NEW STAR INVESTMENT TRUST PLC

REPORT AND ACCOUNTS

for the year ended 30th June 2019

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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 effected.

The Company's shares are traded on the London Stock Exchange and are not subject to restriction under the Financial Conduct Authority's non-mainstream investment products regime.

REGISTERED OFFICE

1 Knightsbridge Green, London SW1X 7QA

Company Number: 03969011

COMPANY INFORMATION

DIRECTORS

G Howard-Spink (Chairman)
J L Duffield (Deputy Chairman)
D J Gamble

INVESTMENT MANAGER

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

SECRETARY AND ADMINISTRATOR

Maitland Administration Services Limited
Hamilton Centre, Rodney Way, Chelmsford, Essex CM1 3BY
Telephone: 01245 398950 *Facsimile:* 01245 398951

SOLICITORS

CMS Cameron McKenna Nabarro Olswang LLP
Cannon Place, 78 Cannon Street, London EC4N 6AF

AUDITORS

Ernst & Young LLP
Atria One, 144 Morrison Street, Edinburgh EH3 8EX

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: 0371 384 2549
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 was Chairman of Immedia Group PLC and a director of Chrysalis. 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.

David Gamble* was chief executive of British Airways Pension Investment Management from 1993 to 2004. He has also served as a director of numerous financial services companies including a number of investment companies. Mr Gamble was appointed a Director on 16th November 2017 and is the chairman of the Audit Committee.

** Members of the Audit Committee and Independent Directors.*

STRATEGIC REPORT

for the year ended 30th June 2019

FINANCIAL HIGHLIGHTS

	30th June 2019	30th June 2018	% Change
PERFORMANCE			
Net assets (£'000)	**113,971**	111,366	2.34
Net asset value per Ordinary share	**160.47p**	156.80p	2.34
Mid-market price per Ordinary share	**111.00p**	113.00p	-1.77
Discount of price to net asset value	**30.83%**	27.9%	n/a
Total Return*	**2.98%**	6.5%	n/a
IA Mixed Investment 40% - 85% Shares (total return)	**3.66%**	4.9%	n/a
MSCI AC World Index (total return, sterling adjusted)	**10.30%**	9.5%	n/a
MSCI UK Index (total return)	**1.68%**	8.3%	n/a

	1st July 2018 to 30th June 2019	1st July 2017 to 30th June 2018
Revenue return per Ordinary share	**1.81p**	1.17p
Capital return per share	**2.86p**	8.51p
Return per Ordinary share	**4.67p**	9.68p
TOTAL RETURN*	**2.98%**	6.5%
PROPOSED DIVIDEND PER ORDINARY SHARE	**1.40p**	1.00p

* The total return figure for the Group represents the revenue and capital return shown in the consolidated statement of Comprehensive income plus dividends paid (the Alternative performance measure).

STRATEGIC REPORT

for the year ended 30th June 2019

CHAIRMAN'S STATEMENT

PERFORMANCE

Your Company's net asset value (NAV) total return was 3.0% over the year to 30th June 2019. This took the year-end NAV per ordinary share to 160.47p. By comparison, the Investment Association's Mixed Investment 40-85% Shares index gained 3.7%. Your Directors believe this benchmark is appropriate because your Company has, since inception, been invested in a broad range of asset classes. In a volatile year, global equity markets generated positive returns although European and Asian equities underperformed US equities as a result of escalating trade tensions, slowing economic growth and fears about the consequences of a "no deal" Brexit. The MSCI AC World Total Return and MSCI UK Total Return Indices gained 10.3% and 1.7% respectively while UK government bonds returned 5.2%. Further information is provided in the investment manager's report.

EARNINGS AND DIVIDEND

The revenue return for the year was 1.81p per share (2018: 1.17p). This represents a substantial increase. Your directors do not envisage increases of a similar magnitude in subsequent years. A performance fee of 0.58p per share (2018: nil) was deducted from capital.

Your Company has a revenue surplus in its retained revenue reserve, enabling it to pay a dividend. Your directors recommend the payment of a final dividend in respect of the year of 1.4p per share (2018: 1.0p).

OUTLOOK

Global economic growth slowed during 2019, with manufacturing suffering more than services as a result of trade disputes and rising tariffs. The US is seeking to maintain its technological supremacy so there may not be an early end to its trade dispute with China. This may have a significant effect on eurozone and Asian exporters while Brexit uncertainties may continue to affect UK commercial and consumer confidence.

The decline in long-term bond yields relative to short-term bond yields shows that investors fear the onset of recession. Major central banks have sought to counter slowing economic growth through monetary easing but, after a decade of such measures, further easing may prove to be less of a stimulus than in the past. Your Company reduced its equity holdings over the year and increased its holdings in cash. Investments in dollars, gold equities and lower-risk multi-asset funds provide diversification and potentially some protection if equity markets weaken.

CASH AND BORROWINGS

Your Company has no borrowings and ended its financial year with cash representing 18.1% 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. As a result, should it wish to borrow it would require a change in regulatory permissions.

STRATEGIC REPORT

for the year ended 30th June 2019

CHAIRMAN'S STATEMENT CONTINUED

DISCOUNT

During the year, your Company's shares continued to trade at a significant discount to their NAV. The Board keeps this issue under review.

ANNUAL MEETING

The Annual General Meeting will be held on Thursday, 14th November 2019 at 11.00 am. The Notice of the Meeting can be found on pages 72 to 75.

NET ASSET VALUE

Your Company's unaudited net asset value per share at 31st August 2019 was 162.91p.

Geoffrey Howard-Spink
Chairman
27th September 2019

STRATEGIC REPORT

for the year ended 30th June 2019

INVESTMENT MANAGER'S REPORT

MARKET REVIEW

US monetary policy reached a watershed moment during your Company's financial year. Starting in December 2015, the Federal Reserve had tightened monetary policy through successive interest rate increases and some reduction of its swollen balance sheet, culminating in December 2018, when the Fed funds target rate rose to 2.25-2.50%. Global equities fell 10.57% in sterling over the final quarter of 2018, more than erasing the previous quarter's gains because investors feared overly-restrictive monetary policy might choke off economic growth. In a significant volte-face, however, the Fed chairman, Jerome Powell, retreated from earlier hawkish comments that interest rates were "a long way" from neutral, saying rates were "close to" neutral. Confidence returned following the Fed's U-turn, with global equities gaining 16.68% in sterling in the six months to 30th June 2019 to end a volatile year up 10.30%. US equities outperformed, rising 14.54% in sterling, but European and Asian equities underperformed.

Safe-haven assets were in demand as economic prospects deteriorated. Global bonds rose 9.80% in sterling while UK government bonds and sterling corporate bonds rose 5.23% and 6.83% respectively. The yield on 10-year US treasury bonds fell from 2.85% to 2.20%, with investors looking forward to US interest rate cuts. Gold rose 16.25% in sterling as the decline in bond yields reduced the opportunity cost of holding this nil-yielding commodity and investors sought safety from the potential debasement of some major currencies through monetary easing.

The Fed changed tack because of slowing economic growth and below-target inflation. US gross domestic product (GDP) rose 3.1% in 2018 but the rate slowed to 2.2% in the final quarter as the impact of fiscal stimulus and increased public sector spending faded. In August 2019, the Fed forecast growth of 2.1% for 2019. The narrowing difference between short-dated and long-dated US bond yields led some forecasters to be more pessimistic, fearing a recession might be approaching.

In August, shortly after your Company's year end, the 10-year US treasury bond yield fell below the two-year yield. This so-called "yield inversion" has preceded every US recession in the last 40 years although some months have typically elapsed between the inversion and the onset of recession. US leading indicators for manufacturing and non-manufacturing sectors weakened in the first eight months of 2019 and the manufacturing leading indicator dipped to a level that implied output might fall. Consumer spending, however, proved resilient as a result of low unemployment. Employment data tend, however, to be lagging indicators. In August, the Sino-US trade dispute escalated as both sides increased tariffs. US tariffs have gained bipartisan support and are likely to become an established feature of US trade policy, reducing the scope for an economic boost if the impasse is resolved.

UK GDP expanded 0.5% quarter-on-quarter in the first quarter of 2019. GDP did, however, fall 0.2% quarter-on-quarter in the second quarter, according to the first estimate, probably as a result of activity having been brought forward into the first quarter ahead of the first Brexit deadline of 29th March. UK household spending continued to grow steadily but leading indicators deteriorated and the potential disruption from a no-deal Brexit may tip the UK into recession. Brexit-risks overshadowed UK equities, rising only 1.68% over the year under review. UK smaller companies did worse, falling 5.36% because they tend to be more reliant on domestic earnings than larger companies, whose export and overseas businesses benefitted from sterling weakness. In response to the increased likelihood of a no-deal Brexit, sterling fell 3.60% and 6.23% respectively against the dollar and yen.

STRATEGIC REPORT

for the year ended 30th June 2019

INVESTMENT MANAGER'S REPORT CONTINUED

Equities in Europe excluding UK rose only 8.18% in sterling over the year. Eurozone manufacturers suffered from worsening global economic prospects and the impact of trade disputes and tariffs. German GDP fell in the third quarter of 2018 and the second quarter of 2019 as the manufacturing sector contracted. In June, German industrial production fell 1.5% on the previous month, leaving it down 5.20% over 12 months as vehicle production was hit particularly hard.

Over the summer of 2019, investors expected the European Central Bank (ECB) to ease monetary policy later this year. The scope for interest rate cuts may be limited, however, because the ECB's deposit rate ended your Company's year at -0.40%. Banks have typically refrained from passing on the negative deposit rate to retail customers, reducing their profits. Further cuts may be no more effective in encouraging bank lending so the ECB may resort to more bond buying, the previous programme having ended in 2018. As a result of recent falls in bond yields, however, many Europe excluding UK sovereign bonds were already trading on negative yields over the summer and the ECB may encounter liquidity constraints.

During the year, equities in Asia excluding Japan and emerging markets returned 3.55% and 5.40% respectively in sterling, held back by trade disputes, with China, down 3.06% in sterling, particularly badly affected. Chinese economic growth slowed as weak export demand was only partially offset by increased infrastructure spending. Additional policy support may, however, be forthcoming if trade talks stall. After the year-end, the renminbi fell against the dollar, prompting the US to designate China a currency manipulator. Renminbi-weakness generated fears of deflation in August 2015 and January 2016, leading to sharp falls in some risky assets.

Within emerging markets, returns diverged widely. While Chinese equities fell, Indian stocks rose 11.97% in sterling. The prime minister, Narendra Modi, won a second term while the 16.15% oil price fall in sterling terms benefitted India as an oil-importing economy. Russian equities rose 33.11% in sterling as investors' fears of further sanctions proved unfounded for now.

