NEW STAR INVESTMENT TRUST PLC

REPORT AND ACCOUNTS
For the year ended 30th June 2016

Company Number: 3969011

CONTENTS

INVESTMENT OBJECTIVE

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

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

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

REGISTERED OFFICE

1 Knightsbridge Green, London SW1X 7QA

Company Number: 3969011

COMPANY INFORMATION

DIRECTORS

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

INVESTMENT MANAGER

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

SECRETARY AND ADMINISTRATOR

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

SOLICITORS

Olswang LLP
90 High Holborn, London WC1V 6XX

AUDITORS

Ernst & Young LLP
25 Churchill Place, London E14 5EY

CUSTODIAN

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

REGISTRARS

Equiniti Limited
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA
Telephone: 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 is Chairman of Immedia Group PLC. Mr Howard-Spink was appointed Chairman of the Company with effect from 13th May 2009.

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

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

* *Members of the Audit Committee.*

STRATEGIC REPORT

for the year ended 30th June 2016

FINANCIAL HIGHLIGHTS

	30th June 2016	30th June 2015	% Change
PERFORMANCE			
Net assets (£ '000)	**89,274**	79,854	11.80
Net asset value per Ordinary share	**125.70p**	112.43p	11.80
Mid-market price per Ordinary share	**76.00p**	73.50p	3.40
Discount of price to net asset value	**39.5%**	34.6%	n/a
Total Return	**12.1%**	4.8%	n/a
IA Mixed Investment 40% – 85% Shares (total return)	**2.2%**	6.7%	n/a
MSCI AC World Index (total return, sterling adjusted)	**13.9%**	10.1%	n/a
MSCI UK Index (total return)	**3.4%**	-0.2%	n/a

	1st July 2015 to 30th June 2016	1st July 2014 to 30th June 2015
REVENUE RETURN		
Return per Ordinary share	**0.27p**	0.49p
Proposed Dividend per Ordinary Share	**0.30p**	0.30p
Dividend paid per Ordinary share	**0.30p**	–
CAPITAL RETURN		
Return per Ordinary Share	**13.29p**	4.62p
TOTAL RETURN	12.1%	4.8%

STRATEGIC REPORT

for the year ended 30th June 2016

CHAIRMAN'S STATEMENT

PERFORMANCE

Your Company's Total Return was 12.06% for the year to 30th June 2016. This took the year-end Net Asset Value ('NAV') per ordinary share to 125.70p. By comparison, the Investment Association's Mixed Investment 40-85% Shares index gained 2.20%. Your Directors believe this benchmark is appropriate because your Company has, since inception, been invested in a broad range of asset classes. Equity markets generated positive returns, with overseas performance enhanced in sterling terms as a result of the pound's fall against other major currencies. The MSCI AC World Total Return and MSCI UK Total Return Indices gained 13.92% and 3.43% respectively while UK government bonds returned 13.50%. Further information is provided in the investment manager's report.

EARNINGS AND DIVIDEND

The revenue return for the year was 0.27p per share (2015: 0.49p).

Your Company has a small revenue surplus in its retained revenue reserve, which will enable it to pay a dividend. Your Directors recommend the payment of a final dividend in respect of the year of 0.3p per share (2015: 0.3p).

OUTLOOK

The shift in monetary conditions since early 2016 should be positive for equities and bonds. Emerging market assets, in particular equities, may recover further given their low relative valuations. Improvements in developing economies' trade balances may also underpin recoveries in their currencies, particularly against sterling, which could weaken further if Brexit talks prove difficult. Your Company has maintained a significant allocation to these investments. Over the coming months, the US presidential election and the start of UK "Brexit" negotiations will influence market returns. Your Company's investments in cash, lower-risk assets and gold equities should provide some diversification and prove defensive during periods of market stress. Central banks in aggregate, however, continue to pursue supportive monetary policies while the pace of interest rate rises by the US Federal Reserve is likely to be slow.

CASH AND BORROWINGS

Your Company has no borrowings and ended its financial year with cash representing 11.13% (2015: 14.89%) of its net asset value. Your Company is likely to maintain a significant cash position.

The Company is a small registered Alternative Investment Fund Manager under the European Union directive. The Company's assets now exceed 100 million euros. As a result, should it wish to borrow it would require a change in regulatory permissions.

DISCOUNT

Your Company's shares continued to trade at a significant discount to their NAV during the year under review. Your Directors have discussed various options with a view to reducing this discount but no satisfactory solution has yet been found. This position is, however, kept under continual review by the board.

STRATEGIC REPORT

for the year ended 30th June 2016

CHAIRMAN'S STATEMENT CONTINUED

ANNUAL MEETING

The annual general meeting will be held at 1 Knightsbridge Green, London SW1X 7QA on Thursday, 3rd November 2016 at 11am. The notice of the meeting can be found on pages 69 to 72.

NET ASSET VALUE

Your Company's unaudited net asset value per share at 31st August 2016 was 134.45p.

Geoffrey Howard-Spink
Chairman
15th September 2016

STRATEGIC REPORT

for the year ended 30th June 2016

INVESTMENT MANAGER'S REPORT

MARKET REVIEW

In December 2015, US Federal Reserve members voted unanimously to raise interest rates for the first time since 2007. After seven years of exceptional measures, members considered a change in monetary policy to be justified because unemployment had halved from its post credit crisis peak of 10% in October 2009 to 5% six years later in October 2015 and the US economy had continued to expand steadily. Inflation, however, remained below the Fed's 2% target but its chair, Janet Yellen, considered this to be a "transitory" consequence of the sharp oil price fall. Members recognised that there were "downside risks" to the US economy from global economic and financial developments but these were ultimately considered to be "balanced" by the stronger domestic picture.

In raising rates, Fed members acted in the interests of the US economy but one of the broader consequences of this widely-anticipated monetary policy shift is a stronger dollar. Unfortunately, the dollar's strength exacerbated some of those global risks recognised by the Fed. Global equity markets seemingly took December's interest rate rise in their stride but fell sharply in the early days of 2016. The close link between the dollar and the Chinese currency in recent years has resulted in a strong renminbi at a time when Chinese economic growth has been slowing and has led to a substantial reduction in China's export competitiveness. Chinese policy makers responded without warning in August 2015 and January 2016 by allowing the renminbi to depreciate against the dollar. These episodes of Chinese currency weakness coincided with falling oil prices and sparked fears of global deflation.

At the time of the US interest rate rise, many commentators expected a succession of rises during 2016. The fall in equity markets and corresponding increase in market volatility in January was, however, succeeded by weaker-than-anticipated economic data, raising concerns that economic growth could falter. In the light of these events, the Fed did not tighten monetary policy further during the second half of your Company's financial year. The looming UK referendum on European Union (EU) membership may also have caused the Fed to stay its hand. In September 2016, however, a further interest rate rise in late 2016 was expected.

In June, pollsters, bookmakers and investors were wrong-footed when the UK electorate voted to leave the EU. Some 51.9% of those who voted chose Brexit, leaving 48.1% facing an outcome they had not endorsed. Importantly, a majority of voters in Scotland and Northern Ireland voted to remain, potentially sowing the seeds of another testing time for the union. The high turnout on polling day was testament to the strength of opinion across the country as practical consideration of the pros and cons of EU membership were swept up with issues related to globalisation and national identity.

Predictions that a Brexit vote would precipitate sustained falls in risky asset prices proved unfounded as global equities emerged from post-referendum turbulence to post gains of 13.92% in sterling terms during your Company's financial year. The gains were fuelled by sterling weakness as the pound fell. This proved a "silver lining" for UK equities, which recovered from initial falls to gain 3.43% over the year because sterling-weakness improved export competitiveness and increased the value of overseas profits in sterling terms and may even offset the impact of any future trade tariffs. The rally in global equities extended beyond your Company's year-end, with US shares reaching record highs in August.

STRATEGIC REPORT

for the year ended 30th June 2016

INVESTMENT MANAGER'S REPORT CONTINUED

Interest rate expectations adjusted swiftly following the surprise Brexit vote as the prospect of monetary tightening receded. Weak May US employment data and downward revisions to data for the two preceding months had already pushed bond yields lower. UK gilts gained 13.50% over the year as yields hit historic lows. The Bank of England signalled after the Brexit vote that it would increase its support for the economy. In August, after your Company's year end, the Bank's Monetary Policy Committee cut the bank rate for the first time since 2009, reducing it from 0.5% to 0.25%. Renewed quantitative easing and measures to encourage bank lending were also announced and interest rates may be reduced further if the economy worsens.

