



Blackstar Group SE

Unaudited Interim Results

For the six months ended 30 June 2014

Incorporated in Malta

Company number SE 4

Registered as an external company with limited liability in the

Republic of South Africa under registration number 2011/008274/10

Share code: BCK or BLCK

ISIN: MT0000620113

("Blackstar" or the "Company" or the "Group")

BLACKSTAR GROUP SE

HIGHLIGHTS

Growth in revenue, earnings, NAV and dividend

- Intrinsic net asset value of R1.4 billion (£75.1 million) as at 30 June 2014;
- External debt of R175.0 million (£9.8 million) raised to finance investment acquisition reduced to R77.6 million (£4.5 million) as at the date of this announcement;
- Interim dividend declared of 9 cents (0.49 pence) per ordinary share

Intrinsic Net Asset Value (“NAV”) as at 30 June 2014

| | Unaudited 30 June 2014 R'000 | Unaudited 30 June 2014 £'000 |
|---|------------------------------------|------------------------------------|
| Times Media Group Limited | 895,474 | 49,267 |
| Global Roofing Solutions (Pty) Limited | 225,000 | 12,379 |
| Robor (Pty) Limited | 109,340 | 6,016 |
| Stalcor (Pty) Limited | 40,000 | 2,201 |
| Blackstar Real Estate (Pty) Limited | 38,228 | 2,103 |
| Other listed | 96,278 | 5,297 |
| Other unlisted | 42,851 | 2,358 |
| Cash and cash equivalents | 59,081 | 3,250 |
| Net assets of consolidated companies | (11,833) | (651) |
| Access facility | (128,606) | (7,076) |
| Intrinsic NAV | 1,365,813 | 75,144 |
| Actual number of shares in issue net of treasury shares held ('000) | 80,755 | 80,755 |
| Intrinsic NAV per share (in Rands/Pounds Sterling) | 16.91 | 0.93 |
| Ordinary share price on 30 June 2014 (in Rands/Pounds Sterling) | 13.35 | 0.70 |
| Ordinary share price discount to intrinsic NAV | 21.05% | 24.73% |

Notes

1. The intrinsic NAV provides a measure of the underlying value of the Group's assets and does not indicate when the investments will be realised, nor does it guarantee the value at which the investments will be realised.
2. For the purposes of determining the intrinsic values, listed investments on recognised stock exchanges are valued using quoted bid prices and unlisted investments are shown at Directors' valuation, determined using the discounted cash flow methodology. This methodology uses reasonable assumptions and estimations of cash flows and terminal values, and applies an appropriate risk-adjusted discount rate that quantifies the investment's inherent risk to calculate a present value. Given the subjective nature of valuations, the Group is cautious and conservative in determining the valuations and has a track record of selling its unlisted investments in the ordinary course of business above the levels at which it values them.
3. All amounts have been translated using the closing exchange rates at 30 June 2014. The ZAR/GBP closing exchange rate at 30 June 2014 was 18.176.
4. Other unlisted include, amongst other things, the investments in Navigare Securities (Pty) Limited, Blackstar Fund Managers (Pty) Limited and the loan to Robor (Pty) Limited.

COMMENTARY

Introduction

Blackstar is pleased to announce a strong set of results for the six months ended 30 June 2014. During the period profit attributable to equity holders for the period amounted to R77.3 million (£4.3 million) and its reported NAV attributable to equity holders increased by 4.3% in Rand terms from R1.3 billion at 31 December 2013 to R1.4 billion as at 30 June 2014 (in Sterling terms, due to a weakening Rand, NAV attributable to equity holders only increased by 0.1%).

Blackstar increased its stake in Times Media Group Limited ("TMG") from 25.2% to 32.5% which was funded by external debt of R175.0 million (£9.8 million). At the date of this announcement, this debt has been reduced to an amount of R77.6 million (£4.5 million).

Both Global Roofing Solutions (Pty) Limited ("GRS") and Stalcor (Pty) Limited ("Stalcor") have performed exceptionally well in the last 6 months. Compared to the same six month period last year, GRS's EBITDA increased by 31.4% to R22.7 million (£1.2 million) and profit after tax has increased by 66.0% in Rand terms to R12.5 million (£0.7 million). In Rand terms, Stalcor has grown turnover by 28.4% and EBITDA by 106.2% when compared to the comparative period. A merger of these two steel businesses was also implemented which will result in improved efficiencies and increased profitability going forward.

The intrinsic net asset value ("NAV") table is a useful tool in analysing the most recent inherent value of each investment held. At 30 June 2014, the intrinsic NAV amounted to R1.4 billion (£75.1 million).

Philosophy

The cornerstone of Blackstar's philosophy is based on a focus on return on capital employed, rational allocation of capital and a tightly controlled cost base. We are entrepreneurial and rapidly responsive in nature. We work hard on instilling this philosophy into our investments and subsidiaries and strive to work with like-minded management. This approach has led to the success in TMG, GRS and Stalcor over the last year.

