NEW STAR INVESTMENT TRUST PLC

REPORT AND ACCOUNTS

for the year ended 30th June 2015

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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
25 Churchill Place, London E14 5EY

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: 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 Group 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.*

STRATEGIC REPORT

FINANCIAL HIGHLIGHTS

	30th June 2015	30th June 2014	% Change
PERFORMANCE			
Net assets (£'000)	**79,854**	76,227	4.8
Net asset value per Ordinary share	**112.43p**	107.33p	4.8
Mid-market price per Ordinary share	**73.50p**	71.50p	2.8
Discount of price to net asset value	**34.6%**	33.4%	N/A
NAV performance	**4.8%**	4.0%	N/A
IA Mixed Investment 40%-85% Shares (total return)	**6.7%**	8.0%	N/A
MSCI AC World Index (total return, sterling adjusted)	**10.1%**	9.6%	N/A
MSCI UK Index (total return)	**-0.2%**	12.3%	N/A

	1st July 2014 to 30th June 2015	1st July 2013 to 30th June 2014
REVENUE		
Return per Ordinary share	**0.49p**	0.11p
Dividend per Ordinary share	**–**	–
Proposed Dividend per Ordinary share	**0.30p**	–
TOTAL RETURN		
Net assets	**4.8%**	4.0%

STRATEGIC REPORT

for the year ended 30th June 2015

CHAIRMAN'S STATEMENT

PERFORMANCE

Your Company's net asset value (NAV) rose 4.80% over the year to 30th June 2015. This took the year-end NAV per ordinary share to 112.43p. By comparison, the Investment Association's Mixed Investment 40-85% Shares index gained 6.67%. Your Directors believe this benchmark continues to be appropriate because your Company has, since inception, been invested in a broad range of asset classes. Equity markets had mixed results, with the MSCI AC World Total Return Index rising 10.06% and the MSCI UK Total Return Index falling 0.20% over the financial year, while UK government bonds returned 8.86%. Further information is provided in the Investment Manager's report.

EARNINGS AND DIVIDEND

The Revenue return for the year was 0.49p per share (2014: 0.11p).

Your Company has a small revenue surplus in its retained revenue reserve which will enable it to pay a dividend. Your Directors recommend the payment of a final dividend in respect of the year of 0.3p per share (2014: £nil).

OUTLOOK

Global stock markets fell sharply in the weeks following your Company's year-end on fears that Chinese monetary policy would prove deflationary at a time when the US Federal Reserve was contemplating raising interest rates. Your Company's investments in cash and gold provide diversification and should prove defensive in adverse circumstances. Over the longer term, your Company's holdings in Asia ex-Japan and emerging markets should benefit from favourable demographics and economic growth. In the developed world, the holdings in funds that focus on consumer-orientated companies with strong business franchises and good earnings visibility should benefit from the recent oil price fall. Central bank policy in Europe and Asia is likely to remain supportive for some time to come while in the US, when interest rates do rise, the rate of increase is likely to be modest.

CASH AND BORROWINGS

Your Company has no borrowings and ended its financial year with cash representing 14.89% of its net asset value. Your Company is likely to maintain a significant cash position.

The Company is a small registered Alternative Investment Fund Manager under the European Union Directive. The Company's assets now exceed the threshold of 100 million euros, accordingly, should it wish to borrow it would require a change in Regulatory permissions.

DISCOUNT

During the year under review, your Company's shares continued 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 yet been found. This position is, however, kept under continual review by the Board.

STRATEGIC REPORT

for the year ended 30th June 2015

CHAIRMAN'S STATEMENT CONTINUED

ANNUAL MEETING

The Annual General Meeting will be held on Thursday, 5th November 2015 at 11.00 a.m. The notice of the meeting can be found on pages 65 to 68.

NET ASSET VALUE

Your Company's unaudited net asset value per share at 31st August 2015 was 110.42p.

Geoffrey Howard-Spink
Chairman
18th September 2015

STRATEGIC REPORT

for the year ended 30th June 2015

INVESTMENT MANAGER'S REPORT

MARKET REVIEW

The US Federal Reserve stayed true to its course and halted quantitative easing in October 2014. This extraordinary policy of monetary easing was first adopted during the credit crisis in 2008. Over the subsequent six years, there were successive programmes of quantitative easing, eventually culminating in an "open-ended" commitment to continue money-printing until unemployment fell below target. Janet Yellen, the Federal Reserve chairman, confirmed that the process of normalising monetary policy was set to continue later in 2015 with the Fed expected to announce the first interest rate rise in many years, subject to robust employment and inflation data. Employment data was strong during the year under review and the headline US unemployment rate fell to 5.3% in July 2015.

Inflation data was, however, much weaker, falling well below the Fed's 2% target rate. In July 2015, US headline inflation rose just 0.1% on a monthly basis, mainly as a result of the sharp fall in energy costs. The oil price fell sharply during the second half of 2014 and showed a 44.11% decline in sterling terms during the year under review. Falls of this magnitude have generally been associated with weaker global demand but, in this instance, it was the result of supply-side developments. Saudi Arabia maintained supply in the face of increased production from US shale oil producers to defend its market share. The end of the Libyan civil war and, more recently, the Iranian nuclear accord look set to add to the glut. Falling commodity prices could be the harbingers of deflation but cheaper oil should ultimately stimulate global economic growth.

In the UK, political risk diminished following the "no" vote in the Scottish referendum in September 2014 and the election of a majority government at Westminster in May. Although the Conservatives promised a European Union membership referendum by 2017, the prospect of Britain leaving the EU is as yet too remote to depress sterling. UK economic data continued to improve after the election. In the second quarter of 2015, the UK economy grew by 0.7%. UK gross domestic product was 5.2% higher than the pre-crisis peak achieved in the first quarter of 2008. In 2015, the UK could be the fastest growing Group of Seven economy for the second year running.

As the Fed and Bank of England sought to normalise monetary policy, the European Central Bank (ECB) and the Bank of Japan were engaged in supporting economic recovery through further easing. In January 2015, the ECB confounded sceptics who thought eurozone political divisions precluded a major programme of quantitative easing when it announced €1.1 trillion of bond purchases. The ECB took action to prevent falling inflation ultimately leading to deflation, a state of affairs in which consumers defer purchases in the expectation of further falls in prices thus causing economic activity to stall. The ECB's programme involves it buying €60 billion of assets each month from March 2015 until September 2016 and possibly beyond that date if the inflation outlook has not improved. This should be sufficient to reverse the decline in the ECB balance sheet since 2012. Confirmation of eurozone quantitative easing had a negligible impact on the region's cost of borrowing as interest rates were already at ultra-low levels but the benefit was manifest in the fall in the euro. Equity markets in Europe excluding the UK gained 7.49% in local currency terms between the ECB's announcement on 22nd January 2015 and the end of your Company's financial year. The euro, however, fell 6.38% against sterling during the same period.

STRATEGIC REPORT

for the year ended 30th June 2015

INVESTMENT MANAGER'S REPORT CONTINUED

Europe ex-UK equity market gains were tempered in June when the Greek crisis escalated once more. Gathering unease regarding the progress of discussions on Greek debt refinancing culminated on 30th June when Greece missed a scheduled payment to the International Monetary Fund (IMF). In the subsequent weeks, the Greek drama took centre stage as a majority of the Greek people voted "no" to more austerity and the government argued that debt relief should be linked to further fiscal tightening. The final tableau, staged in Brussels to an audience of EU heads of government, culminated in a compromise that enabled Greece to stay in the euro and Germany and other creditor nations to justify some softening in terms to sceptical electorates. A negotiated solution always seemed the most likely outcome. From the Greek perspective, the government did not have a clear democratic mandate to abandon the euro although currency devaluation is an established method to reinvigorate an over-indebted economy. On the other side of the negotiating table, the risks to the creditor nations outweighed the cost of another bailout. A Greek departure would have confounded the notion that the single currency was irreversible and potentially led to increased borrowing costs for the whole region. The full cost and unintended consequences of Grexit, however, were always unquantifiable. During the late summer of 2015, it appeared this third Greek bailout could still founder because the IMF declined to participate unless the deal incorporated an element of debt relief. In August 2015, the resignation of Greek prime minister, Alexis Tsipras, and the prospect of a snap election, created fresh uncertainty.