PORTFOLIO REVIEW

The total return of the Company was 2.98% for the year under review. By 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 3.66%.

The main reason for your Company's marginal underperformance relative to the IA Mixed Investment 40-85% Shares Index was its relative lack of exposure to Wall Street during a year in which US stocks outperformed. Your company's largest holding, Fundsmith Equity, did, however, have the majority of its assets in US stocks as did Polar Capital Technology. Both outperformed the returns from US stocks, rising 18.48% and 16.03% respectively. Fundsmith Equity holds a concentrated portfolio of large companies held for the longer term. Its focus is on resilient companies with high returns on capital employed and strong business models that are difficult for competitors to replicate. This means future profits and cash flows are relatively easy to predict.

STRATEGIC REPORT

for the year ended 30th June 2019

INVESTMENT MANAGER'S REPORT CONTINUED

Companies with these characteristics, regarded as "bond proxies", have typically performed well since the credit crisis in an environment of steady growth and low inflation. Many consumer staples companies such as Philip Morris and Pepsico, which are among the top 10 holdings in Fundsmith's portfolio, meet these criteria. In July 2019, the portfolio's largest sector allocation was, however, technology, with Microsoft and Facebook among the top 10 holdings. Both stocks are also top-10 holdings in Polar Capital Technology. Your Company's Fundsmith Equity holding increased in August 2018 while profits were taken in Polar Capital Global Technology in September 2018.

By contrast with Fundsmith Equity, Artemis Global Income, which has a value investment style, underperformed, falling 3.45% over the year. Its largest holdings were in financial stocks, which were relatively weak because the flattening yield curve damaged the profits of banks, which typically borrow at lower short-term rates and lend for longer periods at higher rates. Artemis Global Income does, however, have an above-average yield because of its value bias, contributing to your Company's ability to pay dividends. Value stocks have typically been out of favour since the credit crisis and the valuation gulf widened over the year. Value stocks may, however, outperform strongly should the macroeconomic outlook change in their favour while delivering an attractive income in the meantime.

Aberforth Split Level Income, which invests in UK smaller companies and has a value investment style, fell 18.42%, dragged down by fears of a "bad Brexit", the greater sensitivity of smaller companies to the domestic UK economy and investors' disenchantment with value investing. UK smaller companies did, however, appear oversold over the summer of 2019 as a result of investors' Brexit concerns while sterling's weakness may increase their attractions to overseas investors.

Man GLG UK Income and Schroder Income fell 0.30% and 4.72% respectively as a result of their bias towards value stocks although yields in excess of 5% contributed significantly to your Company's ability to pay an increased dividend. Trojan Income outperformed, however, rising 4.18% partly because of its bias towards defensive consumer goods companies such as Unilever.

BlackRock Continental European Income was the best performer amongst the investments in Europe excluding UK equities, rising 7.60%. FP Crux European Special Situations, up 1.40%, remained amongst your Company's top 10 holdings although profit-taking through sales in August and October 2018 realised more than half of the investment. Standard Life European Equity Income returned 1.39%.

Among the Asian and emerging markets holdings, the HSBC Russia Capped exchange-traded fund gained 32.29% as it benefitted from Russian equity strength. Russian holdings also enhanced the returns from JP Morgan Emerging Markets Income, up 14.45%, while Liontrust Asia Income also outperformed, rising 4.62%. Stewart Investors Indian Subcontinent underperformed, however, up only 1.65% because of its cautious approach during a period of high local equity valuations.

Your company has diversified risk through investments in gold equities, dollar cash and lower-risk multi-asset funds. Gold price strength fuelled the 20.54% gain from BlackRock Gold & General. Your company also benefited from dollar strength through Trojan and EF Brompton Global Conservative, which both had significant dollar holdings in their multi-asset portfolios. Trojan and EF Brompton Global Conservative gained 4.15% and 2.87% respectively.

STRATEGIC REPORT

for the year ended 30th June 2019

INVESTMENT MANAGER'S REPORT CONTINUED

During the year, your Company modestly increased investment in three private companies, which have the potential to add an uncorrelated source of return. The unquoted portfolio increased by more than £1 million after allowing for sales and purchases. The investment in Embark, your Company's largest unquoted investment, increased and the valuation has been written up in response to the terms of a capital raising.

OUTLOOK

Global economic growth slowed over the summer of 2019, affected by US monetary tightening in previous years and the fading of the impact of President Trump's fiscal stimulus. The manufacturing sector was suffering more than services as trade woes exacerbated worsening global economic conditions. In the US, bipartisan support for tariffs aimed at Chinese exports mean there may be no easy resolution of trade disputes as the US seeks to maintain technological supremacy in key sectors such as information technology and communications. The eurozone and some emerging markets were more severely affected because of their dependence on exports while the UK appeared vulnerable to a no-deal Brexit.

The flattening yield curve may imply a recession is approaching. The Federal Reserve and some other major central banks have been seeking to mitigate the impact of slowing growth through monetary easing. These policies may, however, prove less effective than previously after more than a decade of such measures. Your Company reduced the allocation to global equities over the year and increased its investment in dollar cash. Investments in dollar cash, gold equities and low-risk multi-asset funds provide diversification and potentially some protection should equities fall. Investments in a small number of private companies offer the potential for uncorrelated returns.

Brompton Asset Management LLP
Investment Manager
27th September 2019

STRATEGIC REPORT

for the year ended 30th June 2019

SCHEDULE OF TWENTY LARGEST INVESTMENTS

Holding	Activity	Bid-market value £'000	Percentage of net assets
Fundsmith Equity Fund	Investment Fund	7,839	6.88
Embark Group	Unquoted Investment	5,942	5.21
Polar Capital- Global Technology Fund	Investment Fund	5,280	4.63
FP Crux European Special Situations Fund	Investment Fund	5,098	4.47
Schroder Income Fund	Investment Fund	4,795	4.21
EF Brompton Global Conservative Fund	Investment Fund	4,222	3.71
Artemis Global Income Fund	Investment Fund	3,856	3.38
BlackRock Continental European Income Fund	Investment Fund	3,794	3.33
Aberforth Split Level Income Trust	Investment Company	3,747	3.29
Aquilus Inflection Fund	Investment Fund	3,698	3.25
BlackRock Gold & General Fund	Investment Fund	3,470	3.04
Lindsell Train Japanese Equity Fund	Investment Fund	3,144	2.76
EF Brompton Global Equity Fund	Investment Fund	2,846	2.50
EF Brompton Global Opportunities Fund	Investment Fund	2,840	2.49
Man GLG UK Income Fund	Investment Fund	2,767	2.43
Liontrust Asia Income Fund	Investment Fund	2,763	2.42
First State Indian Subcontinent Fund	Investment Fund	2,750	2.41
EF Brompton Global Growth Fund	Investment Fund	2,694	2.36
MI Brompton UK Recovery Unit Trust	Investment Fund	2,669	2.34
Trojan Income Fund	Investment Fund	2,379	2.09
		76,593	67.20
Balance not held in 20 investments above		17,189	15.08
Total investments (excluding cash)		93,782	82.28
Cash		20,605	18.08
Other net current assets		(416)	(0.36)
Net assets		113,971	100.00

The investment portfolio, excluding cash, can be further analysed as follows:

	£'000
Investment funds	78,453
Investment companies and exchange traded funds	7,133
Unquoted investments	7,386
Other quoted investments	810
	93,782

STRATEGIC REPORT

for the year ended 30th June 2018

SCHEDULE OF TWENTY LARGEST INVESTMENTS

Holding	Activity	Bid-market value £'000	Percentage of net assets
FP Crux European Special Situations Fund	Investment Fund	11,237	10.09
Polar Capital – Global Technology Fund	Investment Fund	5,473	4.91
Schroder Income Fund	Investment Fund	5,242	4.71
Fundsmith Equity Fund	Investment Fund	5,191	4.66
Aberforth Split Level Income Trust	Investment Company	4,859	4.36
Artemis Global Income Fund	Investment Fund	4,120	3.70
EF Brompton Global Conservative Fund	Investment Fund	4,105	3.69
BlackRock Continental European Income Fund	Investment Fund	3,699	3.32
Aquilus Inflection Fund	Investment Fund	3,562	3.20
Lindsell Train Japanese Equity Fund	Investment Fund	3,312	2.97
Embark Group	Unquoted Investment	3,268	2.93
Man GLG UK Income Fund	Investment Fund	2,929	2.63
BlackRock Gold & General Fund	Investment Fund	2,904	2.61
EF Brompton Global Opportunities Fund	Investment Fund	2,785	2.50
Liontrust Asia Income Fund	Investment Fund	2,768	2.49
MI Brompton UK Recovery Unit Trust	Investment Fund	2,746	2.47
Stewart Investors Indian Subcontinent Fund	Investment Fund	2,706	2.43
EF Brompton Global Equity Fund	Investment Fund	2,687	2.41
EF Brompton Global Growth Fund	Investment Fund	2,630	2.36
Trojan Income Fund	Investment Fund	2,384	2.14
		78,607	70.58
Balance not held in 20 investments above		17,694	15.89
Total investments (excluding cash)		96,301	86.47
Cash		15,027	13.49
Other net current assets		38	0.04
Net assets		111,366	100.00

The investment portfolio, excluding cash, can be further analysed as follows:

	£'000
Investment funds	80,548
Investment companies and exchange traded funds	9,357
Unquoted investments, including interest bearing loans of £250,000	5,375
Other quoted investments	1,021
	96,301

STRATEGIC REPORT

for the year ended 30th June 2019

STRATEGIC REVIEW

The Strategic Review is designed to provide information primarily about the Company's business and results for the year ended 30th June 2019. 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 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 retain its status as an investment trust and maintain exemption from liability to United Kingdom capital gains tax.

The Company is a small registered Alternative Investment Fund Manager under the European Union Markets in Financial Instruments Directive.

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.

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.

STRATEGIC REPORT

for the year ended 30th June 2019

STRATEGIC REVIEW CONTINUED

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 page 14.

FINANCIAL REVIEW

Net assets at 30th June 2019 amounted to £113,971,000 compared with £111,366,000 at 30th June 2018. In the year under review, the NAV per Ordinary share increased by 2.3% from 156.80p to 160.47p, after paying a dividend of 1.0p per share.

The Group's gross revenue rose to £2,239,000 (2018: £1,776,000). Last year the Company increased its investment in income focused funds resulting in an increase in gross income during the year under review. After deducting expenses and taxation the revenue profit for the year was £1,284,000 (2018: £831,000).

