

NEW STAR INVESTMENT TRUST PLC

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 31st DECEMBER 2019

FINANCIAL HIGHLIGHTS

INVESTMENT OBJECTIVE

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

	31st December 2019	30th June 2019	%
			Change
PERFORMANCE			
Net assets (£'000)	117,559	113,971	3.1
Net asset value per Ordinary share	165.52p	160.47p	3.1
Mid-market price per Ordinary share	117.00p	111.00p	5.4
Discount of price to net asset value	29.31%	30.83%	n/a
	Six months ended 31st December 2019	Six months ended 31st December 2018	
Total Return*	4.02%	-4.63%	n/a
IA Mixed Investment 40-85% Shares (total return)	4.41%	-6.62%	n/a
MSCI AC World Index (total return, sterling adjusted)	4.89%	-5.47%	n/a
MSCI UK Index (total return)	3.03%	-10.04%	n/a
	Six months ended 31st December 2019	Six months ended 31st December 2018	
REVENUE			
Return (£'000)	792	607	
Return per Ordinary share	1.1p	0.85p	
Proposed dividend per Ordinary share	-	-	
Dividend paid per Ordinary share	1.40p	1.00p	
TOTAL RETURN			
Return (£'000)	4,582	(5,154)	
Net assets	3.1%	-5.3%	
Net assets (dividend added back)	4.0%	-4.6%	

* The total return figure for the Group represents the revenue and capital return shown in the consolidated statement of comprehensive income plus dividends paid (the alternative performance measure).

INTERIM REPORT

CHAIRMAN'S STATEMENT

PERFORMANCE

Your Company generated a positive total return of 4.02% over the six months to 31st December 2019, taking the net asset value (NAV) per ordinary share to 165.52p. By comparison, the Investment Association's Mixed Investment 40-85% Shares Index rose 4.41%. The MSCI AC World Total Return Index rose 4.89% while the MSCI UK Total Return Index rose 3.03%. Over the same period, UK government bonds returned 2.05%. Further information is provided in the investment manager's report.

Your Company made a revenue profit for the six months of £792,000 (2018: £607,000).

GEARING AND DIVIDENDS

Your Company has no borrowings and ended the period under review with cash representing 14.28% of its NAV. Your Company has small retained revenue reserves and your Directors do not recommend the payment of an interim dividend (2018: nil). Your Company paid a dividend of 1.4p per share (2018: 1.0p) in November 2019 in respect of the previous financial year.

DISCOUNT

During the period, your Company's shares continued to trade at a significant discount to their NAV. The Board keeps this issue under review.

PERFORMANCE FEE

In November 2019, your Company announced that the current performance fee arrangement was not appropriate in a low interest rate environment. The current performance fee arrangements ceased from 1 January 2020. A performance fee of £622,000 (2018: £nil) was payable in respect of the period under review.

OUTLOOK

Risky assets fell sharply in the early spring of 2020 as the Covid-19 virus spread. Equity markets bore the brunt but corporate bonds and property also registered declines. Central Banks have responded with unprecedented interest rate reductions, increased quantitative easing and measures to stimulate lending.

Monetary policy alone, however, is unlikely to be sufficient to address the downturn because the virus impact is a supply-side shock, causing work place closures and supply chain disruption. As a result, governments have moved to alleviate the impact on businesses and families to shield the economy from serious long-term harm.

Risky assets are likely to remain weak and volatile until the Covid-19 outbreak moderates. Your Company, however, entered this difficult period with substantial cash holdings. Over the coming weeks, your Company's defensive assets may provide some capital protection. There should also be opportunities for your Company to deploy cash in investments with attractive long-term potential, including in equity markets.

NET ASSET VALUE

Your Company's unaudited NAV per share at 29th February 2020 was 156.62p. Your Company's unaudited NAV per share at 19th March 2020 was 136.12p.

Geoffrey Howard-Spink
Chairman
20th March 2020

INVESTMENT MANAGER'S REPORT

MARKET REVIEW

Global equities rose 4.89% and bonds fell 2.77% in sterling over the six months to 31st December 2019 as central banks maintained policies of monetary easing. Returns in overseas stock markets were stronger but sterling investors were adversely affected as the pound rose against the euro, yen and dollar by 5.60%, 4.99% and 4.09% respectively.