Emerging markets generally underperformed developed economy peers during your Company's financial year. Global equities rose 10.06% whereas emerging markets rose just 3.53% in sterling terms. The weakness in commodity prices and the dollar's strength proved significant headwinds for many economies. Equity markets in Asia Pacific excluding Japan, however, rose 13.22% in sterling, spurred on by a stock market boom in China. Chinese equities rose 158.81% in sterling terms over the 11 months to May 2015 as a relaxation in rules governing equity investment for domestic and foreign investors inflated a classic investment "bubble". This burst in June when domestic Chinese equities fell 10.83% in sterling. In the weeks following your Company's year-end, Chinese equities fell sharply, driven down initially by panic selling as retail investors who had invested using borrowed money liquidated their holdings to finance margin calls and global investors responded to weak economic data. Then in August, the People's Bank of China announced a relaxation of the peg to the dollar, resulting in a fall in the renminbi. Global equity markets retreated as investors responded to increased risks of deflation. The Bank of China continued to support the economy by encouraging bank lending and cutting interest rates cuts and further policy action was anticipated later in the year.

STRATEGIC REPORT

for the year ended 30th June 2015

INVESTMENT MANAGER'S REPORT CONTINUED

PORTFOLIO REVIEW

During the year under review, the Company's net asset value rose 4.80%. Most of its investments are in global equities but it also has significant investments in cash, gold and gold securities. In comparison, the Investment Association's Mixed Investment 40-85% Shares index, which measures a peer group of funds with a multi-asset approach to investing and a typical investment in global equities in the 40-85% range, rose 6.67% during the year. The MSCI AC World Total Return Index gained 10.06% in sterling and the MSCI UK Total Return Index fell 0.20% in sterling. UK equities underperformed global peers because the UK market is biased towards natural resources companies, with oil stocks and miners ranking among the largest constituents. These companies fell in response to weaker commodity prices. The performance of UK equities relative to global equities was also affected by sterling weakness, with the pound down 8.72% against the dollar over the year. Gilts performed well, returning 8.86%. Following the sale of the Fidelity Global Inflation Linked Bond fund in March, your company had no direct fixed income investments because bonds appeared expensive.

The significant holdings in dollars and gold and gold securities provide diversification and may outperform equities in more challenging market conditions.

Performance benefited from the strong gains made by your Company's Asia ex-Japan and Indian equity fund investments during the financial year. The rise in Chinese equities was reflected in the returns of Wells Fargo China, which rose 44.72%, making it your Company's best performer. Liontrust Asia Income gained 13.20% while First State Indian Subcontinent delivered 28.97% as Indian equities rose 12.27% in sterling in recognition of the pro-business reforms of the prime minister, Narendra Modi, and the fall in the cost of oil imports.

By contrast, Neptune Russia & Greater Russia fell 27.22%. Russian equities rose 8.50% in local currency terms during the year under review as the Ukraine peace agreement held but these gains were overwhelmed by the rouble's 33.55% fall against sterling as commodity prices fell and the dollar strengthened. Countries such as Nigeria and Ghana were even more severely affected because the oil price fell below the cost of extraction. The investment in Investec Africa, which has major holdings in these markets, was sold outright in April 2015.

All your Company's investments in UK equity funds outperformed the UK market because of their high allocations in small and medium-sized companies and correspondingly low holdings in the commodity companies heavily represented in the ranks of the UK's largest companies. The Aberforth Geared Income investment trust and the iShares FTSE 250 exchange-traded fund (ETF) rose 15.82% and 14.01% respectively.

Your Company's largest investment, Henderson European Special Situations, transferred into the FP Crux European Special Situations fund following the financial year end as the portfolio manager established Crux, a new asset management company. The portfolio manager and investment strategy remain unchanged. The fund gained 8.35% as Europe ex-UK equity markets performed strongly, supported by quantitative easing, a weak euro and a lower oil price. The addition of Schroder European Alpha Income in April increased your Company's exposure to these favourable trends. Aquilus Inflection delivered 10.96% as a result of taking both long and short positions in European equities.

STRATEGIC REPORT

for the year ended 30th June 2015

INVESTMENT MANAGER'S REPORT CONTINUED

Lindsell Train Japanese Equity was also added in April. Japanese equities have performed well since the election of Shinzo Abe ushered in policies of monetary easing, increased public spending and structural reform. The fund invests in a concentrated portfolio of companies with a focus on domestic economic recovery and has benefited from growth in consumer spending.

The prospect of the first US interest rate rise for many years and attendant dollar strength led to a 4.02% fall in the gold price and a 3.59% fall in the Gold Bullion Securities ETF. The fall was magnified in the share prices of gold miners and Blackrock Gold & General fell 19.57%. The investments in gold and gold miners provide diversification benefits and may prove defensive when equity markets are weak.

The relatively low allocation to US equity funds hurt performance as US equities gained 16.79% although Polar Capital Global Technology, which has a US focus, gained 17.45%. During the year under review, the majority of the Company's cash was, however, denominated in dollars and performance was helped by the stronger dollar.

The six Brompton multi-asset funds and the Brompton UK recovery fund all delivered positive returns. FP Brompton Global Equity performed best as equity markets rose, gaining 8.39%.

OUTLOOK

In the weeks immediately after your Company's year-end, equity markets fell sharply and volatility increased. In the early autumn 2015, it was unclear whether investors' fears would be realised and that the change in China's monetary policy would prove to be deflationary. The potential for negative surprises clearly increased as the Chinese economic growth slowdown occurred at a time when the Federal Reserve was contemplating an interest rate rise. Your Company's investments in cash and gold provide diversification and should prove defensive in adverse circumstances. At the year end, however, the holdings in Asia ex-Japan and emerging markets remained significant given the longer-term attractions of these economies in terms of favourable demographics and potential economic growth.

The prospects remain positive for consumer-orientated companies with strong business franchises and good earnings visibility. These businesses should benefit from the recent oil price fall and they are well-represented in the portfolio through investments in funds such as Fundsmith and the FP Brompton global multi-asset funds. Central bank policy is likely to remain supportive for some time to come. When US interest rates do rise, the rate of increase will be slow.

Brompton Asset Management LLP
Investment Manager
18th September 2015

STRATEGIC REPORT

at 30th June 2015

SCHEDULE OF TWENTY LARGEST INVESTMENTS

		30th June 2015	
Holding	**Activity**	**Bid-market value £'000**	**Percentage of invested portfolio**
FP Crux European Special Situations Fund	Investment Fund	8,573	12.59
Fundsmith Equity Fund	Investment Fund	6,069	8.91
Artemis UK Special Situations Fund	Investment Fund	4,102	6.02
Aberforth Geared Income Trust	Investment Company	3,722	5.47
FP Brompton Global Conservative Fund	Investment Fund	3,515	5.16
Trojan Investment Fund	Investment Fund	3,150	4.63
BlackRock Gold & General Fund	Investment Fund	2,710	3.98
Aquilus Inflection Fund	Investment Fund	2,586	3.80
First State Indian Subcontinent Fund	Investment Fund	2,514	3.69
Polar Capital Global Technology Fund	Investment Fund	2,409	3.54
FP Brompton Global Opportunities Fund	Investment Fund	2,130	3.13
FP Brompton Global Growth Fund	Investment Fund	2,090	3.07
PFS Brompton UK Recovery Unit Trust	Investment Fund	2,075	3.05
FP Brompton Global Income Fund	Investment Fund	1,981	2.91
Gold Bullion Securities ETF	Exchange Traded Fund	1,975	2.90
FP Brompton Global Equity Fund	Investment Fund	1,870	2.75
Neptune Russia & Greater Russia Fund	Investment Fund	1,849	2.72
FP Brompton Global Balanced Fund	Investment Fund	1,764	2.59
Schroder European Alpha Income Fund	Investment Fund	1,716	2.52
Lindsell Train Japanese Equity Fund	Investment Fund	1,693	2.49
		58,493	85.92
Balance held in 14 investments		9,593	14.08
Total investments		68,086	100.00

