as at 31 March 2023 £	Projected Fees Year Ending 31 March 2024 £
Julian Cazalet (Chairman) <sup>1</sup>	29 January 2015	40,000	30,000
Nicholas Allan	18 September 2018	27,000	27,000
Vivien Gould	29 January 2015	27,000	27,000
Richard Hughes <sup>2</sup>	18 September 2018	34,000	11,354
Roger Lambert <sup>3</sup>	23 September 2022	27,000	30,250
Michael Lindsell	13 July 2006	Nil	Nil
Helena Vinnicombe <sup>4</sup>	23 September 2022	27,000	33,540

<sup>1</sup> Will retire from the Board on 31 December 2023

<sup>2</sup> Will retire from the Board on 30 August 2023

<sup>3</sup> Will be appointed as Chairman with effect from 1 January 2024

<sup>4</sup> Appointed as Audit Committee Chairman on an interim basis with effect from 14 April 2023

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

The following table of remuneration components was approved with effect from 1 January 2023.

## Table of Directors' Remuneration Components

Component	Annual Rate (£)	Purpose and operation
Basic Annual Fee: Each Director	27,000	In recognition of the time and commitment required by Directors of public companies. The basic fee is reviewed against those paid by peer companies to ensure that it reflects fair and adequate compensation for the role.
Additional Fee: Chairman of the Board	13,000	For the additional time, commitment and responsibility required on the Company's business issues; and providing leadership as Chairman of the Board.
Additional Fee: Audit Committee Chairman	7,000	For the greater time required on the financial and reporting affairs of the Company.
Additional Fee: Each Director	Variable	In the event that the Company undertakes a complex or large project, such additional fee as will fairly compensate for the additional time and commitment required by a Director.
Expenses: Each Director	Variable	Reimbursement of expenses properly incurred by Directors in attending meetings and/or otherwise in the performance of their duties to the Company.

### Notes:

1. The Board only exercises its discretion to determine fees after an analysis of fees paid to directors of other companies of a similar size to that of the Company, together with a review of independent research.
2. As the Company has no employees, there are no differences in policy between the remuneration of Directors and the remuneration of employees.
3. None of the Directors is entitled to receive any remuneration which is performance-related.
4. No advice from remuneration consultants was received during the year under review.

### Directors' Remuneration Year Ended 31 March 2023

The table below shows the rate of annual fees payable to the Chairman, who is the highest paid Director, and all other non-executive Directors at 31 March 2023 and at 31 March 2022:

Fees	2023 (£)	2022 (£)
Chairman	40,000	38,500
Chairman of Audit Committee	34,000	31,500
Board Member	27,000	26,000

### Recruitment Remuneration Principles

1. The remuneration package for any new Chairman or non-executive Director will be the same as the prevailing rates determined on the bases set out above. The fees and entitlement to reclaim reasonable expenses will be set out in Directors' Letters of Appointment.
2. The Board will not pay any introductory fee or incentive to any person to encourage them to become a Director. However, it may engage the services of search & selection specialists in connection with the process of appointing new non-executive Directors.
3. The aggregate maximum fees currently payable to all Directors is £220,000 per annum.

## Governance

### Directors' Remuneration Policy *continued*

#### **Service Contracts**

None of the Directors has a service contract with the Company. Non-executive Directors are engaged under Letters of Appointment.

#### **Loss of Office**

Directors' Letters of Appointment expressly prohibit any entitlement to payment or compensation on loss of office.

#### **Scenarios**

All remuneration of the Chairman and non-executive Directors is fixed at annual rates and there are no performance-related scenarios where remuneration will vary. It is accordingly not considered appropriate to provide different remuneration scenarios for each Director.

#### **Statement of consideration of conditions elsewhere in the Company**

The Company has no employees, nor does it have any subsidiaries or associated companies which have employees, and accordingly a process of consulting with employees on the setting of the Company's Remuneration Policy is not applicable.

#### **Other Items**

None of the Directors has any entitlement to pensions or pension related benefits, medical or life insurance schemes, share options, long-term incentive plans or any form of performance related payments. No Director is entitled to any other monetary payment or any assets of the Company except in their capacity (where applicable) as shareholders of the Company.

Directors' and Officers' liability insurance cover is maintained by the Company, at the Company's expense, on behalf of all Directors.

The Company has also provided indemnities to the Directors in respect of costs or other liabilities which they may incur in connection with any claims relating to their performance or the performance of the Company whilst they are Directors.

#### **Consideration of Shareholders' views**

Any feedback received from shareholders is considered as part of the Board's annual review of remuneration. In respect of the year under review no feedback has been received from shareholders in relation to remuneration.

## Statement of Directors' responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Financial Statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- make judgments and estimates that are reasonable and prudent;
- prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- prepare a directors' report, a strategic report and a directors' remuneration report which comply with the requirements of the Companies Act 2006.

The Directors 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.

They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonable to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors have delegated responsibility to the Administrator for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

### **Responsibility Statement of the Directors in respect of the Annual Financial Report**

The Directors consider that the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

## Governance

### Statement of Directors' responsibilities in respect of the Financial Statements *continued*

Each of the Directors, whose names and functions are listed in the 'Board of Directors' on pages 30 and 31 confirms that, to the best of their knowledge:

- the Company Financial Statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice), give a true and fair view of the assets, liabilities, financial position and loss of the Company; and
- the Strategic Report includes a fair review of the development and performance of information required by the FCA's Disclosure Guidance and Transparency Rules.

The Directors also confirm that the Financial Statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Approved by the Board of Directors and signed on its behalf by

**Julian Cazalet**

Chairman

12 June 2023

#### **Note to those who wish to access this document by electronic means:**

The Annual Report for the year ended 31 March 2023 has been approved by the Board of The Lindsell Train Investment Trust plc. Copies of the Annual Report are circulated to shareholders and, where possible, to investors through other providers' products and nominee companies (or written notification is sent when they are published online). It is also made available in electronic format for the convenience of readers. Printed copies are available from the Company's Registered Office in London.



## Report of the Audit Committee

This report to shareholders for the year ended 31 March 2023 has been prepared in accordance with guidance issued by the Financial Reporting Council and the UK Corporate Governance Code.

### Composition of the Committee

The Audit Committee during the year comprised six Directors, all of whom are members of the Board. All of the members of the Committee are independent and considered to have sufficient recent and relevant experience to enable the Committee to function effectively. Julian Cazalet and Richard Hughes have current experience in relation to accounting and financial matters. The Company Secretary is Secretary to the Committee.

Helena Vinnicombe took over from Richard Hughes as Chairman of the Audit Committee in April 2023, on an interim basis. The Board has initiated a recruitment process and has appointed Cornforth to identify a Director to be appointed in Richard Hughes's stead.

### Role and responsibilities of the Committee

A comprehensive description of the Committee's role, duties and responsibilities can be found in its terms of reference, which are available on the Company's website and from the Company's Registered Office.

The principal activities undertaken by the Audit Committee are:

- to monitor and review the effectiveness of all aspects of the Company's financial reporting;
- to satisfy itself as to the integrity of the full year and half-year reports to shareholders;
- to advise the Board that such reports are fair, balanced and understandable and comply with applicable laws and regulations;
- to monitor the effectiveness of internal controls operated by third-party service providers appointed by the Board to undertake the day-to-day activities and administration of the Company's business;
- to consider significant issues (if any) which are identified by the Auditor and to determine such action (if any) as needs to be recommended to the Board in connection therewith;
- to meet, at least annually, with the Auditor and review the audit plan proposed by them; including areas of risk, they will look particularly at their level of materiality and the fee proposed by them for the statutory audit work;
- to make recommendations to the Board on the appointment, reappointment, replacement or removal of the Auditor;
- to consider all proposals and fees for non-audit work, which may include tenders from independent third-parties as well as proposals from the Auditor to undertake such work, the fees for such work and its suitability to undertake the work involved;
- to monitor and satisfy itself as to the independence, objectivity, resources and qualifications of the Auditor at least annually;
- to consider, at least annually, whether or not the Company should have an internal audit function.

## Governance

### Report of the Audit Committee *continued*

#### Meetings

The Audit Committee met three times during this financial year and meeting attendance is shown on page 37. Meetings are held to consider the full year and half-year results. Before each year end, the Board reviews the Auditor's proposed plans, scope of work and costs for the ensuing full year audit. Representatives of the Manager and the Company Secretary and Administrator attend meetings to provide input and respond to questions.

#### Significant Issues Considered by the Audit Committee during the year

In summary, additional to the Committee's core responsibilities, the main matters arising in relation to 2023 were:

- The Committee is aware of the increase in fraudulent activity over the last three years exploiting organisations, as a result of the Covid-19 pandemic, together with the cost of living crisis. Following an assessment and identification of types of fraud that the Company could be exposed to, it was believed that the Company's key service providers had adequate, robust controls in place to mitigate the event of any fraudulent activity.
- The Committee reviewed an assessment of the impact of climate change and the weighted average carbon intensity of the portfolio companies. The Committee notes the key topics of engagement undertaken by LTL with each of the portfolio companies and that assessment identified that the Company has a significantly lower weighted average carbon intensity than its comparable benchmark. Please refer to page 27 for further information.
- The Committee notes the consultation published by the Department of Business, Energy and Industrial Strategy on restoring trust in audit and Corporate Governance, and will continue to monitor the timescale for implementation of these proposals.
- The Committee led the audit tender and the recommendation of the appointment of BDO LLP as Auditor.
- During the year, the audit of the Company's 2022 Financial Statements, undertaken by PricewaterhouseCoopers LLP, was chosen for inspection by the United Kingdom Financial Reporting Council's ("FRC's") Audit Quality Review (the "Review"). The Committee considered the findings of the Review and, having changed auditor to BDO LLP, the Committee discussed with the new auditor the points raised, and how these had been incorporated into the audit approach for the year ended 31 March 2023.

These matters were discussed by the Committee and any recommendations were fully considered and recommendations were then made to the Board.

#### Going Concern

The Audit Committee, at the request of the Board, considered the ability of the Company to adopt the Going Concern basis for the preparation of the Financial Statements. Having reviewed the Company's financial position, the Committee is satisfied that it is appropriate for the Board to prepare the Financial Statements for the year ended 31 March 2023 on a going concern basis. The Committee's review of the Company's financial position included consideration of the cash and cash equivalents position of the Company, the diversification of the portfolio, and the analysis of portfolio liquidity, which estimated a liquidation of c.51% of the portfolio within five trading days (based on current market volumes). Stress testing was completed in determining the appropriateness of preparing the Financial Statements on a going concern basis, as set out on

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pages 34 and 35, which estimated that the Company could withstand a c.75% market fall and continue to remain as a going concern being able to meet its liabilities as they fall due.

## **Longer-Term Viability Statement**

The Committee considered, again on behalf of the Board, the longer-term viability of the Company in connection with the Board's statement (see pages 19 and 20). The Committee reviewed the Company's financial position (including its cash flows and liquidity position), the principal risks and uncertainties and the results of stress tests. The stress tests considered the impact of one or more of the key risks crystallising and then modelled the impact on the portfolio. The results demonstrated the impact on the Company's NAV, its expenses and its ability to meet its liabilities. In even the most stressed scenario, the Company was shown to have sufficient cash, or to be able to liquidate a sufficient portion of its listed holdings, in order to be able to meet its liabilities as they fall due. Based on these results the Committee concluded it was reasonable for the Board to expect that the Company will be able to continue in operation and meet its liabilities as they fall due over the next five financial years.

## *Internal Controls*

The Committee is responsible for ensuring that suitable controls are in place to prevent and detect fraud, error and misstatement of financial information. As the Company outsources all of its functions to third-parties, neither the Committee nor the Company has any internal control structure in place but instead requires its third-party service providers to report on their internal controls. These reports are received at least annually, including reports which have been independently verified by the relevant service provider's independent Auditor.

## *Risk Management*

The Directors have identified six main areas of risk and have set out the actions taken to evaluate and manage these risks. The Committee reviews the various actions taken and satisfies itself that they are sufficient.

Further information can be found in the Strategic Report beginning on page 15.

## **Alternative Performance Measures**

The Committee reviewed the disclosure and description of Alternative Performance Measures provided on pages 104 to 106 and within the Glossary of Terms and Alternative Performance Measures beginning on page 104 and is satisfied that the disclosure is fair and relevant.

## **Valuation of investments**

The Audit Committee considered the valuation methodology of the unlisted investment in LTL that represented 40.3% of net assets at the financial year end.

The other 59.7% of the Company's net assets are quoted investments, an unlisted fund and cash. The valuation of these investments is a material matter in the production of the Financial Statements.

The Audit Committee reviewed the procedures in place for ensuring the accuracy of the values and is content that these procedures remain robust. The results of the valuation of all investments were discussed with the Auditor. No material issues were identified.

## Governance

### Report of the Audit Committee *continued*

As detailed in Appendix 1 LTL's notional net profits are calculated by applying a fee rate (averaged over the last six months) to the most recent end-month FUM to produce annualised fee revenues excluding performance fees. Notional staff costs of 45% of revenues, annualised fixed costs and tax are deducted from revenues to produce notional annualised net profits.

During the year the Committee challenged and accepted the appropriateness of the 45% notional staff costs, through the review of a peer group comparison of remuneration costs.

#### **Ownership of investments**

The Administrator has not highlighted any issues and confirmed that all additions, disposals and corporate actions were matched to contract notes or other supporting documentation. In addition, a list of holdings was checked against an independent statement provided by the Company's custodian.

