

NEW STAR INVESTMENT TRUST PLC

INTERIM REPORT

for the six months ended 31st December 2013



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 Conduct Authority*)

### SECRETARY AND ADMINISTRATOR

Phoenix Administration Services Limited

Springfield Lodge, Colchester Road, Chelmsford, Essex CM2 5PW

*Telephone: 01245 398950 Facsimile: 01245 398951*

### 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](http://www.shareview.co.uk)*

### WEBSITE

[www.nsitplc.com](http://www.nsitplc.com)

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

## FINANCIAL HIGHLIGHTS

	31st December 2013	30th June 2013	% Change
PERFORMANCE			
Net assets (£ '000)	75,595	73,320	3.1
Net asset value per Ordinary share	106.44p	103.23p	3.1
Mid-market price per Ordinary share	68.50p	67.50p	1.5
Discount (Premium) of price to net asset value	35.6%	34.6%	N/A
NAV performance	3.1%	5.3%	
IMA Mixed Investment 40%–85% Shares (total return)	6.6%	7.3%	
MSCI AC World Index (total return, sterling adjusted)	6.3%	14.0%	
MSCI UK Index (total return)	10.2%	7.5%	
	Six months ended 31st December 2013	Six months ended 31st December 2012	
REVENUE			
Return per Ordinary share	0.25p		0.24p
Dividend per Ordinary share	–		–
TOTAL RETURN			
Net assets	3.1%		5.3%

NEW STAR INVESTMENT TRUST PLC

## INTERIM MANAGEMENT REPORT

### CHAIRMAN'S STATEMENT

Your Company's total assets rose 3.1% to £75.6 million over the half year to 31st December 2013. Over this period, the IMA Mixed Investment 40-85% Shares Index gained 6.6%, the MSCI AC World Total Return Index gained 6.3% while the MSCI UK Total Return Index gained 10.2%. At the period end, the net asset value per ordinary share was 106.44p.

The principal reasons why your Company lagged global equity markets during the period under review were its cautious positioning, with cash and cash equivalents accounting for a substantial proportion of its assets, and its holdings in natural resources and emerging markets.

The net revenue profit for the period was £179,000 compared with £172,000 in the prior period. As in previous years, your directors are not recommending payment of an interim dividend to shareholders.

The Company's shares continue to trade at a significant discount to net asset value. The Board continues to review the situation, but they do not anticipate a significant change in the near future.

#### **Market review**

After months of speculation, the Federal Reserve announced in December that it would start tapering the pace of monetary expansion, signalling the first step on the road to withdrawing the monetary stimulus that has been the signature policy of the post credit crisis years. Ben Bernanke, the architect of post-credit crisis monetary policy, has retired after presiding over a period of extraordinary, some might say experimental, monetary policy. His legacy rests on the ability of the US economic recovery to withstand the gradual withdrawal of stimulus. Strong US employment, manufacturing and housing data preceded this move and may presage an acceleration in US economic growth in 2014 and investors ultimately took the onset of tapering in their stride.

Treasury and gilt yields rose rapidly but bond market losses were contained by the Fed's commitment to keep interest rates low well past the time when US unemployment falls below 6.5%. In the UK, Mark Carney, the Bank of England governor, recently distanced himself from his own forward guidance as economic strength led to a more rapid fall in unemployment than anticipated. Carney is also committed to keeping interest rates low well past the time when unemployment falls below target.

NEW STAR INVESTMENT TRUST PLC

INTERIM MANAGEMENT REPORT

CHAIRMAN'S STATEMENT

*continued*

While developed economic stockmarkets were strong, the period under review was a disappointing one for developing economy stockmarkets, with Asia Pacific ex-Japan equities rising just 0.64% in sterling and emerging market equities falling 1.22% in sterling. Your Company has significant holdings in these equity markets, which proved vulnerable to capital flight as treasury yields started to rise. Regional central banks may ultimately be forced to combat currency weakness and the attendant risk of rising inflation with interest rate rises irrespective of the adverse impact on growth.

