

NEW STAR INVESTMENT TRUST PLC

INTERIM REPORT

for the six months ended 31st December 2010



NEW STAR INVESTMENT TRUST PLC

## INVESTMENT OBJECTIVE

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

REGISTERED OFFICE

1 Knightsbridge Green, London, SW1X 7QA  
Company Number 3969011

NEW STAR INVESTMENT TRUST PLC

## 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  
Veritas House, 125 Finsbury Pavement, London EC2A 1PN

### REGISTRARS

Equiniti Limited  
Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA  
*Telephone: 01903 502541 Website: 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".

## FINANCIAL HIGHLIGHTS

	31st December 2010	30th June 2010	% change
PERFORMANCE			
Net assets (£'000)	76,208	67,972	12.1
Net asset value per Ordinary share	107.30p	95.70p	12.1
Mid-market price per Ordinary share	81.25p	70.00p	16.1
Discount of share price to net asset value	24.3%	26.9%	n/a
FTSE World Index (total return, sterling adjusted)	608.97	510.67	19.2
FTSE All-Share Index (total return)	4,111.90	3,370.06	22.0
	Six months ended 31st December 2010	Six months ended 31st December 2009	
REVENUE			
Return per Ordinary share	(0.16)p		(0.13)p
Dividend per Ordinary share	–		–
TOTAL RETURN			
Net assets	12.1%		14.8%
FTSE World Index	19.2%		26.0%

NEW STAR INVESTMENT TRUST PLC

INTERIM MANAGEMENT REPORT

CHAIRMAN'S STATEMENT

Your Company generated positive returns over the half year to 31st December 2010, with total assets rising 12.1% to £76.2 million. This gain, however, lagged the broader markets, with the FTSE All-Share Total Return Index rising 22.0% and the FTSE World Total Return Index rising 19.2% in sterling. The return on cash was 0.3%. At the period end, the net asset value per Ordinary share was 107.30p. From the fund's launch in May 2000 to the period end it delivered a total return of 15.9%. The FTSE All-Share over the same period returned 44.3%. The principal reason for this underperformance has been the fund's recent cautious positioning, with cash accounting for a significant proportion of the portfolio.

The net revenue loss before tax for the period was £134,000. In common with previous years, your directors are not recommending payment of an interim dividend to shareholders.

**Market review**

After weakness over the summer amid investor concerns about US economic problems, global equities made consistent progress during the period. 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 in late 2010 increased investors' risk appetites. Other factors included strong economic growth in emerging markets. There were, however, short bouts of nervousness caused by the fiscal crises in the eurozone's peripheral countries. After the Greek rescue in the spring, Ireland was bailed out in the autumn.

Geographically, the stockmarket gains were broadly spread, with Latin American markets the strongest, up 22.6% in sterling terms as a result of rising commodity prices. Of the developed markets, Europe excluding the UK returned 18.8%, the US returned 18.3% but Japan underperformed, returning 13.5%. Emerging Asia returned 18.9%. Commodity prices also affected sector returns, with basic materials and energy up 35.8% and 24.9% respectively. By contrast, defensive areas such as healthcare, utilities and telecommunications underperformed, rising 9.3%, 10.2% and 15.4% respectively.

Investor concerns about fiscal deficits and inflation were evident in bond markets. Gilts returned just 1.45% while Bank of America's sterling high-yield bond index returned 6.6%.

NEW STAR INVESTMENT TRUST PLC

INTERIM MANAGEMENT REPORT

CHAIRMAN'S STATEMENT

*continued*

**Portfolio review**

Your Company committed more cash to markets during the period although it maintained a cautious position. The largest investments included Vallar, a company floated by Nat Rothschild, and the Fundsmith Equity Fund, the new fund launched by Terry Smith, former deputy chairman of Collins Stewart. Smaller investments included the PFS Brompton UK Recovery Unit Trust, the Wells Fargo China Equity Fund and All Star Leisure, a privately-owned bowling alleys company. Disposals included Prusik Asia and GWI Brazil.

Your Company ended the period with 57.9% of its assets in retail funds, 6.0% in ETFs, 5.8% in investment trusts, 3.8% in hedge funds, 7.3% in other securities and 19.2% in cash. Geographically, the biggest non-cash exposures were the UK, at 18.6%, emerging markets, at 16.8%, and Europe excluding the UK, at 9.6%. In asset class terms, the biggest non-cash holdings were in equities at 53.3%, commodities at 12.8%, and private equity at 5.4%.

