

NEW STAR INVESTMENT TRUST PLC

INTERIM REPORT

for the six months ended 31st December 2012

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 LLP

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

WEBSITE

www.nsitplc.com

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

NEW STAR INVESTMENT TRUST PLC

FINANCIAL HIGHLIGHTS

	31st December 2012	30th June 2012	% Change
PERFORMANCE			
Net assets (£'000)	71,691	68,067	5.3
Net asset value per Ordinary share	100.94p	95.84p	5.3
Mid-market price per Ordinary share	63.50p	66.50p	(4.5)
Discount of share price to net asset value	37.1%	30.6%	N/A
FTSE World Index (total return, sterling adjusted)	641.59	603.27	6.4
FTSE All-Share Index (total return)	4,458.04	4,101.28	8.7
	Six months ended 31st December 2012	Six months ended 31st December 2011	
REVENUE			
Return per Ordinary share	0.24p		0.02p
Dividend per Ordinary share	–		–
TOTAL RETURN			
Net assets	5.3%		(8.1)%
FTSE World Index	6.4%		(8.2)%

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CHAIRMAN'S STATEMENT

Your Company's net assets rose 5.3% to £71.7 million over the half year to 31st December 2012. Over this period, the FTSE World Total Return Index gained 6.4% while the FTSE All-Share Total Return Index gained 8.7%. At the period end, the net asset value per ordinary share was 100.94p. The Company's cautious positioning, with cash and cash equivalents accounting for a substantial proportion of its assets, was the principal factor behind this marginal underperformance relative to global equities.

The net revenue gain for the period was £172,000. As in previous years, your directors are not recommending payment of an interim dividend to shareholders.

Market review

Increasing optimism that the eurozone crisis would be resolved was a key driver of stockmarkets over the period under review. Shares began to rally in late July after Mario Draghi, the European Central Bank (ECB) president, said he was 'ready to do whatever it takes to preserve the euro' adding that 'believe me, it will be enough'. Policy action, he said, could include buying bonds issued by weaker member countries to drive down yields.

A second factor was the evidence that the US was regaining economic momentum and that Congress would agree terms to prevent the country going over its 'fiscal cliff', triggering mandatory tax rises and budget cuts of such size that recession would result. The US reported economic growth for the second and third quarters of 2012 in contrast to the eurozone, which contracted as a result of recessions in Greece, Italy, Portugal and Spain.

Monetary authorities responded to economic strains with various initiatives. The ECB reduced its repo rate by a quarter percentage point to 0.75% in July while the Bank of England announced a £50 billion increase in its asset purchase programme. In September, the US Federal Reserve announced 'QE3', an open-ended \$40-billion-a-month programme to buy mortgage-backed securities, adding that it would maintain ultra-low interest rates until 2015. The dollar weakened in response, falling 3.5% against sterling and 3.7% against the euro.

Geographically, emerging markets outperformed, gaining 9.9%, with Asia returning 11.3%. Among developed markets, Europe excluding the UK gained 15.3%. Currency weakness affected Japanese and US returns, up 1.3% and 2.4% respectively. At the sector level,

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CHAIRMAN'S STATEMENT

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financial stocks outperformed as euro confidence revived, returning 14.1%. Other strong sectors included industrials, up 9.2%, and basic materials, up 7.4%. Defensive areas were weak, with utilities down 0.9%. In bond markets, reviving eurozone confidence resulted in outperformance among peripheral countries such as Italy and Spain, where government bonds returned 11.4% and 9.8% respectively. Emerging market bonds also outperformed, returning 6.5%. By contrast, UK gilts returned 0.7%.

Portfolio review

During the period under review, a net £4.2 million was invested in markets, with seven holdings added, two sold and four reduced. Of the additions, IFDS Brompton Global Income and IFDS Brompton Diversified are multi-asset class funds while Brompton UK Quant invests in UK equities. In Asia, the company bought First State Indian Subcontinent while Liontrust Asia Income was substituted for Liontrust Asia. In Europe, Standard Life European Income was substituted for SW Mitchell Small Cap European while Fidelity Global Inflation-Linked Bond was added in fixed income. The partial disposals comprised Atlantis China, Henderson Private Equity, M&G Optimal Income and Polar Capital Global Technology.