Currency

The South African Rand continued to weaken in the period with the closing ZAR/GBP exchange rate increasing to 18.176 at 30 June 2014 compared to 15.057 at 30 June 2013 and, to 17.431 at 31 December 2013. As the majority of the Group's assets are based in Rands, once again, this has had a significant impact on the Pounds Sterling reported results of the Group. Blackstar continues to manage its currency risk by holding the Group's cash resources in Pounds Sterling and US Dollars.

Investment and Market Review

Investments

Times Media Group Limited

Blackstar increased its stake in TMG from 25.2% to 32.5% during the reporting period and at 30 June 2014 Blackstar's investment in TMG was valued at R895.5 million (£49.3 million) based on a closing bid share price on 30 June 2014 of R21.80 per share. TMG released their year end results on 23 September 2014 which included the following highlights:

- Final dividend declared of 35 cents per ordinary share;
- Profit from continuing operations before exceptional items 21% up on prior year;
- Operating costs from continuing operations down 16%; and
- Further R406 million of acquisition finance repaid - term debt reduced to R292 million.

TMG successfully expanded its reach into East Africa during the first half of 2014 and is continuously investigating new opportunities on the African continent. For full details of their performance, refer to TMG's website www.timesmedia.co.za.

Steel Investments

As a result of GRS and Stalcor's strong performance over the past six months, their combined fair value was increased by R62.5 million (£3.5 million) to R265.0 million (£14.6 million) at 30 June 2014. We still believe that its conservatively valued.

In the coming year, Stalcor management intend on taking advantage of the synergies that exist between it and GRS particularly in its expansion into African countries, improved access to affordable working capital funding and joint product procurement. The combined operations are expected to result in improved profitability as a result of a shared management team, cross-selling opportunities, and reduced operational and financing costs.

Blackstar's net investment in Robor (Pty) Limited ("Robor") was valued at R109.3 million (£6.0 million) as at 30 June 2014.

Robor completed a second round Management Buy In ("MBI") through the sale and lease back of its main property in Elandsfontein, Johannesburg. The business did not take on any additional debt for the MBI as management believe that they can achieve operational efficiencies equal to or greater than the rental charge incurred following the property sale. This transaction became effective post 30 June 2014 and, on conclusion, Blackstar realised R59.4 million (£3.4 million) of its total investment in Robor and increased its stake from 10.7% to 17.5%. In addition to this, in July 2014, Robor repaid the R22.0 million (£1.2 million) Blackstar shareholder loan. Robor is a strong business with a positive outlook for the year, with the intention of further developing its footprint in the African market.

Property

At 30 June 2014, Blackstar valued its property investments (net of financing) at R38.2 million (£2.1 million) and the gross fair value of properties before debt, current assets and non-controlling interests amounted to R127.1 million (£7.0 million).

The purchase of the new property acquired for R27.7 million (£1.5 million) is anticipated to be finalised in October 2014 and has been largely funded by third party debt. The property is located in a good office and retail node of Cape Town and Blackstar Real Estate (Pty) Limited ("BRE") has secured a long term lease with a multi-national tenant.

In October 2014, BRE will commence development of light industrial warehousing on the land owned in Imbonini, the cost of which will be funded by third party debt. The development is expected to be completed in May 2015 after which it will be let out to third parties. This is prime real estate as it is situated near to King Shaka (Durban) airport and thus capital appreciation is expected on this development.

Funds

The Group's investment in the Blackstar Special Opportunities Fund ("BSOF") including its SA Alpha Blackstar Special Opportunities US Dollar Fund was valued at R67.4 million (£3.7 million) at 30 June 2014.

BSOF has gained momentum with two big inflows during the current reporting period thereby doubling the size of the fund to R250.0 million (£13.8 million), despite the fact that market conditions have been challenging during the period. As a result we believe the fund is well placed to pursue future opportunities.

In respect of the Blackstar Global Opportunities Fund ("BGOF"), due to the lack of scale and ability to raise suitable capital to run the fund, a decision was taken during the period to end Blackstar's provision of advisory services to the fund. At 30 June 2014, the Group still had an investment of R8.0 million (£0.4 million) in BGOF, which has subsequently been realised.

Financial Review

In 2013, Blackstar early adopted IFRS 10, IFRS 12, and the revised version of IAS 27 including all amendments to Investment Entities. As a result, Blackstar measures investments including certain subsidiaries and associates at fair value through profit and loss as opposed to consolidating and equity accounting as was done previously. The following subsidiaries, which provide services that relate to the Company's own investment

activities, continue to be consolidated: Blackstar Cyprus (Investors) Limited (“Blackstar Cyprus”); Blackstar Group (Pty) Limited (“Blackstar SA”); and Blackstar Fund Managers (Pty) Limited (“BFM”). The December 2013 year end results were reported under these new accounting policies and the restated opening balance sheet as at 1 January 2012 can be found in the Blackstar Annual Report and Accounts 2013. The 30 June 2013 results have been restated accordingly (refer note 2).

