

601200001
674117

Lindsell Train Limited

Report and Accounts

Year Ended 31st January 2003



DIRECTORS

Michael James Lindsell
Nicholas John Train

SECRETARY

Michael Lim

AUDITORS

RSM Robson Rhodes
186 City Road
London EC1V 2NU

BANKERS

Royal Bank of Scotland plc
62/63 Threadneedle Street
London EC2R 8LA

SOLICITORS

Dechert
2 Serjeants' Inn
London EC4Y 1LT

REGISTERED OFFICE

1st Floor
35 Thurloe Street
London SW7 2LQ

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31st January 2003

RESULTS AND DIVIDENDS

The net profit after tax for the year is set out in the profit and loss account on page 5. An interim dividend of £19.00 per share was paid on 20th January 2003. The Directors recommend a second interim dividend of £21.00 per share.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity is the provision of fund management services. The directors are encouraged by the five investment mandates received by the Company together with an investment advisory account during the year and are optimistic about the future of the company.

DIRECTORS AND THEIR INTERESTS

The directors at 31st January 2003 and their interests in the share capital of the company were as follow :

	Ord. Shs. £100 each
	As at 31.1.02 and 31.1.2003
Michael Lindsell	1,000 shares
Nick Train	1,000 shares

During the period, rights to subscribe the shares in or debentures of the company have not been granted to, or exercised by, any director or a member of his immediate family.

AUDITORS

On 15 April 2003, RSM Robson Rhodes, the company's auditors, announced that on 3 May 2003 they would be transferring substantially the whole of their business to RSM Robson Rhodes LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Should that transfer be made, your directors intend to consent to treating the appointment of RSM Robson Rhodes as extending to RSM Robson Rhodes LLP with effect from the date of transfer. Accordingly, although the resolution in the Notice of the Annual General Meeting refers to re-appointing RSM Robson Rhodes as auditors to the company, under the Companies Act 1989 the appointment of RSM Robson Rhodes is treated as extending to the appointment of RSM Robson Rhodes LLP.

On behalf of the board



Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE ANNUAL REPORT

Company law in the United Kingdom requires the directors to prepare accounts for each financial year which 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 these accounts, the directors have:

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

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

The directors are responsible for ensuring that the directors' report and other information included in the Annual Report is prepared in accordance with company law in the United Kingdom.

Lindsell Train Limited

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF LINDSELL TRAIN LIMITED

We have audited the accounts on pages 5 to 14.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31st January 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes

Chartered Accountants and Registered Auditors

London, England

RSM Robson Rhodes

Date 2 May 2003

Lindsell Train Limited

PROFIT AND LOSS ACCOUNT for the year ended 31st January 2003

	Notes	2003 £	2002 £
CONTINUING OPERATIONS – TURNOVER			
Management fees	2	646,750	1,092,356
ADMINISTRATION EXPENSES		(487,029)	(793,037)
CONTINUING OPERATIONS – OPERATING PROFIT	3	159,721	299,319
Interest receivable		12,910	4,967
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION FOR THE FINANCIAL YEAR		172,631	304,286
Tax on profit on ordinary activities for the financial year	6	(33,210)	(52,093)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		139,421	252,193
DIVIDENDS	7	(106,640)	-
RETAINED PROFIT TAKEN TO RESERVES FOR THE FINANCIAL YEAR		32,781	252,193

STATEMENT OF RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to the shareholders of the company.

Lindsell Train Limited

BALANCE SHEET

At 31st January 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Tangible assets	8	33,776	62,296
CURRENT ASSETS			
Debtors	9	76,605	69,425
Cash at bank		510,634	519,321
		<u>587,239</u>	<u>588,746</u>
CREDITORS: amounts falling due within one year	10	(163,300)	(145,130)
		<u>423,939</u>	<u>443,616</u>
NET CURRENT ASSETS			
		<u>457,715</u>	<u>505,912</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: amounts falling due after more than one year	11	-	(75,000)
PROVISION FOR OTHER LIABILITIES AND CHARGES	12	(6,267)	(12,245)
		<u>451,448</u>	<u>418,667</u>
CAPITAL AND RESERVES			
Called up Share Capital	13(a)	266,600	266,600
Profit and loss account	13(b)	184,848	152,067
		<u>451,448</u>	<u>418,667</u>
SHAREHOLDERS' FUNDS – EQUITY			
		<u>451,448</u>	<u>418,667</u>

The accounts were approved by the Board on *30th April 2003* and signed on its behalf by Michael Lindsell.

