Blackstar Group SE

Annual Report and Accounts 2011

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Highlights

During the review period

- Successful listing on the Altx of the JSE Limited and capital raising of R100 million (£8.9 million);
- Realisation of investment in Ferro Industrial Products (Pty) Limited ("Ferro") for R200 million (£18.2 million), generating a return of 4.0 times money;
- Payment of a special dividend of 80.53 cents (6.5 pence) per ordinary share;
- Repurchase of 3.75% of the Company's ordinary shares in issue;
- Successful restructuring and de-risking of Blackstar's exposure to its steel interests.

Post the review period

- Acquisition of 28% in Mvelaphanda Group Limited for R470 million (£38 million) in January 2012;
- Entered into an agreement to dispose of half of Blackstar's investment in Litha Healthcare Group Limited for R201 million (£16.6 million), which will generate a return of 4.6 times money in South African Rand and 5.4 times money in Pounds Sterling when completed;
- Current portfolio now diverse and represents good growth opportunities;
- Blackstar now well positioned to pursue new opportunities;
- Net asset value ("NAV") per share at 31 March 2012 of R13.32 (£1.09).

Directors' statement

Introduction

The period under review had many highlights for Blackstar Group SE ("Blackstar" or "the Company" or "the Group") as we exited a number of investments on very favourable terms and invested in some excellent businesses. Completing the sale of its 54% interest in Ferro for £18.2 million, realising a return of 4.0 times money and an internal rate of return of 72% in Pounds Sterling was an excellent deal for our shareholders. Our investment in Ferro is a great example of our ability to identify investments, generate cashflows from the investment and then execute a successful exit.

Our struggling carbon steel division Baldwins, was sold for a 5% interest in Robor (Pty) Limited ("Robor"). This removed significant funding risk from the Group and gave Blackstar an interest in a well managed, diversified steel business with appropriate scale. During 2011, Blackstar received a dividend of £0.1 million from Robor.

I recommend that shareholders refer to Annexure A, which provides a breakdown of Blackstar's most recent intrinsic NAV at 31 March 2012. The Directors believe this is a useful tool in identifying the true inherent value of each investment held. Annexure A also includes an analysis of the Turnover and Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") which provides an indication of the performance of the underlying investments.

Secondary Listing on the JSE

Blackstar completed a secondary listing on the Altx of the JSE Limited ("JSE") on 12 August 2011 and raised R100 million (£8.9 million) through the issue of new shares to South African investors as part of the secondary listing process. The listing was positive for the Group and has attracted shareholder interest in South Africa.

The listing is beginning to reap the desired benefits. Trading in the Company's shares on the JSE has attracted increased interest from South African based investors and over the first three months has steadily improved. In addition South African institutions have acquired shares off the Alternative Investment Market of the London Stock Exchange ("AIM") and transferred those shares to the JSE shareholders' register. As a result, future tradability and liquidity of the share will be further enhanced as a result of its listing on the JSE.

Investment and Market Review

Steel Investments

During the review period, Blackstar completed a successful restructuring of its steel interest's (representing 18.2% of the current gross asset value), which included the following:

- the sale of the carbon steel division Baldwins for a 5% equity interest in Robor, a large, dividend paying, diversified steel business with a strong experienced management team;
- the separation of the two remaining divisions namely, Global Roofing Solutions (Pty) Limited ("GRS") and Stalcor (Pty) Limited ("Stalcor"), previously KMG Steel Service Centres (Pty) Limited into two independent operating companies, and the closure of Stalcor's head office and two of its branches; and
- the successful re-banking of GRS and Stalcor with two other banks, with the resultant ring-fencing of working capital facilities within the individual businesses.

Blackstar now holds its steel interests in three distinct companies:

- 6% stake in Robor – South Africa's largest tube and pipe manufacturer;
- 100% of GRS – the largest steel roofing and cladding company in South Africa; and
- 100% of Stalcor – one of the three appointed distributors of stainless steel and aluminium in South Africa.

Stalcor has been rebranded, relaunched, has a new management team in place and we believe after a lot of hard work, the company is on the road to recovery having returned to profitability in early 2012. Stalcor also launched a Customer Loyalty Trust which has been a huge success and is beginning to have positive results for the business. Together with Stalcor's management, Blackstar is looking at a number of strategic alternatives for the business.

GRS, Robor and Stalcor should be beneficiaries of the South African Government's proposed R3.2 trillion infrastructure spend as articulated in the recent Budget speech. Robor and GRS are well managed companies with large African footprints. Robor exports to 55 countries worldwide, 16 of which are within Africa.

GRS are in the process of consolidating their Gauteng operations into one facility and effective January 2012 GRS has closed its paint line, which due to the age of

the equipment is no longer able to produce cost effectively. Both these initiatives are expected to result in significant cost savings and earnings enhancements for GRS.

While the steel market remains challenging, Blackstar has seen a significant turnaround in its steel investments following the restructuring of the various underlying companies that took place during 2011.

During February 2012, Blackstar acquired additional shares in Robor for an amount of R5 million which represented an additional 1% in Robor, increasing its holding to 6%. The amount paid for the additional shares was at an attractive price relative to the value placed on the initial 5% Blackstar received for selling its Baldwins interest to Robor.

Litha

Litha Healthcare Group Limited ("Litha") (representing 32.7% of the current gross asset value) continued to perform well and recently reported an earnings per share increase of 40%. Since Blackstar's executive involvement with Litha the share price has increased some 300% from 2010 to 31 March 2012. Blackstar has played a key role in the development of Litha and in our view Litha's prospects have never looked better.