Your Company ended the period with 62.5% of its assets in retail funds, 5.2% in investment trusts, 3.8% in exchange-traded funds, 3.2% in hedge funds, 7.2% in other securities and 18.1% in cash. Geographically, the biggest non-cash exposures were the UK, at 22.3%, Europe excluding the UK, at 12.8%, and emerging markets, at 12.4%. In asset class terms, the biggest non-cash holdings were in equities, at 61.6%, and commodities, at 11.2%.

Outlook

Economic growth is likely to regain momentum in 2013 for various reasons. First, the global inflation-adjusted money supply, typically a precursor of economic growth, was expanding in late 2012. The strongest growth was in the US and the eurozone core countries while Japanese and UK monetary conditions were also improving. Secondly, yield spreads between high-quality and low-quality bonds narrowed in late 2012, improving the prospects for companies wishing to raise capital. Thirdly, sentiment among businesses and consumers, though not universally positive, was broadly robust. One reason for this was the gradual US house price recovery; another was that US financial service burdens as a percentage of disposable incomes had fallen to levels not seen since the 1980s.

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CHAIRMAN'S STATEMENT

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The degree to which such trends will feed through into sustained stockmarket performance is, however, unclear. Sentiment among global fund managers ended 2012 near the top of its recent range, suggesting possible over-optimism. This may lead to selling at some point. One possibility is that economic growth might pick up to the point where the liquidity created by inflation-adjusted money supply rises is absorbed. Such a trend may be felt first in bond markets, leading to pressure on equity valuations. In such circumstances, relative performance among stocks and sectors is likely to vary significantly, emphasising the importance of security selection in generating performance.

The published unaudited net asset value at 31st January 2013 was 106.24p per ordinary share.

Geoffrey Howard-Spink
Chairman
22nd February 2013

INTERIM REPORT

DIRECTORS' REPORT

Performance

In the six months to 31st December 2012 the net asset value per Ordinary share increased by 5.3% to 100.94p. In the same period the share price decreased by 4.5% to 63.50p. This compares to increases of 8.7% and 6.4% 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.

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DIRECTORS' REPORT

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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.

Share capital

The Company's share capital comprises 305,000,000 Ordinary shares of 1p each, of which 71,023,695 (2011: 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 2012.

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 a monthly report which details the Company's asset allocation, portfolio changes 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.

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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 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 2011 the Company's portfolio has been managed by Gill Lakin. 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.

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 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.

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DIRECTORS' REPORT

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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.

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.

Going Concern

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities that are readily realisable or cash and it has no significant liabilities. Accordingly, the Company has adequate financial resources to continue in operation existence for the foreseeable future.

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.

INTERIM REPORT
DIRECTORS' REPORT

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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 2012 has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting';
- The Chairman's statement 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 Chairman's statement includes a fair review of the potential risks and uncertainties for the remaining six months of the year;
- The Director's 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
22nd February 2013

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 2012 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 8. 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

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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 2012 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
22nd February 2013

SCHEDULE OF TOP TWENTY INVESTMENTS

at 31st December 2012

Holding	Activity	Bid-market value £'000	% of Investment portfolio
Henderson Euro Special Situations	Investment Fund	7,798	13.21
BlackRock Gold & General Fund	Investment Fund	5,361	9.08
Investec Africa Fund	Investment Fund	4,010	6.79
Fundsmith Equity Fund	Investment Fund	3,881	6.57
Artemis UK Special Situations Fund	Investment Fund	3,023	5.12
Trojan Investment Fund	Investment Fund	3,002	5.09
Gold Bullion Securities ETF	Exchange Traded Fund	2,733	4.63
Brompton UK Quant Fund	Investment Fund	2,582	4.37
Aquilus Inflection Fund	Investment Fund	2,265	3.84
Aberforth Geared Income Trust	Investment Company	2,124	3.60
IFDS Brompton Income Fund	Investment Fund	1,752	2.97
IFDS Brompton Diversified Fund	Investment Fund	1,697	2.87
Neptune Russia & Greater Russia Fund	Investment Fund	1,604	2.72
First State Indian Subcontinent Fund	Investment Fund	1,562	2.65
Polar Capital Global Technology Fund	Investment Fund	1,550	2.63
PFS Brompton UK Recovery Unit Trust	Investment Fund	1,512	2.56
Standard Life Investment European Income Fund	Investment Fund	1,456	2.47
M&G Optimal Income Fund	Investment Fund	1,450	2.46
Fidelity Global Inflation Linked Bond Fund	Investment Fund	1,427	2.42
Aberdeen Asia Pacific Fund	Investment Fund	1,293	2.19
		52,082	88.24
Balance held in 16 investments		6,939	11.76
Total investments		59,021	100.00