Director

Lindsell Train Limited

CASH FLOW STATEMENT for the year ended 31st January 2003

	Notes	2003 £	2002 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	16	146,500	372,337
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	17	12,910	5,813
TAXATION		(40,046)	-
CAPITAL EXPENDITURE	17	(2,397)	(31,159)
		<u>116,967</u>	<u>346,991</u>
EQUITY DIVIDENDS PAID	7	(50,654)	-
		<u>66,313</u>	<u>346,991</u>
MANAGEMENT OF LIQUID RESOURCES	17	(400,000)	125,000
FINANCING	17	(75,000)	-
(DECREASE)/INCREASE IN CASH	18	<u>(408,687)</u>	<u>471,991</u>

Lindsell Train Limited

NOTES TO THE ACCOUNTS

at 31st January 2003

1. ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention. The particular accounting policies adopted are described below:

Fixed assets

All fixed assets are recorded at cost less depreciation.

Depreciation

Depreciation is provided on all tangible fixed assets at annual rates calculated to write off the cost less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life, as follows:

Owned equipment	-	33.33%
Fixtures & Fittings	-	33.33%
Computer Software	-	33.33%

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Leasing commitments

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Investment Management and Performance fees

Periodic investment management fees are accrued on a daily basis and payable in arrears in each calendar month other than one investment advisory mandate, where fees are due, and so accounted for, when invoiced. For the avoidance of double charging management fees to Lindsell Train Investment Trust plc (LTIT), the Company has agreed to abate the periodic investment management fee it receives from LTIT by an amount equal to the fees it receives from the Lindsell Train Funds in respect of that portion of those funds where LTIT is the investor.

Performance fees are accounted for and become due when invoiced. Invoicing occurs annually in accordance with management agreements in place. Performance fees earned from Lindsell Train Funds are rebated (in the form of shares in those Funds) to LTIT again in respect of that proportion of those funds where LTIT is the investor.

Taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Full provision for deferred taxation is made under the liability method, without discounting on all timing differences that have arisen, but not reversed by the balance sheet date, unless such provision is not permitted by Financial Reporting Standard 19.

Pensions

The Company contributes to personal pension plan arrangements on behalf of the directors. The pension cost charge represents contributions payable in the year.

Lindsell Train Limited

NOTES TO THE ACCOUNTS

at 31st January 2003

2. TURNOVER

Turnover, which is stated net of value added tax, is attributable to one continuing activity, the supply of investment management and advisory services.

3. OPERATING PROFIT

This is stated after charging:

	2003	2002
	£	£
Depreciation of owned fixed assets	30,733	23,332
Loss on disposal of owned fixed assets	184	-
Auditors' remuneration:		
Audit services	4,000	4,000
Non audit services	1,000	1,000
Operating lease rentals:		
Land and buildings	<u>20,000</u>	<u>17,494</u>

4. STAFF COSTS

	2002	2001
	£	£
Wages and salaries	257,153	536,226
Social security costs	27,905	61,894
Pension Costs	<u>33,461</u>	<u>29,765</u>
	<u>318,519</u>	<u>627,885</u>

The average number of employees during the year was as follows:

	No.	No.
Fund management	2	2
Administration/compliance	<u>3</u>	<u>2</u>
	<u>5</u>	<u>4</u>

Lindsell Train Limited

NOTES TO THE ACCOUNTS at 31st January 2003

5. DIRECTORS' EMOLUMENTS

	2003 £	2002 £
Directors' Remuneration	147,819	407,288
Directors' Pension Contributions	33,461	29,765
	<u>181,280</u>	<u>437,053</u>