**Outlook**

The strength of global economic growth in 2010 surprised many observers. Expansion in developing countries provided most momentum although G7 growth also surpassed consensus expectations in early 2010. Growth in the G7 may, however, moderate in 2011 in response to weaker inflation-adjusted money supply trends although the US may outperform the eurozone, where inflation-adjusted money supply trends have been weaker than average. US business investment is growing while higher productivity and increased working hours should lead to job creation. Strong growth in emerging economies, meanwhile, is fuelling inflation, leading to fears of overheating, and higher interest rates may cause the pace of expansion to slow markedly.

The most significant macroeconomic trend of 2011 is likely to be rising inflation in the G7 as a result of previous money supply growth. Commodity prices have risen strongly recently and businesses have become increasingly confident that such price rises can be passed on to consumers. In response to such trends, it is possible the Fed will start to tighten monetary policy in the summer. In financial markets, long-dated government bonds are likely to fare worst in such conditions. After healthy growth in the second half of 2010, equities may be affected initially by the weak trends in the inflation-adjusted money supply in the G7 relative to industrial output growth. Indications of slowing output growth combined with stable money supply trends may provide sufficient liquidity to fuel further growth in equity prices later in the year.

NEW STAR INVESTMENT TRUST PLC  
INTERIM MANAGEMENT REPORT  
CHAIRMAN'S STATEMENT

*continued*

In such an environment, returns among stocks and sectors may diverge widely, emphasising the role that careful asset allocation will play in generating performance.

The unaudited net asset value at 31st January 2011 was 105.01p per Ordinary share.

Geoffrey Howard-Spink  
Chairman  
24th February 2011



NEW STAR INVESTMENT TRUST PLC

**INTERIM MANAGEMENT REPORT**

**DIRECTORS' REPORT**

**Performance**

In the six months to 31st December 2010 the net asset value per Ordinary share increased by 12.1% to 107.30p. In the same period the share price increased by 16.1% to 81.25p. This compares to increases of 22.0% and 19.2% respectively in the FTSE All-Share Index and the FTSE World Index. Further details of the Company's performance may be found in the Chairman's Statement.

**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, their underlying investment exposure.

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

NEW STAR INVESTMENT TRUST PLC

INTERIM MANAGEMENT REPORT

DIRECTORS' REPORT

*continued*

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.

**Share capital**

The Company's share capital comprises 305,000,000 Ordinary shares of 1p each, of which 71,023,695 (2010: 71,023,695) have been issued fully paid. No Ordinary shares are held in treasury, and none were bought back or issued during the six months to 31st December 2010.

**Risk management**

The principal risks associated with the Company that have been identified by the Board, together with the steps taken to mitigate them, are 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 monthly reports on portfolio changes, asset values 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.

*Portfolio risks – market price, foreign currency and interest rate risks:* the downward movement of investments contained in the portfolio would lead to a reduction in the Company's net asset value. A proportion of the Group'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

NEW STAR INVESTMENT TRUST PLC

INTERIM MANAGEMENT REPORT

DIRECTORS' REPORT

*continued*

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 investment portfolio, although hedging techniques may be employed in appropriate circumstances.

*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. With effect from the beginning of the calendar year the Company's portfolio has been managed by Gill Lakin. A representative of the Investment Manager attends each Board meeting. The Board is kept informed of any personnel changes to the investment team employed by the Investment Manager.

*Tax and regulatory risks:* a breach of 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 corporation tax. A breach of the UKLA Listing Rules could result in suspension of the Company's shares, while a breach of company law could lead to criminal proceedings, or financial or reputational damage. The Board employs Brompton Asset Management LLP as Investment Manager and Phoenix Administration Services Limited as Company 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 and 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.

**Investment Management Arrangements and Related Party Transactions**

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 third party service providers.

NEW STAR INVESTMENT TRUST PLC

INTERIM MANAGEMENT REPORT

DIRECTORS' REPORT

*continued*

Details of related party transactions are contained in the Annual Report. There have been no material transactions with related parties during the period which have had a significant impact on the performance of the Company.