#### **Revenue**

Dividend income is reviewed by the Administrator to ensure it is appropriately accounted for and allocated correctly to revenue or capital. The Audit Committee has also reviewed the Auditor's approach to revenue recognition prior to the commencement of the audit. The results of the audit in this area were discussed with the Auditor and there were no significant issues arising.

#### **Tax Compliance**

The Company has engaged Wheelhouse Advisors, formerly part of ACA Compliance Group, to assist with the Company's tax compliance matters, in particular, the preparation and submission of the Company's corporation tax computation and tax return.

#### **Internal Audit Function**

The Committee reviews at least annually whether the Company should have an internal audit function. It has recommended to the Board that, given the size, structure and nature of the Company's activities, and that all operations are carried out by third-party service providers, an internal audit function is not appropriate. The Board has endorsed the recommendation of the Committee.

#### **Audit process and tender**

During the year, as part of the Board's review of costs and as notified, the Audit Committee led a competitive audit tender process. A selection of audit firms was invited to participate, including members of the 'big four' firms and mid-tier firms; two firms submitted proposals and were interviewed by the Audit Committee. Each firm that participated in the process was given extensive access to documentation, met with the Committee Chairman and was requested to submit a written proposal to the Committee. The firms then gave presentations to the Committee and were judged against a number of objective criteria determined in advance of the process. The Committee submitted two audit firm candidates for the engagement to the Board, together with a justified preference for one of them. The Committee concluded that BDO LLP was the preferred firm to conduct the audit engagement judged against the selection criteria and the quality of the proposed team and firm (including industry experience) and the approach to managing the audit. The Board agreed with the recommendation and the Company will seek shareholder approval of the appointment of BDO LLP at the forthcoming Annual General Meeting.

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Accordingly, PricewaterhouseCoopers LLP resigned as the Company's auditor and provided a statement explaining the reasons for its resignation which was posted to shareholders in accordance with the Companies Act 2006. The statement is available on the Company's website and the National Storage Mechanism. The Directors wish to thank PricewaterhouseCoopers LLP for its service as auditor.

Mr Chris Meyrick was the audit partner for the financial year under review and he has confirmed BDO LLP's willingness to continue to act as Auditor to the Company for the forthcoming financial year. BDO LLP's appointment is subject to shareholder approval at the next Annual General Meeting to be held in August 2023. Details can be found in the Notice of Annual General Meeting. As a public company listed on the London Stock Exchange, the Company is subject to mandatory auditor rotation requirements. Based on these requirements, another tender process will be required in 2032. The Committee will, however, continue to consider annually the need to go to tender for audit quality, remuneration or independence reasons.

The Auditor is required to change the Partner responsible for the audit affairs of the Company at least every five years. In accordance with this legislation, Mr Chris Meyrick has already completed four audits on behalf of PricewaterhouseCoopers LLP prior to joining BDO LLP and will be replaced by Mr Peter Smith at the conclusion of the 2023 audit.

## **The Audit**

The scope of the annual external audit was agreed in advance with the Committee with a focus on areas of audit risk and the appropriate level of audit materiality. The Auditor reported to the Audit Committee on the results of the audit work and highlighted any issues which were significant or material in the context of the Financial Statements. There were no adverse matters brought to the Audit Committee's attention in respect of the financial year 2023 audit which were material or significant or which should be brought to Shareholders' attention.

The Committee identified the following areas of particular significance which might require particular Independent audit emphasis:

- ownership of investments and assets included in the portfolio;
- valuation of positions in the portfolio, especially any which are illiquid or unlisted; and
- accuracy and completeness of the recognition of revenue.

## **Independence and effectiveness of the Auditor**

The Committee is satisfied with the independence, objectivity and impartiality of the Auditor. In order to fulfil the Committee's responsibility regarding the independence of the Auditor, the Committee reviewed the Auditor's arrangements concerning any conflicts of interest, the extent of any non-audit services, and the statement by the Auditor that it remains independent within the meaning of the regulations and their professional standards. When considering whether to appoint the Auditor to undertake non-audit work the Committee takes into account any potential impairment of independence or impartiality, knowledge of the Company and its proposed fee. The Committee may also put non-audit work out to tender.

The Audit Committee monitored and evaluated the effectiveness of the Auditor under the terms of its appointment based on an assessment of their performance, qualification, knowledge, expertise and resources. The Auditor's effectiveness was also considered along with other factors such as audit planning and interpretations of accounting standards.

## Governance

### Report of the Audit Committee *continued*

The Auditor was provided with an opportunity to address the Committee and, independently, the Audit Chairman, without the Company Secretary present, to raise any concerns or discuss any matters relating to the audit work and the co-operation of the Company Secretary, Investment Manager and others in providing any information and the quality of that information including the timeliness in responding to audit requests. No concerns were raised by the Auditor or the Audit Committee in relation to the service provided by the Company Secretary, Investment Manager or any other third-party service provider.

#### **Appointment of the Independent Auditor**

The Committee is satisfied that the independence, objectivity and impartiality of the Auditor has not been compromised. Accordingly a resolution to appoint BDO LLP as the Auditor will be proposed at the forthcoming Annual General Meeting.

#### **Committee Effectiveness**

As part of the Board Evaluation process, the Committee undertook an evaluation of its effectiveness during April 2023.

The Committee confirmed that it had conducted its affairs in accordance with its terms of reference. The Committee considers that its approach is comprehensive and appropriate, that it focuses on the right issues and is managed well.

**Helena Vinnicombe**

Chairman of the Audit Committee

12 June 2023

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

### Opinion on the Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements of The Lindsell Train Investment Trust plc (the 'Company') for the year ended 31 March 2023 which comprise the Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard in the United Kingdom and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our Report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

### Independence

Following the recommendation of the Audit Committee, we were appointed by The Board of Directors on 23 December 2022 to audit the Financial Statements for the year ended 31 March 2023 and subsequent financial periods. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Company.

### Conclusions relating to going concern

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- evaluating the appropriateness of the Directors' method of assessing the going concern in light of market volatility and the present uncertainties in economic recovery by reviewing the information used by the Directors in completing their assessment;
- assessing the appropriateness of the Directors' assumptions and judgements made by comparing the prior year forecasted costs to the actual costs incurred to check that the projected costs are reasonable;
- assessing the projected management fees for the year to check that it was in line with the current assets under management levels and the projected market growth forecasts for the following year;
- assessing the appropriateness of the Directors' assumptions and judgements made in their base case and stress tested forecasts including consideration of the available cash resources relative to forecast expenditure and commitments; and
- challenging the Directors' assumptions and judgements made in their forecasts by performing an independent analysis of the liquidity of the portfolio and further stress testing the potential downsides considered.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

## Independent Auditor’s Report to the members of The Lindsell Train Investment Trust plc *continued*

In relation to the Company’s reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors’ statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this Report.

### Overview

<b>Key audit matters</b>	Valuation and ownership of investments
<b>Materiality</b>	<i>Company Financial Statements as a whole</i> £2.1m based on 1% of Net Assets as at 31/03/2023

### An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company’s system of internal control, and assessing the risks of material misstatement in the Financial Statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
<p><b>Valuation and ownership of investments</b> <i>(Note 1 and Note 10 to the Financial Statements)</i></p> <p>The investment portfolio at the year-end comprised of listed equity investments (£100,547,000), an unquoted fund (£17,361,000) and one unlisted, private company, investment (£85,220,000) held at fair value through profit or loss.</p> <p>We considered the valuation and ownership of investments to be the most significant audit area as the investments also represent the most significant balance in the Financial Statements and underpin a significant portion of the principal activity of the entity.</p> <p>Whilst we do not consider their valuation to be subject to a significant degree of estimation or judgement, there is a risk that the prices used for the listed equity investments and unquoted fund held by the Company are not reflective of fair value of those investments as at the year end.</p> <p>Determining the fair value of the unlisted investment involves judgement with respect to determining the most appropriate valuation methodology to adopt and estimates in relation to the inputs used in applying that methodology. Changes in these can result in material changes in the valuation of the unlisted investment.</p>	<p>We responded to this matter by testing the valuation and ownership of the full portfolio of investments.</p> <p>In respect of listed and fund investments, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>– confirmed the year-end bid price was used by agreeing to independently quoted prices;</li> <li>– obtained direct confirmation of the number of shares / units held in each investment from the custodian at the balance sheet date; and</li> <li>– tested the computational accuracy by multiplying the number of shares/units held per the statement obtained from the custodian by the valuation per share.</li> </ul> <p>In respect of unlisted, private company, investment, we performed the following procedures with support from our internal valuation experts:</p> <ul style="list-style-type: none"> <li>– considered whether the valuation methodology is the most appropriate in the circumstances under the International Private Equity and Venture Capital Valuation (“IPEV”) Guidelines and applicable accounting standards;</li> <li>– independently confirmed the number of shares held to companies house at the balance sheet date;</li> <li>– assessed the appropriateness of assumptions used in applying the valuation methodology. This included validating the Funds Under Management (‘FUM’) to the published factsheets of LTL managed funds and investment management revenue to historical records as well as comparing cost assumptions and earnings / price to FUM ratios to comparable companies; and</li> <li>– performing sensitivity analysis over key inputs.</li> </ul>



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Key audit matter	How the scope of our audit addressed the key audit matter
<p><b>Valuation and ownership of investments</b> (Note 1 and Note 10 to the Financial Statements)</p> <p>There is also a risk of error in the recording of investment holdings such that those recording does not appropriately reflect the property of the Company.</p>	<p>Key observations:</p> <p>Based on our procedures performed we did not identify any matters to suggest the valuation or ownership of the listed or unlisted equity investments was not appropriate.</p>

## Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole and performance materiality as follows:

Company Financial Statements 2023	
<b>Materiality</b>	£2.1m
<b>Basis for determining materiality</b>	1% of Net Assets
<b>Rationale for the benchmark applied</b>	As an investment trust, the net asset value is the key measure of performance for users of the Financial Statements.
<b>Performance materiality</b>	£1.48m
<b>Basis for determining performance materiality</b>	70% of materiality
<b>Rationale for the percentage applied for performance materiality</b>	The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements and the level of transactions in the year.

## Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £105,700. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

## Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Financial Statements other than the Financial Statements and our Auditor's Report thereon. Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our Report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Governance

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

#### Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the Financial Statements or our knowledge obtained during the audit.

<b>Going concern and longer-term viability</b>	<ul style="list-style-type: none"> <li>• The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on pages 34 and 35; and</li> <li>• The Directors' explanation as to their assessment of the Company's prospects, the period this assessment covers and why the period is appropriate as set out on page 35.</li> </ul>
<b>Other Code provisions</b>	<ul style="list-style-type: none"> <li>• Directors' statement on fair, balanced and understandable as set out on page 53;</li> <li>• Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 53;</li> <li>• The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems as set out on page 43; and</li> <li>• The section describing the work of the Audit Committee as set out on page 55.</li> </ul>

#### Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

<b>Strategic Report and Directors' Report</b>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>• the information given in the Strategic Report and the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and</li> <li>• the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.</li> </ul> <p>In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.</p>
<b>Directors' remuneration</b>	<p>In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.</p>

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## Matters on which we are required

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

## Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

### Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

### Non-compliance with laws and regulations

Based on:

- our understanding of the Company and the industry in which it operates;
- discussion with management and those charged with governance; and
- obtaining and understanding of the Company's policies and procedures regarding compliance with laws and regulations;

we considered the significant laws and regulations to be Companies Act 2006, the FCA listing and DTR rules, the principles of the AIC Code of Corporate Governance, industry practice represented by the AIC SORP, the applicable accounting framework, and qualification as an Investment Trust under UK tax legislation as any non-compliance of this would lead to the Company losing various deductions and exemptions from corporation tax.

## Governance

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

Our procedures in respect of the above included:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management and those charged with governance relating to the existence of any non-compliance with laws and regulations;
- reviewing minutes of meeting of those charged with governance throughout the period for instances of non-compliance with laws and regulations; and
- reviewing the calculation in relation to Investment Trust compliance to check that the Company was meeting its requirements to retain their Investment Trust Status.

#### **Fraud**

We assessed the susceptibility of the financial statement to material misstatement including fraud.

Our risk assessment procedures included:

- enquiry with management and those charged with governance also considered Audit Committee regarding any known or suspected instances of fraud;
- obtaining an understanding of the Company's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- discussion amongst the engagement team as to how and where fraud might occur in the Financial Statements; and

Based on our risk assessment, we considered the areas most susceptible to be management override of controls, including the valuation of the unlisted, private company, investment.

Our procedures in respect of the above included:

- the procedures set out in the Key Audit Matters section above;
- recalculating investment management fees in total;
- obtaining independent confirmation of bank balances; and
- testing journals which met a defined risk criteria by agreeing to supporting documentation and evaluating whether there was evidence of bias by the Investment Manager and Directors that represented a risk of material misstatement due to fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the Financial Statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## **Use of our report**

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

**Chris Meyrick** (*Senior Statutory Auditor*)

For and on behalf of BDO LLP, Statutory Auditor

London, UK

12 June 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Financial Statements

### Income Statement for the year ended 31 March 2023

		2023			2022		
	Notes	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Losses on investments held at fair value	10	–	(12,978)	(12,978)	–	(17,089)	(17,089)
Exchange (loss)/gains on currency balances		–	(3)	(3)	–	6	6
<b>Income</b>	2	<b>14,135</b>	<b>–</b>	<b>14,135</b>	<b>14,784</b>	<b>–</b>	<b>14,784</b>
Investment management fees	3	(1,138)	–	(1,138)	(1,309)	–	(1,309)
Other expenses	4	(690)	(1)	(691)	(668)	(1)	(669)
<b>Net return/(loss) before taxation</b>		<b>12,307</b>	<b>(12,982)</b>	<b>(675)</b>	<b>12,807</b>	<b>(17,084)</b>	<b>(4,277)</b>
Taxation	7	(96)	–	(96)	(78)	–	(78)
<b>Return/(loss) after taxation for the financial year</b>		<b>12,211</b>	<b>(12,982)</b>	<b>(771)</b>	<b>12,729</b>	<b>(17,084)</b>	<b>(4,355)</b>
<b>Return/(loss) per Ordinary Share</b>	9	<b>£61.06</b>	<b>£(64.91)</b>	<b>£(3.85)</b>	<b>£63.65</b>	<b>£(85.42)</b>	<b>£(21.77)</b>

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

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

The Company does not have any other recognised gains or losses. The net loss for the year disclosed above represents the Company's total comprehensive income.