In February 2012 Litha announced its acquisition of 100% of Pharmaplan (Pty) Limited ("Pharmaplan") from Toronto listed Paladin Laboratory Inc. ("Paladin") for R590 million in cash and shares. Pharmaplan is one of the fastest growing specialist pharmaceutical companies in South Africa. Blackstar was intimately involved in securing, structuring and negotiating the transaction.

The acquisition of Pharmaplan will change the Litha business, giving it the appropriate scale in all three divisions in which it operates, namely pharmaceuticals, vaccines and medical devices. Following the Paladin acquisition, the Litha Pharma Division is expected to become Litha's most profitable division by earnings, and as such the Litha group's profitability is expected to be positively impacted. Our involvement with Litha has been another great example of how deployment of Blackstar's intellectual capital into its portfolio investments can be transformative for the company whilst also delivering real value for Blackstar shareholders.

Properties

Blackstar continued to grow its real estate portfolio (representing 1.8% of the current gross asset value) by acquiring, through its 100% held subsidiary, Blackstar Real Estate (Pty) Limited ("BRE"), a commercial property in Midrand, Gauteng, South Africa for R58 million (£5.3 million). The property is held through a property holding company with BRE owning 70% of the ordinary shares and Litha owning 30% of the ordinary shares. Blackstar secured R45 million (£4.1 million) of debt funding from a bank, to be held in the property holding company over 10 years and Litha has entered into a 12 year lease to occupy the property.

This acquisition was a significant addition to Blackstar's property portfolio and the Group now has gross property assets of R109 million (£8.7 million) which offers the Group exposure to the South African commercial, retail and industrial real estate sectors. Blackstar believes that the property transactions that have been structured by the Group make attractive investment propositions as all of the properties are situated in key locations and have long term leases signed with strong tenants.

The Group continues to explore property opportunities in the South African real estate sector. Blackstar invests in property opportunities where the tenant's ability to meet rental obligations can be reasonably assessed and understood and the resultant returns on equity can be enhanced by leverage. Given Blackstar's investment portfolio mix, the Group is able to structure opportunities that are cash flow neutral post initial investment and that allow significant returns on patient capital over the life of the leases. Opportunities out of Blackstar's portfolio companies represent good examples of these.

Other

At year end Blackstar held an investment of £1.2 million in Shoprite Holdings Limited ("Shoprite") (representing 1.0% of the current gross asset value). Shoprite is the largest fast moving consumer goods retailer in Africa, with a presence in 16 countries. Blackstar acquired the shares in Shoprite's secondary listing in Lusaka, Zambia, instead of the Johannesburg Stock Exchange because the Lusaka shares traded at a 43% discount to JSE share price. The Zambian PE ratio of 13x, dividend yield of 4%, contrasted favourably with the comparable Johannesburg multiples of 22x and 2%. Blackstar's investment in Shoprite has appreciated by 30% at year end since date of acquisition, largely due to the narrowing of the discount between its share price in Lusaka and its share price in South Africa.

Shoprite have subsequently laid charges against their transfer secretary in Zambia, Lewis Nathan Advocates, whom it accuses of selling Shoprite treasury shares outside its mandate. Shoprite have also suspended all dividends to shareholders on the Zambian exchange pending the outcome of the legal action against Lewis

Nathan. Blackstar along with other shareholders has engaged Shoprite on this matter and is working to resolve the shareholder element of the dispute.

The remainder of the portfolio fared well in 2011, in line with expectations. The services derivative investment (representing 8.9% of the current gross asset value) is expected to be realised in the second or third quarter of 2012.

Post Year End Activities
In January 2012, Blackstar acquired 28% of Mvelaphanda Group Limited ("MVG") (representing 36.7% of the current gross asset value) for a total cash consideration of R470 million (£38 million), equivalent to R3.20 per MVG share and has become the largest single investor in MVG. To fund this acquisition, Blackstar used R150 million (£12 million) of its own cash resources and R320 million (£26 million) from a debt facility provided by Investec Bank Limited ("Investec") for the purpose of this transaction. The Investec debt is repayable in two bullet payments over the next two years and bears interest at South African Prime Rate plus 15 basis points with the interest payable semi annually in arrears. While the debt is in place there are the normal restrictive covenants.

MVG is an iconic South-Africa focused broad-based black economically-empowered investment holding company listed on the Main Board of the JSE. MVG's diversified portfolio includes significant investments in South Africa's financial, media, entertainment, construction and healthcare sectors. Andrew Bonamour and William Marshall-Smith, Chief Executive Officer and Director of Blackstar Group (Pty) Limited ("Blackstar SA") respectively have been appointed to the MVG board. Andrew has assumed the role of interim chief executive officer and William the role of interim financial director of MVG, with their directors' fees to be paid to Blackstar. MVG's offices have been relocated to Blackstar's premises and we are now actively involved in MVG's various investments.

As previously mentioned, in February 2012, Blackstar announced that it had entered into a conditional agreement for the sale of 72,989,078 ordinary shares in Litha to Paladin for a cash consideration of R201 million (£16.6 million). The disposal represents 50% of Blackstar's interest in Litha and equates to R2.75 per Litha share. On completion, the disposal proceeds will represent a 4.6 times return on investment in South African Rand and 5.4 times return in Pounds Sterling, which equates to a 32% IRR and 36% IRR, respectively, over the 5 year holding period.

The disposal forms part of a larger transaction, facilitating Litha's acquisition of 100% of Pharmaplan from Paladin for R590 million in cash and shares. Following this transaction, Blackstar will retain 13.4% of the ordinary share capital of Litha. Blackstar will also earn a R5 million (£0.4 million) corporate finance fee, payable in cash, for its role as originator and underwriter of the transaction.

