

NEW STAR INVESTMENT TRUST PLC

REPORT AND ACCOUNTS  
for the year ended 30th June 2011



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## INVESTMENT OBJECTIVE

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

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

### REGISTERED OFFICE

1 Knightsbridge Green, London, SW1X 7QA

Company Number: 3969011

## COMPANY INFORMATION

### DIRECTORS

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

### INVESTMENT MANAGER

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

### SECRETARY AND ADMINISTRATOR

Phoenix Administration Services Limited  
Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW  
*Telephone: 01245 398950 Facsimile: 01245 398952*

### SOLICITORS

Olswang  
90 High Holborn, London WC1V 6XX

### AUDITORS

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

### CUSTODIAN

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

### REGISTRARS

Equiniti Limited  
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA  
*Telephone: 0871 384 2549*  
*(calls cost 8p per minute plus network charges)*  
*Website: [www.shareview.co.uk](http://www.shareview.co.uk)*

### WEBSITE

[www.nsitplc.com](http://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)\***, aged 67, was one of the founders in 1981 of Lowe Group Limited, one of the UK's biggest advertising groups. He is Chairman of Immedia Broadcasting PLC. Mr Howard-Spink was appointed Chairman of the Company with effect from 13th May 2009.

**John L Duffield (Deputy Chairman)**, aged 72, 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\***, aged 65, 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. Mr Gregson was appointed chairman of the Company's Audit Committee with effect from 2nd September 2009.

*\* Members of the Audit Committee.*

## FINANCIAL HIGHLIGHTS

	<b>30th June 2011</b>	30th June 2010	% Change
<b>PERFORMANCE</b>			
Net assets (£ '000)	<b>75,484</b>	67,972	11.1
Net asset value per Ordinary share	<b>106.28p</b>	95.70p	11.1
Mid-market price per Ordinary share	<b>73.13p</b>	70.00p	4.5
Discount of price to net asset value	<b>31.2%</b>	26.9%	N/A
FTSE World Index (total return, sterling adjusted)	<b>624.88</b>	510.67	22.4
FTSE All-Share Index (total return)	<b>4,233.69</b>	3,370.06	25.6
	<b>1st July 2010 to 30th June 2011</b>	1st July 2010 to 30th June 2010	
<b>REVENUE</b>			
Return per Ordinary share	<b>(0.38)p</b>		(0.40)p
Dividend per Ordinary share	–		–
<b>TOTAL RETURN</b>			
Net assets	<b>11.1%</b>		16.6%

## CHAIRMAN'S STATEMENT

*for the year ended 30th June 2011*

### MARKET BACKDROP AND PERFORMANCE

Your Company generated positive returns during the year to 30th June 2011, with net assets rising 11.1% to £75.5 million. Over the year, the FTSE All-Share Total Return Index rose 25.6% while the FTSE World Total Return Index rose 22.4%. At the year end, the net asset value per ordinary share was 106.28p.

The principal reason for the Company's underperformance relative to equity markets was its cautious approach. This was reflected in its significant allocation to cash, which stood at 20.5% of the portfolio in the weeks immediately after year end, and its holdings in fixed income securities and hedge funds. Financial markets remained nervous at the year end, principally as a result of the eurozone crisis and fiscal imbalances elsewhere in the developed world. This cautious stance is, therefore, likely to be maintained.

With exceptionally low interest rates still depressing returns on the Company's cash deposits, the net revenue loss for the year was £273,000 after a £281,000 loss the previous year. Your Directors do not recommend the payment of a final dividend.

After weakness over the summer of 2010 as investors worried about the health of US economic growth, equities made consistent progress during the first half of the year under review. One factor was the Federal Reserve's willingness to respond to weak job creation data, which threatened to undermine the US economic recovery. After a series of dovish speeches, Ben Bernanke, the Fed chairman, announced a second programme of quantitative monetary easing in November. This announcement combined with positive economic news, raised investors' risk appetites. Other factors included strong growth in emerging markets.

Equities made less consistent progress in the second half, however, as a result of economic and geopolitical concerns. A significant correction in late February and early March was followed by more extended weakness in May and June. Initially, investors were concerned about rising oil prices as civil war broke out in Libya. The early spring sell-off then intensified after Japan's earthquake and tsunami caused widespread loss of life and damage to Japan's industrial infrastructure. Then, towards the year end, inflationary concerns and the developing eurozone crisis affecting Greece, Ireland and Portugal began to weigh on sentiment. The European Central Bank (ECB) and the International Monetary Fund cooperated to provide rescue packages for all three countries. The ECB felt compelled, however, to respond to rising inflation in the core eurozone countries. Thus, after almost two years of inactivity, it became the first major central bank to tighten monetary policy when it raised its main policy interest rate by a quarter point to 1.25% in April. By contrast, the US and UK central banks remained on hold, leading to currency weakness, with the dollar and the pound down 15.5% and 9.3% respectively against the euro.

With investors' risk appetites continuing to recover from the credit crisis, riskier smaller stocks outperformed larger stocks over the year. In the US, the Russell 2000 Index of smaller companies gained 26.5% in sterling terms while the Russell 1000 Index of larger stocks gained 20.6%. Investors' appetite for risk was also apparent in bond markets, where sterling-denominated high-yield bonds returned 7.5% in sterling, emerging market government debt returned 4.1% and Group of Seven (G7) government bonds returned 2.1%.

Within the G7, currency movements shaped relative returns from equity markets, with Germany and France doing best in sterling terms, up 37.4% and 33.5% respectively. The UK, up 25.6%, came next, followed by Canada and Italy, up 23.6% and 23.0% respectively. Japan, up 5.6%, was the weakest country as a result of its earthquake while currency weakness reduced the US return to 22.6%. Among smaller developed economies, the oil-focussed Norwegian market, up 39.3%, was particularly strong while Greece's fiscal crisis left its shares down 1.75%. Emerging markets,



## CHAIRMAN'S STATEMENT

*for the year ended 30th June 2011*

*continued*

up 19.4%, lagged developed markets, with India, down 2.8%, conspicuously weak. There was, however, strength in Eastern Europe, where stocks rose 36.8%.

At the sector level, basic materials did best, aided by the 46.5% rise in the price of industrial commodities as measured by Thomson Reuters. Energy stocks returned 30.5%, with Brent Crude gaining 46.4% to \$110.82 per barrel. The other strong sectors were industrials and consumer goods, up 27.6% and 25.7% respectively. By contrast, utilities and financial stocks were weak, gaining 10.6% and 13.5% respectively, while technology gained 16.5%.

Economic growth was slowing in early 2011 and there were signs of further softness over the summer. Business surveys covering new orders were slightly improved in the US, Japan and the UK but eurozone figures were deteriorating. Money supply trends looked healthy in the US, where banks were becoming more confident about lending. Monetary conditions also improved in Japan, where industry rebounded after the earthquake. Money supply statistics were, however, deteriorating in the eurozone and its smaller peripheral members are likely to continue being the most significant sources of global economic and financial instability.

Inflation, meanwhile, may remain a key concern as a result of rising commodity prices and the lax central bank monetary policies. Eurozone inflation rose significantly above the ECB's comfort zone, leading to a further quarter point rise in its policy rate to 1.5% shortly after the year end despite the crisis in the weaker peripheral countries. UK inflation, meanwhile, remained persistently above the Bank of England's 2% target although the Bank was unwilling to raise rates for fear of reducing the UK's already anaemic economic growth further.

Your Company's unaudited net asset value at 31st August 2011 was 101.6p.

Geoffrey Howard-Spink

*Chairman*

14th September 2011

## INVESTMENT MANAGER'S REPORT

*for the year ended 30th June 2011*

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

A number of adjustments were made to the portfolio during the year under review. Your Company participated in one fund launch: Fundsmith Equity, a global open-ended fund established by Terry Smith, the former chief executive of Collins Stewart, the stockbroker. Two other open-ended fund additions were the PFS Brompton UK Recovery Unit Trust and the Wells Fargo China Equity Fund.

The Company added a new hedge fund holding, the SW Mitchell Small Cap European Fund, which has a long-short equity strategy but does not employ leverage. Within its listed equity portfolio it subscribed to the flotation of Vallar (now called Bumi), the special purpose vehicle established by Nat Rothschild to invest in the mining sector. It also made two small investments in unquoted securities: All Star Leisure, an operator of upmarket bowling alleys, and a property company specialising in purchasing and redeveloping distressed leisure industry assets, principally hotels. The principal disposals over the year were GWI Brazil, the iShares China ETF and Prusik Asia.