No operations were acquired or discontinued during the year.

The notes on pages 72 to 87 form part of these Financial Statements.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Statement of Changes in Equity for the year ended 31 March 2023

	Share capital 2023 £'000	Special reserve 2023 £'000	Capital reserve 2023 £'000	Revenue reserve 2023 £'000	Total 2023 £'000
At 1 April 2022	150	19,850	180,982	21,779	222,761
(Loss)/return for the financial year	–	–	(12,982)	12,211	(771)
Dividends paid for the year ended 31 March 2022 (see note 8)	–	–	–	(10,600)	(10,600)
<b>At 31 March 2023</b>	<b>150</b>	<b>19,850</b>	<b>168,000</b>	<b>23,390</b>	<b>211,390</b>

## For the year ended 31 March 2022

	Share capital 2022 £'000	Special reserve 2022 £'000	Capital reserve 2022 £'000	Revenue reserve 2022 £'000	Total 2022 £'000
At 1 April 2021	150	19,850	198,066	19,050	237,116
(Loss)/return for the financial year	–	–	(17,084)	12,729	(4,355)
Dividends paid for the year ended 31 March 2021 (see note 8)	–	–	–	(10,000)	(10,000)
<b>At 31 March 2022</b>	<b>150</b>	<b>19,850</b>	<b>180,982</b>	<b>21,779</b>	<b>222,761</b>

The notes on pages 72 to 87 form part of these Financial Statements.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Financial Statements

### Statement of Financial Position at 31 March 2023

	Notes	2023		2022	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Investments held at fair value through profit or loss	10		203,128		215,768
<b>Current assets</b>					
Other receivables	11	491		513	
Cash at bank		8,010		6,708	
		<u>8,501</u>		<u>7,221</u>	
Creditors: amounts falling due within one year					
Other payables	12	<u>(239)</u>		<u>(228)</u>	
<b>Net current assets</b>			<u>8,262</u>		<u>6,993</u>
<b>Net assets</b>			<u>211,390</u>		<u>222,761</u>
Called up share capital	13		150		150
Special reserve	14		<u>19,850</u>		<u>19,850</u>
			20,000		20,000
Capital reserve	14		168,000		180,982
Revenue reserve			<u>23,390</u>		<u>21,779</u>
<b>Equity Shareholders' funds</b>			<u>211,390</u>		<u>222,761</u>
<b>Net Asset Value per Ordinary Share</b>	15		£1,056.95		£1,113.81

The Financial Statements on pages 68 to 87 were approved by the Board on 12 June 2023 and were signed on its behalf by:

**Julian Cazalet**

*Chairman*

The Lindsell Train Investment Trust plc

Registered in England & Wales, No: 4119429

The notes on pages 72 to 87 form part of these Financial Statements.



# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Statement of Cash Flows for the year ended 31 March 2023

	Notes	<b>2023</b> <b>£'000</b>	Restated 2022 <sup>†</sup> £'000
<b>Net cash inflow from operating activities</b>	16	<u>12,243</u>	<u>10,125</u>
<b>Investing activities</b>			
Purchase of investments held at fair value		(339)	(673)
Sale of investments held at fair value		<u>1</u>	<u>1,709</u>
<b>Net cash (outflow)/inflow from investing activities</b>		<u>(338)</u>	<u>1,036</u>
<b>Financing activities</b>			
Equity dividends paid	8	<u>(10,600)</u>	<u>(10,000)</u>
<b>Net cash outflow from financing activities</b>		<u>(10,600)</u>	<u>(10,000)</u>
<b>Increase in cash and cash equivalents</b>		1,305	1,161
Cash and cash equivalents at beginning of year*		6,708	5,541
(Loss)/gains on exchange movements*		<u>(3)</u>	<u>6</u>
<b>Cash and cash equivalents at end of year*</b>		<u><u>8,010</u></u>	<u><u>6,708</u></u>

*Cash flows from operating activities includes dividend income received (gross) of £14,156,000 (2022:£14,880,000) and deposit interest of £36,000 (2022:£nil).*

\* Comprises solely cash held at bank.

† Restatement of presentation only. See note 1(k) for further details.

The notes on pages 72 to 87 form part of these Financial Statements.

## Financial Statements

### Notes to the Financial Statements

#### 1 Accounting policies

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

##### (a) Basis of accounting

The Financial Statements of the Company have been prepared under the historical cost convention modified to include the revaluation of fixed assets in accordance with United Kingdom Company law, FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland' and with the Statement of Recommended Practice ("SORP") "Financial Statements of Investment Trust Companies and Venture Capital Trusts", issued by the Association of Investment Companies in July 2022.

##### Going concern

The Financial Statements have been prepared on the going concern basis.

The Directors have a reasonable expectation, after considering a schedule of the Company's current financial resources and liabilities, that the Company has adequate resources to continue in existence for at least 12 months from the approval of the Financial Statements; and that it is appropriate to prepare the Financial Statements on a going concern basis.

The Company does not have a fixed life.

As at 31 March 2023, the Company held £100,547,000 (2022: £101,256,000) in listed investments and £102,581,000 (2022: £114,512,000) in an unlisted investment and an unlisted fund. The total operating expenses for the year ended 31 March 2023 were £1,829,000 (2022: £1,978,000). It is estimated that 51.0% of the investment portfolio, (92.3% of the listed portfolio) could be liquidated within five business days based on 20% of the 90 days' average trading volumes obtained from Bloomberg.

##### (b) Reporting currency

The Financial Statements are presented in Sterling which is the functional currency of the Company because it is the currency of the primary economic environment in which the Company operates.

##### (c) Dividends

Under Section 32 of FRS 102, final dividends should not be accrued in the Financial Statements unless they have been approved by shareholders before the balance sheet date.

Dividends payable to shareholders are recognised in the Statement of Changes in Equity when they have been approved by shareholders and have become a liability of the Company. Interim dividends are recognised in the Financial Statements in the period in which they are paid.

##### (d) Valuation of fixed asset investments

The Company's investments are classified as held at fair value through profit or loss in accordance with Section 11 and 12 of FRS 102 and are managed and evaluated on a fair value basis in accordance with its investment strategy.

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

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

Lindsell Train fund products are valued daily using prices supplied by the administrator of these funds.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## 1 Accounting policies continued

The unlisted investment in Lindsell Train Limited is valued by the Directors at fair value using a valuation methodology adopted by the Board. The formula is monitored by the Board to ensure its ongoing appropriateness. At the most recent update in 2022 the Board sought external advice to verify its approach. Please refer to note 1(j) for further information.

The investment in LTL (representing 24.2% of the Manager) is held as part of the investment portfolio. Accordingly, the shares are accounted for and disclosed in the same way as other investments in the portfolio. The valuation of the investment (see note 17) on pages 82 to 86 is calculated at the end of each month on the basis of fair value as determined by the Directors of the Company. The valuation process with effect from 31 March 2023 is based upon a methodology that uses a percentage of LTL's funds under management, with the percentage applied being reviewed monthly and adjusted to reflect the ongoing profitability of LTL.

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset as follows:

- Level 1 – The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3 – Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

### (e) Income

Dividends are credited to the revenue column of the Income Statement on an ex-dividend basis. Where an ex-dividend date is not available, dividends are recognised when the Company's right to receive payment is established. The fixed return on a debt security is recognised on a time apportionment basis so as to reflect the effective interest rate on the debt security. Bank and deposit interest is accounted for on an accruals basis.

### (f) Expenses

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

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

### (g) Taxation

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

In line with recommendations of the SORP, the allocation method used to calculate tax relief on expenses presented in the capital column of the Statement of Comprehensive Income is the marginal basis. Under this basis if taxable income is capable of being offset entirely by expenses presented in the revenue column of the Income Statement then no tax relief is transferred to the capital column.

## Financial Statements

### Notes to the Financial Statements *continued*

#### **1 Accounting policies** *continued*

##### **(h) Foreign currency**

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

##### **(i) Capital reserve**

The following are taken to this reserve:

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

##### **Revenue reserve**

The revenue reserve reflects all income and expenditure which are recognised in the revenue column of the income statement.

##### **Special reserve**

The special reserve arose following Court approval in September 2002 to transfer £19,850,000 from the share premium account. This reserve can be used to finance the redemption and/or purchase of shares in issue.

In accordance with the Company's Articles of Association, the capital reserve and special reserve may not be distributed by way of a dividend but may be utilised for the purposes of share buybacks. The Company may only distribute by way of dividend accumulated revenue profits within the revenue reserve.

##### **(j) Significant judgments and estimates**

The key significant estimate to report is the valuation of the investment in LTL where material judgments are made. Please refer to notes 1(d) and 17 for details of how this holding is valued.

Other than this, in the course of preparing the Financial Statements, no material judgments have been made in the process of applying the Company's accounting policies, except those that involve estimations.

##### **(k) Statement of Cash Flows (presentation for comparative year restated)**

In preparing the Company's Statement of Cash Flows for the year ended 31 March 2023, the Directors have made the judgement that purchases and sales of investments form part of the Company's investing activities, on the basis that these activities are intended for the achievement of longer-term shareholder returns, consistent with the Company's investment objective.

The Company has re-assessed the previous classification of purchases and sales of investments as "operating activities" in the Company's Statement of Cash Flows and, after careful consideration, the Board decided to change the accounting policy to better reflect the nature of investment activities and classify purchases and sales of investments as "investing activities". As a result, the presentation of the Statement of Cash Flows for the year ended 31 March 2022 has been restated. This change in accounting policy has no impact on net assets or income in either the current or prior year.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## 2 Income

	<b>2023</b>	2022
	<b>£'000</b>	£'000
<b>Income from investments</b>		
Overseas dividends	<b>833</b>	689
UK dividends		
– Lindsell Train Limited	<b>11,875</b>	12,861
– Other UK dividends	<b>1,391</b>	1,234
	<u><b>14,099</b></u>	<u>14,784</u>
<b>Other income</b>		
Deposit Interest	<u><b>36</b></u>	–
	<u><b>36</b></u>	–
<b>Total income comprises:</b>		
Dividends	<b>14,099</b>	14,784
Interest	<u><b>36</b></u>	–
	<u><b>14,135</b></u>	<u>14,784</u>

## 3 Management fees

	<b>2023</b>	2022
	<b>£'000</b>	£'000
Investment management fee	<b>1,255</b>	1,449
Rebate of investment management fee (see below)	<u><b>(117)</b></u>	<u>(140)</u>
<b>Total management fee</b>	<u><b>1,138</b></u>	<u>1,309</u>

In accordance with an Investment Management Agreement dated 21 December 2000 (last revised in November 2020) between the Company and LTL, LTL has been providing investment management services to the Company. For its services, LTL receives an annual fee of 0.6%, calculated on the lower of the Adjusted Market Capitalisation and the Adjusted Net Asset Value of the Company, calculated using weekly data and payable in arrears in respect of each calendar month. The amount charged during the year is shown above. £94,893 (2022: £101,681) of the fee for the year was outstanding as at the Balance Sheet date.

A performance fee is payable at the rate of 10 per cent of the value of any positive relative performance versus the Benchmark (the MSCI World Index Total Return (Sterling adjusted)), in a financial year. Relative performance is measured by taking the lower of the NAV or Average Market Price, taking into account dividends, at the end of each financial year and comparing the percentage annual change with the total return of the Benchmark. A performance fee will only be paid out if the annual change is both above the Benchmark and is a positive figure. Relative performance will be carried forward in years where the Manager is not eligible for a performance fee based on these two criteria. The Company has twelve month performance periods, ending on 31 March in each year. The performance fee is payable in arrears in respect of each performance period.

The performance fee payable to the Manager for the year to 31 March 2023 was £nil (2022: £nil).

For the avoidance of double charging management fees, the Manager has agreed to rebate any periodic management fee that it receives from the Company by the amount of fees receivable by it from LTL managed fund products and other fund products where LTL is the Manager. The amounts rebated on the Investment Management fee are shown above, of

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Financial Statements

### Notes to the Financial Statements *continued*

#### 3 Management fees *continued*

which £101,725 (2022: £123,593) relates to the Company's investment in Lindsell Train North American Equity Fund and £15,065 (2022: £16,399) relates to the Company's investment in the Finsbury Growth & Income Trust PLC.

