NEW STAR INVESTMENT TRUST PLC

REPORT AND ACCOUNTS

for the year ended 30th June 2013

CONTENTS

INVESTMENT OBJECTIVE

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

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

REGISTERED OFFICE

1 Knightsbridge Green, London SW1X 7QA

Company Number: 3969011

COMPANY INFORMATION

DIRECTORS

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

INVESTMENT MANAGER

Brompton Asset Management LLP
1 Knightsbridge Green, London SW1X 7QA
(Authorised and Regulated by the Financial Conduct Authority)

SECRETARY AND ADMINISTRATOR

Phoenix Administration Services Limited
Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW
Telephone: 01245 398950 *Facsimile:* 01245 398951

SOLICITORS

Olswang LLP
90 High Holborn, London WC1V 6XX

AUDITORS

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

CUSTODIAN

Brown Brothers Harriman & Co
Park House, 16-18 Finsbury Circus, London EC2M 7EB

REGISTRARS

Equiniti Limited
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Telephone: 0871 384 2549
(calls cost 8p per minute plus network charges)

Website: www.shareview.co.uk

WEBSITE

www.nsitplc.com

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)* 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. Mr Howard-Spink was appointed Chairman of the Company with effect from 13th May 2009.

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

Marcus Gregson* was deputy chairman of Sand Aire, a leading family office, up to the end of 2010. Prior to Sand Aire he was chief executive of HSBC Private Bank (UK) for over 16 years. He is a director of All Star Leisure (Group) Limited. Mr Gregson was appointed chairman of the Company's Audit Committee with effect from 2nd September 2009.

** Members of the Audit Committee.*

FINANCIAL HIGHLIGHTS

	30th June 2013	30th June 2012	% Change
PERFORMANCE			
Net assets (£'000)	**73,320**	68,067	7.7
Net asset value per Ordinary share	**103.23p**	95.84p	7.7
Mid-market price per Ordinary share	**67.50p**	66.50p	1.5
Discount of price to net asset value	**34.6%**	30.6%	N/A
NAV performance	**7.7%**	(9.8%)	
IMA Mixed Investment 40% – 85% Shares (total return)	**15.0%**	(3.7%)	
MSCI AC World Index (total return, sterling adjusted)	**21.2%**	(3.7%)	
MSCI UK Index (total return)	**15.7%**	(2.3%)	

	1st July 2012 to 30th June 2013	1st July 2011 to 30th June 2012
REVENUE		
Return per Ordinary share	**(0.05)p**	(0.11)p
Dividend per Ordinary share	**–**	–
TOTAL RETURN		
Net assets	**7.7%**	(9.8%)

CHAIRMAN'S STATEMENT

for the year ended 30th June 2013

PERFORMANCE

Your Company's net asset value rose 7.7% over the year to 30th June 2013. This took the year-end NAV per ordinary share to 103.23p. By comparison, the Investment Management Association's (IMA's) Mixed Investment 40-85% Shares index gained 15.0%. Your directors believe this comparison is appropriate because your Company has since inception been invested in a broad range of asset classes. Equity markets were buoyant, with the MSCI AC World Total Return Index and the MSCI UK Total Return Index rising 21.2% and 15.7% respectively whereas UK gilts fell by 2.4%. Your directors believe the MSCI AC World Index is the most widely recognised benchmark for global equities and have, accordingly, adopted MSCI benchmark data.

Your directors intend to maintain your Company's long-term conservative investment strategy, investing in a diversified range of asset classes, sectors and geographic locations. At the start of the year under review, 54.4% of your Company's assets was invested in equity investments, 25.3% was in cash, 11.6% was in gold and gold equities, 4.5% was in hedge funds and 4.2% was in bonds. This defensive strategy has not served shareholders well in the recent bull market. We do, however, intend at present to maintain this cautious approach.

The principal reasons for your Company's underperformance during the year under review were its significant holdings in cash and in securities affected by weak commodity prices. Your Company also suffered from having relatively small holdings in US equities, which performed strongly.

Increased investment income helped the Company to reduce its net revenue loss before taxation. After taxation, the net revenue loss for the year was £35,000 against a £78,000 loss the previous year. Your directors do not recommend the payment of a final dividend.

MARKET REVIEW

Global stockmarkets gained 22.1% during the year, fuelled by abundant liquidity as a result of central bank monetary activism and growing evidence that the US economy was regaining momentum.

Among the stockmarkets of the Group of Seven (G7) major industrial nations, Germany and France were the best performers, rising 31.5%, and 30.1% respectively as hopes grew of a resolution of the eurozone crisis. US stocks gained 25.3% and Japanese stocks also gained 25.3% in sterling, with their 50.8% local currency gain eroded by yen weakness stemming from the reforms announced by Shinzo Abe, Japan's new prime minister. UK stocks returned 17.9%. Emerging market equities retreated in early 2013 in response to China's growth slowdown and suggestions of an end to US quantitative easing, ending the year up only 6.8%. China's growth slowdown and the approaching end to US quantitative easing also affected sector returns. Basic materials fell 7.3% yet healthcare gained 28.3% while consumer services and financials rose 25.3% and 24.3% respectively.

With investors' risk appetites increased by greater eurozone stability and US economic expansion, small and medium-sized companies outperformed larger stocks. Investors' recovering risk appetite was also apparent in bond markets, where Spanish bonds returned 22.2% but UK gilts fell 2.4%. In commodity markets, gold fell 23.9% on fears that Cyprus would sell its gold reserves and other weaker eurozone members might follow.

CHAIRMAN'S STATEMENT

for the year ended 30th June 2013

continued

OUTLOOK

The Federal Reserve has flagged a major change in monetary policy as it attempts to halt quantitative easing, the defining policy initiative of the post-credit crisis years. The rapid rise in bond yields that succeeded this announcement raises the risk that the economic recovery will falter at a time when developed market economies remain highly indebted. Your Company's investments in gold and cash remain core elements of the overall asset allocation given the considerable execution risk attendant on the Federal Reserve's stated aim of achieving this major policy transition.

THE DISCOUNT

Your Company's shares continue to trade at a significant discount to their net asset value. Your directors have explored various possibilities with a view to reducing this discount but no satisfactory solution has been found. This position is kept under continual review by the board.

Your Company's unaudited net asset value at 31st August 2013 was 105.55p.

Geoffrey Howard-Spink
Chairman
26th September 2013

INVESTMENT MANAGER'S REPORT

for the year ended 30th June 2013

The New Star Investment Trust's net asset value rose 7.7% during the year under review. This compares with gains for the MSCI AC World Total Return Index and the MSCI UK Total Return Index of 21.2% and 15.7% respectively, reflecting strong performance from UK and global equity markets. The Company is invested in a multi-asset portfolio with major holdings in cash and gold in addition to the majority investment in global equities.

The IMA's Mixed Investment 40-85% Shares Index, which measures a peer group of funds that typically have 40-85% of their portfolios invested in equities, rose 15.0% during the year. The investment manager intends to refer to the return from this index as well as the MSCI AC World Total Return and MSCI UK Total Return indices in future reports to increase the reference points for investors in assessing the Company's performance in respect of its objective of delivering long-term capital growth. This does not mean the Company's equity allocation will be constrained within a 40-85% range because the investment manager reserves the flexibility to adjust the asset allocation to meet the Company's specific objective while maintaining a cautious approach to risk. The returns delivered by the two pure equity benchmarks are, however, likely to exceed the returns generated by a multi-asset portfolio in times of strongly rising equity markets such as the year under review. Conversely, the lower equity allocation may ensure that the Company does not fall as much in value in times of falling markets and is part of the overall risk control within the portfolio.

Equity investments, both equity funds and individual equities, accounted for the majority of the Company's assets throughout the year under review. The investment manager's principal focus remains on investing in a portfolio of funds that reflects both high-conviction asset allocation views as well as the talents of individual third-party fund managers. The approach remains, however, a conservative one and diversification across different asset classes is fundamental to portfolio risk control. This means that even in a year when equities were the preferred asset class from an asset allocation perspective, the Company also had substantial holdings in other asset classes and consequently the equity indices quoted above should be seen as illustrative rather than a target or benchmark level of return for this lower-risk, multi-asset portfolio.

Aberforth Geared Income Trust was the Company's best performing fund, rising 59.9% as this portfolio of smaller companies outperformed both UK smaller companies as a whole and the wider UK equity market. Recent economic data has indicated that the UK economic recovery is gathering pace, favouring more economically-sensitive small and medium-sized companies focused on the domestic economy. This theme should also continue to benefit the PFS Brompton UK Recovery and Artemis UK Special Situations funds, which delivered returns of 27.9% and 27.3% respectively.

The Company's allocation to equity markets has favoured funds investing in developing economy equity markets. The best-performing developing economy investment was Investec Africa, which gained 23.42%, and the worst was Neptune Russia & Greater Russia, which still delivered a gain of 10.4%. These markets as a whole, however, underperformed developed economy equity markets during the year. Asia Pacific excluding Japan and emerging market equities delivered 11.9% and 4.1% respectively during the year as concerns regarding the impact of tapering monetary expansion in the US and the attendant rise in US dollar and treasury yields affected the flow of capital into these economies. The longer-term attractions of their generally higher economic growth rates and lower levels of public sector debt remain.

There were a number of changes in the Company's developing economy investments. The First State Indian Subcontinent Fund was bought in August and delivered a 21.0% return up

INVESTMENT MANAGER'S REPORT

for the year ended 30th June 2013

continued

to the year end. The Atlantis China holding was reduced in September. Economic growth has slowed in China as the driver of expansion shifts from exports to domestic consumption. Elsewhere in the region, Liontrust Asia was sold and the proceeds invested in the recently-launched Liontrust Asia Income Fund.