The investment portfolio can be further analysed as follows:

Equities (including investment companies)	5,683
Loan	213
Investments funds and ETFs	53,125
	59,021

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31st December 2012

		Six months ended 31st December 2012 <i>(unaudited)</i>		
	<i>Notes</i>	Revenue Return £'000	Capital Return £'000	Total Return £'000
INCOME				
Investment income		486	–	486
Other operating income		3	–	3
Total income	2	489	–	489
GAINS AND LOSSES ON INVESTMENTS				
Gains on investments at fair value through profit or loss		–	3,771	3,771
Other exchange losses		–	(281)	(281)
Management fee rebates		–	26	26
		489	3,516	4,005
EXPENSES				
Management fees	3	(244)	–	(244)
Other expenses		(115)	–	(115)
		(359)	–	(359)
PROFIT BEFORE FINANCE COSTS AND TAX		130	3,516	3,646
Finance costs		–	–	–
PROFIT BEFORE TAX		130	3,516	3,646
Tax		42	(64)	(22)
PROFIT FOR THE PERIOD		172	3,452	3,624
EARNINGS PER SHARE				
Ordinary shares (pence)	4	0.24	4.86	5.10

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 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 2011 and the year ended 30th June 2012

	Six months ended 31st December 2011 <i>(unaudited)</i>			Year ended 30th June 2012 <i>(audited)</i>		
<i>Notes</i>	Revenue Return £'000	Capital Return £'000	Total Return £'000	Revenue Return £'000	Capital Return £'000	Total Return £'000
INCOME						
Investment income	318	–	318	468	–	468
Other operating income	5	–	5	17	–	17
Total income	2 323	–	323	485	–	485
GAINS AND LOSSES ON INVESTMENTS						
Losses on investments at fair value						
through profit or loss	–	(6,779)	(6,779)	–	(7,824)	(7,824)
Other exchange gains	–	189	189	–	65	65
Management fee rebates	–	70	70	–	141	141
	323	(6,520)	(6,197)	485	(7,618)	(7,133)
EXPENSES						
Management fees	3	(255)	–	(255)	(513)	–
VAT recovery		–	–	–	35	–
Other expenses		(121)	–	(121)	(249)	–
		(376)	–	(376)	(727)	–
LOSS BEFORE FINANCE COSTS AND TAX						
Finance costs		(53)	(6,520)	(6,573)	(242)	(7,618)
		–	–	–	–	–
LOSS BEFORE TAX						
Tax		(53)	(6,520)	(6,573)	(242)	(7,618)
		68	355	423	164	279
PROFIT/(LOSS) FOR THE PERIOD						
		15	(6,165)	(6,150)	(78)	(7,339)
EARNINGS PER SHARE						
Ordinary shares (pence)	4	0.02	(8.68)	(8.66)	(0.11)	(10.33)
		0.02	(8.68)	(8.66)	(0.11)	(10.33)

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 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 2012
(unaudited)

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2012	710	21,573	56,908	(11,124)	68,067
Total comprehensive income for the period	—	—	—	3,624	3,624
AT 31ST DECEMBER 2012	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>(7,500)</u>	<u>71,691</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31st December 2011
(unaudited)

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2011	710	21,573	56,908	(3,707)	75,484
Total comprehensive income for the period	—	—	—	(6,150)	(6,150)
AT 31ST DECEMBER 2011	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>(9,857)</u>	<u>69,334</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2012
(audited)