The Federal Reserve reduced interest rates by three-quarters of a percentage point to 1.5-1.75%. Jobs data were strong but inflation remained below its 2% target. The European Central Bank increased further its negative interest rate by 10 basis points to -0.5%, said interest rates would not rise until inflation was closer to 2% and resumed asset purchases. The Bank of England left its bank rate unchanged. UK government and sterling corporate bonds rose 2.05% and 3.52% respectively over the period. Gold and gold securities rose 3.07% and 10.92% respectively in sterling as the opportunity cost of holding this nil-yielding asset remained low.

The Conservatives won December's UK election, averting a shift to the left. UK stocks rose 3.03% but smaller companies, typically more sensitive to domestic conditions, outperformed, rising 13.28%. Sterling briefly rose above \$1.35 but retreated as investors decided the risk of a "no deal" Brexit had not disappeared, with the government legislating that a trade deal had to be agreed during 2020, setting a demanding timetable. UK assets are likely to prove sensitive to news about the talks.

Progress in Sino-US trade talks was confirmed when an interim deal was signed in January 2020. Equities in emerging markets and Asia excluding Japan benefited from end-of-year optimism but still lagged, up 3.11% and 2.74% respectively in sterling. Under the deal, China will increase purchases of US goods and improve the protection of intellectual property. In return, December's planned tariff increases were cancelled. The thornier issues of national security and technology are outside the deal's scope and may never be resolved. Protectionism is likely to remain a feature of US trade policy.

US equities outperformed, rising 6.56% in sterling, with technology stocks, up 13.57%, leading the way. Steady US jobs data supported consumer spending but business investment and exports were weak. The Sino-US agreement may, however, provide a fillip to exports in the longer term. China's economy expanded 6% year-on-year during the period, the lowest growth rate since 1992.

PORTFOLIO REVIEW

Your Company's total return over the period under review was 4.56% before performance fees and 4.02% after performance fees. By comparison, the Investment Association's Mixed Investment 40-85% Shares sector, comprising a peer group of multi-asset funds that

typically invest 40-85% of their assets in global equities, rose 4.41%. The MSCI AC World Total Return Index rose 4.89% in sterling while the MSCI UK Total Return Index rose 3.03%. Your Company benefited from investments in funds invested in UK smaller companies, gold securities and technology stocks. The high allocation to dollar cash, however, hurt performance as sterling strengthened.

The Aberforth Split Level Income investment trust was the portfolio's best performer, rising 26.09%, partly as a result of the leverage provided by its zero-dividend preference shares. The manager takes a value-oriented approach to investing in UK smaller companies. Such companies performed strongly as the Tories' election victory reduced domestic political risk and strengthened the government's hand in its EU trade negotiations. Chelverton UK Equity Income, which also invests in smaller companies, rose 14.67%. Your Company's holding was increased in November. The Aberforth and Chelverton funds have above-average dividend yields and their income is derived from a broad range of sectors in contrast to the income from the FTSE 100 Index, which is dominated by financial and resources stocks. Man GLG UK Income and MI Brompton UK Recovery outperformed, benefitting from gains among small and medium-sized companies. Trojan Income and Schroder Income focus on larger companies but both outperformed, gaining 7.79% and 5.32% respectively.

BlackRock Gold & General gained 6.24%, beating the return from physical gold but lagging the returns from gold miners. A minimum of 70% of the portfolio is held in miners of precious metals. Miners typically offer a geared return on gold because gold price changes are magnified in their share prices as a result of operational gearing and financial leverage. The sector consolidated in 2019 through mergers that will generate operational efficiencies and scale benefits on top of any rise in the gold price. At the period end, BlackRock Gold & General's two largest holdings were Barrick and Newmont, which each represented about 10% of the portfolio as a result of mergers. Regulatory reasons prevent the fund manager from increasing these holdings yet these businesses account for a larger proportion of the sector. This may at times lead the fund's performance to diverge from the sector.