**Review of Investment Trust Rules**

In December 2010 the results of the review of the current rules for taxation of Investment Trusts were announced. The original proposed changes to the Close Company Tax rules and changes to the Income Retention rules, which could have had serious adverse consequences for the Company, have been dropped. The Company can continue to operate in its current form.

**Auditors**

The half year financial report has been reviewed, but not audited, by Ernst & Young LLP pursuant to the Auditing Practices Board guidance on the Review of Interim Financial Information.

NEW STAR INVESTMENT TRUST PLC

INTERIM MANAGEMENT REPORT

DIRECTORS' REPORT

*continued*

**Responsibility statement**

The Directors named on page 2 confirm that to the best of their knowledge:

- The condensed set of financial statements contained within the half year financial report to 31st December 2010 has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting';
- The interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements;
- The interim management report includes a fair review of the potential risks and uncertainties for the remaining six months of the year;
- The interim management report includes a fair review of the information concerning related party transactions and changes since the last annual report.

By order of the Board

Phoenix Administration Services Limited  
24th February 2011

## INDEPENDENT REVIEW REPORT TO NEW STAR INVESTMENT TRUST PLC

### **Introduction**

We have been engaged by the Company to review the condensed set of financial statements in the half year financial report for the six months ended 31st December 2010 which comprises the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated balance sheet, consolidated cash flow statement and related explanatory notes 1 to 7. We have read the other information contained in the half year financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The half year financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half year financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half year financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half year financial report based on our review.

INDEPENDENT REVIEW REPORT  
TO NEW STAR INVESTMENT TRUST PLC

*continued*

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31st December 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP  
London  
24th February 2011

## SCHEDULE OF TOP TWENTY INVESTMENTS

*at 31st December 2010*

Holding	Activity	Bid-market value £'000	% of Investment portfolio
New Star European Special Situations Fund	Investment Fund	7,430	12.00
BlackRock Gold & General Income Fund	Investment Fund	7,426	12.00
Investec Africa Fund	Investment Fund	4,730	7.64
Occam Umbrella Asia Focus Fund	Investment Fund	4,534	7.32
Polar Capital Global Technology Fund	Investment Fund	3,383	5.47
Atlantis China Fund Plc	Investment Fund	3,241	5.24
Artemis UK Special Situations Fund	Investment Fund	2,748	4.44
Trojan Investment Fund	Investment Fund	2,709	4.38
M&G Optimal Income Fund	Investment Fund	2,650	4.28
Lyxor Gold Bullion Securities ETF	ETF	2,433	3.93
Henderson Private Equity Investment Trust	Investment Company	2,410	3.89
Aquilus Inflection Fund	Investment Fund	2,394	3.87
Vallar	Quoted Equity	2,220	3.59
iShares FTSE/Xinhua China 25 ETF	ETF	2,182	3.53
Neptune Russia & Greater Russia Fund	Investment Fund	2,127	3.44
Fundsmith Equity Fund	Investment Fund	1,541	2.49
PFS Brompton UK Recovery Unit Trust	Investment Fund	1,377	2.22
The Sierra Investment Fund	Investment Fund	1,214	1.96
BH Global Investment Limited	Investment Company	1,095	1.77
Aberforth Geared Income Trust	Investment Company	965	1.56
		<u>58,809</u>	<u>95.02</u>
Balance held in 12 investments		3,086	4.98
Total investments		<u><u>61,895</u></u>	<u><u>100.00</u></u>

The investment portfolio can be further analysed as follows:

Equities	7,937
Convertible securities	598
Investments funds, investment companies and ETFs	53,360
	<u><u>61,895</u></u>

All the Company's investments are either unlisted or are unit trust/OEIC funds with the exception of Henderson Private Equity Investment Trust, iShares FTSE/Xinhua China 25 ETF, BH Global Investment Limited, MAM Funds, Lyxor Gold Bullion Securities ETF (Exchange Traded Fund), Immedia Broadcasting, Westhouse Holdings and Vallar.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*for the six months ended 31st December 2010*

