NEW STAR INVESTMENT TRUST PLC

REPORT AND ACCOUNTS
for the year ended 30th June 2009

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INVESTMENT OBJECTIVE

The Company's objective is to achieve long-term capital growth.

REGISTERED OFFICE
1 Knightsbridge Green, London, SW1X 7NE
Company Number 3969011

COMPANY INFORMATION

DIRECTORS

G Howard-Spink (Chairman)
J L Duffield (Deputy Chairman)
M J Gregson
J K Roe

INVESTMENT MANAGER

New Star Asset Management Limited
201 Bishopsgate, London EC2M 3AE
(Authorised and Regulated by the Financial Services Authority)

SECRETARY, ADMINISTRATORS AND REGISTERED OFFICE

New Star Asset Management Limited
201 Bishopsgate, London EC2M 3AE
Telephone: 020 7818 1818 *Facsimile:* 020 7818 1820
(Authorised and Regulated by the Financial Services Authority)

SOLICITORS

Olswang
90 High Holborn, London WC1V 6XX

AUDITORS

Ernst & Young LLP
1 More London Place, London SE1 2AF

CUSTODIANS

HSBC Global Custody Nominees (UK) Limited
8 Canada Square, London E14 5HQ

REGISTRARS

Equiniti Limited
The Causeway, Worthing, West Sussex BN99 6DA
Telephone: 01903 502541 *Website:* www.shareview.co.uk
The Company's shares are traded on the London Stock Exchange and their prices are shown in the Financial Times under "Investment Companies".

BOARD OF DIRECTORS

*__Geoffrey Howard-Spink (Chairman)__, aged 65, was one of the founders in 1981 of Lowe Group Limited, one of the UK's biggest advertising groups. He is Chairman of Immedia Broadcasting PLC and a director of Chrysalis Group plc. Mr Howard-Spink was appointed Chairman of the Company with effect from 13 May 2009.

John L Duffield (Deputy Chairman), aged 70, is Chairman of Brompton Asset Management Limited. Mr Duffield was Chairman of New Star Asset Management Group PLC between 2000 and April 2009. Prior to founding New Star, Mr Duffield was chief executive of Jupiter International Group from 1985 to 2000.

*__Marcus Gregson__, aged 63, is deputy chairman of Sand Aire, a leading family office. Formerly he was chief executive of HSBC Private Bank (UK) for over 16 years. Mr Gregson was appointed chairman of the Company's Audit Committee with effect from 2 September 2009.

*__James K Roe__, aged 74, was a director of N M Rothschild from 1970 until 1992. He is a director of Principle Capital Investment Trust Plc. He was previously a director of Jupiter International Group PLC and other companies and also a member of the Monopolies and Mergers Commission from 1993 to 1999. Mr Roe stepped down as Chairman of the Company with effect from 13 May 2009.

** Members of the Audit Committee.*

FINANCIAL HIGHLIGHTS

	30th June 2009	30th June 2008	% Change
PERFORMANCE			
Net assets (£'000)	58,746	96,405	(39.1)
Net asset value per Ordinary share	82.71p	135.74p	(39.1)
Mid-market price per Ordinary share	58.00p	105.50p	(45.0)
Discount of price to net asset value	29.9%	22.3%	N/A
FTSE World Index (total return, sterling adjusted)	415.61	480.44	(13.5)
FTSE All-Share Index (total return)	2,781.88	3,498.86	(20.5)

	1st July 2008 to 30th June 2009	1st July 2007 to 30th June 2008
REVENUE		
Return per Ordinary share	0.92p	0.94p
Dividend per Ordinary share	0.70p	0.73p
TOTAL RETURN		
Net assets	(38.6%)	(21.6%)
FTSE All-Share Index	(20.5%)	(13.0%)

CHAIRMAN'S STATEMENT

MARKET BACKDROP AND PERFORMANCE

The year to 30th June 2009 was a disappointing one for your Company, with net assets falling 39.1% to £58.7 million. This compares with a 20.5% decline in the FTSE All-Share Index (total return) over the same period. As a result, your Company has suffered a 12.3% NAV decline on a total return basis from its inception in May 2000 to 30th June 2009 against a 2.4% fall for the FTSE All-Share.

Net revenue for the year under review was £655,000 against £671,000 in the previous year. Your Directors recommend the payment of a final dividend of 0.70p net per ordinary share. This compares with a 0.73p dividend in 2008. This should not be taken as an indication of future dividends, however, because the policy of your Company is to achieve capital growth and earnings per ordinary share may fluctuate.

Global equities were weak and volatile during the year, with the MSCI World Total Return Index declining 14.21% in sterling terms. This decline does, however, mask the depth of the financial crisis because the pound's weakness partially shielded sterling-based investors from overseas market falls. The pound fell 17.2% against the dollar, 7.0% against the euro and 24.7% against the yen. Measured in local currencies, the global stockmarket decline was 25.2% and the year was marked by exceptional volatility. In early March 2009, US equities were 56.8% down in local currency terms from their October 2007 peak.

Central banks responded to financial dislocation and recession by easing monetary policy significantly. The Federal Reserve cut its fed funds target rate by 1.75 percentage points to 0.25%, the Bank of England cut the bank rate from 5.0% to 0.5% while the European Central Bank cut repo rates from 4.0% to 1.0%. Despite these emergency measures, shares retreated in late 2008 and early 2009 as a result of bankruptcies such as Lehman Brothers and recognition that the world faced a serious recession. In addition, despite additional measures such as fiscal relaxation and financial sector rescues as well as ebbing inflation, investors feared that any economic recovery would be delayed by the banking sector's enfeebled condition, weak corporate investment and rising taxes to fund higher government deficits.

The World Bank confirmed the depth of the crisis in June 2009 when it forecast a 2.9% global economic contraction during 2009. In the developed world, it predicted the worst contractions for Japan, down 6.8%, and the eurozone, down 4.5%, with the US facing a relatively modest 3.0% decline. Russia's economy was forecast to shrink 7.5% but growth in China and India was expected to remain robust at 7.2% and 5.1% respectively. In response to economic weakness, oil prices fell 50.6% in dollar terms, contributing to the 39.1% fall in industrial commodities overall. Gold, meanwhile, rose 1.7%, with bullion seen as a safe haven at a time of financial dislocation.

Equities, however, rallied strongly from mid March through to May. In the US, the new administration produced a package seen by investors as a credible response to the country's banking woes while the Fed expanded its policy of quantitative easing by announcing plans to buy Treasury bonds, joining the Bank of England in "printing money". There was increased confidence that the global banking system would stabilise, helping, at some point, to restore economic growth. This led to strength in riskier asset classes such as emerging market equities, which were also buoyed by recovering commodity prices.

As a result of the spring 2009 rally, riskier, more volatile UK securities such as small and medium-sized companies outperformed the FTSE 100 Index, with its focus towards financial and natural resources companies. The FTSE 100 Index fell 20.9% in the year under review while medium-sized companies and small companies fell 16.1% and 19.1% respectively. The same revival in risk appetite was also apparent in bond markets. As a result, emerging market government bonds returned 23.8% in sterling terms while UK gilts returned 12.9%.

CHAIRMAN'S STATEMENT

continued

Within the Group of Seven (G7) major economies, Italy was the weakest market, dropping 22.5% on fears that its economy was the most vulnerable to global recession. Other relatively weak markets included Germany, down 20.6%, Canada, down 20.2%, and the UK, down 20.1%. By contrast, currency strength was behind the relative resilience of Japan, down 3.5%, and the US, down 11.5%. Outside the G7, the weakest countries were in emerging Europe, with Bulgaria and Romania down 58.2% and 55.0% respectively and Russia, down 52.1%. By contrast, Latin America and Asia benefited from relatively robust economic growth, with Venezuela and Chile up 33.5% and 23.7% respectively while India recovered 20.4%, the Philippines gained 18.4% and China returned 17.7%.

The weakest sectors were those perceived to be most vulnerable to the credit crunch and recession. Basic materials stocks fell 32.1%, energy fell 26.9% and industrial stocks fell 17.1% while financial stocks, weighed down by dilutive capital raisings and enhanced state control, fell 15.8%. The only market area that generated positive returns was the traditionally defensive healthcare sector, up 5.8%, while consumer goods, consumer services and technology were also relatively resilient, down 1.9%, 2.3% and 3.5% respectively.

Over the summer of 2009, industrial output in the major industrial economies appeared to be stabilising and leading indicators such as the ratio of analysts' profit upgrades to downgrades and business sentiment surveys suggested some improvement later in 2009. The consensus view shared by the International Monetary Fund and the Organisation for Economic Cooperation and Development was that weak financial systems, consumer and corporate deleveraging and some reversal of the recent monetary stimulus would leave any recovery anaemic. Deep recessions in the past have typically, however, been followed by steep recoveries so there is potential for a faster revival. Positive factors include recent growth in the inflation-adjusted money supply as a result of quantitative easing, the likely turn in the stocks cycle, with production having fallen faster than retail sales, and the resilience of emerging markets growth. In such circumstances, recent deflationary trends may be short-lived. Inflation is likely to be capped in the near term by below-average industrial capacity utilisation but longer-term prospects are less benign because government debts have risen to levels unprecedented other than during times of global warfare. In such an environment, asset selection will be critical in generating outperformance.

Your Company's unaudited net asset value at 30 September 2009 was 91.70p.

BOARD

On 13th May 2009 James Roe stepped down as chairman of the Company, although he remains on the Board. His fellow directors would like to thank James for his leadership and counsel during his tenure as chairman.

Geoffrey Howard-Spink
Chairman
14th October 2009

INVESTMENT MANAGER'S REPORT

for the year ended 30th June 2009

Your Company's strategy is to invest in a diversified portfolio of open-ended mutual funds, investment trusts, exchange-traded funds (ETFs) and hedge funds selected from across the market place as well as certain selected special situations. The portfolio is spread across diverse asset classes from UK and overseas equities and bonds to commercial property, commodities and private equity.

Your Company's portfolio was extensively reshaped during the year under review.

Retail fund purchases included the Artemis UK Special Situations fund, M&G Optimal Income fund, Natixis Loomis Sayles Multisector Income fund, Neptune Russia & Greater Russia, Occam Umbrella Asia Focus fund, Prusik Asia fund and the Trojan Investment fund. In addition, your Company bought a holding in the BH Global hedge fund and a stake in Hanson Westhouse Holdings, a corporate advisory boutique quoted on the Alternative Investment Market.

A number of New Star open-ended and closed-ended funds and hedge funds were sold during the year including the European Growth fund, European Hedge fund, European High Yield fund, Financial Opportunities fund, the British Lion fund, China fund, UK Smaller Companies Portfolios fund, Global Financials fund, Global Strategic Capital fund, Heart of Africa fund, Hidden Value fund, Indian Equity fund, UK Alpha fund and UK Growth fund. In addition, the holding in Matrix Closed Ended fund was sold.

Many of the funds within the portfolio suffered poor returns as a result of the financial and economic turmoil. It was also a troubled year for the holding in the New Star Asset Management Group. Following the dislocation precipitated by the Lehman Brothers insolvency and crises at other major financial services groups, New Star negotiated a debt-for-equity swap with its banks. This resulted in existing shareholders including your Company being diluted down to a minority position. At the same time, an auction process was initiated and this led to New Star's takeover by the Henderson Group in April at 2p per share.