The investment portfolio can be further analysed as follows:

	£'000
Investment companies and ETF's	8,170
Other quoted investments	627
Investment funds	57,726
Unquoted investments	1,563
	68,086

STRATEGIC REPORT

at 30th June 2014

SCHEDULE OF TWENTY LARGEST INVESTMENTS

		30th June 2014	
Holding	**Activity**	**Bid-market value £'000**	**Percentage of invested portfolio**
Henderson Euro Special Situations Fund	Investment Fund	7,912	12.19
Fundsmith Equity Fund	Investment Fund	5,071	7.81
Artemis UK Special Situations Fund	Investment Fund	3,859	5.95
FP Brompton Global Conservative Fund	Investment Fund	3,352	5.17
BlackRock Gold & General Fund	Investment Fund	3,347	5.16
Aberforth Geared Income Trust	Investment Company	3,332	5.14
Trojan Investment Fund	Investment Fund	3,048	4.70
Aquilus Inflection Fund	Investment Fund	2,631	4.05
Neptune Russia & Greater Russia Fund	Investment Fund	2,517	3.88
Investec Africa Fund	Investment Fund	2,367	3.65
Polar Capital Global Technology Fund	Investment Fund	2,053	3.16
Gold Bullion Securities ETF	Exchange Traded Fund	2,051	3.16
FP Brompton Global Opportunities Fund	Investment Fund	1,982	3.05
FP Brompton Global Income Fund	Investment Fund	1,961	3.02
FP Brompton Global Growth Fund	Investment Fund	1,961	3.02
First State Indian Subcontinent Fund	Investment Fund	1,936	2.98
PFS Brompton UK Recovery Unit Trust	Investment Fund	1,925	2.97
FP Brompton Global Equity Fund	Investment Fund	1,725	2.66
Standard Life Investment European Income Fund	Investment Fund	1,692	2.61
FP Brompton Global Balanced Fund	Investment Fund	1,679	2.59
		56,401	86.92
Balance held in 18 investments		8,489	13.08
Total investments		64,890	100.00

The investment portfolio can be further analysed as follows:

	£'000
Investment companies and ETF's	7,618
Other quoted investments	873
Investment funds	55,253
Unquoted investments	1,146
	64,890

STRATEGIC REPORT

for the year ended 30th June 2015

STRATEGIC REVIEW

The strategic review is designed to provide information primarily about the Company's business and results for the year ended 30th June 2015. The strategic 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 to 11, which provide a review of the year's investment activities 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') and conducts its affairs in accordance with those Regulations so as to continue to gain exemption from liability to United Kingdom capital gains tax.

The Company is listed on the London Stock Exchange and adheres to 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.

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.

STRATEGIC REPORT

for the year ended 30th June 2015

STRATEGIC REVIEW CONTINUED

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 12 and 13.

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 12.

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.

STRATEGIC REPORT

for the year ended 30th June 2015

STRATEGIC REVIEW CONTINUED

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 Section and in note 18.

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.

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 Asset Management LLP ('Brompton') as Investment Manager and Phoenix Administration Services Limited as Secretary & Administrator, to help manage the Company's legal and regulatory obligations. The monthly report the Board receives 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 pages 29 and 30.

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 (the 'Investment Manager'). This relationship is governed by an agreement dated 23rd December 2009. The portfolio manager is Gill Lakin.

STRATEGIC REPORT

for the year ended 30th June 2015

STRATEGIC REVIEW CONTINUED

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.

The Investment Manager is also 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 £478,000 (2014: £491,000). No performance fee was accrued or paid in respect of the year ended 30th June 2015 (2014: £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 2015 was £478,000 (2014: £491,000). No performance fee was payable in respect of the year ended 30th June 2015 (2014: £nil).

Throughout the year the Group's investments included seven funds managed by the Investment Manager. No investment management fees were payable directly by the Company in respect of these investments.

FINANCIAL REVIEW

Assets

Net assets at 30th June 2015 amounted to £79,854,000 compared with £76,227,000 at 30th June 2014. In the year under review, the net asset value per Ordinary share increased by 4.8% from 107.33p to 112.43p.

Revenue

The Group's gross revenue increased to £1,081,000 (2014: £786,000) mainly as a result of increasing distributions from underlying investments and a special payment from the Company's largest investment. After deducting expenses and taxation the revenue profit for the year was £344,000 (2014: £77,000).

STRATEGIC REPORT

for the year ended 30th June 2015

STRATEGIC REVIEW CONTINUED

Costs

Total expenses for the year amounted to £737,000 (2014: £709,000). In the year under review the investment management fee amounted to £478,000 (2014: £491,000). 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.

Dividends

Dividends do not form a central part of the Company's investment objective. The Directors propose a final dividend of 0.3p per Ordinary share in respect of the year ended 30th June 2015 (2014: £nil). If approved at the Annual General Meeting, the dividend will be paid on 20th November 2015 to shareholders on the register at the close of business on 6th November 2015 (ex-dividend 5th November 2015).

Funding

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

VAT

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

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 and the Investment Managers' report on pages 8 to 11.

STRATEGIC REPORT

for the year ended 30th June 2015

STRATEGIC REVIEW CONTINUED

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 review, at each meeting: the net asset value, income and expenditure and the share price of the Company. The Directors take into account a number of different indicators as the Company does not have a formal benchmark.

	30th June 2015	30th June 2014	% Change
PERFORMANCE			
Net assets (£'000)	**79,854**	76,227	4.8
Net asset value per share	**112.43p**	107.33p	4.8
Share price	**73.50p**	71.50p	2.8
Discount of price to net asset value	**34.6%**	33.4%	N/A
Total return per share	**4.83p**	4.09p	
NAV performance	**4.8%**	4.0%	N/A
IA Mixed Investment 40%-85% Shares (total return)	**6.7%**	8.0%	N/A
MSCI AC World Index (total return, sterling adjusted)	**10.1%**	9.6%	N/A
MSCI UK Index (total return)	**-0.2%**	12.3%	N/A

The Directors consider the asset allocation of the Company and monitor the level of the discount of share price to net asset value. The Investment Manager's report discusses performance.

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.

GENDER DIVERSITY

The Board of Directors comprises three male directors. The Board's primary consideration when appointing new directors is their experience and ability to make a positive contribution to the Board's decision making, regardless of gender.

By order of the Board
Geoffrey Howard-Spink
Chairman
18th September 2015

DIRECTORS' REPORT AND CORPORATE GOVERNANCE

for the year ended 30th June 2015

DIRECTORS' REPORT

The Directors present the audited accounts of the Company and their report for the year ended 30 June 2015.

DIRECTORS

Board composition

The names and biographies of the Directors are given on page 4.

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' REPORT AND CORPORATE GOVERNANCE

for the year ended 30th June 2015

DIRECTORS' REPORT CONTINUED

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 next AGM in accordance with the Articles of Association. No directors were appointed during the year.

The Articles of Association require one-third of Directors to retire by rotation in each year and all Directors are required to stand for re-election by shareholders at least every three years. Corporate Governance codes require that any Director who has served for more than nine years must 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 general 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 provides valuable input to its deliberations and continues to exhibit independence of character and judgment. It therefore 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 entity. 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, nor does it have a Remuneration Committee. Details of the fees paid to the Directors can be found in the Annual Directors' Remuneration Report on pages 31 and 32.

SHARE CAPITAL AND SHAREHOLDERS

Share capital

The Company's share capital comprises 305,000,000 Ordinary shares of 1p each (2014: 305,000,000), of which 71,023,695 (2014: 71,023,695) are issued and fully paid. No shares are held in treasury (2014: nil). The Company did not issue or repurchase any shares during the year or up to the date of this report.