Significant gains were made by a number of the holdings during the year under review. Among the portfolio's investment trust holdings, the Henderson Private Equity Investment Trust gained 108.4% following the board's announcement that the fund would be liquidated and the proceeds distributed to shareholders. Other strong performers included Henderson European Special Situations, up 32.3%, Neptune Russia & Greater Russia, up 30.0%, Polar Technology, up 28.3%, and Artemis UK Special Situations, up 27.2%. Of the funds purchased during the year, PFS Brompton UK Recovery returned 19.4% from its purchase in August 2010 to the year end, SW Mitchell Small Cap European returned 10.7% from its purchase in January 2011 and Vallar, bought in July 2010, returned 16%. The weak areas in the portfolio included the BH Global hedge fund, down 4.8%, Investec Africa, up 1.0%, BlackRock Gold & General, up 7.0%, and M&G Optimal Income, up 9.2%.

As a result of portfolio changes and market movements, your Company ended the year with 57.6% of its assets in retail funds, 6.9% in investment trusts, 5.0% in hedge funds, 3.3% in ETFs, 8.3% in other investments and 20.5% in cash. Geographically, the biggest non-cash holdings were in the UK, at 19.9%, specialist and global equities, at 18.4%, emerging markets, at 13.4%, and Europe excluding the UK, at 10.2%. In asset class terms, the biggest non-cash holdings were in equities and equity funds, at 52.0%, commodities, at 12.0%, hedge funds, at 6.5%, and private equity, at 6.2%.

Global stockmarkets traded in a range for most of the second half of the year under review before breaking upwards in sterling terms shortly after the year end to top the peak reached in the summer of 2007 before the credit crisis. They fell significantly in the weeks after the year end as a result of the gathering fiscal crises in the US and the eurozone and slowing economic growth. There were, however, indications that economic momentum might recover later in the year in some parts of the developed world.

The major central banks, with the exception of the European Central Bank, were continuing to pursue accommodative monetary policies and this was reflected in steady growth of inflation-adjusted money supply in the main industrial economies. Of the major markets, Japan was recovering lost ground, with data for production, bank lending and money supply all pointing towards a resumption of economic growth. In Europe the eurozone's weaker economies were

## INVESTMENT MANAGER'S REPORT

*for the year ended 30th June 2011*

*continued*

deteriorating, while UK economic growth appeared lacklustre at best. In the US the numbers of hours worked by private sector workers was improving, although the job creation statistics looked lacklustre. Chinese data, meanwhile, were suggesting that China's inflation should stabilise later this year.

In fixed income markets, the eurozone crisis was the principal cause of concern, with the yield premiums on Italian bonds relative to German bonds edging higher and approaching those of Spain, precipitating intervention by the ECB in early August.

Brompton Asset Management LLP  
*Investment Manager*  
14th September 2011

## SCHEDULE OF TWENTY LARGEST INVESTMENTS

at 30th June 2011

Holding	Activity	30th June 2011	
		Bid-market value £'000	Percentage of portfolio
Henderson Euro Special Situations Fund	Investment Fund	7,711	12.71
BlackRock Gold & General Income Fund	Investment Fund	6,485	10.69
Occam Umbrella Asia Focus Fund	Investment Fund	4,378	7.21
Investec Africa Fund	Investment Fund	4,299	7.08
Polar Capital Global Technology Fund	Investment Fund	3,216	5.30
Atlantis China Fund Plc	Investment Fund	3,191	5.26
Henderson Private Equity Investment Trust	Investment Company	3,006	4.95
Artemis UK Special Situations Fund	Investment Fund	2,852	4.70
Trojan Investment Fund	Investment Fund	2,797	4.61
M&G Optimal Income Fund	Investment Fund	2,738	4.51
Aquilus Inflection Fund	Investment Fund	2,578	4.25
Gold Bullion Securities ETF	Exchange Traded Fund	2,528	4.16
Bumi Resources	Quoted Equity	2,320	3.82
Neptune Russia & Greater Russia Fund	Investment Fund	2,055	3.39
Fundsmith Equity Fund	Investment Fund	1,626	2.68
PFS Brompton UK Recovery Unit Trust	Investment Fund	1,429	2.35
The Sierra Investment Fund	Investment Fund	1,183	1.95
BH Global Limited	Investment Company	1,118	1.84
SW Mitchell Small Cap European Fund	Investment Fund	1,112	1.83
Aberforth Geared Income Trust	Investment Company	1,093	1.80
		<hr/> 57,715	<hr/> 95.09
Balance held in 11 investments		<hr/> 2,977	<hr/> 4.91
Total investments		<hr/> <hr/> 60,692	<hr/> <hr/> 100.00

The investment portfolio can be further analysed as follows:

	£'000
Equities (including Investment Companies)	9,165
Convertible securities	130
Loan	498
Other investments	50,899
	<hr/> 60,692

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

## SCHEDULE OF TWENTY LARGEST INVESTMENTS

at 30th June 2010

Holding	Activity	30th June 2010	
		Bid-market value £'000	Percentage of portfolio
BlackRock Gold & General Income Fund	Investment Fund	6,066	12.40
New Star European Special Situations Fund	Investment Fund	5,828	11.92
Investec Africa Fund	Investment Fund	4,256	8.70
Occam Umbrella Asia Focus Fund	Investment Fund	3,900	7.98
Atlantis China Fund	Investment Fund	2,729	5.58
M&G Optimal Income Fund	Investment Fund	2,519	5.15
Polar Capital Global Technology Fund	Investment Fund	2,483	5.08
Trojan Investment Fund	Investment Fund	2,469	5.05
Gold Bullion Securities ETF	Exchange Traded Fund	2,250	4.60
Artemis UK Special Situations Fund	Investment Fund	2,227	4.55
iShares FTSE/Xinhua China 25 ETF	Exchange Traded Fund	2,111	4.32
Aquilus Inflection Fund	Investment Fund	1,919	3.92
Neptune Russia & Greater Russia Fund	Investment Fund	1,574	3.22
Henderson Private Equity Investment Trust	Investment Company	1,404	2.87
The Sierra Investment Fund	Investment Fund	1,300	2.66
BH Global Limited	Investment Company	1,174	2.40
GWI Brazil Fund	Investment Fund	1,060	2.17
Aberforth Geared Income Trust	Investment Company	958	1.96
Prusik Asia Fund	Investment Fund	951	1.94
Corndon Limited 12% Convertible	Convertible Security	570	1.17
		<hr/> 47,748	<hr/> 97.64
Balance held in 12 investments		<hr/> 1,154	<hr/> 2.36
Total investments		<hr/> <hr/> 48,902	<hr/> <hr/> 100.00

The investment portfolio can be further analysed as follows:

	£'000
Equities (including Investment Companies)	4,074
Convertible securities	570
Other investments	44,258
	<hr/> 48,902

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

## DIRECTORS' REPORT

The Directors present the audited accounts of the Company and their report for the year ended 30th June 2011.

### BUSINESS REVIEW

The following business review is designed to provide information primarily about the Company's business and results for the year ended 30th June 2011. The Business Review should be read in conjunction with the Chairman's Statement on pages 6 and 7 and the Investment Manager's Report on pages 8 and 9, which provide a review of the year's performance of the Company and the outlook for the future.

### STATUS

The Company is an investment company under section 833 of the Companies Act 2006. It conducts its operations in accordance with the requirements of sections 1158/1159 Corporation Tax Act 2010 ('section 1158') so as to gain exemption under those sections from liability to United Kingdom capital gains tax. Approval by HM Revenue & Customs ('HMRC') under section 1158 can only be obtained annually and has been granted for the financial year ended 30th June 2010, but is only granted subject to no subsequent enquiry into the Company's corporation tax self-assessment. The Directors are of the opinion that the Company continues to conduct its affairs in a manner which will enable it to apply for exemption under section 1158.

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

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

### INVESTMENT OBJECTIVE AND POLICY

#### *Investment Objective*

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

#### *Investment Policy*

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

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

The Company will not follow any index with reference to asset classes, countries, sectors or stocks. Aggregate asset class exposure to any one of the United States, the United Kingdom, Europe ex UK, Asia ex Japan, Japan or Emerging Markets and to any individual industry sector will be limited to 50% of the Company's net assets, such values being assessed at the time of investment and for funds by reference to their published investment policy or, where appropriate, the underlying investment exposure.

## DIRECTORS' REPORT

*continued*

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

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

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

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

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

Information on the Company's portfolio of assets with a view to spreading investment risk in accordance with its investment policy is set out on pages 10 and 11.

### FINANCIAL REVIEW

#### *Assets*

Net assets at 30th June 2011 amounted to £75,484,000 compared with £67,972,000 at 30th June 2010. In the year under review, the net asset value per Ordinary share increased by 11.1% from 95.70p to 106.28p.

#### *Costs*

Total expenses for the year amounted to £822,000 (2010: £763,000). In the year under review the investment management fee amounted to £552,000 (2010: £496,000). No performance fee was payable in respect of the year under review as the Company did not outperform the hurdle rate. Further details on the Company's expenses may be found in notes 3 and 4.