During the period, your Company had no direct investments in US equity funds. This hurt performance because US equities outperformed, driven by the technology sector. Within your Company's global holdings, Polar Capital Global Technology rose 9.73%, benefitting from its holdings in US technology companies such as Microsoft, Alphabet, Apple and Facebook. Fundsmith Equity underperformed, however, rising 2.79%.

Amongst your Company's emerging market equity holdings, the HSBC Russia Capped exchange-traded fund did best, rising 11.68% in line with the gain from Russian stocks. Stewart Investors Indian Subcontinent was, however, the weakest holding, falling 3.22% as Indian stocks fell 4.04% in sterling in response to slower economic growth. Emerging market debt outperformed global bonds over the period. Franklin Templeton Emerging Markets Bond lagged, however, down 5.24% as a result of its holdings in Argentine bonds, which fell as politics shifted to the left.

Bond market weakness held back returns within EF Brompton Global Conservative, which returned 3.37%, while the Aquilus Inflection hedge fund returned 0.61%.

The valuation of your Company's unquoted portfolio rose 13.59% to £8.39 million over the period. This was solely due to a revaluation of the shareholding in the largest unquoted holding, Embark, to the price paid by new external investors in a £45 million fundraising in November. Embark has continued to grow its assets under administration aggressively, both organically and through acquisition.

OUTLOOK

Risky assets fell sharply across the world in the early spring of 2020 as the Covid-19 virus spread outside China. Equity markets bore the brunt of the falls but other asset classes including corporate bonds and commercial property also registered significant declines. Major Central Banks across the developed world and in emerging markets have responded to the economic shock with sweeping measures. These included unprecedented interest rate reductions in the US and the UK, as official rates were cut to near zero. Other initiatives included increased quantitative easing and measures designed to stimulate bank lending. Monetary policy alone, however, is unlikely to be sufficient to address the global downturn because the virus impact is a supply-side shock, with work places closing and supply chains disrupted. Government measures targeted at alleviating the economic impact on businesses and families are, therefore, likely to be critical in ensuring the economy emerges strongly once this temporary shock subsides. In the meantime, equities and other risky assets are likely to remain weak and volatile until the numbers of new coronavirus cases moderate across the world. This may take some months.

Your Company entered this period of turmoil with substantial investments in cash, in particular in dollars. Some of the defensive assets in your Company's portfolio such as gold and lower-risk multi-asset funds may provide some capital protection over the coming weeks. There should also be opportunities for long-term investors such as your Company to deploy its cash in investments with attractive long-term potential, in particular in equity markets.

DIRECTORS' REPORT

PERFORMANCE

In the six months to 31st December 2019 the total return per Ordinary share was 4.0% (2018: negative 4.6%) and the NAV per ordinary share increased to 165.52p, whilst the share price increased by 5.4% to 117.00p. This compares to an increase of 4.4% in the IA Mixed Investment 40-85% Shares Index.

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 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 (2018: 71,023,695) have been issued and fully paid. No Ordinary shares are held in treasury, and none were bought back or issued during the six months to 31st December 2019.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks identified by the Board, and the steps the Board takes to mitigate them, are as follows:

Investment strategy: Inappropriate long-term strategy, asset allocation and fund selection could lead to underperformance. The Board discusses investment performance at each of its meetings and the Directors receive reports detailing asset allocation, investment selection and performance.

Business conditions and general economy: The Company's future performance is heavily dependent on the performance of different equity and currency markets. The Board cannot mitigate the risks arising from adverse market movements. However, diversification within the portfolio will reduce the impact. Further information is given in portfolio risks below.

Portfolio risks - market price, foreign currency and interest rate risks: The twenty largest investments are listed above. Investment returns will be influenced by interest rates, inflation, investor sentiment, availability/cost of credit and general economic conditions in the UK and globally. A proportion of the portfolio is in investments denominated in foreign currencies and movements in exchange rates could significantly affect their sterling value. The Investment Manager takes all these factors into account when making investment decisions but the Company does not normally hedge against foreign currency movements. The Board's policy is to hold a spread of investments in order to reduce the impact of the risks arising from the above factors by investing in a spread of asset classes and geographic regions.