There were, however, some areas of relative resilience within your Company's portfolio. Of those funds held throughout the year, the Skandia UK Strategic Best Ideas fund declined only 14.5% while a number of purchases made during late 2008 and early 2009 contributed healthy positive returns. In the hedge fund area, BH Global returned 17.7% from its purchase to the year end. In fixed income, the M&G Optimal Income fund and Loomis Sayles Multisector Income fund returned 9.6% and 5.9% respectively. Among the equity funds, the Occam Asia fund gained 8.7% while the Neptune Russia & Greater Russia fund returned 8.6%.

As a result of the portfolio changes and market movements, your Company ended the year with 44.3% of its assets in retail funds, 8.3% in ETFs, 4.5% in investment trusts, 3.7% in hedge funds, 7.5% in other securities and 31.6% in cash. Geographically, the biggest non-cash exposures were the UK, at 15%, and the Pacific excluding Japan and emerging markets, both at 9%. In asset class terms, the biggest non-cash holdings were in equities, at 30%, commodities, at 13%, and fixed income, at 9%.

At the end of the year, global stockmarkets were 25.1% off their October 2007 peak in sterling terms, with some markets having experienced particularly acute falls. Within the Group of Seven (G7), the weakest countries were Italy and the UK, down 36.4% and 32.2% respectively. Among smaller developed economies, the weakest countries included Ireland, down 70.1%, and Belgium, down 55.3%, while the weakest emerging markets included Bulgaria and Romania, down 70.4% and 66.0% respectively. By contrast, Japan, down 15.9%, was the most resilient G7 market as a result of the yen's strength while the strongest emerging markets were concentrated in Latin America, with Colombia and Venezuela up 33.8% and 29.0% respectively.

INVESTMENT MANAGER'S REPORT

for the year ended 30th June 2009

continued

While UK equities retreated in June 2009, share prices revived in the middle of July, generating their longest run of gains since 2004 as investors responded positively to company announcements showing that second quarter trading had been better than feared. The news was particularly reassuring within the troubled US financial sector.

Across the global economy, data over the early summer of 2009 appeared to suggest that industrial activity and world trade were stabilising, led by continued growth in emerging markets. Investors in developed stockmarkets may remain relatively cautious for some time, with data from the critically important US jobs market continuing to cause concern and with business sentiment in the eurozone lagging. In emerging markets, however, industrial output was rising strongly in significant countries such as Brazil, China, India, South Korea and Taiwan although Russia and Mexico remained weak.

New Star Asset Management Limited
Investment Manager
14th October 2009

SCHEDULE OF TWENTY LARGEST INVESTMENTS

at 30th June 2009

Holding	Activity	30th June 2009 Bid-market value £'000	Percentage of portfolio
BlackRock Gold & General Income Fund	Investment Fund	4,284	10.92
Natixis Loomis Sayles Multisector Income Fund	Investment Fund	3,305	8.42
Investec Africa Fund	Investment Fund	3,275	8.35
Lyxor Gold Bullion Securities Fund	Exchange Traded Fund	3,053	7.78
Occam Umbrella Asia Focus Fund	Investment Fund	3,032	7.73
Skandia UK Strategic Best Ideas Fund	Investment Fund	2,610	6.65
M&G Optimal Income Fund	Investment Fund	2,139	5.45
Prusik Asia Fund	Investment Fund	2,013	5.13
Artemis UK Special Situations Fund	Investment Fund	1,990	5.07
Trojan Investment Fund	Investment Fund	1,985	5.06
iShares FTSE/Xinhua China 25 Fund	Exchange Traded Fund	1,835	4.68
Henderson Private Equity Investment Trust	Investment Company	1,183	3.02
Neptune Russia & Greater Russia Fund	Investment Fund	1,087	2.77
The Sierra Investment Fund	Investment Fund	1,000	2.55
Corndon Limited	Investment Fund	1,000	2.55
BH Global Investment Limited	Equity	992	2.53
New Star International Property Fund	Investment Fund	893	2.28
Synergy Fund Limited B1	Investment Fund	817	2.08
Skandia Global Best Ideas Fund	Investment Fund	726	1.85
GWI Brazil Fund	Investment Fund	711	1.82
		37,930	96.69
Balance held in 11 investments		1,298	3.31
Total investments		39,228	100.00

The investment portfolio can be further analysed as follows:

	£'000
Equities	2,681
Convertible securities	458
Fixed income securities	–
Other investments	36,089
	39,228

All the Company's investments are either unlisted or are unit trusts/OEIC funds with the exception of Henderson Private Equity Investment Trust, iShares FTSE/Xinhua China 25, BH Global Investment Limited, Midas Capital, Lyxor Gold Bullion Securities, Immedia Broadcasting and Hanson Westhouse Holdings.

SCHEDULE OF TWENTY LARGEST INVESTMENTS

at 30th June 2008

Holding	Activity	30th June 2008 Bid-market value £'000	Percentage of portfolio
New Star UK Alpha Fund	Investment Fund	8,463	9.89
Investec Africa Fund	Investment Fund	4,556	5.32
New Star Global Financials Fund	Investment Fund	4,514	5.28
New Star Accelerator Hedge Fund	Investment Fund	4,450	5.20
New Star Hidden Value Portfolio Fund	Investment Fund	4,107	4.80
New Star European Hedge Fund	Investment Fund	4,098	4.79
New Star Asset Management Group	Asset Management Company	4,040	4.72
Global Property Fund	Investment Fund	3,995	4.67
New Star European Growth Fund	Investment Fund	3,719	4.35
New Star Euro High Yield Fund	Investment Fund	3,640	4.25
New Star Financials Hedge Fund	Investment Fund	3,417	3.99
Skandia Global Best Ideas Fund	Investment Fund	3,292	3.85
Skandia UK Strategic Best Ideas Fund	Investment Fund	3,041	3.55
New Star International Property Fund	Investment Fund	2,976	3.48
New Star Private Equity Investment Trust	Investment Company	2,896	3.38
New Star UK Growth Fund	Investment Fund	2,715	3.17
New Star Global Fund - British Lion Portfolio	Investment Fund	2,652	3.10
New Star Heart of Africa Fund	Investment Fund	2,211	2.58
New Star Global Strategic Capital Fund	Investment Fund	2,031	2.37
Midas Capital	Equity	1,955	2.29
		72,768	85.03
Balance held in 17 investments		12,800	14.97
Total investments		85,568	100.00

The investment portfolio can be further analysed as follows:

	£'000
Equities	13,192
Convertible securities	458
Fixed income securities	–
Other investments	71,918
	85,568

All investments, listed above, are unlisted or are unit trusts/OEIC funds with the exception of New Star Asset Management Group, New Star Private Equity Investment Trust, Midas Capital, New Star Financial Opportunities Fund, Lindsell Train Investment Trust and Immedia Broadcasting.

DIRECTORS' REPORT

The directors present the audited accounts of the Company and their report for the year ended 30th June 2009.

BUSINESS REVIEW

The following business review is designed to provide information primarily about the Company's business and results for the year ended 30th June 2009. The Business Review should be read in conjunction with the Chairman's Statement on pages 6 to 7 and the Investment Manager's Report on pages 8 to 9, which provide a review of the year under review and the outlook for the future.

STATUS

The Company operates as an investment trust in accordance with Section 842 of the Income and Corporation Taxes Act 1988 ("Section 842"). It is required to seek approval from HM Revenue & Customs ("HMRC") of its status as an investment trust under Section 842 every year, and this approval will continue to be sought. HMRC approval of the Company's status as an investment trust has been received in respect of the year ended 30th June 2008; this approval is subject to there being no subsequent enquiries under Corporation Tax Self Assessment. The directors are of the opinion that the Company has continued to conduct its affairs in a manner that will enable it to continue to gain such approval. The Company is an investment company under section 833 of the Companies Act 2006.

The Company is listed on the London Stock Exchange. It must therefore conduct its affairs in accordance with the Listing Rules and Disclosure and Transparency Rules published by the Financial Services Authority.

The Company is incorporated in England and Wales and is domiciled in the United Kingdom.

INVESTMENT OBJECTIVE AND POLICY

Investment Objective

The Company's investment objective is to achieve long-term capital growth.

Investment Policy

Prior to 1st October 2008, the Company's investment objective was implemented through a policy of investing a significant proportion of the Company's assets in pooled investment vehicles managed by associates of New Star Asset Management Group PLC, the then parent of the Investment Manager. Following a review, the Directors concluded that the investment objective could be better met by adopting a new investment policy which was approved by shareholders at the Annual General Meeting ("AGM") held on 1st October 2008.

Since 1st October 2008, the Company's investment policy has been to allocate assets to global investment opportunities through investment in equity, bond, commodity, real estate, currency and other markets. The Company's assets may have significant weightings to any one asset class or market, including cash.

The Company will invest in pooled investment vehicles, exchange traded funds, futures, options, limited partnerships and direct investments in relevant markets. The Company may also invest up to 15% of its net assets in direct investments in relevant markets.

The Company will not follow any index with reference to asset classes, countries, sectors or stocks. Aggregate asset class exposure to any one of the United States, the United Kingdom,

DIRECTORS' REPORT

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Europe ex UK, Asia ex Japan, Japan or Emerging Markets and to any individual industry sector will be limited to 50% of the Company's net assets, such values being assessed at the time of investment and for funds by reference to their published investment policy or, where appropriate, the underlying investment exposure

The Company may invest up to 20% of its net asset value in unlisted securities (excluding unquoted pooled investment vehicles) such values being assessed at the time of investment.

The Company will not invest more than 15% of its net assets in any single investment, such values being assessed at the time of investment.

Derivative instruments and forward foreign exchange contracts may be used for the purposes of efficient portfolio management and currency hedging. Derivatives may also be used outside of efficient portfolio management to meet the Company's investment objective. The Company may take outright short positions in relation to up to 30% of its net assets, with a limit on short sales of individual stocks of up to 5% of its net assets, such values being assessed at the time of investment.

The Company may borrow up to 30% of net assets for short term funding or long term investment purposes.

No more than 10%, in aggregate, of the value of the Company's total assets may be invested in other closed-ended investment funds except where such funds have themselves published investment policies to invest no more than 15% of their total assets in other listed closed-ended investment funds.

Information on how the Company has invested its assets with a view to spreading investment risk in accordance with its investment policy is set out on pages 10 and 11.

FINANCIAL REVIEW

Assets

Total net assets at 30th June 2009 amounted to £58,746,000 compared with £96,405,000 at 30th June 2008. In the year under review the net asset value per ordinary share decreased by 39.1% from 135.74p to 82.71p.

Costs

Total expenses for the year amounted to £411,000 (2008: £505,000). In the year under review the investment management fee amounted to £311,000 ((2008: £263,000). No performance fee was payable in respect of the year under review as the Company did not outperform the hurdle rate. Further details on the Company's expenses may be found in notes 3 and 4.

Revenue

The Company's gross revenue totalled £1,272,000 (2008: £1,405,000). After deducting expenses, the revenue return for the year was £655,000 (2008: £671,000).

Dividends

Dividends do not form a central part of the Company's investment policy, however the directors have declared a final dividend of 0.70p net per share (2008: final dividend of 0.73p) payable on 23rd November 2009 to shareholders on the register of members on 23rd October 2009.

DIRECTORS' REPORT

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Funding

The primary source of the Company's funding is shareholder funds. The Company is typically ungeared.

VAT reclaim

Following a judgement of the European Court of Justice in June 2007, HMRC accepted that the provision of investment management services to investment trust companies is VAT exempt and acknowledged its liability to pay claims in respect of VAT borne by investment trust companies.