Fixed income investments typically account for a substantial proportion of the non-equity investments in multi-asset portfolios such as that of the New Star Investment Trust but quantitative easing, the extraordinary and unconventional response of central banks in the wake of the credit crisis, ultimately led to many fixed income investments being priced to deliver negative real returns. The Company has held a substantial amount in cash during the year in preference to potentially-overvalued fixed income investments. UK gilts fell 2.4% during the year. UK corporate bonds performed better for the year as a whole but both gilts and UK corporate bonds fell following the Federal Reserve's announcement in May that its asset purchase programme might be reined in or "tapered" and potentially halted outright in 2014.

The Company has progressively sold its fixed income investments, disposing of the last traditional bond investment, M&G Optimal Income, through two sales in December and February. Some of the proceeds were invested in the Fidelity Global Inflation-linked Bond Fund, which has a relatively short duration, meaning that it has a low exposure to future interest rate rises. This investment increases the inflation protection in the portfolio given the relatively high exposure to cash.

Growing investor confidence in the US economic recovery and a perceived reduction in the risk of negative outcomes led to a sharp fall in the gold price. Financial investors in particular, aware of the opportunity cost of investing in a nil-yielding asset at a time of rising bond yields, contributed to significant outflows from physical gold exchange-traded funds (ETFs). The Company's two investments in gold and gold equities accounted for 11.6% of the portfolio at the beginning of the year. The ETFS Gold Bullion Securities ETF and the Blackrock Gold & General Fund fell by 22.1% and 41.9% respectively. Gold performed strongly following the credit crisis because investors saw it as a safe-haven asset given the debasement of fiat currencies occasioned by policies of quantitative easing. More recently, the gold price has fallen sharply at the prospect of an end to Federal Reserve asset purchases and the general perception that economic recovery has strengthened. However, five years after the crisis unfolded developed economy nations remain highly indebted and the execution risk inherent in the Federal Reserve's policy reversal means that for the time being, the Company's investments in gold remain core to the overall asset allocation.

Profits were taken through a partial sale of Henderson European Special Situations, which gained 40.2% during the year and is the largest equity investment within the portfolio. SW Mitchell Small Cap European rose 16.1% and was sold in favour of increasing long-only European equity exposure through investment in Standard Life European Equity Income, which gained 14.8%. The Company invested a total of £5.0 million in three Brompton multi-manager funds at launch. IFDS Brompton Global Income and IFDS Brompton Global Diversified are multi-asset funds and IFDS Brompton Global Growth is a fund of equity funds. These investments were mainly funded through proceeds from sales and realisations from the Henderson Private Equity Investment Trust.

Brompton Asset Management LLP
Investment Manager
26th September 2013

SCHEDULE OF TWENTY LARGEST INVESTMENTS

at 30th June 2013

Holding	Activity	30th June 2013 Bid-market value £'000	30th June 2013 Percentage of invested portfolio
Henderson Euro Special Situations Fund	Investment Fund	7,180	12.31
Investec Africa Fund	Investment Fund	4,730	8.11
Fundsmith Equity Fund	Investment Fund	4,720	8.09
Artemis UK Special Situations Fund	Investment Fund	3,340	5.73
BlackRock Gold & General Fund	Investment Fund	3,049	5.23
Trojan Investment Fund	Investment Fund	2,966	5.09
Aquilus Inflection Fund	Investment Fund	2,625	4.50
Brompton UK Quant Fund	Investment Fund	2,487	4.26
Aberforth Geared Income Trust	Investment Company	2,446	4.19
Gold Bullion Securities ETF	Exchange Traded Fund	2,137	3.66
IFDS Brompton Income Fund	Investment Fund	1,851	3.17
IFDS Brompton Diversified Fund	Investment Fund	1,821	3.12
Polar Capital Global Technology Fund	Investment Fund	1,789	3.07
PFS Brompton UK Recovery Unit Trust	Investment Fund	1,681	2.88
IFDS Brompton Global Growth Fund	Investment Fund	1,600	2.74
Standard Life Investment European Income Fund	Investment Fund	1,582	2.71
First State Indian Subcontinent Fund	Investment Fund	1,568	2.69
Neptune Russia & Greater Russia Fund	Investment Fund	1,466	2.51
Fidelity Global Inflation Linked Bond Fund	Investment Fund	1,369	2.35
Aberdeen Asia Pacific Fund	Investment Fund	1,317	2.26
		51,724	88.67
Balance held in 16 investments		6,602	11.33
Total investments		58,326	100.00

The investment portfolio can be further analysed as follows:

	£'000
Equities (including Investment Companies)	6,084
Loan	144
Investment funds and ETF's	52,098
	58,326

All the Company's investments are either unlisted or are unit trusts/OEIC funds with the exception of Aberforth Geared Income Trust, BH Global Limited, Miton Group, Gold Bullion Securities ETF, Immedia Broadcasting and Bumi Plc.

SCHEDULE OF TWENTY LARGEST INVESTMENTS

at 30th June 2012

Holding	Activity	30th June 2012 Bid-market value £'000	30th June 2012 Percentage of invested portfolio
Henderson Euro Special Situations Fund	Investment Fund	6,603	12.91
BlackRock Gold & General Fund	Investment Fund	5,193	10.15
Investec Africa Fund	Investment Fund	3,686	7.21
Henderson Private Equity Investment Trust	Investment Company	3,055	5.97
Trojan Investment Fund	Investment Fund	2,989	5.84
Polar Capital Global Technology Fund	Investment Fund	2,986	5.84
M&G Optimal Income Fund	Investment Fund	2,903	5.68
Gold Bullion Securities ETF	Exchange Traded Fund	2,732	5.35
Artemis UK Special Situations Fund	Investment Fund	2,651	5.18
Aquilus Inflection Fund	Investment Fund	2,120	4.15
Atlantis China Fund	Investment Fund	2,005	3.92
Fundsmith Equity Fund	Investment Fund	1,798	3.52
Aberforth Geared Income Trust	Investment Company	1,744	3.41
Neptune Russia & Greater Russia Fund	Investment Fund	1,476	2.89
PFS Brompton UK Recovery Unit Trust	Investment Fund	1,315	2.57
Aberdeen Asia Pacific Fund	Investment Fund	1,183	2.31
BH Global Limited	Investment Company	1,149	2.25
All Star Leisure (Group) Limited	Equity	923	1.80
SW Mitchell Small Cap European Fund	Investment Fund	919	1.80
Liontrust Asia Fund	Investment Fund	853	1.67
		48,283	94.42
Balance held in 16 investments		2,857	5.58
Total investments		51,140	100.00

The investment portfolio can be further analysed as follows:

	£'000
Equities (including Investment Companies)	7,931
Loan	348
Investment funds and ETF's	42,861
	51,140

All the Company's investments are either unlisted or are unit trusts/OEIC funds with the exception of Henderson Private Equity Investment Trust, Aberforth Geared Income Trust, BH Global Limited, Miton Group, Gold Bullion Securities ETF, Immedia Broadcasting, Westhouse Holdings and Bumi Plc.

DIRECTORS' REPORT

The Directors present the audited accounts of the Company and their report for the year ended 30th June 2013.

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 2013. The Business Review should be read in conjunction with the Chairman's Statement on pages 6 and 7 and the Investment Manager's Report on pages 8 and 9, which provide a review of the year's performance of the Company and the outlook for the future.

STATUS

The Company is incorporated and registered in England and Wales and is domiciled in the United Kingdom. The Company number is 3969011.

The Company is an investment company under section 833 of the Companies Act 2006. It is an Approved Company under the Investment Trust (Approved Company)(Tax) Regulations 2011 (the 'Regulations') for accounting periods commencing on or after 30th June 2012, and conducts its affairs in accordance with those Regulations so as to continue to gain exemption from liability to United Kingdom capital gains tax.

HM Revenue & Customs granted the Company approval as an investment trust under section 1158 Corporation Tax Act 2010 for the financial year ended 30th June 2012, subject to no subsequent enquiry into the Company's corporation tax self-assessment being raised.

The Company is listed on the London Stock Exchange and conducts its affairs in accordance with the Listing Rules issued by the UK Listing Authority, and the Disclosure and Transparency Rules issued by the Financial Conduct Authority.

INVESTMENT OBJECTIVE AND POLICY

Investment Objective

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

Investment Policy

The Company's investment policy is 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 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, 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.

DIRECTORS' REPORT

continued

The Company may invest up to 20% of its net assets 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 the Company's portfolio of 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

Net assets at 30th June 2013 amounted to £73,320,000 compared with £68,067,000 at 30th June 2012. In the year under review, the net asset value per Ordinary share increased by 7.7% from 95.84p to 103.23p.

Costs

Total expenses for the year amounted to £730,000 (2012: £727,000). In the year under review the investment management fee amounted to £493,000 (2012: £513,000). No performance fee was payable in respect of the year under review as the Company has not outperformed the cumulative hurdle rate. Further details on the Company's expenses may be found in notes 3 and 4.

Revenue

The Group's gross revenue increased to £695,000 (2012: £485,000). After deducting expenses and taxation the revenue loss for the year was £35,000 (2012: loss of £78,000).

Dividends

Dividends do not form a central part of the Company's investment objective. The Directors have not declared a final dividend for the year ended 30th June 2013 (2012: nil).

Funding

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

DIRECTORS' REPORT

continued

VAT

No VAT is charged on investment management fees but is payable at standard rate on other services provided to the Company.

Payment of suppliers

The Company seeks to obtain the best possible terms for the business it conducts, 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 2013 (2012: 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 the Chairman's Statement on pages 6 and 7.

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 that are readily realisable or cash and it has no significant liabilities. Accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. In reaching this view, the Directors reviewed the anticipated level of expenditure of the Company for the next twelve months against the cash and liquid assets within the portfolio.