The sale agreement is subject to the fulfillment of certain suspensive conditions, which are standard in a transaction of this nature, including the approval of the South African Competition Authorities. Blackstar's remaining shares will be subject to a six month lock up, with Paladin having a pre-emptive right over these shares. The transaction is expected to be completed in the second half of 2012.

Financial Review
The financial review encompasses the results of Blackstar's four reporting segments namely: Investment activities (being the Blackstar investment portfolio including property company BRE and its subsidiaries, and the associate Navigare (Pty) Limited ("Navigare")); Industrial metals (being Stalcor, GRS and its subsidiaries); Industrial chemicals (being Ferro up to 1 July 2011, being the effective date of sale); and Healthcare (being the associate Litha). Associates Litha and Navigare have been equity accounted and included as single line items on the consolidated income statement and balance sheet.

Financial performance
As a result of the sale of Baldwins, closure of two of Stalcor's branches and the sale of Ferro, the results of these operations have been separately disclosed in the consolidated income statement under the heading "profit from discontinued operations" and comparatives have been restated. A detailed income statement for discontinued operations is provided within the notes to the consolidated financial statements.

The operating profit before net investment income of £3.5 million for the current financial year therefore comprises the results of the remaining trading businesses – GRS and Stalcor as well as net gains on associates. GRS contributed £2.1 million to the Group's operating profit from continuing operations, whilst Stalcor generated an operating loss of £0.1 million. Blackstar's share of profit from associates amounted to £2.9 million, of which Litha contributed the majority of the profit.

An exceptional gain of £2.2 million has been recognised under net gains from associates on dilution of Blackstar's shareholding in Litha from 45% to 39% as Litha issued shares in April 2011 at R2.20 to non controlling shareholders in order to implement its acquisition of the remaining 49% of Litha Healthcare Holdings (Pty) Limited.

A net gain on investments of £0.6 million was recognised in the current financial year which includes a gain of £2.4 million that arose as Blackstar entered into a forward exchange contract to convert the Ferro South African Rand proceeds to Pounds Sterling, and a loss of £1.8 million mainly arising on the disposal of the investment in Adreach Group (Pty) Limited. The Group also generated £0.9 million in fees, dividends and interest during the current financial year.

Once-off exceptional costs of £2.4 million were incurred during the year which include: costs incurred on the secondary listing on the Altx; conversion of the Company to a Societas Europaea and transfer to Malta; and deal costs arising on the aborted offer to acquire the entire share capital of MVG.

Total impairments of £12.2 million (2010: £11.7 million) have been recognised on goodwill and intangible assets. These impairments were the main reason for the overall reported loss from continuing operations of £12.9 million. Impairments are discussed in the goodwill and intangibles section below.

Net profit from discontinued operations amounted to £5.7 million in 2011 which comprises the trading results of the discontinued operations from 1 January 2011 to date of closure or sale which amounted to net loss of £2.2 million (2010: £9.3 million) and the net gains on disposal of the discontinued operations which amounted to £7.9 million.

The loss after taxation attributable to equity holders of Blackstar amounted to £7.6 million for the year ended 31 December 2011 compared to a loss of £11.1 million in the prior year.

Balance sheet changes

Gross assets amounted to £95.1 million at 31 December 2011. The decline from the prior year is mainly attributable to the sale of Ferro and Baldwins and further impairments recognised on goodwill and intangible assets during the current financial year.

Investments in associates comprise £16.3 million in respect of Litha and £0.1 million in respect of Navigare. Investments classified as loans and receivables amounted to £2.2 million at year end, a minor increase from the prior year. Investments at fair value through profit and loss amounted to £14.1 million at year end and comprise the derivative investment in a services company of £7.7 million, shares in Robor received on the sale of the Baldwins divisions with a fair value of £3.5 million, and other smaller listed and unlisted investments.

Borrowings declined from £13.8 million to £7.7 million at year end mainly due to the exclusion of Ferro's debt as a result of the sale of Ferro during the current financial year. Additional mortgage bonds were also taken out by the property companies within the Group amounting to £5.2 million.

Other financial liabilities declined from £29.5 million to £7.1 million at year end. This is attributable to the restructuring that took place within Stalcor and the sale of the Baldwins division. Stalcor no longer requires an inventory financing facility and GRS's facility remained unutilised at year end. Such facilities amounted to £15.9 million at the end of the prior year. In addition, the debtors invoice discounting facility utilised by both Stalcor and GRS was reduced from £9.1 million to £6.1 million. All debt is ring-fenced within each subsidiary.

£8.9 million was raised through the capital raising and secondary listing on the Altx of the JSE Limited, which resulted in the increases to share capital and share premium. The shares bought back by the Company in December 2011 were held in treasury at year end, until such time as the shares have been cancelled.

The significant difference between intrinsic NAV (as referred to in Annexure A) and consolidated NAV would mainly be due to the fact that Litha is equity accounted in the consolidated balance sheet with a carrying value of £16.3 million compared to a fair value of £32.6 million at year end.

Cash and cash equivalents increased by £1.2 million to £20.3 million at year end. Significant cash flow movements during the year included: £23.1 million cash inflow on disposal of discontinued operations; £16.8 million cash outflow on settlement of other financial liabilities mainly in Stalcor and GRS; £5.0 million cash outflow on acquisition of investment property and £4.3 million cash inflow as a result of external debt raised to finance these acquisitions; £8.9 million cash inflow on capital raising; £6.2 million cash outflow on payment of a dividend to shareholders; and £2.3 million cash outflow on buy-back of shares.