During the year under review the Company received refunds totalling £170,000, together with interest of £35,000, in respect of VAT paid on management fees between 2001 and 2007. It is not anticipated that any further refunds will be received.

Payment of suppliers

The Company seeks to obtain the best possible terms for all business and, therefore, there is no single payment of supplier policy. In general the Company agrees with its suppliers the terms on which business will take place. There were no trade creditors at 30th June 2009 (2008: nil).

Future developments

While the future performance of the Company is dependent, to a large degree, on the performance of international financial markets, which, in turn, are subject to many external factors, the Board's intention is that the Company will continue to pursue its stated investment objective in accordance with the strategy outlined above. Further comments on the outlook for the Company for the next 12 months are set out in both the Chairman's Statement on pages 6 and 7 and the Investment Manager's Report on pages 8 and 9.

Going concern

The directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities which are readily realisable and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future.

PERFORMANCE MEASUREMENT AND KEY PERFORMANCE INDICATORS

In order to measure the success of the Company in meeting its objectives and to evaluate the performance of the Investment Manager, the directors take into account the following key performance indicators.

	30th June 2009	30th June 2008	% Change
Net assets (£000)	58,746	96,405	(39.1)
Net asset value per share	82.71p	135.74p	(39.1)
Share price	58.00p	105.50p	(45.0)
Discount	29.9%	22.3%	N/A
Earnings per share	(52.30)p	(37.42)p	N/A
FTSE World Index (total return, sterling adjusted)	415.61	480.44	(13.5)
FTSE All-Share Index (total return)	2,781.88	3,498.86	(20.5)

DIRECTORS' REPORT

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MANAGEMENT ARRANGEMENTS

In common with most investment trusts, the Company does not have any executive directors or employees. The day-to-day management and administration of the Company, including investment management, accounting and company secretarial matters, are delegated to New Star Asset Management Limited ("New Star" or the "Investment Manager").

Investment management services

New Star has acted as Investment Manager to the Company throughout the year. This relationship is governed by an agreement dated 28th August 2008. Prior to 28th August 2008 the relationship was governed by an agreement dated 19th January 2001.

New Star receives a management fee, payable quarterly in arrears, equivalent to 3/16 per cent of total assets after the deduction of the value of any investments managed by the Investment Manager or its associates (as defined in the management agreement). The investment management agreement may be terminated by either party giving three months written notice to expire on the last calendar day of any month.

With effect from 1st September 2008, the Investment Manager has also been entitled to a performance fee of 15 per cent. of the growth in net assets over a hurdle of 3 month Sterling LIBOR plus 1 per cent. per annum, payable six monthly in arrears, subject to a high watermark. The aggregate of the Company's management fee and performance fee are subject to a cap of 4.99 per cent. of net assets in any financial year (with any performance fee in excess of this cap capable of being earned in future years).

During the year under review the investment management fee amounted to £311,000 (2008: £263,000). No performance fee was accrued or paid in respect of the year ended 30th June 2009.

Mr Simon Akroyd replaced Mr Mark Harris as the Company's portfolio manager with effect from 10th December 2008.

Secretarial and administration services

Secretarial services and general administration of the Company is undertaken by New Star Asset Management Limited for an annual fee of £70,000 (exclusive of VAT) payable in equal monthly instalments in arrears and reviewed annually by reference to the UK Index of Retail Prices. The agreement is terminable by not less than six months notice by either party.

RELATED PARTY TRANSACTIONS

New Star Asset Management Limited has acted as Investment Manager to the Company throughout the period. This relationship is governed by an agreement dated 28th August 2008. Prior to 28th August 2008 the relationship was governed pursuant to an agreement dated 19th January 2001. Details of the investment management fee payable to New Star Asset Management Limited may be found in Note 3 on page 40.

On 6th April 2009, Mr Duffield resigned as chairman of New Star Asset Management Group PLC, the holding company of New Star Asset Management Limited. On 9th April 2009 New Star Asset Management Group PLC was acquired by Henderson Group PLC; prior to its acquisition by Henderson Group PLC, Mr Duffield was a shareholder of New Star Asset Management Group PLC. The total investment management fee payable for the year ended 30th June 2009 was £311,000 (2008: £263,000). No performance fee was payable in respect of the year ended 30th June 2009 (2008: nil).

During the year the Group's investments included funds managed by the Investment Manager or by associates of the Investment Manager. At 30th June 2009 the Company held 4 such

DIRECTORS' REPORT

continued

investments (2008: 22). The total value of these investments was £2,130,000 (2008: £63,656,000). No investment management fees were payable by the Company in respect of such investments.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks associated with the Company that have been identified by the Board, together with the steps taken to mitigate them, are as follows:

Investment strategy

Inappropriate long-term strategy and asset allocation might lead to the underperformance of the Company.

The Company's strategy is kept under regular review by the Board. In September 2008 the Board submitted proposals for a revised investment policy to shareholders. The new policy was approved by shareholders at the AGM held on 1st October 2008 and is detailed above. The Board considers that the new investment policy will enhance the ability of the Company to meet its objective of achieving long-term capital growth. Investment performance is discussed at every Board meeting and the directors receive a monthly report which details the Company's asset allocation, investment selection and performance.

Business conditions and general economy

The Company's investment returns are influenced by general economic conditions in the UK and globally. Factors such as interest rates, inflation, investor sentiment and the availability and cost of credit could adversely affect the performance of both the Company and its underlying investments. The Board regularly considers the economic environment in which the Company operates.

The portfolio is managed with a view to mitigating risk by investing in a spread of different asset classes and geographic regions. A schedule of the twenty largest investments may be found on page 10. Further information on how the Company manages risk may be found in the Corporate Governance Statement on pages 22 and 23 and in note 18 on pages 49 to 55.

Investment Manager

The quality of the management team employed by the Investment Manager is an important factor in delivering good performance and the loss by the Investment Manager of key staff could adversely affect investment returns. The Board receives a monthly financial report which includes information on performance and a representative of the Investment Manager attends each Board meeting.

Tax and regulatory risks

A breach of Section 842 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to corporation tax. A breach of the UKLA Listing Rules could result in suspension of the Company's shares, while a breach of company law could lead to criminal proceedings, or financial or reputational damage. The Board employs New Star as Investment Manager and Secretary to help manage the Company's legal and regulatory obligations. The Board receives a monthly financial report which includes information on the Company's compliance with Section 842.

DIRECTORS' REPORT

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Operational

Disruption to, or failure of, the Investment Manager's accounting, dealing or payment systems or the Custodian's records could prevent the accurate reporting and monitoring of the Company's financial position. The Company is also exposed to the operational risk that one or more of its suppliers may not provide the required level of service.

Details of how the Board monitors the services provided by the Investment Manager and its other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal control section of the Corporate Governance Statement on pages 22 and 23.

ENVIRONMENTAL, SOCIAL AND COMMUNITY ISSUES

The Company has no employees, with day-to-day management and administration of the Company being delegated to the Investment Manager. The Company's portfolio is managed in accordance with the investment objective and policy; environmental, social and community matters are considered to the extent that they potentially impact on the Company's investment returns.

CORPORATE GOVERNANCE STATEMENT

APPLICABLE CORPORATE GOVERNANCE CODES

The UK Listing Authority requires all listed companies to include within the annual financial report a report on corporate governance and to disclose which code of corporate governance the Company has applied. Throughout the year under review the Company applied the Combined Code on Corporate Governance issued by the Financial Reporting Council in June 2008 (the "Code"). In addition the Company paid regard to the AIC Code of Corporate Governance, issued by the Association of Investment Companies in March 2009 ("the AIC Code"), which provides specific corporate governance guidance to investment trusts. Copies of the Code can be found at www.frc.org.uk, whilst copies of the AIC Code can be found on www.theaic.co.uk.

STATEMENT OF COMPLIANCE

It is considered that the Company has complied with the provisions of the Code subject to the exceptions explained below: the Company has not arranged insurance cover in respect of legal action against its directors (Code provision A.1.5); the Company has not appointed a Senior Independent Director (Code provision A3.3); the Company does not have a Nominations Committee (Code Provision: A.4.1); between 13 May 2009 and 1 September 2009 Mr Howard-Spink acted as both chairman of the Company and chairman of the Audit Committee (Code Provision C.3.1); and the 2008 Notice of Annual General Meeting was sent to shareholders less than 20 working days before the meeting (Code provision D2.4). These instances of non-compliance are explained in more detail below.

DIRECTORS' REPORT

continued

DIRECTORS

Board composition

The Articles of Association provide that the total number of directors shall be not less than two and no more than ten.

The following directors, all of whom are non-executive, served throughout the year:

	Date of appointment
G Howard-Spink (Chairman)	13th April 2000
J L Duffield	13th April 2000
M J Gregson	1st December 2006
J K Roe	31st August 2005

Mr Roe stepped down as chairman with effect from 13 May 2009, whilst remaining a member of the Board. Mr Howard-Spink was appointed chairman in his stead.

No director has a contract of employment with the Company. Directors' terms of appointment are set out in letters of appointment which are available for inspection at the registered office of the Company and will be available at the AGM.

During the year under review the Company did not arrange insurance cover in respect of legal action against its directors, as it was considered that the premiums would not have constituted good value to shareholders.

Board independence

The Board consider a range of factors in determining the independence of the individual directors including their character and judgement, whether they have any material business relationships with the Company or its advisers, whether they have any close family ties with the Company's advisers or directors and their other commitments. The directors consider that length of service does not of itself impair a director's ability to act independently. Rather, a long-serving director can offer a perspective that adds value to the deliberations of a well-balanced investment trust company board.

It is considered by the Board that, with the exception of Mr Duffield, all of the directors are independent. The biographies of the directors holding office at the date of this report demonstrate a breadth of investment and commercial experience relevant to their positions as directors. All directors have a wide range of other interests and are not dependent on the Company itself. The chairman's other significant commitments are detailed on page 4.

The Board considers that, in the light of the small size of the Board, it is unnecessary to appoint a senior independent director.

Directors' appointment, retirement and rotation

The Board may appoint directors to the Board without shareholder approval. Any director so appointed must stand for election by the shareholders at the next AGM in accordance with the Articles of Association. No directors were appointed during the year.

The Articles of Association provide that one-third of the directors are required to retire by rotation in each year. In order to comply with the Code, the directors have also adopted a policy

DIRECTORS' REPORT

continued

that each director will stand for re-election by shareholders at least every three years and that any director who has served for more than nine years will stand for re-election annually. As explained above, the directors consider that length of service does not of itself impair a director's ability to act independently and that a long-serving director can offer a perspective that adds value to the deliberations of a well-balanced investment trust company board. Nonetheless the directors recognise that it is desirable for the composition of the Board to be periodically refreshed.

Under the Articles of Association, shareholders may remove a director before the end of his term by passing an ordinary resolution at a meeting. An ordinary resolution is passed if more than 50% of the votes cast, in person or by proxy, are in favour of the resolution.

Mr Gregson will retire by rotation at the AGM and, being eligible, stands for re-election. Mr Howard-Spink has served for more than nine years and therefore stands for re-election annually. The Board considers that both Mr Gregson and Mr Howard-Spink continue to exhibit independence of character and judgement and recommend their re-election to shareholders.

Mr Duffield has a beneficial interest in 59.14% of the Company's shares and is therefore not considered to be independent. It is the policy of the Board that all directors who are not considered to be independent stand for re-election annually. The independent directors consider that Mr Duffield makes a significant contribution to the Company and recommend his re-election to shareholders.