DIRECTORS' REPORT AND CORPORATE GOVERNANCE

for the year ended 30th June 2015

DIRECTORS' REPORT CONTINUED

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 2015 and 15th September 2015, 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 2015	% of voting rights 15th September 2015
J L Duffield	59.14	59.14
Rathbone Investment Management Ltd*	6.10	5.92
M R L Astor	3.94	3.94
Armstrong Investments Ltd	3.16	3.16
Miton Asset Management Ltd	3.03	3.80

** excluding any shareholders disclosed individually.*

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.

DIRECTORS' REPORT AND CORPORATE GOVERNANCE

for the year ended 30th June 2015

DIRECTORS' REPORT CONTINUED

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

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 15 months against the cash and liquid assets within the portfolio.

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, 5th November 2015 at 11.00 a.m. The notice of meeting can be found on pages 65 to 68.

DIRECTORS' REPORT AND CORPORATE GOVERNANCE

for the year ended 30th June 2015

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 8 is proposed as an Ordinary Resolution to renew the 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. If granted, the authority will allow the issue of 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 9 to 12 are proposed as Special Resolutions.

Resolution 9 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 involved in calling a separate general meeting to authorise it.

Resolution 10 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 2014 AGM.

Resolution 11 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 12 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
18th September 2015

DIRECTORS' REPORT AND CORPORATE GOVERNANCE

for the year ended 30th June 2015

CORPORATE GOVERNANCE

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"). The UK Corporate Governance Code issued in September 2014 will be applicable for the year commencing 1st July 2015. In addition, the Company had regard to the Codes of Corporate Governance, issued by the Association of Investment Companies in February 2013 and February 2015 (jointly the "AIC Code"), which provides specific corporate governance guidance for 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 Committee (Code Provision: B.2.1). These instances of non-compliance are explained on page 20 and in more detail below.

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.

DIRECTORS' REPORT AND CORPORATE GOVERNANCE

for the year ended 30th June 2015

CORPORATE GOVERNANCE CONTINUED

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.

REPORT OF THE AUDIT COMMITTEE

Composition of the 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.

Role of the Audit Committee

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 annual and half yearly financial statements together with the appropriateness of its accounting policies;
- considering the Company's key risks and the risk matrix prepared by the Investment Manager;
- considering the nature and scope of the external audit and the findings therefrom;
- considering the need for an internal audit function;
- overseeing the relationship with the external auditor, including assessing the independence and objectivity of the auditor, the effectiveness of the auditor and any non-audit services provided; and
- reviewing the investment management agreement and any proposed alterations to the investment management agreement.

DIRECTORS' REPORT AND CORPORATE GOVERNANCE

for the year ended 30th June 2015

CORPORATE GOVERNANCE CONTINUED

Significant accounting matters considered by the Audit Committee

As part of the Audit Committee's review of the 2015 annual report and accounts, the Committee considered the following significant issues, including the consideration of principal risks and uncertainties in light of the Company's activities and issues communicated by the Auditor during their work.

Valuation of the investment portfolio. Over 98% of the portfolio has been verified by daily market prices. The valuation of the remainder of the portfolio, which is more subjective, is considered by the Investment Manager, the Audit Committee and the Auditor.

Ownership of the investment portfolio. The Company uses the services of an independent global custodian, Brown Brothers Harriman & Co. The investment manager and independent administrator reconcile their records to those of the custodian and the Auditor obtains independent confirmation of the holdings from the custodian.

Compliance with The Investment Trust (Approved Company)(Tax) Regulations 2011 is essential to maintaining the taxation benefits of being an Investment Company for UK tax purposes. Schedules are prepared by the Administrator to confirm compliance with the Regulations and there is an additional review at the year-end by the Investment Manager and the Auditor.

Auditor independence and performance

The Audit Committee 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. Representatives of Ernst & Young LLP attend the Audit Committee meeting at which the draft Annual Report & Accounts were considered. They also engage with the Directors as and when required. 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 48. In addition to auditing the annual financial report, Ernst & Young LLP also performed certain agreed upon review procedures in respect of the half year report, the preparation and submission of tax returns and advice on taxation matters. These procedures are considered to be non-audit services. Any supply of Non-Audit services to the Company must be pre-approved by the Audit Committee.

The current auditors have audited the Company's financial statements since inception of the Company and the current Audit Partner is in her second year. The Board concluded, on the recommendation of the Audit Committee, that the auditors continue to be independent of the Company and the Investment Manager and recommends their reappointment.

DIRECTORS' REPORT AND CORPORATE GOVERNANCE

for the year ended 30th June 2015

CORPORATE GOVERNANCE CONTINUED

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.

Approved by the Audit Committee
and signed on its behalf
Marcus Gregson
Chairman – Audit Committee
18th September 2015

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	4	2
Geoffrey Howard-Spink	4	2

PERFORMANCE EVALUATION

The Company

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

The Board

The Board evaluates its own performance, that of the Audit Committee, and the performance of each Director and the Chairman on a regular basis. Because the Board comprises only three Directors, some of which are members of all Committees, appraisals are carried out every two years rather than annually. Appraisals are conducted by the use of a tailored questionnaire designed to elicit views on all Board and Committee functions, followed by an opportunity to openly discuss the findings and ensure that effectiveness is maintained. A review has been carried out this year.

DIRECTORS' REPORT AND CORPORATE GOVERNANCE

for the year ended 30th June 2015

CORPORATE GOVERNANCE 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 2014.

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, which accords with the guidance in the document "Internal Control: Guidance for Directors on the Combined Code". 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 third party service providers are also 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.
- 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.

DIRECTORS' REPORT AND CORPORATE GOVERNANCE

for the year ended 30th June 2015

CORPORATE GOVERNANCE CONTINUED

ACCOUNTABILITY AND RELATIONSHIP WITH INVESTMENT MANAGER

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 33. The responsibilities of the independent auditor are set out on pages 34 to 37. The Directors' Report states that the business is a going concern on page 23.

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 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.

CONFLICTS OF INTEREST

The Board has put in place a framework for Directors to report conflicts of interest or potential conflicts of interest which it believes has worked effectively during the year. All Directors have notified the Company Secretary of any situations or potential situations where they consider that they have or may have a direct or indirect interest, or duty that conflicts or possibly conflicts, with the interests of the Company. All such situations are reviewed by the Board and duly authorised. Directors are also made aware that there remains a continuing obligation to notify the Company Secretary of any new situation that may arise, or any change to a situation previously notified. It is the Board's intention to continue to review all notified situations on a regular basis.

DIRECTORS’ REPORT AND CORPORATE GOVERNANCE

for the year ended 30th June 2015

ANNUAL DIRECTORS’ REMUNERATION REPORT

The Directors are pleased to present their report on remuneration. An ordinary resolution to receive this report will be put to members of the Company at the forthcoming Annual General Meeting.

At the Company’s last Annual General Meeting held on 6th November 2014, shareholders approved the Directors’ Remuneration Policy and Remuneration Report. 99.6% of votes were in favour of the Resolutions. The Remuneration Policy can be found in the Company’s 2014 Report & Accounts, which is available on the Company’s website at www.nsitplc.com.

The Auditors are required 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 34 to 37.

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. The Company’s Articles of Association places an aggregate ceiling of £100,000 per annum on Directors’ fees.

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’ FEES (AUDITED)

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

	2015	2014
	£	£
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

The fees payable to Mr Duffield are paid to the Investment Manager.

No information is given on the relative importance of spend on pay as the company has no Executive Directors or employees.

