

NEW STAR INVESTMENT TRUST PLC

INTERIM REPORT  
for the six months to 31st December 2009



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

Phoenix Administration Services Limited

Springfield Lodge, Colchester Road, Chelmsford, Essex CH2 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](http://www.shareview.co.uk)*

The Company's shares are traded on the London Stock Exchange and the share price is shown in the Financial Times under "Investment Companies".

## FINANCIAL HIGHLIGHTS

	31st December 2009	30th June 2009	% change
PERFORMANCE			
Net assets (£'000)	66,685	58,746	13.5
Net asset value per Ordinary share	93.89p	82.71p	13.5
Mid-market price per Ordinary share	70.00p	58.00p	20.7
Discount of share price to net asset value	25.4%	29.9%	–
FTSE World Index (total return, sterling adjusted)	523.73	415.61	26.0
FTSE All-Share Index (total return)	3,590.71	2,781.88	29.1
	Six months ended 31st December 2009	Six months ended 31st December 2008	
REVENUE			
Return per Ordinary share	(0.13)p	1.13p	
Dividend per Ordinary share	–	–	
TOTAL RETURN			
Net assets	14.8%		(34.7%)
FTSE All-Share Index	29.1%		(21.1%)

## CHAIRMAN'S STATEMENT

The six months to 31st December 2009 was a period of positive returns for your Company, with net assets rising 13.5% to £66.7 million. This gain, however, lagged the FTSE All-Share Price Index, which rose 27.1%. At the period end, the net asset value per Ordinary share was 93.89p. This compares with the launch price of 100p in May 2000. The FTSE All-Share Price Index over the same period fell 7.2%.

The net revenue loss before tax for the period was £129,000. In common with previous years, your Directors are not recommending payment of an interim dividend to shareholders.

### **Change of investment manager**

On 1st January 2010, Brompton Asset Management LLP commenced acting as the Company's investment manager, replacing New Star Asset Management Limited.

### **Market review**

Global equities gained 22.5% in sterling terms during the period. Having bounced from their March 2009 bear-market low, shares maintained their upward momentum in late 2009 in response to central bank quantitative easing, the restoration of bank balance sheets and evidence of a global economic recovery from the third quarter, fuelled by growth in emerging markets. Investors were cheered, in particular, by central bank signals that the priority was to restore monetary expansion to entrench economic growth and official short-term interest rates were held at historically low levels.

Latin American markets were strongest, returning 43.2% in sterling as a result of rising commodity prices and recovering risk appetite among investors. Over the half year, the Thomson Reuters industrial commodities index gained 38.3% in dollar terms, gold gained 16.8% and oil rose 11.2%. Other relatively strong areas included Europe excluding the UK, 30.2% ahead in sterling, Asia excluding Japan, up 29.5%, and the UK, up 29.1%, while US equities returned 25.0%. By contrast, Japanese equities lagged, rising 5.7%.

Economic recovery also had a significant impact on sector returns. Basic materials outperformed, rising 41.8%. Other strong sectors included technology, up 31.4%, industrial stocks, up 28.9%, and financial stocks, up 26.8%. As might be expected in a rally after a deep bear market, defensive sectors underperformed, with telecommunications rising 16.2% and utilities gaining 19.8%.

## CHAIRMAN'S STATEMENT

*continued*

Increased investor risk appetite and concerns about fiscal deficits and inflation were apparent in bond markets, where the total return on gilts was just 0.98%. By contrast, UK BBB-rated corporate bonds returned 17.3% as measured by Barclays Capital.

### **Portfolio review**

Your Company invested a significant proportion of its cash in equity markets during the period. The largest new investment was in the New Star European Special Situations Fund, a new fund investing in Europe excluding the UK. The other new investments were in Atlantis China and in Polar Capital Global Technology. Among disposals, your company took partial profits on its holding in an exchange-traded fund (ETF) invested in gold.