The European central bank (ECB), by contrast, cut its policy interest rate in the final quarter in response to the deflationary risk posed by persistently high unemployment. The ECB is likely to maintain a highly accommodative monetary policy for longer than the UK or the US.

Japanese monetary policy also remains expansionary and conviction is growing that more than a year of "Abenomics" has been successful in igniting inflation. Evidence of a major change in consumer behaviour is widespread. Increased consumer spending is apparent in the growth of motor vehicle registrations and housing starts. Bank lending is expanding and Japanese business confidence is high.

**Portfolio review**

UK mid and smaller companies performed strongly in the second half of 2013 as economic recovery gathered pace. Companies in these market tiers generally are more sensitive to domestic economic trends than their larger peers. UK smaller companies returned 17.40% compared to 10.22% from UK equities as a whole in the six months and the Investment Management Association (IMA) UK smaller companies sector was the best performing IMA sector last year. The Aberforth Geared Income Trust was the best-performing fund during the period, returning 41.85%. Artemis UK Special Situations and PFS Brompton UK Recovery also have a high portfolio allocation to UK smaller companies and returned 16.54% and 15.16% respectively. Your Company invested in the iShares FTSE 250 exchange-traded fund (ETF) as a low-cost way of increasing the exposure to medium-sized companies.

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INTERIM MANAGEMENT REPORT

CHAIRMAN'S STATEMENT

*continued*

The gold price fell 10.24% in sterling terms as rising bond yields and greater confidence in economic growth reduced the attractions of this nil-yielding asset. The ETFS Gold Bullion Securities ETF and Blackrock Gold & General fell 7.89% and 8.07% respectively. A number of the major gold producers now have new management teams at the helm committed to reducing costs, instilling greater financial discipline when allocating capital and focusing on improving shareholder returns. The gold mining equities in the Blackrock Gold & General portfolio should benefit from these trends while the gold price appeared to be stabilising in the early weeks of 2014 as the pace of capital outflows from gold ETFs slowed.

Chinese economic data has been soft for some time, raising concerns that China may fail to deliver target economic growth of 7.5% in 2014 and affecting your Company's investments in Asian equities. Shibor, the Chinese interbank lending rate, is on a rising trend and could prove to be an indicator of stress in the banking system. The Chinese banking system is ultimately state-controlled and the People's Bank of China is likely to continue injecting funds to prevent a serious liquidity squeeze but concerns remain that banks will be forced to write-off significant amounts of non-performing loans. Without a major refinancing, this would severely restrict banks' ability to lend and maintain economic growth.

Your Company's emerging market equity investments were caught up in the general capital flight from emerging markets and concerns about Chinese growth. Your Company did, however, benefit from its selective approach to investing in these markets. Wells Fargo China Equity was the best-performing developing economy equity fund, posting a gain of 10.88%, while Aberdeen Asia Pacific Equity was the weakest, falling 6.80%. The generalist Atlantis China fund was sold and the proceeds reinvested in Atlantis China Healthcare, which is a beneficiary of rising consumer spending and has no exposure to the banking sector.

NEW STAR INVESTMENT TRUST PLC

INTERIM MANAGEMENT REPORT

CHAIRMAN'S STATEMENT

*continued*

**Outlook**

This year will be one in which investors assess the success of quantitative easing and whether, after four years of money printing, US economic growth is robust enough to withstand the gradual withdrawal of stimulus. At New Year, confidence was running high as testified by the performance of equity markets. The Fed was able to cite the waning efficacy of continued monetary easing and fears of promoting excessive risk-taking in financial markets as twin justifications for this major policy reversal. In January, markets were in a more volatile phase as investors pondered the impact of tapering on developed market bond yields and emerging market capital flows and slowing Chinese economic growth. Your Company's significant cash holding and diversified approach across asset classes should provide a measure of protection if equity market volatility increases.

The unaudited net asset value at 31 January 2014 was 105.69p per Ordinary share.