#### 4 Other expenses

	<b>2023</b>	2022
	<b>£'000</b>	£'000
Directors' emoluments	<b>151</b>	118
Company Secretarial and Administration fee	<b>195</b>	211
Auditor's remuneration*†	<b>55</b>	35
Tax compliance fee	<b>6</b>	5
Safe custody fees	<b>18</b>	19
Printing fees	<b>40</b>	44
Registrars' fees	<b>35</b>	33
Listing fees	<b>14</b>	10
Legal fees	<b>5</b>	12
Employer's National Insurance	<b>11</b>	8
Directors' liability insurance	<b>13</b>	12
Key man insurance	<b>47</b>	24
Consultancy fees**	–	50
Costs associated with the redesign of the Company's website	–	12
Director recruitment costs	<b>40</b>	–
Sundry	<b>60</b>	41
VAT irrecoverable	–	34
	<b>690</b>	668
Capital charges	<b>1</b>	1
	<b>691</b>	669

\* Excluding VAT.

† Remuneration for the audit of the Financial Statements of the Company.

\*\* Fees paid to J.P.Morgan Cazenove Ltd in relation to amendments to the Management Agreement and their review of the Company's valuation methodology applied to its unlisted investment in LTL.

#### 5 Directors' emoluments

These are reflected in the table below:

	<b>2023</b>	2022
	<b>£'000</b>	£'000
Directors' fees	<b>151</b>	118

Since 1 January 2023, the Chairman of the Board, Chairman of the Audit Committee, and other Directors receive set fees at rates of £40,000, £34,000 and £27,000 respectively per annum, and have no entitlement to any performance fees. Directors' fees amounting to £27,000 (2022: £26,000) have been waived by Michael Lindsell in view of his connection with the Manager.

There were no pension contributions paid or payable.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## 6 Disclosure of interests

As at 31 March 2023 the Company held 12,500,000 shares in Lindsell Train North American Equity Fund with a fair value of £17,361,000 and a cost of £12,752,000.

LTL is also the Portfolio Manager of Finsbury Growth & Income Trust PLC in which the Company has an investment of 420,000 shares with a fair value of £3,776,000 at a cost of £759,000 (see page 9).

LTL's appointment as Manager to the Company is subject to termination by either party on twelve months' notice.

## 7 Taxation

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

	2023			2022		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax	–	–	–	–	–	–
Overseas tax	102	–	102	90	–	90
Overseas tax recoverable	(6)	–	(6)	(12)	–	(12)
Tax charge per accounts	<u>96</u>	<u>–</u>	<u>96</u>	<u>78</u>	<u>–</u>	<u>78</u>

The current taxation charge for the year is different from the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:

	2023 £'000	2022 £'000
Net loss on ordinary activities before taxation	<u>(675)</u>	<u>(4,277)</u>
Theoretical tax at UK Corporation tax rate of 19% (2022: 19%)	<b>(128)</b>	(813)
Effects of:		
– UK dividends which are not taxable	<b>(2,521)</b>	(2,678)
– Overseas dividends which are not taxable	<b>(158)</b>	(131)
– Non-taxable loss on investments	<b>2,466</b>	3,246
– Current year excess expenses	<b>341</b>	376
– Overseas tax suffered	<b>102</b>	90
– Overseas tax recoverable	<b>(6)</b>	(12)
<b>Actual current tax charge</b>	<u><b>96</b></u>	<u>78</u>

As an Investment Trust, the Company is not subject to UK taxation on capital gains as long as it maintains exemption under Sections 1158 and 1159 of the Corporation Tax Act 2010. In the opinion of the Directors, the Company has complied with the requirements of Sections 1158 and 1159 of the Corporation Tax Act 2010.

### Factors that may affect future tax charges

As at 31 March 2023, the Company had unutilised management expenses of £30,032,000 (2022: £28,241,000). These expenses could only be utilised if the Company were to generate taxable profits in the future. As a result, the Company has not recognised a deferred tax asset of £7,508,000 (2022: £7,060,000) arising from management expenses exceeding taxable income based on the prospective corporation tax rate of 25% (2022: 25%).

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Financial Statements

### Notes to the Financial Statements *continued*

#### 8 Dividends paid and payable

	2022 £'000	2021 £'000
Final dividend for the year ended 31 March 2022 of £51.12 per Ordinary share (2021: £47.07 per Ordinary Share)	<u>10,224</u>	<u>9,414</u>
Special dividend paid for the year ended 31 March 2022 of £1.88 per Ordinary share (2021: £2.93 per Ordinary Share)	<u>376</u>	<u>586</u>
	<u>10,600</u>	<u>10,000</u>

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

	2023 £'000	2022 £'000
Final dividend for the year ended 31 March 2023 of £51.50 per Ordinary share (2022: £51.12 per Ordinary Share)	<u>10,300</u>	<u>10,224</u>
Special dividend paid for the year ended 31 March 2023 of £nil per Ordinary share (2022: £1.88 per Ordinary Share)	<u>–</u>	<u>376</u>
	<u>10,300</u>	<u>10,600</u>

#### 9 (Loss)/return per Ordinary Share

	2023	2022
<b>Total loss per Ordinary share</b>		
Total loss	£(771,000)	£(4,355,000)
Weighted average number of Ordinary Shares in issue during the year	<u>200,000</u>	<u>200,000</u>
Total loss per Ordinary share	<u>£(3.85)</u>	<u>£(21.77)</u>

The total loss per Ordinary share shown above can be further analysed between revenue and capital, as below:

	2023	2022
<b>Revenue return per Ordinary Share</b>		
Revenue return	£12,211,000	£12,729,000
Weighted average number of Ordinary Shares in issue during the year	<u>200,000</u>	<u>200,000</u>
Revenue return per Ordinary Share	<u>£61.06</u>	<u>£63.65</u>
<b>Capital loss per Ordinary Share</b>		
Total return	£(12,982,000)	£(17,084,000)
Weighted average number of Ordinary Shares in issue during the year	<u>200,000</u>	<u>200,000</u>
Capital loss per Ordinary Share	<u>£(64.91)</u>	<u>£(85.42)</u>



# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## 10 Investments held at fair value through profit or loss

	2023 £'000	2022 £'000
Investments listed on a recognised investment exchange	100,547	101,256
Unlisted investment and Fund	<u>102,581</u>	<u>114,512</u>
Valuation at year end	<u>203,128</u>	<u>215,768</u>
Opening book cost	42,252	43,805
Opening investment holding gains	<u>173,516</u>	<u>190,088</u>
Opening Fair Value	215,768	233,893
Movements in the year:		
Purchases at cost	339	673
Sales – proceeds	(1)	(1,709)
Losses on investments	<u>(12,978)</u>	<u>(17,089)</u>
<b>Closing Fair Value</b>	<u>203,128</u>	<u>215,768</u>
Closing book cost	42,591	42,252
Closing investment holding gains	<u>160,537</u>	<u>173,516</u>
Closing Fair Value	<u>203,128</u>	<u>215,768</u>
Realised gains/(losses) on investments	1	(517)
Decrease in investment holding gains for the year	<u>(12,979)</u>	<u>(16,572)</u>
<b>Losses on investments held at fair value</b>	<u>(12,978)</u>	<u>(17,089)</u>

The Company received proceeds of £1,000 (2022: £1,709,000) from investments sold in the year. The book cost of these investments when they were purchased was £400 (2022: £2,227,000). These investments have been revalued over time and until they were sold any unrealised gains/losses were included in the fair value of the investments.

Investment transaction costs on purchases and sales of investments during the year to 31 March 2023 amounted to £85 and £nil respectively (2022: £280 and £673 respectively).

During the year the investment holding loss attributable to the Company's holding in LTL amounted to £11,690,000 (2022 loss: £17,328,000). See note 17 on page 86 for further details.

### Significant holdings

Included in the above are the following investments in which the Company has an interest exceeding 10% of the nominal value of the shares of that class in the investee company as at 31 March 2023.

Investments	Country of registration or incorporation	Class of capital	% of class held
Lindsell Train Limited*	England	Ordinary Shares of £100	24.2%

\*As at 31 January 2023, the latest year end for LTL, its unaudited aggregate capital and reserves amounted to £98,450,000, (2022: £90,703,000) and the profit for that year amounted to £55,089,000 (2022: £65,343,000). The total amount of dividends paid during the year was £48,876,000, (2022: £53,134,000) equating to dividends of £1,841 per share (2022: £1,994 per share). The earnings per share were £2,068 (2022: £2,463). The cost of the Company's investment in LTL was £64,500.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Financial Statements

### Notes to the Financial Statements *continued*

#### 10 Investments held at fair value through profit or loss *continued*

LTL is the only related undertaking of the Company. LTL's registered office address is 66 Buckingham Gate, London SW1E 6AU.

LTL has been accounted for as an investment in accordance with the accounting policy in note 1(d).

The Company has arrangements in place with the Manager to avoid double charging of fees and expenses on investments made in other LTL managed funds (see note 3).

#### 11 Other receivables

	<b>2023</b>	2022
	<b>£'000</b>	£'000
Amounts due from brokers	1	–
VAT recoverable	34	–
Prepayments and accrued income	<u>456</u>	<u>513</u>
	<u><b>491</b></u>	<u><b>513</b></u>

#### 12 Other payables

	<b>2023</b>	2022
	<b>£'000</b>	£'000
Accruals and deferred income	<u>239</u>	<u>228</u>

#### 13 Share capital

	<b>2023</b>		2022	
	No. of shares 000's	£'000	No. of shares 000's	£'000
<b>Allotted and fully paid:</b>				
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 2023.

#### 14 Capital reserve

The capital reserve includes investment holding gains of £160,537,000 (2022: £173,516,000).

##### Revenue reserve

The revenue reserve reflects all income and expenditure which are recognised in the revenue column of the income statement.

##### Special reserve

The special reserve arose following Court approval in September 2002 to transfer £19,850,000 from the share premium account. This reserve can be used to finance the redemption and/or purchase of shares in issue.

In accordance with the Company's Articles of Association the capital reserve and special reserve may not be distributed by way of a dividend but may be utilised for the purposes of share buybacks. The Company may only distribute by way of dividend accumulated revenue profits within the revenue reserve.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## 14 Capital reserve continued

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

## 15 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	
2023	2022	2023	2022
£	£	£'000	£'000
<u>1,056.95</u>	<u>1,113.81</u>	<u>211,390</u>	<u>222,761</u>

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

	2023	2022
	Ordinary Shares	Ordinary Shares
	£'000	£'000
Total Net Assets attributable at beginning of year	222,761	237,116
Total recognised losses for the year	(771)	(4,355)
Dividends paid during the year	<u>(10,600)</u>	<u>(10,000)</u>
Total Net Assets attributable at the end of year	<u>211,390</u>	<u>222,761</u>

The Net Asset Value per Ordinary Share is based on net assets of £211,390,000 (2022: £222,761,000) and on 200,000 Ordinary Shares (2022: 200,000), being the number of Ordinary Shares in issue at the year end.

## 16 Statement of Cash Flows

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

	2023	2022
	£'000	£'000
Net loss before finance costs and taxation	(675)	(4,277)
Losses on investments held at fair value	12,978	17,089
Loss/(gains) on exchange movements	3	(6)
Increase in other receivables	(34)	(23)
Decrease in accrued income	56	80
Increase/(decrease) in other payables	11	(2,651)
Taxation on investment income	<u>(96)</u>	<u>(87)</u>
Net cash inflow from operating activities	<u>12,243</u>	<u>10,125</u>

## Financial Statements

### Notes to the Financial Statements *continued*

#### 16 Statement of Cash Flows *continued*

##### (b) Analysis of cash flows

	At 1 April 2022 £'000	Cash Flow Movement £'000	Exchange Movement £'000	At 31 March 2023 £'000
Cash at bank	6,708	1,305	(3)	8,010
Total	6,708	1,305	(3)	8,010

	At 1 April 2021 £'000	Cash Flow Movement £'000	Exchange Movement £'000	At 31 March 2022 £'000
Cash at bank	5,541	1,161	6	6,708
Total	5,541	1,161	6	6,708

#### 17 Financial instruments and capital disclosures

##### Risk management policies and procedures:

The investment objective of the Company is to maximise long-term total returns with a minimum objective to maintain the real purchasing power of Sterling capital. In pursuit of this objective, the Company may be exposed to various forms of risk, as described below.

The Board sets out its principal risks on pages 15 to 18 and its investment policy including its policy on gearing (bank borrowing), diversification and dividends on page 3.

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

##### Market risk

The Company's portfolio is exposed to fluctuations in market prices in the regions in which it invests. Market-wide uncertainties which have caused increased volatility include rising interest rates as a response to persistent inflationary pressures, conflict between Ukraine and Russia and heightened tensions between China and the West.

At 31 March 2023, the fair value of the Company's assets exposed to market price risk was £203,128,000 (2022: £215,768,000). The Company's exposure to market price fluctuations is reviewed by the Board on a quarterly basis and monitored on a continuous basis by the Manager in pursuance of the investment objective.

Market price risk comprises three elements – foreign currency risk, interest rate risk and other price risk.

##### Foreign currency risk

##### Foreign currency exposure as at 31 March 2023

	US\$ £'000	Euro £'000	JPY £'000	Total £'000
Short-term debtors	41	12	216	269
Foreign currency exposure on net monetary items	41	12	216	269
Investments held at fair value through profit or loss that are equities	31,818*	10,634	12,828	55,280
Foreign currency exposure	31,859	10,646	13,044	55,549

\* This includes the holding in LF Lindsell Train North American Equity Fund of £17,361,000.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## 17 Financial instruments and capital disclosures continued

Foreign currency exposure as at 31 March 2022

	US\$ £'000	Euro £'000	JPY £'000	Total £'000
Short-term debtors	40	6	249	295
Foreign currency exposure on net monetary items	40	6	249	295
Investments held at fair value through profit or loss that are equities	33,308*	8,262	15,819	57,389
Foreign currency exposure	33,348	8,268	16,068	57,684

\* This includes the holding in LF Lindsell Train North American Equity Fund of £17,601,000.