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2011	710	21,573	56,908	(3,707)	75,484
Total comprehensive income for the year	—	—	—	(7,417)	(7,417)
AT 30TH JUNE 2012	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>(11,124)</u>	<u>68,067</u>

NEW STAR INVESTMENT TRUST PLC

CONSOLIDATED BALANCE SHEET

at 31st December 2012

		31st December 2012 <i>(unaudited)</i> £'000	31st December 2011 <i>(unaudited)</i> £'000	30th June 2012 <i>(audited)</i> £'000
	<i>Notes</i>			
NON-CURRENT ASSETS				
Investments at fair value through profit or loss	5	59,021	52,245	51,140
CURRENT ASSETS				
Other receivables		74	138	127
Cash and cash equivalents		12,980	17,321	17,181
		13,054	17,459	17,308
TOTAL ASSETS		72,075	69,704	68,448
CURRENT LIABILITIES				
Other payables		(213)	(201)	(232)
TOTAL ASSETS LESS CURRENT LIABILITIES		71,862	69,503	68,216
NON-CURRENT LIABILITIES				
Deferred tax liability		(171)	(169)	(149)
NET ASSETS		71,691	69,334	68,067
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	6	(7,500)	(9,857)	(11,124)
TOTAL EQUITY		71,691	69,334	68,067
NET ASSET VALUE PER ORDINARY SHARE (PENCE)	7	100.94	97.62	95.84

This half year report was approved and authorised for issue by the Board on 22nd February 2013.

NEW STAR INVESTMENT TRUST PLC

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 31st December 2012

	Six months ended 31st December 2012 <i>(unaudited)</i> £'000	Six months ended 31st December 2011 <i>(unaudited)</i> £'000	Year ended 30th June 2012 <i>(audited)</i> £'000
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	194	(31)	(107)
FINANCIAL INVESTMENT			
Purchase of investments	(13,258)	(2,518)	(5,415)
Sale of investments	9,144	4,186	7,143
NET CASH (OUTFLOW)/INFLOW FROM FINANCIAL INVESTMENT	(4,114)	1,668	1,728
EQUITY DIVIDENDS PAID	–	–	–
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING	(3,920)	1,637	1,621
FINANCING	–	–	–
(DECREASE)/INCREASE IN CASH	(3,920)	1,637	1,621
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
(Decrease)/increase in cash resulting from cash flows	(3,920)	1,637	1,621
Exchange movements	(281)	189	65
Movement in net funds	(4,201)	1,826	1,686
Net funds at start of period/year	17,181	15,495	15,495
NET FUNDS AT END OF PERIOD/YEAR	12,980	17,321	17,181
RECONCILIATION OF PROFIT/(LOSS) BEFORE FINANCE COSTS AND TAXATION TO NET CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(loss) before finance costs and taxation	3,646	(6,573)	(7,860)
(Gains)/losses on investments	(3,771)	6,779	7,824
Exchange differences	281	(189)	(65)
Management fee rebates	(26)	(70)	(141)
Net profit/(loss) before finance costs and taxation	130	(53)	(242)
(Increase)/decrease in debtors	22	(12)	14
(Decrease)/increase in creditors	(19)	(20)	11
Taxation	35	(16)	(31)
Management fee rebates	26	70	141
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	194	(31)	(107)

NOTES TO THE INTERIM FINANCIAL STATEMENTS

*for the six months ended 31st December 2011***1. Accounting policies**

The consolidated half year financial statements on pages 14 to 25 comprise the unaudited results of the Company and its subsidiary, JIT Securities Limited, for the six months to 31st December 2012. The comparative information for the six months to 31st December 2011 and the year to 30th June 2012 do not constitute statutory accounts under the Companies Act 2006. Full statutory accounts for the year to 30th June 2012 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 2012, which are prepared in accordance with IFRSs as adopted by the European Union.