Even after recovering from its low in February, the oil price still finished the year down 30.89%. The weak oil price is a consequence of over-supply following Saudi Arabia's decision to maintain market share in the face of increased competition from US shale producers. In the last months of your Company's year, the cumulative decline in US oil output brought supply and demand closer to equilibrium. Financial distress among US shale producers may also have convinced Saudi Arabia and other Opec countries that higher oil prices would not immediately lead to a recovery in US output. The recent recoveries in prices for oil and other commodities, the receding prospect of US interest rate rises and some respite from dollar strength contributed to rises in emerging market equities. Equities in Asia excluding Japan and emerging markets underperformed global equities during the year but by early September 2016 they had risen significantly from their values at your Company's year-end.

PORTFOLIO REVIEW

During the year under review, New Star Investment Trust's Total Return was 12.06%. Your Company ended the year with significant investments in cash and gold securities although the majority of its assets were in global equities. 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 equities in the 40-85% range, rose 2.20%. The MSCI AC World Total Return Index gained 13.92% in sterling and the MSCI UK Total Return Index gained 3.43% in sterling. Global equities outperformed UK peers in sterling terms primarily because most major currencies strengthened against sterling. Gilts also rose strongly, returning 13.50% as yields fell to historic lows. Your Company had no direct investments in bonds because they appeared expensive but this did not negatively affect performance because of the high allocation to global equities, which generated a similar return.

The strong gains made by many currencies relative to sterling contributed significantly to your Company's overall performance. As a result of global diversification across asset classes, a majority of your company's assets were held in investments denominated in foreign currencies. The dollar, euro and yen, for example, strengthened 17.65%, 17.30% and 40.32% respectively against the pound during the year. In consequence, the decision to invest your Company's cash in dollars was a major positive contributor to overall returns.

Your Company invests principally through actively-managed funds. The managers of your company's two largest investments, FP Crux European Special Situations and Fundsmith Equity, outperformed strongly. FP Crux European Special Situations rose 14.35% while Europe ex-UK equities gained 5.84% in sterling. Fundsmith Equity gained 33.56% while global equities rose 13.92% in sterling. Lindsell Train Japanese Equity also generated significant outperformance, rising 29.89% while Japanese equities gained 9.5% in sterling. All three managers have well-defined approaches to stock selection and remain committed to their core holdings for long periods of time.

STRATEGIC REPORT

for the year ended 30th June 2016

INVESTMENT MANAGER'S REPORT CONTINUED

Your Company's investments in income-focused funds increased over the year. In November 2015, Artemis Global Income, Newton Global Income and Man GLG UK Income were added. In January 2016, Trojan Income was added and the Liontrust Asia Income and Newton Global Income holdings were increased. These additions contributed to your Company's ability to pay a maintained dividend to shareholders for the year. The reduction in US interest rate expectations during the second half of the year led to good returns from high-yielding assets as a result of demand from income-seeking investors. These purchases were funded through sales of lower-yielding investments including sales of Artemis UK Special Situations, the iShares FTSE 250 exchange-traded fund (ETF), the BH Global investment trust, the Gold Bullion Securities ETF and Aberdeen Asia Pacific and a reduction in the holding in Trojan.

Gold also benefited from investors' growing convictions that the pace of future US interest rate rises would be slower than anticipated, rising 32.06% in sterling. The opportunity cost of holding this nil-yielding asset is lower when interest rates are low. Gold-mining stocks did even better because most of their costs are fixed so the impact on their earnings of a gold price change is magnified. In consequence, Blackrock Gold & General was the portfolio's best performer, gaining 76.27%.

The EU referendum result proved particularly challenging for UK commercial property. The prospects for City of London offices are now uncertain as London could be rendered less attractive as a financial centre by an unfavourable Brexit settlement with the EU. In consequence, some UK property funds suspended dealings or imposed significant dilution levies on transactions to reflect the difficulty of selling illiquid assets at short notice. Your Company was not affected by these developments because it had no direct investments in UK property funds during the year.

UK equities gained 3.43% during the year as sterling's fall increased the competitiveness of exporters. UK smaller companies typically have a lower proportion of export sales than larger peers and consequently underperformed, falling 6.58%. This adversely impacted MI Brompton UK Recovery and Aberforth Geared Income, which fell 5.64% and 4.85% respectively.

Global consumers benefited from increased disposable incomes as a result of the weaker oil price, down 30.89% in sterling during the year. Fundsmith Equity's concentrated portfolio of consumer-orientated businesses with strong brand franchises captured this trend. Oil importing countries such as India also benefited from low oil prices. This trend and the reforms of Narendra Modi, the prime minister, led to a 14.75% gain for First State Indian Subcontinent.

Emerging markets generally underperformed during the year although they recovered strongly in the weeks after the year end. Asia ex-Japan and emerging market equities both gained 3.86% in sterling during the year. Wells Fargo China fell 6.71%, however, as investors remained cautious following China's currency devaluations in August 2015 and January 2016, which led to sharp falls in Chinese equities.

The six FP Brompton multi-asset funds all delivered positive returns during the year and outperformed their respective benchmarks.

STRATEGIC REPORT

for the year ended 30th June 2016

INVESTMENT MANAGER'S REPORT CONTINUED

OUTLOOK

The shift in monetary conditions that occurred in early 2016 should be positive for equities and bonds. Emerging market assets, in particular equities, may recover further given their low relative valuations. Improvements in the current account balances of many developing economies may also underpin recoveries in their currencies, particularly against sterling, which could weaken further if Brexit talks prove difficult. There is also further capacity for monetary easing, with India likely to cut interest rates if food inflation eases following the monsoon season. Your Company has maintained a significant allocation to these investments.

Over the coming months, unpredictable political events such as the US presidential election and the start of UK "Brexit" negotiations will influence market returns. Your Company's investments in cash, gold equities and the FP Brompton Global Conservative Fund should provide some diversification and prove defensive at times of stress in markets. Central banks in aggregate continue to pursue highly-supportive monetary policies and although the Fed is expected to raise rates further the rate of increase is likely to be slow.

Brompton Asset Management LLP
Investment Manager
15th September 2016

STRATEGIC REPORT

at 30th June 2016

SCHEDULE OF TWENTY LARGEST INVESTMENTS

Holding	Activity	30th June 2016 Bid-market value £'000	30th June 2016 Percentage of invested portfolio
FP Crux European Special Situations Fund	Investment Fund	9,803	12.34
Fundsmith Equity Fund	Investment Fund	8,106	10.20
Newton Global Income Fund	Investment Fund	6,417	8.07
Blackrock Gold & General Fund	Investment Fund	4,796	6.04
FP Brompton Global Conservative Fund	Investment Fund	3,669	4.62
Aberforth Geared Income Trust	Investment Company	3,361	4.23
Artemis Global Income Fund	Investment Fund	3,254	4.09
First State Indian Subcontinent Fund	Investment Fund	2,904	3.65
Polar Capital Global Technology Fund	Investment Fund	2,868	3.61
Aquilus Inflection Fund	Investment Fund	2,779	3.50
Liontrust Asia Income Fund	Investment Trust	2,338	2.94
Trojan Income Fund	Investment Fund	2,286	2.88
FP Brompton Global Opportunities Fund	Investment Fund	2,259	2.84
Lindsell Train Japanese Equity Fund	Investment Fund	2,170	2.73
Man GLG UK Income Fund	Investment Fund	2,163	2.72
Neptune Russia & Greater Russia Fund	Investment Fund	2,162	2.72
FP Brompton Global Growth Fund	Investment Fund	2,158	2.72
FP Brompton Global Equity Fund	Investment Fund	2,044	2.57
FP Brompton Global Income Fund	Investment Fund	2,015	2.54
MI Brompton UK Recovery Unit Trust	Investment Fund	1,958	2.46
		69,510	87.47
Balance held in 16 investments		9,957	12.53
Total investments		79,467	100.00

The investment portfolio can be further analysed as follows:

	£'000
Investment funds	74,085
Investment companies and ETFs	3,361
Other quoted investments	441
Unquoted investments	1,580
	79,467

STRATEGIC REPORT

at 30th June 2015

SCHEDULE OF TWENTY LARGEST INVESTMENTS

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

The investment portfolio can be further analysed as follows:

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

STRATEGIC REPORT

for the year ended 30th June 2016

STRATEGIC REVIEW

The strategic review is designed to provide information primarily about the Company's business and results for the year ended 30th June 2016. 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 continue to gain exemption from liability to United Kingdom capital gains tax.