Your Company ended the period with 70.5% of its assets in retail funds, 5.6% in ETFs, 3.5% in investment trusts, 1.0% in hedge funds, 2.0% in other securities and 17.4% in cash. Geographically, the biggest non-cash exposures were the UK, at 15.2%, emerging markets, at 15.1%, and Asia excluding Japan, at 7.4%. In asset class terms, the biggest non-cash holdings were in equities, at 48.1%, commodities, at 16.2%, and fixed income, at 8.8%.

### **Outlook**

At the period end, investors were confident that profits and dividends would revive in response to economic recovery. As a result, global equities were trading at 31st December on a trailing multiple of 19.1 as measured by Datastream against an 8.9 low in March 2009. The dividend yield on equities had, meanwhile, shrunk from a 4.57% high in March to 2.47%.

Statistics announced at the turn of the year showed that industrial output in the Group of Seven (G7) industrial economies and the Emerging Seven (E7) economies of Brazil, China, India, Mexico, Russia, South Korea and Taiwan had recovered 9% between February and November 2009, retracing more than half the peak-to-trough fall from late 2007. While G7 output was still below its long-term trend, E7 output was moving above trend. This suggests the E7 economies may overheat later in 2010 but G7 monetary trends suggest the reverse – that developed world growth may slow from the spring. A modest growth slowdown may not, however, prevent a turn upwards in the monetary policy cycle later in 2010, with G7 inflation moving above short-term interest rates.

The impact of recovery on markets may depend on liquidity conditions. In the rally beginning in March 2009, equities benefited from the fact that the inflation-adjusted money

## CHAIRMAN'S STATEMENT

*continued*

supply had outpaced industrial output. In the second half of 2009, however, the gap narrowed and may close this year as inflation rises. Sentiment will also be affected by the timing of the withdrawal of quantitative easing. These factors suggest that volatility may increase and sustained gains may require that investors pull cash out of other asset classes.

In such conditions, the dispersion of returns between stocks and sectors may remain significant and careful security selection will be important in generating performance.

The unaudited net asset value at 31st January 2010 was 92.36p per Ordinary share.

On 30th October 2009 James Roe retired as a director due to ill health. The Board will miss his guidance and we thank him for his valuable contribution over a number of years.

Geoffrey Howard-Spink  
Chairman  
26th February 2010



## INTERIM MANAGEMENT REPORT

### **Performance**

In the six months to 31st December 2009 the net asset value per Ordinary share increased by 13.5% to 93.89p. In the same period the share price increased by 20.7% to 70.00p. This compares to increases of 29.1% and 26.0% 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 has been 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

## INTERIM MANAGEMENT REPORT

*continued*

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.

### **Share capital**

At 31st December 2009, the Company had 71,023,695 Ordinary shares of 1p nominal each in issue. There were no changes to the issued share capital of the Company during the period.

### **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.

*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 portfolio is managed with a view to mitigating risk by investing in a spread of different asset classes and geographic areas.

*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 Investment Manager takes account of foreign currency risk and interest rate risk when making investment decisions.

## INTERIM MANAGEMENT REPORT

*continued*

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. The Investment Manager usually attends board meetings and 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 section 842 ICTA 1988 could lead to a loss of investment trust status, resulting in capital gains realised within the portfolio being subject to 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 experienced third parties 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 842.

*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**

The Company's investments were managed by New Star Asset Management Limited ('New Star') a subsidiary of Henderson Global Investors Plc, throughout the period. The Company's investments during the period included funds managed by subsidiaries of Henderson Global Investors Plc.

On 1st January 2010 Brompton Asset Management LLP ('Brompton') replaced New Star as Investment Manager. The portfolio manager, Simon Akroyd, transferred from New Star to Brompton. Mr Duffield is the Senior Partner of Brompton.

## INTERIM MANAGEMENT REPORT

*continued*

### **Change of Custodian and Administrator**

On 1st January 2010 Brown Brothers Harriman & Co was appointed as the independent custodian and Phoenix Administration Services Limited was appointed the Company's independent administrator.

