

The logo features the word "BLACKSTAR" in a bold, white, sans-serif font. To the right of the text is a stylized four-pointed starburst graphic. A thin white horizontal line runs across the top of the page, passing through the starburst.

# BLACKSTAR

Blackstar Group Plc  
Interim Report 2009

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Blackstar Group Plc  
Interim Report 2009

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## Highlights

- Maiden set of financial results incorporating trading subsidiaries
- Increase in attributable net asset value (“NAV”) after returning £5.8 million to shareholders
- Gross assets have more than doubled since inception
- Internalisation of investment advisory arrangements
- Realisation of investments in DCD-Dorbyl (Pty) Limited (“DCD”) and Credit U Holdings Limited (“Credit U”)
- Acquisition of Ferro Industrial Products (Pty) Limited (“Ferro”) and increase of shareholding in Kulungile Metals Group (Pty) Limited (“KMG”)

# Directors' statement

## Introduction

The six months to June 2009 have been some of the most turbulent times in living memory and certainly the most challenging period since Blackstar Group Plc's ("Blackstar" or "the Company") inception. This interim period also marks the first time that Blackstar has consolidated the financial results of two of its subsidiary companies, namely KMG (previously 47.5% shareholding held as part of the Group's investment portfolio and carried at fair value) and Ferro (which was acquired in January 2009). This set of consolidated results, which includes only four months for KMG and six months for Ferro, were adversely affected by the performance of KMG. KMG experienced some of the worst trading months in its history as a result of declining steel prices, which required them to write down the value of their inventory.

The first-time consolidation of the financial results of Blackstar's subsidiary companies has resulted in significant changes to the presentation of the Company's consolidated balance sheet. As a result we have included a pro-forma balance sheet in Annexure A, which presents the Company's financial information assuming that it was not required to consolidate investee companies, and provides information that is relevant for comparison of the Company's balance sheet to prior reporting periods.

The carrying value of investments was impacted by the Company's residual investment in York Timber Holding Limited ("York"). York's share price fell on the back of concerns over gearing levels and the fall in timber demand. However, despite the performances of York and KMG, the Company's NAV attributable to equity holders increased marginally from £93.2 million at 31 December 2008 to £93.9 million at 30 June 2009. This slight increase in NAV was after Blackstar returned £5.8 million to its shareholders through a tender offer and the buy-back of shares, which indicates the strength of Blackstar's underlying businesses.

During the period Blackstar also realised its investments in both Credit U and DCD.

A key variable in Blackstar's business is the South African Rand ("Rand"). As at 30 June 2009 the Rand was the best performing currency globally against the US Dollar year to date, up 21.5% ahead of the Brazilian Real (17.9%) and the Australian Dollar (14.6%). South African interest rates have been cut significantly, falling 400 basis points since January 2009.

During the period under review, Blackstar concluded the internalisation of its investment advisory arrangements and completed a £5.0 million tender offer to its shareholders. Following the internalisation Blackstar has a strong balance sheet with £12.8 million cash available for investments.

## Financial Review

Revenue for the six months ended 30 June 2009 amounted to £62.1 million of which KMG contributed £48.2 million for the four months since acquisition and Ferro £13.9 million for the six months since acquisition. The two trading subsidiaries achieved a gross profit of £5.6 million, after taking into account KMG's write down of inventory to net realisable value of £3.6 million.

A net loss on investments of £4.9 million was incurred from investing activities which can be attributed to the write down of the Company's investment in York. The performance fee provision from prior periods, amounting to £0.2 million, was reversed on internalisation of the Company's investment advisory arrangements.

Finance costs increased significantly to £2.5 million for the six month period under review as a result of the consolidation of KMG and Ferro.

The loss after tax attributable to equity holders of Blackstar amounted to £6.5 million of which KMG contributed a loss of £2.3 million and Ferro contributed £0.4 million profit. As a result of this loss, the Company reported an attributable loss per share of 8.84 pence for the six month period.

Gross assets increased to £164.0 million and have more than doubled since Blackstar's inception.

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## Directors' statement continued

Goodwill and intangible assets are discussed in detail under a separate heading.

Investments classified as loans and receivables amounted to £16.4 million at 30 June 2009, a decline of £33.8 million when compared to the 31 December 2008 balance. £22.7 million of this movement was as a result of loans to and preference shares held in KMG now being classified as inter-group transactions on acquisition of a controlling interest in the company and have therefore been eliminated on consolidation. The balance resulted from the realisation of the Company's investments in DCD and Credit U.

Blackstar's gearing levels increased, largely due to the acquisition debt within both Ferro and KMG which amounted to £25.9 million. This debt is ring-fenced within each subsidiary company.

Other financial liabilities of £24.0 million mainly comprise secured, interest bearing, short term loans within Blackstar's subsidiary companies.

A satisfactory working capital performance assisted Blackstar in generating cashflow of £3.2 million from operating activities. A total cash outflow of £23.3 million arose as a result of the acquisition of subsidiaries and internalisation of investment advisory arrangements. Proceeds from disposal of investments amounted to £24.1 million comprising the settlement of the Credit U loan and proceeds on realisation of investments in DCD.

Gearing levels were improved as a result of repayments of borrowings and other financial liabilities of £11.9 million. Both KMG and Ferro are comfortably meeting their covenants and their debt servicing schedules.

### **KMG Operating Review**

KMG is South Africa's third largest processor, distributor and stockist of carbon steel, stainless steel and aluminum in the form of high quality sheet, plate and coil as well as structural and other long product profiles. KMG also owns 100% of Global Roofing Solutions (Pty) Limited ("GRS"), the largest steel roofing and cladding company in South Africa. In March 2009, Blackstar increased its shareholding in KMG from 47.5% to 73%.

During the six months from January 2009 to June 2009, global steel markets have experienced one of the most difficult and challenging periods in a long time.

As a result of an abnormally busy first nine months of 2008, inventory levels in all areas of the South African steel market had risen to an all-time high, however demand was slowing down at a fast rate, whilst inventory levels were still building up. Demand for steel in South Africa during the first six months of 2009, declined by approximately 30%, compared to the average consumption of the previous year. Prices reduced on average by approximately 65% compared to the highest levels achieved during 2008.

Due to the changing market conditions, KMG management began to take preventative measures in October 2008, and implemented actions to alleviate some of the negative effects of the deteriorating market. An exercise to reduce stock levels in line with demand was implemented, which also helped the group to reduce borrowing levels. A retrenchment program was implemented, reducing the workforce by 14%. These measures have resulted in KMG being "right-sized" to meet current market conditions.

KMG's volumes for the first six months of 2009 were down 22%, compared to the average volumes for the previous year. As referred to above, KMG had to write down its stock values and its margins came under pressure. The consequence of these factors was that KMG recorded operating losses for the first half of 2009.

Despite the trading losses, over the period KMG produced good cash flow and paid £5.3 million towards its acquisition debt and working capital facilities.