The Company is a small registered Alternative Investment Fund Manager under the European Union 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 2016

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 pages 12 and 13.

FINANCIAL REVIEW

Net assets at 30th June 2016 amounted to £89,274,000 compared with £79,854,000 at 30th June 2015. In the year under review, the net asset value per Ordinary share increased by 11.8% from 112.43p to 125.70p.

The Group's gross revenue fell to £944,000 (2015: £1,081,000). Although distributions from underlying investments increased, there was no similar special payment from the Company's largest investment (2015: £148,000). After deducting expenses and taxation the revenue profit for the year was £193,000 (2015: £344,000).

Total expenses for the year amounted to £751,000 (2015: £737,000). In the year under review the investment management fee amounted to £509,000 (2015: £478,000). No performance fee was payable in respect of the year under review as the Company has not outperformed the cumulative hurdle rate. Further details on the Company's expenses may be found in notes 3 and 4.

Dividends have not formed a central part of the Company's investment objective. The Directors propose a final dividend of 0.3p per Ordinary share in respect of the year ended 30 June 2016 (2015: 0.3p). If approved at the Annual General Meeting, the dividend will be paid on 18 November 2016 to shareholders on the register at the close of business on 4 November 2016 (ex-dividend 3 November 2016).

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

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 Managers' report on pages 8 to 11.

Throughout the year the Group's investments included seven funds managed by the Investment Manager (2015: seven). No investment management fees were payable directly by the Company in respect of these investments.

STRATEGIC REPORT

for the year ended 30th June 2015

STRATEGIC REVIEW CONTINUED

PERFORMANCE MEASUREMENT AND KEY PERFORMANCE INDICATORS

In order to measure the success of the Company in meeting its objectives, and to evaluate the performance of the Investment Manager, the Directors review at each meeting: 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 are as follows:

- Investment strategy
- Business conditions and general economy
- Portfolio risks – including market price, foreign currency exposure and interest rates
- Net Asset Value discount
- Investment Manager
- Tax and regulatory issues
- Operational matters

Further details on these and the steps taken to mitigate them can be found in Appendix 1 on pages 63 and 64.

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.

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, and been provided with assurance from each of its 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 for the Company.

STRATEGIC REPORT

for the year ended 30th June 2015

STRATEGIC REVIEW CONTINUED

GENDER DIVERSITY

The Board of Directors comprises three male directors. 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 17 of this Report & Accounts was approved by the Board and signed on its behalf by:

Geoffrey Howard-Spink
Chairman
15th September 2016

DIRECTORS' REPORT

for the year ended 30th June 2016

DIRECTORS' REPORT

The Directors present the audited accounts of the Company and their report for the year ended 30th June 2016.

COMPANY PROFILE

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

The Company is an investment company under section 833 of the Companies Act 2006. It is an Approved Company under the Investment Trust (Approved Company)(Tax) Regulations 2011 (the 'Regulations') and conducts its affairs in accordance with those Regulations so as to continue to gain exemption from liability to United Kingdom capital gains tax.

The Company is listed on the London Stock Exchange and adheres to the Listing Rules issued by the UK Listing Authority, and the Disclosure and Transparency Rules issued by the Financial Conduct Authority.

The Company is 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 AGM.

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

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

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.

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.

DIRECTORS' REPORT

for the year ended 30th June 2016

DIRECTORS' REPORT CONTINUED

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 biographies of the Directors holding office at the date of this report demonstrate a breadth of investment and commercial experience relevant to their positions as Directors. All Directors have a wide range of other interests and are not dependent on the Company itself. The Chairman's other significant commitments are detailed on page 4.

The Board considers that, given its small size and the size and nature of the Company's operations, it is unnecessary to nominate one Director as a Senior Independent Director.

Directors' appointment, retirement and rotation

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

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 Annual General Meeting are eligible for re-election.

Mr Howard-Spink and Mr Gregson stand for re-election annually, both having served on the Board for more than nine years. The Board considers the contributions by Mr Howard-Spink and Mr Gregson to its deliberations to be valuable, and they both continue to exhibit independence of character and judgment. The Board accordingly strongly recommends that shareholders vote in favour of their re-election.

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' REPORT

for the year ended 30th June 2016

DIRECTORS' REPORT CONTINUED

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 pages 27 and 28.

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 23rd December 2009. The portfolio manager is Gill Lakin.

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

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 £509,000 (2015: £478,000). No performance fee was accrued or payable in respect of the year ended 30th June 2016 (2015: £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 2016

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, formerly Phoenix Administration Services Limited (the 'Administrator').

Custodian services

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

RELATED PARTY TRANSACTIONS

Mr Duffield is the senior partner of Brompton Asset Management Group LLP, the ultimate parent of the Investment Manager. Details of fees paid to the investment manager are given on page 20 and in note 3 on page 46.

SHARE CAPITAL AND SHAREHOLDERS

Share capital

The Company's share capital comprises 305,000,000 Ordinary shares of 1p each (2015: 305,000,000), of which 71,023,695 (2015: 71,023,695) are issued and fully paid. No shares are held in treasury (2015: nil). The Company did not issue or repurchase any shares during the year or up to the date of this report.

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

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

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

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

DIRECTORS' REPORT

for the year ended 30th June 2016

DIRECTORS' REPORT CONTINUED

Substantial share interests

At 30th June 2016 and 12th September 2016, 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 2016	% of voting rights 12th September 2016
J L Duffield	59.14	59.14
Rathbone Investment Management Ltd*	5.44	5.47
M R L Astor	3.94	3.94
Miton Asset Management Ltd	3.80	3.80
Armstrong Investments Ltd	3.30	2.25

** excluding any shareholders disclosed individually.*

Relations with shareholders

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

All shareholders will have the opportunity to attend and vote at the Annual General Meeting (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. The Company reports to shareholders twice a year by way of the Half Year Report and Annual Financial Report. The Company's Annual Financial Report and Half Year Report are also published on the Company's website at: www.nsitplc.com and net asset values are published on the London Stock Exchange and the Company's website on a monthly basis.

GOING CONCERN AND VIABILITY

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. 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. 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.

DIRECTORS' REPORT

for the year ended 30th June 2016

DIRECTORS' REPORT CONTINUED

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.

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, 3rd November 2016 and will commence at 11.00 am. The notice of meeting can be found on pages 69 to 72.

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 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 the 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 the authority under this Resolution but consider it desirable and in the Company's interest to have the authority in place.

DIRECTORS' REPORT

for the year ended 30th June 2016

DIRECTORS' REPORT CONTINUED

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.

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 42,013,223, being approximately 59.1% of the Ordinary share capital in issue at the date of this report.

CORPORATE GOVERNANCE – APPLICABLE GOVERNANCE CODES

Full details of the Company's Corporate Governance arrangements, which forms part of this Directors' Report, and explanations on areas of non-compliance are given in Appendix 2 on pages 65 to 68.

For and on behalf of the Board of Directors
Maitland Administration Services Limited
Corporate Secretary
15th September 2016

REPORT OF THE AUDIT COMMITTEE

for the year ended 30th June 2016

AUDIT COMMITTEE

Composition of the Audit Committee

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

The terms of reference 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 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 2016 annual report and accounts, the Committee considered the following significant issues, including the consideration of principal risks and uncertainties in light of the Company's activities and issues communicated by the Auditor during their work.

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

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

REPORT OF THE AUDIT COMMITTEE

for the year ended 30th June 2016

AUDIT COMMITTEE CONTINUED

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

EXTERNAL AUDITOR

Auditor independence and performance

The Audit Committee also reviews the internal control systems and the risks to which the Company is exposed. The Audit Committee makes recommendations to the Board regarding the appointment and independence of the external auditor, Ernst & Young LLP, and 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 & Accounts were considered. They also engage with the Directors as and when required. Details of the amounts payable to the external auditor during the year under review, for audit and other services are set out in note 4 on page 46.

In addition to the statutory audit of the annual financial report, Ernst & Young LLP also provided a review of the half year report, advice on tax matters, and the preparation and submission of tax returns. These procedures are considered to be non-material non-audit services and were subject to approval by the Audit Committee prior to engagement.

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

Other Matters

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

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

Approved by the Audit Committee and signed on its behalf by:
Marcus Gregson
Chairman – Audit Committee
15th September 2016

DIRECTORS' REMUNERATION REPORT

for the year ended 30th June 2016

ANNUAL REPORT ON REMUNERATION

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

The Auditors are required to report to the Company's members on certain parts of the Directors' Remuneration Report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Act. Where information set out below has been audited, it is clearly indicated. The Auditor's opinion is included within the Independent Auditor's Report on pages 30 to 35.