Goodwill and intangible assets
Blackstar's intangible assets declined from £13.3 million to £2.9 million at year end. The decrease of £10.4 million arose mainly on the disposal of Ferro and its intangible assets of £7.7 million as well as amortisation and impairments of intangible assets which were recognised on acquisition of GRS.

The remaining intangible assets at year end comprise acquired marketing-related intangibles (brand names and registered trademarks) that arose on the acquisitions of GRS.

Goodwill declined from £18.8 million to £2.9 million at year end. Goodwill is tested for impairment at each reporting date. An impairment of £1.9 million was recognised, which arose on the acquisition of GRS as a result of the difficult market conditions. The goodwill in relation to Blackstar SA and the internalisation of investment advisory arrangements was impaired by £9.4 million in line with the decline in Blackstar Group's net asset value and the term of the previous investment advisory agreement. The balance of the decrease arose on the disposal of Ferro.

The remaining goodwill comprises £1.9 million relating to the acquisition of Blackstar SA and the internalisation of investment advisory arrangements, and £0.9 million relating to acquisitions made by GRS.

Share buy-backs
In December 2011, Blackstar purchased 3,200,000 ordinary shares of €0.76 each in the Company at a price of 71 pence per share, representing 3.75% of the issued ordinary share capital prior to such purchases. The shares were cancelled in January 2012. Further buy-backs are not permitted under the terms of the Investec debt facility.

Dividends
Following the sale of Ferro, the Board declared and paid a special dividend of 6.5 pence per ordinary share for shareholders on the UK register or 80.53 cents per ordinary share for shareholders on the South African register.

As the Company is currently utilising its debt facility with Investec, the Board has resolved not to declare a further dividend for the year.

Conversion to a Societas Europaea and Transfer to Malta
After obtaining approval from shareholders on 22 June 2011, Blackstar converted into a Societas Europaea or European public limited liability company on 27 June 2011.

Following approval by Blackstar's shareholders on 10 February 2012 of the transfer of the Company's registered office from the United Kingdom to Malta, the Company shall in accordance with Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company, take all steps necessary to effect the transfer to Malta. It is expected the transfer will become effective during the second quarter of 2012.

Current Trading and Outlook
New capital regulatory requirements, including those of Basel 3, are causing a shift on both a global and local front in regard to on-balance sheet investments held by commercial and investment banks. Their capital allocation reviews in regard to such investments is providing private equity groups with an avenue to source new deals.

2011 was a successful year for Blackstar. I feel the consolidated financial statements prepared under International Financial Reporting Standards ("IFRS") do not give a full reflection of this success, mainly due to the discontinued operations representing the disposal of the investment in Ferro, the restructuring of Blackstar's exposure to its steel interests and the lower value of our Litha investment, which is equity accounted as an associate rather than carried at fair value. As a result I recommend that shareholders refer to Annexure A, which provides shareholders with a true understanding of the value inherent in Blackstar's portfolio. The intrinsic net asset value ("NAV") of R13.23 (£1.09) at 31 March 2012, reflects the solid asset base and strong financial position of the company.

The move to Malta will significantly reduce the administrative and legal costs which arise from being present in two jurisdictions. Blackstar also believe that Malta will be the most efficient jurisdiction for the Company with respect to distributions to shareholders. The Group will continue to focus its attention on unlocking further value from its current portfolio of investments as evidenced by some of the above mentioned post year-end transactions. Blackstar's strong balance sheet has positioned it favorably to pursue a range of interesting new NAV enhancing opportunities in 2012.

Andrew Bonamour
Luxembourg
12 April 2012

Annexure A

Intrinsic NAV as at 31 March 2012

	Unaudited £'000	Unaudited R'000
Mvelaphanda Group Limited	41,384	505,950
Litha Healthcare Group Limited	36,836	450,343
Global Roofing Solutions (Pty) Limited	12,678	155,000
Services derivative	10,015	122,441
Stalcor (Pty) Limited	3,681	45,000
Robor (Pty) Limited	4,172	51,000
Blackstar Real Estate (Pty) Limited	2,053	25,098
Other listed	1,176	14,379
Other unlisted	692	8,455
Net debt	(23,262)	(284,396)
Intrinsic NAV	**89,425**	**1,093,270**
Intrinsic NAV per share (in Sterling/Rands)	1.09	13.32
Ordinary share price on 31 March 2012	0.77	9.80
Ordinary share price discount to NAV	29%	26%

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 50% of the investment in Litha Healthcare Group Limited has been valued at R2.75 per share, being the price of the disposal of 50% of Blackstar's interest, and the balance has been valued using quoted bid price on 31 March 2012.

4 The investment in Blackstar Real Estate (Pty) Limited is carried at cost, being the capital invested plus accrued interest, where applicable.

5 All amounts have been translated using the closing exchange rates at 31 March 2012.

6 Net debt represents debt less cash at the centre, excluding subsidiaries and comprises Investec debt less cash resources.

7 Other unlisted comprises investments in Navigare Securities (Pty) Limited and FBDC Investors Offshore L.P ("Facebook").