#### *Revenue*

The Company's gross revenue totalled £402,000 (2010: £437,000) mainly as a result of a strategic move to lower income producing investments in emerging markets and low interest rates. After deducting expenses and adding back taxation the revenue loss for the year was £273,000 (2010: £281,000).

#### *Dividends*

Dividends do not form a central part of the Company's investment objective. The Directors have not declared a final dividend for the year ended 30th June 2011 (2010: nil).

#### *Funding*

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

## DIRECTORS' REPORT

*continued*

### VAT

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

### *Payment of suppliers*

The Company seeks to obtain the best possible terms for the business it conducts, therefore, there is no single payment of supplier policy. In general the Company agrees with its suppliers the terms on which business will take place. There were no trade creditors at 30th June 2011 (2010: nil).

### *Future developments*

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

### *Going concern*

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities which are readily realisable or cash and, accordingly, the Company has adequate financial resources to continue in operational existence for the foreseeable future. In reaching this view, the Directors reviewed the anticipated level of expenditure of the Company for the next twelve months against the cash and asset liquidity within the portfolio.

### PERFORMANCE MEASUREMENT AND KEY PERFORMANCE INDICATORS

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

	30th June 2011	30th June 2010	% Change
Net assets (£'000)	75,484	67,972	11.1
Net asset value per share	106.28p	95.70p	11.1
Share price	73.13p	70.00p	4.5
Discount	31.2%	26.9%	N/A
Total return per share	10.58p	13.69p	N/A
FTSE World Index (total return, sterling adjusted)	624.88	510.67	22.4
FTSE All-Share Index (total return)	4,233.69	3,370.06	25.6



## DIRECTORS' REPORT

*continued*

### MANAGEMENT ARRANGEMENTS

In common with most investment trusts, the Company does not have any executive directors or employees. The day-to-day management and administration of the Company, including investment management, accounting and company secretarial matters, and custodian arrangements are delegated to specialist companies.

#### *Investment management services*

The Company's investments are managed by Brompton Asset Management LLP ('Brompton'). 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 3/16 per cent of total assets after the deduction of the value of any investments managed by the Investment Manager or its associates (as defined in the investment management agreement). The investment management agreement may be terminated by either party giving three months written notice to expire on the last calendar day of any month.

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

During the year under review the investment management fee amounted to £552,000 (2010: £496,000). No performance fee was accrued or paid in respect of the year ended 30th June 2011 (2010: £nil).

#### *Secretarial, administration and accounting services*

Secretarial services, general administration and accounting services for the Company are undertaken by Phoenix Administration Services Limited.

#### *Custodian services*

On 1st January 2010 Brown Brothers Harriman & Co was appointed as 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 Brompton.

The investment management fee payable to Brompton in relation to the year ended 30th June 2011 was £552,000. No performance fee was payable in respect of the year ended 30th June 2011.

During the year the Group's investments included funds managed by the Investment Manager or by associates of the Investment Manager. At 30th June 2011, the Company held one such investment. No investment management fees were payable by the Company in respect of this investment.

## DIRECTORS' REPORT

*continued*

### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks associated with the Company that have been identified by the board, together with the steps taken to mitigate them can be summarised as follows:

#### *Investment strategy*

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

The Company's strategy is kept under regular review by the board. Investment performance is discussed at every board meeting and the Directors receive a monthly report which details the Company's asset allocation, investment selection and performance.

#### *Business conditions and general economy*

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

The portfolio is managed with a view to mitigating risk by investing in a spread of different asset classes and geographic regions. A schedule of the twenty largest investments, excluding cash, may be found on page 10.

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

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

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

Further information on how the Company manages risk may be found in the Corporate Governance Statement on pages 21 and 22 and in note 18 on pages 48 to 57.

#### *Investment Manager*

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

## DIRECTORS' REPORT

*continued*

### *Tax and regulatory risks*

A breach of sections 1158 to 1165 Corporation Tax Act 2010 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to United Kingdom capital gains tax. A breach of the UKLA Listing Rules could result in suspension of the Company's shares, while a breach of company law could lead to criminal proceedings, or financial or reputational damage. The Board employs Brompton as Investment Manager and Phoenix Administration Services Limited as Secretary and administrator to help manage the Company's legal and regulatory obligations. The Board receives a monthly financial report which includes information on the Company's compliance with section 1158.

### *Operational*

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

Details of how the board monitors the services provided by the Investment Manager, Administrator and its other suppliers, and the key elements designed to provide effective internal control, are explained further in the internal controls section of the Corporate Governance Statement on pages 21 and 22.

### **ENVIRONMENTAL, SOCIAL AND COMMUNITY ISSUES**

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

## **CORPORATE GOVERNANCE STATEMENT**

### **APPLICABLE CORPORATE GOVERNANCE CODES**

The UK Listing Authority requires all listed companies to include within the annual financial report a report on corporate governance and to disclose which code of corporate governance the Company has applied. Throughout the year under review the Company applied the UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 (the "Code"). In addition, the Company paid regard to the AIC Code of Corporate Governance, issued by the Association of Investment Companies in October 2010 ("the AIC Code"), which provides specific corporate governance guidance to investment trusts.

### **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); the Company has not appointed a Senior Independent Director (Code provision A.4.1); the Company does not have a Nominations Committee (Code Provision: B.2.1). These instances of non-compliance are explained in more detail below.

## DIRECTORS' REPORT

*continued*

### DIRECTORS

#### *Board composition*

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

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

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

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

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

#### *Board independence*

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

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

The board considers that, in the light of the small size of the board, it is unnecessary to appoint a Senior Independent Director.

#### *Directors' appointment, retirement and rotation*

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

The Articles of Association provide that one-third of the directors are required to retire by rotation in each year. In order to comply with the Code, the Directors have also adopted a policy that each Director will stand for re-election by shareholders at least every three years and that any director who has served for more than nine years will stand for re-election annually.

## DIRECTORS' REPORT

*continued*

As explained above, the Directors consider that length of service does not of itself impair a director's ability to act independently and that a long-serving director can offer a perspective that adds value to the deliberations of a well-balanced investment trust company board. Nonetheless the Directors recognise that it is desirable for the composition of the Board to be periodically refreshed.

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

Mr Howard-Spink has served for more than nine years and therefore stands for re-election annually. The board considers that Mr Howard-Spink continues to exhibit independence of character and judgment, and recommends his re-election to shareholders.

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

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

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

### *Directors' remuneration*

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

### *Directors' interests in shares*

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

Ordinary shares of 1p	30th June 2011	30th June 2010
Beneficial:		
J L Duffield	42,003,223	42,003,223
M J Gregson	10,000	10,000
G Howard-Spink	—	—

There have been no changes in the Directors' interests in the period from 30th June 2011 to the date of this report.

## DIRECTORS' REPORT

*continued*

### THE BOARD

#### *Responsibilities of the Board*

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

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

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

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

The terms of reference of the Audit Committee are available on the Company's website.

# DIRECTORS' REPORT

*continued*

## *Other Matters*

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

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

## *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 has formulated a periodic process to evaluate its performance and that of its chairman. This usually takes the form of a questionnaire followed by a discussion to identify the effectiveness of the board, the audit committee and the individual directors. The evaluation process undertaken in respect of the year ended 30th June 2011 concluded that the current Directors contributed effectively and that they had the skills and necessary experience for the board to fulfil its responsibilities.

## 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 for the period since 1st July 2010.



## DIRECTORS' REPORT

*continued*

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

- Throughout the year under review, there has been an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This process accords with the guidance in the document "Internal Control: Guidance for Directors on the Combined Code". This process is reviewed on a regular basis by the whole board in accordance with the Turnbull guidance. The process involves reports from the Company Secretary and Investment Manager on risk control and compliance, in conjunction with the Investment Manager's regular report which covers investment performance and compliance issues. In addition, the Company Secretary or Investment Manager report on the internal control environment at the Company's third party service providers. Internal control statements from the third party service providers are made available to the Audit Committee.
- The duties of investment management, accounting and custody of assets are segregated; the procedures of the individual parties are designed to complement one another.
- Investment management is performed by Brompton. The board is responsible for setting the overall investment policy and monitors the activity of the Investment Manager at regular board meetings. The responsibilities of the Investment Manager are included in the Investment Management Agreement between the Company and Brompton. Brompton is authorised and regulated by the Financial Services Authority.
- Custody of assets is undertaken by Brown Brothers Harriman & Co.
- Administration, accounting and company secretarial duties are performed by Phoenix Administration Services Limited.
- Authorisation and exposure limits are set by the board.
- The Company clearly defines the duties and responsibilities of its agents through their contracts. The appointment of agents and advisers is conducted by the Board after consideration of the quality of parties involved; the Board monitors their ongoing performance and contractual arrangements. The Board reviews financial information produced by the Investment Manager and the Company Secretary in detail on a regular basis.