DIRECTORS' REMUNERATION POLICY AND REMUNERATION REPORT

The current Directors' Remuneration Policy was approved at the Annual General Meeting held on 6th November 2014. 99.95% of the votes were in favour and no votes were against. The approved Policy can be found in the Company's 2014 Report & Accounts, and is available on the Company's website at www.nsit.com. At last year's Annual General meeting the Directors' Remuneration Report was approved. 99.997% voted in favour and 0.003% voted against.

REMUNERATION COMMITTEE

The Board, comprising three non-executive Directors, as a whole fulfils the function of a Remuneration Committee. It seeks the advice inter-alias of the Corporate Secretary when considering Directors' fees, which are subject to a ceiling by the Company's Articles of Association of £100,000 per annum in the aggregate.

DIRECTORS' SERVICE CONTRACTS

It is the Board's policy that none of the Directors has a service contract. Directors are required to stand for election at the first Annual General Meeting after their appointment, and at least every three years thereafter. Any Director may be removed without notice and no compensation will be due on leaving office. Directors considered by the Board not to be independent, and Directors who have served on the Board for nine years or more, are required to stand for re-election annually.

DIRECTORS' FEES (AUDITED)

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

	2016	2015
	£	£
G Howard-Spink (Chairman)	**20,000**	20,000
J L Duffield	**15,000**	15,000
M J Gregson	**15,000**	15,000
Total	**50,000**	50,000

The fees payable in respect of Mr Duffield's services are paid to the Investment Manager. No information is given on the relative importance of spend on pay, as the Company has no Executive Directors or employees.

DIRECTORS' REMUNERATION REPORT

for the year ended 30th June 2016

ANNUAL REPORT ON REMUNERATION CONTINUED

DIRECTORS' INTERESTS IN SHARES (AUDITED)

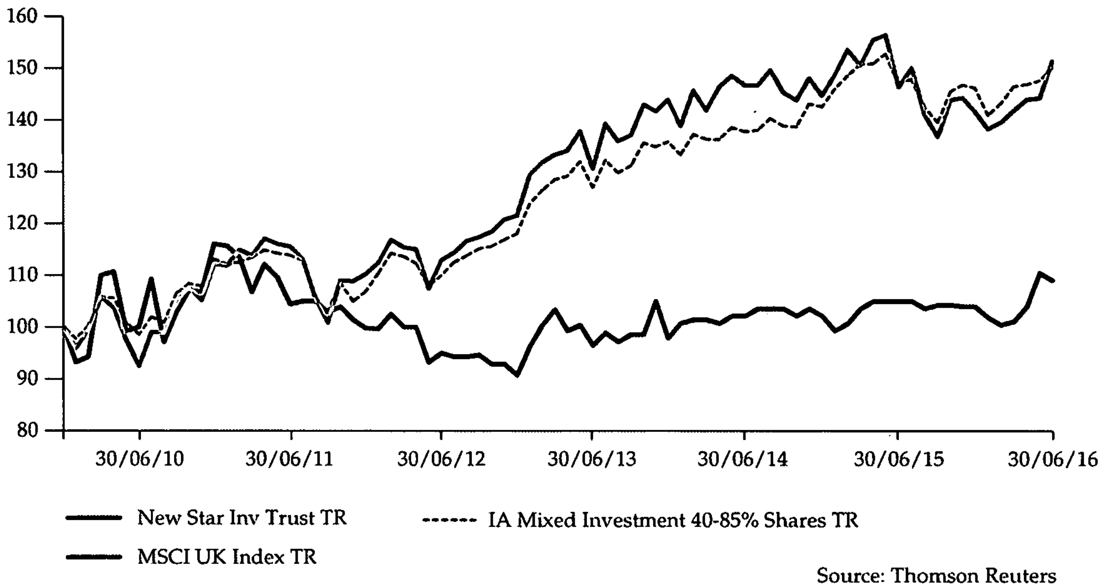
The interests of the Directors in the Ordinary shares of the Company at the beginning and end of the financial year are shown in the table below.

ORDINARY SHARES OF 1P BENEFICIAL:	**30th June 2016**	30th June 2015
J L Duffield	**42,003,223**	42,003,223
M J Gregson	**10,000**	10,000
G Howard-Spink	**–**	–

There have been no changes in the Directors' interests in the period from 30th June 2016 to the date of this report.

YOUR COMPANY'S PERFORMANCE

The graph below compares the share price total return (assuming all dividends are reinvested) over the last six and a half years against the IA Mixed Investment 40-85% (total return). The data has been rebased to 100 at 31 December 2009.



Source: Thomson Reuters

By order of the Board
Geoffrey Howard-Spink
Chairman
15th September 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

for the year ended 30th June 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Under Company Law, the Directors must not approve the Group financial statements unless they are satisfied that they present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period. In preparing those Group financial statements the Directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- prepare a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 2006.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors have concluded that the Annual Report and Group financial statements for the year ended 30th June 2016, taken as a whole, is fair, balanced and understandable, and provide the information necessary for shareholders to assess the performance, business model and strategy of the Group.

STATEMENT UNDER DISCLOSURE AND TRANSPARENCY RULE 4.1.12

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

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

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

For and on behalf of the Board of Directors
Maitland Administration Services Limited
Secretary
15th September 2016

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

AUDITOR'S REPORT

OUR OPINION ON FINANCIAL STATEMENTS

In our opinion:

- The 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 parent company's affairs as at 30 June 2016 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 provision 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.

WHAT WE HAVE AUDITED

The financial statements comprise:

Group	**Company**
Consolidated Statement of Comprehensive Income for the year ended 30 June 2016	
Consolidated Statement of Changes in Equity for the year ended 30 June 2016	Company Statement of Changes in Equity for the year ended 30 June 2016
Consolidated Balance sheet as at 30 June 2016	Company Balance sheet as at 30 June 2016
Consolidated Cash Flow Statement for the year ended 30 June 2016	Company Cash Flow Statement for the year ended 30 June 2016
Related notes 1 to 20 to the financial statements	Related notes 1 to 20 to the financial statements
Appendix 1: Principal Risks and uncertainties	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standard ("IFRS") as adopted by the European Union, and as regards the Parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

AUDITOR'S REPORT CONTINUED

Overview of our audit approach

Risks of material misstatement	• Valuation and ownership of 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 & Ireland).
Materiality	• Overall materiality of £893k represents 1% of net assets.

Our assessment of risk of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below which were designed in the context of the financial statements as a whole and, consequently, we do not express any opinion on these individual areas.

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

AUDITOR'S REPORT CONTINUED

Risk	Our response to the risk
Valuation and Ownership of investment portfolio The investment portfolio at the year-end comprised of quoted investments of £77.9 million and unquoted investments of £1.58 million. The valuation of the assets held in the investment portfolio is the key driver of the Company's investment return. Incorrect asset pricing or a failure to maintain proper legal title of the assets held by the company could have a significant impact on portfolio valuation and, therefore, the return generated for shareholders.	**We performed the following procedures:** Performed a walkthrough of the investment valuation process, assessing the controls in place over the valuation of investments at year end. **Valuation of quoted portfolio** Agreed 100% of quoted investments to an independent pricing source. **Valuation of unquoted portfolio** Discussed the valuation of the unquoted investments with the Manager and Audit Committee. Confirmed the valuations are performed in accordance with the Company's accounting policies and the IPEV guidelines. We agreed the key inputs to the unquoted valuations to supporting documentation including investor updates, shareholder circulars and management accounts. **Ownership of investment portfolio** Agreed investment holdings to a confirmation from the custodian, Brown Brothers Harriman, and additional evidence in the form of share certificates for one unquoted holding. Performed a two way reconciliation of the investments held by the Company to the records of the administrator and custodian.
What we reported to the Audit Committee We assessed the design effectiveness of the controls in this area and performed a substantive audit approach in this area. For all investments we noted no material difference in the fair value of the investments and identified no exceptions or discrepancies. We confirmed that investments held by the Company agreed to the independent confirmations received from the custodian and that there are no unresolved discrepancies arose when performing a two way reconciliation of the investments held.	

The scope of our audit

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determines our audit scope for the Group. Taken together, this enables us to form an opinion on the financial statements. We take into account size, risk profile, changes in the business environment, the organisation of the Group and effectiveness of company-wide controls, and other factors when assessing the level of work to be performed.

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

AUDITOR'S REPORT CONTINUED

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 £893k, which is 1% of net assets. We have derived our materiality calculation based on a proportion of net assets as we consider it to be the most important financial metric on which shareholders would judge the performance of the Company.