8 Other listed comprises investments in Shoprite Holdings Limited.

Analysis of Turnover and EBITDA

	2011 £'000	2011 R'000	2010 £'000	2010 R'000
Turnover from continuing operations				
Litha Healthcare Group Limited	150,230	1,747,026	111,017	1,254,873
Global Roofing Solutions (Pty) Limited	48,178	560,274	46,904	530,179
Stalcor (Pty) Limited	42,880	501,497	44,687	505,111
Robor (Pty) Limited *	213,197	2,479,273	168,685	1,906,714
EBITDA from continuing operations				
Litha Healthcare Group Limited	11,568	161,107	10,054	144,770
Global Roofing Solutions (Pty) Limited	2,519	29,290	1,045	11,812
Stalcor (Pty) Limited	257	2,984	107	1,206
Robor (Pty) Limited *	17,243	200,515	15,482	175,002

* These figures are stated as per the audited financials for the year ended 30 September 2011.

Directors' report

The Directors present their report for Blackstar Group SE (registered number SE000030) together with the audited financial statements for the year ended 31 December 2011.

Results and dividends
The consolidated income statement as set out on page 17 shows the profit/loss for the year.

The Directors recommended the payment of a special dividend of 6.5 pence per ordinary share and do not recommend the payment of a further dividend (2010: 1.55 pence per ordinary share).

Principal activities, business review and future developments
Blackstar Group SE ("the Company") was incorporated in England and Wales and has its registered office at 2nd Floor Ibex House, The Minories, London, EC3N 1DX and has its principal place of business at 58 rue Charles Martel, L-2134 Luxembourg.

Through two capital raisings in 2006, the Company successfully raised an aggregate of £80 million (before expenses) to pursue its investing strategy and objectives and engaged BML Limited ("BML"), an offshore management company, to assist with sourcing, evaluating and assessing potential investment opportunities.

In June 2009, the Company concluded the internalisation of its investment advisory arrangements with BML, including the acquisition of Blackstar Fund Managers (Pty) Limited, which subsequently changed its name to Blackstar Group (Pty) Limited ("Blackstar SA"). In acquiring Blackstar SA, the Company secured the services and the intellectual capital of the Blackstar SA team and the ability of the business to generate value for the Group.

In June 2011, the Company converted into a Societas Europaea or European public limited liability company.

In August 2011, the Company completed a secondary listing on the Altx of the JSE Limited. The Company raised R100 million through the issue of new shares to South African investors as part of the secondary listing process.

In February 2012, Shareholders approved the transfer of the Company's registered office from the United Kingdom to Malta. The Company is in the process of completing all the steps necessary to effect the transfer to Malta. It is expected the transfer will become effective during the second quarter of 2012.

The Company is an investment company, and its principal activities during the year as well as that of its Cyprus subsidiary were to participate in investment opportunities in South Africa and Sub-Saharan Africa. The principal activity of the Company's Gibraltar subsidiary is that of acting as a treasury vehicle to the Company.

The Company has a 100% interest in Blackstar Real Estate (Pty) Limited, a property company, which explores opportunities in the property sector.

The Company has a 100% interest in Global Roofing Solutions (Pty) Limited, ("GRS"), which is a manufacturer and supplier of steel roofing and cladding.

The Company has a 100% interest in Stalcor (Pty) Limited ("Stalcor"), previously KMG Steel Service Centres (Pty) Limited, which is a processor, distributor and stockist of stainless steel and aluminum.

The Company has a 39% interest in Litha Healthcare Group Limited ("Litha"), which is a diversified healthcare business with divisions operating in biotech, medical devices and pharmaceuticals. Post the disposal of 50% of its interest in Litha and a fresh issue of shares by Litha as announced in February 2012, and set out in note 41, the Group will have a 13.4% interest in Litha.

In January 2012, the Company acquired a 28% interest in Mvelaphanda Group Limited, which is an investment holding company with a diversified portfolio of investments.

The requirements of the business review have been included in the Directors' statement as set out on pages 2 to 8.

Principal risks and uncertainties

There are a number of risks and uncertainties which could have an impact on the Group's financial performance. The key principal risks and uncertainties of the Group going forward are described below by segment, including details on the manner in which these risks are monitored and managed. Note 33 to the consolidated financial statements also provides a detailed analysis of the financial risks affecting the Group and the management thereof.

The Group's overall risks are mitigated through industry diversification and decentralisation. Thus the impact on the Group of any one particular risk within any of these industries is limited. Investee companies are run on a decentralised manner with management of the underlying businesses maintaining an entrepreneurial focus. The risks within the underlying businesses being GRS, Stalcor and Litha are managed by their local management teams who are responsible for their own operations. The Board of Directors ensure that the investee companies are well staffed with strong and experienced management teams who are responsible for designing, implementing and monitoring the process of risk management. These management teams are remunerated based on operational performance and are incentivised appropriately.

Investment activities segment

Foreign exchange risk arises because the Group makes investments in South Africa in Rands, which differs to the Group's reporting currency (Pounds Sterling). The Board of Directors meet on a quarterly basis to review the investment portfolio and consequently monitors currency risk on an on-going basis. To mitigate this risk, the Group may hedge its currency exposure from time to time.

Market price risk arises because the Group's listed and unlisted investments are susceptible to market price risk arising from the performance of the underlying companies and uncertainties about future prices in the case of listed investments. The Board of Directors meet on a quarterly basis to review the investment portfolio, in particular the underlying performance of the companies in which it has invested and consequently monitors the value of its investments on an on-going basis.

Industrial metals segment (GRS and Stalcor)

GRS uses steel in the manufacture of its products and Stalcor distributes steel and are both significantly affected by any changes in the steel sector. It also requires substantial quantities of electricity and natural gas. The pricing for these raw material inputs is largely determined by international or national factors beyond the Group's control or influence. Short term volatility in the pricing of such inputs can significantly impact both GRS and Stalcor's financial performance. The availability of steel from its main suppliers, Arcelor Mittal South Africa Limited and Columbus Stainless (Pty) Limited, also has a significant impact on its ability to manufacture and trade. Both GRS and Stalcor have developed relationships with its key suppliers and uses contractual means where possible to minimise this risk.