Directors' remuneration

The Board consists solely of non executive directors and accordingly the Company is not required to comply with the principles of the Combined Code in respect of executive directors' remuneration and does not have a Remuneration Committee. Details of the fees paid to the directors can be found in the Directors' Remuneration Report on pages 26 and 27.

Directors' interests in shares

The interests of the directors in the ordinary shares of the Company at the beginning and end of the financial year are shown in the table below.

Ordinary shares of 25p	30th June 2009	1st July 2008
Beneficial:		
J L Duffield	42,003,223	42,003,223
M J Gregson	10,000	10,000
G Howard-Spink	–	–
J K Roe & Dame Marion Roe	2,290,048	2,290,048

There have been no changes in the Directors' interests in the period from 30th June 2009 to the date of this report.

Directors' conflicts of interest

Directors have a duty to avoid situations where they have, or could have, a direct or indirect interest that conflicts, or possibly could conflict, with the Company's interests. With effect from 1st October 2008, the Companies Act 2006 (the "Act") has allowed directors of public companies to authorise such conflicts and potential conflicts, where appropriate, but only if the articles of association contain a provision to this effect. The Act also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty.

DIRECTORS' REPORT

continued

There are two safe harbours – either the situation cannot reasonably be regarded as likely to give rise to a conflict of interest or the matter has been authorised in advance by the directors. The Company's new Articles of Association, which were adopted by shareholders on 1st October 2008, give the directors the relevant authority required to deal with conflicts of interest.

Each of the directors has provided a statement of all conflicts of interest and potential conflicts of interest, if any, applicable to the Company. A register of conflicts of interest has been compiled and approved by the Board. Going forward, the directors have also all undertaken to notify the chairman as soon as they become aware of any new potential conflicts of interest that would need to be approved by the Board and added to the Register, which will be reviewed annually by the Board.

It has also been agreed that the directors will advise the chairman and the Company Secretary in advance of any proposed external appointment and new directors will be asked to submit a list of potential situations falling within the conflicts of interest provisions of the 2006 Act in advance of joining the Board. The chairman will then determine whether the relevant appointment causes a conflict or potential conflict of interest and should therefore be considered by the Board. Only directors who have no interest in the matter being considered will be able to participate in the Board approval process. In deciding whether to approve a conflict of interest, directors will also act in a way they consider, in good faith, will be most likely to promote the Company's success in taking such a decision. The Board can impose limits or conditions when giving authorisation if the directors consider this to be appropriate.

The Board believes that its powers of authorisation of conflicts have operated effectively since they were introduced on 1st October 2008. The Board also confirms that its procedures for the approval of conflicts of interest have been followed by all the directors.

Directors' training

When a director is appointed he or she is offered a tailored introductory programme organised by the Investment Manager. Directors are provided, on a regular basis, with key information on the Company's policies, regulatory and statutory requirements.

THE BOARD

Responsibilities of the Board

The Board is responsible for the effective stewardship of the Company's affairs. It determines the strategic direction of the Company and sets the boundaries within which the Investment Manager operates. The Board meets at least four times a year and reviews the Company's investment policy, performance and financial position. The Investment Manager takes decisions as to the purchase and sale of individual investments and is responsible for effecting those decisions on the best available terms. Matters specifically reserved for decision by the full Board have been defined and there is an agreed procedure for directors in furtherance of their duties, to take independent professional advice at the Company's expense.

The chairman is responsible for leading the Board and ensuring that it continues to deal effectively with all aspects of its role. In particular he ensures that the Investment Manager provides the directors, in a timely manner, with management, regulatory and financial information that is clear, accurate and relevant. Representatives of the Investment Manager attend each Board meeting, enabling the directors to seek clarification on specific issues or to probe further matters of concern.

DIRECTORS' REPORT

continued

The Board comprises four non-executive directors. In the light of the small size of the Board, it has been decided not to appoint a formal Nominations Committee and appointments of any new directors are considered by the Board as a whole.

The Company does not have any executive directors or employees and as a consequence does not have a remuneration committee. Directors' remuneration is considered by the Board as a whole. The Directors' Remuneration Report, which may be found on pages 26 and 27, provides detailed information of the remuneration arrangements of the directors.

Audit Committee

The Board has established an Audit Committee which consists of Mr Gregson (Chairman), Mr Howard-Spink and Mr Roe. All of the members of the Audit Committee served throughout the year and are considered by the Board to be independent of the Investment Manager. During the year Mr Howard-Spink served as chairman of the Audit Committee. With affect from 2 September 2009 Mr Howard-Spink stepped down as chairman of the Audit Committee with Mr Gregson being appointed in his stead. It is considered that each of the members of the Audit Committee have recent and relevant financial experience.

The Audit Committee, which met twice during the year, operates within clearly defined terms of reference. The Committee provides a forum through which the Company's external Auditors report to the Board. The main work and responsibilities of the Audit Committee include monitoring the integrity of the Company's financial statements and appropriateness of its accounting policies. It also reviews the internal control systems and the risks to which the Company is exposed. The Audit Committee makes recommendations to the Board regarding the appointment and independence of the external auditors, Ernst & Young LLP and the objectivity and effectiveness of the audit process. Details of the amounts paid to the external auditors during the year under review, for audit and other services are set out in note 4 on page 41. In addition to auditing the annual financial report, Ernst & Young also performed certain agreed review procedures in respect of the half year report. The review of the half-year accounts is considered to be a non-audit service.

In common with many investment trusts, the Company does not have a whistle-blowing policy. The main functions of the Company are delegated to third parties and the Audit Committee believes that is appropriate to rely on the whistle-blowing policies operated by those third parties.

Board attendance

Attendance at the Board and Audit Committee meetings held during the financial year are shown below.

	Board meetings	Audit Committee meetings
No of meetings	6	2
John Duffield	5	N/A
Marcus Gregson	5	2
Geoffrey Howard-Spink	5	2
James Roe	5	2

DIRECTORS' REPORT

continued

PERFORMANCE EVALUATION

The Company

The performance of the Company is considered in detail at each Board meeting.

The Board

The Board has formulated a process to evaluate its performance and that of its chairman. This took the form of a questionnaire followed by a discussion to identify the effectiveness of the Board, the Audit Committee and the individual directors. The evaluation process concluded that the current directors contributed effectively and that they had the skills and necessary experience that was necessary for the Board to fulfil its responsibilities.

INTERNAL CONTROLS

The Board has overall responsibility for the Company's systems of internal control and for reviewing their effectiveness. Internal control systems are designed to meet the particular requirements of the Company and to manage rather than eliminate the risks of failure to achieve its objectives. The systems by their very nature provide reasonable but not absolute assurance against material misstatement or loss. The Board has reviewed the effectiveness of the Company's internal control systems including the financial, operational and compliance controls and risk management. The key procedures which have been established with a view to providing effective internal control are as follows:

- Throughout the year under review, there has been an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process accords with the guidance in the document "Internal Control: Guidance for Directors on the Combined Code". This process is reviewed on a regular basis by the whole Board in accordance with the Turnbull guidance. The process involves reports from the Company Secretary on risk control and compliance, in conjunction with the Investment Manager's regular reports which cover investment performance and compliance issues. In addition, the Company Secretary reports on the internal control environment at the Company's third party service providers. Internal control statements from the third party service providers are made available to the Audit Committee.
- The duties of investment management, accounting and custody of assets are segregated; the procedures of the individual parties are designed to complement one another.
- Investment management is performed by New Star Asset Management Limited. The Board is responsible for setting the overall investment policy and monitors the activity of the Investment Manager at regular Board Meetings. The responsibilities of the Investment Manager are included in the Management Agreement between the Company and New Star Asset Management Limited. The Investment Manager's system of internal control includes organisation arrangements which clearly define lines of responsibility and delegated authorities as well as control procedures and systems which are regularly evaluated by management. New Star Asset Management is authorised and regulated by the Financial Services Authority.

DIRECTORS' REPORT

continued

- Custody of assets is undertaken by HSBC Bank plc.
- Administration and company secretarial duties are performed by New Star Asset Management Limited. Accounting duties are performed by HSBC Securities Services (UK) Limited.
- Authorisation and exposure limits are set by the Board.
- The Company clearly defines the duties and responsibilities of its agents through their contracts. The appointment of agents and advisers is conducted by the Board after consideration of the quality of parties involved; the Board monitors their ongoing performance and contractual arrangements. The Board reviews financial information produced by the Investment Manager and the Company Secretary in detail on a regular basis.

The Company does not have any employees and its day-to-day operations are delegated to third parties. The Board has determined that, in view of these circumstances, there is no need for the Company to have an internal audit function. The directors annually review whether a function equivalent to an internal audit is needed and will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended.

ACCOUNTABILITY AND RELATIONSHIP WITH INVESTMENT MANAGER

The directors' statement of responsibilities in respect of the accounts is set out on page 28. The responsibilities of the independent auditors are set out on pages 29 and 30. The Directors report that the business is a going concern is set out on page 14.

The Board has delegated contractually to external agents, including the Investment Manager, the management of the investment portfolio, the custodial service (which includes the safeguarding of assets), the day to day accounting, company secretarial and administration requirements and the registration services. Each of these contracts was entered into after full and proper consideration by the Board of the quality and cost of the services offered. The Board receives regular reports from the Investment Manager and ad hoc reports and information are supplied to the Board as required.

CONTINUED APPOINTMENT OF THE INVESTMENT MANAGER

The Board monitors the performance of the Investment Manager at each Board meeting. The Board is mindful that the Company has underperformed against the FTSE All Share Index over both one and three years. The Board and Investment Manager are working together to address this underperformance. As detailed above, on 1st October 2008 shareholders approved a new investment policy and on 10th December 2008 Simon Akroyd was appointed the Company's portfolio manager. These changes have resulted in a significant re-structuring of the portfolio. In the light of the actions being taken to address the underperformance of the Company, the Board consider the continuing appointment of the Investment Manager to be in the interests of shareholders as a whole.

DIRECTORS' REPORT

continued

SHARE CAPITAL AND SHAREHOLDERS

Share capital

The Company's share capital comprises 71,023,695 ordinary shares of 1p each (2008: 71,023,695), all of which are fully paid. No shares are held in treasury (2008: nil). The Company did not issue or repurchase any shares during the year.

There are no restrictions on the transfer of the Company's share capital and there are no shares or stock which carry specific rights with regards to control of the Company.

The voting rights of the ordinary shares on a poll are one vote for every share held. Accordingly there were 71,023,695 voting rights throughout the year.

Substantial share interests

The directors are aware of the following interests which represent 3% or more of the voting rights in the Company:

Shareholder	% of voting rights
J L Duffield	59.14
Clients of Jupiter Asset Management Ltd	10.38
M R L Astor	3.94
J E Craig	3.46
J K Roe	3.22

Relations with shareholders

The Board and Investment Manager are always available for dialogue with shareholders. The prime medium by which the Company communicates with its shareholders is through the Half Year Report and Annual Financial Report which aim to provide shareholders with a clear understanding of the Company's activities and their results.

All shareholders will have the opportunity to attend and vote at the AGM during which the directors and Investment Manager will be available to answer questions regarding the Company. The Company will generally seek to provide twenty working days notice of the AGM at meeting. In 2008, the AGM was held on less than 20 working days notice as the Directors considered it important to adopt new Articles of Association in time for the implementation of certain provisions of the Companies Act 2006 on 1st October 2008.