Total equity attributable to equity holders of the parent amounted to R1.4 billion as at 30 June 2014, a 4.3%, or R56.5 million, increase since 31 December 2013. The same figures in Pounds Sterling reflect a decline of 0.1%, or £0.1 million, to £74.8 million at 30 June 2014 which can be attributed to the fact that the Rand weakened during the reporting period as has been previously mentioned.

Total assets increased from R1.3 billion as at 31 December 2013 to R1.5 billion as at 30 June 2014 mainly as a result of the new investment in TMG and growth in this underlying investment as well as an increase in the fair value of the combined GRS/Stalcor business during the current period. In Pounds Sterling, an increase in total assets of only £7.1 million to £82.8 million has been recorded due to the weakening of the Rand against the Pound Sterling.

An access facility was opened with Rand Merchant Bank to finance R175.0 million (£9.8 million) of the TMG share purchases made in February 2014. By 30 June 2014, Blackstar had already reduced the outstanding debt to R128.6 million (£7.1 million) and, as at the date of this announcement, the debt had been reduced even further to an amount of R77.6 million (£4.5 million). The debt repayments were largely funded by the proceeds received from Robor. The debt is interest bearing with interest repayable quarterly and a bullet capital repayment in 2017.

During the period, cash and cash equivalents declined by R63.5 million (£3.8 million) during the first half of 2014 to an amount of R59.4 million (£3.3 million). Significant cash flow movements during the year included R205.3 million (£11.5 million) cash outflow as a result of investment activity; R54.6 million (£3.1 million) cash inflow on realisation of investments including repayments of loan receivables; R128.6 million (£7.1 million) net cash inflow from the access facility obtained to finance the acquisition of TMG shares; R20.5 million (£1.1 million) cash out flow on treasury share purchases; and R11.2 million (£0.6 million) paid out in cash dividends to shareholders.

Income for the six month ended 30 June 2014 amounted to R116.1 million (£6.5 million) which includes the following: R13.6 million (£0.7 million) generated from investments in the form of performance and monitoring fees, dividends and interest income; R101.1 million (£5.7 million) net gains on investments; and R1.4 million (£0.1 million) net foreign exchange gains.

The net gains on investments of R101.1 million (£5.7 million) mainly comprises fair value gains of R54.5 million (£3.1 million) recognised on the net investment in GRS, R8.0 million (£0.4 million) on the net investment in Stalcor and unrealised fair value gains of R41.6 million (£2.3 million) on the TMG investment as a result of an increase in the share price over the reporting period.

For the current six month reporting period, operational costs to run the daily Blackstar operations (before the long term Management Incentive Scheme) amounted to 0.8% of the reported NAV at 30 June 2014. Operational costs are closely monitored and action is taken wherever possible to cut any excess expenditure in order to improve the profitability of the Group.

The shareholder approved long term Management Incentive Scheme, calculates an incentive pool (which is split 50/50 between Blackstar shares and cash) based on the growth in the intrinsic NAV of the Company. The award is performance based and no award is made if there is a decline in the value of the NAV per share. Senior management are now largely paid on performance via the long term Management Incentive Scheme.

Net finance costs increased by R4.2 million (£0.2 million) when compared to the prior six month reporting period mainly as a result of the interest cost arising on the access facility utilised to acquire further TMG shares. The finance costs for the second half of the 2014 year will reduce due to the fact that a significant amount of the debt has now been settled.

The Board declared a final gross dividend of 14 South African cents (0.96 cents in Euros and 0.80 pence in Pounds Sterling) per ordinary share for the year ended 31 December 2013 which was paid on 30 May 2014.

Share buy backs and treasury

During the current reporting period, Blackstar repurchased a total of 1,735,000 Blackstar shares off the open market at an average price per share of R11.79 (£0.67) and a total cost of R20.4 million (£1.2 million). These shares are held in treasury. At 30 June 2014, Blackstar held 2,194,730 treasury shares, representing 2.7% of the issued share capital.

Interim Dividend

As a result of the continued strong performance of the Company, the Board has resolved to declare an interim gross dividend of 9 South African cents (0.63 cents in Euros and 0.49 pence in Pounds Sterling) per ordinary share for the six months ended 30 June 2014. The exchange rates have been fixed for the calculation of the Euro and Pounds Sterling equivalents based on the closing exchange rates on Tuesday, 23 September 2014 of EUR 1 = ZAR 14.320 and GBP 1 = ZAR 18.222. The Board recognises that regular dividends are an important part of shareholder wealth creation.

The interim dividend will be paid in accordance with the salient dates and times set out below:

| | |
|---|---------------------------|
| Last day to trade on the South African register | Friday, 10 October 2014 |
| Trading ex-dividend commences on the South African register | Monday, 13 October 2014 |
| Trading ex-dividend commences on the UK register | Thursday, 16 October 2014 |
| Record date for shareholders recorded on the UK and South African registers | Friday, 17 October 2014 |
| Date of payment | Monday, 10 November 2014 |

Share certificates may not be dematerialised or rematerialised between Monday, 13 October 2014 and Friday, 17 October 2014, both days inclusive, and transfers between the UK register and the South African register may not take place during that period.