Since the second quarter of this year, the market has started to show signs of stability, where apparent consumption stopped declining and real consumption started to show signs of recovering. Since June, KMG has further reduced its inventory levels and repaid part of its working capital facilities. During the period under review, KMG also completed two acquisitions. KMG acquired a division from Hulamin Engineering Solutions (“HES”). HES is a stockist and distributor of flat rolled and extruded aluminum products and has branches throughout South Africa. As a result of this acquisition, KMG became the largest stockist and distributor of aluminum products in Southern Africa. During July 2009, GRS, a wholly owned subsidiary of KMG, acquired 100% of Country Roofing (Pty) Limited (“Country Road”), a roofing contractor and steel stockist in Namibia. Country Road currently services Namibia, Angola and Botswana. With this acquisition KMG is able to extend its footprint into the Sub-Saharan market.

KMG has a strong market position in South Africa and is ideally placed given the current infrastructure spend occurring in the Sub-Saharan region. KMG has a large export market into Africa and it is our view that this will continue to be a growth market for KMG in the future.

### **Ferro Operating Review**

Blackstar acquired 56% of Ferro in January 2009 for £5.9 million, including the acquisition of certain shareholder loans at a fair value of £2.7 million. Ferro is a manufacturer and supplier of a specialised range of powder coatings, black and white plastic master batches as well as high quality porcelain enamels, glaze frits and glass coatings used on ceramic products. Ferro has in excess of 50% of the market share in all of its product ranges and has developed a large export market in Africa.

Ferro experienced a decline in sales volumes across all sectors and all divisions during the period under review. Nevertheless, the effects of cost saving measures implemented at the start of the period and the development of a new customer base in the export market, more than compensated for the slowdown in the South African industrial sector. As a result the company was able to increase its operating profit by 19% on the same level of sales as the previous financial period.

Ferro produced good cash flow over the period and has repaid over £1 million in interest and capital against its acquisition finance.

Ferro has strong market share in niche sectors and its outlook for the second half of the year looks positive.

### **Investment Review**

During the period under review, Blackstar sold its effective 17% shareholding in DCD for £13.8 million equating to a return on investment of 2.83 times money and a 76% IRR in pound sterling over the 20 month holding period. In addition the £6.7 million loan provided to Credit U was unwound, realising a profit of £0.4 million over a 12 month period.

The share price of Mvelaphanda Resources Limited (“Mvela”) has recovered since the year end on the back of a stronger platinum price and the strategy to collapse the pyramid structure that exists between Mvela and Northam Platinum Limited. Mvela also began disposing of its interest in Goldfields Limited (“Goldfields”). Mvela has so far realised 22% of its holding in Goldfields, realising in excess of R1 billion. Since 30 June 2009, the price of Mvela has increased, which has further enhanced the value of Blackstar’s investment.

York has been impacted by the weak timber markets and its high debt levels arising from the acquisition of Global Forest Products in 2007. This has resulted in the share price falling from R16.00 as at 31 December 2008 to R4.40 at 30 June 2009. The board of York are taking steps to restructure the debt and secure additional equity, along with the appointment of a new CEO and CFO. Blackstar began a process of realising its York interest in April 2008 when it sold the majority of its shareholding. To date Blackstar has realised £15.9 million from its York investment at a substantial profit to its cost.

Myriad Medical Holdings Limited (“Myriad”) recently published a strong set of results. Trading for the 12 months was strong with most divisions meeting or exceeding their budgets. Turnover increased 20% and growth in core operating income was up 19%. Cash from operating activities increased by 153%, mainly due to better working capital management across the

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## Directors' statement continued

group. Myriad operates in the high growth area of medical devices, single use consumables and medical capital equipment to both the public and private hospital sectors. The supply of sophisticated surgical consumables by Myriad has been, and continues to be in consistent demand due to the critical nature of these well-established leading brands of products. This, together with the ability to add new agencies and products, should enhance Myriad's prospects. Since its listing in 2006, Myriad has doubled in size and has consistently delivered strong growth through maintaining an entrepreneurial focus within its divisions. Blackstar believes Myriad has huge potential to consolidate and rationalise the South African medical device sector. In this regard, Blackstar has begun a process to become more involved in the strategic management of Myriad.

The remainder of Blackstar's investments have performed satisfactorily.

### **Intangible assets and goodwill**

Blackstar's intangible assets, which have a carrying value of £14.3 million, comprise acquired marketing-related intangibles (brand names and registered trademarks), customer relationships and technology-related intangibles that arose on the acquisitions of KMG and Ferro. These intangible assets are being amortised over their useful lives and amortisation of £0.5 million has been included in operating expenses in the income statement.

Goodwill of £29.0 million arose during the six months ended 30 June 2009 of which £2.9 million arose on acquisition of Ferro, £9.4 million on acquisition of KMG and £14.9 million on the acquisition of Blackstar Fund Managers (Pty) Limited ("BFM") and the internalisation of investment advisory arrangements. The BFM goodwill is attributable to securing the services and the intellectual capital of the BFM team and the ability of the business to generate value for Blackstar. No further management fees, or further performance fees are payable to Blackstar Managers Limited ("BML"). Goodwill is tested for impairment at each reporting date. None of the goodwill was impaired as at 30 June 2009.

### **Share Buy-backs**

In January 2009 Blackstar bought back 2,405,488 ordinary shares in the market, representing 3.2% of the Company's shares in issue at the time.

### **Internalisation and Tender offer**

The internalisation of Blackstar's investment advisory arrangements, including the acquisition of BFM was completed in June 2009. As part of the internalisation 13,341,851 new ordinary shares were issued. BML is now the Company's largest shareholder. The tender offer was completed in June 2009 and resulted in 7,462,673 ordinary shares being bought back, representing 8.6% of the enlarged share capital.

Since inception, Blackstar has returned £8.8 million to shareholders through share buy-backs and the tender offer.

### **Dividends**

The directors do not propose the payment of a dividend in respect of the period under review.

### **Strategy**

With investments in Ferro and KMG in the first half of 2009, Blackstar has begun acquiring controlling interests in its investments. As a result Blackstar will have a greater role in determining the strategy of its investments as well as greater access to cash flow, dividends and the ability to leverage its assets to grow the business. Subsidiaries are run on a decentralised manner with management maintaining an entrepreneurial focus and being responsible for their own operations. Over a period of time Blackstar will dispose of its minority investments where we have little management input or influence. Blackstar's objective is to develop a substantial industrial business in South Africa with the underlying themes of strategic market position, strong cash flow and the ability to exploit the wider African market. The Company intends to keep central management costs to a minimum, with the central management team acting as an allocator of capital and resources rather than being a large cost centre.

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### **Post Balance Sheet Events and Outlook**

Myriad recently announced a management restructuring, which will result in the retirement of its CEO and COO and the more active involvement of Blackstar in developing the business. Myriad intends to pursue, amongst other things, focused acquisitive growth and the achievement of a lower cost base. In this regard, Blackstar has seconded one of its executives to act as interim CEO of Myriad, backed by the resources of Blackstar.