Net asset value discount: The discount in the price at which the Company's shares trade to net asset value means that shareholders cannot realise the real underlying value of their investment. For a number of years the Company's share price has been at a significant

discount to the Company's net asset value. The Directors review regularly the level of discount, however given the investor base of the Company, the Board is very restricted in its ability to influence the discount to net asset value.

Investment Manager: The quality of the team employed by the Investment Manager is an important factor in delivering good performance and the loss of key staff could adversely affect returns. A representative of the Investment Manager attends each Board meeting and the Board is informed if any changes to the investment team employed by the Investment Manager are proposed.

Tax and regulatory risks: A breach of The Investment Trust (Approved Company) (Tax) Regulations 2011 (the 'Regulations') could lead to capital gains realised within the portfolio becoming subject to UK capital gains tax. A breach of the UKLA Listing Rules could result in suspension of the Company's shares, while a breach of company law could lead to criminal proceedings, financial and/or reputational damage. The Board employs Brompton Asset Management LLP as Investment Manager, and Maitland Administration Services Limited as Secretary and Administrator, to help manage the Company's legal and regulatory obligations.

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

INVESTMENT MANAGEMENT ARRANGEMENT 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 unusual material transactions with related parties during the period which have had a significant impact on the performance of the Company.

GOING CONCERN AND VIABILITY

The Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the accounts as the assets of the Company consist mainly of securities that are readily realisable or cash and it has no significant liabilities. Investment income exceeds annual expenditure and current liquid net assets cover current annual expenses for many years. Accordingly, the Company is of the opinion that it has adequate financial resources to continue in operational existence for the foreseeable future which is considered to be in excess of five years. Five years is considered a reasonable time for investors when making their investment decisions. In reaching this view the Directors reviewed the anticipated level of annual expenditure against the cash and liquid assets within the portfolio. The Directors have also considered the risks the Company faces.

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.

RESPONSIBILITY STATEMENT

The Directors confirm that to the best of their knowledge:

- The financial statements contained within the half year financial report to 31st December 2019 has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting';
- The Chairman's statement, Directors' report or the Investment Manager's report include 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, Directors' report or the Investment Manager's report include a fair review of the potential risks and uncertainties for the remaining six months of the year; and
- The Director's report and note 8 to the half year financial report include a fair review of the information concerning transactions with the investment manager and changes since the last annual report.

By order of the Board

Maitland Administration Services Limited, 20th March 2020

SCHEDULE OF TOP TWENTY INVESTMENTS at 31st December 2019

Holding	Investment Type	Bid-market Value £ '000	% of Net Assets
Fundsmith Equity Fund	Investment Fund	7,952	6.76
Embark Group	Unquoted Investment	6,990	5.95
Polar Capital - Global Technology Fund	Investment Fund	5,728	4.87
FP Crux European Special Situations Fund	Investment Fund	5,267	4.48

Schroder Income Fund	Investment Fund	4,945	4.21
Aberforth Split Level Income Trust	Investment Company	4,506	3.83
MI Chelverton UK Equity Income Fund	Investment Fund	4,405	3.75
EF Brompton Global Conservative Fund	Investment Fund	4,355	3.70
BlackRock Continental European Income Fund	Investment Fund	3,926	3.34
Artemis Global Income Fund	Investment Fund	3,925	3.34
BlackRock Gold & General Fund	Investment Fund	3,735	3.18
Aquilus Inflection Fund	Investment Fund	3,721	3.17
Lindsell Train Japanese Equity Fund	Investment Fund	3,364	2.86
EF Brompton Global Equity Fund	Investment Fund	2,981	2.53
Man GLG UK Income Fund	Investment Fund	2,973	2.53
EF Brompton Global Opportunities Fund	Investment Fund	2,962	2.52
MI Brompton UK Recovery Unit Trust	Investment Fund	2,851	2.42
EF Brompton Global Growth Fund	Investment Fund	2,830	2.41
Liontrust Asia Income Fund	Investment Fund	2,758	2.35
First State Indian Subcontinent Fund	Investment Fund	2,628	2.23
		<u>82,802</u>	<u>70.43</u>
Balance held in 21 investments		18,716	15.92
Total investments (excluding cash)		<u>101,518</u>	<u>86.35</u>
Net current assets (including cash)		<u>16,041</u>	<u>13.65</u>
Net Assets		<u>117,559</u>	<u>100.00</u>