Geoffrey Howard-Spink  
Chairman  
21st February 2014

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INTERIM MANAGEMENT REPORT

DIRECTORS' REPORT

**Performance**

In the six months to 31st December 2013 the net asset value per Ordinary share increased by 3.1% to 106.44p. In the same period the share price increased by 1.5% to 68.50p. This compares to an increase of 6.6% in the IMA Mixed Investment 40%–85% Shares 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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INTERIM MANAGEMENT REPORT

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 (2012: 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 2013.

**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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DIRECTORS' REPORT

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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. The Company's portfolio is 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 The Investment Trusts (Approved company) (Tax) Regulations 2011 (the Regulations) 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 Corporate 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 the Regulations.

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DIRECTORS' REPORT

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*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.

**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 operational 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.

**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 2013 has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting';

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INTERIM MANAGEMENT REPORT

DIRECTORS' REPORT

*continued*

- 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  
21st February 2014

## 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 2013 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 Conduct 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 2013 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 Conduct Authority.

Ernst & Young LLP  
London  
21st February 2014

## SCHEDULE OF TOP TWENTY INVESTMENTS

*at 31st December 2013*

Holding	Activity	Bid-market value £ '000	% of invested portfolio
Henderson Euro Special Situations Fund	Investment Fund	7,834	13.40
Fundsmith Equity Fund	Investment Fund	4,869	8.33
Investec Africa Fund	Investment Fund	4,800	8.21
Artemis UK Special Situations Fund	Investment Fund	3,908	6.68
Aberforth Geared Income Trust	Investment Company	3,323	5.68
Trojan Investment Fund	Investment Fund	2,907	4.97
BlackRock Gold & General Fund	Investment Fund	2,799	4.79
Aquilus Inflection Fund	Investment Fund	2,633	4.50
Polar Capital Global Technology Fund	Investment Fund	2,030	3.47
FP Brompton Global Opportunities Fund	Investment Fund	1,967	3.36
FP Brompton Global Income Fund	Investment Fund	1,947	3.33
PFS Brompton UK Recovery Unit Trust	Investment Fund	1,935	3.31
Gold Bullion Securities Ltd	Exchange Traded Fund	1,931	3.30
FP Brompton Global Equity Fund	Investment Fund	1,736	2.97
Standard Life Investment European Income Fund	Investment Fund	1,730	2.96
First State Indian Subcontinent Fund	Investment Fund	1,606	2.75
Neptune Russia & Greater Russia Fund	Investment Fund	1,561	2.67
Fidelity Funds Global Inflation Linked Bond Fund	Investment Fund	1,351	2.31
Aberdeen Asia Pacific Fund	Investment Fund	1,226	2.10
BH Global Limited	Investment Company	1,222	2.09
		53,315	91.18
Balance held in 15 investments		5,160	8.82
Total investments (excluding cash)		58,475	100.00

The investment portfolio can be further analysed as follows:

Equities (including investment companies)	7,428
Loan	56
Investment funds and ETFs	50,991
	58,475

All the Company's investments are either unlisted or are unit trust/OEIC funds with the exception of Aberforth Geared Income Trust, BH Global Limited, Miton Group Plc, Gold Bullion Securities ETF, iShares FTSE 250, Immedia Broadcasting and Asia Resource Minerals PLC (formerly Bumi Plc).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*for the six months ended 31st December 2013*

		Six months ended 31st December 2013 <i>(unaudited)</i>		
	<i>Notes</i>	Revenue Return £'000	Capital Return £'000	Total Return £'000
<b>INCOME</b>				
Investment income		559	–	559
Other operating income		5	–	5
<b>Total income</b>	<b>2</b>	<b>564</b>	<b>–</b>	<b>564</b>
<b>GAINS AND LOSSES ON INVESTMENTS</b>				
Gains on investments at fair value through profit or loss		–	2,591	2,591
Other exchange losses		–	(502)	(502)
Management fee rebates		–	7	7
		<b>564</b>	<b>2,096</b>	<b>2,660</b>
<b>EXPENSES</b>				
Management fees	3	(254)	–	(254)
Other expenses		(131)	–	(131)
		<b>(385)</b>	<b>–</b>	<b>(385)</b>
<b>PROFIT BEFORE FINANCE COSTS AND TAX</b>		<b>179</b>	<b>2,096</b>	<b>2,275</b>
Finance costs		–	–	–
<b>PROFIT BEFORE TAX</b>		<b>179</b>	<b>2,096</b>	<b>2,275</b>
Tax		–	–	–
<b>PROFIT FOR THE PERIOD</b>		<b>179</b>	<b>2,096</b>	<b>2,275</b>
<b>EARNINGS PER SHARE</b>				
Ordinary shares (pence)	4	0.25	2.95	3.20

