

NEW STAR INVESTMENT TRUST PLC

INTERIM REPORT

for the six months ended 31st December 2011

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 2011	30th June 2011	% change
PERFORMANCE			
Net assets (£'000)	69,334	75,484	(8.1)
Net asset value per Ordinary share	97.62p	106.28p	(8.1)
Mid-market price per Ordinary share	69.88p	73.13p	(4.4)
Discount of share price to net asset value	28.4%	31.2%	n/a
FTSE World Index (total return, sterling adjusted)	573.74	624.88	(8.2)
FTSE All-Share Index (total return)	3,969.60	4,233.69	(6.2)
	Six months ended 31st December 2011	Six months ended 31st December 2010	
REVENUE			
Return per Ordinary share	0.02p		(0.16)p
Dividend per Ordinary share	–		–
TOTAL RETURN			
Net assets	(8.1)%		12.1%
FTSE World Index	(8.2)%		19.2%

NEW STAR INVESTMENT TRUST PLC

INTERIM MANAGEMENT REPORT

CHAIRMAN'S STATEMENT

Your Company's net assets declined 8.1% to £69.3 million over the half year to 31st December 2011. This performance was in line with developed world stockmarkets, which declined 8.2% as measured by the FTSE World Total Return Index. The FTSE All-Share Total Return Index declined 6.2% over the period. At the period end, the net asset value per ordinary share was 97.62p.

From its launch in May 2000 to the period end, the Company delivered a total return of 5.1%. The FTSE World Index returned 23.5% over this period while the FTSE All-Share returned 39.3%.

The net revenue after tax for the period was £15,000. As in previous years, your Directors are not recommending payment of an interim dividend to shareholders.

Market review

The eurozone debt crisis was the main influence on stockmarkets over the period under review. Despite news of a temporary European Financial Stability Facility (EFSF) in May, investors grew increasingly concerned about the health of peripheral countries. Greece was given a second rescue package but this did not prevent investors selling bonds issued by other weak eurozone countries. The European Central Bank (ECB) bought Spanish and Italian bonds but confidence was short-lived and shares fell again in late September. The other significant negative influence was political brinkmanship in Congress over America's fiscal position.

There was, however, a partial recovery in the final quarter of 2011 as the authorities tried to restore confidence. The Federal Reserve launched 'Operation Twist', switching from short-dated into longer-dated bonds to reduce long-term interest rates, the Bank of England announced a further £75 billion of quantitative easing while the ECB made emergency loans to eurozone banks. Finally, in December, eurozone members announced wholesale reforms including new budget rules, the early creation of a European Stability Mechanism and extra European Union/International Monetary Fund cash for troubled eurozone members. The ECB, having raised interest rates by a quarter point to 1.5% in July, reversed the cut in November and cut a further quarter point in December.

While some eurozone economies shrank in late 2011, conditions elsewhere surprised investors by their strength, notably in Japan and the US. UK growth, meanwhile, recovered

NEW STAR INVESTMENT TRUST PLC

INTERIM MANAGEMENT REPORT

CHAIRMAN'S STATEMENT

continued

partially after muted conditions earlier. Such trends were reflected in currency markets, where the euro fell 10.46% against the dollar and 7.50% against sterling.

Geographically, emerging stockmarkets were weaker than developed markets, with Latin America down 15.1% and Asia excluding Japan down 14.3%. Among developed markets, Europe excluding the UK fell 21.8% but the US and Japan were most resilient, down 1.5% and 4.9% respectively. At the sector level, basic materials retreated 22.1% as commodity prices weakened while financials fell 17.1% as the eurozone crisis threatened the global banking system. Defensive areas were relatively robust, with healthcare down 0.4% and telephony down 2.8%. Technology also outperformed, easing 2.5%.

With equities threatened by the eurozone's woes, investors diverted cash into safe-haven assets. UK gilts returned 13.7%, US treasury bonds returned 10.9% but Italian bonds fell 14.2%.