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 2013	30th June 2012	% Change
PERFORMANCE			
Net assets (£'000)	73,320	68,067	7.7
Net asset value per share	103.23p	95.84p	7.7
Share price	67.50p	66.50p	1.5
Discount of price to net asset value	34.6%	30.6%	N/A
Total return per share	7.40p	(10.44p)	
NAV performance	7.7%	(9.8%)	
IMA Mixed Investment 40% – 85% Shares (total return)	15.0%	(3.7%)	
MSCI AC World Index (total return, sterling adjusted)	21.2%	(3.7%)	
MSCI UK Index (total return)	15.7%	(2.3%)	

DIRECTORS' REPORT

continued

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, and custodian arrangements are delegated to specialist companies.

Investment management services

The Company's investments are managed by Brompton Asset Management LLP (the 'Investment Manager'). This relationship is governed by an agreement dated 23rd December 2009. The portfolio manager is Gill Lakin.

Brompton receives a management fee, payable quarterly in arrears, equivalent to an annual 0.75 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 investment 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 £493,000 (2012: £513,000). No performance fee was accrued or paid in respect of the year ended 30th June 2013 (2012: £nil).

Secretarial, administration and accounting services

Company secretarial services, general administration and accounting services for the Company are undertaken by Phoenix Administration Services Limited (the 'Administrator').

Custodian services

Brown Brothers Harriman & Co is the independent custodian to the Company.

RELATED PARTY TRANSACTIONS

Mr Duffield is the senior partner of Brompton Asset Management Group LLP the ultimate parent of the Investment Manager.

The investment management fee payable to the investment manager in relation to the year ended 30th June 2013 was £493,000. No performance fee was payable in respect of the year ended 30th June 2013.

During the year the Group's investments included five funds managed by the Investment Manager or by associates of the Investment Manager. At 30th June 2013, the Company held five such investments. No investment management fees were payable directly by the Company in respect of these investments.

DIRECTORS' REPORT

continued

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 can be summarised as follows:

Investment strategy

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

The Company's strategy is kept under regular review by the Board. 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 investment returns. 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, excluding cash, may be found on page 10.

Portfolio risks – Market price, foreign currency and interest rate risks

The downward valuation of investments contained in the portfolio would lead to a reduction in the Company's net asset value. A proportion of the Company's portfolio is invested in investments denominated in foreign currencies and movements in exchange rates can significantly affect their sterling value. It is the Board's policy to hold an appropriate spread of investments in order to reduce the risk arising from factors specific to a particular investment or sector. The Investment Manager takes account of foreign currency risk and interest rate risk when making investment decisions.

The Company does not normally hedge against foreign currency movements affecting the value of the portfolio, although hedging techniques may be employed in appropriate circumstances.

Further information on how the Company manages risk may be found in the Corporate Governance Statement on pages 17 to 22 and in note 18 on pages 48 to 57.

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. The Board is kept informed of any personnel changes to the investment team employed by the Investment Manager.

DIRECTORS' REPORT

continued

Tax and regulatory risks

A breach of The Investment Trusts (Approved Companies) (Tax) Regulations 2011 (the 'Regulations') could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to United Kingdom capital gains 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 Brompton as Investment Manager, and Phoenix Administration Services Limited as Secretary & Administrator, 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 the Regulations.

Operational

Disruption to, or failure of, the Investment Manager's or Administrator'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, Administrator and its other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal controls section of the Corporate Governance Statement on page 22.

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 and the Administrator. 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. Additionally, as the Company has no premises, properties or equipment, it has no carbon emissions to report on.

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 codes of corporate governance the Company has applied. Throughout the year under review the Company applied the UK Corporate Governance Codes issued by the Financial Reporting Council in June 2010 and September 2012 (collectively the "Codes"). In addition, the Company had regard to the AIC Codes of Corporate Governance, issued by the Association of Investment Companies in October 2010 and February 2013 (collectively "the AIC Codes"), which provide specific corporate governance guidance to investment trusts.

STATEMENT OF COMPLIANCE

It is considered that the Company has complied with the provisions of the Codes subject to the exceptions explained below: the Company has not arranged insurance cover in respect of legal action against its Directors (Code provision A.1.3); the Company has not appointed a Senior Independent Director (Code provision A.4.1); the Company does not have a Nominations

DIRECTORS' REPORT

continued

Committee (Code Provision: B.2.1). These instances of non-compliance are explained in more detail below.

DIRECTORS

Board composition

The Articles of Association provide that the total number of Directors shall be not less than two and not more than ten.

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

	Date of appointment as a Director
G Howard-Spink (Chairman)	13th April 2000
J L Duffield	13th April 2000
M J Gregson	1st December 2006

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 considers a range of factors in determining the independence of the individual Directors including their character and judgment, 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, given its small size and the size and nature of the Company's operations, it is unnecessary to nominate one Director as a Senior Independent Director.

Directors' appointment, retirement and rotation

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

DIRECTORS' REPORT

continued

The Articles of Association provide that one-third of Directors are required to retire by rotation in each year. In compliance with the Codes, the Directors have adopted a policy 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. The Directors recognise that it is desirable for the composition of the Board to be reviewed and periodically refreshed.

Under the Articles of Association, shareholders may remove a director before the end of their 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 Howard-Spink has served for more than nine years and therefore stands for re-election annually. The Board considers that Mr Howard-Spink continues to exhibit independence of character and judgment, and recommends his re-election to shareholders.

Mr Duffield has a beneficial interest in 59.14% of the Company's shares and is the senior partner of the Investment Manager's parent company. He is therefore not considered to be independent. Under the UKLA Listing Rules directors who are not considered to be independent are required to 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.

Mr Gregson retires by rotation in accordance with the Company's Articles of Association. The Directors consider Mr Gregson to be a valuable member of the Board and recommend his re-election.

All Directors standing for re-election are eligible to be re-elected.

Directors' remuneration

The Board consists solely of non executive directors and accordingly the Company is not required to comply with the principles of the Codes 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 1p	30th June 2013	30th June 2012
Beneficial:		
J L Duffield	42,003,223	42,003,223
M J Gregson	10,000	10,000
G Howard-Spink	–	–

There have been no changes in the Directors' interests in the period from 30th June 2013 to the date of this report.

DIRECTORS' REPORT

continued

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 the 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 and Administrator provide 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 on matters of concern.

The Board comprises three 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.

Powers of the Directors

The powers of the Directors are set out in the Articles of Association which are publicly available from Companies House. Except as otherwise provided by regulation and legislation, the Directors may exercise all of the ordinary powers usually conferred on directors to manage the affairs of a company and to delegate such of those powers to committees, agents or individuals as they consider appropriate. The Directors may authorise the Company to borrow; to pay fees, expenses, salaries and make other payments to directors, executives and employees; and to provide pensions or other benefits for directors, executives and employees; but have not exercised these powers except for the payment of fees to non-executive directors.

Audit Committee

The Board has established an Audit Committee which consists of Mr Gregson (Chairman) and Mr Howard-Spink. Both members of the Audit Committee served throughout the year and are considered by the Board to be independent of the Investment Manager. It is considered that each of the members of the Audit Committee has recent and relevant financial experience. The terms of reference of the Audit Committee are available on the Company's website.

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 auditor, Ernst & Young LLP and the objectivity and effectiveness of the audit process. Details of the amounts payable 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 LLP also performed certain

DIRECTORS' REPORT

continued

agreed upon review procedures in respect of the half year report. These procedures are considered to be a non-audit service.

The Audit Committee monitors the integrity of the financial statements and effectiveness of reporting procedures at its meetings to consider the Company's Annual Report & Accounts and Half Year Statements. It also reviews any public announcements, other than the monthly Net Asset Value Statements, giving details of financial performance prior to release.

Other Matters

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 it is appropriate to rely on the whistle-blowing policies operated by those third parties.

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 internal audit is needed and will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended.

Board attendance

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

	Board meetings	Audit Committee meetings
No of meetings	4	2
John Duffield	4	N/A
Marcus Gregson	3	1*
Geoffrey Howard-Spink	4	2

**Mr Gregson was unable to attend one meeting of the Committee in person because of a family bereavement, but having received the papers in advance of the meeting he submitted his views for the Committee to consider by email.*

PERFORMANCE EVALUATION

The Company

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

The Board

The Board has formulated a periodic process to evaluate its own performance and that of its Chairman. This usually takes 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 undertaken in respect of the year ended 30th June 2013 identified no areas of concern, and concluded that the current Directors contributed effectively and had the skills and necessary experience to fulfil their responsibilities.

DIRECTORS' REPORT

continued

INTERNAL CONTROLS

The Board has overall responsibility for the establishment of 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 processes for the period since 1st July 2012.

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 and Investment Manager on risk control and compliance, in conjunction with the Investment Manager's regular report which covers investment performance and compliance issues. In addition, the Company Secretary or Investment Manager report 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 Brompton Asset Management LLP ('Brompton'). The Board is responsible for setting the overall investment policy and monitors the activities of the Investment Manager at its regular meetings. The responsibilities of the Investment Manager are included in the Investment Management Agreement between the Company and Brompton. Brompton is authorised and regulated by the Financial Conduct Authority (previously the Financial Services Authority).
- Custody of assets is undertaken by Brown Brothers Harriman & Co.
- Administration, accounting and company secretarial duties are performed by Phoenix Administration Services 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 on-going performance and contractual arrangements. The Board reviews financial information produced by the Investment Manager and the Company Secretary on a regular basis.

ACCOUNTABILITY AND RELATIONSHIP WITH INVESTMENT MANAGER

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 29. The responsibilities of the independent auditor are set out on pages 29 and 30. The Directors' Report states that the business is a going concern on page 14.

The Board has delegated contractually to external third parties, including the Investment Manager, the management of the investment portfolio, the custodial service (which includes the

DIRECTORS' REPORT

continued

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 as required.