Total expenses for the year amounted to £1,364,000 (2018: £940,000), as a result of a performance fee becoming payable. In the year under review the investment management fee amounted to £688,000 (2018: £668,000). A performance fee of £410,000 was payable in respect of the year under review as the Company outperformed the cumulative hurdle rate, see page 54. The performance fee has been allocated to the Capital account in accordance with the Company's accounting policy. At 30 June 2019 the Company's NAV was slightly above the hurdle rate NAV. Further details on the Company's expenses may be found in notes 3 and 4.

Dividends have not formed a central part of the Company's investment objective. The increased investment in income focused funds has enabled the Directors to declare an increased dividend. The Directors propose a final dividend of 1.40p per Ordinary share in respect of the year ended 30th June 2019 (2018: 1.0p). If approved at the Annual General Meeting, the dividend will be paid on 29th November 2019 to shareholders on the register at the close of business on 8th November 2019 (ex-dividend 7th November 2019).

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

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 short-term outlook for the Company are set out in the Chairman's Statement on pages 6 and 7 and the Investment Manager's report on pages 8 to 11.

Throughout the year the Group's investments included seven funds managed by the Investment Manager (2018: seven). No investment management fees were payable directly by the Company in respect of these investments.

STRATEGIC REPORT

for the year ended 30th June 2019

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: net asset value, income and expenditure, asset allocation and attribution, share price of the Company and the discount. The Directors take into account a number of different indicators as the Company does not have a formal benchmark, and performance against these is shown in the Financial Highlights on page 5.

Performance is discussed in the Chairman's Statement and Investment Manager's Report on pages 6 to 11.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks identified by the Board, and the steps the Board takes to mitigate them, are as follows:

Investment strategy

Inappropriate long-term strategy, asset allocation and fund selection could lead to underperformance. The Board discusses investment performance at each of its meetings and the Directors receive reports detailing asset allocation, investment selection and performance.

Business conditions and general economy

The Company's future performance is heavily dependent on the performance of different equity and currency markets. The Board cannot mitigate the risks arising from adverse market movements. However, diversification within the portfolio will reduce the impact. Further information is given in portfolio risks below.

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

The twenty largest investments are listed on page 12. Investment returns will be influenced by interest rates, inflation, investor sentiment, availability/cost of credit and general economic and market conditions in the UK and globally. A significant proportion of the portfolio is in investments denominated in foreign currencies and movements in exchange rates could significantly affect their sterling value. The Investment Manager takes all these factors into account when making investment decisions but the Company does not normally hedge against foreign currency movements. The Board's policy is to hold a spread of investments in order to reduce the impact of the risks arising from the above factors by investing in a spread of asset classes and geographic regions.

Net asset value discount

The discount in the price at which the Company's shares trade to net asset value means that shareholders cannot realise the real underlying value of their investment. Over the last few years the Company's share price has been at a significant discount to the Company's net asset value. The Directors review regularly the level of discount, however given the investor base of the Company, the Board is very restricted in its ability to influence the discount to net asset value.

STRATEGIC REPORT

for the year ended 30th June 2019

STRATEGIC REVIEW CONTINUED

Investment Manager

The quality of the team employed by the Investment Manager is an important factor in delivering good performance and the loss of key staff could adversely affect returns. A representative of the Investment Manager attends each Board meeting and the Board is informed if any major changes to the investment team employed by the Investment Manager are proposed.

Tax and regulatory risks

A breach of The Investment Trust (Approved Company) (Tax) Regulations 2011 (the 'Regulations') could lead to capital gains realised within the portfolio becoming subject to UK 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, financial and/or reputational damage. The Board employs Brompton Asset Management LLP as Investment Manager, and Maitland Administration Services Limited as Secretary and Administrator, to help manage the Company's legal and regulatory obligations.

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. How the Board monitors its service providers is set out in the Corporate Governance Statement on pages 26 to 29.

The Directors confirm that they have carried out an assessment of the risks facing the Company, including those that would threaten its business model, future performance, solvency and liquidity.

VIABILITY STATEMENT

The assets of the Company consist mainly of securities that are readily realisable or cash and it has no significant liabilities. Investment income exceeds annual expenditure and current liquid net assets cover current annual expenses for many years. Accordingly, the Company is of the opinion that it has adequate financial resources to continue in operational existence for the long term which is considered to be in excess of five years. Five years is considered a reasonable period for investors when making their investment decisions. In reaching this view the Directors reviewed the anticipated level of annual expenditure against the cash and liquid assets within the portfolio. The Directors have also considered the risks the Company faces.

STRATEGIC REPORT

for the year ended 30th June 2019

STRATEGIC REVIEW CONTINUED

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.

The Company has sought, wherever possible, and been provided with assurance from each of its main suppliers, that no slaves, forced labour, child labour, or labour employed at rates of pay below statutory minimums for the country of their operations, are being employed in the provision of services to the Company.

GENDER DIVERSITY

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

APPROVAL STATEMENT

The Strategic Report of the Company, comprising the information contained on pages 5 to 18 of this Report & Accounts was approved by the Board and signed on its behalf by:

Geoffrey Howard-Spink
Chairman
27th September 2019

DIRECTORS' REPORT

for the year ended 30th June 2019

DIRECTORS' REPORT

The Directors present the audited accounts of the Company and their report for the year ended 30th June 2019.

STATUS

The Company is a public limited company incorporated and registered in England and Wales and is domiciled in the United Kingdom. The Company number is 03969011.

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.

The Company has been approved by the Financial Conduct Authority to be a small registered Alternative Investment Fund Manager under the European Union Directive.

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 nor more than ten.

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 Annual General Meeting ('AGM').

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

	Date of appointment as a Director
G Howard-Spink (Chairman)	13th April 2000
J L Duffield	5th April 2000
D J Gamble	16th November 2017

During the year under review the Company did not arrange insurance cover in respect of legal action against the Directors, as it was considered that the premium would not constitute good value to shareholders. The Directors are indemnified by the Company against all liabilities, except where prohibited by law.

DIRECTORS' REPORT

for the year ended 30th June 2019

DIRECTORS' REPORT CONTINUED

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 their 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 Board specifically considered the independence of Mr Gamble, who has an immaterial holding in Brompton Asset Management Group LLP and concluded that he is an independent Director. 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 Board considers that, given its small size and the size and nature of the Company's operations, it is unnecessary to nominate one Director as a Senior Independent Director.

Directors' appointment, retirement and rotation

The Board may appoint directors without shareholder approval. Any Director so appointed must stand for election by shareholders at the next AGM in accordance with the Articles of Association.

Under the Articles of Association one-third of Directors are required to retire by rotation each year. All Directors are required to stand for re-election at least every three years, although the UK Corporate Governance Code ('Code') requires any Director who has served for more than nine years to stand for re-election annually. The Directors recognise the desirability for the composition of the Board to be reviewed and refreshed periodically.

Shareholders may remove a director before the end of their term of office 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. All Directors standing for re-election at the AGM are eligible for re-election.

Mr Howard-Spink stands for re-election annually, having served on the Board for more than nine years. The Board considers the contribution by Mr Howard-Spink to its deliberations to be valuable, and he continues to exhibit independence of character and judgment. The Board accordingly strongly recommends that shareholders vote in favour of Mr Howard-Spink's re-election.

Mr Gamble will retire by rotation at the forthcoming AGM. Being eligible, he offers himself for re-election. The Board considers the contribution by Mr Gamble on investment matters and on investment trust matters to be very valuable, and therefore strongly recommends that shareholders vote in favour of Mr Gamble's re-election.

DIRECTORS' REPORT

for the year ended 30th June 2019

DIRECTORS' REPORT CONTINUED

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 accordingly not considered to be independent. In line with the UKLA's Listing Rules, not being considered independent, Mr Duffield stands for re-election annually. The independent Directors consider that Mr Duffield makes a significant contribution to the Company and recommend his re-election to shareholders.

Directors' remuneration

The Board consists solely of non-executive directors and accordingly the Company is not required to comply with the principles of the Code in relation to executive directors' remuneration, nor does it have a Remuneration Committee. Details of the fees paid to the Directors can be found in the Directors' Remuneration Report on page 33.

MANAGEMENT ARRANGEMENTS

The Company has no 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 third party companies.

Investment management services

The Company's investments are managed by Brompton (the 'Investment Manager'). This relationship is governed by an agreement dated 17th May 2018. The portfolio manager is Gill Lakin.

Brompton receives a management fee, payable quarterly in arrears, equivalent to an annual 0.75 per cent of total assets after the deduction of the value of any investments managed by the Investment Manager or its associates (as defined in the investment management agreement). The investment management agreement may be terminated by either party giving three months written notice to expire on the last calendar day of any month.

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 £688,000 (2018: £668,000). A performance fee of £410,000 was payable at 30th June 2019 (2018: £nil).

The Independent Directors have reviewed the performance and terms of Brompton as Investment Manager. The Directors believe that it is in the best interests of all the shareholders to continue the appointment of the Investment Manager on their existing terms of appointment having had regard to the Group's performance in recent periods.

DIRECTORS' REPORT

for the year ended 30th June 2019

DIRECTORS' REPORT CONTINUED

Secretarial, administration and accounting services

Company secretarial services, general administration and accounting services for the Company are undertaken by Maitland 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. Details of fees paid to the Investment Manager are given on page 21 and in note 3 on page 54.

SHARE CAPITAL AND SHAREHOLDERS

Share capital

The Company's share capital comprises 305,000,000 Ordinary shares of 1p each (2018: 305,000,000), of which 71,023,695 (2018: 71,023,695) are issued and fully paid. No shares are held in treasury (2018: nil). The Company did not issue or repurchase any shares during the year or up to the date of this report.

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

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

The voting rights of the Ordinary shares on a poll are one vote for every share held.

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.

DIRECTORS' REPORT

for the year ended 30th June 2019

DIRECTORS' REPORT CONTINUED

Substantial share interests

At 30th June 2019 and 6th September 2019, 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 2019	% of voting rights 6th September 2019
J L Duffield	59.1	59.1
M R L Astor	3.9	3.9
Miton Asset Management Ltd	3.8	3.8
Armstrong Investments Ltd	3.2	3.2

Relations with shareholders

The Board and Investment Manager are available for dialogue with shareholders. The primary mediums through which the Company communicates with its shareholders are the Half Year Report and the Annual Report and Accounts which aim to provide shareholders with a clear understanding of the Company's activities and its results. The Company's Annual Report and Accounts and Half Year Report are also published on the Company's website at: www.nsitplc.com and net asset values are published on the London Stock Exchange and the Company's website on a monthly basis.

All shareholders will have the opportunity to attend and vote at the AGM during which the Directors and Investment Manager will be available to answer questions regarding the Company. The Company will generally seek to provide twenty working days' notice of the AGM.