DIRECTORS' REPORT AND CORPORATE GOVERNANCE

for the year ended 30th June 2015

DIRECTORS' REMUNERATION REPORT CONTINUED

DIRECTORS' INTERESTS IN SHARES (AUDITED)

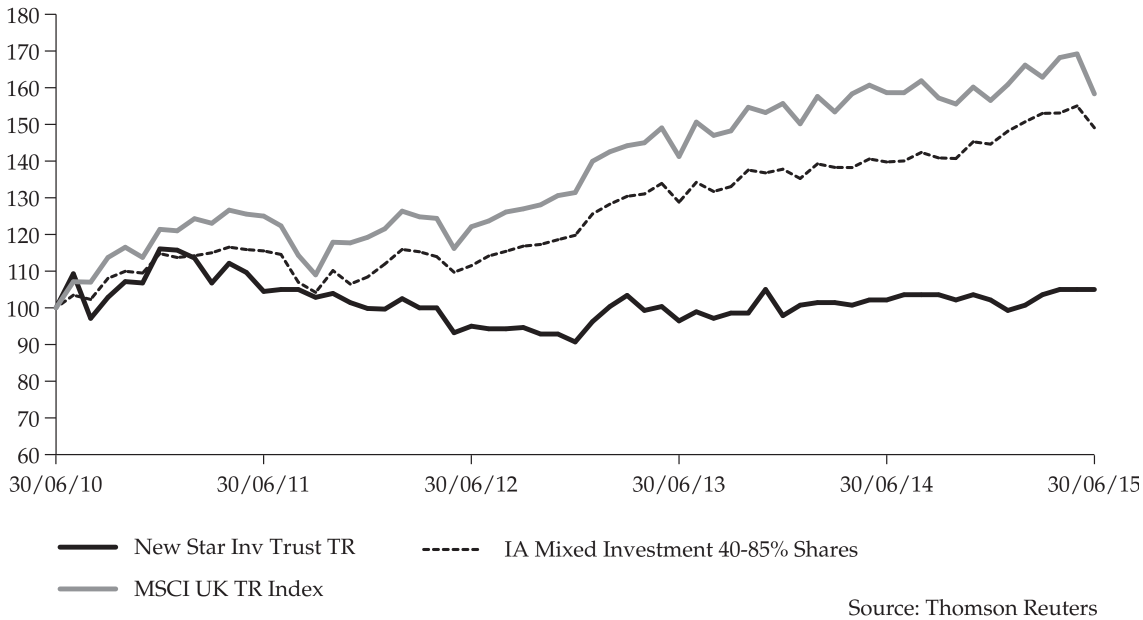
The interests of the Directors in the Ordinary shares of the Company at the beginning and end of the financial year are shown in the table below.

ORDINARY SHARES OF 1P BENEFICIAL:	**30th June 2015**	30th June 2014
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 2015 to the date of this report.

YOUR COMPANY'S PERFORMANCE

The graph below compares the share price total return (assuming all dividends are reinvested) over the last five years against the IA Mixed Investment 40-85% (total return). The data has been rebased to 100 for 30th June 2010.



Source: Thomson Reuters

By order of the Board
Geoffrey Howard-Spink
Chairman
18th September 2015

DIRECTORS’ REPORT AND CORPORATE GOVERNANCE

for the year ended 30th June 2015

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 have concluded that the Annual Report and Accounts for the year ended 30th June 2015, taken as a whole, is fair, balanced and understandable, and provide the information necessary for shareholders to assess the performance, business model and strategy of the Group.

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) the 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
18th September 2015

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

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and Company's affairs as at 30th June 2015 and of the Group's return for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Company's financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union and as applied in accordance with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS regulation.

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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

WHAT WE HAVE AUDITED

We have audited the financial statements of New Star Investment Trust plc for the year ended 30th June 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Group 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 as adopted by the European Union.

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 AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 33 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.

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

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 or 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 Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Following our assessment of the risk of material misstatement to the Group Annual Financial Statements our scope consists of the parent Company and its subsidiary which are subject to a full scope audit by the group audit team.

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

We identified the following risks of material misstatement that had the greatest effect on the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. The table also includes our responses to the risks:

Risk Identified	Our Response
The investment portfolio at the year-end comprised of quoted investments of £66.5 million and unquoted investments of £1.6 million. The valuation of the assets held in the investment portfolio is the key driver of the Company's investment return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	We performed the following procedures: • A walkthrough of the investment valuation process, assessing the controls in place over the valuation of investments at year end. • Discussed the valuation of the unquoted investments with the Manager. • Confirmed the valuations are performed in accordance with the Company's accounting policies and the IPEV guidelines. • Where possible we agreed the inputs to the unquoted valuations to supporting documentation including investor updates, shareholder circulars and management accounts. • Agreed 100% of quoted investments to an independent pricing source. • Agreed investment holdings to a confirmation from the custodian, Brown Brothers Harriman and additional evidence in the form of share certificate for one unquoted holding.

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

OUR APPLICATION OF MATERIALITY

We determined planning materiality for the Group to be £799k (2014: £762k) which is 1% of total equity. This provided a basis for determining the nature, timing and extent of our risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. We have derived our materiality calculation based on a proportion of total equity as we consider it to be the most important financial metric on which shareholders would judge the performance of the Group.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgment was that overall performance materiality (i.e. our tolerance for misstatement in an individual account or balance) for the Group should be 75% of planning materiality, namely £599k (2014: £572k). Our objective in adopting this approach was to ensure that total undetected and uncorrected audit differences in all accounts did not exceed our planning materiality level.

We have agreed with the Audit Committee to report all audit differences in excess of £40k (2014: £38k) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the qualitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

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

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 23, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

Sarah Williams *(Senior Statutory Auditor)*
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
18th September 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30th June 2015

	Notes	**Year ended 30th June 2015** Revenue Return £'000	Capital Return £'000	Total £'000	Year ended 30th June 2014 Revenue Return £'000	Capital Return £'000	Total £'000
INVESTMENT INCOME	2	**1,076**	**–**	**1,076**	778	–	778
Other operating income	2	**5**	**–**	**5**	8	–	8
		1,081	**–**	**1,081**	786	–	786
GAINS AND LOSSES ON INVESTMENTS							
Gains on investments at fair value through profit or loss	9	**–**	**2,574**	**2,574**	–	3,545	3,545
Other exchange gains/(losses)		**–**	**697**	**697**	–	(726)	(726)
Trail rebates		**–**	**12**	**12**	–	11	11
		1,081	**3,283**	**4,364**	786	2,830	3,616
EXPENSES							
Management fees	3	**(478)**	**–**	**(478)**	(491)	–	(491)
Other expenses	4	**(259)**	**–**	**(259)**	(218)	–	(218)
		(737)	**–**	**(737)**	(709)	–	(709)
PROFIT BEFORE FINANCE COSTS AND TAX		**344**	**3,283**	**3,627**	77	2,830	2,907
Finance costs		**–**	**–**	**–**	–	–	–
PROFIT BEFORE TAX		**344**	**3,283**	**3,627**	77	2,830	2,907
Tax	5	**–**	**–**	**–**	–	–	–
PROFIT) FOR THE YEAR		**344**	**3,283**	**3,627**	77	2,830	2,907
EARNINGS PER SHARE							
Ordinary shares (pence)	7	**0.49p**	**4.62p**	**5.11p**	0.11p	3.98p	4.09p

The total column of this statement represents the Group's profit and loss account, prepared in accordance with IFRS, as adopted by the European Union. 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 44 to 64 form an integral part of these Accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2015

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2014	**710**	**21,573**	**56,908**	**(2,964)**	**76,227**
Total comprehensive income for the year	**–**	**–**	**–**	**3,627**	**3,627**
AT 30TH JUNE 2015	**710**	**21,573**	**56,908**	**663**	**79,854**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2014

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2013	710	21,573	56,908	(5,871)	73,320
Total comprehensive income for the year	–	–	–	2,907	2,907
AT 30TH JUNE 2014	710	21,573	56,908	(2,964)	76,227

The Notes on pages 44 to 64 form an integral part of these Accounts.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2015

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2014	**710**	**21,573**	**56,908**	**(2,964)**	**76,227**
Total comprehensive income for the year	**–**	**–**	**–**	**3,627**	**3,627**
AT 30TH JUNE 2015	**710**	**21,573**	**56,908**	**663**	**79,854**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2014

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2013	710	21,573	56,908	(5,871)	73,320
Total comprehensive income for the year	–	–	–	2,907	2,907
AT 30TH JUNE 2014	710	21,573	56,908	(2,964)	76,227

The Notes on pages 44 to 64 form an integral part of these Accounts.