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, our assessment of the Group's overall control environment, our judgement was that performance materiality for the Group should be 75% of our planning materiality, namely £670k.

Given the importance of the distinction between revenue and capital for the Company we have also applied a separate testing threshold of £9.6k for the revenue column of the Income statement, being 5% of the Return on ordinary activities before taxation.

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 £44.4k, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the financial report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

AUDITOR'S REPORT CONTINUED

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matters on which we are required to report by exception

ISAs (UK and Ireland)

We are required to report to you if, in our opinion, financial and non-financial information in the annual financial report is:

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

In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual financial report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual financial report appropriately addresses those matters that we communicated to the Audit Committee that we consider should have been disclosed.

We have no exceptions to report.

Companies Act 2006 reporting

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company or returns adequate for our audit have not been received from branches not visited by us; or

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

AUDITOR'S REPORT CONTINUED

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

We have no exceptions to report.

Listing Rules review requirements

We are required to review:

- the directors' statement in relation to going concern set out on page 22, and longer-term viability, set out on page 22; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

We have no exceptions to report.

Statement on the Directors' assessment of the principal risks that would threaten the solvency or liquidity of the entity

We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to:

- the directors' confirmation in the annual financial 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 disclosures in the annual financial report that describe those risks and explain how they are being managed or mitigated;
- the directors' statement in the financial statements 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; and
- the directors' explanation in the annual financial 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.

We have nothing material to add or to draw attention to.

Sarah Williams *(Senior Statutory Auditor)*
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
15th September 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30th June 2016

	Notes	Year ended 30th June 2016 Revenue Return £'000	Capital Return £'000	Total £'000	Year ended 30th June 2015 Revenue Return £'000	Capital Return £'000	Total £'000
INVESTMENT INCOME	2	**934**	**–**	**934**	1,076	–	1,076
Other operating income	2	**10**	**–**	**10**	5	–	5
		944	**–**	**944**	1,081	–	1,081
GAINS AND LOSSES ON INVESTMENTS							
Gains on investments at fair value through profit or loss	9	**–**	**7,921**	**7,921**	–	2,574	2,574
Other exchange gains/(losses)		**–**	**1,510**	**1,510**	–	697	697
Trail rebates		**–**	**9**	**9**	–	12	12
		944	**9,440**	**10,384**	1,081	3,283	4,364
EXPENSES							
Management fees	3	**(509)**	**–**	**(509)**	(478)	–	(478)
Other expenses	4	**(242)**	**–**	**(242)**	(259)	–	(259)
		(751)	**–**	**(751)**	(737)	–	(737)
PROFIT BEFORE FINANCE COSTS AND TAX		**193**	**9,440**	**9,633**	344	3,283	3,627
Finance costs		**–**	**–**	**–**	–	–	–
PROFIT BEFORE TAX		**193**	**9,440**	**9,633**	344	3,283	3,627
Tax	5	**–**	**–**	**–**	–	–	–
PROFIT FOR THE YEAR		**193**	**9,440**	**9,633**	344	3,283	3,627
EARNINGS PER SHARE							
Ordinary shares (pence)	7	**0.27p**	**13.29p**	**13.56p**	0.49p	4.62p	5.11p

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

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

No operations were acquired or discontinued during the year.

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

The Notes on pages 42 to 62 form an integral part of these Accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2016

	Note	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2015		**710**	**21,573**	**56,908**	**663**	**79,854**
Total comprehensive income for the year		**–**	**–**	**–**	**9,633**	**9,633**
Dividend Paid	*8*	**–**	**–**	**–**	**(213)**	**(213)**
AT 30TH JUNE 2016		**710**	**21,573**	**56,908**	**10,083**	**89,274**

Included within Retained earnings were £255,000 of Company reserves available for distribution.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2015

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

Included within Retained earnings were £276,000 of Company reserves available for distribution.

The Notes on pages 42 to 62 form an integral part of these Accounts.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2016

	Note	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2015		**710**	**21,573**	**56,908**	**663**	**79,854**
Total comprehensive income for the year		**–**	**–**	**–**	**9,633**	**9,633**
Dividend Paid	*8*	**–**	**–**	**–**	**(213)**	**(213)**
AT 30TH JUNE 2016		**710**	**21,573**	**56,908**	**10,083**	**89,274**

Included within Retained earnings were £255,000 of Company revenue reserves available for distribution.

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2015

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

Included within Retained earnings were £276,000 of Company revenue reserves available for distribution.

The Notes on pages 42 to 62 form an integral part of these Accounts.

CONSOLIDATED BALANCE SHEET

at 30th June 2016

	Notes	30th June 2016 £'000	30th June 2015 £'000
NON-CURRENT ASSETS			
Investments at fair value through profit or loss	*9*	**79,467**	68,086
CURRENT ASSETS			
Other receivables	*11*	**55**	46
Cash and cash equivalents	*12*	**9,938**	11,889
		9,993	11,935
TOTAL ASSETS		**89,460**	80,021
CURRENT LIABILITIES			
Other payables	*13*	**(186)**	(167)
TOTAL ASSETS LESS CURRENT LIABILITIES		**89,274**	79,854
NET ASSETS		**89,274**	79,854
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*	**10,083**	663
TOTAL EQUITY		**89,274**	79,854
NET ASSET VALUE PER ORDINARY SHARE (Pence)	*16*	**125.70p**	112.43p

These Accounts were approved by the Board of Directors and authorised for issue on 15th September 2016.

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

The Notes on pages 42 to 62 form an integral part of these Accounts.

COMPANY BALANCE SHEET

at 30th June 2016

	Notes	30th June 2016 £'000	30th June 2015 £'000
NON-CURRENT ASSETS			
Investment in subsidiary at fair value through profit or loss	10	**503**	502
Investments at fair value through profit or loss	9	**79,467**	68,086
		79,970	68,588
CURRENT ASSETS			
Other receivables	11	**969**	960
Cash and cash equivalents	12	**8,521**	10,473
		9,490	11,433
TOTAL ASSETS		**89,460**	80,021
CURRENT LIABILITIES			
Other payables	13	**(186)**	(167)
TOTAL ASSETS LESS CURRENT LIABILITIES		**89,274**	79,854
NET ASSETS		**89,274**	79,854
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	**10,083**	663
TOTAL EQUITY		**89,274**	79,854

These Accounts were approved by the Board of Directors and authorised for issue on 15th September 2016.

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

The Notes on pages 42 to 62 form an integral part of these Accounts.

CASH FLOW STATEMENTS

for the year ended 30th June 2016

	Note	**Year ended 30th June 2016 Group £'000**	**Year ended 30th June 2016 Company £'000**	Year ended 30th June 2015 Group £'000	Year ended 30th June 2015 Company £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES		**212**	**211**	349	348
INVESTING ACTIVITIES					
Purchase of Investments		**(14,613)**	**(14,613)**	(4,420)	(4,420)
Sale of Investments		**11,153**	**11,153**	4,092	4,092
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(3,460)**	**(3,460)**	(328)	(328)
FINANCING					
Equity Dividends Paid	*8*	**(213)**	**(213)**	–	–
NET CASH (OUTFLOW)/INFLOW AFTER FINANCING		**(3,461)**	**(3,462)**	21	20
(DECREASE)/INCREASE IN CASH		**(3,461)**	**(3,462)**	21	20
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN CASH & CASH EQUIVALENTS					
(Decrease)/Increase in cash resulting from cash flows		**(3,461)**	**(3,462)**	21	20
Exchange movements		**1,510**	**1,510**	697	697
Movement in net funds		**(1,951)**	**(1,952)**	718	717
Net funds at 1st July		**11,889**	**10,473**	11,171	9,756
CASH & CASH EQUIVALENTS AT END OF YEAR	*17*	**9,938**	**8,521**	11,889	10,473
RECONCILIATION OF PROFIT BEFORE FINANCE COSTS AND TAXATION TO NET CASH FLOW FROM OPERATING ACTIVITIES					
Profit before finance costs and taxation		**9,633**	**9,633**	3,627	3,627
Gains on investments		**(7,921)**	**(7,922)**	(2,574)	(2,575)
Exchange differences		**(1,510)**	**(1,510)**	(697)	(697)
Capital trail rebates		**(9)**	**(9)**	(12)	(12)
Net revenue gains before finance costs and taxation		**193**	**192**	344	343
(Increase)/Decrease in debtors		**(7)**	**(7)**	8	8
Increase/(Decrease) in creditors		**19**	**19**	(28)	(28)
Taxation		**(2)**	**(2)**	13	13
Capital trail rebates		**9**	**9**	12	12
NET CASH INFLOW FROM OPERATING ACTIVITIES		**212**	**211**	349	348

The Notes on pages 42 to 62 form an integral part of these Accounts.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

1. ACCOUNTING POLICIES

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

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

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

Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for investment trusts issued by the Association of Investment Companies ('AIC') in November 2014 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 2016. No Statement of Comprehensive Income is presented for the parent company as permitted by Section 408 of the Companies Act 2006.