The Notice of Meeting sets out the business of the AGM and any item not of an entirely routine nature is explained in the Directors' Report or, where applicable, in the Notice of Meeting. Separate resolutions are proposed for each substantive issue.

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.

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.

DIRECTORS' REPORT

for the year ended 30th June 2019

DIRECTORS' REPORT CONTINUED

INDEPENDENT AUDITOR

Ernst & Young LLP have indicated their willingness to remain in office. Accordingly a resolution proposing the re-appointment of Ernst & Young LLP until the close of the next general meeting at which accounts are laid before members, 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.

ANNUAL GENERAL MEETING

The AGM of the Company will be held at 1 Knightsbridge Green, London, SW1X 7QA on Thursday, 14th November 2019 and will commence at 11.00 am. The notice of meeting can be found on pages 72 to 75.

SPECIAL BUSINESS AT THE AGM

In addition to the Ordinary business to be transacted at the forthcoming Annual General Meeting, Resolution 8 will be proposed as an Ordinary Resolution and Resolutions 9 to 12 will be proposed as Special Resolutions.

Resolution 8 seeks renewal of the general and unconditional authority for the Directors to allot shares. The authority can be sought for up to 5 years but is put to shareholders annually. The Directors do not currently have any plans to exercise this authority if granted under this Resolution.

Resolution 9 would allow the Company to allot a limited number of equity securities without applying pre-emption rights. Again, the Directors do not currently have any plans to exercise this authority but consider it desirable and in the Company's interest to have the authority in place.

Resolution 10 is to seek renewal of the existing authority for the Company to make market purchases of the Company's shares. The authority is limited to 10,646,450 Ordinary shares representing approximately 14.99% of the current issued Ordinary share capital. No market purchases have yet been made but the Directors feel it is important to have the ability to make purchases and the Directors would only exercise the authority, if granted, if they considered it to be in the Company's best interest. Any Ordinary shares bought back would be cancelled or held in treasury at the discretion of the Directors.

Resolution 11 would give the Directors discretion to re-issue Ordinary shares held in treasury into the market. Shares would not be re-issued at a price below the most recent published net asset value prior to re-issue.

DIRECTORS' REPORT

for the year ended 30th June 2019

DIRECTORS' REPORT CONTINUED

Resolution 12 will enable the Directors to call general meetings (other than an Annual General Meeting) at not less than 14 days' notice rather than 21 days. Ordinarily the Directors would expect to give the full notice period but circumstances might make it desirable to call a meeting on shorter notice. A general meeting may only be called on short notice if it complies with certain conditions.

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 42,003,223, being approximately 59.14% of the Ordinary share capital in issue at the date of this report.

For and on behalf of the Board of Directors
Maitland Administration Services Limited
Corporate Secretary
27th September 2019

CORPORATE GOVERNANCE STATEMENT

for the year ended 30th June 2019

CORPORATE GOVERNANCE STATEMENT

APPLICABLE GOVERNANCE CODE

Throughout the year under review the Company applied the UK Corporate Governance Code issued by the Financial Reporting Council ('FRC') in June 2016 (the 'Code'), and had regard to the Code of Corporate Governance issued by the Association of Investment Companies in February 2015 (the 'AIC Code') which provides specific corporate governance guidance for investment trusts. Full details of the Company's corporate governance arrangements and instances of non-compliance are given below.

The Code referred to above can be found on the FRC's website at www.frc.gov.uk

STATEMENT OF COMPLIANCE

It is considered that the Company has complied with the provisions of the Code subject to the exceptions explained below: the Company has not arranged insurance cover in respect of legal action against its Directors (Code provision A.1.3); it has not appointed a Senior Independent Director (Code provision A.4.1); and it does not have a Nominations Committee (Code Provision: B.2.1).

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. There is an agreed procedure for Directors, in the furtherance of their duties, to take independent professional advice at the Company's expense.

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

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

Powers of the Directors

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

CORPORATE GOVERNANCE STATEMENT

for the year ended 30th June 2019

CORPORATE GOVERNANCE STATEMENT CONTINUED

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
David Gamble	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 whom 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 was carried out last year.

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 2018.

CORPORATE GOVERNANCE STATEMENT

for the year ended 30th June 2019

CORPORATE GOVERNANCE STATEMENT CONTINUED

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 FRC's Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (September 2014). 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. 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 relating to 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. 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 Maitland Administration Services Limited.
- Authorisation and exposure limits are set by the Board.
- The Company clearly defines the duties and responsibilities of its agents through their contracts. The appointment of agents and advisers is conducted by the Board after consideration of the quality of parties involved; the Board monitors their on-going performance and contractual arrangements. The Board reviews financial information produced by the Investment Manager and the Company Secretary on a regular basis.

ACCOUNTABILITY AND RELATIONSHIP WITH INVESTMENT MANAGER

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 35. The responsibilities of the independent auditor are set out on pages 36 to 44. The Directors' Report states that the business is a going concern and confirmation of the Directors consideration on viability is on page 17.

The Board has delegated contractually to external third parties (including the Investment Manager) the management of the investment portfolio, custodial services (including safeguarding of assets), day to day accounting, company secretarial and administration duties, and registration services. Each of these contracts was entered into after consideration by the Board of the quality and cost of the services offered. The Board receives regular formal reports from the Investment Manager and ad hoc information as required.

CORPORATE GOVERNANCE STATEMENT

for the year ended 30th June 2019

CORPORATE GOVERNANCE STATEMENT CONTINUED

STEWARDSHIP

The Board has delegated the voting of investee company shares to the Investment Manager. The Board is conscious that the majority of its investments are in diverse 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 works effectively. Directors are aware that they have a continuing obligation to notify the Company Secretary of all existing, new and potential situations or interests which do or could conflict with the interests of the Company. All disclosed situations and interests are reviewed by the Board at its meetings and, where appropriate, authorised. It is the Board’s intention to continue to review all notified situations on a regular basis.

REPORT OF THE AUDIT COMMITTEE

for the year ended 30th June 2019

AUDIT COMMITTEE

Composition of the Audit Committee

The Board has established an Audit Committee which consists of Mr Gamble (Chairman) and Mr Howard-Spink. Mr Gamble was appointed Chairman on becoming a director in 2017, Mr Howard-Spink served throughout the year. Both committee members 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 for the Audit Committee are available on the Company's website: www.nsitplc.com

Role of the Audit Committee

The Audit Committee meets at least twice per year and operates within clearly defined terms of reference. The Committee provides a forum through which the Company's external auditor reports 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 whether the annual financial statements are fair, balanced and understandable;
- 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.

Significant accounting matters considered by the Audit Committee

As part of the Audit Committee's review of the 2019 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 92% of the portfolio excluding cash has been verified by daily or monthly market prices. The valuation of the remainder of the portfolio, which is more subjective, is reviewed separately by the Investment Manager, the Audit Committee and the Auditor. The Audit Committee reviewed the Investment Manager's detailed valuation paper covering the basis adopted for valuing each unquoted company.

Ownership of the investment portfolio: The Company uses the services of an independent global custodian, Brown Brothers Harriman & Co. The Investment Manager and Administrator reconcile their records to those of the custodian. The Auditor obtains independent confirmation of the holdings from the custodian at the year end.

REPORT OF THE AUDIT COMMITTEE

for the year ended 30th June 2019

AUDIT COMMITTEE CONTINUED

Performance fee calculation: The Audit Committee reviewed the calculation of the performance fee payable to the investment manager, together with the accounting treatment of taking the fee to the capital account. The Committee was satisfied with the calculation and accounting treatment.

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

EXTERNAL AUDITOR

Auditor independence and performance

The Audit Committee makes recommendations to the Board regarding the appointment and independence of the external Auditor, Ernst & Young LLP, and assesses the objectivity and effectiveness of the audit process. Representatives of Ernst & Young LLP attended the Audit Committee meeting at which the draft Annual Report and Accounts were considered. They also engage with the Directors as and when required. Details of the amounts payable to the Auditor during the year under review, for audit and other services are set out in note 4 on page 55.

The effectiveness of the audit was assessed by considering the Auditor's direct engagement with the Audit Committee, the auditors' written reports and from feedback from the Investment Manager and the Administrator.

In addition to the statutory audit of the Annual Report and Accounts, Ernst & Young LLP also provided a review of the half year report, which was subject to approval by the Audit Committee prior to engagement. The external auditor no longer provides any taxation services.

Ernst & Young LLP have audited the Company's financial statements since the inception of the Company in 2000 and the current Audit Partner is in her third year. Ernst & Young LLP can continue to audit the accounts through the year ended 2023. No audit tender has been undertaken. The Board concluded, on the recommendation of the Audit Committee, that the Auditor continues to be independent of the Company and the Investment Manager and recommends their reappointment.

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 review periodically 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 by:
David Gamble
Chairman – Audit Committee
27th September 2019

DIRECTORS' REMUNERATION REPORT

for the year ended 30th June 2019

ANNUAL REPORT ON REMUNERATION

The Directors are pleased to present their report on remuneration. An Ordinary resolution, to approve the Directors' Remuneration Policy (the 'Policy') (which is binding) was put to the 2017 AGM and approved. An Ordinary resolution to adopt this report (which is advisory) will be put at the forthcoming AGM.

The Auditor is 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 36 to 44.

This report has been prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It describes the Policy and how it was implemented for the year to 30th June 2019.

The Board does not consider it necessary or appropriate to establish a separate Remuneration Committee as the Company has no employees, the Board is small, and there are no executive Directors. Non-executive Directors' remuneration is determined by the Board in line with the Policy below.

REMUNERATION POLICY

The Company's policy is that the remuneration of non-executive Directors should reflect the experience of the board as a whole, be fair and comparable to that of other investment trusts that have a similar capital structure (ordinary shares), and have a similar investment objective (long-term capital growth).

The non-executive Directors of the Company are entitled to such rates of annual fees as the Board, at its discretion determines, subject to an aggregate ceiling of £100,000.

No Director shall be entitled to any benefits in kind, share options, long-term incentives, pension or other retirement benefits or compensation for loss of office. It is considered that no part of the Directors' remuneration should be performance related in the light of their non-executive status. Directors are entitled to reimbursement of expenses in respect of duties undertaken in connection with the management of the Company.

If the shareholders approve the policy, the policy will be put to shareholders again for renewal of their approval at intervals of not more than three years, and less if a change to the policy is proposed. If changes to the adopted policy are proposed, they can only take effect after shareholders have approved the changes in general meeting.

DIRECTORS' SERVICE CONTRACTS

It is the Board's policy that none of the Directors has a service contract. Any Director may be removed without notice and no compensation will be due on leaving office.