Over the year Sterling weakened against the US Dollar by 6.22% (2022: weakened by 4.57%), weakened against the Euro by 3.98% (2022: strengthened by 0.81%) and strengthened against the Japanese Yen by 2.58% (2022: strengthened by 4.82%).

A 5% decline or rise of Sterling against foreign currency denominated (i.e. non Sterling) assets held at the year end would have increased/decreased the Net Asset Value by £2,777,000 or 1.31% of Net Asset Value (2022: £2,884,000 or 1.29% of Net Asset Value).

### Interest rate risk

There is no direct exposure to interest rate risk.

### Other price risk

Other price risk may affect the value of the quoted investments.

If the fair value of the Company's investments at the Statement of Financial Position date increased or decreased by 10%, whilst all other variables remained constant, the capital return and net assets attributable to shareholders as at 31 March 2023 would have increased or decreased by £20,313,000 or 101.56p per share (2022: £21,577,000 or 107.88p per share).

### Liquidity risk

Liquidity risk is not considered significant under normal market conditions in relation to the Company's investments which are listed on recognised stock exchanges and are, for the most part, readily realisable securities which can be easily sold to meet funding commitments if necessary. The Company's unlisted investment in LTL is not readily realisable.

As at 31 March 2023, 51.0% (2022: 49.0%) of the investment portfolio (92.3% of the listed portfolio) could be liquidated within five business days, based on 20% of the 90 days' average daily trading volumes obtained from Bloomberg. The Company would be able to sell all of its listed holdings within five business days, with the exception of two securities representing 4.9% of NAV.

### Credit risk

Cash at bank and other debtors of the Company at the year end as shown on the Balance Sheet was £8,501,000 (2022: £7,221,000).

### Counterparty risk

Northern Trust Company (the "Bank") is the appointed custodian of the Company. It provides securities clearing, safe-keeping, foreign exchange, advance credits and overdrafts, and cash deposit services. The Bank has a credit rating for long-term deposits/debt of Aa2 from Moody's, AA- from Standard & Poor's and AA from Fitch Ratings.

As cash placed at the Bank is deposited in its capacity as a banker not as a trustee, in line with usual banking practice, such cash is not held in accordance with the Financial Conduct Authority's client money rules.

## Financial Statements

### Notes to the Financial Statements *continued*

#### 17 Financial instruments and capital disclosures *continued*

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

The tables below set out fair value measurements of financial instruments as at the year end, by the level in the fair value hierarchy into which the fair value measurement is categorised.

##### Financial assets/liabilities at fair value through profit or loss

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
<b>At 31 March 2023</b>				
<b>Investments</b>	<b>100,547</b>	<b>17,361</b>	<b>85,220</b>	<b>203,128</b>
	<u>100,547</u>	<u>17,361</u>	<u>85,220</u>	<u>203,128</u>
At 31 March 2022	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Investments	101,257	17,601	96,910	215,768
	<u>101,257</u>	<u>17,601</u>	<u>96,910</u>	<u>215,768</u>

Note: Within the above tables, the entirety of level 1 comprises all the Company's ordinary equity investments, level 2 represents the investment in LF Lindsell Train North American Equity Fund and level 3 represents the investment in LTL.

The valuation techniques used by the Company are explained on pages 6 and 7.

##### LTL Valuation Methodology

During the year ended 31 March 2022, the Board appointed J.P.Morgan Cazenove Ltd to undertake an independent review of the Company's valuation methodology applied to its unlisted investment in LTL. The current methodology was adopted and applied to monthly valuations from 31 March 2022 onwards.

In adopting the current methodology the Board seeks to capture the changing economics and prospects for LTL's business. It is designed to be as transparent as possible so that shareholders can themselves calculate how any change to the inputs would affect the resultant valuation.

The methodology has a single component based on a percentage of LTL's funds under management ('FUM'), with the percentage applied being reviewed monthly and adjusted to reflect the ongoing profitability of LTL. At the end of each month the ratio of LTL's notional annualised net profits to LTL's FUM is calculated and, depending on its result, the percentage of FUM is adjusted according to the table below.

Notional annualised net profits <sup>1</sup> /FUM (%)	Valuation of LTL – Percentage of FUM
0.15 – 0.16	1.70%
0.16 – 0.17	1.75%
0.17 – 0.18	1.80%
0.18 – 0.19	1.85%
<b>0.19 – 0.20</b>	<b>1.90%</b>
0.20 – 0.21	1.95%
0.21 – 0.22	2.00%
0.22 – 0.23	2.05%
0.23 – 0.24	2.10%
0.24 – 0.25	2.15%
0.25 – 0.26	2.20%
0.26 – 0.27	2.25%

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## 17 Financial instruments and capital disclosures continued

For instance at 31 March 2023 LTL's annualised notional net profits were £35.60m and its FUM was £18.53bn. The ratio between the two as a percentage was calculated as 0.192% resulting in a percentage of FUM of 1.90% and a valuation of LTL of £13,212.40 per share.

<sup>1</sup> LTL's notional net profits are calculated by applying a fee rate (averaged over the last six months) to the most recent end-month FUM to produce annualised fee revenues excluding performance fees. Notional staff costs of 45% of revenues, annualised fixed costs and tax are deducted from revenues to produce notional annualised net profits.

The valuation of the investment in LTL continues to be reviewed at the end of each month by the Company's Directors, with the methodology reviewed by the Board at its quarterly meetings.

### LTL Valuation per share using differing valuation scenarios

The two tables below show the impact on the LTL valuation if:

- (i) in Table 1 a different % was applied to 31 March 2023 FUM; and
- (ii) in Table 2 different Price / Earnings ('P/E') ratio were applied to LTL's March 2023 notional net profits.

**Table 1 – varying the % of FUM**

LTL FUM as at 31 March 2023 (£'000)	% of FUM	Valuation (£'000)	Valuation per share (£)
18,530,045	0.50%	92,650	3,476.95
18,530,045	0.75%	138,975	5,215.42
18,530,045	1.00%	185,300	6,953.90
18,530,045	1.25%	231,626	8,692.37
18,530,045	1.50%	277,951	10,430.84
18,530,045	1.75%	324,276	12,169.32
<b>18,530,045</b>	<b>1.90%</b>	<b>352,071</b>	<b>13,212.40</b>
18,530,045	2.00%	370,601	13,907.79
18,530,045	2.25%	416,926	15,646.26
18,530,045	2.50%	463,251	17,384.74
18,530,045	2.75%	509,576	19,123.21

**Table 2 – varying the P/E ratio**

LTL notional net profits as at 31 March 2023 (£'000)	P/E ratio	Valuation (£'000)	Valuation per Share (£)
35,554	6.00	213,327	8,005.65
35,554	7.00	248,881	9,339.92
35,554	8.00	284,435	10,674.20
35,554	9.00	319,990	12,008.47
<b>35,554</b>	<b>9.90</b>	<b>352,071</b>	<b>13,212.40</b>
35,554	10.00	355,544	13,342.75
35,554	11.00	391,099	14,677.02
35,554	12.00	426,653	16,011.30

## Financial Statements

### Notes to the Financial Statements *continued*

#### 17 Financial instruments and capital disclosures *continued*

There were no transfers between levels for financial assets and financial liabilities during the year recorded at fair value as at 31 March 2023 and 31 March 2022. A reconciliation of fair value measurements in Level 3 is set out below.

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

	2023 £'000	2022 £'000
Opening fair value	96,910	114,238
Purchases at cost	–	–
Sales proceeds	–	–
Total losses included in gains on investments in the Income Statement		
– on sold assets	–	–
– on assets held at the end of the year	<u>(11,690)</u>	<u>(17,328)</u>
<b>Closing fair value</b>	<u><b>85,220</b></u>	<u><b>96,910</b></u>

##### Capital management policies and procedures

The Company's capital management objectives are:

- to ensure that it will be able to continue as a going concern; and
- to maximise long-term total returns with a minimum objective to maintain the real purchasing power of Sterling capital through an appropriate balance of equity capital and debt. The Directors have discretion to permit borrowings up to 50% of the Net Asset Value. However, the Directors have decided it is in the best interests of the Company not to use gearing.

The Board, with the assistance of the Manager, monitors and reviews the broad structure of the Company's capital on an ongoing basis.

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

The Company is subject to externally imposed capital requirements:

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

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

At the next Annual General Meeting the Company intends to renew its authority to repurchase shares at a discount to Net Asset Value.

#### 18 Guarantees, financial commitments and contingent liabilities

There were no financial commitments or contingent liabilities outstanding at the year end (2022: None).



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## 19 Ongoing charges (APM)

	2023		2022	
	£'000	%	£'000	%
Total operating expenses	1,829	0.87	1,978	0.82

Total operating expenses are included after a management fee waiver of £117,000 (2022: £140,000) (see note 3).

The above total expense ratios are based on the average Shareholders' Funds of £211,310,000 (2022: £240,223,000) calculated at the end of each month during the year.

It should be noted that administrative expenses borne by the LTL managed funds are excluded from the above.

## 20 Related party disclosures

LTL acts as Manager of the Company. The amounts paid to the Investment Manager are disclosed in note 3 and further details of the relationship between the Company and the Investment Manager are set out in note 6. Full details of Directors' interests are set out on page 49.

## 21 Subsequent events

There are no significant events that have occurred after the end of the reporting period to the date of this report which require disclosure.

## Appendices (unaudited)

### DISCLAIMER

The information contained in these Appendices has not been audited by the Auditor and does not constitute any form of financial statement. The appendices are for information purposes and should not be regarded as any offer or solicitation of an offer to buy or sell shares in the Company.

## Appendix 1 Annual Review of Lindsell Train Limited ('LTL') at 31 January 2023

### Background

LTL was established in 2000 by Michael Lindsell and Nick Train and was founded on the shared investment philosophy that developed while they worked together during the 1990s. The company's aim is to foster a work environment in which the investment team can manage capital consistent with this philosophy, which entails managing concentrated portfolios, invested strategically in durable franchises. Essential to success is maintaining a relatively simple business structure encompassing an alignment of interests between on one side LTL's clients and on the other its founders and employees.

### People

LTL's board of directors consisted of the two founders Michael Lindsell and Nick Train, Michael Lim (the prior COO who remains responsible for IT and is the Company's Secretary), Joss Saunders (the new COO), Keith Wilson (the Head of Marketing and Client Services), Jane Orr (Director of Marketing) and James Alexandroff and Julian Bartlett (independent non-executive directors). James was a co-founder of a specialist investment boutique, Arisaig Partners, and is a longstanding shareholder in LTIT and Julian is a former partner of Grant Thornton LLP.

In March 2023, after the end of the LTL's financial year and following a tenure of eight years, James Alexandroff resigned from the board. At the same time, Rory Landman has been appointed an independent non-executive director. Rory served as a non-executive director of LTIT from 2011 to 2020. He has a wide range of investment experience over 35 years, including as Senior Bursar of Trinity College, Cambridge University (where he remains a Fellow), and as a leading manager of emerging markets equities at Thames River Capital and Baring Asset Management. Rory is a qualified Chartered Accountant and has a law degree from Cambridge University. Jane Orr - who joined the company in 2007 and previously headed the Marketing & Client Services team and was appointed to the LTL board in 2010 - has now relinquished all her executive responsibilities but will continue her involvement on the board, being appointed as a non-executive director in March 2023. These changes mean that the LTL board now comprises five executive directors and three non-executive directors, two of whom are independent.

LTL's employees have increased in number from 25 to 28 over the last 12 months. All staff are based in the UK other than LTL's North American Marketing and Client Services representative, who works out of the New York area. The increase in employee numbers included an additional recruit in risk oversight who was also a member of LTL's Risk and Compliance Committee ('RCC'). The RCC is chaired by Julian Bartlett, one of LTL's independent non-executive directors. To further enhance its investment risk oversight, LTL is looking to engage an external risk consultancy firm in 2023. In recognition of the importance of investment risk arising from ESG issues, early in 2022 Madeline Wright was appointed Head of Investment ESG, reporting to the ESG Committee chaired by Nick Train. The ESG Committee, established in March 2021, is responsible for defining the Company's ESG strategy and how this is put into practice, as well as overseeing the identification and mitigation of risks relating to ESG.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

LTL's board recognises that key employees should share in the ownership of the company so as to further align their interests with those of LTIT and the founders. This is achieved by acquiring shares from LTL's major stakeholders either directly or through a dedicated profit share scheme. In the year to 31 January 2023, 8% of the net profits of the company were paid to members of the scheme. This will rise to 15% in the current year. Scheme members are required to invest 50% of the awards into LTL shares.

## Business

LTL's strategy is to build excellent long-term performance records for its funds in a way that is consistent with its investment principles and that meets the aims of its clients. Long-term performance is detailed below. Success in achieving satisfactory investment performance should allow the company to expand its FUM in its four key product areas: UK, Global, Japanese and, more recently, North American equities. LTL aspires to manage multiple billions of pounds in each product area, whilst recognising that there will be a size per product above which their ability to achieve clients' performance objectives may be compromised. LTL thinks this growth is possible without significantly expanding the investment team, which remained at seven at 31 January 2023.