We have begun the process of exploring a secondary listing or potentially listing certain assets on the JSE Limited (“JSE”). Over 95% of Blackstar Group assets are based in South Africa and it would make sense to have a listing closer to the primary market of operations and investment. It is our view that listing on the JSE would enhance liquidity and enable the Company to access a broader range of prospective investors thereby providing wider access to capital markets in order to facilitate and accelerate the Company’s growth.

Whilst we remain confident in Blackstar’s operations and investments, we are cautious on the overall outlook and expect only a slight improvement in the second half of the year. Blackstar has a strong balance sheet and adequate cash resources to enable it to withstand further shocks and to take advantage of any opportunities that may arise.

**Andrew Bonamour**

Luxembourg

16 September 2009



## Annexure A

A pro-forma balance sheet as at 30 June 2009 has been presented below, which reflects the Company's financial information on the basis that all investments (whether the Company could be considered to exercise control or otherwise) are accounted for as either investments at fair value through profit and loss or investments classified as loans and receivables and are not consolidated. The investments in subsidiaries have been reflected separately for ease of reference. The pro-forma balance sheet is provided for information purposes only and is relevant for comparison of the Company's balance sheet to prior reporting periods.

In addition, the consolidated balance sheet as at 30 June 2009 has been presented below in a summarised manner, for ease of comparison, such that the consolidated net asset value of each subsidiary is reflected in a single line.

	Pro-forma Unaudited 30 June 2009 £'000	Consolidated Unaudited 30 June 2009 £'000	Audited 31 December 2008 £'000
<b>Total assets</b>			
Investment in KMG	33,612	30,305	28,901
Investment in Ferro	6,764	7,000	-
Investment in BFM and internalisation of investment advisory arrangements	14,900	14,961	-
Investments classified as loans and receivables	16,379	16,379	27,464
Investments at fair value through profit and loss	12,613	12,613	26,985
Trade and other receivables	214	214	626
Cash and cash equivalents	12,823	12,823	17,831
<b>Total liabilities</b>			
Borrowings	-	-	(8,049)
Provisions	-	-	(404)
Trade and other payables	(392)	(392)	(181)
<b>Total net assets</b>	<b>96,913</b>	<b>93,903</b>	<b>93,173</b>
<b>Equity</b>			
Share capital	53,023	53,023	75,665
Capital redemption reserve	30,156	30,156	3,575
Foreign currency translation reserve	6,000	5,909	1,865
Retained earnings	7,734	4,815	12,068
<b>Total equity attributable to equity holders</b>	<b>96,913</b>	<b>93,903</b>	<b>93,173</b>

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# Independent review report

## Independent review report to the shareholders of Blackstar Group Plc

### Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

### Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

### 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 30 June 2009 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

### BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors  
Gatwick  
16 September 2009

# Consolidated income statement

for the six months ended 30 June 2009

	Notes	Unaudited Six months to 30 June 2009 £'000	Unaudited Six months to 30 June 2008 £'000	Audited Year to 31 December 2008 £'000
Revenue		62,060	–	–
Cost of sales				
Cost of sales		(52,821)	–	–
Write down of inventory to net realisable value		(3,602)	–	–
		(56,423)	–	–
<b>Gross profit</b>		<b>5,637</b>	–	–
Sales and distribution costs		(5,578)	–	–
Administrative expenses – Industrial businesses		(2,014)	–	–
Other costs – Industrial businesses		(131)	–	–
<b>Operating loss before net investment (loss)/income</b>		<b>(2,086)</b>	–	–
Net investment (loss)/income				
Net (losses)/gains on investments	2	(4,923)	10,206	(13,715)
Fees, dividends and interest from loans, receivables and investments	3	2,463	2,565	7,139
		(2,460)	12,771	(6,576)
Administrative expenses – Investments				
Administrative expenses – Performance fee		243	(236)	1,467
Administrative expenses – Other		(2,310)	(1,577)	(2,824)
		(2,067)	(1,813)	(1,357)
<b>(Loss)/profit from operations</b>		<b>(6,613)</b>	10,958	(7,933)
Finance income		325	335	864
Finance costs		(2,537)	–	(722)
<b>(Loss)/profit before taxation</b>		<b>(8,825)</b>	11,293	(7,791)
Taxation		1,295	(36)	(36)
<b>(Loss)/profit for the period</b>		<b>(7,530)</b>	11,257	(7,827)
<b>Attributable to:</b>				
Equity holders of the parent		(6,520)	11,257	(7,827)
Non-controlling interests		(1,010)	–	–
		(7,530)	11,257	(7,827)
<b>Basic and diluted (losses)/earnings per ordinary share attributable to equity holders in pence</b>	4	<b>(8.84)</b>	14.88	(10.34)

The notes on pages 15 to 29 form part of the consolidated interim financial statements

# Consolidated statement of comprehensive income

for the six months ended 30 June 2009

	Unaudited Six months to 30 June 2009 £'000	Unaudited Six months to 30 June 2008 £'000	Audited Year to 31 December 2008 £'000
<b>(Loss)/profit for the period</b>	<b>(7,530)</b>	11,257	(7,827)
<b>Other comprehensive income:</b>			
Currency translation differences on investments and Rand denominated assets and liabilities	<b>2,699</b>	(10,315)	651
Currency translation differences on translation of foreign subsidiaries	<b>1,200</b>	–	–
Income tax relating to components of other comprehensive income	–	–	–
<b>Net comprehensive income recognised directly in equity</b>	<b>3,899</b>	(10,315)	651
<b>Total comprehensive income for the period</b>	<b>(3,631)</b>	942	(7,176)
<b>Attributable to:</b>			
Equity holders of the parent	<b>(2,476)</b>	942	(7,176)
Non-controlling interests	<b>(1,155)</b>	–	–
	<b>(3,631)</b>	942	(7,176)

The notes on pages 15 to 29 form part of the consolidated interim financial statements

# Consolidated statement of changes in equity

for the six months ended 30 June 2009

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Treasury shares £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Attributable to equity holders £'000	Non controlling interests £'000	Total equity £'000
<b>Balance at 31 December 2007</b>	78,465	775	11,754	(2,980)	11,121	1,214	100,349	–	100,349
Total comprehensive income for the period	–	–	–	–	11,257	(10,315)	942	–	942
Cancellation of ordinary shares	(2,800)	2,800	–	2,980	(2,980)	–	–	–	–
<b>Balance at 30 June 2008</b>	75,665	3,575	11,754	–	19,398	(9,101)	101,291	–	101,291
Total comprehensive income for the period	–	–	–	–	(19,084)	10,966	(8,118)	–	(8,118)
Dissolution of Illuminator Holdings Limited	–	–	(11,754)	–	11,754	–	–	–	–
<b>Balance at 31 December 2008</b>	75,665	3,575	–	–	12,068	1,865	93,173	–	93,173
Total comprehensive income for the period	–	–	–	–	(6,520)	4,044	(2,476)	(1,155)	(3,631)
Share based payment	–	–	–	–	37	–	37	14	51
Arising on acquisition of subsidiaries	–	–	–	–	–	–	–	(619)	(619)
Buy-back of ordinary shares	(7,405)	2,405	–	–	(770)	–	(5,770)	–	(5,770)
Capital re-organisation	(24,176)	24,176	–	–	–	–	–	–	–
Issue of ordinary shares	8,939	–	–	–	–	–	8,939	–	8,939
<b>Balance at 30 June 2009</b>	53,023	30,156	–	–	4,815	5,909	93,903	(1,760)	92,143