VOTING AT AGM

Other than the proposed increase in Director's fees, there are no significant changes proposed to the way that the current approved Remuneration Policy will be implemented during the course of the next financial year.

The current policy was last approved at the AGM held on 16th November 2017, at which 100% of the votes were in favour and 0% were against. At last year's AGM, the Directors' Remuneration Report was also approved; 100% voted in favour and 0% voted against.

DIRECTORS' REMUNERATION REPORT

for the year ended 30th June 2019

ANNUAL REPORT ON REMUNERATION CONTINUED

DIRECTORS' FEES (AUDITED)

The table below shows the rates of annual fees payable to the highest paid Director, the Chairman, and all other non-executive Directors for the year to 30th June 2019 and the year to 30th June 2018:

	2019 (£)	2018 (£)
Chairman	**20,000**	20,000
Board member	**15,000**	15,000

On 13th June 2019 the Board resolved to increase the Chairman's fee to £25,000 and other Board members to £20,000, effective 1st July 2019.

DIRECTORS' EMOLUMENTS (AUDITED)

The single total figure of remuneration for each Director for the year to 30th June 2019 is detailed below together with the prior year comparative. Emoluments were received solely in the form of fees.

Name of Director	**Fees paid/ Total (£) 2019**	2018
J L Duffield	**15,000**	15,000
D J Gamble (appointed 16th November 2017)	**15,000**	9,385
M J Gregson (resigned 15th September 2017)	**–**	3,750
G Howard-Spink	**20,000**	20,000
Total	**50,000**	48,135

RELATIVE IMPORTANCE OF SPEND ON PAY

The fees payable in respect of Mr Duffield's services are paid to the Investment Manager. The Company has no executive directors. Distributions made to shareholders by way of dividend have no correlation to Directors' remuneration. Any comparison would not be meaningful.

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 2019**	30th June 2018
J L Duffield	42,003,223	42,003,223
D J Gamble	–	–
G Howard-Spink	–	–

There have been no changes in the Directors' interests in the period from 30th June 2019 to the date of this report.

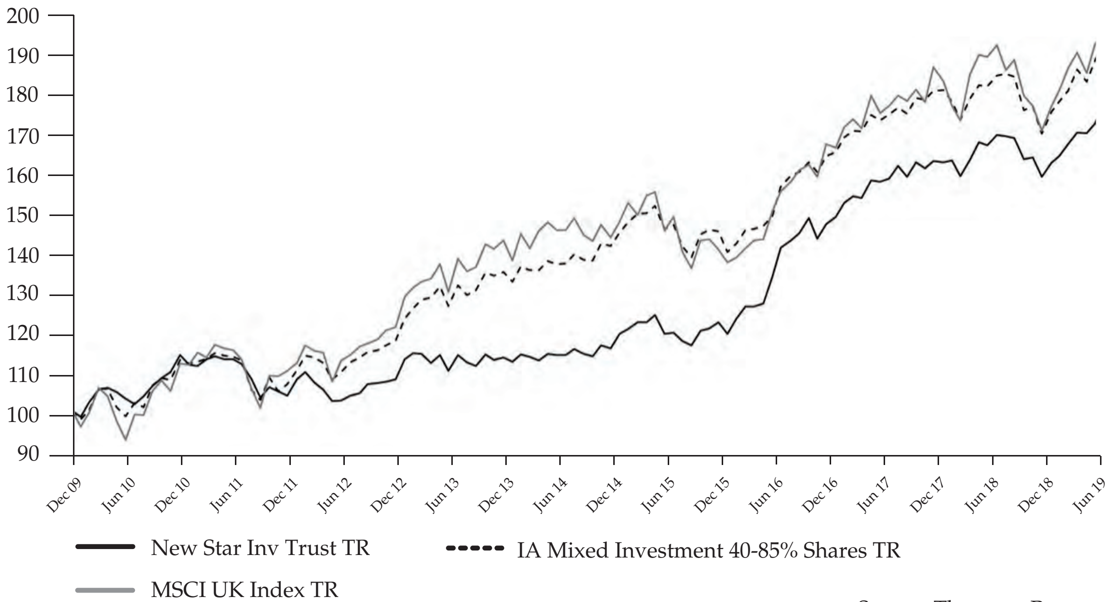
DIRECTORS' REMUNERATION REPORT

for the year ended 30th June 2019

ANNUAL REPORT ON REMUNERATION CONTINUED

YOUR COMPANY'S PERFORMANCE

The graph below compares the share price total return (assuming all dividends are reinvested) since 31st December 2009 against the IA Mixed Investment 40-85% (total return). The data has been rebased to 100 at 31st December 2009.



Source: Thomson Reuters

By order of the Board
Geoffrey Howard-Spink
Chairman
27th September 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 30th June 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and regulations. Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors are required to prepare Financial Statements under International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

Under Company Law, the Directors must not approve the Group's Annual Report and Accounts unless they are satisfied that they give a true and fair view of the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those Group's Annual Report and Accounts the Directors are required to:

- select suitable accounting policies in accordance with International Accounting Standard ('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 Group's Annual Report and Accounts for the year ended 30th June 2019, 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 IFRSs, as adopted by the European Union, 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 Group, together with a description of the principal risks and uncertainties they face.

For and on behalf of the Board of Directors
Maitland Administration Services Limited
Secretary
27th September 2019

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

AUDITOR'S REPORT

OPINION

In our opinion:

- New Star Investment Trust Plc's Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30th June 2019 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of New Star Investment Trust Plc which comprise:

Group	**Parent Company**
Consolidated Statement of Comprehensive Income for the year ended 30 June 2019.	Company Statement of Changes in Equity for the year ended 30 June 2019.
Consolidated Statement of changes in Equity for the year ended 30 June 2019.	Company Balance Sheet as at 30 June 2019.
Consolidated Balance Sheet as at 30 June 2019.	Company Cash Flow Statement for the year ended 30 June 2019.
Consolidated Cash Flow Statement for the year ended 30 June 2019.	Related notes 1 to 20 to the financial statements, including a summary of significant accounting policies.
Related notes 1 to 20 to the financial statements, including a summary of significant accounting policies.	

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

AUDITOR'S REPORT CONTINUED

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

- the disclosures in the annual report set out on page 16 that describe the principal risks and explain how they are being managed or mitigated;
- the directors' confirmation set out on page 17 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;
- the directors' statement set out on page 23 in the annual report about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- whether the directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or
- the directors' explanation set out on page 17 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	• Incomplete or inaccurate revenue recognition, including classification as revenue or capital items in the statement of comprehensive income. • Incorrect valuation and defective title of the investment portfolio.
Audit scope	• We performed an audit of the complete financial information of New Star Investment Trust Plc and its subsidiary, JIT Securities Limited, in accordance with applicable law and International Standards on Auditing (UK). • All audit work was performed directly by the audit engagement team.
Materiality	• Overall Group materiality of £1.1m (2018: £1.1m) which represents 1% of net assets.

Key audit matters

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

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

AUDITOR'S REPORT CONTINUED

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the statement of comprehensive income The investment income receivable by the group during the year directly affects the group's ability to pay a dividend to shareholders. The income received for the year ended 30 June 2019 was £2.2m (2018: £1.7m). The Directors are required to exercise judgement in determining whether income receivable in the form of special dividends should be classified as 'revenue' or 'capital'.	**We have performed the following procedures:** We obtained an understanding of the Manager's and the Administrator's processes and controls surrounding revenue recognition and allocation of special dividends by performing a walkthrough to understand the design and implementation of controls. We agreed 100% of the dividends received from the income report to an independent pricing source, recalculated the dividend amount received and agreed to bank statements. We agreed a sample of dividends paid on investments held from an independent pricing source to the income report. We agreed 100% of accrued dividends to an independent pricing source, recalculated the amount receivable and agreed to post year end bank statements, where paid. We reviewed the income report and acquisition and disposal report produced by the Administrator and referred to independent data sources to identify special dividends received or accrued in the year in excess of our testing threshold. We noted that the Group received no special dividends above our testing threshold.	We have no issues to communicate with respect to our procedures performed over the risk of incomplete or inaccurate revenue recognition, including classification of special dividends as revenue or capital items in the Statements of Comprehensive Income.

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

AUDITOR'S REPORT CONTINUED

<table>
<tr><th>Risk</th><th>Our response to the risk</th><th>Key observations communicated to the Audit Committee</th></tr>
<tr><td>Incorrect valuation and defective title of the investment portfolio.
The valuation of the assets held in the investment portfolio is the key driver of the Group's net asset value and total return. Incorrect asset pricing, including the judgement involved in the valuation of unquoted investments, or a failure to maintain proper legal title of the assets held by the Group could have a significant impact on the portfolio valuation and the return generated for shareholders.
The Group's accounting policy is to value the investment portfolio at its fair value which is:
• For exchange traded securities, either the bid price or the last traded price, depending on the convention of the exchange on which the security is quoted.
• For 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 at fair value by Directors following a detailed review and appropriate challenge of the valuations proposed by the Investment Manager. The Investment Manager's unquoted investment policy applies the methodologies consistent with the International Private Equity and Venture Capital Valuation ('IPEV') guidelines.
The valuation of the portfolio at 30 June 2019 was £93.8m (2018: £96.3m) consisting primarily of quoted investments with an aggregate value of £86.4m (2018: £90.9m) and unquoted investments with an aggregate value of £7.4m (2018: £5.4m).</td><td>We have performed the following procedures:
We obtained an understanding of the Manager and Administrator's processes and controls surrounding investment pricing and trade processing, including an understanding of the operation of the Manager's and the Director's process for review of the unquoted valuations by performing a walkthrough to understand the design and implementation of controls.
We agreed 100% of quoted investment valuations and exchange rates to an independent source.
We reviewed price exception and stale pricing reports and transaction volume data to identify any stale priced or illiquid investments.
For each material unquoted investment held as at the year-end, we utilised our specialist Valuations and Business Modelling team to assess and corroborate the valuations. This included:
• Assessing whether the valuations have been performed in line with the IPEV guidelines and IFRS.
• Assessing the appropriateness of the data inputs and assumptions used to support the valuations.
• Assessing other facts and circumstances, such as market movement and comparative company information, that have an impact on the fair market value of the investments.
We obtained confirmation from the Custodian of all investments held at the year end and agreed those to the Group's records.</td><td>We have one issue to communicate with respect to our procedures performed over the risk of incorrect valuation and defective title of the investment portfolio.
Following the completion of our procedures over the valuation of unquoted investments we noted an under-statement of net assets as a result of an unadjusted judgmental audit difference which we communicated to the audit committee.</td></tr>
</table>

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

AUDITOR'S REPORT CONTINUED

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls, changes in the business environment and other factors when assessing the level of work to be performed at each entity. All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £1.1m (2018: £1.1m), which is 1% (2018: 1%) of net assets. We believe that net assets provide us with the materiality aligned to the key measurement of the Group's performance.