		Six months ended 31st December 2010 <i>(unaudited)</i>		
	<i>Notes</i>	Revenue Return £'000	Capital Return £'000	Total Return £'000
<b>INCOME</b>				
Investment income		259	–	259
Other operating income		6	–	6
<b>Total income</b>	<b>2</b>	<b>265</b>	<b>–</b>	<b>265</b>
<b>GAINS AND LOSSES ON INVESTMENTS</b>				
Gains on investments at fair value through profit or loss		–	9,002	9,002
Other exchange (losses)/gains		–	(285)	(285)
Trail commission		–	31	31
		265	8,748	9,013
<b>EXPENSES</b>				
Management fees	3	(274)	–	(274)
Other expenses		(125)	–	(125)
		(134)	8,748	8,614
<b>PROFIT BEFORE FINANCE COSTS AND TAX</b>				
Finance costs		–	–	–
		(134)	8,748	8,614
<b>PROFIT BEFORE TAX</b>				
Tax		19	(397)	(378)
		(115)	8,351	8,236
<b>PROFIT FOR THE PERIOD</b>				
		<b>(115)</b>	<b>8,351</b>	<b>8,236</b>
<b>EARNINGS PER SHARE</b>				
Ordinary shares (pence)	4	(0.16)	11.76	11.60

The total column of this statement represents the Group's Statement of Comprehensive Income, 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 items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*for the six months ended 31st December 2009 and the year ended 30th June 2010*

	Six months ended 31st December 2009 <i>(unaudited)</i>			Year ended 30th June 2010 <i>(audited)</i>		
Notes	Revenue Return £'000	Capital Return £'000	Total Return £'000	Revenue Return £'000	Capital Return £'000	Total Return £'000
<b>INCOME</b>						
Investment income	232	–	232	420	–	420
Other operating income	12	–	12	17	–	17
<b>Total income</b>	<b>2</b> <b>244</b>	<b>–</b>	<b>244</b>	<b>437</b>	<b>–</b>	<b>437</b>
<b>GAINS AND LOSSES ON INVESTMENTS</b>						
<b>Gains on investments at fair value</b>						
through profit or loss	–	8,175	8,175	–	9,397	9,397
Other exchange gains	–	257	257	–	659	659
Trail commission	–	78	78	–	120	120
	<b>244</b>	<b>8,510</b>	<b>8,754</b>	<b>437</b>	<b>10,176</b>	<b>10,613</b>
<b>EXPENSES</b>						
Management fees	3	(235)	–	(235)	(496)	–
Other expenses		(138)	–	(138)	(267)	–
		<b>(129)</b>	<b>8,510</b>	<b>8,381</b>	<b>(326)</b>	<b>10,176</b>
<b>PROFIT BEFORE FINANCE COSTS AND TAX</b>		<b>(129)</b>	<b>8,510</b>	<b>8,381</b>	<b>(326)</b>	<b>10,176</b>
Finance costs		–	–	–	(1)	–
		<b>(129)</b>	<b>8,510</b>	<b>8,381</b>	<b>(327)</b>	<b>10,176</b>
<b>PROFIT BEFORE TAX</b>		<b>(129)</b>	<b>8,510</b>	<b>8,381</b>	<b>(327)</b>	<b>10,176</b>
Tax		36	19	55	(172)	(126)
		<b>(93)</b>	<b>8,529</b>	<b>8,436</b>	<b>(281)</b>	<b>10,004</b>
<b>PROFIT FOR THE PERIOD</b>		<b>(93)</b>	<b>8,529</b>	<b>8,436</b>	<b>(281)</b>	<b>10,004</b>
<b>EARNINGS PER SHARE</b>						
Ordinary shares (pence)	4	(0.13)	12.01	11.88	(0.40)	14.09
		<b>13.69</b>				

The total column of this statement represents the Group's Statement of Comprehensive Income, 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 items in the above statement derive from continuing operations. No operations were acquired or discontinued during the periods.