No dividends were declared in any of the periods presented above

The notes on pages 15 to 29 form part of the consolidated interim financial statements

# Consolidated balance sheet

as at 30 June 2009

	Notes	Unaudited 30 June 2009 £'000	Unaudited 30 June 2008 £'000	Audited 31 December 2008 £'000
<b>Non-current assets</b>				
Property, plant and equipment		17,504	–	–
Goodwill	5	28,987	–	–
Intangible assets		14,271	–	–
Investments classified as loans and receivables	6	196	41,786	36,371
Investments at fair value through profit and loss	7	11,123	46,004	23,328
		<b>72,081</b>	<b>87,790</b>	<b>59,699</b>
<b>Current assets</b>				
Investments classified as loans and receivables	6	16,183	89	13,812
Investments at fair value through profit and loss	7	1,494	–	9,839
Trade and other receivables		26,530	597	626
Inventory		32,565	–	–
Cash and cash equivalents		15,127	20,312	17,831
		<b>91,899</b>	<b>20,998</b>	<b>42,108</b>
<b>Total assets</b>		<b>163,980</b>	<b>108,788</b>	<b>101,807</b>
<b>Non-current liabilities</b>				
Borrowings	8	(23,492)	(4,589)	–
Other financial liabilities	9	(3,231)	–	–
Provisions		–	(2,074)	(404)
Deferred taxation		(4,268)	–	–
		<b>(30,991)</b>	<b>(6,663)</b>	<b>(404)</b>
<b>Current liabilities</b>				
Borrowings	8	(2,406)	(76)	(8,049)
Other financial liabilities	9	(20,756)	–	–
Provisions		–	(483)	–
Trade and other payables		(16,753)	(275)	(181)
Bank overdrafts		(931)	–	–
		<b>(40,846)</b>	<b>(834)</b>	<b>(8,230)</b>
<b>Total liabilities</b>		<b>(71,837)</b>	<b>(7,497)</b>	<b>(8,634)</b>
<b>Total net assets</b>		<b>92,143</b>	<b>101,291</b>	<b>93,173</b>
<b>Equity</b>				
Share capital	10	53,023	75,665	75,665
Capital redemption reserve	10	30,156	3,575	3,575
Foreign currency translation reserve	10	5,909	(9,101)	1,865
Special reserve	10	–	11,754	–
Retained earnings	10	4,815	19,398	12,068
<b>Total equity attributable to equity holders</b>		<b>93,903</b>	<b>101,291</b>	<b>93,173</b>
Non-controlling interest		(1,760)	–	–
<b>Total equity</b>		<b>92,143</b>	<b>101,291</b>	<b>93,173</b>
<b>Net asset value per share (in pence)</b>	11	<b>119</b>	<b>134</b>	<b>123</b>

The notes on pages 15 to 29 form part of the consolidated interim financial statements

# Consolidated cash flow statement

for the six months ended 30 June 2009

	Notes	Unaudited Six months to 30 June 2009 £'000	Unaudited Six months to 30 June 2008 £'000	Audited Year to 31 December 2008 £'000
<b>Cash flow from operating activities</b>				
Cash generated/(absorbed) by operations	12	3,180	(6,127)	(7,775)
Interest received		2,632	347	1,253
Interest paid		(1,088)	–	(100)
Dividends received		364	50	264
Taxation refunded/(paid)		34	(73)	(73)
<b>Cash generated/(absorbed) by operating activities</b>		<b>5,122</b>	<b>(5,803)</b>	<b>(6,431)</b>
<b>Cash flow from investing activities</b>				
Purchase of property, plant and equipment		(429)	–	–
Additions to investments classified as loans and receivables		(112)	(4,535)	(6,569)
Purchase of investments at fair value through profit and loss		(325)	(237)	(3,575)
Acquisition of subsidiaries	13	(23,332)	–	–
Proceeds from disposal of property, plant and equipment		31	–	–
Proceeds from disposal of investments		24,102	15,980	16,195
<b>Cash (absorbed)/generated by investing activities</b>		<b>(65)</b>	<b>11,208</b>	<b>6,051</b>
<b>Cash flow from financing activities</b>				
Proceeds from borrowings		–	4,612	9,906
Repayment of borrowings		(8,746)	–	(3,329)
Proceeds from other financial liabilities		1,189	–	–
Repayment of other financial liabilities		(3,123)	–	–
Buy-back of ordinary shares		(5,770)	–	–
Issue of ordinary shares		8,939	–	–
<b>Cash (absorbed)/generated by financing activities</b>		<b>(7,511)</b>	<b>4,612</b>	<b>6,577</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(2,454)</b>	<b>10,017</b>	<b>6,197</b>
Cash and cash equivalents at the beginning of the period		17,831	10,295	10,295
Exchange (losses)/gains on cash and cash equivalents		(1,181)	–	1,339
<b>Cash and cash equivalents at the end of the period</b>	14	<b>14,196</b>	<b>20,312</b>	<b>17,831</b>

The notes on pages 15 to 29 form part of the consolidated interim financial statements

# Notes to the interim financial statements (unaudited)

for the six months ended 30 June 2009

## 1. Accounting Policies

### Basis of Preparation

The half-yearly report has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRSs) as endorsed by the European Union, using accounting policies that are expected to be applied for the financial year ending 31 December 2009.

The principal accounting policies adopted in the preparation of the consolidated interim financial statements have been consistently applied across all periods presented, with the exception of the early adoption of the revised IFRS 3 Business Combinations during the current reporting period, which has been applied prospectively. All financial information has been rounded to the nearest thousand unless stated otherwise.

The Group has chosen not to adopt IAS 34 Interim Financial Statements in preparing the interim consolidated financial statements.

During the current reporting period, the Group elected to early adopt the revisions to IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 July 2009) and consequential amendments to IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interest in Joint Ventures with effect from 1 January 2009. The revisions are effective prospectively and thus all business combinations occurring during the current interim reporting period have been accounted for under the revised statements mentioned above.

IAS 1 (revised) Presentation of Financial Statements is mandatory for the first time for the financial year commencing 1 January 2009. The interim financial statements have been prepared under the revised disclosure requirements.

The financial information in this half-yearly report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006.

The comparative financial information for the year ended 31 December 2008 does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts of Blackstar Group Plc for the year ended 31 December 2008 have been reported on by the Company's auditors and have been delivered to the Registrar of Companies. The auditor's report was unqualified, did not include a reference to matters to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain statements under Section 237(2) or 272(3) of the Companies Act 1985.