We determined materiality for the Parent Company to be £1.1m (2018: £1.1m), which is 1% (2018: 1%) of net assets.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our planning materiality, namely £0.8m (2018: £0.8m). We have set performance materiality at this percentage due to our past experience of the audit that indicates a lower risk of misstatements, both corrected and uncorrected.

Given the importance of the distinction between revenue and capital for the group we also applied a separate revenue testing threshold of £0.06m (2018: £0.06m) for the revenue column of the Consolidated Statement of Comprehensive Income, being the greater of 5% of the revenue profit before tax and our reporting threshold which is set at 5% of planning materiality.

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

AUDITOR'S REPORT CONTINUED

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.06m (2018: £0.06m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard. In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable** set out on page 35 – The statement by the directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or

- **Audit committee reporting** set out on pages 30 – the section describing the work of the audit committee does not appropriately address matters communicated by us to the audit committee; or

- **Directors' statement of compliance with the UK Corporate Governance Code** set out on page 26 – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

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

AUDITOR'S REPORT CONTINUED

Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements;
- the information about internal control and risk management systems in relation to financial reporting processes and about share capital structures, given in compliance with rules 7.2.5 and 7.2.6 in the Disclosure Rules and Transparency Rules sourcebook made by the Financial Conduct Authority (the FCA Rules), is consistent with the financial statements and has been prepared in accordance with applicable legal requirements; and
- information about the company's corporate governance code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the FCA Rules.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 35, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

AUDITOR'S REPORT CONTINUED

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are IFRSs as adopted by the European Union, the Companies Act 2006, AIC SORP, the Listing Rules, the AIC Code, the UK Corporate Governance Code and Section 1158 of the Corporation Tax Act 2010.
- We understood how New Star Investment Trust plc is complying with those frameworks through discussions with the Audit Committee, the Investment Manager (Brompton Asset Management LLP), and the Company Secretary (Maitland Administration Services Limited) and a review of the Group's documented policies and procedures.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering the key risks impacting the financial statements. We identified fraud risks with respect to the incomplete or inaccurate income recognition through incorrect classification of special dividends and the incorrect valuation of the unquoted investments and the resulting impact on the statement of comprehensive income. Further discussion of our approach is set out in the section on key audit matters above.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved review of the reporting to the directors with respect to the application of the documented policies and procedures and review of the financial statements to ensure compliance with the reporting requirements of the group.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

AUDITOR'S REPORT CONTINUED

Other matters we are required to address

- We were appointed by the Group on inception of the Parent Company to audit the financial statements for the period ending 5 May 2000 and subsequent financial periods.

  The period of total uninterrupted engagement including previous renewals and reappointments is 20 years, covering the period ending 5 May 2000 to the year ended 30 June 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the Parent Company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Caroline Mercer *(Senior Statutory Auditor)*
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
2nd October 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30th June 2019

		Year ended 30th June 2019			Year ended 30th June 2018		
	Notes	**Revenue Return £'000**	**Capital Return £'000**	**Total £'000**	Revenue Return £'000	Capital Return £'000	Total £'000
INVESTMENT INCOME	2	**1,890**	**–**	**1,890**	1,654	–	1,654
Other operating income	2	**349**	**–**	**349**	122	–	122
		2,239	**–**	**2,239**	1,776	–	1,776
GAINS AND LOSSES ON INVESTMENTS							
Gains on investments at fair value through profit or loss	9	**–**	**1,992**	**1,992**	–	6,218	6,218
Other exchange gains/(losses)		**–**	**443**	**443**	–	(176)	(176)
Trail rebates		**–**	**5**	**5**	–	5	5
		2,239	**2,440**	**4,679**	1,776	6,047	7,823
EXPENSES							
Management and performance fees	3	**(688)**	**(410)**	**(1,098)**	(668)	–	(668)
Other expenses	4	**(266)**	**–**	**(266)**	(272)	–	(272)
		(954)	**(410)**	**(1,364)**	(940)	–	(940)
PROFIT BEFORE TAX		**1,285**	**2,031**	**3,315**	836	6,047	6,883
Tax	5	**–**	**–**	**–**	(5)	–	(5)
PROFIT FOR THE YEAR		**1,285**	**2,031**	**3,315**	831	6,047	6,878
EARNINGS PER SHARE							
Ordinary shares (pence)	7	**1.81p**	**2.86p**	**4.67p**	1.17p	8.51p	9.68p

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 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 51 to 71 form an integral part of these Accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2019

	Note	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2018		**710**	**21,573**	**56,908**	**32,175**	**111,366**
Total comprehensive income for the year		**–**	**–**	**–**	**3,315**	**3,315**
Dividend Paid	*8*	**–**	**–**	**–**	**(710)**	**(710)**
AT 30TH JUNE 2019		**710**	**21,573**	**56,908**	**34,780**	**113,971**

Included within Retained earnings were £1,687,000 of Company reserves available for distribution.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2018

	Note	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2017		710	21,573	56,908	25,865	105,056
Total comprehensive income for the year		–	–	–	6,878	6,878
Dividend Paid	*8*	–	–	–	(568)	(568)
AT 30TH JUNE 2018		710	21,573	56,908	32,175	111,366

Included within Retained earnings were £1,112,000 of Company reserves available for distribution.

The Notes on pages 51 to 71 form an integral part of these Accounts.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2019

	Note	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2018		**710**	**21,573**	**56,908**	**32,175**	**111,366**
Total comprehensive income for the year		**–**	**–**	**–**	**3,315**	**3,315**
Dividend paid	*8*	**–**	**–**	**–**	**(710)**	**(710)**
AT 30TH JUNE 2019		**710**	**21,573**	**56,908**	**34,780**	**113,971**

Included within Retained earnings were £1,687,000 of Company revenue reserves available for distribution.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2018

	Note	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2017		710	21,573	56,908	25,865	105,056
Total comprehensive income for the year		–	–	–	6,878	6,878
Dividend paid	*8*	–	–	–	(568)	(568)
AT 30TH JUNE 2018		710	21,573	56,908	32,175	111,366

Included within Retained earnings were £1,112,000 of Company revenue reserves available for distribution.

The Notes on pages 51 to 71 form an integral part of these Accounts.

CONSOLIDATED BALANCE SHEET

at 30th June 2019

	Notes	**30th June 2019 £'000**	30th June 2018 £'000
NON-CURRENT ASSETS			
Investments at fair value through profit or loss	*9*	**93,782**	96,301
CURRENT ASSETS			
Other receivables	*11*	**220**	272
Cash and cash equivalents	*12*	**20,605**	15,027
		20,825	15,299
TOTAL ASSETS		**114,607**	111,600
CURRENT LIABILITIES			
Other payables	*13*	**(636)**	(234)
TOTAL ASSETS LESS CURRENT LIABILITIES		**113,971**	111,366
NET ASSETS		**113,971**	111,366
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*	**34,780**	32,175
TOTAL EQUITY		**113,971**	111,366
NET ASSET VALUE PER ORDINARY SHARE	*16*	**160.47p**	156.80p

These Accounts were approved by the Board of Directors and authorised for issue on 27th September 2019.

Geoffrey Howard-Spink
Chairman
New Star Investment Trust Plc
Registered in England & Wales No. 03969011

The Notes on pages 51 to 71 form an integral part of these Accounts.

COMPANY BALANCE SHEET

at 30th June 2019

	Notes	30th June 2019 £'000	30th June 2018 £'000
NON-CURRENT ASSETS			
Investment at fair value through profit or loss	9	**93,782**	96,301
Investments in subsidiary at fair value through profit or loss	10	**506**	506
		94,288	96,807
CURRENT ASSETS			
Other receivables	11	**220**	272
Cash and cash equivalents	12	**20,605**	15,027
		20,825	15,299
TOTAL ASSETS		**115,113**	112,106
CURRENT LIABILITIES			
Other payables	13	**(1,142)**	(740)
TOTAL ASSETS LESS CURRENT LIABILITIES		**113,971**	111,366
NET ASSETS		**113,971**	111,366
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[1]	15	**34,780**	32,175
TOTAL EQUITY		**113,971**	111,366

[1] The profit for the year dealt with in the accounts of the Company is £3,315,000 (2018: £6,878,000).

These Accounts were approved by the Board of Directors and authorised for issue on 27th September 2019.

Geoffrey Howard-Spink
Chairman
New Star Investment Trust Plc
Registered in England & Wales No. 03969011

The Notes on pages 51 to 71 form an integral part of these Accounts.

CASH FLOW STATEMENTS

for the year ended 30th June 2019

	Note	**Year ended 30th June 2019 Group £'000**	**Year ended 30th June 2019 Company £'000**	Year ended 30th June 2018 Group £'000	Year ended 30th June 2018 Company £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES		**1,334**	**1,334**	673	671
INVESTING ACTIVITIES					
Purchase of investments		**(4,340)**	**(4,340)**	(16,016)	(16,016)
Sale of investments		**8,851**	**8,851**	17,663	17,663
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES		**4,511**	**4,511**	1,647	1,647
FINANCING					
Equity dividends paid	8	**(710)**	**(710)**	(568)	(568)
Amounts owed to subsidiary undertakings		**–**	**–**	–	1,420
NET CASH (OUTFLOW) AFTER FINANCING		**(710)**	**(710)**	(568)	852
INCREASE IN CASH		**5,135**	**5,135**	1,752	3,170
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN CASH & CASH EQUIVALENTS					
Increase in cash resulting from cash flows		**5,135**	**5,135**	1,752	3,170
Exchange movements		**443**	**443**	(176)	(176)
Movement in net funds		**5,578**	**5,578**	1,576	2,994
Net funds at start of the year		**15,027**	**15,027**	13,451	12,033
CASH & CASH EQUIVALENTS AT END OF YEAR	*17*	**20,605**	**20,605**	15,027	15,027
RECONCILIATION OF PROFIT BEFORE FINANCE COSTS AND TAXATION TO NET CASH FLOW FROM OPERATING ACTIVITIES					
Profit before finance costs and taxation*	2	**3,315**	**3,315**	6,883	6,883
Gains on investments		**(1,992)**	**(1,992)**	(6,218)	(6,220)
Exchange differences		**(443)**	**(443)**	176	176
Capital trail rebates		**(5)**	**(5)**	(5)	(5)
Net revenue gains before finance costs and taxation		**875**	**875**	836	834
Decrease/(increase) in debtors		**43**	**43**	(187)	(187)
Increase in creditors		**402**	**402**	24	24
Taxation		**9**	**9**	(5)	(5)
Capital trail rebates		**5**	**5**	5	5
NET CASH INFLOW FROM OPERATING ACTIVITIES		**1,334**	**1,334**	673	671

* Includes dividends received in cash of £1,599,000 (£1,164,000), accumulation income of £278,000 (2018: £381,000) and interest received of £408,000 (2018: £42,000).