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 2012 and the year ended 30th June 2013*

	Six months ended 31st December 2012 <i>(unaudited)</i>			Year ended 30th June 2013 <i>(audited)</i>		
	Revenue Return	Capital Return	Total Return	Revenue Return	Capital Return	Total Return
<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>INCOME</b>						
Investment income	486	–	486	688	–	688
Other operating income	3	–	3	7	–	7
<b>Total income</b>	<b>489</b>	<b>–</b>	<b>489</b>	<b>695</b>	<b>–</b>	<b>695</b>
	2					
<b>GAINS AND LOSSES ON INVESTMENTS</b>						
Gains on investments at fair value through profit or loss	–	3,771	3,771	–	4,996	4,996
Other exchange (losses)/gains	–	(281)	(281)	–	109	109
Management fee rebates	–	26	26	–	34	34
	<u>489</u>	<u>3,516</u>	<u>4,005</u>	<u>695</u>	<u>5,139</u>	<u>5,834</u>
<b>EXPENSES</b>						
Management fees	(244)	–	(244)	(493)	–	(493)
Other expenses	(115)	–	(115)	(237)	–	(237)
	<u>(359)</u>	<u>–</u>	<u>(359)</u>	<u>(730)</u>	<u>–</u>	<u>(730)</u>
<b>PROFIT BEFORE FINANCE COSTS AND TAX</b>						
	130	3,516	3,646	(35)	5,139	5,104
Finance costs	–	–	–	–	–	–
<b>LOSS BEFORE TAX</b>	<b>130</b>	<b>3,516</b>	<b>3,646</b>	<b>(35)</b>	<b>5,139</b>	<b>5,104</b>
Tax	42	(64)	(22)	–	149	149
<b>PROFIT FOR THE PERIOD</b>	<b>172</b>	<b>3,452</b>	<b>3,624</b>	<b>(35)</b>	<b>5,288</b>	<b>5,253</b>
<b>EARNINGS PER SHARE</b>						
Ordinary shares (pence)	0.24	4.86	5.10	(0.05)	7.45	7.40
	4					

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 2013**(unaudited)*

	Share capital £'000	Share premium £'000	Special reserve £'000	Retained earnings £'000	Total £'000
AT 30TH JUNE 2013	710	21,573	56,908	(5,871)	73,320
<b>Total comprehensive income for the period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,275</u>	<u>2,275</u>
AT 31ST DECEMBER 2013	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>(3,596)</u>	<u>75,595</u>

## 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
<b>Total comprehensive income for the period</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,624</u>	<u>3,624</u>
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 year ended 30th June 2013**(audited)*

	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
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,253</u>	<u>5,253</u>
AT 30TH JUNE 2013	<u>710</u>	<u>21,573</u>	<u>56,908</u>	<u>(5,871)</u>	<u>73,320</u>

NEW STAR INVESTMENT TRUST PLC

CONSOLIDATED BALANCE SHEET

at 31st December 2013

		31st December 2013 <i>(unaudited)</i> £ '000	31st December 2012 <i>(unaudited)</i> £ '000	30th June 2013 <i>(audited)</i> £ '000
	<i>Notes</i>			
NON-CURRENT ASSETS				
Investments at fair value through profit or loss	5	<u>58,475</u>	<u>59,021</u>	<u>58,326</u>
CURRENT ASSETS				
Other receivables		154	74	251
Cash and cash equivalents		<u>17,184</u>	<u>12,980</u>	<u>14,969</u>
		<u>17,338</u>	<u>13,054</u>	<u>15,220</u>
TOTAL ASSETS		75,813	72,075	73,546
CURRENT LIABILITIES				
Other payables		<u>(218)</u>	<u>(213)</u>	<u>(226)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		75,595	71,862	73,320
NON-CURRENT LIABILITIES				
Deferred tax liability		<u>–</u>	<u>(171)</u>	<u>–</u>
NET ASSETS		<u>75,595</u>	<u>71,691</u>	<u>73,320</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>(3,596)</u>	<u>(7,500)</u>	<u>(5,871)</u>
TOTAL EQUITY		<u>75,595</u>	<u>71,691</u>	<u>73,320</u>
NET ASSET VALUE PER ORDINARY SHARE (PENCE)	7	<u>106.44</u>	<u>100.94</u>	<u>103.23</u>