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

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

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

In accordance with the Company's Articles of Association, net capital returns may not be distributed by way of a dividend. Additionally, the net revenue is the measure the Directors believe is appropriate in assessing the Group's compliance with certain requirements set out in the Investment Trust (Approved Company) (Tax) Regulations 2011.

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

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

1. **ACCOUNTING POLICIES CONTINUED**

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

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

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

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

(h) *Taxation:* The charge for taxation is based on taxable income for the year. Withholding tax deducted from income received is treated as part of the taxation charge against income. Taxation deferred or accelerated can arise due to temporary differences between the treatment of certain items for accounting and taxation purposes. Full provision is made for deferred taxation under the liability method on all temporary differences not reversed by the Balance Sheet date. No deferred tax provision is made against deemed reporting offshore funds.

(i) *Foreign currency:* Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the Balance Sheet date. Foreign currency transactions are translated at the rates of exchange applicable at the transaction date. Exchange gains and losses are taken to the revenue or capital column of the consolidated statement of comprehensive income depending on the nature of the underlying item.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

1. **ACCOUNTING POLICIES** CONTINUED

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

- gains and losses on the realisation of investments together with the related taxation effect;
- foreign exchange gains and losses on capital transactions, including those on settlement, together with the related taxation effect;
- revaluation gains and losses on investments; and
- trail rebates received from the managers of the Company's investments.

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

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

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

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

(n) *Segmental Reporting:* The Directors consider that the Group is engaged in a single segment of business with the primary objective of investing in securities to generate long term capital growth for its shareholders. Consequently no business segmental analysis is provided.

(o) *New standards, amendments to standards and interpretations effective for annual accounting periods beginning after 1st July 2015:*

There have been no new standards, amendment to standards and interpretations effective for annual accounting periods beginning after 1st July 2015 that impact these financial statements.

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

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

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

1. **ACCOUNTING POLICIES CONTINUED**

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

Amendments to IFRS 10 Consolidated Financial Statements, clarify which subsidiaries of an investment entity should be consolidated instead of being measured at par value through profit and loss. The amendment also clarified that the exemption from presenting consolidated financial statements continues to apply to subsidiaries of an investment entity that are themselves parent entities. The standard is effective for years beginning on or after 1st January 2016.

2. **INVESTMENT INCOME**

	Year ended 30th June 2016 £'000	Year ended 30th June 2015 £'000
INCOME FROM INVESTMENTS		
UK net dividend income	**877**	917
Unfranked investment income	**57**	156
Loan interest income	**–**	3
	934	1,076
OTHER OPERATING INCOME		
Bank interest receivable	**10**	5
TOTAL INCOME COMPRISES		
Dividends	**934**	1,073
Other income	**10**	8
	944	1,081

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

3. MANAGEMENT FEES

	Year ended 30th June 2016			Year ended 30th June 2015		
	Revenue £'000	**Capital £'000**	**Total £'000**	Revenue £'000	Capital £'000	Total £'000
Investment management fee	**509**	**–**	**509**	478	–	478
Performance fee	**–**	**–**	**–**	–	–	–
	509	**–**	**509**	478	–	478

At 30th June 2016 there were amounts accrued of £138,000 (2015: £120,000) for investment management fees.

A summary of the terms of the investment management agreement may be found in the Directors' Report on page 20.

4. OTHER EXPENSES

	Year ended 30th June 2016 £'000	Year ended 30th June 2015 £'000
Directors' remuneration	**50**	50
Administrative and secretarial fee	**94**	92
Auditors' remuneration		
– Audit	**27**	27
– Interim review	**8**	8
– Taxation compliance services*	**12**	22
Other	**51**	60
	242	259

* The 2015 expenses cover two tax periods.

Allocated to:		
– Revenue	**242**	259
– Capital	**–**	–
	242	259

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

5. TAXATION

Factors affecting tax charge for the year:

The charge for the year of £nil (2015: £nil) can be reconciled to the profit per the Consolidated Statement of Comprehensive Income as follows:

	Year ended 30th June 2016 £'000	Year ended 30th June 2015 £'000
Profit before tax	**9,633**	3,627
Theoretical tax at the UK corporation tax rate of 20.0% (2015: 20.75%)	**1,927**	753
Effects of:		
Non-taxable UK dividend income	**(176)**	(190)
Gains and losses on investments that are not taxable	**(1,886)**	(679)
Excess expenses not utilized	**144**	146
Overseas dividends which are not taxable	**(9)**	(30)
Total tax for the year	**–**	–

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

There is no deferred tax (2015: £nil) in the capital account of the Company. There is no deferred tax charge in the revenue account (2015: £nil). No deferred tax provision has been made for deemed reporting offshore funds.

At the year-end there is an unrecognised deferred tax asset of £420,000 (2015: £319,000) as a result of excess expenses.

6. COMPANY RETURN FOR THE YEAR

The Company's total return for the year was £9,633,000 (2015: £3,627,000).

7. RETURN PER ORDINARY SHARE

Total return per Ordinary share is based on the Group total return on ordinary activities after taxation of £9,633,000 (2015: £3,627,000) and on 71,023,695 (2015: 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 £193,000 (2015: £344,000) and on 71,023,695 (2015: 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 £9,440,000 (2015: £3,283,000) and on 71,023,695 (2015: 71,023,695) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

8. DIVIDENDS ON EQUITY SHARES

Amounts recognised as distributions in the year:

	Year ended 30th June 2016 £'000	Year ended 30th June 2015 £'000
Dividends paid during the year	**213**	–
Dividends payable in respect of the year ended: 30th June 2016: 0.3p (2015: 0.3p) per share	**213**	213

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

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 30th June 2016 £'000	Year ended 30th June 2015 £'000
GROUP AND COMPANY	**79,467**	68,086

ANALYSIS OF INVESTMENT PORTFOLIO – GROUP AND COMPANY

	Listed* £'000	**Unlisted £'000**	**Total £'000**
Opening book cost	**54,175**	**4,427**	**58,602**
Opening investment holding gains/(losses)	**12,348**	**(2,864)**	**9,484**
Opening valuation	**66,523**	**1,563**	**68,086**
Movement in period			
Purchases at cost	**14,476**	**137**	**14,613**
Sales			
– Proceeds	**(11,040)**	**(113)**	**(11,153)**
– Realised gains/(losses) on sales	**1,222**	**(126)**	**1,096**
Movement in investment holding gains for the year	**6,706**	**119**	**6,825**
Closing valuation	77,887	**1,580**	79,467
Closing book cost	58,833	4,325	63,158
Closing investment holding gains/(losses)	19,054	(2,745)	16,309
Closing valuation	77,887	**1,580**	79,467

* Listed investments include unit trust and OEIC funds.

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS CONTINUED

	Year ended 30th June 2016 £'000	Year ended 30th June 2015 £'000
ANALYSIS OF CAPITAL GAINS AND LOSSES		
Realised gains on sales of investments	**1,096**	425
Increase in investment holding gains	**6,825**	2,149
Net gains on investments attributable to ordinary shareholders	**7,921**	2,574

Transaction costs

The purchases and sales proceeds figures above include transaction costs on purchases of £685 (2015: £525) and on sales of £6,373 (2015: £nil).