The Notice of Meeting sets out the business of the Annual General Meeting and any item not of an entirely routine nature is explained in the Directors' Report or, if applicable, the circular containing the Notice of Meeting. Separate resolutions are proposed for each substantive issue. The Company reports to shareholders twice a year by way of the Half Year Report and Annual Financial Report. The Company's Half Year report, Interim Management Statements are also published on the Investment Managers' website at: www.newstaram.com/closedendfunds. In addition, net asset values are published on a monthly basis.

DIRECTORS' REPORT

continued

Board authorities re share capital

At the 2008 AGM shareholders authorised the Company to repurchase up to 10,646,450 shares, which is equivalent to 14.99% of the Company's issued share capital. To date no shares have been repurchased pursuant to this authority. This authority will expire on the earlier of the next AGM or 31 December 2009; a resolution renewing this authority will be put to shareholders at the AGM to be held on Wednesday, 18th November 2009.

EXERCISE OF VOTING POWERS

The Board has delegated discretion to the Manager to exercise voting powers on its behalf. The Manager will seek to vote on all issues raised at the general meetings of investee companies.

OTHER MATTERS

SUBSIDIARY

The Company owns the whole of the issued share capital (£1) of JIT Securities Limited, an investment company registered in England and Wales.

INDEPENDENT AUDITORS

Ernst & Young LLP have indicated their willingness to remain in office. Accordingly a resolution proposing the re-appointment of Ernst & Young LLP, and to authorise the Directors to determine their remuneration, will be put to shareholders at the forthcoming AGM.

DIRECTORS' STATEMENT AS TO THE DISCLOSURE OF INFORMATION TO THE AUDITORS

The directors who were members of the Board at the time of approving this Report are listed on page 4. Each of those directors confirms that:

- to the best of his or her knowledge and belief, there is no information relevant to the preparation of the Report and Accounts of which the Company's auditors are unaware; and
- he has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

AGM

The AGM will be held on Wednesday, 18 November at 11.30 a.m. The notice of meeting may be found in the accompanying circular.

For and on behalf of the Board of Directors
Geoffrey Howard-Spink
14th October 2009

DIRECTORS' REMUNERATION REPORT

The Directors are pleased to present their report on remuneration which is prepared in accordance with the requirements of Section 420 of the Companies Act 2006 (the "Act"). The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the principles relating to directors' remuneration in the Combined Code. An ordinary resolution to receive this report will be put to members of the Company at the forthcoming Annual General Meeting.

The Act requires the Auditors to report to the Company's members on certain parts of the Directors' Remuneration Report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Act. Where information set out below has been audited, it is clearly indicated. The Auditors opinion is included within the Independent Auditors' Report on pages 29 and 30.

REMUNERATION COMMITTEE

The Company has four non-executive Directors. The Board as a whole fulfils the function of a Remuneration Committee. The Board has appointed the Company Secretary to provide advice when the Directors consider the level of Directors' fees.

POLICY ON DIRECTORS' FEES

The Board's policy is that the remuneration of non-executive Directors should reflect the experience of the Board as a whole, be fair and comparable to that of other investment trusts that have a similar capital structure (ordinary shares), and have a similar investment objective (long-term capital growth). It is intended that this policy will continue for the year ending 30th June 2010.

The fees for the non-executive Directors are determined within the limits set out in the Company's Articles of Association. The Chairman receives a fee of £20,000 p.a., whilst the other Directors receive fees of £15,000 p.a. It is the Company's policy that no Director shall be entitled to any benefits in kind, share options, long term incentives, pensions or other retirement benefits or compensation for loss of office. It is considered that no part of the Directors' remuneration should be performance related in the light of their non-executive status. Directors are entitled to claim expenses in respect of duties undertaken in connection with the management of the Company.

DIRECTORS' SERVICE CONTRACTS

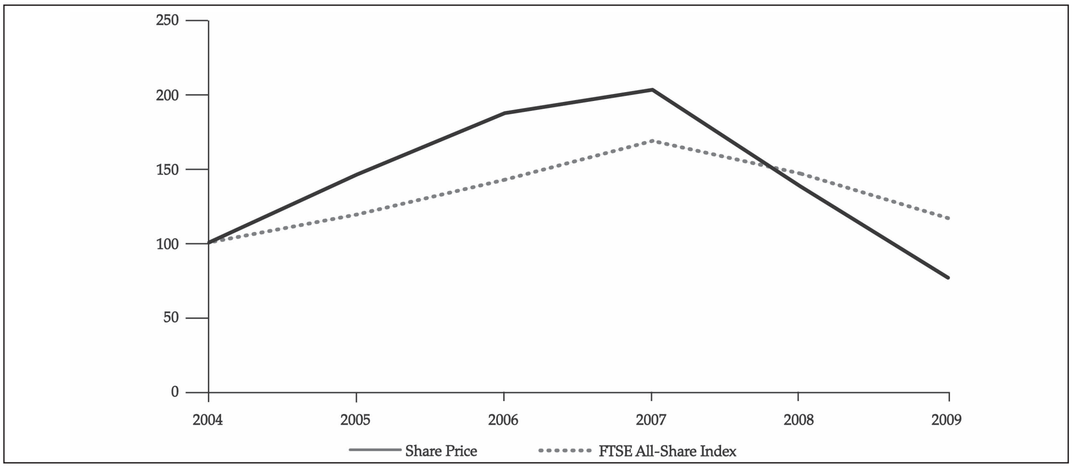
It is the Board's policy that none of the Directors has a service contract. Each Director shall retire and be subject to election at the first Annual General Meeting after his appointment, and be subject to re-election at least every three years after that. Any Director may be removed without notice and compensation will not be due on leaving office.

DIRECTORS' REMUNERATION REPORT

continued

YOUR COMPANY'S PERFORMANCE

The graph below compares the share price total return (assuming all dividends are reinvested) over the last five years with the FTSE All-Share Index (total return) which is the Company's benchmark index. The data has been rebased to 100 on 30th June 2004.



Source: Datastream 30th June 2004 to 30th June 2009 (rebased to 100 at 30 June 2004).

DIRECTORS FEES (AUDITED)

The Directors who served during the year received the following emoluments in the form of fees:

	2009 £	2008 £
J L Duffield	£15,000	£15,000
M J Gregson	£15,000	£15,000
G Howard-Spink (Chairman)	£15,659	£15,000
J K Roe	£19,341	£20,000
Total	£65,000	£65,000

Notes

1. Mr Roe stepped down as Chairman on 13th May 2009, whilst remaining a member of the Board. Mr Howard-Spink was appointed Chairman in his stead.

For and on behalf of the Board of Directors
Geoffrey Howard-Spink
Chairman

14th October 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The directors are required to prepare Group financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those Group financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for the 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 the maintenance and integrity of the corporate and financial information included in the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT UNDER DISCLOSURE AND TRANSPARENCY RULE 4.1.12

The Directors of the Company each confirm to the best of their knowledge that:

(a) the financial statements have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

(b) this Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties they face.

For and on behalf of the Board of Directors
Geoffrey Howard-Spink
Chairman
14th October 2009

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEW STAR INVESTMENT TRUST PLC

We have audited the financial statements of New Star Investment Trust PLC for the year ended 30th June 2009 which comprise the Consolidated Income Statement, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Balance Sheet and Consolidated and Company Cash Flow Statements and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Sections 495, 496 and 497 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30th June 2009 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NEW STAR INVESTMENT TRUST PLC

continued

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 14, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Caroline Gulliver (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

14th October 2009

CONSOLIDATED INCOME STATEMENT

for the year ended 30th June 2009

	Notes	**Year ended 30th June 2009** Revenue Return £'000	Capital Return £'000	Total £'000	Year ended 30th June 2008 Revenue Return £'000	Capital Return £'000	Total £'000
INVESTMENT INCOME	2	**1,049**	**–**	**1,049**	1,031	–	1,031
Other operating income	2	**223**	**–**	**223**	374	–	374
Total income		**1,272**	**–**	**1,272**	1,405	–	1,405
GAINS AND LOSSES ON INVESTMENTS							
Losses on investments at fair value through profit or loss	9	**–**	**(36,822)**	**(36,822)**	–	(27,203)	(27,203)
Losses on index future contracts		**–**	**(672)**	**(672)**	–	–	–
Losses on forward currency contracts		**–**	**(302)**	**(302)**	–	(24)	(24)
Other exchange (Losses) / gains		**–**	**(167)**	**(167)**	–	191	191
Trail commission		**–**	**129**	**129**	–	–	–
		1,272	**(37,834)**	**(36,562)**	1,405	(27,036)	(25,631)
EXPENSES							
Management fees	3	**(311)**	**–**	**(311)**	(263)	–	(263)
VAT recovery	3	**170**	**–**	**170**	–	–	–
Other expenses	4	**(268)**	**(2)**	**(270)**	(241)	(1)	(242)
PROFIT/ (LOSS) BEFORE FINANCE COSTS AND TAX		**863**	**(37,836)**	**(36,973)**	901	(27,037)	(26,136)
Finance costs		**(77)**	**–**	**(77)**	(60)	–	(60)
PROFIT/ (LOSS) BEFORE TAX		**786**	**(37,836)**	**(37,050)**	841	(27,037)	(26,196)
Tax	5	**(131)**	**40**	**(91)**	(170)	(208)	(378)
PROFIT/ (LOSS) FOR THE YEAR		**655**	**(37,796)**	**(37,141)**	671	(27,245)	(26,574)
EARNINGS PER SHARE							
Ordinary shares (pence)	7	**0.92**	**(53.22)**	**(52.30)**	0.94	(38.36)	(37.42)

The total column of this statement represents the Group's profit and loss account, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations.

No operations were acquired or discontinued during the year.

All income is attributable to the equity holders of the parent company. There are no minority interests.

The Notes on pages 37 to 56 form an integral part of these Accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2009

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2008		**710**	**21,573**	**56,908**	**17,214**	**96,405**
Loss for the year		**–**	**–**	**–**	**(37,141)**	**(37,141)**
Dividend paid	*8*	**–**	**–**	**–**	**(518)**	**(518)**
AT 30TH JUNE 2009		**710**	**21,573**	**56,908**	**(20,445)**	**58,746**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2008

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2007		710	21,573	56,908	44,498	123,689
Loss for the year		–	–	–	(26,574)	(26,574)
Dividend paid	*8*	–	–	–	(710)	(710)
AT 30TH JUNE 2008		710	21,573	56,908	17,214	96,405

The Notes on pages 37 to 56 form an integral part of these Accounts.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2009

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2008		**710**	**21,573**	**56,908**	**16,750**	**95,941**
Loss for the year		**–**	**–**	**–**	**(37,172)**	**(37,172)**
Dividend paid	8	**–**	**–**	**–**	**(518)**	**(518)**
AT 30TH JUNE 2009		**710**	**21,573**	**56,908**	**(20,940)**	**58,251**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2008

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2007		710	21,573	56,908	44,114	123,305
Loss for the year		–	–	–	(26,654)	(26,654)
Dividend paid	8	–	–	–	(710)	(710)
AT 30TH JUNE 2008		710	21,573	56,908	16,750	95,941

The Notes on pages 37 to 56 form an integral part of these Accounts.