The investment portfolio, excluding cash, can be further analysed as follows:

	£'000
Investment funds	84,023
Unquoted investments	8,390
Investment companies and exchange traded funds	8,086
Other quoted investments	1,019
	<u>101,518</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the six months ended 31st December 2019 (unaudited)

		Six months ended 31st December 2019 (unaudited)		
	Notes	Revenue Return £ '000	Capital Return £ '000	Total Return £ '000
INCOME				
Investment income		1,127	-	1,127
Other operating income		167	-	167
Total income	2	<u>1,294</u>	<u>-</u>	<u>1,294</u>
GAINS AND LOSSES ON INVESTMENTS				
Losses on investments at fair value through profit or loss	5	-	5,022	5,022
Other exchange losses		-	(612)	(612)
Trail rebates		-	2	2
		<u>1,294</u>	<u>4,412</u>	<u>5,706</u>
EXPENSES				
Management and performance fees	3	(364)	(622)	(986)
Other expenses		(138)	-	(138)
		<u>(502)</u>	<u>(622)</u>	<u>(1,124)</u>
PROFIT / (LOSS) BEFORE TAX		<u>792</u>	<u>3,790</u>	<u>4,582</u>
Tax		-	-	-
PROFIT / (LOSS) FOR THE PERIOD		<u>792</u>	<u>3,790</u>	<u>4,582</u>
EARNINGS PER SHARE				
Ordinary shares (pence)	4	<u>1.11p</u>	<u>5.34p</u>	<u>6.45p</u>

The total return 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 2018 and the year ended 30th June 2019

Notes	Six months ended 31st December 2018 (unaudited)			Year ended 30th June 2019 (audited)			
	Revenue Return £'000	Capital Return £'000	Total Return £'000	Revenue Return £'000	Capital Return £'000	Total Return £'000	
INCOME							
		930	-	930	1,890	-	1,890
		147	-	147	349	-	349
	2	<u>1,077</u>	<u>-</u>	<u>1,077</u>	<u>2,239</u>	<u>-</u>	<u>2,239</u>
GAINS AND LOSSES ON INVESTMENTS							
Gains on investments at fair value through profit or loss							
	5	-	(6,168)	(6,168)	-	1,992	1,992
		-	405	405	-	443	443
		-	2	2	-	5	5
		<u>1,077</u>	<u>(5,761)</u>	<u>(4,684)</u>	<u>2,239</u>	<u>2,440</u>	<u>4,679</u>
EXPENSES							
	3	(339)	-	(339)	(668)	(410)	(1,098)
		(131)	-	(131)	(266)	-	(266)
		<u>(470)</u>	<u>-</u>	<u>(470)</u>	<u>(954)</u>	<u>(410)</u>	<u>(1,364)</u>
PROFIT BEFORE TAX							
		607	(5,761)	(5,154)	1,285	2,030	3,315
		-	-	-	-	-	-
PROFIT FOR THE PERIOD							
		<u>607</u>	<u>(5,761)</u>	<u>(5,154)</u>	<u>1,285</u>	<u>2,030</u>	<u>3,315</u>
EARNINGS PER SHARE							
	4	<u>0.85p</u>	<u>(8.11)p</u>	<u>(7.26)p</u>	<u>1.81p</u>	<u>2.86p</u>	<u>4.67p</u>

The total return 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 2019 (unaudited)

	Share capital £ '000	Share premium £ '000	Special reserve £ '000	Retained earnings £ '000	Total £ '000
At 30th JUNE 2019	710	21,573	56,908	34,780	113,971
Total comprehensive income for the period	-	-	-	4,582	4,582
Dividend paid	-	-	-	(994)	(994)
At 31st DECEMBER 2019	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>38,368</u>	<u>117,559</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the six months ended 31st December 2018 (unaudited)