STEWARDSHIP

The Board has delegated the voting of investee company shares to the Investment Manager. The Board is also conscious that the majority of its investments are in funds and its holdings in quoted companies do not constitute positions of significant influence.

SHARE CAPITAL AND SHAREHOLDERS

Share capital

The Company's share capital comprises 305,000,000 Ordinary shares of 1p each (2012: 305,000,000), of which 71,023,695 (2012: 71,023,695) are issued and fully paid. No shares are held in treasury (2012: nil). The Company did not issue or repurchase any shares during the year or up to the date of this report.

There are no restrictions on the transfer of the Company's shares other than a) transfers by Directors and Persons Discharging Managerial Responsibilities and their connected persons during prohibited periods under the rules of the UK Listing Authority or which may constitute insider dealing, b) transfers for more than one class of share, c) transfers to more than 4 joint transferees and d) transfers of shares which are not fully paid up or on which the Company has a lien provided that such would not prohibit dealings taking place on an open and proper basis.

The Company is not aware of any arrangements between shareholders or between the Company and any shareholders which restrict the transfer of shares or which would take effect or terminate in the event of a change of 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 held throughout the year.

Shareholders are entitled to such dividends (if any) as the Board may from time to time declare, and on a winding up are entitled to a distribution of such surplus assets (if any) as may remain after settling the liabilities of the Company, in proportion to the number of shares held and the respective amounts paid up or credited as paid up on their shares.

Substantial share interests

At 30th June 2013 and 26th September 2013, the Company was aware of the following interests which represent 3% or more of the voting rights in the Company:

Shareholder	% of voting rights 30th June 2013	% of voting rights 26th September 2013
J L Duffield	59.14	59.14
Clients of Jupiter Asset Management Ltd*	7.71	7.66
Clients of Charles Stanley Group Plc	3.61	3.65
Armstrong Investments	3.41	3.41
M R L Astor	3.36	3.36

** excluding any shareholders disclosed individually.*

DIRECTORS' REPORT

continued

Relations with shareholders

The Board and Investment Manager are 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 its 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.

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 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 Annual Financial Report, Half Year Report and Interim Management Statements are also published on the Company's website at: www.nsitplc.com. In addition, net asset values are published on a monthly basis.

SUBSIDIARY

The Company owns the whole of the issued share capital (£1) of JIT Securities Limited, an investment company registered in England and Wales. The results of JIT Securities Limited are included in the consolidated financial statements below.

INDEPENDENT AUDITOR

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 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 Annual General Meeting will be held on Thursday, 7th November 2013 at 11.00 a.m. The notice of meeting can be found on pages 58 to 60.

DIRECTORS' REPORT

continued

SPECIAL BUSINESS AT THE AGM

In addition to the Ordinary business to be transacted at the forthcoming Annual General Meeting, Resolutions will be proposed on the following:

Resolution 7 is proposed as an Ordinary Resolution to provide a general and unconditional authority for the Directors to allot shares. Shares cannot be allotted by a company unless this general authority has been obtained. The authority can be sought for up to 5 years but is sought annually. Resolution 7 is proposed to renew the authority to issue shares for the period to the conclusion of the next Annual General Meeting or, if earlier, fifteen months after the passing of the resolution. The Directors currently do not have any plans to exercise the authority granted under this Resolution.

Resolutions 8 to 11 are proposed as Special Resolutions.

Resolution 8 would enable the Company to allot a limited number of equity securities outside of pre-emption rights. The Directors again do not currently have any plans to exercise the authority under this Resolution, but consider it to be in the Company's interest for the Directors to have it available in case circumstances arose where the Directors believe it is in the interests of the Company to exercise it without the delay and cost of calling a separate general meeting to authorise it.

Resolution 9 seeks to renew the existing authority for the Company to make market purchases of the Company's Ordinary shares. The authority is limited to 10,646,450 Ordinary shares representing approximately 14.99% of the current issued Ordinary share capital. The Directors have not as yet effected any market purchases but feel it is important to have the ability to do so, and would only do so if they considered it would result in an increase in the net asset value per Ordinary share without taking undue risks. Any Ordinary shares bought back would be cancelled or held in treasury at the discretion of the Directors. Shareholders authorised a similar resolution at the 2012 AGM.

Resolution 10 would enable the Directors to re-issue Ordinary shares held in treasury provided they were not re-issued at a price below the latest published net asset value prior to re-issue.

Resolution 11 would enable the Directors to call general meetings, other than an Annual General Meeting, at not less than 14 clear days notice rather than 21 days. Ordinarily the Directors would expect to give the full notice period but circumstances might arise where it would be desirable to call a meeting on shorter notice, which requires certain conditions to be met, and this Resolution would provide that flexibility.

The Directors strongly recommend that shareholders vote in favour of all Resolutions being put to the annual general meeting, as they themselves intend to vote in respect of their own beneficial shareholdings totalling 42,013,223, being approximately 59.1% of the Ordinary share capital in issue at the date of this report.

For and on behalf of the Board of Directors
Phoenix Administration Services Limited
Secretary
26th September 2013

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 Conduct Authority and describes how the Board has applied the principles relating to Directors' remuneration in the UK Corporate Governance 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 Auditor's opinion is included within the Independent Auditor's Report on pages 29 and 30.

REMUNERATION COMMITTEE

As the Company only has three non-executive Directors, the Board as a whole fulfils the function of a Remuneration Committee. The Board seeks the advice *inter-alios* of the Company Secretary when considering 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 2014.

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 reimbursement of expenses in respect of duties undertaken in connection with the management of the Company.

DIRECTORS' SERVICE CONTRACTS

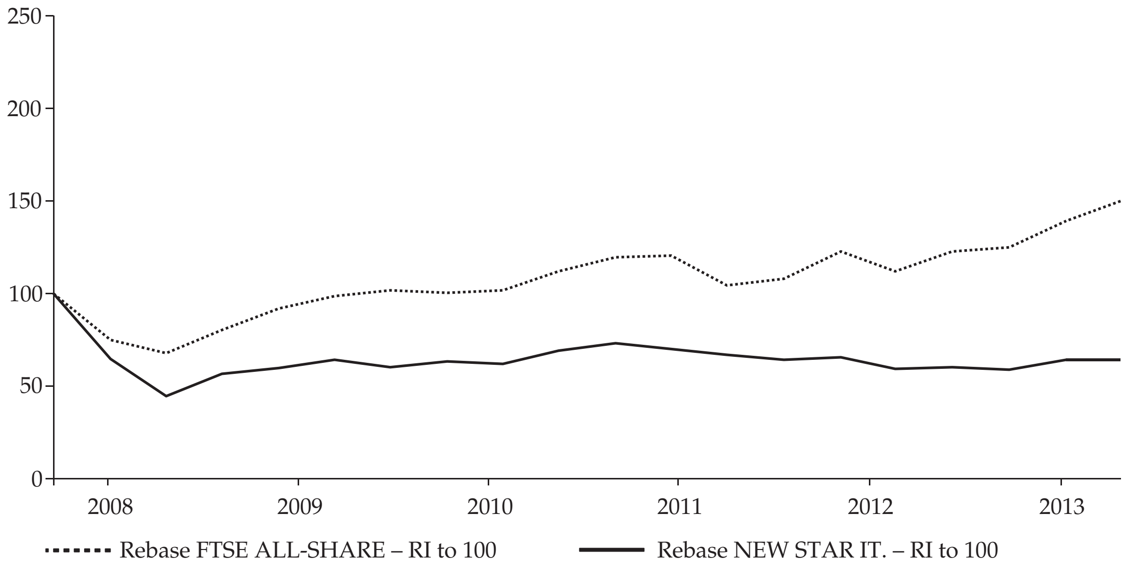
It is the Board's policy that none of the Directors has a service contract. Each Director shall retire and be subject to election at the first Annual General Meeting after their appointment, and be subject to re-election at least every three years after that. Any Director may be removed without notice and compensation will not be due on leaving office. Directors who are not considered by the Board to be independent and those who have served on the Board for nine years or more are required to stand for re-election annually.

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). The data has been rebased to 100 for 30th June 2008.



Source: Thomson Reuters Datastream

DIRECTORS FEES (AUDITED)

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

	2013 £	2012 £
G Howard-Spink (Chairman)	20,000	20,000
J L Duffield	15,000	15,000
M J Gregson	15,000	15,000
Total	50,000	50,000

For and on behalf of the Board of Directors
Phoenix Administration Services Limited
Secretary
26th September 2013

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.

Under Company Law, the directors must not approve the Group financial statements unless they are satisfied that they 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 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;
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- prepare a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and 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 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 Group; and

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

For and on behalf of the Board of Directors
Phoenix Administration Services Limited
Secretary
26th September 2013

INDEPENDENT AUDITOR'S 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 2013 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, and the related notes 1 to 20. 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 Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on page •, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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. In addition, we read all the financial and non-financial information in the Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2013 and of the Group's profit 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

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

continued

- 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.