To achieve this growth in a manageable way, LTL looks to direct new business flows into LT badged pooled funds and to limit the number of separately managed accounts. LTL's open-ended pooled fund products represented 65% of FUM at end of January, down from 70% the year before. The fall resulted from a greater proportion of net outflows emanating from open-ended pooled products. Additionally, LTL managed 17 separate client relationships, one fewer than a year ago. The largest pooled fund (the Lindsell Train Global Equity Fund) represented 30% of total FUM and the largest segregated portfolio accounted for 10%.

In the year to 31 January 2023, LTL's total FUM fell by 12% from £21.2bn to £18.6bn. This represented net outflows of £2.9bn, broken down by strategy as Global (£1,791m), Japan (£189m) and UK (£949m).

All four strategies generated positive absolute returns over the twelve months and all bar the UK strategy generated relative outperformance against their corresponding benchmarks (with the UK strategy recovering strongly from a difficult start to the year). However there is much catching up to do on account of the disappointing performance in 2021. The relative returns of the LTL funds representing each strategy since their inception are shown below:

To 31 January 2023	Relative Return	Inception date	Benchmark
UK Equity Fund (GBP)	+4.5% p.a.	July 2006	FTSE All Share
Global Equity Fund (GBP)	+2.4% p.a.	March 2011	MSCI World
Japanese Equity Fund (Yen)	+1.4% p.a.	January 2004	TOPIX
North American Equity Fund (GBP)	-4.0% p.a.	April 2020	MSCI North America

*Returns based on NAV. LF Lindsell Train UK Equity Fund Acc share class; Lindsell Train Global Equity Fund B share class; Lindsell Train Japanese Equity Fund A Yen share class; LF Lindsell Train North American Equity Fund Acc share class.*

The Marketing and Client Services team is in contact with institutional clients both directly and through investment consultants, primarily in the UK, South Africa and the USA. FUM derived from North America now makes up over 14% of total FUM. LTL's funds are also widely represented on the major UK retail and IFA platforms.

## Appendix 1 continued

### Financials

In the year to 31 January 2023 LTL's total revenues fell 21%. Annual management fees make up the lion's share of total revenues, at 99.7%, with interest income the remainder; there were no performance fees earned in the year. LTL's biggest cost item, direct staff remuneration, is capped at 25% of fees (other than those earned from The Lindsell Train Investment Trust plc), as governed by LTL's Shareholders' Agreement. Employer National Insurance costs are excluded from the restriction. Total staff remuneration, including employer National Insurance, amounted to 30% of fee revenue, down from 32% last year. Fixed overheads were down from £5.0m to £4.6m. Operating profits were down 17%, registering a margin on sales of 69%.

LTL intends to distribute to shareholders dividends equivalent to 80% of its net profits in respect of each accounting year-end, subject to retaining sufficient working, fixed and regulatory capital to enable it to continue its business in a prudent manner. Total dividends paid in the year to 31 January 2023 were £1,841 per share, down from £1,994 per share in the previous year.

At 31 January 2023 LTL's balance sheet was made up of shareholders' funds of £98.4m including £91.9m of net current assets.

### The Future

LTL believes it has plenty of headroom to grow its FUM, with a continued focus on its stable of pooled funds. LTL's investment approach is applied uniformly across all its products and remains differentiated and appealing to a wide range of clients. A crucial part of that appeal is the ability for LTL to demonstrate investment results that meet clients' objectives. Over most of LTL's history this has been achieved, but recently the investment approach has faced several difficult years and so it was a welcome return to relative outperformance for three of the four strategies in the past year. Most clients will tolerate short periods of underperformance, especially in a strategy that is so concentrated and committed to its constituent companies. However it is not surprising, following three years of cumulative underperformance, that the company is seeing some net outflows as clients are attracted to other investment approaches that may have exhibited better short-term investment results.

LTL is confident that by remaining committed to its differentiated investment approach that targets companies earning higher returns on capital than average, and with the support of a stable and dedicated team, and a still competitive longer-term performance track record, it can stay positive about its future. But it is fully aware that there are risks ahead which could have a material impact on the value of LTL and its dividend paying potential. These risks include increasing pressure on the active management industry; continued pressures on global equity markets from inflation, higher interest rates and conflict; the growth of funds with a primary ESG objective; and the underperformance from LTL's strategies in 2020 and 2021. Perhaps the greatest risk in relation to LTL's reputation however remains the withdrawal of either of the founders. They are currently aged 64 and 63, in good health and remain strongly committed to LTL. They are supported by increasingly mature and experienced investment professionals, currently numbering five, all of whom are taking on more responsibility and contributing more to investment decisions as their careers progress with the company. The clearer articulation of the firm's succession planning and the accelerated transfer of ownership of LTL shares to key individuals should also help mitigate the risk if either founder withdraws.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

Data to 31 January 2023 unless stated otherwise. The period from 31 January to 31 March 2023 has been reviewed by the Board and there are no significant matters to highlight other than those detailed in this Appendix.

## Funds Under Management\*

### FUM by Strategy

	<b>Jan 2023</b>	Jan 2022
	<b>£m</b>	£m
UK	7,690	8,475
Global	10,352	12,040
Japan	554	702
North America	30	28
Total	<u>18,626</u>	<u>21,245</u>

### Largest Client Accounts

	<b>Jan 2023</b>	Jan 2022
	<b>% of FUM</b>	% of FUM
Largest Pooled Fund Asset	30%	34%
Largest Segregated Account	10%	10%

### Lindsell Train Fund Performance

	1 Year	3 Years	5 Years	10 Years
<b>Annualised data to 31 January 2023</b>	%	%	%	%
GBP UK Equity Fund (Accumulation)	2.6	2.6	5.6	10.1
FTSE All Share	5.2	5.0	4.2	6.3
GBP Global Equity Fund (B share)	2.3	3.3	7.7	13.7
MSCI World	0.9	10.1	9.6	11.9
JPY Japanese Equity Fund (A share)	8.0	0.0	1.4	10.7
TOPIX	7.0	8.0	3.9	10.1
GBP North American Equity Fund (Accumulation)	0.6			
MSCI North American	(1.0)			

Source: Morningstar Direct

Note: all figures above show total returns.

\* LTL's year end 2023 figures are based on management accounts, whilst periods ending 31 January 2022 and before are based on published financial statements. This therefore results in differences in prior year numbers i.e. year end 31 January 2022 when compared with LTIT's Annual Report last year, as last year's Report contained LTL management account numbers for year ending 31 January 2022, which in this year's Annual Report are using numbers based on published Financial Statements.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Appendix 1 continued

### Financials\*

	Jan 2023 £'000	Jan 2022 £'000	% Change
<b>Profit &amp; Loss</b>			
Fee Revenue			
Investment Management fee	96,599	119,971	-19%
Performance Fee	0	2,662	-100%
	<u>96,599</u>	<u>122,633</u>	-21%
Bank Interest & Other Income	299	11	
	<u>96,898</u>	<u>122,644</u>	
Staff Remuneration**	(29,104)	(38,643)	-25%
Fixed Overheads	(4,617)	(5,041)	-8%
FX Currency Translation Gain	3,821	954	
Investment Unrealised Gain	46	914	
	<u>67,044</u>	<u>80,828</u>	-17%
Operating Profit			
Taxation	(11,955)	(15,485)	
	<u>55,089</u>	<u>65,343</u>	-16%
Net Profit			
Dividends	(48,876)	(53,134)	
	<u>6,213</u>	<u>12,209</u>	
Retained profit			
<b>Balance Sheet</b>			
Fixed Assets	75	174	
Investments	6,960	6,914	
Current Assets (inc cash at bank)	106,558	93,683	
Liabilities	(15,143)	(10,068)	
	<u>98,450</u>	<u>90,703</u>	
Net Assets			
<b>Capital &amp; Reserves</b>			
Called up Share Capital	267	267	
Share Premium***	57	57	
Share Discount***	(416)	0	
Treasury Share Reserve†	(288)	(2,238)	
Profit & Loss Account	98,830	92,617	
	<u>98,450</u>	<u>90,703</u>	
Shareholders' Funds			

\* LTL's year end 2023 figures are based on management accounts, whilst periods ending 31 January 2022 and before are based on published Financial Statements. This therefore results in differences in prior year numbers i.e. year end 31 January 2022 when comparing to LTIT's Annual Report last year, as last year's report contained LT management account numbers for year ending 31 January 2022, which in this year's Annual Report are using numbers based on published financial statements.

\*\* Staff costs include permanent staff remuneration, social security, temporary apprentice levy, introduction fees and other staff related costs. No more than 25% of fees (other than LTIT) can be paid as permanent staff remuneration.

\*\*\* The Share Premium and Share Discount account for the difference in the cost and resale of shares that were held in Treasury.

† The Treasury Share Reserve accounts for the difference between the cost and current value of the remaining shares held in Treasury.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Five Year History\*

	Jan 2023	Jan 2022	Jan 2021	Jan 2020	Jan 2019
Operating Profit Margin	69%	66%	66%	65%	66%
Earnings per share (£)**	2,068	2,463	2,340	2,237	1,688
Dividends per share (£)**	1,841	1,994	1,817	1,619	1,099
Total Staff Cost as % of Fee Revenue	30%	32%	30%	31%	32%
Opening FUM (£m)	21,245	22,802	21,450	16,260	13,179
Changes in FUM (£m)	(2,619)	(1,557)	1,352	5,190	3,081
– of market movement	308	331	1,200	2,781	808
– of net new fund (outflows)/inflows	(2,927)	(1,888)	152	2,409	2,273
Closing FUM (£m)	18,626	21,245	22,802	21,450	16,260
LT Open ended funds as % of total	65%	70%	73%	73%	72%

\* LTL's year end 2023 figures are based on management accounts, whilst periods ending 31 January 2022 and before are based on published financial statements. This therefore results in differences in prior year numbers i.e. year end 31 January 2022 when comparing to LTIT's annual report last year, as last year's report contained LT management account numbers for year ending 31 January 2022, which in this year's annual report are using numbers based on published financial statements.

\*\* On 1 February 2019 LTL undertook a share split with each share sub divided into 10 shares of £10 each. The per share figure is retrospectively changed in y/e January 2019 in the table above based on 26,660 shares for ease of comparison.

## Client Relationships

– Pooled funds	5	5	5	4	4
– Segregated accounts	17	18	17	17	17

## Ownership

	Jan 2023	Jan 2022
Michael Lindsell and spouse	9,650	9,650
Nick Train and spouse	9,650	9,650
The Lindsell Train Investment Trust plc	6,450	6,450
Other Directors/employees	893	778
	<u>26,643</u>	<u>26,528</u>
Treasury Shares	17	132
	<u>26,660</u>	<u>26,660</u>

## Board of Directors as at 31 January 2023

James Alexandroff	Non-Executive
Julian Bartlett	Non-Executive
Michael Lim	Director, IT & Company Secretarial
Michael Lindsell	Chief Executive Officer & Portfolio Manager
Jane Orr	Director, Marketing
Joss Saunders	Chief Operating Officer
Nick Train	Chairman and Portfolio Manager
Keith Wilson	Head of Marketing & Client Services

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Appendix 1 continued

### Employees

	Jan 2023	Jan 2022
Investment Team (including three Portfolio Managers)	7	7
Client Servicing and Marketing	9	8
Operations and Administration	11	10
Fixed Term Contractors	1	0
Total Employees	28	25
Non-Executive directors	2	2
Total Headcount	30	27

### LTIT Director's valuation of LTL

	31 Mar 2023	31 Mar 2022
Notional annualised net profits (A)* (£'000)	35,554	42,598
Funds under Management less LTIT holdings (B) (£'000)	18,530,045	20,451,498
Normalised notional net profits as % of FUM A/B = (C)	0.192%	0.208%
% of FUM (D) (see table below to view % corresponding to (C))	1.90%	1.95%
<b>Valuation (E) i.e. B x D (£'000)</b>	<b>352,071</b>	398,804
Number of shares (F)^	26,647	26,543
<b>Valuation per share in LTL i.e. E / F</b>	<b>£13,212.40</b>	£15,024.84

\* Notional annualised net profits are made up of:

- annualised fee revenue, based on 6-mth average fee rate applied to most recent month-end unaudited AUM
- annualised fee revenue excludes performance fees
- annualised interest income, based on 3-mth average
- notional staff costs of 45% of annualised fee revenue
- annualised operating costs (excluding staff costs), based on 3-mth normalised average
- From April 2023, the UK corporation tax rate was increased from 19% to 25%. In order to reflect this change within the notional net-profits, a blended rate has been used from the 31 October 2022 valuation onwards, tapering to the 31 March 2023 valuation, as shown in table overleaf.

^ The increase in shares in issue is due to the sale of shares from LTL's Treasury to LTL's employees; these Treasury shares had been purchased in prior years from other LTL employees.