CONSOLIDATED BALANCE SHEET

at 30th June 2009

	Notes	**30th June 2009 £'000**	30th June 2008 £'000
NON-CURRENT ASSETS			
Investments at fair value through profit or loss	9	**39,228**	85,568
CURRENT ASSETS			
Other receivables	11	**94**	118
Cash and cash equivalents	12	**20,189**	11,834
		20,283	11,952
TOTAL ASSETS		**59,511**	97,520
CURRENT LIABILITIES			
Other payables	13	**(421)**	(689)
TOTAL ASSETS LESS CURRENT LIABILITIES		**59,090**	96,831
NON-CURRENT LIABILITIES			
Deferred tax liability	5	**(344)**	(426)
NET ASSETS		**58,746**	96,405
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS			
Called-up share capital	14	**710**	710
Share premium	15	**21,573**	21,573
Special reserve	15	**56,908**	56,908
Retained earnings	15	**(20,445)**	17,214
TOTAL EQUITY		**58,746**	96,405
		pence	pence
NET ASSET VALUE PER ORDINARY SHARE	16	**82.71**	135.74

These Accounts were approved by the Board of Directors and authorised for issue on 14th October 2009.

Geoffrey Howard-Spink
Chairman

The Notes on pages 37 to 56 form an integral part of these Accounts.

COMPANY BALANCE SHEET

at 30th June 2009

	Notes	30th June 2009 £'000	30th June 2008 £'000
NON-CURRENT ASSETS			
Investments at fair value through profit or loss	9	**39,228**	85,568
CURRENT ASSETS			
Other receivables	11	**974**	993
Cash and cash equivalents	12	**18,814**	10,156
		19,788	11,149
TOTAL ASSETS		**59,016**	96,717
CURRENT LIABILITIES			
Other payables	13	**(421)**	(350)
TOTAL ASSETS LESS CURRENT LIABILITIES		**58,595**	96,367
NON-CURRENT LIABILITIES			
Deferred tax liability	5	**(344)**	(426)
NET ASSETS		**58,251**	95,941
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS			
Called-up share capital	14	**710**	710
Share premium	15	**21,573**	21,573
Special reserve	15	**56,908**	56,908
Retained earnings	15	**(20,940)**	16,750
TOTAL EQUITY		**58,251**	95,941

These Accounts were approved by the Board of Directors and authorised for issue on 14th October 2009.

Geoffrey Howard-Spink
Chairman

The Notes on pages 37 to 56 form an integral part of these Accounts.

CASH FLOW STATEMENTS

for the year ended 30th June 2009

	Notes	**Year ended 30th June 2009 Group £'000**	**Year ended 30th June 2009 Company £'000**	Year ended 30th June 2008 Group £'000	Year ended 30th June 2008 Company £'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before finance costs and tax		**(36,973)**	**(37,004)**	(26,136)	(26,183)
Adjustments for:					
Losses on investments		**46,340**	**46,340**	32,600	32,600
Operating cash flows before movements in working capital		**9,367**	**9,336**	6,464	6,417
Decrease in receivables		**8**	**3**	1,324	1,106
(Decrease)/increase in payables		**(347)**	**(8)**	514	175
Net cash from operating activities before finance costs and income taxes		**9,028**	**9,331**	8,302	7,698
Taxation		**(78)**	**(78)**	(221)	(67)
NET CASH FROM OPERATING ACTIVITIES	*17*	**8,950**	**9,253**	8,081	7,631
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		**(518)**	**(518)**	(710)	(710)
Interest paid		**(77)**	**(77)**	(60)	(60)
NET CASH USED IN FINANCING ACTIVITIES		**(595)**	**(595)**	(770)	(770)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**8,355**	**8,658**	7,311	6,861
Cash and cash equivalents at beginning of year		**11,834**	**10,156**	4,523	3,295
CASH AND CASH EQUIVALENTS AT END OF YEAR		**20,189**	**18,814**	11,834	10,156

The Notes on pages 37 to 56 form an integral part of these Accounts.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

1. ACCOUNTING POLICIES

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates, rounded to the nearest thousand.

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ('IFRS'). These comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'), together with interpretations of the International Accounting Standards and Standing Interpretations Committee ('IASC') that remain in effect, and to the extent that they have been adopted by the European Union.

(a) *Basis of preparation:* The financial statements have been prepared on a going concern basis. The principal accounting policies adopted are set out below.

Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for investment trusts issued by the Association of Investment Companies ('AIC') in January 2009 is consistent with the requirements of IFRS, the directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP. The new SORP (adopted early) has not resulted in any changes to the financial statements.

(b) *Basis of consolidation:* The Consolidated Income Statement and Balance Sheet include the Accounts of the Company and its subsidiary made up to 30 June 2009. No Income Statement is presented for the parent company as permitted by Section 408 of the Companies Act 2006.

(c) *Presentation of income statement:* In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement.

In accordance with the Company's status as a UK investment company under section 833 of the Companies Act 2006, net capital returns may not be distributed by way of a dividend. Additionally, the net revenue is the measure the directors believe appropriate in assessing the Group's compliance with certain requirements set out in Section 842 of the Income and Corporation Taxes Act 1988.

(d) *Revenue:* Dividends and other such distributions from investments are credited to the revenue column of the Income Statement on the day in which they are quoted ex-dividend. Interest on fixed interest securities and deposits is accounted for on a time apportionment basis. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash, the amount of the cash dividend is recognised as income. Any excess in the value of the shares received over the amount of cash dividend is credited to the capital reserve.

(e) *Expenses:* Expenses are accounted for on an accruals basis. Management fees, administration and other expenses, with the exception of the transaction charges are charged to the revenue column of the Income Statement. Transaction charges are charged to the capital column of the Income Statement.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

continued

(f) *Investments held at fair value:* All "regular way" purchases and sales of investments are recognised and derecognised on the trade date where a purchase or sale is under a contract whose terms require delivery within the timeframe established by the market concerned, and are initially measured at fair value.

All investments are classified as held at fair value through profit or loss on initial recognition and are measured at subsequent reporting dates at fair value, which is either the bid price or the last traded price, depending on the convention of the exchange on which the investment is quoted. Investments in units of unit trusts or shares in OEICs are valued at the closing bid price released by the relevant investment manager. Unquoted investments are valued by the directors at the balance sheet date based on recognised valuation methodologies, in accordance with International Private Equity and Venture Capital ('IPEVC') Valuation Guidelines such as dealing prices or third party valuations where available, net asset values and other information as appropriate.

The Company’s investment in its subsidiary company, JIT Securities Limited, is valued at cost in the Company’s Balance Sheet.

(g) *Taxation:* The charge for taxation is based on taxable income for the year. Withholding tax deducted from income received is treated as part of the taxation charge against income. Taxation deferred or accelerated can arise due to temporary differences between treatment of certain items for accounting and taxation purposes. Full provision is made for deferred taxation under the liability method on all temporary differences not reversed by the Balance Sheet date.

(h) *Foreign currency:* Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the Balance Sheet date. Foreign currency transactions are translated at the rates of exchange applicable at the transaction date. Foreign currency differences including exchange gains and losses are dealt with in the capital reserve.

(i) *Capital reserve:* The following are accounted for in this reserve:

– gains and losses on the realisation of investments together with the related taxation effect;
– foreign exchange gains and losses, including those on settlement, together with the related taxation effect; and
– unrealised gains and losses on investments.

The capital reserve is not available for the payment of dividends.

(j) *Special reserve:* The special reserve can be used to finance the redemption and/or purchase of shares in issue.

(k) *Cash and cash equivalents:* Cash and cash equivalents comprise current deposits, overdrafts with banks and bank loans and are subject to an insignificant risk of changes in value. Cash and cash equivalents may be held for the purpose of either asset allocation or managing liquidity.

(l) *Dividends payable:* Dividends are recognised from the date on which they are irrevocably committed to payment.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

continued

(m) *Segmental Reporting:* The directors consider that the Group is engaged in a single segment of business with the primary objective of investing in securities to generate long term capital growth for its shareholders.

Consequently no business segmental analysis is provided.

(n) *Accounting developments:* At the date of authorisation of these financial statements, the following applicable Standards were in issue but not yet effective:

IAS 23 (revised) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the costs of that asset.

IFRS 8 replaces IAS 14 Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes. Following a review of IFRS 8, the company has reached the conclusion that the current segmentation reporting reflects the management approach, and as such, adoption of IFRS 8 will not have a significant impact on financial disclosures. Amendments to IAS 1 prohibit the presentation of items of income and expense – that is "non-owner changes in equity" – in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity.

Amendments to IFRS 1 and IAS 27 allow first-time adopters to use a deemed cost to measure the initial cost of investments in the separate financial statements and removes the definition of the cost method from IAS 27 by replacing it with a new requirement.

Amendments to IAS 27 require the effects of all transactions with a non-controlling interest (minority interest) to be recognised in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost.

Amendments to IAS 32 and IAS 1 require an entity to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity.

Amendment to IAS 39 clarifies whether a hedged risk or portion of cash flows is eligible for hedge accounting.

The following interpretations are mandatory for accounting periods beginning on or after 1st January 2009:
– IFRIC 13 Customer Loyalty Programmes.
– IFRIC 15 Agreements for construction of real estates.
– IFRIC 16 Hedges of a net investment in a foreign operation.
– IFRIC 17 Distributions of Non-cash Assets to Owners.

The above standards will be adopted from 1st July 2009.

The Directors anticipate that the adoption of these standards/interpretations in future periods will have no material impact on the consolidated financial statements.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

continued

2. INVESTMENT INCOME

	Year ended 30th June 2009 £'000	Year ended 30th June 2008 £'000
INCOME FROM INVESTMENTS		
UK net dividend income	319	460
Unfranked investment income	570	569
Fixed interest income	105	–
Interest on convertible loan stock	55	2
	1,049	1,031
OTHER OPERATING INCOME		
Bank interest receivable	188	374
VAT reclaim interest received from HMRC	35	–
	223	374
TOTAL INCOME COMPRISES		
Dividends	1,049	1,031
Other income	223	374
	1,272	1,405

3. MANAGEMENT FEES

	Year ended 30th June 2009			Year ended 30th June 2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	311	–	311	263	–	263
Performance fee	–	–	–	–	–	–
	311	–	311	263	–	263

At 30th June 2009 there were amounts outstanding of £203,000 (2008: £147,000) for management fees. Details of the investment management agreement are given in Note 19.

Following a decision made by HM Revenue and Customs (HMRC) in November 2007, management fees invoiced after this date have not incurrred a VAT charge. £170,000 of VAT paid on management fees in past years was recovered during the year (2008: £nil).

A summary of the terms of the investment management agreement may be found in the Business Review on page 15.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

continued

4. OTHER EXPENSES

	Year ended 30th June 2009 £'000	Year ended 30th June 2008 £'000
Legal fees	82	3
Directors' remuneration	65	65
Administrative and secretarial fee	55	82
Auditors' remuneraton		
- Audit	27	26
- Other	2	2
Other	39	64
	270	242
Allocated to:		
– Revenue	268	241
– Capital	2	1
	270	242

5. TAXATION

(a) ***Analysis of tax charge for the year:***

	Year ended 30th June 2009			Year ended 30th June 2008		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax	138	35	173	12	(6)	6
Overseas tax	7	–	7	–	–	–
Double tax relief	(7)	–	(7)	–	–	–
Adjustments in respect of prior periods	–	–	–	–	(27)	(27)
Irrecoverable income tax	–	–	–	39	–	39
Total current tax for the year	138	35	173	51	(33)	18
Deferred tax	(7)	(75)	(82)	119	241	360
Total tax for the year (note 5b)	131	(40)	91	170	208	378

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

continued

5. TAXATION CONTINUED

(b) ***Factors affecting tax charge for the year:***
The charge for the year can be reconciled to the loss per the income statement as follows:

	Year ended 30th June 2009 £'000	Year ended 30th June 2008 £'000
Loss before tax	(37,050)	(26,196)
Tax at the UK corporation tax rate of 30% (2008: 30%)	–	(5,894)
Tax at the UK corporation tax rate of 28% (2008: 28%)	(10,374)	(1,834)
Effects of:		
Non-taxable UK dividend income	(89)	(136)
Gains and losses on investments that are not taxable	10,629	7,969
Movement in unrealised gains on non-qualifying offshore funds	(75)	241
Irrecoverable income tax	–	39
Deferred tax prior year movement	–	27
Adjustments in respect of prior periods	–	(27)
Small companies' rate on investment trust	–	(6)
Marginal small companies relief on subsidiary	–	(1)
Overseas tax	7	–
Double tax relief	(7)	–
Total tax for the year	91	378

Due to the Company's tax status as an investment trust and the intention to continue meeting the conditions required to obtain approval of such status in the foreseeable future, the Company has not provided tax on any capital gains arising on the revaluation or disposal of investments.