10. INVESTMENT IN SUBSIDIARY UNDERTAKING

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

The financial position of the subsidiary is summarised as follows:

	Year ended 30th June 2016 £'000	Year ended 30th June 2015 £'000
Net assets brought forward	**502**	501
Profit for year	**1**	1
Net assets carried forward	**503**	502

11. OTHER RECEIVABLES

	30th June 2016 Group £'000	**30th June 2016 Company £'000**	30th June 2015 Group £'000	30th June 2015 Company £'000
Prepayments and accrued income	**52**	**52**	45	45
Taxation	**3**	**3**	1	1
Amounts owed by subsidiary undertakings	**–**	**914**	–	914
	55	**969**	46	960

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

12. CASH AND CASH EQUIVALENTS

	30th June 2016 Group £'000	**30th June 2016 Company £'000**	30th June 2015 Group £'000	30th June 2015 Company £'000
Cash at bank and on deposit	**9,938**	**8,521**	11,889	10,473

13. OTHER PAYABLES

	30th June 2016 Group £'000	**30th June 2016 Company £'000**	30th June 2015 Group £'000	30th June 2015 Company £'000
Accruals	**186**	**186**	167	167

14. CALLED UP SHARE CAPITAL

	30th June 2016 £'000	30th June 2015 £'000
Authorised		
305,000,000 (2015: 305,000,000) Ordinary shares of £0.01 each	**3,050**	3,050
Issued and fully paid		
71,023,695 (2015: 71,023,695) Ordinary shares of £0.01 each	**710**	710

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

15. RESERVES

	Share premium account £'000	Special reserve £'000	Retained earnings £'000
GROUP			
At 30th June 2015	21,573	56,908	663
Increase in investment holding gains	–	–	6,825
Net gains on realisation of investments	–	–	1,096
Gain on foreign currency	–	–	1,510
Trail rebates	–	–	9
Retained revenue profit for year	–	–	193
Dividend paid	–	–	(213)
At 30th June 2016	21,573	56,908	10,083

	Share premium account £'000	Special reserve £'000	Retained earnings £'000
COMPANY			
At 30th June 2015	21,573	56,908	663
Increase in investment holding gains	–	–	6,826
Net gains on realisation of investments	–	–	1,096
Gain on foreign currency	–	–	1,510
Trail rebates	–	–	9
Retained revenue profit for year	–	–	192
Dividend paid	–	–	(213)
At 30th June 2016	21,573	56,908	10,083

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

15. RESERVES CONTINUED

The components of retained earnings are set out below:

	30th June 2016 £'000	30th June 2015 £'000
GROUP		
Capital reserve – realised	**(6,632)**	(9,247)
Capital reserve – revaluation	**16,309**	9,484
Revenue reserve	**406**	426
	10,083	663
COMPANY		
Capital reserve – realised	**(6,984)**	(9,599)
Capital reserve – revaluation	**16,812**	9,986
Revenue reserve	**255**	276
	10,083	663

16. NET ASSET VALUE PER ORDINARY SHARE

The net asset value per Ordinary share is calculated on net assets of £89,274,000 (2015: £79,854,000) and 71,023,695 (2015: 71,023,695) Ordinary shares in issue at year end.

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

	At 1st July 2015 £'000	Cash flow	Exchange movement	**At 30th June 2016 £'000**
GROUP				
Cash at bank and on deposit	11,889	(3,461)	1,510	**9,938**
COMPANY				
Cash at bank and on deposit	10,473	(3,462)	1,510	**8,521**

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

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

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

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

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

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

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

(a) Market Risk

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

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

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

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. (2015: £nil).

The fair values of the Group's assets that have foreign currency exposure at 30th June 2016 are shown below.

	2016 US Dollars £'000	**2016 Euros £'000**	**2016 Japanese Yen £'000**	**2016 Total £'000**	2015 US Dollars £'000	2015 Euros £'000	2015 Japanese Yen £'000	2015 Total £'000
Investment at fair value through profit or loss	**1,142**	**2,780**	**2,170**	**6,092**	3,181	2,586	1,693	7,460
Cash at bank and short-term deposits	**8,138**	**-**	**-**	**8,138**	9,400	-	-	9,400
Other receivables	**–**	**–**	**–**	**–**	–	–	–	–
Total net foreign currency exposure	**9,280**	**2,780**	**2,170**	**14,230**	12,581	2,586	1,693	16,860

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 2016

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

(b) Currency Risk continued

Foreign currency sensitivity

During the financial year sterling depreciated by 15% against the US dollar (2015: depreciated 8.0%), depreciated by 14.8% against the euro (2015: appreciated 13.0%) and depreciated by 28.7% (2015: appreciated 11.1%) against the Japanese Yen.

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

	2016 US Dollars £'000	**2016 Euros £'000**	**2016 Japanese Yen £'000**	**2016 Total £'000**	2015 US Dollars £'000	2015 Euros £'000	2015 Japanese Yen £'000	2015 Total £'000
If exchange rates appreciated by 10%	**(844)**	**(253)**	**(197)**	**(1,294)**	(1,144)	(235)	(154)	(1,533)
If exchange rates depreciated by 10%	**1,031**	**309**	**241**	**1,581**	1,398	287	188	1,873

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

(c) Interest Rate Risk

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

Management of the risk

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

The Group may from time to time hold significant cash balances. Short-term borrowings are used when required. Cash balances are invested in the market.

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

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

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	2016 In 1 year or less £'000	2016 Greater than 1 year £'000	2016 Total £'000	2015 In 1 year or less £'000	2015 Greater than 1 year £'000	2015 Total £'000
Exposure to floating interest rates:						
Cash at bank	9,938	–	9,938	11,889	–	11,889
Total exposure to interest rates	9,938	–	9,938	11,889	–	11,889

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

Interest receivable and payable are at the following rates:

- Interest received on cash balances, or paid on bank overdrafts is at a margin above or below LIBOR or its foreign currency equivalent (2015: 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 (2015: 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 2016 £'000	Decrease in rate 2016 £'000	Increase in rate 2015 £'000	Decrease in rate 2015 £'000
Effect on total return to equity	50	(10)	59	(5)

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

(d) Other Price Risk

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

A Schedule of the Twenty Largest Investments is given on page 12. Investments are valued in accordance with the Group's accounting policies. Uncertainty in future valuations of the Group's investments arises as a result of future changes in the market prices of the Group's listed equity investments and its unit trust and OEIC investments, and the effect changes in exchange rates may have on the sterling value of the investments.

Management of the risk

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

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

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

Other price risk exposure

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

	2016	2015
	£'000	£'000
Fixed asset quoted investments at fair value through profit or loss	**77,887**	66,523

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

	2016	2015
	£'000	£'000
Fixed asset unquoted investments at fair value through profit or loss	**1,580**	1,563

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

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 2016 £'000	**Decrease in fair value 2016 £'000**	Increase in fair value 2015 £'000	Decrease in fair value 2015 £'000
Effect on total return and on net assets	**7,947**	**(7,947)**	6,809	(6,809)

(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 2.0% (2015: 2.0%) 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 £89 million (2015: £78 million).

This included £9.9 million (2015: £11.9 million) of cash and money market instruments and £75,108 million (2015: £64.0 million) of listed/daily priced investments.

Liquidity risk exposure

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

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

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 2016 was £9,993,000 (2015: £11,935,000), comprising:

	2016	2015
	£'000	£'000
Accrued income	**52**	45
Tax recoverable	**3**	1
Cash and cash equivalents	**9,938**	11,889
	9,993	11,935

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

(g) Fair Values of Financial Assets and Financial Liabilities

The Group's financial assets and financial liabilities are stated at their fair values at the year end. The fair value of listed shares and securities and unit trusts and OEICs is based on last traded market bid prices. The fair value of unlisted shares and securities is based on Directors' valuations as detailed in the accounting policies (note 1(g)).

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

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:

	2016 £'000	2015 £'000
FINANCIAL ASSETS		
Financial assets at fair value through profit or loss:		
Fixed asset investments – designated as such on initial recognition	**79,467**	68,086
Current assets:		
Debtors (due from brokers, dividends receivable, accrued income and other debtors)	**52**	45
Tax recoverable	**3**	1
Cash and cash equivalents	**9,938**	11,889
	89,460	80,021
FINANCIAL LIABILITIES		
Measured at amortised cost:		
Creditors: amounts falling due within one year		
Accruals	**186**	167
	186	167

Valuation of financial instruments

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

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

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

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

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 2016

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Equities and funds	75,108	2,779	1,580	79,467

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

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

The valuation techniques used by the Company are explained in the accounting policies on page 43. There have been no transfers during the year between Levels 1 and 2.

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

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

	2016 £'000	2015 £'000
Opening fair value	**1,563**	1,146
Movement in classification of investments	**–**	–
Purchases at cost	**137**	189
Sales proceeds	**(113)**	(258)
Total gains or losses included in gains on investments in the Statement of Comprehensive Income		
– on sold assets	**(126)**	42
– on assets held at the end of the year	**119**	444
Closing fair value	**1,580**	1,563

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

NOTES TO THE ACCOUNTS

for the year ended 30th June 2016

18. FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS CONTINUED

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

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

(i) Capital Management

The Group and the Company's capital is as disclosed in the Balance Sheets and is managed on a basis consistent with its investment objective and policies, as disclosed in the Strategic Report on pages 14 and 15. The principal risks and their management are disclosed in Appendix 1.