### ACCOUNTABILITY AND RELATIONSHIP WITH INVESTMENT MANAGER

The Statement of Directors' Responsibilities in respect of the accounts is set out on page 28. The responsibilities of the independent auditor are set out on pages 29 and 30. The Directors' Report states that the business is a going concern on page 14.

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



# DIRECTORS' REPORT

*continued*

## STEWARDSHIP

The board has delegated the voting of investee company shares to the Investment Manager. The board is also conscious that the majority of its investments are in funds and that holdings in quoted companies do not constitute positions of significant influence. If there are material concerns over proposals by investee companies the most likely approach would be to dispose of that investment.

## SHARE CAPITAL AND SHAREHOLDERS

### *Share capital*

The Company's share capital comprises 305,000,000 Ordinary shares of 1p each (2010: 305,000,000), of which 71,023,695 (2010: 71,023,695) are issued and fully paid. No shares are held in treasury (2010: 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.

### *Substantial share interests*

At 30th June 2011 and 13th September 2011, 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 2011	% of voting rights 13th September 2011
J L Duffield	59.14	59.14
Clients of Jupiter Asset Management Ltd*	8.73	8.73
M R L Astor	3.94	3.94
J K Roe	3.22	3.22

\* 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.

## DIRECTORS' REPORT

*continued*

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

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

### **SUBSIDIARY**

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

### **INDEPENDENT AUDITOR**

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

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

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

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

### **AGM**

The annual general meeting will be held on Thursday, 17th November at 11.00 a.m. The notice of meeting can be found on pages 58 to 60.

### **SPECIAL BUSINESS AT THE AGM**

At the forthcoming annual general meeting, in addition to the Ordinary business to be transacted, Resolutions will be proposed on the following:

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

Resolutions 8 to 11 are proposed as Special Resolutions.

## DIRECTORS' REPORT

*continued*

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

Resolution 9 seeks to renew the existing authority for the Company to make market purchases of the Company's Ordinary shares. The authority is limited to 10,646,450 Ordinary shares representing approximately 14.99% of the current issued Ordinary share capital. The Directors have not as yet effected any market purchases but feel it is important to have the ability to do so, and would only do so if they considered it would result in an increase in the net asset value per Ordinary share without taking undue risks. Any Ordinary shares bought back would be cancelled or held in treasury at the discretion of the Directors. The shareholders authorised a similar resolution at the 2010 AGM.

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

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

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

Geoffrey Howard-Spink,  
for and on behalf of the Board of Directors  
14th September 2011

## DIRECTORS' REMUNERATION REPORT

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

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

### REMUNERATION COMMITTEE

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

### POLICY ON DIRECTORS' FEES

The board's policy is that the remuneration of non-executive Directors should reflect the experience of the board as a whole, be fair and comparable to that of other investment trusts that have a similar capital structure (ordinary shares), and have a similar investment objective (long-term capital growth). It is intended that this policy will continue for the year ending 30th June 2012.

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

### DIRECTORS' SERVICE CONTRACTS

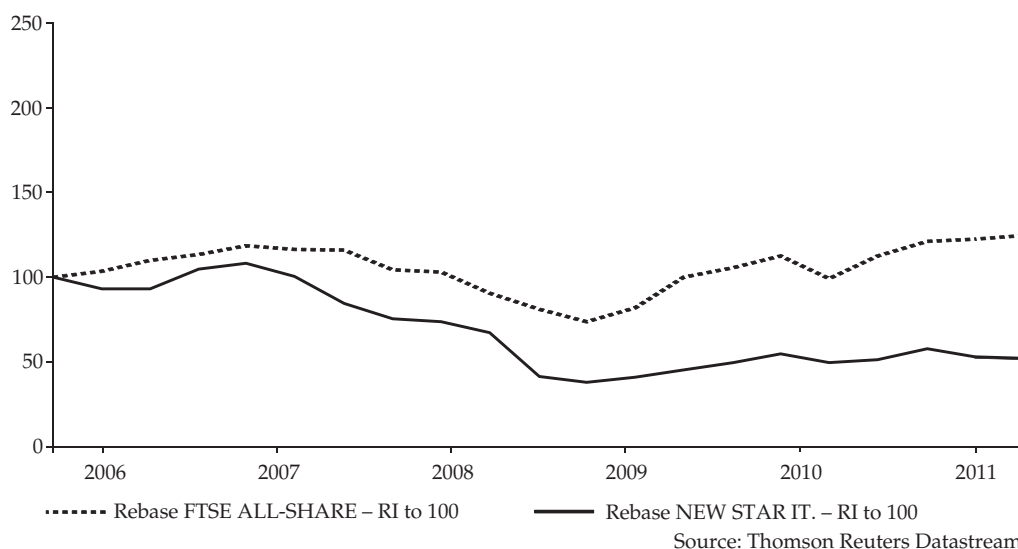
It is the board's policy that none of the Directors has a service contract. Each Director shall retire and be subject to election at the first Annual General Meeting after his appointment, and be subject to re-election at least every three years after that. Any Director may be removed without notice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

## DIRECTORS' REMUNERATION REPORT

*continued*

## YOUR COMPANY'S PERFORMANCE

The graph below compares the share price total return (assuming all dividends are reinvested) over the last five years with the FTSE All-Share Index (total return) which is one of the Company's benchmark indices. The data has been rebased to 100 on 30th June 2006.



## DIRECTORS FEES (AUDITED)

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

	2011 £	2010 £
J L Duffield	15,000	15,000
M J Gregson	15,000	15,000
G Howard-Spink (Chairman)	20,000	20,000
J K Roe	n/a	5,000
Total	50,000	55,000

For and on behalf of the Board of Directors  
 Geoffrey Howard-Spink  
*Chairman*  
 14th September 2011

## 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 then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- 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 proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included in the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### STATEMENT UNDER DISCLOSURE AND TRANSPARENCY RULE 4.1.12

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

- (a) the financial statements have been prepared in accordance with applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- (b) this Annual Report includes a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties they face.

For and on behalf of the Board of Directors  
Geoffrey Howard-Spink  
*Chairman*  
14th September 2011

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

We have audited the financial statements of New Star Investment Trust PLC for the year ended 30th June 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Balance Sheets, the Consolidated and Company Cash Flow Statements, and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

### SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

### OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30th June 2011 and of the Group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and

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

*continued*

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

### OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

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

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 14, in relation to going concern;
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Ratan Engineer (*Senior Statutory Auditor*)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
14th September 2011



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30th June 2011

		Year ended 30th June 2011			Year ended 30th June 2010		
	Notes	Revenue Return £'000	Capital Return £'000	Total £'000	Revenue Return £'000	Capital Return £'000	Total £'000
INVESTMENT INCOME	2	391	–	391	420	–	420
Other operating income	2	11	–	11	17	–	17
		<b>402</b>	<b>–</b>	<b>402</b>	<b>437</b>	<b>–</b>	<b>437</b>
<b>GAINS AND LOSSES ON INVESTMENTS</b>							
Gains on investments at fair value through profit or loss	9	–	8,388	8,388	–	9,397	9,397
Other exchange (losses)/gains		–	(414)	(414)	–	659	659
Trail commission		–	92	92	–	120	120
		<b>402</b>	<b>8,066</b>	<b>8,468</b>	<b>437</b>	<b>10,176</b>	<b>10,613</b>
<b>EXPENSES</b>							
Management fees	3	(552)	–	(552)	(496)	–	(496)
Other expenses	4	(270)	–	(270)	(267)	–	(267)
		<b>(822)</b>	<b>–</b>	<b>(822)</b>	<b>(763)</b>	<b>–</b>	<b>(763)</b>
<b>PROFIT BEFORE FINANCE COSTS AND TAX</b>		<b>(420)</b>	<b>8,066</b>	<b>7,646</b>	<b>(326)</b>	<b>10,176</b>	<b>9,850</b>
Finance costs		–	–	–	(1)	–	(1)
<b>PROFIT BEFORE TAX</b>		<b>(420)</b>	<b>8,066</b>	<b>7,646</b>	<b>(327)</b>	<b>10,176</b>	<b>9,849</b>
Tax	5	147	(281)	(134)	46	(172)	(126)
<b>PROFIT FOR THE YEAR</b>		<b>(273)</b>	<b>7,785</b>	<b>7,512</b>	<b>(281)</b>	<b>10,004</b>	<b>9,723</b>
<b>EARNINGS PER SHARE</b>							
Ordinary shares (pence)	7	<b>(0.38)</b>	<b>10.96</b>	<b>10.58</b>	<b>(0.40)</b>	<b>14.09</b>	<b>13.69</b>

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.

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

No operations were acquired or discontinued during the year.