	Share capital £ '000	Share premium £ '000	Special reserve £ '000	Retained earnings £ '000	Total £ '000
At 30th JUNE 2018	710	21,573	56,908	32,175	111,366
Total comprehensive income for the period	-	-	-	(5,154)	(5,154)
Dividend paid	-	-	-	(710)	(710)
At 31st DECEMBER 2018	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>26,311</u>	<u>105,502</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 30th June 2019 (audited)

	Share capital £ '000	Share premium £ '000	Special reserve £ '000	Retained earnings £ '000	Total £ '000
At 30th JUNE 2018	710	21,573	56,908	32,175	111,366
Total comprehensive income for the year	-	-	-	3,315	3,315

Dividend paid	-	-	-	(710)	(710)
At 30th JUNE 2019	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>34,780</u>	<u>113,971</u>

CONSOLIDATED BALANCE SHEET at 31st December 2019

	Notes	31st December 2019 (unaudited) £ '000	31st December 2018 (unaudited) £ '000	30th June 2019 (audited) £ '000
NON-CURRENT ASSETS				
Investments at fair value through profit or loss	5	<u>101,518</u>	<u>83,561</u>	<u>93,782</u>
CURRENT ASSETS				
Other receivables		100	213	220
Cash and cash equivalents		<u>16,786</u>	<u>21,938</u>	<u>20,605</u>
		<u>16,886</u>	<u>22,151</u>	<u>20,825</u>
TOTAL ASSETS		<u>118,404</u>	<u>105,712</u>	<u>114,607</u>
CURRENT LIABILITIES				
Other payables		<u>(845)</u>	<u>(210)</u>	<u>(636)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>117,559</u>	<u>105,502</u>	<u>113,971</u>
NET ASSETS		<u>117,559</u>	<u>105,502</u>	<u>113,971</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	6	<u>38,368</u>	<u>26,311</u>	<u>34,780</u>
TOTAL EQUITY		<u>117,559</u>	<u>105,502</u>	<u>113,971</u>
NET ASSET VALUE PER ORDINARY SHARE (PENCE)	7	<u>165.52p</u>	<u>148.54p</u>	<u>160.47p</u>

The interim report was approved and authorised for issue by the Board on 20th March 2020.

CONSOLIDATED CASH FLOW STATEMENT for the six months ended 31st December 2019

	Six months ended 31st December 2019 (unaudited) £ '000	Six months ended 31st December 2018 (unaudited) £ '000	Year ended 30th June 2019 (audited) £ '000
NET CASH INFLOW FROM OPERATING ACTIVITIES	501	644	1,334
INVESTING ACTIVITIES			
Purchase of investments	(2,722)	(2,023)	(4,340)
Sale of investments	8	8,595	8,851
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	(2,714)	6,572	4,511
FINANCING			
Equity dividend paid	(994)	(710)	(710)
NET CASH INFLOW/(OUTFLOW) AFTER FINANCING	(3,207)	6,506	5,135
INCREASE /(DECREASE) IN CASH	(3,207)	6,506	5,135
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Increase/(Decrease) in cash resulting from cash flows	(3,207)	6,506	5,135
Exchange movements	(612)	405	443
Movement in net funds	(3,819)	6,911	5,578
Net funds at start of period/year	20,605	15,027	15,027
NET FUNDS AT END OF PERIOD/YEAR	16,786	21,938	20,605
RECONCILIATION OF (LOSS)/PROFIT BEFORE FINANCE COSTS AND TAXATION TO NET CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(Loss) before finance costs and taxation *	4,582	(5,154)	3,315
(Gains)/Loss on investments	(5,022)	6,168	(1,992)
Exchange differences	612	(405)	(443)
Management fee rebates	(2)	(2)	(5)
Revenue profit before finance costs and taxation	170	607	875
Decrease in debtors	120	59	43
Increase/(Decrease) in creditors	209	(24)	402
Taxation	-	-	9
Management fee rebates	2	2	5
NET CASH INFLOW FROM OPERATING ACTIVITIES	501	644	1,334