Dividend tax will be withheld from the amount of the gross dividend of 9 South African cents per share paid to South African shareholders at the rate of 15% unless a shareholder qualifies for exemption. After the dividend tax has been withheld, the net dividend will be 7.65 South African cents per share. There are no other taxes (foreign or otherwise) to be withheld from the dividend. The Company had a total of 82,088,500 shares in issue (which includes 1,333,876 shares held in treasury) at the date on which the dividend was announced, 26 September 2014. The dividend will be distributed by Blackstar Group SE (Malta tax registration number 995944033) and is regarded as a foreign dividend. There are no Secondary Tax on Companies ("STC") credits available for use.

Outlook

The Blackstar balance sheet remains strong with a balanced investment portfolio, and the Group continues to generate good revenue and satisfying results. The cost base has been considerably reduced in both the South African and Maltese operations and any additional cash generated from investments will continue to be utilised to repay the financing.

Blackstar remains focussed on identifying potential investments which, consistent with its investment policy, will increase its income streams and facilitate the growth of the balance sheet.

Andrew Bonamour
Non-executive Director
26 September 2014

**Condensed consolidated statement of financial position
for the six months ended 30 June 2014**

| Audited 31 December 2013 R'000 | *Restated Unaudited 30 June 2013 R'000 | Unaudited 30 June 2014 R'000 | | Unaudited 30 June 2014 £'000 | *Restated Unaudited 30 June 2013 £'000 | Audited 31 December 2013 £'000 |
|---|--|---------------------------------------|--|---------------------------------------|--|---|
| | | | Assets | | | |
| 875 | 875 | 875 | Goodwill | 48 | 58 | 51 |
| 1,524 | 1,810 | 710 | Deferred tax assets | 39 | 120 | 87 |
| 1,364 | 1,355 | 1,280 | Equipment | 70 | 90 | 78 |
| 1,180,472 | 1,092,307 | 1,410,091 | Financial assets at fair value through profit and loss | 77,580 | 72,547 | 67,721 |
| 312,014 | 269,989 | 366,081 | Net investments in subsidiaries | 20,141 | 17,932 | 17,899 |
| 677,138 | 443,557 | 900,474 | Net investments in associates | 49,542 | 29,459 | 38,846 |
| 191,320 | 378,761 | 143,536 | Financial assets held for trading | 7,897 | 25,156 | 10,976 |
| 8,174 | 1,540 | 31,381 | Investments classified as loans and receivables | 1,727 | 102 | 469 |
| 188 | 156 | 160 | Current tax assets | 9 | 10 | 12 |
| 4,065 | 5,877 | 1,339 | Trade and other receivables | 73 | 391 | 233 |
| 122,893 | 98,938 | 59,356 | Cash and cash equivalents | 3,266 | 6,571 | 7,050 |
| 1,319,555 | 1,202,858 | 1,505,192 | Total assets | 82,812 | 79,889 | 75,701 |
| | | | Liabilities | | | |
| (60) | - | (183) | Deferred tax liabilities | (10) | - | (3) |
| (201) | (225) | (167) | Other financial liabilities | (9) | (15) | (12) |
| - | (83) | (128,606) | Borrowings | (7,076) | (6) | - |
| (469) | (967) | (684) | Current tax liabilities | (38) | (64) | (28) |
| (14,890) | (10,370) | (15,550) | Trade and other payables | (856) | (693) | (854) |
| (4) | - | - | Bank overdrafts | - | - | - |
| (15,624) | (11,645) | (145,190) | Total liabilities | (7,989) | (778) | (897) |
| 1,303,931 | 1,191,213 | 1,360,002 | Total net assets | 74,823 | 79,111 | 74,804 |
| | | | Equity | | | |
| 574,672 | 574,672 | 574,672 | Share capital | 55,347 | 55,347 | 55,347 |
| 21,468 | 21,677 | 21,506 | Share premium | 1,932 | 1,944 | 1,930 |
| 52,173 | 52,173 | 52,173 | Capital redemption reserve | 4,599 | 4,599 | 4,599 |
| (18,848) | (18,166) | (25,738) | Treasury shares reserve | (1,634) | (1,532) | (1,248) |
| - | - | - | Foreign currency translation reserve | (29,457) | (13,059) | (26,331) |
| 674,101 | 560,904 | 737,476 | Retained earnings | 44,041 | 31,815 | 40,485 |
| 1,303,566 | 1,191,260 | 1,360,089 | Total equity attributable to equity holders | 74,828 | 79,114 | 74,782 |
| 365 | (47) | (87) | Non-controlling interests | (5) | (3) | 22 |
| 1,303,931 | 1,191,213 | 1,360,002 | Total equity | 74,823 | 79,111 | 74,804 |
| 1,620 | 1,479 | 1,702 | Net asset value per share (in cents/pence) | 94 | 98 | 93 |
| 80,447 | 80,534 | 79,894 | Actual number of shares in issue (net of treasury shares, in thousands) | 79,894 | 80,534 | 80,447 |

*Comparatives have been restated for changes in the accounting policy - refer to note 2.