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;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Ratan Engineer *(Senior Statutory Auditor)*
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
26th September 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30th June 2013

	Notes	**Year ended 30th June 2013** Revenue Return £'000	Capital Return £'000	Total £'000	Year ended 30th June 2012 Revenue Return £'000	Capital Return £'000	Total £'000
INVESTMENT INCOME	2	**688**	**–**	**688**	468	–	468
Other operating income	2	**7**	**–**	**7**	17	–	17
		695	**-**	**695**	485	–	485
GAINS AND LOSSES ON INVESTMENTS							
Gains/(losses) on investments at fair value through profit or loss	9	**–**	**4,996**	**4,996**	–	(7,824)	(7,824)
Other exchange gains		**–**	**109**	**109**	–	65	65
Trail rebates		**–**	**34**	**34**	–	141	141
		695	**5,139**	**5,834**	485	(7,618)	(7,133)
EXPENSES							
Management fees	3	**(493)**	**–**	**(493)**	(513)	–	(513)
VAT Recovery		**–**	**–**	**–**	35	–	35
Other expenses	4	**(237)**	**–**	**(237)**	(249)	–	(249)
		(730)	**–**	**(730)**	(727)	–	(727)
PROFIT/(LOSS) BEFORE FINANCE COSTS AND TAX		**(35)**	**5,139**	**5,104**	(242)	(7,618)	(7,860)
Finance costs		**–**	**–**	**–**	–	–	–
PROFIT/(LOSS) BEFORE TAX		**(35)**	**5,139**	**5,104**	(242)	(7,618)	(7,860)
Tax	5	**–**	**149**	**149**	164	279	443
PROFIT/(LOSS) FOR THE YEAR		**(35)**	**5,288**	**5,253**	(78)	(7,339)	(7,417)
EARNINGS PER SHARE							
Ordinary shares (pence)	7	**(0.05)**	**7.45**	**7.40**	(0.11)	(10.33)	(10.44)

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

The Company did not have any income or expense that was not included in 'profit for the year'. Accordingly, the 'profit for the year' is also the 'Total comprehensive income for the year', as defined in IAS1 (revised) and no separate Statement of Other Comprehensive Income has been presented.

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 57 form an integral part of these Accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2013

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2012	**710**	**21,573**	**56,908**	**(11,124)**	**68,067**
Total comprehensive income for the year	**–**	**–**	**–**	**5,253**	**5,253**
AT 30TH JUNE 2013	**710**	**21,573**	**56,908**	**(5,871)**	**73,320**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2012

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2011	710	21,573	56,908	(3,707)	75,484
Total comprehensive income for the year	–	–	–	(7,417)	(7,417)
AT 30TH JUNE 2012	710	21,573	56,908	(11,124)	68,067

The Notes on pages 37 to 57 form an integral part of these Accounts.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2013

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2012	**710**	**21,573**	**56,908**	**(11,124)**	**68,067**
Total comprehensive income for the year	**–**	**–**	**–**	**5,253**	**5,253**
AT 30TH JUNE 2013	**710**	**21,573**	**56,908**	**(5,871)**	**73,320**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2012

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2011	710	21,573	56,908	(3,707)	75,484
Total comprehensive income for the year	–	–	–	(7,417)	(7,417)
AT 30TH JUNE 2012	710	21,573	56,908	(11,124)	68,067

The Notes on pages 37 to 57 form an integral part of these Accounts.

CONSOLIDATED BALANCE SHEET

at 30th June 2013

	Notes	**30th June 2013 £'000**	30th June 2012 £'000
NON-CURRENT ASSETS			
Investments at fair value through profit or loss	*9*	**58,326**	51,140
CURRENT ASSETS			
Other receivables	*11*	**251**	127
Cash and cash equivalents	*12*	**14,969**	17,181
		15,220	17,308
TOTAL ASSETS		**73,546**	68,448
CURRENT LIABILITIES			
Other payables	*13*	**(226)**	(232)
TOTAL ASSETS LESS CURRENT LIABILITIES		**73,320**	68,216
NON-CURRENT LIABILITIES			
Deferred tax liability	*5*	**–**	(149)
NET ASSETS		**73,320**	68,067
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*	**(5,871)**	(11,124)
TOTAL EQUITY		**73,320**	68,067
NET ASSET VALUE PER ORDINARY SHARE (Pence)	*16*	**103.23**	95.84

These Accounts were approved by the Board of Directors and authorised for issue on 26th September 2013.

Geoffrey Howard-Spink
Chairman
New Star Investment Trust Plc
Registered in England & Wales No. 3969011

The Notes on pages 37 to 57 form an integral part of these Accounts.

COMPANY BALANCE SHEET

at 30th June 2013

	Notes	30th June 2013 £'000	Restated* 30th June 2012 £'000
NON-CURRENT ASSETS			
Investment in subsidiary at fair value through profit or loss	*10*	**500**	499
Investments at fair value through profit or loss	*9*	**58,326**	51,140
		58,826	51,639
CURRENT ASSETS			
Other receivables	*11*	**1,165**	1,041
Cash and cash equivalents	*12*	**13,555**	15,768
		14,720	16,809
TOTAL ASSETS		**73,546**	68,448
CURRENT LIABILITIES			
Other payables	*13*	**(226)**	(232)
TOTAL ASSETS LESS CURRENT LIABILITIES		**73,320**	68,216
NON-CURRENT LIABILITIES			
Deferred tax liability	*5*	**–**	(149)
NET ASSETS		**73,320**	68,067
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*	**(5,871)**	(11,124)
TOTAL EQUITY		**73,320**	68,067

* The Company Balance Sheet at 30th June 2012 has been restated to show the investment in subsidiary at fair value through profit or loss. This was previously included at cost.

These Accounts were approved by the Board of Directors and authorised for issue on 26th September 2013.

Geoffrey Howard-Spink
Chairman
New Star Investment Trust Plc
Registered in England & Wales No. 3969011

The Notes on pages 37 to 57 form an integral part of these Accounts.

CASH FLOW STATEMENTS

for the year ended 30th June 2013

	Note	**Year ended 30th June 2013 Group £'000**	**Year ended 30th June 2013 Company £'000**	Year ended 30th June 2012 Group £'000	Year ended 30th June 2012 Company £'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**22**	**21**	(107)	(108)
INVESTING ACTIVITIES					
Purchase of Investments		**(15,008)**	**(15,008)**	(5,415)	(5,415)
Sale of Investments		**12,665**	**12,665**	7,143	7,143
NET CASH (OUTFLOW)/INFLOW FROM INVESTING ACTIVITIES		**(2,343)**	**(2,343)**	1,728	1,728
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		**(2,321)**	**(2,322)**	1,621	1,620
(DECREASE)/INCREASE IN CASH		**(2,321)**	**(2,322)**	1,621	1,620
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS					
(Decrease)/increase in cash resulting from cash flows		**(2,321)**	**(2,322)**	1,621	1,620
Exchange movements		**109**	**109**	65	66
Movement in net funds		**(2,212)**	**(2,213)**	1,686	1,686
Net funds at 1st July		**17,181**	**15,768**	15,495	14,082
NET FUNDS AT END OF YEAR	*17*	**14,969**	**13,555**	17,181	15,768
RECONCILIATION OF PROFIT/(LOSS) BEFORE FINANCE COSTS AND TAXATION TO NET CASH FLOW FROM OPERATING ACTIVITIES					
Profit/(loss) before finance costs and taxation		**5,104**	**5,104**	(7,860)	(7,860)
(Gains)/losses on investments		**(4,996)**	**(4,995)**	7,824	7,824
Exchange differences		**(109)**	**(109)**	(65)	(66)
Capital trail rebates		**(34)**	**(34)**	(141)	(141)
Net revenue loss before finance costs and taxation		**(35)**	**(36)**	(242)	(243)
(Increase)/decrease in debtors		**(6)**	**(6)**	14	14
(Decrease)/increase in creditors		**(6)**	**(6)**	11	11
Taxation		**35**	**35**	(31)	(31)
Capital trail rebates		**34**	**34**	141	141
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES		**22**	**21**	(107)	(108)

The Notes on pages 37 to 57 form an integral part of these Accounts.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

1. ACCOUNTING POLICIES

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.

These financial statements are presented in pounds sterling, the Group's functional currency, being the currency of the primary economic environment in which the Group operates, rounded to the nearest thousand.

(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.

(b) *Basis of consolidation:* The Consolidated Financial Statements include the Accounts of the Company and its subsidiary made up to 30th June 2013. No Statement of Comprehensive Income is presented for the parent company as permitted by Section 408 of the Companies Act 2006.

(c) *Presentation of Statement of Comprehensive Income:* 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 Consolidated Statement of Comprehensive Income between items of a revenue and capital nature has been presented alongside the Consolidated Statement of Comprehensive Income.

In accordance with the Company's Articles of Association, net capital returns may not be distributed by way of a dividend. Additionally, the net revenue is the measure the Directors believe is appropriate in assessing the Group's compliance with certain requirements set out in section 1159 of the Corporation Tax Act 2010.

(d) *Use of estimates:* The preparation of financial statements requires the Group to make estimates and assumptions that affect items reported in the Consolidated and Company Balance Sheets and Consolidated Statement of Comprehensive Income and the disclosure of contingent assets and liabilities at the date of the financial instruments. Although these estimates are based on the Directors' best knowledge of current facts, circumstances and, to some extent, future events and actions, the Group's actual results may ultimately differ from those estimates, possibly significantly.

(e) *Revenue:* Dividends and other such distributions from investments are credited to the revenue column of the Consolidated Statement of Comprehensive Income on the day in which they are quoted ex-dividend. Interest on fixed interest securities and deposits is accounted for on an effective yield basis. Where the Company has elected to receive its dividends in the form of additional shares rather than in cash and the continued amount of the cash dividend is recognised as income, and any excess in the value of the shares received and over the amount recognised is credited to the capital reserve. Deemed Revenue from non reporting funds is credited to the Revenue account. Deposit interest is taken into account on a receipts basis.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

continued

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

(g) *Investments held at fair value:* 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 bid price for dual priced funds, or single price for non-dual priced funds, 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 net asset value in the Company's Balance Sheet.

(h) *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 the 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. No deferred tax provision is made against deemed reporting offshore funds.

(i) *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.

(j) *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 on capital transactions, including those on settlement, together with the related taxation effect;

– revaluation gains and losses on investments; and

– trail rebates received from the managers of the Company's investments.