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the six months ended 31st December 2010*  
(unaudited)

	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
Profit for the period	-	-	-	8,236	8,236
Dividend paid	-	-	-	-	-
AT 31ST DECEMBER 2010	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>(2,983)</u>	<u>76,208</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the six months ended 31st December 2009*  
(unaudited)

	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
Profit for the period	-	-	-	8,436	8,436
Dividend paid	-	-	-	(497)	(497)
AT 31ST DECEMBER 2009	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>(12,506)</u>	<u>66,685</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the year ended 30th June 2010*  
(audited)

	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
Profit for the period	-	-	-	9,723	9,723
Dividend paid	-	-	-	(497)	(497)
AT 30TH JUNE 2010	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>(11,219)</u>	<u>67,972</u>

NEW STAR INVESTMENT TRUST PLC

CONSOLIDATED BALANCE SHEET

at 31st December 2010

	31st December 2010 <i>(unaudited)</i> £'000	31st December 2009 <i>(unaudited)</i> £'000	30th June 2010 <i>(audited)</i> £'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Investments at fair value through profit or loss	61,895	51,623	48,902
CURRENT ASSETS			
Other receivables	1,043	173	68
Cash and cash equivalents	14,267	15,626	19,672
	<u>15,310</u>	<u>15,799</u>	<u>19,740</u>
TOTAL ASSETS	<u>77,205</u>	<u>67,422</u>	<u>68,642</u>
CURRENT LIABILITIES			
Other payables	(212)	(448)	(230)
TOTAL ASSETS LESS CURRENT LIABILITIES	76,993	66,974	68,412
NON-CURRENT LIABILITIES			
Deferred tax liability	(785)	(289)	(440)
NET ASSETS	<u>76,208</u>	<u>66,685</u>	<u>67,972</u>
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS			
Called-up share capital	710	710	710
Share premium	21,573	21,573	21,573
Special reserve	56,908	56,908	56,908
Retained earnings	5 (2,983)	(12,506)	(11,219)
TOTAL EQUITY	<u>76,208</u>	<u>66,685</u>	<u>67,972</u>
NET ASSET VALUE PER ORDINARY SHARE (PENCE)	6 <u>107.30</u>	<u>93.89</u>	<u>95.70</u>

This half year report was approved and authorised for issue by the Board on 24th February 2011.

NEW STAR INVESTMENT TRUST PLC

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 31st December 2010

	Six months ended 31st December 2010 <i>(unaudited)</i> £'000	Six months ended 31st December 2009 <i>(unaudited)</i> £'000	Year ended 30th June 2010 <i>(audited)</i> £'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>(1,136)</u>	<u>(103)</u>	<u>(513)</u>
NET CASH OUTFLOW FROM SERVICING OF FINANCE	<u>-</u>	<u>-</u>	<u>(1)</u>
FINANCIAL INVESTMENT			
Purchase of investments	(6,211)	(9,074)	(15,113)
Sale of investments	2,227	4,854	14,948
NET CASH OUTFLOW FROM FINANCIAL INVESTMENT	<u>(3,984)</u>	<u>(4,220)</u>	<u>(165)</u>
EQUITY DIVIDENDS PAID	-	(497)	(497)
NET CASH OUTFLOW BEFORE FINANCING	<u>(5,120)</u>	<u>(4,820)</u>	<u>(1,176)</u>
FINANCING	<u>-</u>	<u>-</u>	<u>-</u>
DECREASE IN CASH	<u>(5,120)</u>	<u>(4,820)</u>	<u>(1,176)</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Decrease in cash resulting from cash flows	(5,120)	(4,820)	(1,176)
Exchange movements	(285)	257	659
Movement in net funds	<u>(5,405)</u>	<u>(4,563)</u>	<u>(517)</u>
Net funds at 1 July	<u>19,672</u>	<u>20,189</u>	<u>20,189</u>
NET FUNDS AT END OF PERIOD/YEAR	<u>14,267</u>	<u>15,626</u>	<u>19,672</u>
RECONCILIATION OF NET RETURN BEFORE FINANCE COSTS AND TAXATION TO NET CASH FLOW FROM OPERATING ACTIVITIES			
Net return before finance costs and taxation	8,614	8,381	9,850
Gains on investments	(9,002)	(8,175)	(9,397)
Exchange differences	285	(257)	(659)
Capital trail commission	(31)	(78)	(120)
Net loss before finance costs and taxation	<u>(134)</u>	<u>(129)</u>	<u>(326)</u>
Rolled-up interest	(28)	-	(112)
Increase in debtors	(981)	(74)	19
Decrease in creditors	(18)	28	(112)
Taxation	(6)	(6)	(102)
Capital trail commission	31	78	120
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>(1,136)</u>	<u>(103)</u>	<u>(513)</u>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

*for the six months ended 31st December 2010***1. Accounting policies**

The consolidated half year financial statements on pages 15 to 23 comprise the unaudited results of the Company and its subsidiary, JIT Securities Limited, for the six months to 31st December 2010. The comparative information for the year to 30th June 2010 does not constitute statutory accounts under the Companies Act 2006. Full statutory accounts for the year to 30th June 2010 included an unqualified audit report, did not contain any statements under section 498 of the Companies Act 2006, and have been filed with the Registrar of Companies.