**Condensed consolidated statement of comprehensive income
for the six months ended 30 June 2014**

| Audited 31 December 2013 R'000 | *Restated Unaudited 30 June 2013 R'000 | Unaudited 30 June 2014 R'000 | | Unaudited 30 June 2014 £'000 | *Restated Unaudited 30 June 2013 £'000 | Audited 31 December 2013 £'000 |
|---|--|---------------------------------------|--|---------------------------------------|--|---|
| 261,025 | 107,377 | 116,074 | Income | 6,506 | 7,552 | 17,287 |
| (76,541) | (40,174) | (34,425) | Operating expenses | (1,929) | (2,826) | (5,070) |
| 184,484 | 67,203 | 81,649 | Operating profit | 4,577 | 4,726 | 12,217 |
| (208) | 821 | (3,415) | Net finance income/(costs) | (191) | 58 | (14) |
| 3,156 | 980 | 713 | Finance income | 40 | 69 | 209 |
| (3,364) | (159) | (4,128) | Finance costs | (231) | (11) | (223) |
| 184,276 | 68,024 | 78,234 | Profit before taxation | 4,386 | 4,784 | 12,203 |
| 222 | 1,005 | (1,370) | Taxation | (77) | 71 | 15 |
| 184,498 | 69,029 | 76,864 | Profit for the period | 4,309 | 4,855 | 12,218 |
| | | | Other comprehensive income/(loss) – items that may subsequently be reclassified to profit and loss: | | | |
| - | - | - | Currency translation differences on the translation of Rand denominated Group entities | (3,126) | (7,023) | (20,297) |
| - | - | - | Release of foreign currency translation reserve | - | - | 1,425 |
| - | - | - | Total other comprehensive income/(loss) recognised directly in equity | (3,126) | (7,023) | (18,872) |
| 184,498 | 69,029 | 76,864 | Total comprehensive income/(loss) for the period | 1,183 | (2,168) | (6,654) |
| | | | Profit for the period attributable to: | | | |
| 183,857 | 68,800 | 77,341 | Equity holders of the parent | 4,337 | 4,839 | 12,175 |
| 641 | 229 | (477) | Non-controlling interests | (28) | 16 | 43 |
| 184,498 | 69,029 | 76,864 | | 4,309 | 4,855 | 12,218 |
| | | | Total comprehensive income/(loss) attributable to: | | | |
| 183,857 | 68,800 | 77,341 | Equity holders of the parent | 1,211 | (2,186) | (6,697) |
| 641 | 229 | (477) | Non-controlling interests | (28) | 18 | 43 |
| 184,498 | 69,029 | 76,864 | | 1,183 | (2,168) | (6,654) |
| | | | Basic and diluted earnings per ordinary share attributable to equity holders (in cents/pence) | 5.38 | 6.20 | 15.32 |

*Comparatives have been restated for changes in the accounting policy - refer to note 2.