(c) ***Provision for deferred tax:***

	Year ended 30th June 2009 £'000	Year ended 30th June 2008 £'000
Provision at start of year	426	66
Deferred tax (credit)/charge for the year	(82)	360
Provision at end of year	344	426

The deferred tax credit in the capital account of £75,000 (2008: charge of £241,000) of the investment trust relates to unrealised gains on non-distributing offshore funds. The deferred tax credit of £7,000 in the revenue account (2008: charge of £119,000) relates to the reversal of the prior year tax charge on income taxable in the subsequent accounting period.

There is no unrecognised deferred tax asset (2008: nil) as a result of excess expenses.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

continued

6. REVENUE RETURN FOR THE YEAR

The revenue return for the year dealt with in the accounts of the parent company was £624,000 (2008: £598,000).

7. RETURN PER ORDINARY SHARE

Total return per Ordinary share is based on the Group total return on ordinary activities after taxation of £(37,141,000) (2008: £(26,574,000)) and on 71,023,695 (2008: 71,023,695) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

Revenue return per ordinary share is based on the Group revenue return on ordinary activities after taxation of £655,000 (2008: £671,000) and on 71,023,695 (2008: 71,023,695) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

Capital return per Ordinary share is based on net capital losses for the year of £37,796,000 (2008: capital losses of £27,245,000) and on 71,023,695 (2008: 71,023,695) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

8. DIVIDENDS ON EQUITY SHARES

Amounts recognised as distributions in the year:

	Year ended 30th June 2009 £'000	Year ended 30th June 2008 £'000
Dividends paid for the year ended 30th June 2008 of 0.73p (2007: 1.00p) per share	518	710
	518	710

The total dividend payable in respect of the financial year, which is the basis on which the requirement of Section 842 of the Income and Corporation Taxes Act 1988 are considered, is set out below.

	Year ended 30th June 2009 £'000	Year ended 30th June 2008 £'000
Proposed Final dividend for the year ended 30th June 2009 of 0.70p (2008: 0.73p) per share	497	518
	497	518
Revenue available for distribution by way of dividend	624	598

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

continued

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 30th June 2009 £'000	Year ended 30th June 2008 £'000
GROUP AND COMPANY	39,228	85,568

ANALYSIS OF INVESTMENT PORTFOLIO – GROUP AND COMPANY

	Listed* £'000	Unlisted £'000	Total £'000
Opening book cost	70,127	3,098	73,225
Opening investment holding gains	13,149	(806)	12,343
Movement in classification of investments**	(2,458)	2,458	–
Opening valuation	80,818	4,750	85,568
Movement in period			
Purchases at cost	59,786	–	59,786
Sales			
– Proceeds	(68,088)	(1,216)	(69,304)
– Realised losses on sales	(8,981)	–	(8,981)
(Increase)/decrease in investment holding losses	(27,950)	109	(27,841)
Closing valuation	35,585	3,643	39,228
Closing book cost	50,386	4,340	54,726
Closing investment holding losses	(14,801)	(697)	(15,498)
Closing valuation	35,585	3,643	39,228

* Listed investments include the unit trust and OEIC funds shown on page 10 - schedule of twenty investments.

** Movement of The Sierra Investment Fund, Corndon Limited and Corndon Limited 12% Loan Notes from listed to unlisted

	Year ended 30th June 2009 £'000	Year ended 30th June 2008 £'000
ANALYSIS OF CAPITAL LOSSES		
Realised (losses)/gains on sales	(8,981)	7,275
Decrease in investment holding gains	(27,841)	(34,478)
	(36,822)	(27,203)

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

continued

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS CONTINUED

Significant movements in unquoted holdings

During the year capital repayments of £1,002,000 were received on Synergy Fund B1 and £214,000 on Synergy Fund A1. The closing bookcost of these Funds were £282,000 (Synergy Fund A1) and £390,000 (Synergy Fund B1). The closing market value was £334,000 (Synergy Fund A1) and £817,000 (Synergy Fund B1).

Transaction costs

The purchases and sales proceeds figures above included transaction costs on purchases of £31,000 (2008: £nil) and on sales of £16,000 (2008: nil).

10. INVESTMENT IN SUBSIDIARY UNDERTAKING

The Company owns the whole of the issued share capital (£1) of JIT Securities Limited, an investment company registered in England and Wales.

The financial results of the subsidiary are summarised as follows:

	Year ended 30th June 2009 £'000	Year ended 30th June 2008 £'000
Net assets brought forward	464	383
Profit for year	31	81
NET ASSETS CARRIED FORWARD	495	464

11. OTHER RECEIVABLES

	30th June 2009 Group £'000	30th June 2009 Company £'000	30th June 2008 Group £'000	30th June 2008 Company £'000
Prepayments and accrued income	60	60	68	63
Taxation	34	–	50	16
Amounts owed by subsidiary undertakings	–	914	–	914
	94	974	118	993

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

continued

12. CASH AND CASH EQUIVALENTS

	30th June 2009 Group £'000	30th June 2009 Company £'000	30th June 2008 Group £'000	30th June 2008 Company £'000
Cash at bank	20,189	18,814	11,834	10,156
	20,189	18,814	11,834	10,156

13. OTHER PAYABLES

	30th June 2009 Group £'000	30th June 2009 Company £'000	30th June 2008 Group £'000	30th June 2008 Company £'000
Accruals	342	342	350	350
Forward currency purchases	–	–	339	–
Corporation tax payable	79	79	–	–
	421	421	689	350

14. CALLED UP SHARE CAPITAL

	30th June 2009 £'000	30th June 2008 £'000
Authorised		
305,000,000 (2008: 305,000,000) Ordinary shares of £0.01 each	3,050	3,050
Issued and fully paid		
71,023,695 (2008: 71,023,695) Ordinary shares of £0.01 each	710	710

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

continued

15. RESERVES

	Share premium account £'000	Special reserve £'000	Retained Earnings £'000
GROUP			
At 30th June 2008	21,573	56,908	17,214
Decrease in investment holding gains	–	–	(27,841)
Net losses on realisation of investments	–	–	(8,981)
Realised losses on futures contracts	–	–	(672)
Unrealised losses on revaluations of bank accounts	–	–	(860)
Realised gains on foreign currency	–	–	693
Losses on forward currency purchases	–	–	(302)
Trail commission	–	–	129
Expenses charged to capital	–	–	(2)
Deferred tax charge in capital	–	–	75
Relief on taxable income in capital	–	–	(35)
Final dividend	–	–	(518)
Retained profit for year	–	–	655
At 30th June 2009	21,573	56,908	(20,445)

	Share premium account £'000	Special reserve £'000	Retained earnings £'000
COMPANY			
At 30th June 2008	21,573	56,908	16,750
Decrease in investment holding gains	–	–	(27,841)
Net losses on realisation of investments	–	–	(8,981)
Realised losses on futures contracts	–	–	(672)
Unrealised losses on revaluations of bank accounts	–	–	(904)
Realised gains on foreign currency	–	–	737
Losses on forward currency purchases	–	–	(302)
Trail commission	–	–	129
Expenses charged to capital	–	–	(2)
Deferred tax charge in capital	–	–	75
Relief on taxable income in capital	–	–	(35)
Final dividend	–	–	(518)
Retained profit for year	–	–	624
At 30th June 2009	21,573	56,908	(20,940)

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

continued

15. RESERVES CONTINUED

The components of retained earnings are set out below:

	30th June 2009 £'000	30th June 2008 £'000
GROUP		
Capital reserve-realised	(5,165)	4,269
Capital reserve-revaluation	(16,449)	11,913
Revenue reserve	1,169	1,032
	(20,445)	17,214
COMPANY		
Capital reserve-realised	(5,428)	3,623
Capital reserve-revaluation	(16,538)	12,207
Revenue reserve	1,026	920
	(20,940)	16,750

16. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per Ordinary share is calculated on net assets of £58,746,000 (2008: £96,405,000) and 71,023,695 (2008: 71,023,695) Ordinary shares in issue at the year end.

17. NOTES TO THE CASH FLOW STATEMENT

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

Cash flows from operating activities

Included within the cash flows from operating activities are the cash flows associated with the purchases and sales of investments, as these are not considered to be investing activities, given the objective of the Company.

Cash flows from operating activities can therefore be further analysed as follows:

	30th June 2009 Group £'000	30th June 2009 Company £'000	30th June 2008 Group £'000	30th June 2008 Company £'000
Proceeds on disposal of fair value through profit and loss investments	69,304	64,304	23,611	23,611
Purchases of fair value through profit and loss investments	(59,786)	(59,786)	(17,054)	(17,054)
Net cash flows from investment transactions	9,518	9,518	6,557	6,557
Cash flows from other operating activities	(568)	(265)	1,524	1,074
Net cash from operating activities	8,950	9,253	8,081	7,631

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

continued

18. FINANCIAL INSTRUMENTS

The Group's investment objective is to produce long-term capital growth. The investment objective is implemented by allocating assets to global investment opportunities through investment in equity, bonds, commodity, real estate, currency and other markets. The Group's assets are stated at fair value.

For listed securities, these represent bid prices, or for unit trusts and OEICs, the closing bid price released by the relevant investment manager.

Unquoted investments are valued by the directors at the balance sheet date based on recognised valuation methodologies, in accordance with International Private Equity and Venture Capital ('IPEVC') Valuation Guidelines such as dealing prices or third party valuations where available, net asset values and other information as appropriate.

The holding of securities, investing activities and associated financing undertaken pursuant to this objective involve certain inherent risks. Events may occur that would result in either a reduction in the Group's net assets or a reduction of potential revenue profits available for dividend. As an investment trust, the Group invests in securities for the long term. Accordingly it is, and has been throughout the year under review, the Group's policy that no short-term trading in investments or other financial instruments shall be undertaken.

The main financial instrument risks arising from the Group's pursuit of its investment objective are market risk (comprising price risk, currency risk, and interest rate risk), liquidity risk and credit risk. The Board has reviewed and agreed policies for managing each of these risks, which are unchanged from the previous year, and which are summarised below.

Note 18 (h) sets out a summary of the Group's financial assets and liabilities by category.

(a) Market Risk

The fair value or future cash flows of a financial instrument held by the Group may fluctuate because of changes in market prices of investments held by the Group.

This market risk comprises three elements – currency risk (see note 18 (b)), interest rate risk (see note 18 (c)), and other price risk (see note 18 (d)). The Board reviews and agrees policies for managing these risks. The Group's Investment Manager assesses the exposure to market risk when making each investment decision, and monitors the overall level of market risk on the whole of the investment portfolio on an ongoing basis.