Two directors are accruing retirement benefits under personal pension plan arrangements. The pension contributions are paid by the Company.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £	2002 £
Corporation tax	38,990	39,848
Prior year adjustments	198	-
Tax charge in respect of the current year	<u>39,188</u>	<u>39,848</u>
Deferred Tax	<u>(5,978)</u>	<u>12,245</u>
	<u>33,210</u>	<u>52,093</u>

Current Taxation

The current taxation charge for the year is different from the effective rate of corporation tax in the UK (19.16%). The differences are explained below :

	£	£
Profit /(loss) on ordinary activities before taxation	172,631	304,286
Theoretical tax at UK Corporation tax rate of 19.16% (2002: 20%)	33,076	60,857
Effects of :		
Loss on disposal of fixed asset	36	-
Excess/(Deficit) of depreciation over capital allowances	5,397	(1,510)
Other expenditure which is not taxable	481	859
Tax losses utilised	-	(20,358)
Adjustments in respect of prior years	198	-
Actual current tax charge	<u>39,188</u>	<u>39,848</u>

Lindsell Train Limited

NOTES TO THE ACCOUNTS

at 31st January 2003

7. DIVIDENDS

	2003	2002
	£	£
First Interim Dividend of £19.00 per share	50,654	-
Proposed Second Interim Dividend of £21.00 per share	55,986	-
	<u>106,640</u>	<u>-</u>

8. TANGIBLE FIXED ASSETS

	Computer Software	Owned Equipment	Fixtures & Fittings	Total
	£	£	£	£
Cost:				
As at 1 Feb 2002	51,707	36,513	1,953	90,173
Additions	127	2,141	238	2,506
Disposals	-	(660)	-	(660)
	<u>51,834</u>	<u>37,994</u>	<u>2,191</u>	<u>92,019</u>
Depreciation:				
As at 1 Feb 2002	13,672	13,474	731	27,877
Disposals	-	(367)	-	(367)
Provided for the year	17,262	12,747	724	30,733
	<u>30,934</u>	<u>25,854</u>	<u>1,455</u>	<u>58,243</u>
Net book value as at 31 Jan 2003	<u>20,900</u>	<u>12,140</u>	<u>736</u>	<u>33,776</u>
Net book value as at 31 Jan 2002	<u>38,035</u>	<u>23,039</u>	<u>1,222</u>	<u>62,296</u>

9. DEBTORS

	2003	2002
	£	£
Trade Debtors	50,794	55,309
Other Debtors	4,567	-
Prepayments	21,244	14,116
	<u>76,605</u>	<u>69,425</u>

Included in other debtors for 2003 is £2,115 due from employees in respect of a group private health care policy paid by the Company. This cost is recoverable from participating employees through monthly deductions from their payroll. The attributable amount due from Mr. Nick Train who is a Director of the Company was £1,197.

10. CREDITORS

	2003	2002
	£	£
Trade creditors	3,809	5,000
Other creditors	3,666	8,008
Other taxes and Social Security	17,494	61,620
Accruals	43,355	30,654
Corporation Tax Payable	38,990	39,848
Proposed Dividends	55,986	-
	<u>163,300</u>	<u>145,130</u>

Lindsell Train Limited

NOTES TO THE ACCOUNTS

at 31st January 2003

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2003	2002
	£	£
Subordinated Loan	-	75,000
	<u>-</u>	<u>75,000</u>

The subordinated loan was repaid on 5th August 2002 after receiving written consent from the Financial Services Authority. The lenders of the subordinated loan were Michael Lindsell and Nick Train, who are also Directors of the Company.