### **Auditors**

The half-yearly 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.

### **Responsibility statement**

The Directors named on page 1 confirm that to the best of our knowledge:

- The condensed set of financial statements contained within the half-yearly report to 31st December 2009 has been prepared in accordance with International Financial Reporting Standards.
- 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 description of the principal 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 as required by DTR 4.2.8R of the FSA's Disclosure and Transparency Rules.

### **Change of Company Secretary**

On 1st January 2010 Phoenix Administration Services Limited was appointed secretary to the Company.

By order of the Board

Phoenix Administration Services Limited  
26th February 2010

## 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-yearly financial report for the six months ended 31st December 2009 which comprises the consolidated income statement, consolidated statement of changes in equity, consolidated balance sheet, consolidated cash flow statement and related explanatory notes 1 to 9. We have read the other information contained in the half-yearly 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 ISRE 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-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly 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-yearly 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-yearly financial report based on our review.

### **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

INDEPENDENT REVIEW REPORT  
TO NEW STAR INVESTMENT TRUST PLC

*continued*

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 2009 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  
26th February 2010

## SCHEDULE OF TOP TWENTY INVESTMENTS

*at 31st December 2009*

Holding	Activity	Bid-market Value £'000	% of Portfolio
BlackRock Gold & General Income Fund	Investment Fund	5,229	10.13
Occam Umbrella Asia Focus Fund	Investment Fund	4,006	7.76
Natixis Loomis Sayles Multisector Income Fund	Investment Fund	3,848	7.45
Investec Africa Fund	Investment Fund	3,573	6.92
New Star European Special Situations Fund	Investment Fund	3,060	5.93
Skandia UK Strategic Best Ideas Fund	Investment Fund	3,002	5.82
Atlantis China Fund	Investment Fund	2,545	4.93
M&G Optimal Income Fund	Investment Fund	2,437	4.72
Polar Capital Global Technology Fund	Investment Fund	2,377	4.60
Trojan Investment Fund	Investment Fund	2,368	4.59
Artemis UK Special Situations Fund	Investment Fund	2,291	4.44
Prusik Asia Fund	Investment Fund	2,252	4.36
iShares FTSE/Xinhua China 25 ETF	Exchange Traded Fund	2,093	4.05
Lyxor Gold Bullion Securities ETF	Exchange Traded Fund	1,852	3.59
Neptune Russia & Greater Russia Fund	Investment Fund	1,580	3.06
Henderson Private Equity Investment Trust	Investment Company	1,393	2.70
GWI Brazil Fund	Investment Fund	1,122	2.17
BH Global Investment Limited	Investment Company	1,065	2.06
The Sierra Investment Fund	Investment Fund	1,000	1.94
Corndon Limited	Equity	1,000	1.94
		48,093	93.16
Balance held in 14 investments		3,530	6.84
Total investments		51,623	100.00

The investment portfolio can be further analysed as follows:

Equities	2,981
Convertible securities	458
Investments funds, investment companies and ETFs	48,184
	51,623

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, Midas Capital, Lyxor Gold Bullion Securities ETF, Immedia Broadcasting and Hanson Westhouse Holdings.