Portfolio review

During the period, your Company added a holding in the Aberdeen Asia Pacific Fund, increased its Aberforth Geared Income Trust holding but reduced its Liontrust Asia Fund (formerly Occam) position. Your Company ended the period with 52.1% of its assets in retail funds, 8.1% in investment trusts, 4.3% in hedge funds, 3.9% in exchange-traded funds, 7.0% in other securities and 24.6% in cash. Geographically, the biggest non-cash exposures were the UK, at 20.4%, emerging markets, at 11.1%, and Europe excluding the UK, at 9.2%. In asset class terms, the biggest non-cash holdings were in equities, at 46.1%, commodities, at 12.6%, and private equity, at 6.7%.

Outlook

Global economic growth was recovering in late 2011 and this may continue in early 2012 for various reasons. First, the global inflation-adjusted money supply, typically a precursor of economic trends, was growing robustly at the year end. Secondly, forward-looking business confidence indicators were reviving. Thirdly, consumer goods demand growth in developed economies was supporting industrial activity. Lastly, the ECB was injecting liquidity into eurozone banks. There were, however, troubling regional differences, with strong US strength contrasting with eurozone weakness.

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

continued

In response to the eurozone crisis, investors' risk aversion rose to exceptional levels and although there was a partial recovery in risk appetite towards the year end continued optimism will depend on the degree to which any eurozone revival occurs alongside the steady growth in the US. In such circumstances, relative performance among stocks and sectors is likely to diverge significantly, emphasising the role of careful security selection in generating returns.

The unaudited net asset value at 31st January 2012 was 100.74p per Ordinary share.

Geoffrey Howard-Spink
Chairman
23rd February 2012

NEW STAR INVESTMENT TRUST PLC

INTERIM MANAGEMENT REPORT

DIRECTORS' REPORT

Performance

In the six months to 31st December 2011 the net asset value per Ordinary share decreased by 8.1% to 97.62p. In the same period the share price decreased by 4.4% to 69.88p. This compares to decreases of 6.2% and 8.2% respectively in the FTSE All Share Index and the FTSE World Index. Further details of the Company's performance may be found in the Chairman's Statement.

Investment objective

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

Investment policy

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

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

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

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

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

Derivative instruments and forward foreign exchange contracts may be used for the purposes of efficient portfolio management and currency hedging. Derivatives may also be

NEW STAR INVESTMENT TRUST PLC

INTERIM MANAGEMENT REPORT

DIRECTORS' REPORT

continued

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 (2010: 71,023,695) have been issued fully paid. No Ordinary shares are held in treasury, and none were bought back or issued during the six months to 31st December 2011.

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.

NEW STAR INVESTMENT TRUST PLC

INTERIM MANAGEMENT REPORT

DIRECTORS' REPORT

continued

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.

NEW STAR INVESTMENT TRUST PLC

INTERIM MANAGEMENT REPORT

DIRECTORS' REPORT

continued

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, given the liquid nature of its assets, that it is appropriate to continue to adopt the going concern basis in preparing the half year statement.

Auditors

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

NEW STAR INVESTMENT TRUST PLC

INTERIM MANAGEMENT REPORT

DIRECTORS' REPORT

continued

Responsibility statement

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

- The condensed set of financial statements contained within the half year financial report to 31st December 2011 has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting';
- The interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the financial statements;
- The interim management report includes a fair review of the potential risks and uncertainties for the remaining six months of the year;
- The interim management report includes a fair review of the information concerning related party transactions and changes since the last annual report.

By order of the Board

Phoenix Administration Services Limited
23rd February 2012

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 2011 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

continued

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31st December 2011 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
23rd February 2012