(b) Currency Risk

A proportion of the Group's portfolio is invested in investments denominated in a foreign currency and movements in exchange rates can significantly affect their Sterling value.

Management of the risk

The Investment Manager does not normally hedge against foreign currency movements affecting the value of the investment portfolio, but takes account of this risk when making investment decisions. In addition, the directors may authorise the Investment Manager to hedge currency risk in appropriate circumstances.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

continued

18. FINANCIAL INSTRUMENTS CONTINUED

Foreign currency exposure

During the year under review, the Investment Manager entered into a forward currency contract. In view of the Group's exposure to the US dollar both directly and indirectly by investing in funds, many of whose assets and/or revenues are related to the dollar, it was thought appropriate to hedge a part of this exposure. Therefore in August 2008, the Group sold approximately US$14 million for sterling for settlement in one month. This contract resulted in the forward sale of US dollars for sterling and was for one month's duration. This contract together with the settlement of the contract brought forward from the prior year resulted in total losses being realised of £302,000. At 30 June 2009 there was no outstanding forward currency contract (2008: unrealised loss of £339,000).

The fair values of the Group's monetary items that have foreign currency exposure at 30th June 2009 are shown below.

	2009 US Dollars £'000	2009 Euros £'000	2009 Total £'000	2008 US Dollars £'000	2008 Euros £'000	2008 Total £'000
Investments at fair value through profit or loss	11,529	–	11,529	12,780	5,349	18,129
Cash at bank and short-term deposits	108	4,257	4,365	–	2,957	2,957
Total net foreign currency exposure	11,637	4,257	15,894	12,780	8,306	21,086

Foreign currency sensitivity

During the financial year sterling depreciated by 17.2% against the US dollar (2008: depreciated by 0.8%) and depreciated by 7.0% against the euro (2008: depreciated by 15.0%).

It is not possible to forecast how much exchange rates might move in the next year, but based on the movements in currencies above in the last two years, it appears reasonably possible that rates could change by 10%.

Applying a 10% change in rate to the exposures listed above would affect net assets and total return as follows:

	2009 US Dollars £'000	2009 Euros £'000	2009 Total £'000	2008 US Dollars £'000	2008 Euros £'000	2008 Total £'000
If exchange rates appreciated by 10%	(1,058)	(387)	(1,445)	(1,162)	(755)	(1,917)
If exchange rates depreciated by 10%	1,293	473	1,766	1,420	923	2,343

It should be noted that the above illustration is based on exposures at the year end. Exposures may be subject to change during the year as a result of investment decisions.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

continued

18. FINANCIAL INSTRUMENTS CONTINUED

(c) Interest Rate Risk

The Group will be affected by interest rate changes as it holds convertible loan stock assets. The majority of the Group's investments are equity based and are not therefore subject to interest rate risk. However interest rate changes will have an impact on the valuation of equities, although this forms part of other price risk, which is considered separately below.

Management of the risk
The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment decisions. The Group currently has no gearing.

The Group may from time to time hold significant cash balances. Short-term borrowings are used when required. Cash balances are held on call deposit and earn interest at the bank's daily rate.

Derivative contracts are not used to hedge against the exposure to interest rate risk.

Interest rate exposure
The exposure, at 30th June of financial assets and liabilities to interest rate risk is shown by reference to:

– floating interest rates - when the rate is due to be re-set;
– fixed interest rates - when the financial instrument is due for repayment.

	2009 In 1 year or less £'000	2009 Greater than one year £'000	2009 Total £'000	2008 In 1 year or less £'000	2008 Greater than one year £'000	2008 Total £'000
Exposure to floating interest rates:						
Cash at bank	20,189	–	20,189	11,834	–	11,834
	20,189	–	20,189	11,834	–	11,834
Exposure to fixed interest rates:						
Investments at fair value through profit and loss	–	458	458	–	458	458
Total exposure to interest rates	20,189	458	20,647	11,834	458	12,292

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

continued

18. FINANCIAL INSTRUMENTS CONTINUED

(c) Interest Rate Risk continued

The above year end amounts are not representative of the exposure to interest rates during the year, since the level of cash held during the year will be affected by the strategy being followed in response to the Board and Investment Manager's perception of the market prospects and the investment opportunities available at any particular time.

Interest receivable and finance cash are at the following rates:

– Interest received on cash balances, or paid on bank overdrafts is at a margin over LIBOR or its foreign currency equivalent (2008: same).
– The nominal and weighted average interest rate on Corndon Limited 12% Loan Notes is 12% (2008: 12%).

Interest rate sensitivity
The following table illustrates the sensitivity of the profit after taxation for the year and equity to an increase or decrease of 50 (2008: 50) basis points in interest rates in regard to the Group's monetary financial assets which are subject to interest rate risk.

This level of change is considered to be reasonably possible based on observations of current market conditions. The sensitivity analysis is based on the Group's monetary financial instruments held at each balance sheet date, with all other variables held constant.

	Increase in rate 2009 £'000	Decrease in rate 2009 £'000	Increase in rate 2008 £'000	Decrease in rate 2008 £'000
Effect on total return and equity	101	(101)	59	(59)

(d) Other price risk

The Group's exposure to other price risk comprises mainly movements in the value of its equity investments.

A Schedule of Twenty Largest Investments is given on page 10. Investments are valued in accordance with the Group's accounting policies. Uncertainty arises as a result of future changes in valuations of the Group's investments, the market prices of the Group's listed equity investments and the effect changes in exchange rates may have on the sterling value of the investments.

Management of the risk
In order to manage this risk the directors meet regularly with the Investment Manager to compare the performance of the portfolio against market indices and comparable investment trusts. Given the Group's investment objective, the Group does not hedge against the effect of changes in the underlying prices of the investments.

The Group had no derivative instruments at the year end, but, in the event that it had, the value of derivative instruments held at the balance sheet date would be determined by reference to their market value at that date.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

continued

18. FINANCIAL INSTRUMENTS CONTINUED

(d) Other price risk continued

The unquoted investments are held at directors' valuations. All valuations are reviewed by the Investment Manager, the Group's Audit Committee and subsequently recommended to the Board for acceptance.

Other price risk exposure

The Group's exposure to other changes in market prices at 30th June on its quoted investments, which are all equities, was as follows:

	2009 £'000	2008 £'000
Fixed asset quoted investments at fair value through profit or loss	35,585	80,818

The Group's exposure to other changes in prices at 30th June on its unquoted investments was as follows:

	2009 £'000	2008 £'000
Fixed asset unquoted investments at fair value through profit or loss	3,643	4,750
Analysed as:		
Equities	3,185	4,292
Fixed Interest	458	458
	3,643	4,750

A schedule of the Group's twenty largest investments may be found on page 10.

Other price risk sensitivity

The following table illustrates the sensitivity of the profit after taxation for the year and the equity to an increase or decrease of 10% in the fair values of the Group's investments. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Group's investments at each balance sheet date, with all other variables held constant.

	Increase in fair value 2009 £'000	Decrease in fair value 2009 £'000	Increase in fair value 2008 £'000	Decrease in fair value 2008 £'000
Effect on total return and on net assets	3,923	(3,923)	8,557	(8,557)

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

continued

18. FINANCIAL INSTRUMENTS CONTINUED

(e) Liquidity Risk

Liquidity risk is the possibility of failure of the Group to realise sufficient assets to meet its financial liabilities, including outstanding commitments associated with financial instruments.

The Group's assets mainly comprise securities which can be readily sold to meet future funding commitments, if necessary. Unlisted securities, which carry a higher degree of liquidity risk form only 9.3% (2008: 2.7%) of the investment portfolio.

Management of the risk
The liquidity risk is managed by maintaining some cash or cash equivalent holdings in order to meet investment requirements as they fall due. At the year end the Group had liquid resources of £58.2 million.

This was made up of £20.2 million cash and money market instruments and £38.0 million of listed investments.

Liquidity risk exposure
A summary of the Group's financial liabilities is provided in note 18 (h). The Group has sufficient funds to meet these financial liabilities as they fall due.

(f) Credit Risk

Credit risk is the exposure to loss from failure of a counterparty to deliver securities or cash for acquisitions or disposals of investments or to repay deposits.

Management of the risk
Credit risk is managed as follows:

– investment transactions are carried out with approved brokers, whose credit standard is reviewed periodically by the Investment Manager.
– cash at bank is held only with reputable banks, with ratings of A or higher.

Credit risk exposure
The maximum exposure to credit risk at 30th June 2009 was £94,000 (2008: £115,000), comprising:

	2009 £'000	2008 £'000
Accrued income	60	65
Tax recoverable	34	50
	94	115

All of the above financial assets are current, their fair values are considered to be the same as the values shown and the likelihood of a material credit default is considered to be low.

(g) Fair Values of Financial Assets and Financial Liabilities

The Group's financial instruments are stated at their fair values at the year end. The fair value of listed shares and securities is based on last traded market prices. The fair value of unlisted shares and securities is based on directors' valuations as detailed in the accounting policies (note 1(f)).

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

continued

18. FINANCIAL INSTRUMENTS CONTINUED

(h) Summary of Financial Assets and Financial Liabilities by Category

The carrying amounts of the Group's financial assets and financial liabilities as recognised at the balance sheet date of the reporting periods under review are categorised as follows:

	2009 £'000	2008 £'000
Financial Assets		
Financial assets at fair value through profit or loss:		
Fixed asset investments - designated as such on initial recognition	39,228	85,568
Loans and receivables:		
Current assets:		
Debtors (due from brokers, dividends receivable, accrued income and other debtors)	60	68
Tax recoverable	34	50
Cash and cash equivalents	20,189	11,834
	59,511	97,520
Financial Liabilities		
Measured at amortised cost:		
Creditors: amounts falling due within one year		
Creditors (due to brokers and deferred consideration)		
Forward currency purchases	–	339
Other taxation payable	79	–
Accruals	342	350
Creditors: amounts falling due after one year		
Creditors (due to brokers and deferred consideration)	344	426
	765	1,115

(i) Capital Management

The Group and the Company's capital is as disclosed in the Balance Sheets and is managed on a basis consistent with its investment objective and policies, as disclosed in the Directors' Report on pages 12 and 13. The principal risks and their management are disclosed above.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2009

continued

19. RELATED PARTIES

New Star Asset Management Limited has acted as Investment Manager to the Company throughout the period. This relationship is governed by an agreement dated 28th August 2008. Prior to 28th August 2008 the relationship was governed pursuant to an agreement dated 19th January 2001. Details of the investment management fee payable to New Star Asset Management Limited may be found in Note 3 on page 40.

On 6th April 2009, Mr Duffield resigned as chairman of New Star Asset Management Group PLC, the holding company of New Star Asset Management Limited. On 9th April 2009 New Star Asset Management Group PLC was acquired by Henderson Group PLC; prior to its acquisition by Henderson Group PLC, Mr Duffield was a shareholder of New Star Asset Management Group PLC. The total investment management fee payable for the year ended 30th June 2009 was £311,000 (2008: £263,000). No performance fee was payable in respect of the year ended 30th June 2009 (2008: nil).

During the year the Group's investments included funds managed by the Investment Manager or by associates of the Investment Manager. At 30th June 2009 the Company held 4 such investments (2008: 22). The total value of these investments was £2,130,000 (2008: £63,656,000). No investment management fees were payable by the Company in respect of such investments.

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