Due to the nature of the industries in which GRS and Stalcor operate, the South African government infrastructure spend, and the state of the mining and construction industry, has an impact on its ability to achieve its budgeted volumes and turnover. GRS and Stalcor consistently monitor the government's policies and activities as well as activity within the afore-mentioned industries to ensure that the company is best positioned to capitalise on Government and construction industry spend and to avoid over-stocking.

The difficult trading conditions within the steel sector have resulted in Stalcor placing increased reliance on working capital funding provided by their bankers. As a result Stalcor interacts regularly with its bankers in order to improve and strengthen their relationship and to ensure that adequate facilities are always in place.

Healthcare (Litha)

Litha is the controlling shareholder in The Biovac Institute ("TBI"), a Public-Private Partnership ("PPP") with the South African government for vaccine manufacture and supply. The South African governments continued support in this PPP is vital for TBI's continued success and this is dependent on TBI's ability to continue to meet its contractual obligations under the PPP agreement. Litha manages its relationship with the government by delivering on the objectives of the PPP.

Litha must comply with a broad range of regulatory controls on the testing, approval, manufacturing, importation and marketing of its pharmaceutical, vaccine products as well as its medical devices and consumables. Litha continues to train and employ highly skilled individuals with experience in this area and remains abreast of any new legislation.

Litha's pharmaceutical division is currently focussing on generic products and these medicines are marketed locally through agency agreements, licence agreements, co-marketing agreements, and joint ventures with international pharmaceutical and generics companies. Relationships with these key suppliers are managed through appropriate contractual arrangements ensuring that this risk is adequately addressed.

Litha is exposed to currency risk on the importation of its products and has a policy of hedging purchases denominated in foreign currencies by taking out forward exchange contracts.

Investment Policy
The investment objective of the Company is to generate shareholder returns through investing in a portfolio of businesses largely in South Africa with the underlying themes of strategic market position, strong cash flows and the ability to exploit the wider African markets from its South African base. The Company may invest in the form of either equity or debt and may acquire directly or indirectly controlling or minority holdings in investee companies.

Acquired businesses are run on a decentralised manner with local management maintaining an entrepreneurial focus and being responsible for their own operations. The Company seeks to be actively involved in setting the strategy of the investee companies and acts as an allocator of capital and resources but does not take day to day responsibility for the management of investee companies. Over a period of time Blackstar intends to dispose of its existing minority investments where it has little management input or influence.

The Company is a long term investor and the Board places no limit on the length of time that any portfolio investment may be held. The Board considers, on a case by case basis, the optimum exit strategy for each portfolio investment.

The Company expects to only hold a small number of portfolio investments at any one time. However, there is no minimum or maximum number of investments that the Company can hold at any one time, nor are there any maximum exposure limits per portfolio investment.

The Company finances its portfolio investments out of its own cash resources and utilises third party debt funding as appropriate. In addition, investee companies may themselves have gearing. There is no maximum gearing level for either the Company or on a Group basis. However the Directors will review the level of gearing in the Group on a regular basis.

Save as set out above, the Company does not have any investment restrictions.

Corporate Governance
The Board and its committees are responsible for maintaining a high standard of corporate governance and for ensuring that the Group's business is conducted with integrity and in an ethical manner.

The Board ensures that the Group complies with all relevant laws and regulations and ensures that the Group maintains effective operating systems and controls and a robust and informed investment approval process.

The Board has access to complete, accurate and timeous information in order to fulfill its responsibilities and is assisted by the following committees:

Audit Committee

The Audit Committee is chaired by Wolfgang Baertz and comprises John Mills, Charles Taberer, Andrew Bonamour, and Marcel Ernzer. The Audit Committee provides a forum for reporting by the Company's external auditors and is responsible for reviewing a wide range of matters, including interim and annual results and for monitoring the controls that are in force to ensure the integrity of information reported to shareholders.

Remuneration Committee

The Remuneration Committee is chaired by John Mills and comprises Charles Taberer, Andrew Bonamour, Wolfgang Baertz and Marcel Ernzer. The Committee will set the remuneration levels for the Directors having regard to market conditions and appropriate incentive schemes.

Nominations Committee

The Nominations Committee is chaired by Marcel Ernzer and comprises John Mills, Charles Taberer, Andrew Bonamour and Wolfgang Baertz. The Nominations Committee deals with new appointments to the Board.

All material matters were reported to the Board of Directors which met 8 times during the year.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' statement on pages 2 to 8. In addition, notes 33 and 34 to the consolidated financial statements include the Group's objectives, policies and processes for managing its capital and its financial risk management objectives and procedures respectively.

The Board of Directors believe that the Group is well placed to manage its business risks successfully. The Board of Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Buy-back and cancellation of shares

In December 2011, the Company purchased 3,200,000 ordinary shares of €0.76 each in the Company at a price of 71 pence per share, representing 3.75% of the issued ordinary share capital prior to such purchases. The shares were cancelled in January 2012.

Policy and practice on the payment of creditors

It is the Group's policy to pay its creditors in accordance with the individual supplier's policy which is normally after having taken up to 30 days credit from each supplier. Trade creditor days for the Group at 31 December 2011 were 33 days (2010: 36 days).

Post balance sheet events

These are detailed in note 41 to the consolidated financial statements.

Charitable and political contributions

During the year, no charitable or political contributions were made.

Financial instruments – risk management

Details of the financial risk management objectives and policies of the Company and its subsidiaries are contained in note 33 to the consolidated financial statements.