## 2. Net (losses)/gains on investments

	Six months to 30 June 2009 £'000	Six months to 30 June 2008 £'000	Year to 31 December 2008 £'000
Net gains/(losses) on investments classified as loans and receivables	1,545	(173)	(173)
Impairments on investments classified as loans and receivables	364	(996)	(4,152)
Net (losses)/gains on investments at fair value through profit and loss	(6,832)	11,375	(9,390)
	<b>(4,923)</b>	10,206	(13,715)



# Notes to the interim financial statements (unaudited) continued

## for the six months ended 30 June 2009

### 3. Fees, dividends and interest from loans, receivables and investments

	Six months to 30 June 2009 £'000	Six months to 30 June 2008 £'000	Year to 31 December 2008 £'000
Dividends from investments classified as loans and receivables	1,393	1,630	3,925
Dividends from investments at fair value through profit and loss	-	-	214
Interest income from investments classified as loans and receivables	951	871	2,764
Fee income	119	64	236
	<b>2,463</b>	<b>2,565</b>	<b>7,139</b>

### 4. Basic and diluted earnings per share

	Six months to 30 June 2009 £'000	Six months to 30 June 2008 £'000	Year to 31 December 2008 £'000
Net (loss)/profit attributable to equity holders	(6,520)	11,257	(7,827)
Weighted average number of shares in issue (thousands)	73,726	75,665	75,665
Basic and diluted (losses)/earnings per share (in pence)	(8.84)	14.88	(10.34)

### 5. Goodwill

	30 June 2009 £'000	30 June 2008 £'000	31 December 2008 £'000
Arising on acquisition of Ferro	2,949	-	-
Arising on acquisition of KMG	9,353	-	-
Arising on acquisition of BFM and internalisation of investment advisory arrangements	14,882	-	-
Currency exchange gains during the period	1,803	-	-
	<b>28,987</b>	<b>-</b>	<b>-</b>

## 6. Investments classified as loans and receivables

	<b>30 June 2009 £'000</b>	30 June 2008 £'000	31 December 2008 £'000
Book cost at the beginning of the period	43,821	38,200	38,200
Additions during the period at cost	112	4,535	6,569
Disposals during the period at cost	(11,332)	(948)	(948)
Other movements	(18,895)	–	–
Book cost at the end of the period	<b>13,706</b>	41,787	43,821

Other movements represent balances that now eliminate on consolidation as a result of the acquisition of KMG (see note 13).

	<b>30 June 2009 £'000</b>	30 June 2008 £'000	31 December 2008 £'000
Carrying value at the beginning of the period	50,183	41,998	41,998
Additions during the period at cost	112	4,535	6,569
Disposals during the period at cost	(11,332)	(948)	(948)
Dividends relinquished on disposals	–	(90)	(90)
Net dividends accrued during the period	1,029	1,580	3,875
Net interest (received)/accrued during the period	(1,357)	935	2,375
Impairments during the period	364	(996)	(4,152)
Currency exchange (losses)/gains during the period	(1,211)	(5,139)	556
Other movements	(21,409)	–	–
Carrying value at the end of the period	<b>16,379</b>	41,875	50,183

Other movements represent balances that now eliminate on consolidation as a result of the acquisition of KMG (see note 13).

# Notes to the interim financial statements (unaudited) continued

for the six months ended 30 June 2009

## 6. Investments classified as loans and receivables (continued)

	<b>30 June 2009 £'000</b>	30 June 2008 £'000	31 December 2008 £'000
Non-current portion	<b>196</b>	41,786	36,371
Current portion	<b>16,183</b>	89	13,812
	<b>16,379</b>	41,875	50,183

## Analysis of gains/(losses) on investments

	<b>30 June 2009 £'000</b>	30 June 2008 £'000	31 December 2008 £'000
Proceeds on disposals during the period	<b>12,877</b>	865	865
Investments at cost	<b>(11,332)</b>	(948)	(948)
Realised gains/(losses) on disposals based on historical cost	<b>1,545</b>	(83)	(83)
Less dividends relinquished on disposals from prior periods	-	(71)	(71)
Realised gains/(losses) recognised in the income statement on disposals based on carrying value at prior period balance sheet date	<b>1,545</b>	(154)	(154)
Less dividends relinquished on disposals from the current period	-	(19)	(19)
Realised gains/(losses) recognised in the income statement on disposals based on carrying value at disposal date	<b>1,545</b>	(173)	(173)
Impairments during the period	<b>364</b>	(996)	(4,152)
Net gains/(losses) on investments	<b>1,909</b>	(1,169)	(4,325)

## 6. Investments classified as loans and receivables (continued)

The Group does not have a controlling interest in any of the investments classified as loans and receivables, which comprise the following:

	<b>Carrying value 30 June 2009 £'000</b>	Carrying value 30 June 2008 £'000	Carrying value 31 December 2008 £'000
Cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Myriad Medical Holdings Limited. Dividends are payable at South African Prime rate plus 150 basis points nominal annual compounded monthly and the shares are redeemable in 2010.	<b>1,988</b>	1,534	1,917
Cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Mvelaphanda Resources Limited. Dividends are payable at 91% of South African Prime rate nominal annual compounded monthly and the shares are redeemable in 2010.	<b>14,195</b>	11,985	11,662
Loan to a special purpose vehicle established to acquire an interest in DCD-Dorbyl (Pty) Limited. The loan bears interest at South African Prime rate less 25 basis points per annum, nominal annual compounded semi-annually and has been repaid.	–	5,078	6,197
Cumulative redeemable class A preference shares in Kulungile Metals Group (Pty) Limited. Dividends are payable at 90% of South African Prime rate nominal annual compounded semi-annually and the shares are redeemable in 2013.	–	2,759	3,353
Cumulative redeemable class B preference shares in Kulungile Metals Group (Pty) Limited. Dividends are payable at 90% of South African Prime rate nominal annual compounded semi-annually and the shares are redeemable in 2010.	–	7,660	9,308
Loan to Kulungile Metals Group (Pty) Limited. The loan bears interest at 90% of South African Prime rate nominal annual compounded semi-annually and is repayable in a bullet payment in 2013.	–	8,277	10,058
Loan to Credit U Holdings Limited. The loan bears interest at South African Prime rate plus 200 basis points per annum, nominal annual compounded monthly and has been repaid	–	4,582	7,615
Loan to Adreach (Pty) Limited. The loan bears no interest and has no fixed terms of repayment.	<b>196</b>	–	73
Carrying value at the end of the period	<b>16,379</b>	41,875	50,183

# Notes to the interim financial statements (unaudited) continued

## for the six months ended 30 June 2009

### 7. Investments at fair value through profit and loss

	30 June 2009 £'000	30 June 2008 £'000	31 December 2008 £'000
Book cost at the beginning of the period	22,900	27,387	27,387
Additions during the period at cost	325	237	3,575
On acquisition of subsidiaries (note 13)	20	–	–
Disposals during the period at cost	(3,583)	(7,844)	(8,062)
Book cost at the end of the period	19,662	19,780	22,900

	30 June 2009 £'000	30 June 2008 £'000	31 December 2008 £'000
Fair value at the beginning of the period	33,167	54,706	54,706
Additions during the period at cost	325	237	3,575
On acquisition of subsidiaries (note 13)	20	–	–
Disposals during the period at cost	(3,583)	(7,844)	(8,062)
Unrealised gains recognised in prior periods on disposals	(7,561)	(8,503)	(8,503)
Unrealised (losses)/gains during the period	(6,913)	12,607	(8,155)
Currency exchange gains/(losses) during the period	908	(5,199)	(394)
Other movements	(3,746)	–	–
Fair value at the end of the period	12,617	46,004	33,167

Other movements represent balances that now eliminate on consolidation as a result of the acquisition of KMG (see note 13).