## CONSOLIDATED INCOME STATEMENT

*for the six months to 31st December 2009*

		Six months ended 31st December 2009 <i>(unaudited)</i>		
	<i>Notes</i>	Revenue Return £'000	Capital Return £'000	Total Return £'000
INCOME				
Investment income		232	–	232
Other operating income		12	–	12
Total income	2	<u>244</u>	<u>–</u>	<u>244</u>
GAINS AND LOSSES ON INVESTMENTS				
Gains/(losses) on investments at fair value through profit or loss		–	8,175	8,175
Gains/(losses) on index future contracts		–	–	–
Losses on forward currency contracts		–	–	–
Other exchange gains/(losses)		–	257	257
Trail commission		–	78	78
		<u>244</u>	<u>8,510</u>	<u>8,754</u>
EXPENSES				
Management fees	3	(235)	–	(235)
VAT recovery		–	–	–
Other expenses		(138)	–	(138)
PROFIT/(LOSS) BEFORE FINANCE COSTS AND TAX		<u>(129)</u>	<u>8,510</u>	<u>8,381</u>
Finance costs		–	–	–
PROFIT/(LOSS) BEFORE TAX		<u>(129)</u>	<u>8,510</u>	<u>8,381</u>
Tax		36	19	55
PROFIT/(LOSS) FOR THE PERIOD		<u>(93)</u>	<u>8,529</u>	<u>8,436</u>
EARNINGS/(LOSS) PER SHARE				
Ordinary shares (pence)	4	<u>(0.13)</u>	<u>12.01</u>	<u>11.88</u>

The total column of this statement represents the Group's Income Statement, 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 INCOME STATEMENT

for the six months to 31st December 2008 and the year ended 30th June 2009

	Six months ended 31st December 2008 (unaudited)			Year ended 30th June 2009 (audited)			
	Revenue Return	Capital Return	Total Return	Revenue Return	Capital Return	Total Return	
Notes	£'000	£'000	£'000	£'000	£'000	£'000	
INCOME							
Investment income	918	–	918	1,049	–	1,049	
Other operating income	163	–	163	223	–	223	
Total income	2	1,081	–	1,081	1,272	–	1,272
GAINS AND LOSSES ON INVESTMENTS							
Gains/(losses) on investments at fair value through profit or loss	–	(34,928)	(34,928)	–	(36,822)	(36,822)	
Gains/(losses) on index future contracts	–	25	25	–	(672)	(672)	
Losses on forward currency contracts	–	(302)	(302)	–	(302)	(302)	
Other exchange gains/(losses)	–	285	285	–	(167)	(167)	
Trail commission	–	–	–	–	129	129	
		1,081	(34,920)	(33,839)	1,272	(37,834)	(36,562)
EXPENSES							
Management fees	3	(88)	–	(88)	(311)	–	(311)
VAT recovery		170	–	170	170	–	170
Other expenses		(103)	(1)	(104)	(268)	(2)	(270)
PROFIT/(LOSS) BEFORE FINANCE COSTS AND TAX							
Finance costs		1,060	(34,921)	(33,861)	863	(37,836)	(36,973)
		(71)	–	(71)	(77)	–	(77)
PROFIT/(LOSS) BEFORE TAX		989	(34,921)	(33,932)	786	(37,836)	(37,050)
Tax		(184)	–	(184)	(131)	40	(91)
PROFIT/(LOSS) FOR THE PERIOD		805	(34,921)	(34,116)	655	(37,796)	(37,141)
EARNINGS/(LOSS) PER SHARE							
Ordinary shares (pence)	4	1.13	(49.17)	(48.04)	0.92	(53.22)	(52.3)

The total column of this statement represents the Group's Income Statement, 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.

NEW STAR INVESTMENT TRUST PLC

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 six months ended 31st December 2008*  
(unaudited)

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2008	710	21,573	56,908	17,214	96,405
Profit for the period	-	-	-	(34,116)	(34,116)
Dividend paid	-	-	-	(518)	(518)
AT 31ST DECEMBER 2008	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>(17,420)</u>	<u>61,771</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the year ended 30th June 2009*  
(audited)

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2008	710	21,573	56,908	17,214	96,405
Loss for the period	-	-	-	(37,141)	(37,141)
Dividend paid	-	-	-	(518)	(518)
AT 31ST DECEMBER 2008	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>(20,445)</u>	<u>58,746</u>