12. PROVISION FOR OTHER LIABILITIES AND CHARGES

	2003	2002
	£	£
Deferred Tax		
Accelerated capital allowances:	6,267	12,245
Deferred tax liability	<u>6,267</u>	<u>12,245</u>

The movement in the provision is as follows :

	£	£
Provision at start of the year	12,245	-
Deferred tax (credit)/charge in profit and loss account	<u>(5,978)</u>	<u>12,245</u>
Provision at end of year	<u>6,267</u>	<u>12,245</u>

Deferred tax has been provided at 19% (2002 : 20%) because of uncertainty as to the average rate of tax will apply when the underlying timing differences will reverse.

13. (a) SHARE CAPITAL

	2003		2002	
	No.	£	No.	£
Ordinary Shares of £100 each				
Authorised	2,666	266,600	2,666	266,600
Allotted and fully paid	<u>2,666</u>	<u>266,600</u>	<u>2,666</u>	<u>266,600</u>

(b) SHARE CAPITAL, MOVEMENT ON RESERVES AND RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital	Profit and loss account	Total shareholders' funds
	£	£	£
As at 1 Feb 2002	266,600	152,067	418,667
Profit for the year	-	139,421	139,421
Dividends	-	<u>(106,640)</u>	<u>(106,640)</u>
Balance at 31 st January 2003	<u>266,600</u>	<u>184,848</u>	<u>451,448</u>

14. RELATED PARTY TRANSACTIONS

One director of the company is also a director of the Lindsell Train Investment Trust plc of which the Company is acting as investment manager. The net investment management fees received by the company after abatement for fees otherwise receivable by it in respect of Lindsell Train Investment Trust's holdings in other Lindsell Train Funds amounted to £172,018 (2002 -£150,329). The Lindsell Train Investment Trust plc has an interest of 24.98% in the ordinary share capital of the Company.

Lindsell Train Limited

NOTES TO THE ACCOUNTS

at 31st January 2003

15. OTHER FINANCIAL COMMITMENTS

At 31st January 2003 the company had annual commitments under non-cancellable operating leases for land and buildings as set out below:

Land and buildings

	2003	2002
	£	£
Operating leases which expire:		
2 to 5 years	<u>20,000</u>	<u>20,000</u>

The Company's premises lease is for a term with an annual rent of £20,000, which is payable quarterly in advance on the usual quarter days in each year. Lease obligations are being charged on the basis that operating lease payments are amortised over the lease term.

16. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003	2002
	£	£
Operating profit	159,721	299,319
Depreciation charges	30,733	23,332
Loss on sale of tangible fixed assets	184	-
Increase in debtors	(7,180)	(13,550)
(Decrease)/Increase in creditors	<u>(36,958)</u>	<u>63,236</u>
Net cash inflow from operating activities	<u>146,500</u>	<u>372,337</u>

17. CASH FLOW STATEMENT

	2003	2002
	£	£
Returns on Investments and Servicing of Finance		
Interest received	<u>12,910</u>	<u>5,813</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(2,506)	(31,159)
Receipts from sale of tangible fixed assets	<u>109</u>	<u>-</u>
	<u>(2,397)</u>	<u>(31,159)</u>
Management of liquid resources		
(Increase) /Reduction in term deposits	<u>(400,000)</u>	<u>125,000</u>
Financing		
Redemption of subordinated loan	<u>(75,000)</u>	<u>-</u>
	<u>(75,000)</u>	<u>-</u>

Lindsell Train Limited

NOTES TO THE ACCOUNTS at 31st January 2003

18. RECONCILIATION OF NET CASH FLOW TO MOVEMENTS IN NET FUNDS

	2003	2002
	£	£
(Decrease)/Increase in cash	(408,687)	471,991
Repayment of subordinated loan	75,000	-
Increase/(Decrease) in liquid resources	400,000	(125,000)
Change in net cash	66,313	346,991
Net cash at 1 Feb 2002	444,321	97,330
Net cash at 31 January 2003	510,634	444,321

	2002	Cash flows	2003
	£	£	£
Cash at bank	519,321	(408,687)	110,634
Term Deposits	-	400,000	400,000
	519,321	(8,687)	510,634
Subordinated loans due after one year	(75,000)	75,000	-
	444,321	66,313	510,634