The half year report was approved and authorised for issue by the Board on 21st February 2014.

## CONSOLIDATED CASH FLOW STATEMENT

*for the six months ended 31st December 2013*

	Six months ended 31st December 2013 <i>(unaudited)</i> £'000	Six months ended 31st December 2012 <i>(unaudited)</i> £'000	Year ended 30th June 2013 <i>(audited)</i> £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>246</u>	<u>194</u>	<u>22</u>
INVESTING ACTIVITIES			
Purchase of investments	(2,371)	(13,258)	(15,008)
Sale of investments	<u>4,842</u>	<u>9,144</u>	<u>12,665</u>
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	<u>2,471</u>	<u>(4,114)</u>	<u>(2,343)</u>
EQUITY DIVIDENDS PAID	–	–	–
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING FINANCING	<u>2,717</u>	<u>(3,920)</u>	<u>(2,321)</u>
	–	–	–
INCREASE/(DECREASE) IN CASH	<u>2,717</u>	<u>(3,920)</u>	<u>(2,321)</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
Increase/(decrease) in cash resulting from cash flow	2,717	(3,920)	(2,321)
Exchange movements	<u>(502)</u>	<u>(281)</u>	<u>109</u>
Movement in net funds	2,215	(4,201)	(2,212)
Net funds at start of period/year	<u>14,969</u>	<u>17,181</u>	<u>17,181</u>
NET FUNDS AT END OF PERIOD/YEAR	<u>17,184</u>	<u>12,980</u>	<u>14,969</u>
RECONCILIATION OF PROFIT BEFORE FINANCE COSTS AND TAXATION TO NET CASH FLOW FROM OPERATING ACTIVITIES			
Profit before finance costs and taxation	2,275	3,646	5,104
Gains on investments	(2,591)	(3,771)	(4,996)
Exchange differences	502	281	(109)
Management fee rebates	<u>(7)</u>	<u>(26)</u>	<u>(34)</u>
Net profit/(loss) before finance costs and taxation	179	130	(35)
Decrease/(increase) in debtors	37	22	(6)
Decrease in creditors	(8)	(19)	(6)
Taxation	31	35	35
Management fee rebates	<u>7</u>	<u>26</u>	<u>34</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>246</u>	<u>194</u>	<u>22</u>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

*for the six months ended 31st December 2013***1. Accounting policies**

The consolidated half year financial statements on pages 16 to 26 comprise the unaudited results of the Company and its subsidiary, JIT Securities Limited, for the six months to 31st December 2013. The comparative information for the six months to 31st December 2012 and the year to 30th June 2013 do not constitute statutory accounts under the Companies Act 2006. Full statutory accounts for the year to 30th June 2013 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 2013, which are prepared in accordance with IFRSs as adopted by the European Union.

**2. Total income**

	For the six months ended 31st December 2013 £'000	For the six months ended 31st December 2012 £'000	For the year ended 30th June 2013 £'000
<b>Income from Investments</b>			
UK net dividend income	536	418	561
UK unfranked investment income	23	68	127
	<u>559</u>	<u>486</u>	<u>688</u>
<b>Operating Income</b>			
Bank interest receivable	5	3	7
	<u>5</u>	<u>3</u>	<u>7</u>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

	For the six months ended 31st December 2013 £'000	For the six months ended 31st December 2012 £'000	For the year ended 30th June 2013 £'000
<b>Total income comprises</b>			
Dividends	559	486	688
Other income	5	3	7
	<u>564</u>	<u>489</u>	<u>695</u>