NEW STAR INVESTMENT TRUST PLC

CONSOLIDATED BALANCE SHEET

at 31st December 2009

	31st December 2009 <i>(unaudited)</i> Notes £'000	31st December 2008 <i>(unaudited)</i> £'000	30th June 2009 <i>(audited)</i> £'000
NON-CURRENT ASSETS			
Investments at fair value through profit or loss	51,623	48,440	39,228
CURRENT ASSETS			
Other receivables	173	8,744	94
Cash and cash equivalents	15,626	6,728	20,189
	<u>15,799</u>	<u>15,472</u>	<u>20,283</u>
TOTAL ASSETS	67,422	63,912	59,511
CURRENT LIABILITIES			
Other payables	(448)	(1,715)	(421)
TOTAL ASSETS LESS CURRENT LIABILITIES	66,974	62,197	59,090
NON-CURRENT LIABILITIES			
Deferred tax liability	(289)	(426)	(344)
NET ASSETS	<u>66,685</u>	<u>61,771</u>	<u>58,746</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 (12,506)	(17,420)	(20,445)
TOTAL EQUITY	<u>66,685</u>	<u>61,771</u>	<u>58,746</u>
NET ASSET VALUE PER ORDINARY SHARE (PENCE)	6 93.89	86.97	82.71

The interim report was approved and authorised for issue by the Board on 26th February 2010.

## CONSOLIDATED CASH FLOW STATEMENT

*for the six months ended 31st December 2009*

	Six months ended 31st December 2009 <i>(unaudited)</i>	Six months ended 31st December 2008 <i>(unaudited)</i>	Year ended 30th June 2009 <i>(audited)</i>
<i>Notes</i>	£'000	£'000	£'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before finance costs and tax	8,381	(33,861)	(36,973)
Adjustments for:			
(Gains)/losses on investments	<u>(12,395)</u>	<u>37,128</u>	<u>46,340</u>
Operating cash flows before movements in working capital	(4,014)	3,267	9,367
(Increase)/decrease in receivables	(74)	(8,635)	8
Increase/(decrease) in payables	<u>28</u>	<u>1,026</u>	<u>(347)</u>
Net cash from operating activities before finance costs and tax	(4,060)	(4,342)	9,028
Taxation	<u>(6)</u>	<u>(175)</u>	<u>(78)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>7</u> <u>(4,066)</u>	<u>(4,517)</u>	<u>8,950</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(497)	(518)	(518)
Interest paid	<u>-</u>	<u>(71)</u>	<u>(77)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(497)</u>	<u>(589)</u>	<u>(595)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,563)	(5,106)	8,355
Cash and cash equivalents at beginning of period	<u>20,189</u>	<u>11,834</u>	<u>11,834</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>15,626</u></u>	<u><u>6,728</u></u>	<u><u>20,189</u></u>

## NOTES TO THE INTERIM FINANCIAL REPORT

*for the six months ended 31st December 2009***1. Accounting policies**

The consolidated Interim Financial Report on pages 14 to 23 comprise the unaudited results of the Company and its subsidiary, JIT Securities Limited, for the six months to 31st December 2009, and do not constitute statutory accounts under the Companies Act 2006. Full statutory accounts for the year to 30th June 2009 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 interim financial report has been prepared in accordance with International Financial Reporting Standards (IFRS). These comprise standards and interpretations approved by the International Accounting Standards Board adopted by the European Union and are presented in pounds sterling, as this is the principal currency in which the Group's transactions are undertaken.

The same accounting policies have been followed in the interim financial report as compared to the accounts for the year ended 30th June 2009, which are prepared in accordance with IFRSs as adopted by the European Union.