**Condensed consolidated statement of changes in equity
for the six months ended 30 June 2014**

| | Share capital R'000 | Share premium R'000 | Capital redemption reserve R'000 | Treasury shares reserve R'000 | Retained earnings R'000 | Attributable to equity holders R'000 | Non-controlling interests R'000 | Total equity R'000 |
|--|------------------------|---------------------------|--|-------------------------------------|-------------------------------|--|---------------------------------------|-----------------------|
| Balance as at 1 January 2013 | 574,671 | 22,125 | 52,173 | - | 495,288 | 1,144,257 | 27,861 | 1,172,118 |
| Change in accounting policies * | - | - | - | - | 4,668 | 4,668 | (28,155) | (23,487) |
| Balance as at 1 January 2013 (*restated) | 574,671 | 22,125 | 52,173 | - | 499,956 | 1,148,925 | (294) | 1,148,631 |
| Total comprehensive income for the period | - | - | - | - | 68,800 | 68,800 | 229 | 69,029 |
| Income for the period | - | - | - | - | 68,800 | 68,800 | 229 | 69,029 |
| Other comprehensive income for the period | - | - | - | - | - | - | - | - |
| Purchase of treasury shares | - | - | - | (80,014) | - | (80,014) | - | (80,014) |
| Effect of share split and consolidation | 1 | (1) | - | (2,499) | - | (2,499) | - | (2,499) |
| Treasury shares issued to acquire New Bond Capital Limited | - | (447) | - | 64,347 | - | 63,900 | - | 63,900 |
| Reduction in non-controlling interests arising on acquisition of further shares in Blackstar Fund Managers (Pty) Limited | - | - | - | - | (123) | (123) | 18 | (105) |
| Equity settled share based payment | - | - | - | - | 6,600 | 6,600 | - | 6,600 |
| Dividend paid | - | - | - | - | (14,329) | (14,329) | - | (14,329) |
| Balance as at 30 June 2013 (*restated) | 574,672 | 21,677 | 52,173 | (18,166) | 560,904 | 1,191,260 | (47) | 1,191,213 |
| Total comprehensive income for the period | - | - | - | - | 115,057 | 115,057 | 412 | 115,469 |
| Income for the period | - | - | - | - | 115,057 | 115,057 | 412 | 115,469 |
| Other comprehensive income for the period | - | - | - | - | - | - | - | - |
| Purchase of treasury shares | - | - | - | (9,896) | - | (9,896) | - | (9,896) |
| Equity settled share based payment | - | - | - | - | 13,687 | 13,687 | - | 13,687 |
| Treasury shares issued during the year as part of the long term Management Incentive Scheme | - | (209) | - | 9,214 | (9,005) | - | - | - |
| Dividend paid | - | - | - | - | (6,542) | (6,542) | - | (6,542) |
| Balance as at 31 December 2013 | 574,672 | 21,468 | 52,173 | (18,848) | 674,101 | 1,303,566 | 365 | 1,303,931 |
| Total comprehensive income/(loss) for the period | - | - | - | - | 77,341 | 77,341 | (477) | 76,864 |
| Income/(loss) for the period | - | - | - | - | 77,341 | 77,341 | (477) | 76,864 |
| Other comprehensive income for the period | - | - | - | - | - | - | - | - |
| Purchase of treasury shares | - | - | - | (20,514) | - | (20,514) | - | (20,514) |
| Reduction in non-controlling interests arising on acquisition of further shares in Blackstar Fund Managers (Pty) Limited | - | - | - | - | (176) | (176) | 25 | (151) |
| Equity settled share based payment | - | - | - | - | 11,068 | 11,068 | - | 11,068 |
| Treasury shares issued during the year as part of the long term Management Incentive Scheme | - | 38 | - | 13,624 | (13,662) | - | - | - |
| Dividend paid | - | - | - | - | (11,196) | (11,196) | - | (11,196) |
| Balance as at 30 June 2014 | 574,672 | 21,506 | 52,173 | (25,738) | 737,476 | 1,360,089 | (87) | 1,360,002 |

*Comparatives have been restated for changes in the accounting policy - refer to note 2.

**Condensed consolidated statement of changes in equity
for the six months ended 30 June 2014**

| | Share capital £'000 | Share premium £'000 | Capital redemption reserve £'000 | Treasury shares reserve £'000 | Foreign currency translation reserve (FCTR) £'000 | Retained earnings £'000 | Attributable to equity holders £'000 | Non-controlling interests £'000 | Total equity £'000 |
|--|------------------------|------------------------|---|--|--|-------------------------------|--|---------------------------------------|-----------------------|
| Balance as at 1 January 2013 | 55,347 | 1,974 | 4,599 | - | (2,082) | 23,236 | 83,074 | 2,023 | 85,097 |
| Change in accounting policies * | - | - | - | - | (3,952) | 4,293 | 341 | (2,045) | (1,704) |
| Balance as at 1 January 2013 (*restated) | 55,347 | 1,974 | 4,599 | - | (6,034) | 27,529 | 83,415 | (22) | 83,393 |
| Total comprehensive income/(loss) for the period | - | - | - | - | (7,025) | 4,839 | (2,186) | 18 | (2,168) |
| Income for the period | - | - | - | - | - | 4,839 | 4,839 | 16 | 4,855 |
| Other comprehensive income/(loss) for the period | - | - | - | - | (7,025) | - | (7,025) | 2 | (7,023) |
| Purchase of treasury shares | - | - | - | (5,628) | - | - | (5,628) | - | (5,628) |
| Effect of share split and consolidation | - | - | - | (166) | - | - | (166) | - | (166) |
| Treasury shares issued to acquire New Bond Capital Limited | - | (30) | - | 4,262 | - | - | 4,232 | - | 4,232 |
| Reduction in non-controlling interests arising on acquisition of further shares in Blackstar Fund Managers (Pty) Limited | - | - | - | - | - | (9) | (9) | 1 | (8) |
| Equity settled share based payment | - | - | - | - | - | 464 | 464 | - | 464 |
| Dividend paid | - | - | - | - | - | (1,008) | (1,008) | - | (1,008) |
| Balance as at 30 June 2013 (*restated) | 55,347 | 1,944 | 4,599 | (1,532) | (13,059) | 31,815 | 79,114 | (3) | 79,111 |
| Total comprehensive income/(loss) for the period | - | - | - | - | (13,272) | 8,761 | (4,511) | 25 | (4,486) |
| Income for the period | - | - | - | - | - | 7,336 | 7,336 | 27 | 7,363 |
| Other comprehensive income/(loss) for the period | - | - | - | - | (13,272) | 1,425 | (11,847) | (2) | (11,849) |
| Purchase of treasury shares | - | - | - | (327) | - | - | (327) | - | (327) |
| Equity settled share based payment | - | - | - | - | - | 880 | 880 | - | 880 |
| Treasury shares issued during the year as part of the long term Management Incentive Scheme | - | (14) | - | 611 | - | (597) | - | - | - |
| Dividend paid | - | - | - | - | - | (374) | (374) | - | (374) |
| Balance as at 31 December 2013 | 55,347 | 1,930 | 4,599 | (1,248) | (26,331) | 40,485 | 74,782 | 22 | 74,804 |
| Total comprehensive income/(loss) for the period | - | - | - | - | (3,126) | 4,337 | 1,211 | (28) | 1,183 |
| Income/(loss) for the period | - | - | - | - | - | 4,337 | 4,337 | (28) | 4,309 |
| Other comprehensive loss for the period | - | - | - | - | (3,126) | - | (3,126) | - | (3,126) |
| Purchase of treasury shares | - | - | - | (1,149) | - | - | (1,149) | - | (1,149) |
| Reduction in non-controlling interests arising on acquisition of further shares in Blackstar Fund Managers (Pty) Limited | - | - | - | - | - | (10) | (10) | 1 | (9) |
| Equity settled share based payment | - | - | - | - | - | 621 | 621 | - | 621 |
| Treasury shares issued during the year as part of the long term Management Incentive Scheme | - | 2 | - | 763 | - | (765) | - | - | - |
| Dividend paid | - | - | - | - | - | (627) | (627) | - | (627) |
| Balance as at 30 June 2014 | 55,347 | 1,932 | 4,599 | (1,634) | (29,457) | 44,041 | 74,828 | (5) | 74,823 |