The Notes on pages 51 to 71 form an integral part of these Accounts.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2019

1. ACCOUNTING POLICIES

The financial statements 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 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' ('SORP') issued by the Association of Investment Companies ('AIC') in November 2014 and updated in February 2018 with consequential amendments 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 2019. 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 and assets are held at their fair value. 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. Subsidiaries are valued at fair value, which is considered to be their NAV in the accounts of the Company.

(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 profit 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.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2019

1. ACCOUNTING POLICIES CONTINUED

(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 statements. 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. The most significant estimate relates to the valuation of unquoted investments (see note 18(h)).

(e) *Revenue:* Dividends and other such revenue 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. 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 offshore funds is credited to the revenue account. Interest on fixed interest securities and deposits is accounted for on an interest rate 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. Performance fees and 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. Deferred tax assets are only recognised when there is more likelihood than not that there will be suitable profits against which they can be applied.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2019

1. ACCOUNTING POLICIES CONTINUED

(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.

(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;
- performance fees payable to the investment manager; and
- trail rebates received from the managers of the Company's investments.

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

(k) *Revenue reserve:* This reserve includes net revenue recognised in the revenue column of the Statement of Comprehensive Income.

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

(m) *Cash and cash equivalents:* Cash and cash equivalents comprise current deposits and balances with banks. Cash and cash equivalents may be held for the purpose of either asset allocation or managing liquidity.

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

(o) *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.

(p) *New standards, amendments to standards and interpretations effective for annual accounting periods beginning after 1 July 2018:*

The following amendments to standards effective this year, being relevant and applicable to the Company, have been adopted, although they have no impact on the financial statements:

- IFRS 7 Financial Instruments: disclosures for initial application of IFRS 9 – effective 1 January 2016 or when IFRS 9 is first applied
- IFRS 9 Financial Instruments – effective 1 January 2018
- IFRS 15 Revenue from Contracts with Customers – effective 1 January 2018

(q) *Accounting standards issued but not yet effective:* There are no standards or amendments to standards not yet effective that are relevant to the Group and should be disclosed.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2019

2. INVESTMENT INCOME

	Year ended 30th June 2019 £'000	Year ended 30th June 2018 £'000
INCOME FROM INVESTMENTS		
UK net dividend income	**1,691**	1,481
Unfranked investment income	**199**	173
	1,890	1,654
OTHER OPERATING INCOME		
Bank interest receivable	**336**	111
Loan interest income	**13**	11
	349	122
TOTAL INCOME COMPRISES		
Dividends	**1,890**	1,654
Other income	**349**	122
	2,239	1,776

The above dividend and interest income has been included in the profit before finance costs and taxation included in the cash flow statements.

3. MANAGEMENT AND PERFORMANCE FEES

	Year ended 30th June 2019			Year ended 30th June 2018		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**688**	**–**	**688**	668	–	668
Performance fee	**–**	**410**	**410**	–	–	–
	688	**410**	**1,098**	668	–	668

At 30th June 2019 there were amounts accrued of £177,000 (2018: £173,000) for investment management fees and £410,000 (2018: £nil) for performance fees.

A summary of the terms of the investment management agreement may be found in the Directors' Report on page 21.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2019

4. OTHER EXPENSES

	Year ended 30th June 2019 £'000	Year ended 30th June 2018 £'000
Directors' remuneration	**50**	48
Administrative and secretarial fee	**95**	94
Auditors' remuneration		
– Audit	**32**	31
– Interim review	**8**	8
Taxation compliance services	**7**	–
Other	**74**	91
	266	272
Allocated to:		
– Revenue	**266**	272
– Capital	**–**	–
	266	272

5. TAXATION

(a) Analysis of tax charge for the year:

	Year ended 30th June 2019			Year ended 30th June 2018		
	Revenue Return £'000	**Capital Return £'000**	**Total £'000**	Revenue Return £'000	Capital Return £'000	Total £'000
Overseas tax	**3**	**–**	**3**	17	–	17
Recoverable income tax	**(3)**	**–**	**(3)**	(12)	–	(12)
Total current tax for the year	**–**	**–**	**–**	5	–	5
Deferred tax	**–**	**–**	**–**	–	–	–
Total tax for the year (note 5b)	**–**	**–**	**–**	5	–	5

NOTES TO THE ACCOUNTS

for the year ended 30th June 2019

5. TAXATION CONTINUED

(b) Factors affecting tax charge for the year:

The charge for the year of £nil (2018: £5,000) can be reconciled to the profit per the consolidated statement of comprehensive income as follows:

	Year ended 30th June 2019 £'000	Year ended 30th June 2018 £'000
Total profit before tax	**3,315**	6,883
Theoretical tax at the UK corporation tax rate of 19.00% (2018: 19.00%)	**630**	1,307
Effects of:		
Non-taxable UK dividend income	**(321)**	(281)
Gains and losses on investments that are not taxable	**(463)**	(1,148)
Excess expenses not utilised	**154**	138
Overseas dividends which are not taxable	**–**	(16)
Overseas tax	**3**	17
Recoverable income tax	**(3)**	(12)
Total tax for the year	**–**	5

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

There is no deferred tax (2018: £nil) in the capital account of the Company. There is no deferred tax charge in the revenue account (2018: £nil).

At the year-end there is an unrecognised deferred tax asset of £520,000 (2018: £478,000) based on the enacted tax rates of 17% for financial years beginning 1 April 2020, as a result of excess expenses.

6. COMPANY RETURN FOR THE YEAR

The Company's total return for the year was £3,315,000 (2018: £6,878,000).

NOTES TO THE ACCOUNTS

for the year ended 30th June 2019

7. RETURN PER ORDINARY SHARE

Total return per Ordinary share is based on the Group total return on ordinary activities after taxation of £3,315,000 (2018: £6,878,000) and on 71,023,695 (2018: 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 £1,285,000 (2018: £831,000) and on 71,023,695 (2018: 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 £2,031,000 (2018: £6,047,000) and on 71,023,695 (2018: 71,023,695) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

8. DIVIDENDS ON EQUITY SHARES

Amounts recognised as distributions in the year:

	Year ended 30th June 2019 £'000	Year ended 30th June 2018 £'000
Dividends paid during the year	**710**	568
Dividends payable in respect of the year ended: 30th June 2019: 1.4p (2018: 1.0p) per share	**994**	710

It is proposed that a dividend of 1.4p per share will be paid in respect of the current financial year.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2019

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 30th June 2019 £'000	Year ended 30th June 2018 £'000
GROUP AND COMPANY	**93,782**	96,301

ANALYSIS OF INVESTMENT PORTFOLIO – GROUP AND COMPANY

	Quoted* £'000	**Unquoted £'000**	**Total £'000**
Opening book cost	**61,574**	**7,582**	**69,156**
Opening investment holding gains/(losses)	**29,351**	**(2,206)**	**27,145**
Opening valuation	**90,925**	**5,376**	**96,301**
Movement in period			
Purchases at cost	**3,224**	**1,116**	**4,340**
Sales			
– Proceeds	**(8,601)**	**(250)**	**(8,851)**
– Realised gains on sales	**4,175**	**–**	**4,175**
Movement in investment holding gains for the year	**(3,327)**	**1,144**	**(2,183)**
Closing valuation	**86,396**	**7,386**	**93,782**
Closing book cost	**60,372**	**8,448**	**68,820**
Closing investment holding gains/(losses)	**26,024**	**(1,062)**	**24,962**
Closing valuation	**86,396**	**7,386**	**93,782**

* Quoted investments include unit trust and OEIC funds and one monthly priced fund.

	Year ended 30th June 2019 £'000	Year ended 30th June 2018 £'000
ANALYSIS OF CAPITAL GAINS AND LOSSES		
Realised gains on sales of investments	**4,175**	7,457
(Decrease)/Increase in investment holding gains	**(2,183)**	(1,239)
Net gains on investments attributable to ordinary shareholders	**1,992**	6,218

Transaction costs

The purchase and sale proceeds figures above include transaction costs on purchases of £3,260 (2018: £8,870) and on sales of £638 (2018: £626).

NOTES TO THE ACCOUNTS

for the year ended 30th June 2019

10. INVESTMENT IN SUBSIDIARY UNDERTAKING

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

The financial position of the subsidiary is summarised as follows:

	Year ended 30th June 2019 £'000	Year ended 30th June 2018 £'000
Net assets brought forward	**506**	504
Profit for year	**–**	2
Net assets carried forward	**506**	506

11. OTHER RECEIVABLES

	30th June 2019 Group £'000	**30th June 2019 Company £'000**	30th June 2018 Group £'000	30th June 2018 Company £'000
Prepayments and accrued income	**214**	**214**	257	257
Taxation	**6**	**6**	15	15
Amounts owed by subsidiary undertakings	**–**	**–**	–	–
	220	**220**	272	272

12. CASH AND CASH EQUIVALENTS

	30th June 2019 Group £'000	**30th June 2019 Company £'000**	30th June 2018 Group £'000	30th June 2018 Company £'000
Cash at bank and on deposit	**20,605**	**20,605**	15,027	15,027

13. OTHER PAYABLES

	30th June 2019 Group £'000	**30th June 2019 Company £'000**	30th June 2018 Group £'000	30th June 2018 Company £'000
Accruals	**636**	**636**	234	234
Amounts owed to subsidiary undertakings	**–**	**506**	–	506
	636	**1,142**	234	740

NOTES TO THE ACCOUNTS

for the year ended 30th June 2019

14. CALLED UP SHARE CAPITAL

	30th June 2019 £'000	30th June 2018 £'000
Authorised		
305,000,000 (2018: 305,000,000) Ordinary shares of £0.01 each	**3,050**	3,050
Issued and fully paid		
71,023,695 (2018: 71,023,695) Ordinary shares of £0.01 each	**710**	710

15. RESERVES

	Share premium account £'000	**Special reserve £'000**	**Retained earnings £'000**
GROUP			
At 30th June 2018	**21,573**	**56,908**	**32,175**
Decrease in investment holding gains	**–**	**–**	**(2,183)**
Net gains on realisation of investments	**–**	**–**	**4,175**
Gain on foreign currency	**–**	**–**	**443**
Performance fee	**–**	**–**	**(410)**
Trail rebates	**–**	**–**	**5**
Retained revenue profit for year	**–**	**–**	**1,285**
Dividend paid	**–**	**–**	**(710)**
At 30th June 2019	**21,573**	**56,908**	**34,780**

	Share premium account £'000	**Special reserve £'000**	**Retained earnings £'000**
COMPANY			
At 30th June 2018	**21,573**	**56,908**	**32,175**
Decrease in investment holding gains	**–**	**–**	**(2,183)**
Net gains on realisation of investments	**–**	**–**	**4,175**
Gain on foreign currency	**–**	**–**	**443**
Performance fee	**–**	**–**	**(410)**
Trail rebates	**–**	**–**	**5**
Retained revenue profit for year	**–**	**–**	**1,285**
Dividend paid	**–**	**–**	**(710)**
At 30th June 2019	**21,573**	**56,908**	**34,780**

NOTES TO THE ACCOUNTS

for the year ended 30th June 2019

15. RESERVES CONTINUED

The components of retained earnings are set out below:

	30th June 2019 £'000	30th June 2018 £'000
GROUP		
Capital reserve – realised	**7,977**	3,764
Capital reserve – revaluation	**24,962**	27,145
Revenue reserve	**1,841**	1,266
	34,780	32,175
COMPANY		
Capital reserve – realised	**7,625**	3,412
Capital reserve – revaluation	**25,468**	27,651
Revenue reserve	**1,687**	1,112
	34,780	32,175

16. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per Ordinary share is calculated on net assets of £113,971,000 (2018: £111,366,000) and 71,023,695 (2018: 71,023,695) Ordinary shares in issue at the year end.