SCHEDULE OF TOP TWENTY INVESTMENTS

at 31st December 2011

Holding	Activity	Bid-market value £'000	% of Investment portfolio
Henderson Euro Special Situations Fund	Investment Fund	6,374	12.20
BlackRock Gold & General Income Fund	Investment Fund	6,048	11.58
Investec Africa Fund	Investment Fund	3,340	6.39
Polar Capital Global Technology Fund	Investment Fund	2,947	5.64
Trojan Investment Fund	Investment Fund	2,940	5.63
Henderson Private Equity Investment Trust	Investment Company	2,872	5.50
M&G Optimal Income Fund	Investment Fund	2,812	5.38
Gold Bullion Securities ETF	Exchange Traded Fund	2,712	5.19
Artemis UK Special Situations Fund	Investment Fund	2,534	4.85
Atlantis China Fund	Investment Fund	2,269	4.34
Aquilus Inflection Fund Limited	Investment Fund	1,946	3.73
Bumi Plc	Quoted Equity	1,757	3.36
Fundsmith Equity Fund	Investment Fund	1,672	3.20
Aberforth Gearing Income Trust	Investment Company	1,559	2.98
Neptune Russia & Greater Russia Fund	Investment Fund	1,531	2.93
The Sierra Investment Fund	Investment Fund	1,223	2.34
PFS Brompton UK Recovery Unit Trust	Investment Fund	1,190	2.28
BH Global Limited	Investment Company	1,184	2.27
Aberdeen Asia Pacific Fund	Investment Fund	1,089	2.08
SW Mitchell Small Cap European Fund	Investment Fund	939	1.80
		48,938	93.67
Balance held in 11 investments		3,307	6.33
Total investments		52,245	100.00

The investment portfolio can be further analysed as follows:

Equities (including investment companies)	8,760
Loan	448
Investments funds and ETFs	43,037
	52,245

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31st December 2011

		Six months ended 31st December 2011 <i>(unaudited)</i>		
	<i>Notes</i>	Revenue Return £'000	Capital Return £'000	Total Return £'000
INCOME				
Investment income		318	–	318
Other operating income		5	–	5
Total income	2	323	–	323
GAINS AND LOSSES ON INVESTMENTS				
Losses on investments at fair value through profit or loss		–	(6,779)	(6,779)
Other exchange gains		–	189	189
Trail commission		–	70	70
		323	(6,520)	(6,197)
EXPENSES				
Management fees	3	(255)	–	(255)
Other expenses		(121)	–	(121)
		(376)	–	(376)
LOSS BEFORE FINANCE COSTS AND TAX		(53)	(6,520)	(6,573)
Finance costs		–	–	–
LOSS BEFORE TAX		(53)	(6,520)	(6,573)
Tax		68	355	423
PROFIT/(LOSS) FOR THE PERIOD		15	(6,165)	(6,150)
EARNINGS PER SHARE				
Ordinary shares (pence)	4	0.02	(8.68)	(8.66)

The total column of this statement represents the Group's Statement of Comprehensive Income, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31st December 2010 and the year ended 30th June 2011

	Six months ended 31st December 2010 <i>(unaudited)</i>			Year ended 30th June 2011 <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	259	–	259	391	–	391
Other operating income	6	–	6	11	–	11
Total income	2 265	–	265	402	–	402
GAINS AND LOSSES ON INVESTMENTS						
Gains on investments at fair value						
through profit or loss	–	9,002	9,002	–	8,388	8,388
Other exchange losses	–	(285)	(285)	–	(414)	(414)
Trail commission	–	31	31	–	92	92
	265	8,748	9,013	402	8,066	8,468
EXPENSES						
Management fees	3 (274)	–	(274)	(552)	–	(552)
Other expenses	(125)	–	(125)	(270)	–	(270)
	(399)	–	(399)	(822)	–	(822)
(LOSS)/PROFIT BEFORE FINANCE COSTS AND TAX						
Finance costs	–	–	–	–	–	–
(LOSS)/PROFIT BEFORE TAX	(134)	8,748	8,614	(420)	8,066	7,646
Tax	19	(397)	(378)	147	(281)	(134)
(LOSS)/PROFIT FOR THE PERIOD	(115)	8,351	8,236	(273)	7,785	7,512
EARNINGS PER SHARE						
Ordinary shares (pence)	4 (0.16)	11.76	11.60	(0.38)	10.96	10.58

The total column of this statement represents the Group's Statement of Comprehensive Income, prepared in accordance with IFRS. The supplementary revenue return and capital return columns are both prepared under guidance published by the Association of Investment Companies. All items in the above statement derive from continuing operations. No operations were acquired or discontinued during the periods.