*Comparatives have been restated for changes in the accounting policy - refer to note 2.

**Condensed consolidated statement of cash flows
for the six months ended 30 June 2014**

| Audited 31 December 2013 R'000 | *Restated Unaudited 30 June 2013 R'000 | Unaudited 30 June 2014 R'000 | | Unaudited 30 June 2014 £'000 | *Restated Unaudited 30 June 2013 £'000 | Audited 31 December 2013 £'000 |
|---|--|---------------------------------------|--|---------------------------------------|--|---|
| (103,859) | (144,264) | (160,257) | Cash absorbed by operating activities | (8,980) | (10,146) | (6,731) |
| (532) | (599) | (171) | Cash absorbed by investing activities | (9) | (43) | (37) |
| (113,407) | (96,886) | 96,895 | Cash generated/(absorbed) by financing activities | 5,430 | (6,815) | (7,511) |
| (217,798) | (241,749) | (63,533) | Net decrease in cash and cash equivalents | (3,559) | (17,004) | (14,279) |
| 340,687 | 340,687 | 122,889 | Cash and cash equivalents at the beginning of the period | 7,050 | 24,735 | 24,735 |
| - | - | - | Exchange losses on cash and cash equivalents | (225) | (1,160) | (3,406) |
| 122,889 | 98,938 | 59,356 | Cash and cash equivalents at the end of the period | 3,266 | 6,571 | 7,050 |

*Comparatives have been restated for changes in the accounting policy - refer to note 2.

Notes to the condensed unaudited interim financial statements for the six months ended 30 June 2014

1. Basis of preparation

These condensed financial statements of the Group are prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB") as endorsed for use by the European Union. They are prepared on the going concern principle, using the historical cost basis and the accounting policies which are expected to be applied in the preparation of the Group's annual financial statements for the year ending 31 December 2014. The Group has chosen not to adopt IAS 34 Interim Financial Statements in preparing the consolidated interim financial statements.

The accounting policies and methods of computation are consistent with those applied in the annual financial statements for the year ended 31 December 2013.

The financial information in this half-yearly report is unaudited and does not constitute statutory accounts for the purposes of the Maltese Companies Act, 1985. The half-yearly report should be read in conjunction with the Group's statutory accounts for the year ended 31 December 2013, which are prepared under IFRS and upon which an unqualified auditors' report was given. The statutory accounts as at 31 December 2013 are available from the Company's website, www.blackstar.eu, or by writing to the Company Secretary.

The functional currency of the Company is the South African Rand, being the currency of the primary economic environment in which the Company and its subsidiaries operate. Blackstar is dual listed with a primary listing on the Alternative Investment Market of the London Stock Exchange ("AIM") and a secondary listing on the AltX of the JSE Limited ("JSE") in South Africa. As a result, Blackstar has two presentational currencies being South African Rand ("Rands") and Pounds Sterling ("Pounds").