19. RELATED PARTIES

Since 1st January 2010 Brompton has acted as Investment Manager to the Company. This relationship is governed by an agreement dated 23rd December 2009. Details of the investment management fee payable can be found on page 20.

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.

The total investment management fee payable to Brompton for the year ended 30th June 2016 was £509,000 (2015: £478,000) and at the year-end £138,000 (2015: £120,000) was accrued. No performance fee was payable in respect of the year ended 30th June 2016 (2015: £nil).

The Group's investments include seven funds managed by Brompton or its associates totalling £15,963,000 (2015: £15,425,000). No investment management fees were payable directly by the Company in respect of these investments.

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

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

20. COMMITMENTS AND CONTINGENCIES

There are no other commitments or contingencies at the reporting date (2015: £nil).

APPENDIX 1

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 manager selection could lead to the 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 conditions in the UK and globally. A 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 control the discount to Net Asset Value.

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 changes to the investment team employed by the Investment Manager are proposed.

Tax and regulatory risks

A breach of The Investment Trusts (Approved Companies) (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 & Administrator, to help manage the Company's legal and regulatory obligations.

APPENDIX 1

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 Report in Appendix 2 on pages 65 to 68.

APPENDIX 2

CORPORATE GOVERNANCE STATEMENT

APPLICABLE GOVERNANCE CODES

Throughout the year under review the Company applied the UK Corporate Governance Code issued by the Financial Reporting Council ('FRC') in September 2014 (the "Code"), and had regard to the Code of Corporate Governance issued by the Association of Investment Companies in February 2015 (the "AIC Code") and 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. Matters specifically reserved for decision by the full Board have been defined and there is an agreed procedure for Directors in the furtherance of their duties, to take independent professional advice at the Company's expense.

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

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

APPENDIX 2

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.

Board attendance

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

	Board meetings	Audit committee meetings
No. of meetings	4	2
John Duffield	4	N/A
Marcus Gregson	4	2
Geoffrey Howard-Spink	4	2

PERFORMANCE EVALUATION

The Company

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

The Board

The Board evaluates its own performance, that of the Audit Committee, and the performance of each Director and the Chairman on a regular basis. Because the Board comprises only three Directors, some of which are members of all Committees, appraisals are carried out every two years rather than annually. Appraisals are conducted by the use of a tailored questionnaire designed to elicit views on all Board and Committee functions, followed by an opportunity to openly discuss the findings and ensure that effectiveness is maintained. A review was not carried out this 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 2015.

APPENDIX 2

The key procedures which have been established with a view to providing effective internal control are as follows:

- Throughout the year under review, there has been an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, which accords with the guidance in the document "Internal Control: Guidance for Directors on the Combined Code". The process involves reports from the Company Secretary and Investment Manager on risk control and compliance, in conjunction with the Investment Manager's regular report which covers investment performance and compliance issues. In addition, the Company Secretary or Investment Manager report on the internal control environment at the Company's third party service providers. Internal control statements from third party service providers are also made available to the Audit Committee.
- The duties of investment management, accounting and custody of assets are segregated; the procedures of the individual parties are designed to complement one another.
- Investment management is performed by Brompton Asset Management LLP ('Brompton'). The Board is responsible for setting the overall investment policy and monitors the activities of the Investment Manager at its regular meetings. The responsibilities of the Investment Manager are included in the Investment Management Agreement between the Company and Brompton. Brompton is authorised and regulated by the Financial Conduct Authority.
- Custody of assets is undertaken by Brown Brothers Harriman & Co.
- Administration, accounting and company secretarial duties are performed by 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 OF DIRECTORS AND AUDITORS

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 29. The responsibilities of the independent auditor are set out on page 34. The Directors' Report states that the business is a going concern and confirmation of the Directors consideration on viability is on page 22.

RELATIONSHIP WITH INVESTMENT MANAGER

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.

APPENDIX 2

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.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2016 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 3rd November 2016 for the following purposes:

ORDINARY BUSINESS

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

1. To receive, consider and adopt the Company's annual accounts for the year to 30th June 2016 together with the Reports of the Directors and Auditors therein.
2. To receive and approve the Annual Directors' Remuneration Report for the year to 30th June 2016.
3. To approve the final dividend of 0.30p per Ordinary share in respect of the year to 30th June 2016.
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 John Duffield, retiring in accordance with the Listing Rules, as a Director.
6. To re-elect Mr Marcus Gregson, retiring in accordance with the UK Corporate Governance Code, as a Director.
7. To re-appoint Ernst & Young LLP as auditors until the conclusion of the next general meeting at which accounts are laid before members, and authorise the Directors to determine the auditor's remuneration.

SPECIAL BUSINESS

To consider, and if thought fit to pass, Resolution 8 which is proposed as an Ordinary Resolution of the Company, and Resolutions 9 to 12 as Special Resolutions of the Company:

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

   (a) £106,500 in nominal value of such Shares; and

   (b) a further £106,500 in nominal value of Shares in connection with an offer by way of a rights issue:

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

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

   subject to such exclusions restrictions or other arrangements as the Directors consider necessary or appropriate in relation to fractional entitlements, record dates, treasury shares, or any legal or regulatory or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and 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 2017 or fifteen months after the passing of

NOTICE OF ANNUAL GENERAL MEETING

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 2017 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 2017 or the date fifteen months after the passing of this Resolution SAVE THAT the Company may enter into offer(s) or agreement(s) which shall or may require Shares to be bought back after such expiry and the Company may buy back Ordinary shares pursuant to such offer(s) or agreement(s) as if the authority hereby granted had not so expired.

NOTICE OF ANNUAL GENERAL MEETING

11. THAT any Ordinary shares held by the Company in treasury, whether as a result of being bought back in accordance with the authority conferred by Resolution 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
15th September 2016

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

* *formerly Phoenix Administration Services Limited.*

NOTICE OF ANNUAL GENERAL MEETING

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. This Report & Accounts is circulated to holders of Ordinary shares, all of whom are entitled to attend, speak and vote at the above Annual General Meeting ("AGM").
2. Any member entitled to attend and vote at the AGM is also entitled to appoint one or more proxies to attend, speak and vote at the AGM on their behalf, provided that if multiple proxies are appointed they must be appointed in respect of different Ordinary shares. Proxies need not be members of the Company. A form of proxy is sent to members with the Report & Accounts and must be received by the Company's Registrar: Equiniti Registrars, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA duly completed in accordance with the instructions on the form of proxy not less than 48 hours before the time of the meeting, or in the case of an adjourned meeting not less than 24 hours before the time of the adjourned meeting. If multiple proxies are being appointed the form of proxy should be copied and a separate form of proxy completed, identifying the different Ordinary shares each represents, stating that it is in respect of a multiple proxy appointment, for each proxy and have an original signature of the member making the appointment(s). Completion and return of form(s) of proxy will not preclude a member from attending, speaking and voting in person at the AGM.
3. To appoint proxies or give/amend an instruction to an appointed proxy via the CREST system, the CREST message must be received by the issuer's agent, Equiniti Registrars (ID: RA19) by 11.00 am on 1st November 2016. 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 6.30 pm two days before the time for the meeting, or by 6.30 pm two days prior to an adjourned meeting, are entitled to attend and vote at the AGM. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any shareholders to attend and vote at the AGM.
6. Under Section 319(A) of the Act the Company must cause to be answered any question relating to the business being dealt with at the AGM put by a member attending the AGM unless answering the question would interfere unduly with the preparation for the meeting, would involve the disclosure of confidential information, an answer has already been given on a website, or is undesirable in the interests of the Company or good order of the AGM.
7. Members may not use any electronic address provided in this notice or any related document(s) to communicate with the Company for any purpose other than as specifically stated.
8. As at 15th September 2016, the latest practicable date prior to the publication of this notice, the issued capital carrying voting rights comprised 71,023,695 Ordinary shares. On a poll, each Ordinary share is entitled to one vote, and accordingly at 15th September 2016 the total voting rights attaching to Ordinary shares in issue was 71,023,695.
9. Information regarding the AGM, including the information required by Section 311A of the Act, can be found on the Company's website at www.nsitplc.com
10. No Director has a service agreement with the Company. Directors' letters of appointment will be available for inspection at the AGM venue from 15 minutes before the time for the meeting until conclusion of the meeting.
11. Members holding requisite shareholdings are entitled, pursuant to Sections 388 and 388A of the Act, to include a Resolution to be dealt with in the business of the AGM and to require the Company to give notice of that Resolution.

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