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

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

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

continued

(l) *Cash and cash equivalents:* Cash and cash equivalents comprise current deposits, overdrafts with banks and bank loans. Cash and cash equivalents may be held for the purpose of either asset allocation or managing liquidity.

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

(n) *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.

(o) *Accounting developments:* At the date of authorisation of these financial statements, the following Standards which have not been applied in these financial statements were in issue but were not yet effective (and in some cases had not yet been adopted by the European Union):

		Accounting periods beginning on or after
IAS 27	Reissued as IAS 27 Consolidated and Separate Financial Statements (as amended in 2011)	1st January 2014
IAS 28	Investments in Associates and Joint Ventures	1st January 2013
IFRS 10	Consolidated Financial Statements	1st January 2014
IFRS 11	Joint Arrangements	1st January 2014
IFRS 12	Disclosure of Interests in Other Entities	1st January 2014
IFRS 13	Fair Value Measurement	1st January 2013

The Directors are considering what impact, if any, the adoption of these standards/interpretations in future periods will have. Currently they do not believe that there will be a material impact on the consolidated financial statements.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

continued

2. INVESTMENT INCOME

	Year ended 30th June 2013 £'000	Year ended 30th June 2012 £'000
INCOME FROM INVESTMENTS		
UK net dividend income	**561**	310
Unfranked investment income	**127**	158
	688	468
OTHER OPERATING INCOME		
Bank interest receivable	**7**	10
VAT reclaim interest received from HMRC	**–**	7
	7	17
TOTAL INCOME COMPRISES		
Dividends	**688**	468
Other income	**7**	17
	695	485

3. MANAGEMENT FEES

	Year ended 30th June 2013			Year ended 30th June 2012		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**493**	**–**	**493**	513	–	513
Performance fee	**–**	**–**	**–**	–	–	–
	493	**–**	**493**	513	–	513

At 30th June 2013 there were amounts accrued of £120,000 (2012: £126,000) for investment management fees.

A summary of the terms of the investment management agreement may be found in the Directors' Report on page 15.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

continued

4. OTHER EXPENSES

	Year ended 30th June 2013 £'000	Year ended 30th June 2012 £'000
Legal fees	**–**	7
Directors' remuneration	**50**	50
Administrative and secretarial fee	**87**	96
Auditors' remuneration		
– Audit	**27**	26
– Interim review	**7**	7
– Taxation compliance services	**10**	9
Other	**56**	54
	237	249
Allocated to:		
– Revenue	**237**	249
– Capital	**–**	–
	237	249

5. TAXATION

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

	Year ended 30th June 2013			Year ended 30th June 2012		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
UK corporation tax	**–**	**–**	**–**	–	–	–
Overseas tax	**–**	**–**	**–**	–	–	–
Tax relief to income	**–**	**–**	**–**	(115)	115	–
Irrecoverable income tax	**–**	**–**	**–**	–	–	–
Prior year adjustment	**–**	**–**	**–**	(49)	–	(49)
Total current tax for the year	**–**	**–**	**–**	(164)	115	(49)
Deferred tax	**–**	**(149)**	**(149)**	–	(394)	(394)
Total tax for the year (note 5b)	**–**	**(149)**	**(149)**	(164)	(279)	(443)

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

continued

5. TAXATION CONTINUED

(b) ***Factors affecting tax charge for the year:***

The charge for the year can be reconciled to the profit/(loss) per the Consolidated Statement of Comprehensive Income as follows:

	Year ended 30th June 2013 £'000	Year ended 30th June 2012 £'000
Profit/(loss) before tax	**5,104**	(7,860)
Theoretical tax at the UK corporation tax rate of 23.75%* (2012: 25.5%)	**1,212**	(2,004)
Effects of:		
Non-taxable UK dividend income	**(133)**	(79)
Gains and losses on investments that are not taxable	**(1,225)**	1,985
Movement in unrealised gains on non-qualifying offshore funds	**(149)**	(394)
Excess expenses not utilised	**146**	98
Prior year adjustment	**–**	(49)
Total tax for the year	**(149)**	(443)

* Under the Finance Act 2011, the rate of Corporation Tax was lowered to 23% from 24% on 1st April 2012. An average rate of 23.75% was applicable for the year ended 30th June 2013.

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 the majority of investments.

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

	Group and Company	
	Year ended 30th June 2013 £'000	Year ended 30th June 2012 £'000
Provision at start of year	**149**	543
Deferred tax credit for the year	**(149)**	(394)
Provision at end of year	**–**	149

The deferred tax credit of £149,000 (2012: credit of £394,000) in the capital account of the Company relates to unrealised gains on non-reporting offshore funds. There is no deferred tax charge in the revenue account (2012: nil) relating to the reversal of the prior year tax charge on income taxable in the subsequent accounting period. No deferred tax provision has been made for deemed reporting offshore funds.

At the year end there is an unrecognised deferred tax asset of £43,000 (2012: nil) as a result of excess expenses.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

continued

6. COMPANY RETURN FOR THE YEAR

The Company's total return for the year was £5,253,000 (2012: loss (£7,417,000)).

7. RETURN PER ORDINARY SHARE

Total return per Ordinary share is based on the Group total return on ordinary activities after taxation of £5,253,000 (2012: (£7,417,000)) and on 71,023,695 (2012: 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 loss on ordinary activities after taxation of £35,000 (2012: (£78,000) and on 71,023,695 (2012: 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 gains for the year of £5,288,000 (2012: capital losses of £7,339,000) and on 71,023,695 (2012: 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 2013 £'000	Year ended 30th June 2012 £'000
Dividends paid for the year ended 30th June 2013: nil (2012: nil) per share	**–**	–

The total dividend payable in respect of the financial year, which is the basis on which the requirements of section 1159 of the Corporation Tax Act 2010 are considered, is set out below.

	Year ended 30th June 2013 £'000	Year ended 30th June 2012 £'000
Final dividend for the year ended 30th June 2013: nil (2012: nil)	**–**	–

The company had a net revenue loss for the year ended 30th June 2013 (2012: loss).

The Directors do not recommend the payment of a final dividend for the year ended 30th June 2013 (2012: nil).

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

continued

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 30th June 2013 £'000	Year ended 30th June 2012 £'000
GROUP AND COMPANY	**58,326**	51,140

ANALYSIS OF INVESTMENT PORTFOLIO – GROUP AND COMPANY

	Listed* £'000	**Unlisted £'000**	**Total £'000**
Opening book cost	**45,048**	**4,943**	**49,991**
Opening investment holding gains	**3,904**	**(2,755)**	**1,149**
Movement in classification of investments**	**(3,149)**	**3,149**	**–**
Opening valuation	**45,803**	**5,337**	**51,140**
Movement in period			
Purchases at cost	**15,008**	**–**	**15,008**
Sales			
– Proceeds	**(9,461)**	**(3,357)**	**(12,818)**
– Realised gains on sales	**1,671**	**(47)**	**1,624**
Movement in investment holding gains for the year	**3,595**	**(223)**	**3,372**
Closing valuation	**56,616**	**1,710**	**58,326**
Closing book cost	**48,997**	**4,808**	**53,805**
Closing investment holding gains	**7,619**	**(3,098)**	**4,521**
Closing valuation	**56,616**	**1,710**	**58,326**

* Listed investments include unit trust and OEIC funds.
** Movement of Westhouse Holdings and Henderson Private Equity Investment Trust from listed to unlisted.

	Year ended 30th June 2013 £'000	Year ended 30th June 2012 £'000
ANALYSIS OF CAPITAL GAINS AND LOSSES		
Realised gains on sales of investments	**1,624**	2,191
Increase in investment holding gains/(losses)	**3,372**	(10,015)
Net gains on investments attributable to ordinary shareholders	**4,996**	(7,824)

Transaction costs

The purchases and sales proceeds figures above include transaction costs on purchases of £nil (2012: £nil) and on sales of £nil (2012: £nil).

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

continued

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 position of the subsidiary is summarised as follows:

	Year ended 30th June 2013 £'000	Year ended 30th June 2012 £'000
Net assets brought forward	**499**	499
Profit for year	**1**	–
NET ASSETS CARRIED FORWARD	**500**	499

11. OTHER RECEIVABLES

	30th June 2013 Group £'000	**30th June 2013 Company £'000**	30th June 2012 Group £'000	30th June 2012 Company £'000
Amounts due from brokers	**153**	**153**	–	–
Prepayments and accrued income	**53**	**53**	47	47
Taxation	**45**	**45**	80	80
Amounts owed by subsidiary undertakings	**–**	**914**	–	914
	251	**1,165**	127	1,041

12. CASH AND CASH EQUIVALENTS

	30th June 2013 Group £'000	**30th June 2013 Company £'000**	30th June 2012 Group £'000	30th June 2012 Company £'000
Cash at bank	**14,969**	**13,555**	17,181	15,768

13. OTHER PAYABLES

	30th June 2013 Group £'000	**30th June 2013 Company £'000**	30th June 2012 Group £'000	30th June 2012 Company £'000
Accruals	**226**	**226**	232	232

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

continued

14. CALLED UP SHARE CAPITAL

	30th June 2013 £'000	30th June 2012 £'000
Authorised		
305,000,000 (2012: 305,000,000) Ordinary shares of £0.01 each	**3,050**	3,050
Issued and fully paid		
71,023,695 (2012: 71,023,695) Ordinary shares of £0.01 each	**710**	710

15. RESERVES

	Share premium account £'000	**Special reserve £'000**	**Retained earnings £'000**
GROUP			
At 30th June 2012	**21,573**	**56,908**	**(11,124)**
Increase in investment holding gains	**–**	**–**	**3,372**
Net gains on realisation of investments	**–**	**–**	**1,624**
Gains on foreign currency	**–**	**–**	**109**
Trail rebates	**–**	**–**	**34**
Deferred tax credit in capital	**–**	**–**	**149**
Retained revenue loss for year	**–**	**–**	**(35)**
At 30th June 2013	**21,573**	**56,908**	**(5,871)**