Directors
The Directors of the Company, which held office during the year and their beneficial interests in the ordinary share capital of the Company at year end and as at the date of this report were as follows:

	Number of ordinary shares 2011	Number of ordinary shares 2010
Andrew Bonamour*	**7,522,105**	16,077,993
John Mills	**761,328**	761,328
Wolfgang Baertz	**183,158**	183,158
Marcel Ernzer	**—**	—
Charles Taberer	**—**	—

Notes:
* These shares are held by funds associated with Andrew Bonamour. As at 31 December 2010, these shares were held by BML Limited and funds associated with Andrew Bonamour. In 2011, the shares held by BML Limited were unbundled to its various shareholders.

No Director has options to purchase shares in the Company.

No Director has any direct interest in the shares of any of the subsidiary companies.

Qualifying professional liability insurance for the benefit of the Directors was in force during the financial year and at the date of this report.

Biographical details of all current Directors are to be found on page 15.

Directors' responsibilities
The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and the Altx of the JSE Limited.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication
The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Auditors
BDO LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

The Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

By order of the Board

Andrew Bonamour
12 April 2012

Directorate

John Broadhurst Mills (Non-executive Chairman)
John Mills, a qualified solicitor, is currently a director of Maitland Luxembourg SA and certain Luxembourg and ISE listed investment funds. Over the previous six years, he was and continues to be a director and a principal in the Maitland Group and a number of other companies. He has had extensive experience in advising clients in the structuring and exiting of private equity investments, through both onshore and offshore vehicles.

Andrew David Bonamour (Non-executive Director)
Andrew Bonamour was the founder of Blackstar Group SE and is the Chief Executive Officer of Blackstar Group (Pty) Limited. Andrew previously worked at Brait S.A. Limited where he held positions in Investment Banking, principal investment divisions and Corporate Finance. At Brait, Andrew originated and played a lead role in a variety of transactions ranging from leveraged buyouts, mergers and acquisitions, capital replacements and restructurings. Andrew has an in depth knowledge of and experience in corporate finance, private equity and investment banking. Andrew holds a Bachelor of Commerce degree. Andrew is also a director of several companies both listed and unlisted.

Wolfgang Andreas Baertz (Non-executive Director)
Wolfgang Baertz has significant experience within the banking sector over the previous 40 years. From 1968, he has been with Dresdner Bank initially in Frankfurt and for most of his career in Luxembourg where he held the positions of Head of Loans and Syndications Department (1970-1979), General Manager (1979-1982), Managing Director and Member of the Executive Committee (1982-1997) and President (1997-2003).

Marcel Ernzer (Non-executive Director)
Marcel Ernzer is an independent consultant within the financial sector. He was an auditor and later a consultant with Price Waterhouse Luxembourg from 1982-1986. From 1987-1996, he was responsible for setting-up and managing Unico Financial Services, a PSF in Luxembourg, owned by Credit Agricole, DZ Bank, Rabobank, RZB Austria, Cera Bank (later KBC) and Okobank. He is currently a director of Insinger de Beaufort Holdings S.A., Camera di Commercio Italo-Lussemburghese, Pro Fonds (Lux) Sicav and certain family owned commercial companies including Tetrabat, Taxirent and FAS. Over the previous years he was a director of several financial services companies including Corporate Management Services owned by Commercial Union, EEK Invest owned by Evangelische Kreditgenossenschaft, Piac owned by RZB Austria, UKB owned by Kokusai Securities and Witherthur Financial Services owned by Winterthur. He was also a director of several investment funds and was until 1998 serving on the board of ALFI, the Association of the Luxembourg Fund Industry.

Charles Taberer (Non-executive Director)
Charles Taberer is an executive director of Tanmac Trading (Pty) Limited, a property development and trading company based in South Africa. Charles has significant business experience in Africa and was previously the managing director of various private companies, covering a wide range of sectors including tobacco, cotton, gaming, leisure and hospitality.

Independent auditor's report

Independent auditor's report to the shareholders of Blackstar Group SE

We have audited the Group and Parent Company financial statements (the "financial statements") of Blackstar Group SE for the year ended 31 December 2011 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Parent Statements of changes in equity, the Consolidated and Parent Company balance sheets, the Consolidated and Parent cash flow statements, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 December 2011 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

James Roberts
For and on behalf of BDO LLP, statutory auditor
Gatwick
United Kingdom
12 April 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement

for the year ended 31 December 2011

	Notes	2011 £'000	As restated* 2010 £'000
Revenue	4	**91,058**	91,591
Cost of sales		**(78,887)**	(78,792)
Gross profit		**12,171**	12,799
Sales and distribution costs		**(1,551)**	(1,590)
Administrative expenses – Trading businesses			
Administrative expenses		**(9,885)**	(12,013)
Impairment of goodwill	15	**(1,945)**	(2,808)
Impairment of intangible assets	16	**(861)**	(732)
		(12,691)	(15,553)
Other income – Trading businesses	4	**497**	195
Net gain in respect of associates			
Share of profits of associates	17	**2,902**	1,539
Exceptional gain on dilution of interest in associate	17	**2,188**	—
		5,090	1,539
Operating profit/(loss) before net investment income		**3,516**	(2,610)
Net investment income			
Net gains on investments	5	**632**	5,666
Fees, dividends and interest from loans, receivables and investments	6	**866**	1,247
		1,498	6,913
Administrative expenses – Investments			
Administrative expenses – Impairment of goodwill		**(9,437)**	(3,500)
Foreign exchange (losses)/gains		**(1,316)**	596
Exceptional costs		**(2,374)**	—
Administrative expenses – Other		**(3,288)**	(3,217)
		(16,415)	(6,121)
Other income	4	**454**	1,162
Loss from operations	7	**(10,947)**	(656)
Finance income	9	**191**	229
Finance costs	9	**(1,732)**	(2,282)
Loss before taxation		**(12,488)**	(2,709)
Taxation	10	**(421)**	(1,180)
Loss from continuing operations		**(12,909)**	(3,889)
Discontinued operations			
Profit/(loss) from discontinued operations, net of taxation	11	**5,692**	(9,280)
Loss for the year		**(7,217)**	(13,169)
(Loss)/profit for the period attributable to:			
Equity holders of the parent		**(7,584)**	(11,121)
Non controlling interests		**367**	(2,048)
		(7,217)	(13,169)
Basic and diluted losses per ordinary share attributable to equity holders (in pence)	12	**(9.62)**	(14.39)
Basic and diluted losses per ordinary share attributable to equity holders from continuing operations (in pence)	12	**(16.25)**	(4.05)