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

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the year ended 30th June 2011*

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2010	710	21,573	56,908	(11,219)	67,972
Total comprehensive income for the year	–	–	–	7,512	7,512
AT 30TH JUNE 2011	710	21,573	56,908	(3,707)	75,484

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the year ended 30th June 2010*

	Note	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2009		710	21,573	56,908	(20,445)	58,746
Total comprehensive income for the year		–	–	–	9,723	9,723
Dividend paid	8	–	–	–	(497)	(497)
AT 30TH JUNE 2010		710	21,573	56,908	(11,219)	67,972

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

## COMPANY STATEMENT OF CHANGES IN EQUITY

*for the year ended 30th June 2011*

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2010	710	21,573	56,908	(11,715)	67,476
Total comprehensive income for the year	–	–	–	7,509	7,509
AT 30TH JUNE 2011	710	21,573	56,908	(4,206)	74,985

## COMPANY STATEMENT OF CHANGES IN EQUITY

*for the year ended 30th June 2010*

	Note	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2009		710	21,573	56,908	(20,940)	58,251
Total comprehensive income for the year		–	–	–	9,722	9,722
Dividend paid	8	–	–	–	(497)	(497)
AT 30TH JUNE 2010		710	21,573	56,908	(11,715)	67,476

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

## CONSOLIDATED BALANCE SHEET

at 30th June 2011

	Notes	30th June 2011 £'000	30th June 2010 £'000
<b>NON-CURRENT ASSETS</b>			
Investments at fair value through profit or loss	9	<u>60,692</u>	<u>48,902</u>
<b>CURRENT ASSETS</b>			
Other receivables	11	61	68
Cash and cash equivalents	12	<u>15,495</u>	<u>19,672</u>
		<u>15,556</u>	<u>19,740</u>
<b>TOTAL ASSETS</b>		<b>76,248</b>	<b>68,642</b>
<b>CURRENT LIABILITIES</b>			
Other payables	13	<u>(221)</u>	<u>(230)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>76,027</b>	<b>68,412</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	5	<u>(543)</u>	<u>(440)</u>
<b>NET ASSETS</b>		<u><b>75,484</b></u>	<u><b>67,972</b></u>
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS</b>			
Called-up share capital	14	710	710
Share premium	15	21,573	21,573
Special reserve	15	56,908	56,908
Retained earnings	15	<u>(3,707)</u>	<u>(11,219)</u>
<b>TOTAL EQUITY</b>		<u><b>75,484</b></u>	<u><b>67,972</b></u>
<b>NET ASSET VALUE PER ORDINARY SHARE (Pence)</b>	16	<u><b>106.28</b></u>	<u><b>95.70</b></u>

These Accounts were approved by the Board of Directors and authorised for issue on 14th September 2011.

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

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

## COMPANY BALANCE SHEET

*at 30th June 2011*

	<i>Notes</i>	<b>30th June 2011 £'000</b>	<b>30th June 2010 £'000</b>
<b>NON-CURRENT ASSETS</b>			
Investments at fair value through profit or loss	9	<b>60,692</b>	48,902
<b>CURRENT ASSETS</b>			
Other receivables	11	<b>975</b>	955
Cash and cash equivalents	12	<b>14,082</b>	18,289
		<b>15,057</b>	19,244
<b>TOTAL ASSETS</b>		<b>75,749</b>	68,146
<b>CURRENT LIABILITIES</b>			
Other payables	13	<b>(221)</b>	(230)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>75,528</b>	67,916
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	5	<b>(543)</b>	(440)
<b>NET ASSETS</b>		<b>74,985</b>	67,476
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS</b>			
Called-up share capital	14	<b>710</b>	710
Share premium	15	<b>21,573</b>	21,573
Special reserve	15	<b>56,908</b>	56,908
Retained earnings	15	<b>(4,206)</b>	(11,715)
<b>TOTAL EQUITY</b>		<b>74,985</b>	67,476

These Accounts were approved by the Board of Directors and authorised for issue on 14th September 2011.

Geoffrey Howard-Spink  
*Chairman*

New Star Investment Trust Plc  
Registered in England & Wales No. 3969011

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

## CASH FLOW STATEMENTS

*for the year ended 30th June 2011*

		Year ended 30th June 2011 Group £'000	Year ended 30th June 2011 Company £'000	Year ended 30th June 2010 Group £'000	Year ended 30th June 2010 Company £'000
	Note				
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(361)	(390)	(513)	(521)
NET CASH OUTFLOW FROM SERVICING OF FINANCE		–	–	(1)	(1)
FINANCIAL INVESTMENT					
Purchase of Investments		(8,247)	(8,247)	(15,113)	(15,113)
Sale of Investments		4,845	4,845	14,948	14,948
NET CASH OUTFLOW FROM FINANCIAL INVESTMENT		(3,402)	(3,402)	(165)	(165)
EQUITY DIVIDENDS PAID		–	–	(497)	(497)
NET CASH OUTFLOW BEFORE FINANCING		(3,763)	(3,792)	(1,176)	(1,184)
DECREASE IN CASH		(3,763)	(3,792)	(1,176)	(1,184)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS					
Decrease in cash resulting from cash flows		(3,763)	(3,792)	(1,176)	(1,184)
Exchange movements		(414)	(415)	659	659
Movement in net funds		(4,177)	(4,207)	(517)	(525)
Net funds at 1st July		19,672	18,289	20,189	18,814
NET FUNDS AT END OF YEAR	17	15,495	14,082	19,672	18,289
RECONCILIATION OF PROFIT BEFORE FINANCE COSTS AND TAXATION TO NET CASH FLOW FROM OPERATING ACTIVITIES					
Profit before finance costs and taxation		7,646	7,643	9,850	9,849
Gains on investments		(8,388)	(8,388)	(9,397)	(9,397)
Exchange differences		414	415	(659)	(659)
Capital trail commission		(92)	(92)	(120)	(120)
Net revenue loss before finance costs and taxation		(420)	(422)	(326)	(327)
Rolled up interest		–	–	(112)	(112)
Increase in debtors		(20)	(20)	19	19
Decrease in creditors		(9)	(9)	(112)	(112)
Taxation		(4)	(31)	(102)	(109)
Capital trail commission		92	92	120	120
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		(361)	(390)	(513)	(521)

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

## NOTES TO THE ACCOUNTS

*for the year ended 30th June 2011*

### 1. ACCOUNTING POLICIES

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.

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

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

Where presentational guidance set out in the Statement of Recommended Practice ('SORP') for investment trusts issued by the Association of Investment Companies ('AIC') in January 2009 is consistent with the requirements of IFRS, the Directors have sought to prepare the financial statements on a basis compliant with the recommendations of the SORP.

- (b) *Basis of consolidation:* The Consolidated Statement of Comprehensive Income and Balance Sheet include the Accounts of the Company and its subsidiary made up to 30th June 2011. No Statement of Comprehensive Income is presented for the parent company as permitted by Section 408 of the Companies Act 2006.

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

In accordance with the Company's status as a UK investment company under section 833 of the Companies Act 2006, net capital returns may not be distributed by way of a dividend. Additionally, the net revenue is the measure the directors believe appropriate in assessing the Group's compliance with certain requirements set out in section 1159 of the Corporation Tax Act 2010.

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

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

## NOTES TO THE ACCOUNTS

*for the year ended 30th June 2011*

*continued*

### 1. ACCOUNTING POLICIES CONTINUED

- (f) *Expenses:* Expenses are accounted for on an accruals basis. Management fees, administration and other expenses, with the exception of the transaction charges, are charged to the revenue column of the 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 closing bid price released by the relevant investment manager. Unquoted investments are valued by the Directors at the balance sheet date based on recognised valuation methodologies, in accordance with International Private Equity and Venture Capital ('IPEVC') Valuation Guidelines such as dealing prices or third party valuations where available, net asset values and other information as appropriate.

The Company's investment in its subsidiary company, JIT Securities Limited, is valued at net asset value in the Company's Balance Sheet.

- (h) *Taxation:* The charge for taxation is based on taxable income for the year. Withholding tax deducted from income received is treated as part of the taxation charge against income. Taxation deferred or accelerated can arise due to temporary differences between the treatment of certain items for accounting and taxation purposes. Full provision is made for deferred taxation under the liability method on all temporary differences not reversed by the Balance Sheet date.
- (i) *Foreign currency:* Assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the Balance Sheet date. Foreign currency transactions are translated at the rates of exchange applicable at the transaction date. Foreign currency differences including exchange gains and losses are dealt with in the capital reserve.
- (j) *Capital reserve:* The following are accounted for in this reserve:
- gains and losses on the realisation of investments together with the related taxation effect;
  - foreign exchange gains and losses, including those on settlement, together with the related taxation effect;
  - revaluation gains and losses on investments; and
  - trail commission and rebates received from the managers of the Company's investments.