Notional annualised net profits/FUM (%)	Valuation of LTL - Percentage of FUM
0.15 – 0.16	1.70%
0.16 – 0.17	1.75%
0.17 – 0.18	1.80%
0.18 – 0.19	1.85%
<b>0.19 – 0.20</b>	<b>1.90%</b>
0.20 – 0.21	1.95%
0.21 – 0.22	2.00%
0.22 – 0.23	2.05%
0.23 – 0.24	2.10%
0.24 – 0.25	2.15%
0.25 – 0.26	2.20%
0.26 – 0.27	2.25%



## THE LINDSELL TRAIN INVESTMENT TRUST PLC

Month-end valuation	Tax rate applied
March 2022	19% for 12 months
April 2023	19% for 12 months
May 2023	19% for 12 months
June 2023	19% for 12 months
July 2023	19% for 12 months
August 2023	19% for 12 months
September 2023	19% for 12 months
October 2023	19% for 5 months; 25% for 7 months
November 2023	19% for 4 months; 25% for 8 months
December 2023	19% for 3 months; 25% for 9 months
January 2023	19% for 2 months; 25% for 10 months
February 2023	19% for 1 month; 25% for 11 months
March 2023	25% for 12 months

### **LTL's Salary and Bonus Cap**

LTL's salary and bonus expenses are capped at 25% of fees (other than those earned from The Lindsell Train Investment Trust plc), as governed by LTL's Shareholders' Agreement. Employer National Insurance costs are excluded from the restriction. This cap has been in place since the inception of both LTL and LTIT which, alongside LTL's intent to distribute to shareholders dividends equivalent to 80% of its retained profits in respect of each accounting year (subject to retaining sufficient working and fixed and regulatory capital to enable LTL to continue its business in a prudent manner), ensures LTL shareholders earn a tangible reward from their investment in LTL.

The LTIT Board has long recognised that it is important that LTL has the ability to sufficiently reward potential successors, or, if it became necessary to replace the founders, to recruit suitable outside talent. As a consequence, since 2007 the LTIT Board has judged it necessary to apply a higher notional salary cost of 45% of revenues in calculating LTL's net profits<sup>1</sup> when determining the valuation of LTL.

To put this in context, LTL's total salary and bonus expenses (including employer National Insurance payments) have averaged 36% of revenues since 2001. Currently a peer group of quoted fund managers exhibits an average remuneration costs to revenue of 42%, while the salary to revenue of peers with FUM equivalent to LTL is slightly higher at 44%. The LTIT Board therefore believes that a notional salary to revenue ratio of 45% makes sufficient allowance for the eventualities described above.

Whilst the 25% salary and bonus cap remain in place for now, both the LTL and LTIT Boards recognise that it may be necessary to review this limit in the future.

## Appendix 2

### Share Capital

At 31 March 2023 and 31 March 2022, and up to the date of this report, the Company had an authorised and issued share capital comprising 200,000 Ordinary Shares of 75p nominal value each. At 31 March 2023 the Ordinary Share price was £1,052.50 (31 March 2022: £1,105.00).

#### *Income entitlement*

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

#### *Capital entitlement*

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

#### *Voting entitlement*

Subject to any rights or restrictions attached to any shares, on a show of hands, every member who is present in person has one vote and every proxy present who has been duly appointed has one vote. However, if the proxy has been duly appointed by more than one member entitled to vote on the resolution, and is instructed by one or more of those members to vote for the resolution and by one or more others to vote against it, or is instructed by one or more of those members to vote in one way and is given discretion as to how to vote by one or more others (and wishes to use that discretion to vote in the other way) he or she has one vote for and one vote against the resolution. Every corporate representative present who has been duly authorised by a corporation has the same voting rights as the corporation. On a poll, every member present in person or by duly appointed proxy or corporate representative has one vote for every share of which they are the holder or in respect of which their appointment as proxy or corporate representative has been made.

A member, proxy or corporate representative entitled to more than one vote need not, if they vote, use all their votes or cast all the votes they use the same way. In the case of joint holders, the vote of the senior who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members. A member is entitled to appoint another person as his proxy to exercise all or any of their rights to attend and to speak and vote at a meeting of the Company.

The appointment of a proxy shall be deemed also to confer authority to demand or join in demanding a poll. Delivery of an appointment of proxy shall not preclude a member from attending and voting at the meeting or at any adjournment of it. A proxy need not be a member. A member may appoint more than one proxy in relation to a meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by them.

## THE LINDSELL TRAIN INVESTMENT TRUST PLC

### *Transfers*

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

## Appendix 3

### Agreements with Service Providers

#### **Investment Management Agreement**

The Manager, LTL, is engaged under the terms of an amended and restated management agreement dated 10 November 2020 (the "IMA"). Details of the IMA are given in note 3 to the Financial Statements. The IMA is terminable on twelve months' notice by either party.

#### **Fees**

The Investment Management Fee is payable at the annual rate of 0.60 per cent. of the lower of (a) the Market Capitalisation of the Company and (b) the Net Asset Value of the Company, calculated daily.

The Performance Fee is calculated as 10% of the value of any positive relative performance versus the benchmark in a financial year. Relative performance is measured by taking the lower of the NAV or Average Market Price (defined as the average price over the last month of the performance period), taking into account dividends, at the end of each financial year and comparing the percentage annual change with the total return of the benchmark. A performance fee will only be paid out if the annual change is both above the benchmark and is a positive figure. Relative performance will be carried forward in years where the Manager is not eligible for a performance fee based on these two criteria.

During the year the Directors reviewed the performance of the Manager and consider that the continued engagement of LTL under the existing terms is in the best interests of the Company and shareholders. Michael Lindsell did not participate in the review as he is an employee and shareholder of the Manager.

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

#### **Administration, Company Secretarial and Management Services Agreement**

Accounting, company secretarial and administrative services are provided by Frostrow Capital LLP ("Frostrow") pursuant to an agreement dated 30 October 2020. With effect from 1 November 2020, Frostrow is entitled to receive from the Company an annual fee of 0.11 per cent. of the Company's Net Asset Value up to £150 million plus 0.05 per cent. of that part of the Company's Net Asset Value in excess of £150 million. The agreement is terminable by either party on not less than six months' notice.

Details of the fees paid to Frostrow are given in note 4 to the Financial Statements. The services provided by Frostrow since their appointment were also reviewed during the year and the Board considered it to be in the best interests of the Company to continue Frostrow's appointment under the existing terms.

#### **Other third-party service providers**

In addition to the Manager and Administrator, the Company has engaged Link Group to maintain the share register of the Company, and Northern Trust Company, London Office as the Company's custodian. The agreements for these services were entered into after careful consideration of their terms and their cost-effectiveness for the Company.

## Notice of Annual General Meeting

Notice is hereby given that the twenty-first Annual General Meeting ("AGM") of The Lindsell Train Investment Trust plc (the "Company") will be held at the Marlborough Suite, St Ermin's Hotel, 2 Caxton Street, London, SW1H 0QW on Wednesday, 30 August 2023 at 2.30 p.m. for the transaction of the following business:

### Resolutions

**To consider and if thought fit, pass resolutions 1 to 12 as ordinary resolutions (an ordinary resolution is one that requires a majority in excess of 50% of those present and voting to be passed):**

1. To receive and consider the Financial Statements and Reports of the Directors and the Auditor for the year ended 31 March 2023.
2. To receive and approve the Directors' Remuneration Report for the year ended 31 March 2023.
3. To approve the payment of a final dividend for the year ended 31 March 2023 of £51.50 per Ordinary Share.
4. To elect Mr Roger Lambert as a Director of the Company.
5. To elect Ms Helena Vinnicombe as a Director of the Company.
6. To re-elect Mr Nicholas Allan as a Director of the Company.
7. To re-elect Mr Julian Cazalet as a Director of the Company.
8. To re-elect Ms Vivien Gould as a Director of the Company.
9. To re-elect Mr Michael Lindsell as a Director of the Company.
10. To appoint BDO LLP as Auditor to the Company, to hold office from the conclusion of this meeting until the conclusion of the next general meeting at which Financial Statements are laid before the Company.
11. To authorise the Audit Committee to determine the remuneration of the Auditor of the Company.
12. To receive and approve the Directors' Remuneration Policy.

**To consider and, if thought fit, pass resolutions 13 to 15 as special resolutions (a special resolution is one that requires a majority of at least 75% of those present and voting to be passed):**

13. THAT the Company be and is hereby generally and unconditionally authorised in accordance with Section 701 of the Companies Act 2006 (the "Act") to make market purchases (within the meaning of Section 693 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 29,980 representing approximately 14.99% of the issued share capital;
  - b. the minimum price which may be paid for an Ordinary Share shall be 75p;
  - c. the maximum price (excluding expenses) which may be paid for an Ordinary Share shall be the higher of (a) 105% of the average of the middle market quotations of the Ordinary

## Notice of Annual General Meeting *continued*

Shares for the five business days prior to the date of the market purchase; and (b) the higher of the last independent trade and highest current independent bid on the London Stock Exchange as stipulated in the technical standards referred to in Article 5(6) of the Market Abuse Regulation (EU) No. 596/2014 (which forms part of UK law by virtue of the European Union (Withdrawal) Act 2018;

- d. any purchase of Ordinary Shares will be made in the market for cash at prices below the then prevailing Net Asset Value per Ordinary Share;
  - e. any Ordinary Shares so purchased shall be cancelled unless the Directors otherwise determine that they shall be held in treasury and treated as treasury shares; and
  - f. unless renewed, such authority hereby conferred shall expire at the end of the next Annual General Meeting of the Company to be held after the passing of this resolution or, if earlier, the date fifteen months from the passing of the resolution, save that the Company may, prior to such expiry, enter into contract(s) to purchase shares which will or may be completed or executed wholly or partly after such expiry.
14. THAT the Directors be and are hereby generally and unconditionally authorised in accordance with Section 573 of the Companies Act 2006 ("Act") to sell and/or transfer Ordinary Shares held by the Company in treasury for cash as if Section 561 of the Act did not apply to such sale or transfer, up to an aggregate nominal amount of £15,000 (being approximately 10 per cent of the issued Ordinary Share capital of the Company at 12 June 2023), provided that the authority hereby granted shall expire at the earlier of the conclusion of the next Annual General Meeting of the Company or the date 15 months after the passing of this resolution, save that the Directors may before such expiry enter into offer(s) or agreement(s) which may or shall require Ordinary Shares held in treasury to be sold or transferred after such expiry and the Directors shall be entitled to sell or transfer Ordinary Shares pursuant to such offer(s) or agreement(s) as if the authority hereby granted had not so expired.
15. THAT the Directors be authorised to call general meetings (other than the Annual General Meeting of the Company) on not less than 14 clear days' notice, such authority to expire on the conclusion of the next Annual General Meeting of the Company or if earlier, on the expiry 15 months from the date of the passing of the resolution.

By order of the Board  
**Frostrow Capital LLP**  
Company Secretary  
12 June 2023

Registered Office:  
25 Southampton Buildings  
London WC2A 1AL

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Notes

1. Subject to paragraph 8, members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company.
2. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolutions. If no voting indication is given, a proxy may vote or abstain from voting at his/her discretion. A proxy may vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
3. Hard copy forms of proxy have not been included with this notice. Members can vote by: logging onto [www.signalshares.com](http://www.signalshares.com) and following instructions; requesting a hard copy form of proxy directly from the registrars, Link Group, by emailing [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk); in the case of CREST members, utilising the CREST electronic proxy appointment service in accordance with the procedures set out below or electronically via Proxymity at [www.proxymity.io](http://www.proxymity.io). To be valid any appointment of a proxy must be completed, signed and received at Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds LS1 4DL no later than 2.30 p.m. on Friday, 25 August 2023.
4. In the case of a member which is a company, the instrument appointing a proxy must be executed under its seal or signed on its behalf by a duly authorised officer or attorney or other person authorised to sign. Any power of attorney or other authority under which the instrument is signed (or a certified copy of it) must be included with the instrument.
5. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described below) will not prevent a Shareholder attending the meeting and voting in person if they wish to do so.
6. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between them and the shareholder by whom they were nominated, have a right to be appointed (or have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, they may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
7. The statement of the rights of Shareholders in relation to the appointment of proxies in paragraphs 1 and 3 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by Shareholders of the Company.
8. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only Shareholders registered on the register of members of the Company (the "Register of Members") at close of business on 25 August 2023 (or, in the event of any adjournment, on the date which is two business days before the time of the adjourned meeting) will be entitled to attend and vote or be represented at the meeting in respect of shares registered in their name at that time. Changes to the Register of Members after that time will be disregarded in determining the rights of any person to attend and vote at the meeting.
9. As at 12 June 2023 (being the last business day prior to the publication of this notice) the Company's issued share capital consists of 200,000 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 12 June 2023 are 200,000. There are no ordinary shares held in treasury.
10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
11. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with the specifications of Euroclear UK and International Limited ("CRESTCo"), and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) no later than 48 hours before the time appointed for holding the meeting, excluding non-business days. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

## Notice of Annual General Meeting continued

12. CREST members and, where applicable, their CREST sponsors or voting service providers, should note that CRESTCo does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
14. If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to [www.proxymity.io](http://www.proxymity.io). Your proxy must be lodged by 2.30 p.m. on Friday 25 August 2023 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.
15. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Register of Members in respect of the joint holding (the first named being the most senior).
16. Members who wish to change their proxy instructions should submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also applies in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.
17. Members who have appointed a proxy using a hard-copy proxy form and who wish to change the instructions using another hard-copy form, should contact Link Group on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales.
18. If a member submits more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
19. In order to revoke a proxy instruction, members will need to inform the Company. Members should send a signed hard copy notice clearly stating their intention to revoke a proxy appointment to Link Group, PXS 1, Central Square, 29 Wellington Street, Leeds LS1 4DL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power of attorney) must be included with the revocation notice. If a member attempts to revoke their proxy appointment but the revocation is received after the time for receipt of proxy appointments then, the proxy appointment will remain valid.
20. If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure Guidance and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3 per cent. or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Guidance and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.



## Explanatory Notes to the Resolutions

### **Resolution 1 – To receive the Annual Report and Financial Statements**

The first item of business is for the Annual Report and Financial Statements for the year ended 31 March 2023 to be presented to the AGM. As announced, the Annual Report has been available on the Company's website since 13 June 2023 and will be posted to Shareholders on or around 20 June 2023.