	Share premium account £'000	**Special reserve £'000**	**Retained earnings £'000**
COMPANY			
At 30th June 2012 (restated)	**21,573**	**56,908**	**(11,124)**
Increase in investment holding gains	**–**	**–**	**3,373**
Net gains on realisation of investments	**–**	**–**	**1,624**
Gains on foreign currency	**–**	**–**	**109**
Trail rebates	**–**	**–**	**34**
Deferred tax credit in capital	**–**	**–**	**149**
Retained revenue profit for year	**–**	**–**	**(36)**
At 30th June 2013	**21,573**	**56,908**	**(5,871)**

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

continued

15. RESERVES CONTINUED

The components of retained earnings are set out below:

	30th June 2013 £'000	30th June 2012 £'000
GROUP		
Capital reserve – realised	**(10,124)**	(12,040)
Capital reserve – revaluation	**4,248**	876
Revenue reserve	**5**	40
	(5,871)	(11,124)
COMPANY		Restated
Capital reserve – realised	**(10,476)**	(12,392)
Capital reserve – revaluation	**4,748**	1,375
Revenue reserve	**(143)**	(107)
	(5,871)	(11,124)

16. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per Ordinary share is calculated on net assets of £73,320,000 (2012: £68,067,000) and 71,023,695 (2012: 71,023,695) Ordinary shares in issue at year end.

17. ANALYSIS OF CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR

	At 1st July 2012 £'000	Cash flow	Exchange movement	**At 30th June 2013 £'000**
GROUP				
Cash at bank and on deposit	17,181	(2,321)	109	**14,969**
COMPANY				
Cash at bank and on deposit	15,768	(2,322)	109	**13,555**

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

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, bond, commodity, real estate, currency and other markets. The Group's assets are stated at fair value.

For listed securities, this represents the last traded bid price, or for unit trusts and OEICs, the bid price for dual priced funds, or single price for non-dual priced funds, 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.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

continued

18. FINANCIAL INSTRUMENTS CONTINUED

(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.

Furthermore, a proportion of the company's investments in Other Collective Investment Schemes may have underlying currency exposure through their investments and, as a result, the company may be subject to further indirect currency movement.

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 or increase it in appropriate circumstances.

Foreign currency exposure

During the year under review, the Investment Manager did not enter into any forward currency contracts (2012: nil).

The fair values of the Group's assets that have foreign currency exposure at 30th June 2013 are shown below.

	2013 US Dollars £'000	**2013 Euros £'000**	**2013 Total £'000**	2012 US Dollars £'000	2012 Euros £'000	2012 Total £'000
Investment at fair value through profit or loss	**9,055**	**2,625**	**11,680**	9,875	3,039	12,914
Cash at bank and short-term deposits	**5,815**	**–**	**5,815**	9,138	1,241	10,379
Other receivables	**1**	**–**	**1**	2	–	2
Total net foreign currency exposure	**14,871**	**2,625**	**17,496**	19,015	4,280	23,295

The above table represents the direct assets denominated/dealt in US Dollars and Euros. The Company holds investments which are denominated in sterling which have significant currency exposure. These assets are not included in the above table. The underlying currency exposure will be significantly greater.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

continued

18. FINANCIAL INSTRUMENTS CONTINUED

(b) Currency Risk continued

Foreign currency sensitivity

During the financial year sterling depreciated by 3.3% against the US dollar (2012: depreciated by 2.3%) and depreciated by 5.6% against the euro (2012: appreciated by 11.6%).

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

	2013 US Dollars £'000	**2013 Euros £'000**	**2013 Total £'000**	2012 US Dollars £'000	2012 Euros £'000	2012 Total £'000
If exchange rates appreciated by 10%	**(1,352)**	**(239)**	**(1,591)**	(1,729)	(389)	(2,118)
If exchange rates depreciated by 10%	**1,653**	**292**	**1,945**	2,112	476	2,588

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

(c) Interest Rate Risk

The Group will be affected by interest rate changes as it holds cash. 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 invested in the market.

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

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

continued

18. FINANCIAL INSTRUMENTS CONTINUED

(c) Interest Rate Risk continued

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.

	2013 In 1 year or less £'000	**2013 Greater than 1 year £'000**	**2013 Total £'000**	2012 In 1 year or less £'000	2012 Greater than 1 year £'000	2012 Total £'000
Exposure to floating interest rates:						
Cash at bank	**14,969**	**–**	**14,969**	17,181	–	17,181
Exposure to fixed interest rates:						
Investments at fair value through profit or loss	**–**	**–**	**–**	–	–	–
Total exposure to interest rates	**14,969**	**–**	**14,969**	17,181	–	17,181

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's and Investment Manager's perception of the market prospects and the investment opportunities available at any particular time.

Interest receivable and payable are at the following rates:

– Interest received on cash balances, or paid on bank overdrafts is at a margin above or below LIBOR or its foreign currency equivalent (2012: same).

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

continued

18. FINANCIAL INSTRUMENTS CONTINUED

(c) Interest Rate Risk continued

Interest rate sensitivity

The following table illustrates the sensitivity of the profit before taxation for the year and equity to an increase or decrease of 50 (2012: 50) basis points in interest rates in regard to the Group's monetary financial assets which are subject to interest rate risk.

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 2013 £'000	**Decrease in rate 2013 £'000**	Increase in rate 2012 £'000	Decrease in rate 2012 £'000
Effect on total return to equity	**75**	**(7)**	86	(10)

(d) Other price risk

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

A Schedule of the Twenty Largest Investments is given on page 10. Investments are valued in accordance with the Group's accounting policies. Uncertainty in valuations of the Group's investments arises as a result of future changes in the market prices of the Group's listed equity investments and its unit trust and OEIC 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. 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.

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 review.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

continued

18. FINANCIAL INSTRUMENTS CONTINUED

(d) Other price risk continued

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 or equity related, was as follows:

	2013 **£'000**	2012 £'000
Fixed asset quoted investments at fair value through profit or loss	**56,616**	48,952

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

	2013 **£'000**	2012 £'000
Fixed asset unquoted investments at fair value through profit or loss	**1,710**	2,188
Analysed as:		
Equities	**1,566**	1,840
Fixed Interest	**–**	–
Loan	**144**	348
	1,710	2,188

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. 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 2013 £'000	**Decrease in fair value 2013 £'000**	Increase in fair value 2012 £'000	Decrease in fair value 2012 £'000
Effect on total return and on net assets	**5,833**	**(5,833)**	5,114	(5,114)

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

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 2.4% (2012: 3.3%) of the investment portfolio.

All financial liabilities of the Group at the balance sheet date are payable within three months.

Management of the risk

The liquidity risk is managed by maintaining some cash or cash equivalent holdings in order to meet investment requirements and other liabilities as they fall due. At the year end the Group had liquid resources of £72.0 million (2012: £66.1 million).

This was made up of £15.0 million (2012: £17.2 million) of cash and money market instruments and £57.0 million (2012: £50.0 million) of listed/daily priced 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 an authorised list of banks, periodically reviewed by the Board.

Credit risk exposure

The maximum exposure to credit risk at 30th June 2013 was £15,220,000 (2012: £17,308,000), comprising:

	2013 £'000	2012 £'000
Due from brokers	**153**	–
Accrued income	**53**	47
Tax recoverable	**45**	80
Cash and cash equivalents	**14,969**	17,181
	15,220	17,308

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.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

continued

18. FINANCIAL INSTRUMENTS CONTINUED

(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 and unit trusts and OEICs is based on last traded market bid prices. The fair value of unlisted shares and securities is based on Directors' valuations as detailed in the accounting policies (note 1(g)).

(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:

	2013 **£'000**	2012 £'000
FINANCIAL ASSETS		
Financial assets at fair value through profit or loss:		
Fixed asset investments – designated as such on initial recognition	**58,326**	51,140
Loans and receivables:		
Current assets:		
Debtors (due from brokers, dividends receivable, accrued income and other debtors)	**206**	47
Tax recoverable	**45**	80
Cash and cash equivalents	**14,969**	17,181
	73,546	66,448
FINANCIAL LIABILITIES		
Measured at amortised cost:		
Creditors: amounts falling due within one year		
Accruals	**226**	232
Creditors: amounts falling due after one year		
Creditors (deferred taxation)	**–**	149
	226	381

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

continued

18. FINANCIAL INSTRUMENTS CONTINUED

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

Valuation of financial instruments

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

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

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AT 30TH JUNE 2013

	Level 1 £'000	Level 3 £'000	Total £'000
Equities	56,616	1,566	58,182
Loan	–	144	144
	56,616	1,710	58,326

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AT 30TH JUNE 2012

	Level 1 £'000	Level 3 £'000	Total £'000
Equities	48,952	1,840	50,792
Loan	–	348	348
	48,952	2,188	51,140

The valuation techniques used by the Company are explained in the accounting policies on page 38. There have been no transfers during the year between Levels 1 and 2.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2013

continued

18. FINANCIAL INSTRUMENTS CONTINUED

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

A reconciliation of fair value measurements in Level 3 is set out below.

LEVEL 3 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AT 30TH JUNE

	2013	2012
	£'000	£'000
Opening fair value	**2,188**	2,841
Movement in classification of investments*	**3,149**	–
Purchases at cost	**–**	–
Sales proceeds	**(3,357)**	(205)
Total gains or losses included in gains on investments in the Statement of Comprehensive Income		
– on sold assets	**(47)**	55
– on assets held at the end of the year	**(223)**	(503)
Closing fair value	**1,710**	2,188

* Movement of Westhouse Holdings and Henderson Private Equity Investment Trust from listed to unlisted.