CONSOLIDATED BALANCE SHEET

at 30th June 2015

	Notes	**30th June 2015 £'000**	30th June 2014 £'000
NON-CURRENT ASSETS			
Investments at fair value through profit or loss	*9*	**68,086**	64,890
CURRENT ASSETS			
Other receivables	*11*	**46**	361
Cash and cash equivalents	*12*	**11,889**	11,171
		11,935	11,532
TOTAL ASSETS		**80,021**	76,422
CURRENT LIABILITIES			
Other payables	*13*	**(167)**	(195)
TOTAL ASSETS LESS CURRENT LIABILITIES		**79,854**	76,227
NET ASSETS		**79,854**	76,227
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*	**663**	(2,964)
TOTAL EQUITY		**79,854**	76,227
NET ASSET VALUE PER ORDINARY SHARE (Pence)	*16*	**112.43p**	107.33p

These Accounts were approved by the Board of Directors and authorised for issue on 18th September 2015.

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

The Notes on pages 44 to 64 form an integral part of these Accounts.

COMPANY BALANCE SHEET

at 30th June 2015

	Notes	**30th June 2015 £'000**	30th June 2014 £'000
NON-CURRENT ASSETS			
Investment in subsidiary at fair value through profit or loss	*10*	**502**	501
Investments at fair value through profit or loss	*9*	**68,086**	64,890
		68,588	65,391
CURRENT ASSETS			
Other receivables	*11*	**960**	1,275
Cash and cash equivalents	*12*	**10,473**	9,756
		11,433	11,031
TOTAL ASSETS		**80,021**	76,422
CURRENT LIABILITIES			
Other payables	*13*	**(167)**	(195)
TOTAL ASSETS LESS CURRENT LIABILITIES		**79,854**	76,227
NET ASSETS		**79,854**	76,227
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*	**663**	(2,964)
TOTAL EQUITY		**79,854**	76,227

These Accounts were approved by the Board of Directors and authorised for issue on 18th September 2015.

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

The Notes on pages 44 to 64 form an integral part of these Accounts.

CASH FLOW STATEMENTS

for the year ended 30th June 2015

	Note	**Year ended 30th June 2015 Group £'000**	**Year ended 30th June 2015 Company £'000**	Year ended 30th June 2014 Group £'000	Year ended 30th June 2014 Company £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES		**349**	**348**	88	87
INVESTING ACTIVITIES					
Purchase of Investments		**(4,420)**	**(4,420)**	(10,363)	(10,363)
Sale of Investments		**4,092**	**4,092**	7,203	7,203
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(328)**	**(328)**	(3,160)	(3,160)
NET CASH OUTFLOW BEFORE FINANCING		**21**	**20**	(3,072)	(3,073)
DECREASE IN CASH		**21**	**20**	(3,072)	(3,073)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS					
Decrease in cash resulting from cash flows		**21**	**20**	(3,072)	(3,073)
Exchange movements		**697**	**697**	(726)	(726)
Movement in net funds		**718**	**717**	(3,798)	(3,799)
Net funds at 1st July		**11,171**	**9,756**	14,969	13,555
NET FUNDS AT END OF YEAR	*17*	**11,889**	**10,473**	11,171	9,756
RECONCILIATION OF PROFIT BEFORE FINANCE COSTS AND TAXATION TO NET CASH FLOW FROM OPERATING ACTIVITIES					
Profit before finance costs and taxation		**3,627**	**3,627**	2,907	2,907
Gains on investments		**(2,574)**	**(2,575)**	(3,545)	(3,546)
Exchange differences		**(697)**	**(697)**	726	726
Capital trail rebates		**(12)**	**(12)**	(11)	(11)
Net revenue gains before finance costs and taxation		**344**	**343**	77	76
Decrease in debtors		**8**	**8**	–	–
Decrease in creditors		**(28)**	**(28)**	(31)	(31)
Taxation		**13**	**13**	31	31
Capital trail rebates		**12**	**12**	11	11
NET CASH INFLOW FROM OPERATING ACTIVITIES		**349**	**348**	88	87

The Notes on pages 44 to 64 form an integral part of these Accounts.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2015

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 2015. No Statement of Comprehensive Income is presented for the parent company as permitted by Section 408 of the Companies Act 2006.

The parent company is an investment entity as defined by IFRS 10. The consolidated accounts include subsidiaries which are an integral part of the Group and not investee companies.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are based on consistent accounting policies. All intra-group balances and transactions, including unrealised profits arising therefrom, are eliminated.

(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 the Investment Trust (Approved Company) (Tax) Regulations 2011.

(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.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2015

1. ACCOUNTING POLICIES CONTINUED

(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 amount of the cash dividend is recognised as income, any excess in the value of the shares received 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.

(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.

(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. Exchange gains and losses are taken to the revenue or capital column of the consolidated statement of comprehensive income depending on the nature of the underlying item.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2015

1. ACCOUNTING POLICIES CONTINUED

(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.

(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) *New standards, amendments to standards and interpretations effective for annual accounting periods beginning after 1 July 2014:*

The revised IFRS 10 Consolidated Financial Statement provides an exemption in respect of consolidation for investment trusts when certain criteria are met. However, the one subsidiary does not meet these criteria and hence the accounting policy for consolidation has not been affected.

The revised IFRS 12 Disclosure of Interests in other entities introduced disclosure requirements to enable users of Financial Statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. New Star Investment Trust Plc's only subsidiary, JIT Securities Limited, is immaterial to the Group and has been 100% owned by the Company since inception, and hence the Financial Statements provide sufficient transparency to comply with this standard.

The revised IAS 27 Separate Financial Statements prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The requirements of the standard are met as these Financial Statements clearly differentiate between the Company and the Group, and disclose how the subsidiary is accounted for in the Company's Financial Statements.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2015

1. ACCOUNTING POLICIES CONTINUED

(p) *Accounting standards issued but not yet effective:* Standards issued but not yet effective up to the date of issuance of the Group's Financial Statements are listed below. This listing of standards and interpretations issued are those the Group reasonably expects will have an impact on disclosure, financial position and/or financial performance, when applied at a future date. The Group intends to adopt those standards (where applicable) when they become effective.

The revised IFRS 9 Financial Instruments replaces IAS 39 and applies to the classification and measurement and impairment of financial assets and financial liabilities, and hedge accounting. The adoption of IFRS 9 will have an effect on the classification and measurement of the Groups financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. It will also introduce a new expected loss impairment model requiring more timely recognition of expected credit losses and a reformed model for hedge accounting with enhanced disclosure of risk management activity. The standard is effective for annual periods beginning on or after 1 January 2018.

IFRS 15 Revenue from Contracts with Customers recognises revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. This standard may result in enhanced disclosure about revenue. The standard is effective for years beginning on or after 1 January 2018.

2. INVESTMENT INCOME

	Year ended 30th June 2015 £'000	Year ended 30th June 2014 £'000
INCOME FROM INVESTMENTS		
UK net dividend income	**917**	737
Unfranked investment income	**156**	41
Loan interest income	**3**	–
	1,076	778
OTHER OPERATING INCOME		
Bank interest receivable	**5**	8
TOTAL INCOME COMPRISES		
Dividends	**1,073**	778
Other income	**8**	8
	1,081	786

NOTES TO THE ACCOUNTS

for the year ended 30th June 2015

3. MANAGEMENT FEES

	Year ended 30th June 2015			Year ended 30th June 2014		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**478**	**–**	**478**	491	–	491
Performance fee	**–**	**–**	**–**	–	–	–
	478	**–**	**478**	491	–	491

At 30th June 2015 there were amounts accrued of £120,000 (2014: £116,000) for investment management fees.

A summary of the terms of the investment management agreement may be found in the Strategic Report on pages 16 and 17.

4. OTHER EXPENSES

	Year ended 30th June 2015 £'000	Year ended 30th June 2014 £'000
Legal fees	**–**	18
Directors' remuneration	**50**	50
Administrative and secretarial fee	**92**	90
Auditors' remuneration		
– Audit	**27**	29
– Interim review	**8**	7
– Taxation compliance services*	**22**	11
Other	**60**	13
	259	218

*The 2015 expenses cover two tax periods.