	30 June 2009 £'000	30 June 2008 £'000	31 December 2008 £'000
Non-current portion	11,123	46,004	23,328
Current portion	1,494	–	9,839
	12,617	46,004	33,167

### Analysis of (losses)/gains on investments

	30 June 2009 £'000	30 June 2008 £'000	31 December 2008 £'000
Proceeds on disposals during the period	11,225	15,115	15,330
Investments at cost	(3,583)	(7,844)	(8,062)
Realised gains on disposals based on historical cost	7,642	7,271	7,268
Less unrealised gains on disposals recognised in prior periods	(7,561)	(8,503)	(8,503)
Realised losses recognised in the income statement on disposals based on carrying value at prior period balance sheet date	81	(1,232)	(1,235)
Unrealised (losses)/gains during the period	(6,913)	12,607	(8,155)
Net (losses)/gains on investments	(6,832)	11,375	(9,390)

## 7. Investments at fair value through profit and loss (continued)

The Group does not have a controlling interest in any of the investments at fair value through profit and loss. These investments are monitored on a fair value basis and comprise the following:

	Fair value 30 June 2009 £'000	Fair value 30 June 2008 £'000	Fair value 31 December 2008 £'000
Derivative investment in a telecom company, which gives the Group exposure to a minority interest in the underlying telecom company.	906	1,381	725
Derivative investment in a services company, which gives the Group exposure to a minority interest in the underlying services company.	3,183	2,927	3,666
Ordinary shares in Myriad Medical Holdings Limited.	1,150	827	1,033
Preference shares in a special purpose vehicle established to facilitate an empowered group to acquire an interest in Myriad Medical Holdings Limited, in which the Group participates. The shares are redeemable in 2010.	–	–	–
Ordinary shares in York Timber Organisation Limited.	2,808	10,444	9,488
Preference shares in a special purpose vehicle established to facilitate a York staff trust to acquire an interest in York Timber Organisation Limited in which the Group participates. The shares are redeemable in 2011.	381	588	598
Preference shares in a special purpose vehicle established to facilitate a community trust to acquire an interest in York Timber Organisation Limited, in which the Group participates. The shares are redeemable in 2011.	609	940	957
Option to subscribe for “N” preference shares in a special purpose vehicle established to acquire an interest in Mvelaphanda Resources Limited. The “N” preference shares will have an economic interest in the special purpose vehicle and are redeemable in 2014.	1,490	19,041	1,093
Ordinary shares in a special purpose vehicle established to acquire an interest in DCD-Dorbyl (Pty) Limited.	–	5,135	7,652
Ordinary shares in Kulungile Metals Group (Pty) Limited.	–	2,100	3,995
Ordinary shares in Adreach (Pty) Limited.	1,961	2,424	1,749
Ordinary shares in Blue Financial Services Limited.	–	197	24
Amount receivable from Claim Your Share Investments (Pty) Limited, a wholly owned subsidiary of Metier Investment and Advisory Services (Pty) Limited, (“Metier”) in terms of an agency agreement, whereby the Company acquired 26% of the ordinary shares in Kulungile Metals Group (Pty) Limited as agent on behalf of Metier.	–	–	2,187
Ordinary shares in Navigare Securities (Pty) Limited.	125	–	–
Other ordinary shares.	4	–	–
<b>Fair value at the end of the period</b>	<b>12,617</b>	<b>46,004</b>	<b>33,167</b>

## Notes to the interim financial statements (unaudited) continued for the six months ended 30 June 2009

### 8. Borrowings

Borrowings comprise the following:

	<b>30 June 2009 £'000</b>	30 June 2008 £'000	31 December 2008 £'000
Rand denominated, unsecured non-controlling shareholder loans. These loans bear interest ranging from 90% of the South African Prime rate to South African Prime rate plus 300 basis points. Some loans have no fixed terms of repayment and others have last payments due between 2011 and 2013.	<b>2,400</b>	–	–
Other Rand denominated, secured, long-term loans bearing interest at variable amounts ranging from South African Prime rate plus 300 basis points to Johannesburg Interbank Accepted rate plus 350 to 500 basis points. Repayment terms range from no fixed terms of repayment, to repayable in quarterly instalments with final repayments due between 2011 and 2013.	<b>23,498</b>	–	–
Borrowings denominated in Rands and bearing interest at the Johannesburg Interbank Accepted Rate plus 275 basis points, repayable in 2009 or earlier. Security for the loan was provided in the form of the Group's ordinary shares in York Timber Organisation Limited, its ordinary shares in Myriad Medical Holdings Limited, its loan to Credit U Holdings Limited and a bank account comprising £3.5 million.	–	4,665	8,049
	<b>25,898</b>	4,665	8,049
Non-current portion	<b>23,492</b>	4,589	–
Current portion	<b>2,406</b>	76	8,049
	<b>25,898</b>	4,665	8,049

## 9. Other financial liabilities

Other financial liabilities comprise the following:

	<b>30 June 2009 £'000</b>	30 June 2008 £'000	31 December 2008 £'000
A subsidiary company entered into a Rand denominated, revolving inventory financing facility agreement. The loan bears interest at South African Prime rate less 50 basis points, is repayable monthly in arrears and capital is repayable on a rolling unspecified period. Securities have been provided by the subsidiary company.	<b>10,588</b>	–	–
A subsidiary company entered into a Rand denominated, invoice discounting agreement. The loan bears interest at South African Prime rate less 100 basis points. The subsidiary company has provided securities for this facility.	<b>9,988</b>	–	–
Lease accrual arising as a result of lease payments under operating leases being recognised as an expense on a straight line basis over the lease term.	<b>2,057</b>	–	–
Rand denominated financial leases. Interest rates vary per finance lease from 150 to 200 basis points below South African Prime rate and some leases bear interest at fixed rates ranging between 10% and 13.5%. Amounts are repayable in monthly instalments. Assets held under finance leases are held as security.	<b>589</b>	–	–
A Euro denominated, asset purchase agreement which is interest free and secured by the underlying assets. Repayment is in the form of a levy calculated based on the tonnes manufactured, payable over the period 2007 to 2012.	<b>765</b>	–	–
	<b>23,987</b>	–	–
Non-current portion	<b>3,231</b>	–	–
Current portion	<b>20,756</b>	–	–
	<b>23,987</b>	–	–