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

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



# NOTES TO THE ACCOUNTS

for the year ended 30th June 2011

continued

## 1. ACCOUNTING POLICIES CONTINUED

- (l) *Cash and cash equivalents*: Cash and cash equivalents comprise current deposits, overdrafts with banks and bank loans. Cash and cash equivalents may be held for the purpose of either asset allocation or managing liquidity.
- (m) *Dividends payable*: Dividends are recognised from the date on which they are irrevocably committed to payment.
- (n) *Segmental Reporting*: The Directors consider that the Group is engaged in a single segment of business with the primary objective of investing in securities to generate long-term capital growth for its shareholders. Consequently no business segmental analysis is provided.
- (o) *Accounting developments*: At the date of authorisation of these financial statements, the following Standards which have not been applied in these financial statements were in issue but were not yet effective (and in some cases had not yet been adopted by the European Union):

International Accounting Standards (IAS/IFRSs)	Accounting periods beginning on or after
IAS 24 Related Party Disclosures (revised)	1st January 2011
IFRS 7 Amendments enhancing disclosures about transfers of financial assets	1st July 2011
IFRS 9 Financial Instruments: Classification & Measurement	1st January 2013

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

## NOTES TO THE ACCOUNTS

*for the year ended 30th June 2011**continued*

## 2. INVESTMENT INCOME

	Year ended 30th June 2011 £'000	Year ended 30th June 2010 £'000
<b>INCOME FROM INVESTMENTS</b>		
UK net dividend income	120	23
Unfranked investment income	271	182
Fixed interest income	–	160
Interest on convertible loan stock	–	55
	<u>391</u>	<u>420</u>
<b>OTHER OPERATING INCOME</b>		
Bank interest receivable	11	17
	<u>11</u>	<u>17</u>
<b>TOTAL INCOME COMPRISES</b>		
Dividends	391	205
Interest	–	215
Other income	11	17
	<u>402</u>	<u>437</u>

## 3. MANAGEMENT FEES

	Year ended 30th June 2011			Year ended 30th June 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Investment management fee	552	–	552	496	–	496
Performance fee	–	–	–	–	–	–
	<u>552</u>	<u>–</u>	<u>552</u>	<u>496</u>	<u>–</u>	<u>496</u>

At 30th June 2011 there were amounts outstanding of £139,000 (2010: £129,000) for investment management fees.

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

## NOTES TO THE ACCOUNTS

*for the year ended 30th June 2011**continued*

## 4. OTHER EXPENSES

	Year ended 30th June 2011 £'000	Year ended 30th June 2010 £'000
Legal fees	26	52
Directors' remuneration	50	55
Administrative and secretarial fee	95	82
Auditors' remuneration		
– Audit	26	28
– Other	16	5
Other	57	45
	<u>270</u>	<u>267</u>
Allocated to:		
– Revenue	270	267
– Capital	–	–
	<u>270</u>	<u>267</u>

## 5. TAXATION

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

	Year ended 30th June 2011			Year ended 30th June 2010		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
UK corporation tax	–	–	–	–	–	–
Overseas tax	–	–	–	–	–	–
Tax relief to income	(178)	178	–	(76)	76	–
Irrecoverable income tax	49	–	49	30	–	30
Prior year adjustment	(18)	–	(18)	–	–	–
Total current tax for the year	<u>(147)</u>	<u>178</u>	<u>31</u>	<u>(46)</u>	<u>76</u>	<u>30</u>
Deferred tax	–	103	103	–	96	96
Total tax for the year (note 5b)	<u>(147)</u>	<u>281</u>	<u>134</u>	<u>(46)</u>	<u>172</u>	<u>126</u>

## NOTES TO THE ACCOUNTS

*for the year ended 30th June 2011**continued*

## 5. TAXATION CONTINUED

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

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

	Year ended 30th June 2011 £'000	Year ended 30th June 2010 £'000
Profit before tax	7,646	9,849
Theoretical tax at the UK corporation tax rate of 27.5%* (2010: 28%)	2,103	2,758
Effects of:		
Non-taxable UK dividend income	(33)	(6)
Gains and losses on investments that are not taxable	(2,085)	(2,774)
Movement in unrealised gains on non-qualifying offshore funds	103	96
Irrecoverable income tax	49	29
Overseas dividends which are not taxable	(8)	(9)
Excess expenses not utilised	23	32
Prior year adjustment	(18)	–
Total tax for the year	134	126

\* Under the Finance Act 2011, the rate of Corporation Tax was lowered to 26% from 28% on 1st April 2011. An average rate of 27.5% was applicable for the year ended 30th June 2011.

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

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

	Group and Company Year ended 30th June 2011 £'000	Year ended 30th June 2010 £'000
Provision at start of year	440	344
Deferred tax charge for the year	103	96
Provision at end of year	543	440

The deferred tax charge of £103,000 (2010: £96,000) in the capital account of the Company relates to unrealised gains on non-reporting offshore funds. There is no deferred tax charge in the revenue account (2010: nil) relating to the reversal of the prior year tax charge on income taxable in the subsequent accounting period.

There is no unrecognised deferred tax asset (2010: nil) as a result of excess expenses.

## NOTES TO THE ACCOUNTS

*for the year ended 30th June 2011**continued***6. COMPANY RETURN FOR THE YEAR**

The total return for the year dealt with in the accounts of the parent company was £7,509,000 (2010: £9,225,000).

**7. RETURN PER ORDINARY SHARE**

Total return per Ordinary share is based on the Group total return on ordinary activities after taxation of £7,512,000 (2010: £9,723,000) and on 71,023,695 (2010: 71,023,695) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

Revenue return per Ordinary share is based on the Group revenue loss on ordinary activities after taxation of (£273,000) (2010: (£281,000)) and on 71,023,695 (2010: 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 £7,785,000 (2010: £10,004,000) and on 71,023,695 (2010: 71,023,695) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

**8. DIVIDENDS ON EQUITY SHARES**

Amounts recognised as distributions in the year:

	<b>Year ended 30th June 2011 £'000</b>	<b>Year ended 30th June 2010 £'000</b>
Dividends paid for the year ended 30th June 2010: nil (2009: 0.7p) per share	—	497

The total dividend payable in respect of the financial year, which is the basis on which the requirements of section 1159 of the Corporation Tax Act 2010 (formerly section 842 of the Income and Corporation Taxes Act 1988) are considered, is set out below.

	<b>Year ended 30th June 2011 £'000</b>	<b>Year ended 30th June 2010 £'000</b>
Final dividend for the year ended 30th June 2011: nil (2010: nil)	—	—
Revenue available for distribution by way of dividend	(275)	(282)

The Directors do not recommend the payment of a final dividend for the year ended 30th June 2011 (2010: nil).

## NOTES TO THE ACCOUNTS

*for the year ended 30th June 2011**continued*

## 9. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 30th June 2011 £'000	Year ended 30th June 2010 £'000	
GROUP AND COMPANY	60,692	48,902	
ANALYSIS OF INVESTMENT			
PORTFOLIO – GROUP AND COMPANY			
	Listed* £'000	Unlisted £'000	Total £'000
Opening book cost	47,769	3,706	51,475
Opening investment holding losses	(1,301)	(1,272)	(2,573)
Opening valuation	46,468	2,434	48,902
Movement in period			
Purchases at cost	6,822	1,425	8,247
Sales			
– Proceeds	(4,416)	(429)	(4,845)
– Realised (losses)/gains on sales	(5,740)	391	(5,349)
Investment holding gains/(losses)	14,717	(980)	13,737
Closing valuation	57,851	2,841	60,692
Closing book cost	44,435	5,093	49,528
Closing investment holding gains/(losses)	13,416	(2,252)	11,164
Closing valuation	57,851	2,841	60,692

\* Listed investments include unit trust and OEIC funds.

	Year ended 30th June 2011 £'000	Year ended 30th June 2010 £'000
<b>ANALYSIS OF CAPITAL GAINS AND LOSSES</b>		
Realised losses on sales of investments	(5,349)	(3,416)
Increase in investment holding gains	13,737	12,813
	<b>8,388</b>	<b>9,397</b>

*Transaction costs*

The purchases and sales proceeds figures above include transaction costs on purchases of £3,000 (2010: £13,000) and on sales of £3,000 (2010: nil).