The half year financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', and are presented in pounds sterling, as this is the Group's functional currency.

The same accounting policies have been followed in the interim financial statements as applied to the accounts for the year ended 30th June 2010, which are prepared in accordance with IFRSs as adopted by the European Union.

**2. Total income**

	For the six months ended 31st December 2010 £'000	For the six months ended 31st December 2009 £'000	For the year ended 30th June 2010 £'000
<b>Income from investments</b>			
UK net dividend income	37	–	23
UK unfranked investment income	194	86	182
Fixed interest income	–	118	160
Interest on convertible loan stock	28	28	55
	<u>259</u>	<u>232</u>	<u>420</u>
<b>Operating Income</b>			
Bank interest receivable	6	12	17
	<u>6</u>	<u>12</u>	<u>17</u>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

*continued***2. Total income** *continued*

	For the six months ended 31st December 2010 £'000	For the six months ended 31st December 2009 £'000	For the year ended 30th June 2010 £'000
<b>Total income comprises</b>			
Dividends	231	86	205
Interest	28	146	215
Other income	6	12	17
	<u>265</u>	<u>244</u>	<u>437</u>

**3. Management fees**

	For the six months ended 31st December 2010 £'000	For the six months ended 31st December 2009 £'000	For the year ended 30th June 2010 £'000
Investment management	274	235	496
Performance fee	–	–	–
	<u>274</u>	<u>235</u>	<u>496</u>

The management fee is payable in arrears and is calculated at a rate of 3/16% per quarter of the total assets of the Company and its subsidiary after the deduction of the value of any investments managed by the Investment Manager (as defined in the management agreement). The Investment Manager is also entitled to a performance fee of 15% of the growth in net assets over a hurdle of 3-month Sterling LIBOR plus 1% per annum, payable six monthly in arrears, subject to a high water mark. The aggregate of the Company's management fee and any performance fee are subject to a cap of 4.99% of net assets in any financial year (with any performance fee in excess of this cap capable of being earned in subsequent periods). The performance fee will be charged 100% to capital, in accordance with the Board's expectation of how any out-performance will be generated.

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

*continued***4. Return per Ordinary share**

	For the six months ended 31st December 2010 £'000	For the six months ended 31st December 2009 £'000	For the year ended 30th June 2010 £'000
Revenue return	(115)	(93)	(281)
Capital return	8,351	8,529	10,004
Total return	<u>8,236</u>	<u>8,436</u>	<u>9,723</u>
Weighted average number of Ordinary shares	71,023,695	71,023,695	71,023,695
Revenue return per Ordinary share	(0.16)p	(0.13)p	(0.40)p
Capital return per Ordinary share	<u>11.76p</u>	<u>12.01p</u>	<u>14.09p</u>
Total return per Ordinary share	<u>11.60p</u>	<u>11.88p</u>	<u>13.69p</u>

**5. Retained earnings**

The components of retained earnings are set out below:

	31st December 2010 £'000	31st December 2009 £'000	30th June 2010 £'000
Capital reserve – realised	(15,970)	(8,856)	(8,925)
Capital reserve – revaluation	12,711	(4,229)	(2,685)
Revenue reserve	276	579	391
	<u>(2,983)</u>	<u>(12,506)</u>	<u>(11,219)</u>



## NOTES TO THE INTERIM FINANCIAL STATEMENTS

*continued***6. Net asset value per Ordinary share**

	31st December 2010 £'000	31st December 2009 £'000	30th June 2010 £'000
Net assets attributable to Ordinary shareholders	76,208	66,685	67,972
Ordinary shares in issue at end of period	71,023,695	71,023,695	71,023,695
Net asset value per Ordinary share	<u>107.30p</u>	<u>93.89p</u>	<u>95.70p</u>

**7. Related party transactions**

There have been no related party transactions that have materially affected the financial position or performance of the Group.