2. Changes in accounting policies

The accounting policies and methods of computation are consistent with those applied in the annual financial statements for the year ended 31 December 2013. For the financial year ended 31 December 2013, the Group adopted the following new and revised accounting standards for the first time:

- IAS 1 Presentation of Financial Statements (revised)
- IFRS 10 Consolidated Financial Statements (early adoption)
- IFRS 11 Joint Arrangements (early adoption)
- IFRS 12 Disclosure of Interest in Other Entities (early adoption)
- IFRS 13 Fair Value Measurement
- IAS 27 Separate Financial Instruments (revised – early adoption)
- IAS 28 Accounting for Investments in Associates (revised – early adoption)
- Investment Entities (amendments to IFRS 10, IFRS 12 and the revised version of IAS 27 - early adoption)

Of the above standards, only IFRS 10 (including the investment entities amendments) made a significant impact to the financial performance and position of the Group as its adoption required the restatement of results previously presented. IFRS 10 includes an exception from consolidation for entities, which meet the definition of an investment entity, and requires such entities to recognise all investments at fair value through profit and loss. The adoption of IFRS 10 has resulted in the Group treating certain investments in subsidiaries and associates as investments held at fair value through profit and loss. Subsidiaries which provide services that relate only to the Company's own investment activities are continued to be consolidated.

Under the transitional provisions of IFRS 10, this change in accounting policies was required to be accounted for retrospectively and thus the comparative figures for the six months ended 30 June 2013 have been restated.

A summary of the impact of these changes on the consolidated statement of financial position as at 30 June 2013, and the impact on the consolidated statement of comprehensive income for the six months ended 30 June 2013 are shown below. Further detail is provided within the notes to the Group's consolidated financial statements for the year ended 31 December 2013 which are available on the Company website www.blackstar.eu

**Notes to the condensed unaudited interim financial statements continued
for the six months ended 30 June 2014**

2. Changes in accounting policies (continued)

Impact on the consolidated statement of financial position

Increase/(decrease) to net assets:

| Unaudited 30 June 2013 R'000 | | Unaudited 30 June 2013 £'000 |
|---------------------------------------|-------------------|---------------------------------------|
| (381,959) | Total assets | (25,369) |
| 423,410 | Total liabilities | 28,120 |
| 41,451 | Total net assets | 2,751 |
| 41,451 | Total equity | 2,751 |

Impact on the consolidated statement of comprehensive income

Increase/(decrease) to profits:

| Unaudited 30 June 2013 R'000 | | Unaudited 30 June 2013 £'000 |
|---------------------------------------|---|---------------------------------------|
| 65,677 | Operating profit | 4,779 |
| 9,094 | Net finance costs | 641 |
| (9,571) | Share of profit from associate | (696) |
| 65,200 | Profit before taxation | 4,724 |
| (1,738) | Taxation | (98) |
| 63,462 | Profit from continuing operations | 4,626 |
| 315 | Profit from discontinued operations, net of taxation | 22 |
| 63,777 | Profit for the period | 4,648 |
| | Profit for the period attributable to: | |
| 68,528 | Equity holders of the parent | 4,987 |
| (4,751) | Non-controlling interests | (339) |
| 63,777 | | 4,648 |
| 87.84 | Basic earnings per ordinary share attributable to equity holders (in cents/pence) | 6.39 |

**Notes to the condensed unaudited interim financial statements continued
for the six months ended 30 June 2014**

3. Basic and diluted earnings and headline earnings per share

| Audited 31 December 2013 R'000 | *Restated Unaudited 30 June 2013 R'000 | Unaudited 30 June 2014 R'000 | | Unaudited 30 June 2014 £'000 | *Restated Unaudited 30 June 2013 £'000 | Audited 31 December 2013 £'000 |
|---|--|---------------------------------------|---|---------------------------------------|--|---|
| 183,857 | 68,800 | 77,341 | Net profit for the period attributable to equity holders of the parent | 4,337 | 4,839 | 12,175 |
| - | - | - | Headline earning adjustments | - | - | - |
| 183,857 | 68,800 | 77,341 | Headline earnings | 4,337 | 4,839 | 12,175 |
| 79,476 | 78,012 | 80,636 | Weighted average number of shares (net of treasury shares, in thousands) | 80,636 | 78,012 | 79,476 |
| 231.34 | 88.19 | 95.91 | Basic and diluted earnings per ordinary share attributable to equity holders (in cents/pence) | 5.38 | 6.20 | 15.32 |
| 231.34 | 88.19 | 95.91 | Basic and diluted headline earnings per ordinary share attributable to equity holders (in cents/pence) ^ | 5.38 | 6.20 | 15.32 |

*Comparatives have been restated for changes in the accounting policy - refer to note 2.

^ Disclosure of headline earnings has been provided in accordance with the JSE Listings Requirements.

26 September 2014

For further information, please contact:

| | | |
|---------------------------|------------------------------------|----------------------|
| Blackstar Group SE | Leanna Isaac | +356 2137 3360 |
| Liberum Capital Limited | Chris Bowman / Christopher Britton | +44 (0) 20 3100 2222 |
| PSG Capital (Pty) Limited | David Tosi / Willie Honeyball | +27(0) 21 887 9602 |