* Includes dividends received in cash of £1,013,000 (30th June 2019: £1,599,000) (2018: £788,000), accumulation income of £222,000 (30th June 2019: £278,000) (2018: £255,000) and interest income of £167,000 (30th June 2019: £408,000) (2018: £84,000)

NOTES TO THE INTERIM FINANCIAL STATEMENTS for the six months ended 31st December 2019

1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements comprise the unaudited results of the Company and its subsidiary, JIT Securities Limited (together “the Group”), for the six months to 31st December 2019. The comparative information for the six months to 31st December 2018 and the year to 30th June 2019 are a condensed set of accounts and do not constitute statutory accounts under the Companies Act 2006. Full statutory accounts for the year to 30th June 2019 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 2019, which were prepared in accordance with IFRSs as adopted by the European Union.

No segmental reporting is provided as the Group is engaged in a single segment.

2. TOTAL INCOME

	Six months ended 31st December 2019 £'000	Six months ended 31st December 2018 £'000	Year ended 30th June 2019 £'000
Income from Investments			
UK net dividend income	1,045	792	1,691
Unfranked investment income	82	138	199
	<u>1,127</u>	<u>930</u>	<u>1,890</u>
Other Income			
Bank interest receivable	167	140	336
Loan interest income	-	7	13
	<u>167</u>	<u>147</u>	<u>349</u>
	Six months ended 31st December 2019 £'000	Six months ended 31st December 2018 £'000	Year ended 30th June 2019 £'000
Total income comprises			
Dividends	1,127	930	1,890
Other income	167	147	349
	<u>1,294</u>	<u>1,077</u>	<u>2,239</u>

3. MANAGEMENT FEES

	Six months ended 31st December 2019 £'000	Six months ended 31st December 2018 £'000	Year ended 30th June 2019 £'000
Investment management fee	364	339	688
Performance fee	622	-	410
	<u>986</u>	<u>339</u>	<u>1,098</u>

The Investment Manager receives a management fee, payable quarterly in arrears, equivalent to an annual 0.75 per cent of total assets after the deduction of the value of any investments managed by the Investment Manager or its associates (as defined in the investment management agreement). The Investment Manager was 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 is 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. A performance fee of £622,000 was payable in respect of the period.

The Company has agreed with the Investment Manager that the existing performance fee was not appropriate in a low interest rate environment. Accordingly the current performance fee agreement ceased with effect from 1st January 2020.

4. RETURN PER ORDINARY SHARE

	Six months ended 31st December 2019 £'000	Six months ended 31st December 2018 £'000	Year ended 30th June 2019 £'000
Revenue return	792	607	1,285
Capital return	3,790	(5,761)	2,030
Total return	<u>4,582</u>	<u>(5,154)</u>	<u>3,315</u>
Weighted average number of Ordinary shares	71,023,695	71,023,695	71,023,695
Revenue return per Ordinary share	1.11p	0.85p	1.81p
Capital return per Ordinary share	<u>5.34p</u>	<u>(8.11)p</u>	<u>2.86p</u>
Total return per Ordinary share	<u>6.45p</u>	<u>(7.26)p</u>	<u>4.67p</u>

5. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

	At 31st December 2019 £'000	At 31st December 2018 £'000	At 30th June 2019 £'000
GROUP AND COMPANY	<u>101,518</u>	<u>83,561</u>	<u>93,782</u>
ANALYSIS OF INVESTMENT			
PORTFOLIO – GROUP AND COMPANY			
Six months ended 31st December 2019			
	Listed* (level 1 and 2) £'000	Unlisted** (level 3) £'000	Total £'000
Opening book cost	60,372	8,448	68,820
Opening investment holding gains/(losses)	<u>26,024</u>	<u>(1,062)</u>	<u>24,962</u>
Opening valuation	86,396	7,386	93,782
Movement in period:			
Purchase at cost	2,722	-	2,722
Sales			
- Proceeds	(8)	-	(8)
- Realised gains on sales	8	-	8
Movement in investment holding gains/(losses)	<u>4,010</u>	<u>1,004</u>	<u>5,014</u>
Closing valuation at 31 December 2019	<u>93,128</u>	<u>8,390</u>	<u>101,518</u>
Closing book cost	63,094	8,448	71,542
Closing investment holding gains/(losses)	<u>30,034</u>	<u>(58)</u>	<u>29,976</u>
Closing valuation	<u>93,128</u>	<u>8,390</u>	<u>101,518</u>