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

	At 1st July 2018 £'000	Cash flow	Exchange movement	**At 30th June 2019 £'000**
GROUP				
Cash at bank and on deposit	15,027	5,135	443	**20,605**
COMPANY				
Cash at bank and on deposit	15,027	5,135	443	**20,605**

NOTES TO THE ACCOUNTS

for the year ended 30th June 2019

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 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.

The only difference between the Group and the Company's financial assets is the Company's investment in subsidiary, which is held at net asset value.

(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 2019

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. (2018: £nil).

The fair values of the Group's assets that have foreign currency exposure at 30th June 2019 are shown below.

	2019 US Dollars £'000	**2019 Euros £'000**	**2019 Japanese Yen £'000**	**2019 Total £'000**	2018 US Dollars £'000	2018 Euros £'000	2018 Japanese Yen £'000	2018 Total £'000
Investment at fair value through profit or loss	**5,193**	**3,698**	**3,470**	**12,361**	3,036	3,563	3,312	9,911
Cash at bank and short-term deposits	**15,555**	**–**	**66**	**15,621**	9,090	–	19	9,109
Other receivables	**25**	**–**	**–**	**25**	72	–	–	72
Total net foreign currency exposure	**20,773**	**3,698**	**3,536**	**28,007**	12,198	3,563	3,331	19,092

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 2019

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

(b) Currency Risk continued

Foreign currency sensitivity

During the financial year Sterling depreciated by 3.61% against the US dollar (2018: appreciated 1.64%), appreciated by 0.03% against the euro (2018: depreciated 0.71%) and depreciated by 6.23% (2018: appreciated 0.20%) against the Japanese Yen.

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

	2019 US Dollars £'000	**2019 Euros £'000**	**2019 Japanese Yen £'000**	**2019 Total £'000**	2018 US Dollars £'000	2018 Euros £'000	2018 Japanese Yen £'000	2018 Total £'000
If exchange rates appreciated by 10%	**(1,889)**	**(336)**	**(315)**	**(2,540)**	(1,109)	(324)	(301)	1,734
If exchange rates depreciated by 10%	**2,309**	**411**	**386**	**3,106**	1,355	396	368	2,119

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 and may be put on deposit for up to one year to improve the return.

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

NOTES TO THE ACCOUNTS

for the year ended 30th June 2019

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	**2019 In 1 year or less £'000**	**2019 Greater than 1 year £'000**	**2019 Total £'000**	2018 In 1 year or less £'000	2018 Greater than 1 year £'000	2018 Total £'000
Exposure to fixed interest rates:						
Unquoted loan	**–**	**–**	**–**	250	–	250
Cash in Deposit Accounts	**15,365**	**–**	**15,365**	9,089	–	9,089
Exposure to floating interest rates:						
Cash at bank	**5,240**	**–**	**5,240**	5,938	–	5,938
Total exposure to interest rates	**20,605**	**–**	**20,605**	15,277	–	15,277

The above year end amounts may not be 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 below or above LIBOR or its foreign currency equivalent (2018: 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 (2018: 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 2019 £'000**	**Decrease in rate 2019 £'000**	Increase in rate 2018 £'000	Decrease in rate 2018 £'000
Effect on total return to equity	**103**	**(103)**	75	(75)

NOTES TO THE ACCOUNTS

for the year ended 30th June 2019

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 IA 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.

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.

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:

	2019	2018
	£'000	£'000
Fixed assets quoted investments at fair value through profit or loss	**86,396**	90,925

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

	2019	2018
	£'000	£'000
Fixed asset unquoted investments at fair value through profit or loss	**7,386**	5,376

Analysed as:

	2019	2018
	£'000	£'000
Equities	**6,270**	4,051
Loan – non-interest bearing	**1,116**	1,075
Loan – interest bearing	**–**	250
	7,386	5,376

NOTES TO THE ACCOUNTS

for the year ended 30th June 2019

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 2019 £'000	**Decrease in fair value 2019 £'000**	Increase in fair value 2018 £'000	Decrease in fair value 2018 £'000
Effect on total return and on net assets	**9,378**	**(9,378)**	9,630	(9,630)

(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 less than 7% (2018: 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 £103 million (2018: £102 million).

This included £21.0 million (2018: £15.0 million) of cash and deposits and £82.7 million (2018: £87.4 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 2019

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 2019 was £20,605 (2018: £15,027,000), comprising:

	2019	2018
	£'000	£'000
Cash and cash equivalents	**20,605**	15,027

All of the above financial assets are current, their fair values are considered to be approximately 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 assets and financial liabilities are stated at their fair values at the year end. The fair value of quoted shares and securities and unit trusts and OEICs is based on last traded market bid prices or the bid/single price provided by the fund administrator. 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 2019

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:

	2019 **£'000**	2018 £'000
FINANCIAL ASSETS		
Financial assets at fair value through profit or loss:		
Fixed asset investments – designated as such on initial recognition	**93,782**	96,301
Current assets carried at cost:		
Debtors (due from brokers, dividends receivable, accrued income and other debtors)	**214**	257
Tax recoverable	**6**	15
Cash and cash equivalents	**20,605**	15,027
	114,607	111,600
FINANCIAL LIABILITIES		
Measured at amortised cost:		
Creditors: amounts falling due within one year		
Accruals	**636**	234
	636	234

Fair value 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 categorised.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2019

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 2019

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities and funds	**82,698**	**3,698**	**7,386**	**93,782**

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AT 30TH JUNE 2018

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities and funds	87,363	3,562	5,376	96,301

The valuation techniques used by the Company are explained in the accounting policies on page 51. There have been no transfers during the year between Levels 1 and 2.

The Level 2 investment is an offshore fund, traded monthly. All loans are Level 3 investments.

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

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

	2019 **£'000**	2018 £'000
Opening fair value	**5,376**	4,810
Movement in classification of investments:		
Purchases at cost	**1,116**	1,195
Sales proceeds	**(250)**	(2,843)
Total gains or losses included in gains on investments in the Statement of Comprehensive Income		
– on sold assets	**–**	1,675
– on assets held at the end of the year	**1,144**	539
Closing fair value	**7,386**	5,376

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

The Level 3 unquoted portfolio represents approximately 6.5% of the net asset value of the Group. Fair value has been established using recognised valuation techniques in accordance with IPEVC guidelines. Only two investments each represent more than 0.3% of the Group's net asset value. Both investments are valued based on recent transaction value, with the largest investment being held at a discount to the last transaction price. A 10% increase or decrease in its earnings would not have a material impact on the valuation of these investments. Neither of the investments have reached maturity and are not valued on the basis of their earnings.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2019

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

(i) Capital Management

The Group and the Company's capital is as disclosed in their 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 in the Strategic Report.

19. RELATED PARTIES

Since 1st January 2010 Brompton Asset Management LLP ('Brompton') has acted as Investment Manager to the Company. This relationship is governed by an agreement dated 17 May 2018. Details of the investment management fee payable can be found on page 21.

Mr Duffield is the senior partner of Brompton Asset Management Group LLP, the ultimate parent of Brompton. Mr Duffield owns the majority (59.14%) of the shares in the Company.

Mr Gamble has an immaterial holding in Brompton Asset Management Group LLP.

The total investment management fee payable to Brompton for the year ended 30th June 2019 was £688,000 (2018: £668,000) and at the year-end £177,000 (2018: £173,000) was accrued. A performance fee of £410,000 is payable in respect of the year ended 30th June 2019 (2018: £nil).

The Group's investments include seven funds managed by Brompton or its associates totalling £19,680,000 (2018: £19,331,000). 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 33.

20. COMMITMENTS AND CONTINGENCIES

There are no other commitments or contingencies at the reporting date (2018: £nil).

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2019 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 14th November 2019 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 and adopt the Company's Report and Accounts for the year to 30th June 2019 together with the Report of the Auditors therein.
2. To receive and approve the Annual Directors' Remuneration Report for the year to 30th June 2019.
3. To approve the final dividend of 1.4p per Ordinary share in respect of the year to 30th June 2019.
4. To re-elect Mr Geoffrey Howard-Spink, retiring in accordance with the UK Corporate Governance Code, as a Director.
5. To re-elect Mr David Gamble, retiring by rotation, as a Director.
6. To re-elect Mr John Duffield, retiring in accordance with the Listing Rules, 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 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) £71,023 in nominal value of such Shares; and

   (b) a further £71,023 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

SPECIAL BUSINESS continued

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 2020 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 8 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 hereby granted shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2020 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 may enter into offer(s) or agreement(s) which shall or may require Shares to be allotted after such expiry and the Company is authorised to 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 2020 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

SPECIAL BUSINESS continued

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 10 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
Maitland Administration Services Limited
Corporate Secretary
27th September 2019

Registered Office: 1 Knightsbridge Green, London SW1X 7QA
Registered in England & Wales No: 03969011

NOTICE OF ANNUAL GENERAL MEETING

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. This Report and 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 and 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 48 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 11.00am on 12th November 2019. 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 6.30pm two days before the time for the meeting, or by 6.30pm 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 12th September 2019, 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 12th September 2019 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 meeting and until conclusion of the meeting.
11. Members' sufficient shares 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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