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

NEW STAR INVESTMENT TRUST PLC

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 six months ended 31st December 2010
(unaudited)

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2010	710	21,573	56,908	(11,219)	67,972
Total comprehensive income for the period	–	–	–	8,236	8,236
AT 31ST DECEMBER 2010	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>(2,983)</u>	<u>76,208</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30th June 2011
(audited)

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

NEW STAR INVESTMENT TRUST PLC

CONSOLIDATED BALANCE SHEET

at 31st December 2011

	Notes	31st December 2011 (unaudited) £'000	31st December 2010 (unaudited) £'000	30th June 2011 (audited) £'000
NON-CURRENT ASSETS				
Investments at fair value through profit or loss	5	52,245	61,895	60,692
CURRENT ASSETS				
Other receivables		138	1,043	61
Cash and cash equivalents		17,321	14,267	15,495
		17,459	15,310	15,556
TOTAL ASSETS		69,704	77,205	76,248
CURRENT LIABILITIES				
Other payables		(201)	(212)	(221)
TOTAL ASSETS LESS CURRENT LIABILITIES		69,503	76,993	76,027
NON-CURRENT LIABILITIES				
Deferred tax liability		(169)	(785)	(543)
NET ASSETS		69,334	76,208	75,484
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	(9,857)	(2,983)	(3,707)
TOTAL EQUITY		69,334	76,208	75,484
NET ASSET VALUE PER ORDINARY SHARE (PENCE)	7	97.62	107.30	106.28

This half year report was approved and authorised for issue by the Board on 23rd February 2012.

NEW STAR INVESTMENT TRUST PLC

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 31st December 2011

	Six months ended 31st December 2011 <i>(unaudited)</i> £'000	Six months ended 31st December 2010 <i>(unaudited)</i> £'000	Year ended 30th June 2011 <i>(audited)</i> £'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>(31)</u>	<u>(1,136)</u>	<u>(361)</u>
FINANCIAL INVESTMENT			
Purchase of investments	(2,518)	(6,211)	(8,247)
Sale of investments	4,186	2,227	4,845
NET CASH INFLOW/(OUTFLOW) FROM FINANCIAL INVESTMENT	<u>1,668</u>	<u>(3,984)</u>	<u>(3,402)</u>
EQUITY DIVIDENDS PAID	–	–	–
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING	1,637	(5,120)	(3,763)
FINANCING	–	–	–
INCREASE/(DECREASE) IN CASH	<u>1,637</u>	<u>(5,120)</u>	<u>(3,763)</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Increase/(decrease) in cash resulting from cash flows	1,637	(5,120)	(3,763)
Exchange movements	189	(285)	(414)
Movement in net funds	1,826	(5,405)	(4,177)
Net funds at start of period/year	<u>15,495</u>	<u>19,672</u>	<u>19,672</u>
NET FUNDS AT END OF PERIOD/YEAR	<u>17,321</u>	<u>14,267</u>	<u>15,495</u>
RECONCILIATION OF (LOSS)/PROFIT BEFORE FINANCE COSTS AND TAXATION TO NET CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/profit before finance costs and taxation	(6,573)	8,614	7,646
Losses/(gains) on investments	6,779	(9,002)	(8,388)
Exchange differences	(189)	285	414
Capital trail commission	(70)	(31)	(92)
Net loss before finance costs and taxation	<u>(53)</u>	<u>(134)</u>	<u>(420)</u>
Rolled-up interest	–	(28)	–
Increase in debtors	(12)	(981)	(20)
Decrease in creditors	(20)	(18)	(9)
Taxation	(16)	(6)	(4)
Capital trail commission	70	31	92
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>(31)</u>	<u>(1,136)</u>	<u>(361)</u>

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 2011. The comparative information for the six months to 31st December 2010 and the year to 30th June 2011 do not constitute statutory accounts under the Companies Act 2006. Full statutory accounts for the year to 30th June 2011 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 2011, which are prepared in accordance with IFRSs as adopted by the European Union.