**2. Total income**

	For the six months ended 31st December 2009 £'000	For the six months ended 31st December 2008 £'000	For the year ended 30th June 2009 £'000
<b>Income from investments</b>			
UK net dividend income	–	308	319
UK unfranked investment income	86	555	570
Fixed interest income	118	27	105
Interest on convertible loan stock	28	28	55
	<u>232</u>	<u>918</u>	<u>1,049</u>
<b>Other Operating Income</b>			
Bank interest receivable	12	155	188
HMRC interest received	–	8	35
	<u>12</u>	<u>163</u>	<u>223</u>

## NOTES TO THE INTERIM FINANCIAL REPORT

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

	For the six months ended 31st December 2009 £'000	For the six months ended 31st December 2008 £'000	For the year ended 30th June 2009 £'000
<b>Total Income Comprises</b>			
Investment Income	232	918	1,049
Other income	12	163	223
	<u>244</u>	<u>1,081</u>	<u>1,272</u>

Other Operating Income for the six months ended 31st December 2008 and the year ended 30th June 2009 include interest relating to the final recovery of VAT on past management fees.

**3. Management fees**

	For the six months ended 31st December 2009 £'000	For the six months ended 31st December 2008 £'000	For the year ended 30th June 2009 £'000
Investment management	235	88	311
Performance fee	–	–	–
	<u>235</u>	<u>88</u>	<u>311</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 New Star managed investments (as defined in the management agreement). With effect from 1st September 2008, the investment manager has also been 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 REPORT

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

	For the six months ended 31st December 2009 £'000	For the six months ended 31st December 2008 £'000	For the year ended 30th June 2009 £'000
Revenue return	(93)	805	655
Capital return	8,529	(34,921)	(37,796)
Total return	<u>8,436</u>	<u>(34,116)</u>	<u>(37,141)</u>
Weighted average number of Ordinary shares	71,023,695	71,023,695	71,023,695
Revenue return	(0.13)p	1.13p	0.92p
Capital return	12.01p	(49.17)p	(53.22)p
Total return	<u>11.88p</u>	<u>(48.04)p</u>	<u>(52.30)p</u>

**5. Retained earnings**

The components of retained earnings are set out below:

	31st December 2009 £'000	31st December 2008 £'000	30th June 2009 £'000
Capital reserve – realised	(8,856)	498	(5,165)
Capital reserve – revaluation	(4,229)	(19,237)	(16,449)
Revenue reserve	579	1,319	1,169
	<u>(12,506)</u>	<u>(17,420)</u>	<u>(20,445)</u>

## NOTES TO THE INTERIM FINANCIAL REPORT

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

	31st December 2009 £'000	31st December 2008 £'000	30th June 2009 £'000
Net assets attributable to Ordinary shareholders	66,685	61,771	58,746
Ordinary shares in issue at end of period	71,023,695	71,023,695	71,023,695
Net asset value per Ordinary share	<u>93.89p</u>	<u>86.97p</u>	<u>82.71p</u>

**7. Notes to the cash flow statement**

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

*Cash flows from operating activities*

Included within the cash flows from operating activities are the cash flows associated with the purchases and sales of investments as these are not considered to be investing activities given the objective of the Company.

Cash flows from operating activities can therefore be further analysed as follows:

	31st December 2009 £'000	31st December 2008 £'000	30th June 2009 £'000
Proceeds on disposal of investments at fair value through profit and loss	4,854	41,202	69,304
Purchase costs of investments at fair value through profit and loss	(9,074)	(46,252)	(59,786)
Net cash flows from investment transactions	(4,220)	(5,050)	9,518
Cash flows from other operating activities	154	533	(568)
Net cash from operating activities	<u>(4,066)</u>	<u>(4,517)</u>	<u>8,950</u>



## NOTES TO THE INTERIM FINANCIAL REPORT

*continued*

### **8. Related party transactions**

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

### **9. Comparative information**

The financial information contained in the interim report to 31st December 2009 does not constitute statutory accounts under the Companies Act 2006. The financial information for the six months to 31st December 2009 and 2008 has not been audited. The information for the year ended 30th June 2009 has been extracted from the latest published audited financial statements. The audited financial statements for the year ended 30th June 2009 have been filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified and did not contain any statements under section 498 of the Companies Act 2006.