# Notes to the interim financial statements (unaudited) continued

## for the six months ended 30 June 2009

### 10. Share capital and reserves

	30 June 2009 £'000	30 June 2008 £'000	31 December 2008 £'000
<b>Authorised</b>			
150,000,000 ordinary shares of £0.67 each	100,500	–	–
150,000,000 ordinary shares of £1.00 each	–	150,000	150,000
<b>Issued and fully paid</b>			
79,138,688 ordinary shares of £0.67 each	53,023	–	–
75,664,998 ordinary shares of £1.00 each	–	75,665	75,665

#### Movement of the ordinary shares of £1.00 each for the period

	Number of shares	Number of shares	Number of shares
Total number of shares in issue at the beginning of the period	75,664,998	78,464,998	78,464,998
Buy-back and cancellation of shares	(2,405,488)	(2,800,000)	(2,800,000)
Capital re-organisation	(73,259,510)	–	–
Total number of shares in issue at the end of the period	–	75,664,998	75,664,998

#### Movement of the ordinary shares of £0.67 each for the period

	Number of shares	Number of shares	Number of shares
Capital re-organisation	73,259,510	–	–
Issue of new shares	13,341,851	–	–
Tender offer and cancellation of shares	(7,462,673)	–	–
Total number of shares in issue at the end of the period	79,138,688	–	–

#### Buy-back and cancellation of shares

On 16 January 2009, the Company purchased 2,405,488 ordinary shares of nominal value £1.00 each in the share capital of the Company, further to the authority granted to the Company at the extraordinary general meeting of the Company held on 15 January 2009. The price paid for these ordinary shares was 32p per share and these shares were subsequently cancelled.

#### Capital Re-organisation

Following the general meeting held on 25 June 2009, the Company implemented a capital reorganisation, which involved (i) the subdivision of each existing ordinary share into 67 new 1p ordinary shares and 33 deferred shares; (ii) the purchase by the Company of the deferred shares; (iii) the cancellation of all the deferred shares bought back by the Company and the cancellation of all the unissued deferred shares; and (iv) the consolidation of every 67 new 1p ordinary shares into one new ordinary share.

#### Issue of new shares

Following the general meeting held on 25 June 2009, the Company raised £8.9 million by the issue of 13,341,851 new ordinary shares at 67p per share on 26 June 2009.

#### Tender offer and cancellation of shares

On 29 June 2009, the Company purchased 7,462,673 ordinary shares of nominal value 67p each in the share capital of the Company, further to the authority granted to the Company at the general meeting of the Company held on 25 June 2009. The price paid for these ordinary shares was 67p per share and these shares were subsequently cancelled.

## 10. Share capital and reserves (continued)

### Capital redemption reserve

The capital redemption reserve arose due to transfers from retained earnings in accordance with relevant legislation and on the cancellation of ordinary and deferred shares and is not distributable.

### Foreign currency translation reserve

The foreign currency translation reserve comprises exchange differences arising on translation of assets and liabilities denominated in the functional currency (Rands) and all foreign exchange differences arising on translation of the financial statements of foreign subsidiaries.

### Retained earnings

Retained earnings comprise cumulative net gains and losses recognised in the consolidated income statement.

## 11. Net asset value per share

	30 June 2009 £'000	30 June 2008 £'000	31 December 2008 £'000
Total net assets attributable to equity holders	93,903	101,291	93,173
Number of shares in issue (thousands)	79,139	75,665	75,665
Net asset value per share (pence)	119	134	123

Net asset value per share has been calculated using the actual number of shares in issue at the end of the reporting period.

## 12. Cash generated/(absorbed) by operations

	30 June 2009 £'000	30 June 2008 £'000	31 December 2008 £'000
(Loss)/profit before taxation	(8,825)	11,293	(7,791)
Adjustments for:			
Profit on disposal property, plant and equipment	(15)	–	–
Depreciation of property, plant and equipment	686	–	–
Amortisation of intangible assets	489	–	–
Unrealised losses/(gains) on investments	14,110	(3,018)	12,307
Realised (gains)/losses on disposal of investments	(9,187)	(7,188)	1,408
Dividends and interest from loans and investments	(2,344)	(2,501)	(6,903)
Increase in lease accrual	95	–	–
Finance income	(325)	(335)	(864)
Finance costs	2,537	–	722
Share based payment expense	51	–	–
Decrease in provision for performance fee	(404)	(3,210)	(5,363)
Changes in working capital			
Decrease/(increase) in trade and other receivables	995	(128)	(157)
Decrease in inventory	10,896	–	–
Decrease in trade and other payables	(5,579)	(1,040)	(1,134)
	3,180	(6,127)	(7,775)

# Notes to the interim financial statements (unaudited) continued

## for the six months ended 30 June 2009

### 13. Acquisition of subsidiaries

During the period ended 30 June 2009, the Group made the following acquisitions:

#### Ferro Industrial Products (Pty) Limited ("Ferro")

On 21 January 2009, the Group acquired a controlling interest in Ferro, comprising 56% of the ordinary shares for a cash consideration of £3.2 million. As part of the acquisition, certain shareholders loans were acquired at their fair value of £2.7 million. Ferro is a South African manufacturer and supplier of a specialised range of powder coatings, black and white plastic master batches as well as high quality porcelain enamels, glaze frits, glass coatings and glaze coatings used on ceramic products.

During the period from date of acquisition, Ferro contributed £13.9 million to revenue and a profit before taxation of £0.8 million (pre consolidation journals).

The net assets acquired were as follows:

	Book value £'000	Fair value adjustments £'000	Fair value on acquisition £'000
Property, plant and equipment	5,630	(143)	5,487
Intangible assets	2,905	3,757	6,662
Trade and other receivables	3,480	–	3,480
Inventory	4,151	–	4,151
Cash and cash equivalents	1	–	1
Borrowings	(10,081)	–	(10,081)
Other financial liabilities	(836)	–	(836)
Deferred taxation	(990)	(944)	(1,934)
Trade and other payables	(3,501)	–	(3,501)
Bank overdrafts	(251)	–	(251)
Total net identifiable assets	508	2,670	3,178
Non-controlling interest's proportionate share of the acquiree's identifiable net assets			(216)
Total net identifiable assets at fair value attributable to equity holders of the parent			2,962
Cash consideration paid for shares in Ferro			3,223
Loan payable by Ferro, assumed as part of the acquisition			2,688
Goodwill arising on acquisition			2,949

Fair value adjustments include the following: Land and buildings were valued by an independent valuer and the valuation reflected a fair value which was £0.1 million less than the carrying value per the on-acquisition balance sheet; independent valuations were performed on the intangible assets within the business and as a result, the balance sheet at fair value includes customer relationship intangible assets with a fair value of £4.3 million, marketing-related intangibles (which include trademarks and brands) amounting to £1.3 million, and technology-related intangibles of £1.0 million.