Level 3 valuations comprise the unlisted investments held at Directors' valuation.

(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.

19. RELATED PARTIES

Since 1st January 2010 Brompton has acted as Investment Manager to the Company. This relationship is governed by an agreement dated 23rd December 2009. Details of the investment management fee payable may be found on page 15.

Mr Duffield is the senior partner of Brompton Asset Management Group LLP the ultimate parent of Brompton.

The total investment management fee payable to Brompton for the year ended 30th June 2013 was £493,000 (2012: £513,000) and at the year end £120,000 (2012: £126,000) was accrued. No performance fee was payable in respect of the year ended 30th June 2013 (2012: £nil).

Details of Directors fees paid to Mr Duffield may be found on page 27.

The Group's investments include five funds managed by Brompton or its associates. No investment management fees were payable directly by the Company in respect of these investments.

20. COMMITMENTS AND CONTINGENCIES

There are no other commitments or contingencies at the reporting date (2012: nil).

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2013 Annual General Meeting of New Star Investment Trust plc ("Company") shall be held at Tenth Floor, 1 Knightsbridge Green, London, SW1X 7QA commencing at 11.00 a.m. on Thursday 7th November 2013 for the following purposes:

ORDINARY BUSINESS

To consider, and if thought fit to pass, the following Resolutions which are proposed as Ordinary Resolutions of the Company:

1. To receive, consider and adopt the Company's annual accounts for the year to 30th June 2013 together with the Reports of the Directors and Auditors therein.
2. To receive and approve the Directors' Remuneration Report for the year to 30th June 2013.
3. To re-elect Mr Geoffrey Howard-Spink, retiring in accordance with the Company's Articles of Association, as a Director.
4. To re-elect Mr John Duffield, retiring in accordance with the Listing Rules, as a Director.
5. To re-elect Mr Marcus Gregson, retiring by rotation in accordance with the Company's Articles of Association, as a Director.
6. To re-appoint Ernst & Young LLP as auditors until the conclusion of the next general meeting at which accounts are laid before members, AND authorise the Directors to determine the auditor's remuneration.

SPECIAL BUSINESS

To consider, and if thought fit to pass, Resolution 7 which is proposed as an Ordinary Resolution of the Company, and Resolutions 8 to 11 as Special Resolutions of the Company:

7. THAT the Directors be generally and unconditionally authorised under section 551 of the Companies Act 2006 ("Act") to exercise all the powers of the Company to allot Ordinary shares in the capital of the Company ("Shares") and/or grant rights to subscribe for or convert any security into Shares up to an aggregate of:

   (a) £236,745 in nominal value of such Shares; and

   (b) a further £236,745 in nominal value of Shares in connection with an offer by way of a rights issue:

      (i) to holders of Ordinary shares in proportion (or as nearly may be) to their existing holdings; and

      (ii) to holders of other equity securities as required by the rights of those equity securities or otherwise as the Directors may consider necessary;

   subject to such exclusions restrictions or other arrangements as the Directors consider necessary or appropriate in relation to fractional entitlements, record dates, treasury shares, or any legal or regulatory or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and

   unless otherwise renewed varied or revoked the authorities hereby granted shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2014 or fifteen months after the passing of this Resolution SAVE THAT the Company may before such expiry enter into offer(s) or agreement(s) which shall or may require Shares to be allotted after such expiry and the Company may allot Shares in pursuance of such offer(s) or agreement(s) as if the authorities hereby granted had not so expired.

8. THAT subject to the passing of Resolution 7 above the Directors be generally and unconditionally authorised pursuant to section 570 of the Companies Act 2006 ("Act") to allot equity securities (as defined in section 560 of the Act) as if section 561 of the Act did not apply to such allotment, provided that unless otherwise renewed varied or revoked the authority

NOTICE OF ANNUAL GENERAL MEETING

continued

hereby granted shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2014 or the date fifteen months after the passing of this Resolution, and shall be limited to:

(i) the allotment of equity securities up to an aggregate nominal amount of £35,511 (being approximately 5% of the capital currently in issue); and

(ii) the allotment of equity securities at a price (excluding expenses) not less than the net asset value per share for the business day immediately preceding such allotment, or if earlier the agreement to allot;

save that the Company is hereby authorised to enter into offer(s) or agreement(s) which shall or may require Shares to be allotted after such expiry and the Company may allot Shares in pursuance of such offer(s) or agreement(s) as if the authorities hereby granted had not so expired.

9. THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (“Act”) to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary shares in the capital of the Company upon such terms and in such manner as the Directors shall determine provided that:

   (i) the maximum aggregate number of Ordinary shares authorised hereby to be purchased shall be 10,646,450, being approximately 14.99% of the Ordinary share currently in issue;

   (ii) the minimum price which may be paid per Ordinary share shall be £0.01;

   (iii) the maximum price (exclusive of expenses) which may be paid per Ordinary share shall be an amount equal to the highest of (a) 5% above the average of the mid-market quotations for Ordinary shares as shown on the London Stock Exchange Daily Official List or website on the five business days immediately preceding the day of purchase and (b) in the event of a programme of buybacks the higher of the last independent trade and the highest current independent bid price;

   (iv) at the discretion of the Directors any Ordinary shares bought back under this authority may be cancelled or placed in treasury;

   (v) unless otherwise renewed varied or revoked the authority hereby granted shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2014 or the date fifteen months after the passing of this Resolution SAVE THAT the Company may enter into offer(s) or agreement(s) which shall or may require Shares to be bought back after such expiry and the Company may buy back Ordinary shares pursuant to such offer(s) or agreement(s) as if the authority hereby granted had not so expired.

10. THAT any Ordinary shares held by the Company in treasury, whether as a result of being bought back in accordance with the authority conferred by Resolution 9 above or otherwise may, at the discretion of the Directors, be cancelled or resold or allotted from treasury, provided that they shall not be resold or allotted at a price below the last published net asset value prior to re-issue.

11. THAT General Meetings of the Company, other than an Annual General Meeting, may be called on not less than 14 clear days’ notice.

By order of the Board
Phoenix Administration Services Limited
Corporate Secretary
26th September 2013

Registered Office: 1 Knightsbridge Green, London SW1X 7QA
Registered in England & Wales No: 3969011

NOTICE OF ANNUAL GENERAL MEETING

continued

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. This Report & Accounts is circulated to holders of Ordinary shares, all of whom are entitled to attend, speak and vote at the above Annual General Meeting ("AGM").
2. Any member entitled to attend and vote at the AGM is also entitled to appoint one or more proxies to attend, speak and vote at the AGM on their behalf, provided that if multiple proxies are appointed they must be appointed in respect of different Ordinary shares. Proxies need not be members of the Company. A form of proxy is sent to members with the Report & Accounts and must be received by the Company's Registrar: Equiniti Registrars, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA duly completed in accordance with the instructions on the form of proxy not less than 48 hours before the time of the meeting, or in the case of an adjourned meeting not less than 24 hours before the time of the adjourned meeting. If multiple proxies are being appointed the form of proxy should be copied and a separate form of proxy completed, identifying the different Ordinary shares each represents, stating that it is in respect of a multiple proxy appointment, for each proxy and have an original signature of the member making the appointment(s). Completion and return of form(s) of proxy will not preclude a member from attending, speaking and voting in person at the AGM.
3. To appoint proxies or give/amend an instruction to an appointed proxy via the CREST system, the CREST message must be received by the issuer's agent, Equinit Registrars (ID: RA19) by 11.00 a.m. on 5th November 2013. The time of receipt will be taken as the time (as determined by the timestamp applied by the CREST Applications Host) that the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST Sponsored Members, and CREST Members who have appointed voting service providers, should refer to their relevant sponsor or voting service provider for advice on appointing proxies via CREST. Regulation 35 of the Uncertificated Securities Regulations 2001 will apply to all proxy appointments sent via CREST. Members should refer to the CREST Manual (available at www.euroclear.com) for information on CREST system limitations, procedures and timing.
4. A person who is not a member of the Company and receives this notice of meeting as a person nominated by a member to enjoy information rights under Section 146 of the Companies Act 2006 ("Act") does not have a right to appoint proxies. However, if a nominated person has an agreement with the member who nominated them, the nominated person may have a right to be appointed as a proxy or a right to instruct the member as to the exercise of voting rights at the AGM.
5. Shareholders entered on the Register of Members of the Company by 6.00pm two days before the time for the meeting, or by 6.00 p.m. two days prior to an adjourned meeting, are entitled to attend and vote at the AGM. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any shareholders to attend and vote at the AGM.
6. Under Section 319(A) of the Act the Company must cause to be answered any question relating to the business being dealt with at the AGM put by a member attending the AGM unless answering the question would interfere unduly with the preparation for the meeting, would involve the disclosure of confidential information, an answer has already been given on a website, or is undesirable in the interests of the Company or good order of the AGM.
7. Members may not use any electronic address provided in this notice or any related document(s) to communicate with the Company for any purpose other than as specifically stated.
8. As at 26th September 2013, the latest practicable date prior to the publication of this notice, the issued capital carrying voting rights comprised 71,023,695 Ordinary shares. On a poll, each Ordinary share is entitled to one vote, and accordingly at 26th September 2013 the total voting rights attaching to Ordinary shares in issue was 71,023,695.
9. Information regarding the AGM, including the information required by Section 311A of the Act, can be found on the Company's website at www.nsitplc.com
10. No Director has a service agreement with the Company. Directors' letters of appointment will be available for inspection at the AGM venue from 15 minutes before the time for the meeting until conclusion of the meeting.
11. Members holding requisite shareholdings are entitled, pursuant to Sections 388 and 388A of the Act, to include a Resolution to be dealt with in the business of the AGM and to require the Company to give notice of that Resolution.

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