Allocated to:		
– Revenue	**259**	218
– Capital	**–**	–
	259	218

NOTES TO THE ACCOUNTS

for the year ended 30th June 2015

5. TAXATION

Factors affecting tax charge for the year:

The charge for the year of £nil (2014: £nil) can be reconciled to the profit per the Consolidated Statement of Comprehensive Income as follows:

	Year ended 30th June 2015 £'000	Year ended 30th June 2014 £'000
Profit before tax	**3,627**	2,907
Theoretical tax at the UK corporation tax rate of 20.75%* (2014: 22.50%)	**753**	654
Effects of:		
Non-taxable UK dividend income	**(190)**	(166)
Gains and losses on investments that are not taxable	**(679)**	(634)
Movement in unrealised gains on non-qualifying offshore funds	**–**	–
Excess expenses not utilised	**146**	152
Overseas dividends which are not taxable	**(30)**	(6)
Total tax for the year	**–**	–

* Under the Finance Act 2011, the rate of Corporation Tax was lowered to 20% from 21% on 1st April 2015. An average rate of 20.75% was applicable for the year ended 30th June 2015.

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.

There is no deferred tax (2014: £nil) in the capital account of the Company. There is no deferred tax charge in the revenue account (2014: £nil). No deferred tax provision has been made for deemed reporting offshore funds.

At the year-end there is an unrecognised deferred tax asset of £319,000 (2014: £195,000) as a result of excess expenses.

6. COMPANY RETURN FOR THE YEAR

The Company's total return for the year was £3,627,000 (2014: £2,907,000).

7. RETURN PER ORDINARY SHARE

Total return per Ordinary share is based on the Group total return on ordinary activities after taxation of £3,627,000 (2014: £2,907,000) and on 71,023,695 (2014: 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 profit on ordinary activities after taxation of £344,000 (2014: £77,000) and on 71,023,695 (2014: 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 £3,283,000 (2014: £2,830,000) and on 71,023,695 (2014: 71,023,695) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2015

8. DIVIDENDS ON EQUITY SHARES

Amounts recognised as distributions in the year:

	Year ended 30th June 2015 £'000	Year ended 30th June 2014 £'000
Dividends paid for the year ended 30th June 2015: £nil (2014: £nil) per share	**–**	–

It is proposed that a dividend of 0.3p per share will be paid in respect of the financial year.

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 30th June 2015 £'000	Year ended 30th June 2014 £'000
GROUP AND COMPANY	**68,086**	64,890

ANALYSIS OF INVESTMENT PORTFOLIO – GROUP AND COMPANY

	Listed* £'000	**Unlisted £'000**	**Total £'000**
Opening book cost	**53,101**	**4,454**	**57,555**
Opening investment holding gains/(losses)	**10,643**	**(3,308)**	**7,335**
Opening valuation	**63,744**	**1,146**	**64,890**
Movement in period			
Purchases at cost	**4,231**	**189**	**4,420**
Sales			
– Proceeds	**(3,540)**	**(258)**	**(3,798)**
– Realised gains on sales	**383**	**42**	**425**
Movement in investment holding gains for the year	**1,705**	**444**	**2,149**
Closing valuation	**66,523**	**1,563**	**68,086**
Closing book cost	**54,175**	**4,427**	**58,602**
Closing investment holding gains/(losses)	**12,348**	**(2,864)**	**9,484**
Closing valuation	**66,523**	**1,563**	**68,086**

* Listed investments include unit trust and OEIC funds.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2015

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS CONTINUED

	Year ended 30th June 2015 £'000	Year ended 30th June 2014 £'000
ANALYSIS OF CAPITAL GAINS AND LOSSES		
Realised gains on sales of investments	**425**	730
Increase in investment holding gains	**2,149**	2,815
Net gains on investments attributable to ordinary shareholders	**2,574**	3,545

Transaction costs

The purchases and sales proceeds figures above include transaction costs on purchases of £525 (2014: £nil) and on sales of £nil (2014: £nil).

10. INVESTMENT IN SUBSIDIARY UNDERTAKING

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

The financial position of the subsidiary is summarised as follows:

	Year ended 30th June 2015 £'000	Year ended 30th June 2014 £'000
Net assets brought forward	**501**	500
Profit for year	**1**	1
Net assets carried forward	**502**	501

11. OTHER RECEIVABLES

	30th June 2015 Group £'000	**30th June 2015 Company £'000**	30th June 2014 Group £'000	30th June 2014 Company £'000
Amounts due from brokers	**–**	**–**	294	294
Prepayments and accrued income	**45**	**45**	53	53
Taxation	**1**	**1**	14	14
Amounts owed by subsidiary undertakings	**–**	**914**	–	914
	46	**960**	361	1,275

NOTES TO THE ACCOUNTS

for the year ended 30th June 2015

12. CASH AND CASH EQUIVALENTS

	30th June 2015 Group £'000	**30th June 2015 Company £'000**	30th June 2014 Group £'000	30th June 2014 Company £'000
Cash at bank	**11,889**	**10,473**	11,171	9,756

13. OTHER PAYABLES

	30th June 2015 Group £'000	**30th June 2015 Company £'000**	30th June 2014 Group £'000	30th June 2014 Company £'000
Accruals	**167**	**167**	195	195

14. CALLED UP SHARE CAPITAL

	30th June 2015 £'000	30th June 2014 £'000
Authorised		
305,000,000 (2014: 305,000,000) Ordinary shares of £0.01 each	**3,050**	3,050
Issued and fully paid		
71,023,695 (2014: 71,023,695) Ordinary shares of £0.01 each	**710**	710

NOTES TO THE ACCOUNTS

for the year ended 30th June 2015

15. RESERVES

	Share premium account £'000	Special reserve £'000	Retained earnings £'000
GROUP			
At 30th June 2014	**21,573**	**56,908**	**(2,964)**
Increase in investment holding gains	**–**	**–**	**2,149**
Net gains on realisation of investments	**–**	**–**	**425**
Gain on foreign currency	**–**	**–**	**697**
Trail rebates	**–**	**–**	**12**
Retained revenue profit for year	**–**	**–**	**344**
At 30th June 2015	**21,573**	**56,908**	**663**

	Share premium account £'000	Special reserve £'000	Retained earnings £'000
COMPANY			
At 30th June 2014	**21,573**	**56,908**	**(2,964)**
Increase in investment holding gains	**–**	**–**	**2,150**
Net gains on realisation of investments	**–**	**–**	**425**
Gain on foreign currency	**–**	**–**	**697**
Trail rebates	**–**	**–**	**12**
Retained revenue profit for year	**–**	**–**	**343**
At 30th June 2015	**21,573**	**56,908**	**663**

NOTES TO THE ACCOUNTS

for the year ended 30th June 2015

15. RESERVES CONTINUED

The components of retained earnings are set out below:

	30th June 2015 £'000	30th June 2014 £'000
GROUP		
Capital reserve – realised	**(9,247)**	(10,381)
Capital reserve – revaluation	**9,484**	7,335
Revenue reserve	**426**	82
	663	(2,964)
COMPANY		
Capital reserve – realised	**(9,599)**	(10,733)
Capital reserve – revaluation	**9,986**	7,836
Revenue reserve	**276**	(67)
	663	(2,964)

16. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per Ordinary share is calculated on net assets of £79,854,000 (2014: £76,227,000) and 71,023,695 (2014: 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 2014 £'000	Cash flow	Exchange movement	**At 30th June 2015 £'000**
GROUP				
Cash at bank and on deposit	11,171	21	697	**11,889**
COMPANY				
Cash at bank and on deposit	9,756	20	697	**10,473**

NOTES TO THE ACCOUNTS

for the year ended 30th June 2015

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

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 2015

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS 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 (2014: £nil).

The fair values of the Group's assets that have foreign currency exposure at 30th June 2015 are shown below.