### 13. Acquisition of subsidiaries (continued)

#### Kulungile Metals Group (Pty) Limited (“KMG”)

On 9 March 2009, the Group acquired a further 25.5% of the ordinary shares for a cash consideration of £3.3 million bringing its shareholding in KMG to 73%. The shares were initially acquired by the Group in 2008 as an agent on behalf of Claim Your Share Investments (Pty) Limited, a wholly owned subsidiary of Metier Investment and Advisory Services (Pty) Limited, which exercised its right to sell the beneficial ownership of the shares to the Group on an arm’s length basis. KMG is a processor, distributor and stockist of carbon steel, stainless steel and aluminium in the form of high quality sheet, plate and coil as well as structural and other long product profiles. KMG also owns 100% of Global Roofing Solutions (Pty) Limited, a steel roofing and cladding company.

The initial investment of 47.5%, classified as an investment in associate and designated as an investment at fair value through profit and loss, had a fair value at 8 March 2009 of £3.7 million. No gain or loss arose as a result of remeasuring the interest to fair value prior to the business combination as there had been no significant change in the fair value to what was previously reported at 31 December 2008.

During the period from date of acquisition, KMG contributed £48.2 million to revenue and a loss of £3.8 million to profit before taxation (pre consolidation journals). Had KMG been acquired at the beginning of the period, the company would have contributed £72.0 million to revenue and a loss of £6.2 million to profit before taxation.

The net assets acquired were as follows:

	Book value £'000	Fair value adjustments £'000	Fair value on acquisition £'000
Property, plant and equipment	10,140	–	10,140
Intangible assets	5,019	1,511	6,530
Investments at fair value through profit and loss	16	–	16
Trade and other receivables	20,323	–	20,323
Inventory	34,367	–	34,367
Cash and cash equivalents	1,105	–	1,105
Borrowings	(34,841)	–	(34,841)
Other financial liabilities	(21,402)	–	(21,402)
Deferred taxation	(2,839)	(423)	(3,262)
Trade and other payables	(16,070)	–	(16,070)
Total net identifiable liabilities	(4,182)	1,088	(3,094)
Non-controlling interest’s proportionate share of the acquiree’s identifiable net liabilities			835
Total net identifiable liabilities at fair value attributable to equity holders of the parent			(2,259)
Consideration paid to obtain control (25.5%)			3,348
Fair value of previously held interest (47.5%)			3,746
Goodwill arising on acquisition			9,353

An independent valuer assisted in identifying and valuing the intangible assets on date of acquisition. Intangible assets at fair value comprise marketing-related intangibles (brands) at a fair value of £4.6 million and customer relationship intangible assets with a fair value of £1.9 million.

# Notes to the interim financial statements (unaudited) continued

## for the six months ended 30 June 2009

### 13. Acquisition of subsidiaries (continued)

#### Blackstar Fund Managers (Pty) Limited ("BFM")

As part of the internalisation of Blackstar's investment advisory arrangements, on 26 June 2009, the Group acquired 100% of the ordinary shares of BFM for a cash consideration of £2.8 million. In addition, Blackstar and BFM ended all of their respective investment advisory agreements and as a result, on acquisition of the company, Blackstar also assumed BFM's liability for termination of the investment advisory agreements amounting to £12.1 million.

Had BFM been acquired at the beginning of the period, the company would have contributed a profit of £0.1 million to profit before taxation.

The net assets acquired were as follows:

	Book value £'000	Fair value adjustments £'000	Fair value on acquisition £'000
Property, plant and equipment	144	–	144
Intangible assets	1	–	1
Investments at fair value through profit and loss	4	–	4
Trade and other receivables	27	–	27
Cash and cash equivalents	18	–	18
Borrowings	(73)	–	(73)
Deferred taxation	(10)	–	(10)
Trade and other payables	(47)	–	(47)
Bank overdrafts	(47)	–	(47)
Total net identifiable assets	17	–	17
Consideration paid for the shares of BFM			2,765
Liabilities of BFM assumed on acquisition			12,134
Goodwill arising on acquisition			14,882

#### Net cash outflow on acquisition of subsidiaries

	30 June 2009 £'000
Consideration paid	
Ferro	(3,223)
Ferro – purchase of loan	(2,688)
KMG	(3,348)
BFM	(2,765)
BFM – internalisation of investment advisory arrangements	(12,134)
Net cash and cash equivalents acquired	
Ferro	(250)
KMG	1,105
BFM	(29)
Net cash outflow on acquisition of subsidiaries	(23,332)

The Group did not acquire any interests in subsidiaries in the comparative periods.

#### 14. Cash and cash equivalents

	<b>30 June 2009 £'000</b>	30 June 2008 £'000	31 December 2008 £'000
Cash and cash equivalents included in the cashflow statement comprise the following amounts in the balance sheet:			
Cash on hand and balances with banks	<b>15,127</b>	20,312	17,831
Overdrafts with banks	<b>(931)</b>	–	–
	<b>14,196</b>	20,312	17,831

#### 15. Segmental information

The operating segments have been identified as follows: Industrial chemicals, Industrial metals and Investment activities.

The board of directors assess the performance of the operating segments based primarily on the measures of revenue and profit from operations. Other information provided is measured in a manner consistent with that in the financial statements.

Segmental information is only provided below for the current period ending 30 June 2009 as prior to this the Group's results were derived from its principal activity, investing in South Africa. As there was previously only one segment, information thereon can be derived directly from the comparatives provided in the balance sheet and income statement.

#### Unaudited for the six months to 30 June 2009

	Industrial chemicals £'000	Industrial metals £'000	Investment activities £'000	<b>Total £'000</b>
Revenue	13,869	48,191	–	<b>62,060</b>
Profit/(loss) from operations	1,588	(3,674)	(4,527)	<b>(6,613)</b>
Profit/(loss) for the period	606	(3,498)	(4,638)	<b>(7,530)</b>
Attributable to:				
Equity holders of the parent	434	(2,316)	(4,638)	<b>(6,520)</b>
Non-controlling interests	172	(1,182)	–	<b>(1,010)</b>
	606	(3,498)	(4,638)	<b>(7,530)</b>
Total assets as reported by segment	26,798	74,999	94,729	<b>196,526</b>
Fair value and other adjustments on consolidation				<b>(32,546)</b>
Total assets per balance sheet				<b>163,980</b>
Total liabilities as reported by segment	(20,722)	(77,683)	(572)	<b>(98,977)</b>
Fair value and other adjustments on consolidation				<b>27,140</b>
Total liabilities per balance sheet				<b>(71,837)</b>

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# Company information

## Directors

J B Mills (Non-executive Chairman)  
J A Treger (Non-executive)  
A D Bonamour (Non-executive)  
W A Baertz (Non-executive)  
M Ernzer (Non-executive)

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South Africa

## Solicitors to the Company (as to English law)

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## Bankers

ING Luxembourg S.A.  
Investec Bank Limited  
Goldman Sachs International  
Standard Bank of South Africa Limited

## Auditors

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