2. Total income

	For the six months ended 31st December 2012 £'000	For the six months ended 31st December 2011 £'000	For the year ended 30th June 2012 £'000
Income from investments			
UK net dividend income	418	238	310
UK unfranked investment income	68	80	158
	<u>486</u>	<u>318</u>	<u>468</u>
Operating Income			
Bank interest receivable	3	5	10
VAT reclaim interest received from HMRC	–	–	7
	<u>3</u>	<u>5</u>	<u>17</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

	For the six months ended 31st December 2012 £'000	For the six months ended 31st December 2011 £'000	For the year ended 30th June 2012 £'000
Total income comprises			
Dividends	486	318	468
Other income	3	5	17
	<u>489</u>	<u>323</u>	<u>485</u>

3. Management fees

	For the six months ended 31st December 2012 £'000	For the six months ended 31st December 2011 £'000	For the year ended 30th June 2012 £'000
Investment management	244	255	513
Performance fee	–	–	–
	<u>244</u>	<u>255</u>	<u>513</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. No performance fee is payable for any period.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

	For the six months ended 31st December 2012 £'000	For the six months ended 31st December 2011 £'000	For the year ended 30th June 2012 £'000
Revenue return	172	15	(78)
Capital return	3,452	(6,165)	(7,339)
Total return	<u>3,624</u>	<u>(6,150)</u>	<u>(7,417)</u>
Weighted average number of Ordinary shares	71,023,695	71,023,695	71,023,695
Revenue return per Ordinary share	0.24p	0.02p	(0.11)p
Capital return per Ordinary share	<u>4.86p</u>	<u>(8.68)p</u>	<u>(10.33)p</u>
Total return per Ordinary share	<u>5.10p</u>	<u>(8.66)p</u>	<u>(10.44)p</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

*continued***5. Investments at fair value through profit or loss**

	Six months ended 31st December 2012 £'000	Six months ended 31st December 2011 £'000	Year ended 30th June 2012 £'000
GROUP AND COMPANY	59,021	52,245	51,140
ANALYSIS OF INVESTMENT PORTFOLIO – GROUP AND COMPANY			
Six months ended 31st December 2012			
	Listed* £'000	Unlisted £'000	Total £'000
Opening book cost	45,048	4,943	49,991
Opening investment holding gains/(losses)	3,904	(2,755)	1,149
Opening valuation	48,952	2,188	51,140
Movement in period:			
Purchases at cost			
Sales	13,258	–	13,258
– Proceeds	(9,007)	(141)	(9,148)
– Realised gains on sales	1,293	6	1,299
Investment holding gains/(losses)	2,898	(426)	2,472
Closing valuation	57,394	1,627	59,021
Closing book cost	50,592	4,808	55,400
Unrealised investment holding gains/(losses)	6,802	(3,181)	3,621
Closing valuation	57,394	1,627	59,021

* Listed investments include unit trust and OEIC funds.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

*continued***5. Investments at fair value through profit or loss** *continued*

	Six months ended 31st December 2012 £'000	Six months ended 31st December 2011 £'000	Year ended 30th June 2012 £'000
ANALYSIS OF CAPITAL GAINS AND LOSSES			
Realised gains on sales of investments	1,299	1,616	2,191
Decrease in investment holding gains	2,472	(8,395)	(10,015)
	<u>3,771</u>	<u>(6,779)</u>	<u>(7,824)</u>

6. Retained earnings

The components of retained earnings are set out below:

	Six months ended 31st December 2012 £'000	Six months ended 31st December 2011 £'000	Year ended 30th June 2012 £'000
Capital reserve – realised	(11,024)	(12,561)	(12,040)
Capital reserve – revaluation	3,312	2,571	876
Revenue reserve	212	133	40
	<u>(7,500)</u>	<u>(9,857)</u>	<u>(11,124)</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

*continued***7 Net asset value per Ordinary share**

	31st December 2012 £'000	31st December 2011 £'000	30th June 2012 £'000
Net assets attributable to Ordinary shareholders	<u>71,691</u>	<u>69,334</u>	<u>68,067</u>
Ordinary shares in issue at end of period	<u>71,023,695</u>	<u>71,023,695</u>	<u>71,023,695</u>
Net asset value per Ordinary share	<u><u>100.94p</u></u>	<u><u>97.62p</u></u>	<u><u>95.84p</u></u>

8. Related party transactions

There have been no related party transactions that have materially affected the financial position or performance of the Group. The Company has four (2011: one) investments managed by the Investment manager.

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