	2015 US Dollars £'000	**2015 Euros £'000**	**2015 Japanese Yen £'000**	**2015 Total £'000**	2014 US Dollars £'000	2014 Euros £'000	2014 Total £'000
Investment at fair value through profit or loss	**3,181**	**2,586**	**1,693**	**7,460**	5,178	2,631	7,809
Cash at bank and short-term deposits	**9,400**	**–**	**–**	**9,400**	8,266	–	8,266
Other receivables	**–**	**–**	**–**	**–**	–	–	–
Total net foreign currency exposure	**12,581**	**2,586**	**1,693**	**16,860**	13,444	2,631	16,075

The above table represents the direct assets denominated/dealt in US Dollars, Japanese Yen 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 2015

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

(b) Currency Risk continued

Foreign currency sensitivity

During the financial year sterling depreciated by 8.0% against the US dollar (2014: 12.4%), appreciated by 13.0% against the euro (2014: 7.0%) and appreciated by 11.1% against the Japanese Yen.

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

	2015 US Dollars £'000	**2015 Euros £'000**	**2015 Japanese Yen £'000**	**2015 Total £'000**	2014 US Dollars £'000	2014 Euros £'000	2014 Total £'000
If exchange rates appreciated by 10%	**(1,144)**	**(235)**	**(154)**	**(1,533)**	(1,222)	(239)	(1,461)
If exchange rates depreciated by 10%	**1,398**	**287**	**188**	**1,873**	1,494	292	1,786

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 2015

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS 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.

GROUP	**2015 In 1 year or less £'000**	**2015 Greater than 1 year £'000**	**2015 Total £'000**	2014 In 1 year or less £'000	2014 Greater than 1 year £'000	2014 Total £'000
Exposure to floating interest rates:						
Cash at bank	**11,889**	**–**	**11,889**	11,171	–	11,171
Total exposure to interest rates	**11,889**	**–**	**11,889**	11,171	–	11,171

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 (2014: same).

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 (2014: 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.

GROUP	**Increase in rate 2015 £'000**	**Decrease in rate 2015 £'000**	Increase in rate 2014 £'000	Decrease in rate 2014 £'000
Effect on total return to equity	**59**	**(5)**	56	(8)

NOTES TO THE ACCOUNTS

for the year ended 30th June 2015

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

(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 12. Investments are valued in accordance with the Group's accounting policies. Uncertainty in future 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 the IMA sector benchmark and 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.

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:

	2015	2014
	£'000	£'000
Fixed asset quoted investments at fair value through profit or loss	**66,523**	63,744

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

	2015	2014
	£'000	£'000
Fixed asset unquoted investments at fair value through profit or loss	**1,563**	1,146
Analysed as:		
Equities	**1,563**	1,090
Loan	**–**	56
	1,563	1,146

NOTES TO THE ACCOUNTS

for the year ended 30th June 2015

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

(d) Other price risk continued

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 2015 £'000	**Decrease in fair value 2015 £'000**	Increase in fair value 2014 £'000	Decrease in fair value 2014 £'000
Effect on total return and on net assets	**6,809**	**(6,809)**	6,489	(6,489)

(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 2.0% (2014: 1.5%) 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 £78 million (2014: £75 million).

This was made up of £11.9 million (2014: £11.2 million) of cash and money market instruments and £64 million (2014: £64 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.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2015

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

(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 2015 was £11,935,000 (2014: £11,532,000), comprising:

	2015	2014
	£'000	£'000
Due from brokers	**–**	294
Accrued income	**45**	53
Tax recoverable	**1**	14
Cash and cash equivalents	**11,889**	11,171
	11,935	11,532

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

(g) Fair Values of Financial Assets and Financial Liabilities

The Group's financial instruments are stated at their fair values at the year end. The fair value of listed shares and securities 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)).

NOTES TO THE ACCOUNTS

for the year ended 30th June 2015

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

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

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

	2015 **£'000**	2014 £'000
FINANCIAL ASSETS		
Financial assets at fair value through profit or loss:		
Fixed asset investments – designated as such on initial recognition	**68,086**	64,890
Current assets:		
Debtors (due from brokers, dividends receivable, accrued income and other debtors)	**45**	347
Tax recoverable	**1**	14
Cash and cash equivalents	**11,889**	11,171
	80,021	76,422
FINANCIAL LIABILITIES		
Measured at amortised cost:		
Creditors: amounts falling due within one year		
Accruals	**167**	195
	167	195

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.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2015

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AT 30TH JUNE 2015

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities and funds	63,937	2,586	1,563	68,086

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AT 30TH JUNE 2014

	Level 1 £'000	Level 3 £'000	Total £'000
Equities and funds	63,744	1,090	64,834
Loan	–	56	56
	63,744	1,146	64,890

The valuation techniques used by the Company are explained in the accounting policies on page 45. There have been no transfers during the year between Levels 1 and 2. One monthly dealt fund of £2,586,000 (2014: £2,631,000) has been reclassified as a Level 2 investment. Comparatives have not been restated.

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

	2015 £'000	2014 £'000
Opening fair value	**1,146**	1,710
Movement in classification of investments	**–**	–
Purchases at cost	**189**	9
Sales proceeds	**(258)**	(427)
Total gains or losses included in gains on investments in the Statement of Comprehensive Income		
– on sold assets	**42**	64
– on assets held at the end of the year	**444**	(210)
Closing fair value	**1,563**	1,146

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

NOTES TO THE ACCOUNTS

for the year ended 30th June 2015

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

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

The Level 3 unquoted portfolio represents approximately 2.0% of the Net Asset Value of the company. Fair value has been established using recognised valuation techniques in accordance with IPEVC guidelines. Only one investment represents more than 0.5% of the Company’s net asset value. The carrying value of this one investment is dependant mainly on its level of earnings. A 10% increase or decrease in its earnings would not have a material impact on the value of the investment.

(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 Strategic Report on pages 14 and 15. 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 17.

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 2015 was £478,000 (2014: £491,000) and at the year-end £120,000 (2014: £120,000) was accrued. No performance fee was payable in respect of the year ended 30th June 2015 (2014: £nil).

The Group’s investments include seven funds managed by Brompton or its associates totalling £15,425,000. No investment management fees were payable directly by the Company in respect of these investments.

Details of Directors fees paid may be found on page 31.

Subsequent to the Investment Manager’s initial decision to invest, two of the Company’s directors have been appointed directors of investee companies. Mr Howard-Spink is the chairman of Immedia Group Plc and Mr Gregson is a director of All Star Leisure (Group) Limited.

20. COMMITMENTS AND CONTINGENCIES

There are no other commitments or contingencies at the reporting date (2014: £nil).

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2015 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 am on Thursday 5th November 2015 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 2015 together with the Reports of the Directors and Auditors therein.
2. To receive and approve the Annual Directors' Remuneration Report for the year to 30th June 2015.
3. To approve the final dividend of 0.30p per Ordinary share in respect of the year to 30th June 2015.
4. To re-elect Mr Geoffrey Howard-Spink, retiring in accordance with UK Corporate Governance Code, as a Director.
5. To re-elect Mr John Duffield, retiring in accordance with the Listing Rules, as a Director.
6. To re-elect Mr Marcus Gregson, retiring by rotation in accordance with the Company's Articles of Association, as a Director.
7. 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 8 which is proposed as an Ordinary Resolution of the Company, and Resolutions 9 to 12 as Special Resolutions of the Company:

8. 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) £106,500 in nominal value of such Shares; and

   (b) a further £106,500 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

NOTICE OF ANNUAL GENERAL MEETING

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 2016 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.

9. 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 herby granted shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2016 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.

10. 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 2016 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.

NOTICE OF ANNUAL GENERAL MEETING

11. 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.
12. 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
18th September 2015

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

NOTICE OF ANNUAL GENERAL MEETING

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, Equiniti Registrars (ID: RA19) by 11.00 am on 3rd November 2015. 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 6.00 pm two days before the time for the meeting, or by 6.00 pm 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 15th September 2015, 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 15th September 2015 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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