### **Resolution 2 – Directors' Remuneration Report**

The Directors' Remuneration Report is set out in full on pages 46 to 49 of the Annual Report.

### **Resolution 3 – Dividend**

To approve the payment of a final dividend for the year ended 31 March 2023 as set out in the Notice of Meeting on page 99 of the Annual Report.

### **Resolutions 4 and 5 – Election of Directors**

Resolutions 4 and 5 deal with the election of Mr Roger Lambert and Ms Helena Vinnicombe as Directors.

### **Resolutions 6 to 9 – Re-election of Directors**

Resolutions 6 to 9 deal with the re-election of each Director.

The biographies of the Directors offering themselves for re-election are set out on pages 30 and 31 of the Annual Report.

### **Resolutions 10 and 11 – Auditor**

Resolution 10 relates to the appointment of BDO LLP as the Company's independent auditor to hold office until the next Annual General Meeting of the Company and Resolution 11 authorises the Audit Committee to set their remuneration. Following the implementation of the Competition and Markets Authority order on Statutory Audit Services only the Audit Committee may negotiate and agree the terms of the Auditor's service agreement.

### **Resolution 12 – Directors' Remuneration Policy**

The Directors' Remuneration Policy is set out in full on pages 50 to 52 of the Annual Report.

### **Resolution 13 – Authority to Repurchase Shares**

Special Resolution 13 would, if passed, renew the authority to permit the Company to buy back through the stock market up to a maximum of 29,980 Ordinary Shares of 75p each (equivalent to 14.99% of the Ordinary Shares in issue at the date of this report). Purchases will only be made through the market for cash at prices below the prevailing NAV per Ordinary Share, thereby resulting in an increased NAV per Ordinary Share. Shares bought back may be held in treasury and are then eligible for subsequent resale or cancellation. No voting rights or entitlement to distribution (either dividend or on a winding up) applies to shares held in treasury.

This means in effect that the authority will have to be renewed at the next Annual General Meeting or earlier if the authority has been exhausted.

### **Resolution 14 – Treasury**

Authorises the Directors to sell back into the market shares held in treasury. Treasury shares would not be resold at a price below that at which they had been bought back nor below NAV.

### **Resolution 15 – General Meetings**

Special Resolution 15 seeks shareholder approval for the Company to hold General Meetings (other than the Annual General Meeting) on not less than 14 clear days' notice.

The Company will only use this shorter notice period where it is merited by the purpose of the meeting and will endeavour to give not less than 14 working days' notice if possible, in line with the recommendations of the UK Corporate Governance code.

### **Recommendation**

The Board considers that the resolutions relating to the above items are in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends to the Shareholders that they vote in favour of the above resolutions to be proposed at the forthcoming Annual General Meeting as Directors intend to do in respect of their own beneficial holdings totalling 8,143 shares.

## Glossary of Terms and Alternative Performance Measures (“APM”) (unaudited)

### AIC

Association of Investment Companies.

### Alternative Investment Fund Managers Directive (“AIFMD”)

The Alternative Investment Fund Managers Directive (the “Directive”) is a European Union Directive that entered into force on 22 July 2013. The Directive regulates EU fund managers that manage alternative investment funds (this includes investment trusts).

### Alternative Performance Measure (“APM”)

An alternative performance measure is a financial measure of historical or future financial performance, financial position or cash flow that is not prescribed by the relevant accounting standards. The Company’s APMs are the discount and premium, dividend yield, share price and NAV total return and ongoing charges as defined within this Glossary. The Directors believe that these measures enhance the comparability of information between reporting periods and aid investors in understanding the Company’s performance. The measures used for the year under review have remained consistent with the prior year.

### Benchmark

With effect from 1 April 2021 the Company’s comparator benchmark is the MSCI World Index total return in Sterling.

Prior to 1 April 2021 the benchmark was the annual average redemption yield on the longest-dated UK government fixed rate (1.625% 2071) calculated using weekly data, plus a premium of 0.5%, subject to a minimum yield of 4.0%.

### Discount and premium (APM)

If the share price of an investment trust is higher than the Net Asset Value (NAV) per share, the shares are trading at a premium to NAV. In this circumstance the price that an investor pays or receives for a share would be more than the value attributable to it by reference to the underlying assets. The premium is the difference between the share price (based on share prices) and the NAV, expressed as a percentage of the NAV.

A discount occurs when the share price is below the NAV. Investors would therefore be paying less than the value attributable to the shares by reference to the underlying assets.

A premium or discount is generally the consequence of supply and demand for the shares on the stock market.

The discount or premium is calculated by dividing the difference between the share price and the NAV by the NAV.

	<b>As at 31 March 2023 £</b>	As at 31 March 2022 £
Share Price	<b>1,052.50</b>	1,105.00
Net Asset Value per Share	<b><u>1,056.95</u></b>	<u>1,113.81</u>
Discount to Net Asset Value per Share	<b>0.42%</b>	0.79%

### Dividend yield (APM)

A financial ratio that indicates how much a company pays out in dividends each year relative to its share price. Dividend yield is represented as a percentage and can be calculated by dividing the value of dividends paid in a given year per share held by the share price.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

The figures disclosed on page 5 have been calculated as shown below:

	2023	2022
Total Dividends declared per Ordinary Share (a)	£51.50	£53.00
Closing price per Ordinary Share on 31 March (b)	<u>£1,052.50</u>	<u>£1,105.00</u>
Dividend Yield (a) ÷ (b)	4.89%	4.80%

*The MSCI requires the Company to include the following statement in the Annual Report.*

## **MSCI World Index total return in Sterling (the Company's comparator Benchmark)**

The MSCI information (relating to the Benchmark) may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation lost profits) or any other damages. (www.msci.com).

## **Net Asset Value ("NAV") per Ordinary Share**

The NAV per Ordinary Share is Shareholders' funds expressed as an amount per individual share. Equity Shareholders' funds are the total value of all the Company's assets, at current market value, having deducted all current and long-term liabilities and any provision for liabilities and charges.

The NAV per Ordinary Share of the Company is announced to the market weekly.

The figures disclosed on page 13 have been calculated as shown below:

	2023	2022
	'000	'000
Net Asset Value (a)	£211,390	£222,761
Ordinary Shares in issue (b)	<u>200</u>	<u>200</u>
Net Asset Value per Ordinary Share (a) ÷ (b)	£1,056.95	£1,113.81

## **Ongoing charges (APM)**

Ongoing charges are expenses of a type that are likely to recur in the foreseeable future, whether charged to capital or revenue, and which relate to the operation of the Company as an investment trust, excluding the costs of acquisition or disposal of investments, financing costs and gains or losses arising on investments. Ongoing charges are based on costs incurred in the year as being the best estimate of future costs and include the annual management charge but not the performance fee. The calculation methodology is set out by the Association of Investment Companies.

The figures disclosed on page 13 have been calculated as shown below:

	2023	2022
	£'000	£'000
Total operating expenses (a)	1,829	1,978
Average Net Asset Value (b)	<u>211,310</u>	<u>240,223</u>
Ongoing Charges (a) ÷ (b)	0.87%	0.82%

## Glossary of Terms and Alternative Performance Measures continued

### Revenue return per Share

The revenue return per share is the revenue return profit for the year divided by the weighted average number of ordinary shares in issue during the year.

### SASB

The Sustainability Accounting Standards Board.

### SASB Materiality Map<sup>©</sup>

The Materiality Map was developed by the SASB. It ranks issues by industry based on two types of evidence: evidence that investors in the industry are interested in the issue, and evidence that the issue has the ability to impact companies within the industry.

### Share price and NAV total return (APM)

These are the returns on the share price and NAV respectively taking into account both the rise and fall of share prices and valuations and the dividends paid to Shareholders.

Any dividends received by a Shareholder are assumed to have been reinvested in either additional shares (for share price total return) or the Company's assets (for NAV total return).

The share price and NAV total return are calculated as the returns to Shareholders after reinvesting the net dividend in additional shares on the date that the share price goes ex-dividend.

The figures disclosed on page 13 have been calculated as shown below:

		Year Ended 31 March 2023	
		LTIT NAV	LTIT Share Price
NAV/Share Price at 31 March 2023	a	<b>£1,056.95</b>	<b>£1,052.50</b>
Dividend Adjustment Factor*	b	1.049	1.043
Adjusted closing NAV/Share Price	c = a x b	1,108.90	1,097.40
NAV/Share Price at 31 March 2022	d	£1,113.81	£1,105.00
Total return	$((c/d)-1) \times 100$	<b>-0.4%</b>	<b>-0.7%</b>

\* The dividend adjustment factor is calculated on the assumption that the dividends of £53 paid by the Company during the year were reinvested into shares or assets of the Company at the cum income NAV per share/share price, as appropriate, at the ex-dividend date.

### LTL total return performance

The total return performance for LTL is calculated as the return after receiving but not reinvesting dividends received over the year.

The figure disclosed on page 5 has been calculated as shown below:

		LTL valuation
Valuation at 31 March 2022	a	£15,025
Valuation at 31 March 2023	b	<b>£13,212</b>
Dividends paid during the year	c	£1,841
Total return	$\{(b-a)+c\}/a \times 100$	<b>+0.2%</b>

### TCFD

Task Force on Climate-Related Financial Disclosures.

### Treasury Shares

Shares previously issued by a company that have been bought back from Shareholders to be held by the company for potential sale or cancellation at a later date. Such shares are not capable of being voted and carry no rights to dividends.

# THE LINDSELL TRAIN INVESTMENT TRUST PLC

## Company Information

### Directors

Julian Cazalet (Chairman of the Board and Management Engagement Committee)

Nicholas Allan (Chairman of the Nomination Committee)

Vivien Gould (Senior Independent Director)

Richard Hughes

Michael Lindsell

Roger Lambert

Helena Vinnicombe (Chairman of the Audit Committee)

### Company Secretary, Administrator and Registered Office

Frostrow Capital LLP

25 Southampton Buildings

London

WC2A 1AL

Tel: 020 3008 4910

[www.frostrow.com](http://www.frostrow.com)

email: [info@frostrow.com](mailto:info@frostrow.com)

(Authorised and Regulated by the Financial Conduct Authority)

### Manager

Lindsell Train Limited

3rd Floor

66 Buckingham Gate

London

SW1E 6AU

Tel: 020 7808 1210

(Authorised and Regulated by the Financial Conduct Authority)

### Solicitor

Stephenson Harwood LLP

1 Finsbury Circus

London

EC2M 7SH

### Broker

J.P. Morgan Cazenove Ltd

25 Bank Street

Canary Wharf

London

E14 5JP

### Independent Auditor

BDO LLP

55 Baker Street

London

W1U 7EU

### Custodian

The Northern Trust Company

50 Bank Street

Canary Wharf

London

E14 5NT

### Registrar

If you have any queries in relation to your shareholding please contact:

Link Group

10th Floor

Central Square

29 Wellington Street

Leeds LS1 4DL

email: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk)

telephone +44 (0)371 664 0300

Website: [www.linkgroup.eu](http://www.linkgroup.eu)

+ Calls are charged at the standard geographic rate and will vary by provider.

Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales.

### Shareholder Portal

You can register online to view your holdings using the Share Portal, a service offered by Link Group at [www.signalshares.com](http://www.signalshares.com). The Share Portal is an online service enabling you to quickly and easily access and maintain your shareholding online – reducing the need for paperwork and providing 24 hour access to your shareholding details.

## Company Information continued

### Identification codes

LSE: LTI  
SEDOL: 3197794  
ISIN: GB0031977944  
BLOOMBERG: LTI LN  
Legal Entity Identifier: 213800VMBJH2TCFDZU08

### Shareholder relations

The price of the Company's Ordinary Shares is listed in the Financial Times. For further information visit: [www.lindselltrain.com](http://www.lindselltrain.com) and follow the links.

### Individual Savings Account ("ISA")

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

Registered in England, No: 4119429

### Disability Act

Copies of this Annual Report and other documents issued by the Company are available from the Company Secretary. If needed, copies can be made available in a variety of formats, including braille, audio tape or larger type as appropriate. You can contact the Registrar to the Company, Link Group, which has installed telephones to allow speech and hearing impaired people who have their own telephone to contact them directly, without the need for an intermediate operator; for this service please call 0800 731 1888. Specially trained operators are available during normal business hours to answer queries via this service. Alternatively, if you prefer to go through a 'typetalk' operator (provided by The Royal National Institute for Deaf People) you should dial 18001 from your textphone followed by the number you wish to dial.

#### **WARNING TO SHAREHOLDERS – BEWARE OF SHARE FRAUD**

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. They can be very persistent and extremely persuasive. Shareholders are therefore advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports.

Please note that it is very unlikely that either the Company or the Company's Registrar, Link Group, would make unsolicited telephone calls to shareholders and that any such calls would relate only to official documentation already circulated to shareholders and never in respect of investment 'advice'.

Shareholders who suspect they may have been approached by fraudsters should advise the Financial Conduct Authority ("FCA") using the share fraud report form at [www.fca.org.uk/scams](http://www.fca.org.uk/scams) or call the FCA Customer Helpline on 0800 111 6768. You may also wish to call either the Company Secretary or the Registrar.



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**Company Secretary and Registered Office**

Frostrow Capital LLP  
25 Southampton Buildings  
London  
WC2A 1AL

Tel: 020 3008 4910

[www.frostrow.com](http://www.frostrow.com)

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Registered in England, No: 4119429