## NOTES TO THE ACCOUNTS

*for the year ended 30th June 2011**continued***10. INVESTMENT IN SUBSIDIARY UNDERTAKING**

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

The financial results of the subsidiary are summarised as follows:

	<b>Year ended 30th June 2011 £'000</b>	<b>Year ended 30th June 2010 £'000</b>
Net assets brought forward	<b>496</b>	495
Profit for year	<b>3</b>	1
<b>NET ASSETS CARRIED FORWARD</b>	<b>499</b>	496

**11. OTHER RECEIVABLES**

	<b>30th June 2011 Group £'000</b>	<b>30th June 2011 Company £'000</b>	<b>30th June 2010 Group £'000</b>	<b>30th June 2010 Company £'000</b>
Prepayments and accrued income	<b>61</b>	<b>61</b>	41	41
Taxation	–	–	27	–
Amounts owed by subsidiary undertakings	–	<b>914</b>	–	914
	<b>61</b>	<b>975</b>	68	955

**12. CASH AND CASH EQUIVALENTS**

	<b>30th June 2011 Group £'000</b>	<b>30th June 2011 Company £'000</b>	<b>30th June 2010 Group £'000</b>	<b>30th June 2010 Company £'000</b>
Cash at bank	<b>15,495</b>	<b>14,082</b>	19,672	18,289

**13. OTHER PAYABLES**

	<b>30th June 2011 Group £'000</b>	<b>30th June 2011 Company £'000</b>	<b>30th June 2010 Group £'000</b>	<b>30th June 2010 Company £'000</b>
Accruals	<b>221</b>	<b>221</b>	230	230

## NOTES TO THE ACCOUNTS

*for the year ended 30th June 2011**continued***14. CALLED UP SHARE CAPITAL**

	<b>30th June 2011 £'000</b>	30th June 2010 £'000
Authorised 305,000,000 (2010: 305,000,000) Ordinary shares of £0.01 each	<b>3,050</b>	3,050
Issued and fully paid 71,023,695 (2010: 71,023,695) Ordinary shares of £0.01 each	<b>710</b>	710

**15. RESERVES**

	Share premium account £'000	Special reserve £'000	Retained earnings £'000
<b>GROUP</b>			
At 30th June 2010	21,573	56,908	(11,219)
Increase in investment holding gains	–	–	13,737
Net losses on realisation of investments	–	–	(5,349)
Losses on foreign currency	–	–	(414)
Trail commission	–	–	92
Deferred tax charge in capital	–	–	(103)
Tax charge in capital	–	–	(178)
Retained loss for year	–	–	(273)
At 30th June 2011	<b>21,573</b>	<b>56,908</b>	<b>(3,707)</b>
	Share premium account £'000	Special reserve £'000	Retained earnings £'000
<b>COMPANY</b>			
At 30th June 2010	21,573	56,908	(11,715)
Increase in investment holding gains	–	–	13,737
Net losses on realisation of investments	–	–	(5,349)
Losses on foreign currency	–	–	(415)
Trail commission	–	–	92
Deferred tax charge in capital	–	–	(103)
Tax relief to income from capital	–	–	(178)
Retained loss for year	–	–	(275)
At 30th June 2011	<b>21,573</b>	<b>56,908</b>	<b>(4,206)</b>



## NOTES TO THE ACCOUNTS

*for the year ended 30th June 2011**continued***15. RESERVES CONTINUED**

The components of retained earnings are set out below:

	<b>30th June 2011 £'000</b>	<b>30th June 2010 £'000</b>
<b>GROUP</b>		
Capital reserve – realised	<b>(14,791)</b>	(8,925)
Capital reserve – revaluation	<b>10,966</b>	(2,685)
Revenue reserve	<b>118</b>	391
	<b>(3,707)</b>	(11,219)
<b>COMPANY</b>		
Capital reserve – realised	<b>(15,144)</b>	(9,277)
Capital reserve – revaluation	<b>10,966</b>	(2,685)
Revenue reserve	<b>(28)</b>	247
	<b>(4,206)</b>	(11,715)

**16. NET ASSET VALUE PER ORDINARY SHARE**

The net asset value per Ordinary share is calculated on net assets of £75,484,000 (2010: £67,972,000) and 71,023,695 (2010: 71,023,695) Ordinary shares in issue at year end.

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

	<b>At 1st July 2010 £'000</b>	<b>Cash flow</b>	<b>Exchange movement</b>	<b>At 30th June 2011 £'000</b>
<b>GROUP</b>				
Cash at bank and on deposit	<b>19,672</b>	<b>(3,763)</b>	<b>(414)</b>	<b>15,495</b>
<b>COMPANY</b>				
Cash at bank and on deposit	<b>18,289</b>	<b>(3,792)</b>	<b>(415)</b>	<b>14,082</b>

## NOTES TO THE ACCOUNTS

*for the year ended 30th June 2011*

*continued*

### 18. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

#### **(a) Market Risk**

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

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

## NOTES TO THE ACCOUNTS

*for the year ended 30th June 2011**continued*

## 18. FINANCIAL INSTRUMENTS CONTINUED

**(b) Currency Risk**

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

*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 (2010: nil).

The fair values of the Group's monetary items that have foreign currency exposure at 30th June 2011 are shown below.

	2011 US Dollars £'000	2011 Euros £'000	2011 Total £'000	2010 US Dollars £'000	2010 Euros £'000	2010 Total £'000
Investment at fair value through profit or loss	11,922	3,690	15,612	12,211	1,919	14,130
Cash at bank and short-term deposits	8,871	1,384	10,255	8,558	3,572	12,130
Other receivables	3	–	3	–	–	–
Total net foreign currency exposure	<u>20,796</u>	<u>5,074</u>	<u>25,870</u>	<u>20,769</u>	<u>5,491</u>	<u>26,260</u>

The above table represents the assets denominated/dealt in dollars and Euros. Underlying currency exposure may be significantly greater.

## NOTES TO THE ACCOUNTS

*for the year ended 30th June 2011**continued*

## 18. FINANCIAL INSTRUMENTS CONTINUED

**(b) Currency Risk** *continued**Foreign currency sensitivity*

During the financial year sterling appreciated by 7.3% against the US dollar (2010: depreciated by 9.2%) and depreciated by 9.3% against the euro (2010: appreciated by 4.0%).

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

	2011 US Dollars £'000	2011 Euros £'000	2011 Total £'000	2010 US Dollars £'000	2010 Euros £'000	2010 Total £'000
If exchange rates appreciated by 10%	(1,891)	(461)	(2,352)	(1,888)	(499)	(2,387)
If exchange rates depreciated by 10%	2,310	564	2,874	2,307	610	2,907

It should be noted that the above illustration is based on the exposures 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 2011**continued*

## 18. FINANCIAL INSTRUMENTS CONTINUED

**(c) Interest Rate Risk** *continued**Interest rate exposure*

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

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

	2011 In 1 year or less £'000	2011 Greater than 1 year £'000	2011 Total £'000	2010 In 1 year or less £'000	2010 Greater than 1 year £'000	2010 Total £'000
Exposure to floating interest rates:						
Cash at bank	15,495	–	15,495	19,672	–	19,672
Exposure to fixed interest rates:						
Investments at fair value through profit or loss	–	130	130	–	458	458
Total exposure to interest rates	15,495	130	15,625	19,672	458	20,130

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 (2010: same).
- The nominal and weighted average interest rate on Corndon Limited 12% Convertible Loan Notes is 12% (2010: 12%). The interest due to date has been written off and no further interest is being accrued.

## NOTES TO THE ACCOUNTS

*for the year ended 30th June 2011**continued*

## 18. FINANCIAL INSTRUMENTS CONTINUED

**(c) Interest Rate Risk** *continued**Interest rate sensitivity*

The following table illustrates the sensitivity of the profit after taxation for the year and equity to an increase or decrease of 50 (2010: 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.

	<b>Increase in rate 2011 £'000</b>	<b>Decrease in rate 2011 £'000</b>	<b>Increase in rate 2010 £'000</b>	<b>Decrease in rate 2010 £'000</b>
Effect on total return to equity	<u>77</u>	<u>(77)</u>	<u>98</u>	<u>(98)</u>

**(d) Other price risk**

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

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

*Management of the risk*

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

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

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

## NOTES TO THE ACCOUNTS

*for the year ended 30th June 2011**continued*

## 18. FINANCIAL INSTRUMENTS CONTINUED

**(d) Other price risk** *continued**Other price risk exposure*

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

	2011 £'000	2010 £'000
Fixed asset quoted investments at fair value through profit or loss	57,851	46,468

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

	2011 £'000	2010 £'000
Fixed asset unquoted investments at fair value through profit or loss	2,841	2,434
Analysed as:		
Equities	2,213	1,864
Fixed Interest	130	570
Loan	498	–
	2,841	2,434

*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 2011 £'000	Decrease in fair value 2011 £'000	Increase in fair value 2010 £'000	Decrease in fair value 2010 £'000
Effect on total return and on net assets	6,069	(6,069)	4,890	(4,890)

## NOTES TO THE ACCOUNTS

*for the year ended 30th June 2011**continued*

## 18. FINANCIAL INSTRUMENTS CONTINUED

**(e) Liquidity Risk**

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

The Group's assets mainly comprise securities which can be readily sold to meet future funding commitments, if necessary. Unlisted securities, which carry a higher degree of liquidity risk form only 4.7% (2010: 5%) of the investment portfolio.