2. Total income

	For the six months ended 31st December 2011 £'000	For the six months ended 31st December 2010 £'000	For the year ended 30th June 2011 £'000
Income from investments			
UK net dividend income	80	37	120
UK unfranked investment income	238	194	271
Interest on convertible loan stock	–	28	–
	<u>318</u>	<u>259</u>	<u>391</u>
Operating Income			
Bank interest receivable	5	6	11
	<u>5</u>	<u>6</u>	<u>11</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

	For the six months ended 31st December 2011 £'000	For the six months ended 31st December 2010 £'000	For the year ended 30th June 2011 £'000
Total income comprises			
Dividends	318	231	391
Interest on convertible loan stock	–	28	–
Bank interest	5	6	11
	<u>323</u>	<u>265</u>	<u>402</u>

3. Management fees

	For the six months ended 31st December 2011 £'000	For the six months ended 31st December 2010 £'000	For the year ended 30th June 2011 £'000
Investment management	255	274	552
Performance fee	–	–	–
	<u>255</u>	<u>274</u>	<u>552</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 2011 £'000	For the six months ended 31st December 2010 £'000	For the year ended 30th June 2011 £'000
Revenue return	15	(115)	(273)
Capital return	(6,165)	8,351	7,785
Total return	<u>(6,150)</u>	<u>8,236</u>	<u>7,512</u>
Weighted average number of Ordinary shares	71,023,695	71,023,695	71,023,695
Revenue return per Ordinary share	0.02p	(0.16)p	(0.38)p
Capital return per Ordinary share	<u>(8.68)p</u>	<u>11.76p</u>	<u>10.96p</u>
Total return per Ordinary share	<u>(8.66)p</u>	<u>11.60p</u>	<u>10.58p</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

	Six months ended 31st December 2011 £'000	Six months ended 31st December 2010 £'000	Year ended 30th June 2011 £'000
GROUP AND COMPANY	52,245	61,895	60,692
ANALYSIS OF INVESTMENT PORTFOLIO – GROUP AND COMPANY			
Six months ended 31st December 2011			
	Listed* £'000	Unlisted £'000	Total £'000
Opening book cost	44,435	5,093	49,528
Opening investment holding gains/(losses)	13,416	(2,252)	11,164
Opening valuation	57,851	2,841	60,692
Movement in period:			
Purchases at cost	2,518	–	2,518
Sales			
– Proceeds	(4,126)	(60)	(4,186)
– Realised gains on sales	1,606	10	1,616
Investment holding losses	(8,303)	(92)	(8,395)
Closing valuation	49,546	2,699	52,245
Closing book cost	44,433	5,043	49,476
Unrealised investment holding gains/(losses)	5,113	(2,344)	2,769
Closing valuation	49,546	2,699	52,245

* 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 2011 £'000	Six months ended 31st December 2010 £'000	Year ended 30th June 2011 £'000
ANALYSIS OF CAPITAL GAINS AND LOSSES			
Realised gains/(losses) on sales of investments	1,616	(6,394)	(5,349)
(Decrease)/increase in investment holding gains	(8,395)	15,396	13,737
	<u>(6,779)</u>	<u>9,002</u>	<u>8,388</u>

6. Retained earnings

The components of retained earnings are set out below:

	Six months ended 31st December 2011 £'000	Six months ended 31st December 2010 £'000	Year ended 30th June 2011 £'000
Capital reserve – realised	(12,561)	(15,970)	(14,791)
Capital reserve – revaluation	2,571	12,711	10,966
Revenue reserve	133	276	118
	<u>(9,857)</u>	<u>(2,983)</u>	<u>(3,707)</u>

NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

	31st December 2011 £'000	31st December 2010 £'000	30th June 2011 £'000
Net assets attributable to Ordinary shareholders	<u>69,334</u>	<u>76,208</u>	<u>75,484</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>97.62p</u></u>	<u><u>107.30p</u></u>	<u><u>106.28p</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.

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