* Listed investments include unit trust and OEIC funds which are valued at quoted prices. Included within Listed Investments is one monthly valued investment of £3,721,000 (30th June 2019: £3,698,000) (2018: £3,562,000).

** The Unlisted investments, representing just over 7% of the Company's NAV, have been valued in accordance with IPEVC valuation guidelines. The largest unquoted investment amounting to £6,990,000 (30th June 2019: £5,942,000) (2018: £3,268,000) was valued at the latest transaction price. The second largest investment has been valued based on cost and is in its development phase. A 10% increase or decrease in the earnings of the largest investment would not have a material impact on the valuation of the investment. This investment has not reached maturity and is not valued on the basis of its current earnings.

There were no reclassifications for assets between Level 1, 2 and 3.

	Six months ended 31st December 2019 £'000	Six months ended 31st December 2018 £'000	Year ended 30th June 2019 £'000
ANALYSIS OF CAPITAL GAINS AND LOSSES			
Realised gains on sales of investments	8	4,168	4,175
Increase in investment holding gains/(losses)	<u>5,014</u>	<u>(10,336)</u>	<u>(2,183)</u>
	<u>5,022</u>	<u>(6,168)</u>	<u>1,992</u>

6. RETAINED EARNINGS

	At 31st December 2019 £'000	At 31st December 2018 £'000	At 30th June 2019 £'000
Capital reserve - realised	6,769	8,339	7,977
Capital reserve - revaluation	29,959	16,809	24,962
Revenue reserve	<u>1,640</u>	<u>1,163</u>	<u>1,841</u>
	<u>38,368</u>	<u>26,311</u>	<u>34,780</u>

7. NET ASSET VALUE PER ORDINARY SHARE

	31st December 2019 £'000	31st December 2018 £'000	30th June 2019 £'000
Net assets attributable to Ordinary shareholders	<u>117,559</u>	<u>105,502</u>	<u>113,971</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>165.52p</u>	<u>148.54p</u>	<u>160.47p</u>

8. TRANSACTIONS WITH THE INVESTMENT MANAGER

During the period there have been no new related party transactions that have affected the financial position or performance of the Group.

Since 1st January 2010 Brompton has acted as Investment Manager to the Company. This relationship is governed by an agreement dated 23rd December 2009.

Mr Duffield is the senior partner of Brompton Asset Management Group LLP the ultimate parent of Brompton. Mr Duffield owns a majority (59.14%) of the shares in the Company.

Mr Gamble has an immaterial holding in Brompton Asset Management Group Limited LLP.

The total investment management fee payable to Brompton for the half year ended 31st December 2019 was £364,000 (30th June 2019: £688,000) (2018: £339,000) and at the half year £183,000 (30th June 2019: £177,000) (2018: £164,000) was accrued. The performance fee payable in respect of the six months ended 31st December 2019 was £622,000 (30th June 2019: £410,000) (2018: £nil). The existing performance fee arrangements ceased with effect from 1 January 2020.

The Group's investments include seven funds managed by Brompton or its associates valued at £20,551,000 (30th June 2019: £19,680,000) (2018: £18,001,000). No investment management fees were payable directly by the Company in respect of these investments.

9. POST BALANCE SHEET EVENTS

Coronavirus and the current pandemic has resulted in a significant fall in the market and introduced significant market volatility. Further details are provided in the Chairman's Statement and Investment Manager's Report above.

The Company's unaudited NAV per share was 136.12p and the share price was 95p at close of business on 19th March 2020.