*Management of the risk*

The liquidity risk is managed by maintaining some cash or cash equivalent holdings in order to meet investment requirements and other liabilities as they fall due. At the year end the Group had liquid resources of £73.3 million (2010: £66.2 million).

This was made up of £15.5 million (2010: £19.7 million) of cash and money market instruments and £57.8 million (2010: £46.5 million) of listed investments.

*Liquidity risk exposure*

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

**(f) Credit Risk**

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

*Management of the risk*

Credit risk is managed as follows:

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

*Credit risk exposure*

The maximum exposure to credit risk at 30th June 2011 was £15,556,000 (2010: £19,740,000), comprising:

	2011 £'000	2010 £'000
Accrued income	61	41
Tax recoverable	–	27
Cash and cash equivalents	15,495	19,672
	<u>15,556</u>	<u>19,740</u>

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



## NOTES TO THE ACCOUNTS

*for the year ended 30th June 2011**continued*

## 18. FINANCIAL INSTRUMENTS CONTINUED

**(g) Fair Values of Financial Assets and Financial Liabilities**

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

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

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

	2011 £'000	2010 £'000
<b>FINANCIAL ASSETS</b>		
Financial assets at fair value through profit or loss:		
Fixed asset investments – designated as such on initial recognition	60,692	48,902
Loans and receivables:		
Current assets:		
Debtors (due from brokers, dividends receivable, accrued income and other debtors)	61	41
Tax recoverable	–	27
Cash and cash equivalents	15,495	19,672
	<u>76,248</u>	<u>68,642</u>
<b>FINANCIAL LIABILITIES</b>		
<i>Measured at amortised cost:</i>		
<i>Creditors: amounts falling due within one year</i>		
Accruals	221	230
<i>Creditors: amounts falling due after one year</i>		
Creditors (deferred taxation)	543	440
	<u>764</u>	<u>670</u>

## NOTES TO THE ACCOUNTS

*for the year ended 30th June 2011**continued*

## 18. FINANCIAL INSTRUMENTS CONTINUED

**(h) Summary of Financial Assets and Financial Liabilities by Category** *continued**Valuation of financial instruments*

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

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

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

## FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AT 30TH JUNE 2011

	Level 1 £'000	Level 3 £'000	Total £'000
Equities	57,851	2,213	60,064
Fixed Interest	–	130	130
Loan	–	498	498
	<u>57,851</u>	<u>2,841</u>	<u>60,692</u>

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

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

## FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AT 30TH JUNE 2011

	Level 3 £'000
Opening fair value	1,870
Purchases at cost	1,425
Transfer from Level 2	104
Total gains or losses included in gains on investments in the Statement of Comprehensive Income	
– on sold assets	–
– on assets held at the end of the year	(558)
Closing fair value	<u>2,841</u>

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

## NOTES TO THE ACCOUNTS

*for the year ended 30th June 2011*

*continued*

### 18. FINANCIAL INSTRUMENTS CONTINUED

#### (i) Capital Management

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

### 19. RELATED PARTIES

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

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

The total investment management fee payable to Brompton for the year ended 30th June 2011 was £552,000 (2010: £261,000) and at the year end £139,000 (2010: £129,000) was outstanding. No performance fee was payable in respect of the year ended 30th June 2011 (2010: £nil).

The Group's investments include one fund managed by Brompton or its associates. No investment management fees were payable by the Company in respect of this investment.

### 20. COMMITMENTS AND CONTINGENCIES

There are no other commitments or contingencies at the reporting date (2010: nil).

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2011 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 17th November 2011 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 2011 together with the Reports of the Directors and Auditors therein.
2. To receive and approve the Directors' Remuneration Report for the year to 30th June 2011.
3. To re-elect Mr Geoffrey Howard-Spink, retiring in accordance with the Company's Articles of Association, as a Director.
4. To re-elect Mr John Duffield, retiring in accordance with the Listing Rules, as a Director.
5. To re-elect Mr Marcus Gregson, retiring by rotation in accordance with the Company's Articles of Association, as a Director.
6. To reappoint Ernst & Young LLP as auditors until the conclusion of the next general meeting at which accounts are laid before members, AND authorise the Directors to determine the auditor's remuneration.

### SPECIAL BUSINESS

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

7. THAT the Directors be generally and unconditionally authorised under section 551 of the Companies Act 2006 ('Act') to exercise all the powers of the Company to allot Ordinary shares in the capital of the Company ('Shares') and/or grant rights to subscribe for or convert any security into Shares up to an aggregate of:
  - a) £236,745 in nominal value of such Shares; and
  - b) a further £236,745 in nominal value of Shares in connection with an offer by way of a rights issue:
    - (i) to holders of Ordinary shares in proportion (or as nearly may be) to their existing holdings; and
    - (ii) to holders of other equity securities as required by the rights of those equity securities or otherwise as the Directors may consider necessary;

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

unless otherwise renewed, varied or revoked the authorities hereby granted shall expire at the earlier of the conclusion of the Annual General Meeting of the Company in 2012 or fifteen months after the passing of this Resolution SAVE THAT the Company may before such expiry enter into offer(s) or agreement(s) which shall or may require Shares to be allotted after such expiry and the Company may allot Shares in pursuance of such offer(s) or agreement(s) as if the authorities hereby granted had not so expired.

8. THAT subject to the passing of Resolution 7 above the Directors be generally and unconditionally authorised pursuant to section 570 of the Companies Act 2006 ('Act') to allot equity securities (as defined in section 560 of the Act) as if section 561 of the Act did not apply

## NOTICE OF ANNUAL GENERAL MEETING

*continued*

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 next following Annual General Meeting of the Company or the date fifteen months after the passing of this Resolution, and shall be limited to:

- (i) the allotment of equity securities up to an aggregate nominal amount of £35,511 (being approximately 5% of the capital currently in issue); and
- (ii) the allotment of equity securities at a price (excluding expenses) not less than the net asset value per share for the business day immediately preceding such allotment, or if earlier the agreement to allot;

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

9. THAT the Company be and is hereby generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 ('Act') to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary shares in the capital of the Company upon such terms and in such manner as the Directors shall determine provided that:
- (i) the maximum aggregate number of Ordinary shares authorised hereby to be purchased shall be 10,646,450, being approximately 14.99% of the Ordinary shares 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 next following Annual General Meeting of the Company or the date fifteen months after the passing of this Resolution SAVE THAT the Company may enter into offer(s) or agreement(s) which shall or may require Shares to be bought back after such expiry and the Company may buy back Ordinary shares pursuant to such offer(s) or agreement(s) as if the authority hereby granted had not so expired.
10. THAT any Ordinary shares held by the Company in treasury, whether as a result of being bought back in accordance with the authority conferred by Resolution 9 above or otherwise may, at the discretion of the Directors, be cancelled or resold or allotted from treasury, provided that they shall not be resold or allotted at a price below the last published net asset value prior to re-issue.
11. THAT General Meetings of the Company, other than an Annual General Meeting, may be called on not less than 14 clear days' notice.

By order of the Board  
Phoenix Administration Services Limited  
*Corporate Secretary*  
14th September 2011

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

## NOTICE OF ANNUAL GENERAL MEETING

*continued*

### NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

1. This Report & Accounts is circulated to holders of Ordinary shares, all of whom are entitled to attend, speak and vote at the above Annual General Meeting ('AGM').
2. Any member entitled to attend and vote at the AGM is also entitled to appoint one or more proxies to attend, speak and vote at the AGM on their behalf, provided that if multiple proxies are appointed they must be appointed in respect of different Ordinary shares. Proxies need not be members of the Company. A form of proxy is sent to members with the Report & Accounts and must be received by the Company's Registrar: Equiniti Registrars, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZL duly completed in accordance with the instructions on the form of proxy. 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 15th November 2011. 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/CREST](http://www.euroclear.com/CREST)) 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 at 6.00 pm two days before the time for the meeting, or 6.00 pm two days prior to an adjourned meeting, are entitled to attend and vote at the AGM. Any changes to the Register of Members after such time and date shall be disregarded in determining the rights of any shareholders to attend and vote at the AGM.
6. Under Section 319(A) of the Act the Company must cause to be answered any question relating to the business being dealt with at the AGM put by a member attending the AGM unless answering the question would interfere unduly with the preparation for the meeting, would involve the disclosure of confidential information, an answer has already been given on a website, or is undesirable in the interests of the Company or good order of the AGM.
7. Members may not use any electronic address provided in this notice or any related document(s) to communicate with the Company for any purpose other than as specifically stated.
8. As at 13th September 2011, the latest practicable date prior to the publication of this notice, the issued capital carrying voting rights comprised 71,023,695 Ordinary shares.
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](http://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.