**3. Management fees**

	For the six months ended 31st December 2013 £'000	For the six months ended 31st December 2012 £'000	For the year ended 30th June 2013 £'000
Investment management	254	244	493
Performance fee	–	–	–
	<u>254</u>	<u>244</u>	<u>493</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 2013 £'000	For the six months ended 31st December 2012 £'000	For the year ended 30th June 2013 £'000
Revenue return	179	172	(35)
Capital return	<u>2,096</u>	<u>3,452</u>	<u>5,288</u>
Total return	<u><u>2,275</u></u>	<u><u>3,624</u></u>	<u><u>5,253</u></u>
Weighted average number of Ordinary shares	71,023,695	71,023,695	71,023,695
Revenue return per Ordinary share	0.25p	0.24p	(0.05)p
Capital return per Ordinary share	<u>2.95p</u>	<u>4.86p</u>	<u>7.45p</u>
Total return per Ordinary share	<u><u>3.20p</u></u>	<u><u>5.10p</u></u>	<u><u>7.40p</u></u>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

	At 31st December 2013 £'000	At 31st December 2012 £'000	At 30th June 2013 £'000
GROUP AND COMPANY	<u>58,475</u>	<u>59,021</u>	<u>58,326</u>
ANALYSIS OF INVESTMENT PORTFOLIO – GROUP AND COMPANY Six months ended 31st December 2013			
	Listed* £'000	Unlisted £'000	Total £'000
Opening book cost	48,997	4,808	53,805
Opening investment holding gains/(losses)	<u>7,619</u>	<u>(3,098)</u>	<u>4,521</u>
Opening valuation	56,616	1,710	58,326
Movement in period:			
Purchase at cost	2,371	–	2,371
Sales			
– Proceeds	(4,517)	(296)	(4,813)
– Realised gains on sales	(5)	–	(5)
Investment holding gains/(losses)	<u>2,804</u>	<u>(208)</u>	<u>2,596</u>
Closing valuation	<u>57,269</u>	<u>1,206</u>	<u>58,475</u>
Closing book cost	46,846	4,512	51,358
Unrealised investment holding gains/(losses)	<u>10,423</u>	<u>(3,306)</u>	<u>7,117</u>
Closing valuation	<u>57,269</u>	<u>1,206</u>	<u>58,475</u>

\* 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*

	For the six months ended 31st December 2013 £'000	For the six months ended 31st December 2012 £'000	For the year ended 30th June 2013 £'000
ANALYSIS OF CAPITAL GAINS AND LOSSES			
Realised (losses)/gains on sales of investments	(5)	1,299	1,624
Increase in investment holding gains	2,596	2,472	3,372
	<u>2,591</u>	<u>3,771</u>	<u>4,996</u>

The unlisted investments at 31st December 2013 include loans of £56,000 and equities of £1,150,000. All unlisted investments are fair valued and are valued by reference to valuation techniques using inputs that are not based on observable market data for the asset ('Level 3' assets). All other investments are valued using unadjusted prices ('Level 1' assets). Details of the definitions and valuation approach adopted are given in the accounts for the year ended 30th June 2013. There were no reclassifications for assets between Level 1 and Level 3. There were no liabilities measured at fair value.

**6. Retained earnings**

	For the six months ended 31st December 2013 £'000	For the six months ended 31st December 2012 £'000	For the year ended 30th June 2013 £'000
Capital reserve – realised	(10,624)	(11,024)	(10,124)
Capital reserve – revaluation	6,844	3,312	4,248
Revenue reserve	184	212	5
	<u>(3,596)</u>	<u>(7,500)</u>	<u>(5,871)</u>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

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

	31st December 2013 £'000	31st December 2012 £'000	30th June 2013 £'000
Net assets attributable to Ordinary shareholders	75,595	71,691	73,320
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>106.44p</u>	<u>100.94p</u>	<u>103.23p</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 (30th June 2013: four) investments managed by the Investment manager. Two further investments have been made since the period end.