The notes on pages 23 to 87 form part of the consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2011

	2011 **£'000**	2010 £'000
Loss for the year	**(7,217)**	(13,169)
Other comprehensive income:		
Currency translation differences on investments and Rand denominated assets and liabilities	**(3,966)**	3,342
Currency translation differences on translation of foreign subsidiaries and associates	**(5,109)**	1,300
Release of foreign currency translation reserve on disposal of subsidiary (refer note 11)	**(1,261)**	—
Net comprehensive (loss)/income recognised directly in equity	**(10,336)**	4,642
Total comprehensive loss for the year	**(17,553)**	(8,527)
Attributable to:		
Equity holders of the parent	**(18,095)**	(6,216)
Non controlling interests	**542**	(2,311)
	(17,553)	(8,527)

The notes on pages 23 to 87 form part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2011

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares reserve £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Attributable to equity holders £'000	Non controlling interests £'000	Total equity £'000
Balance as at 31 December 2009	53,023	—	30,156	—	8,976	9,594	101,749	(1,994)	99,755
Total comprehensive income/(loss) for the period									
Loss for the period	—	—	—	—	(11,121)	—	(11,121)	(2,048)	(13,169)
Other comprehensive income/(loss) for the period	—	—	—	—	—	4,905	4,905	(263)	4,642
	—	—	—	—	(11,121)	4,905	(6,216)	(2,311)	(8,527)
Charge for share based payment	—	—	—	—	23	—	23	8	31
Cancellation of capital redemption reserve fund	—	—	(30,156)	—	30,156	—	—	—	—
Buy-back of ordinary shares	(2,893)	—	2,893	—	(3,079)	—	(3,079)	—	(3,079)
Arising on acquisition of a subsidiary (refer note 32)	—	—	—	—	—	—	—	10,122	10,122
Reduction in non controlling interests arising on acquisition of additional interests in subsidiary (refer note 32)	—	—	—	—	14	—	14	(14)	—
Arising on deemed disposal of subsidiary on additional shares being issued by the subsidiary (refer note 32)	—	—	—	—	—	105	105	(10,192)	(10,087)
Reduction in non controlling interest arising on conversion of preference shares held in a subsidiary into ordinary shares (refer note 35)	—	—	—	—	(1,907)	—	(1,907)	1,907	—
Interim dividend paid	—	—	—	—	(493)	—	(493)	—	(493)
Balance as at 31 December 2010	50,130	—	2,893	—	22,569	14,604	90,196	(2,474)	87,722

An interim dividend of 0.65 pence per ordinary share was declared on 29 October 2010.

Consolidated statement of changes in equity continued

for the year ended 31 December 2011

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares reserve £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Attributable to equity holders £'000	Non controlling interests £'000	Total equity £'000
Balance as at 31 December 2010	50,130	—	2,893	—	22,569	14,604	90,196	(2,474)	87,722
Total comprehensive income/(loss) for the period									
Loss for the period	—	—	—	—	(7,584)	—	(7,584)	367	(7,217)
Other comprehensive income/(loss) for the period	—	—	—	—	—	(10,511)	(10,511)	175	(10,336)
	—	—	—	—	(7,584)	(10,511)	(18,095)	542	(17,553)
Capital raising	6,923	1,974	—	—	—	—	8,897	—	8,897
Buy-back of ordinary shares	—	—	—	(2,272)	—	—	(2,272)	—	(2,272)
Arising on reclassification of investment, now a subsidiary (refer note 32)	—	—	—	—	—	—	—	6	6
Reduction in non controlling interests arising on subsidiary share buy-back of shares from non controlling shareholders (refer note 35)	—	—	—	—	(4,577)	—	(4,577)	4,577	—
Reduction in non controlling interests arising on acquisition of additional interests in subsidiary (refer note 35)	—	—	—	—	(415)	—	(415)	415	—
Arising on disposal of subsidiary (refer note 11)	—	—	—	—	—	—	—	(3,126)	(3,126)
Release of foreign currency translation reserve on disposal of investments	—	—	—	—	815	(815)	—	—	—
Dividend paid	—	—	—	—	(6,217)	—	(6,217)	—	(6,217)
Balance as at 31 December 2011	**57,053**	**1,974**	**2,893**	**(2,272)**	**4,591**	**3,278**	**67,517**	**(60)**	**67,457**

A final dividend of 0.90 pence per ordinary share was declared on 6 May 2011.

A special dividend of 6.5 pence per ordinary share was declared on 11 November 2011.

The notes on pages 23 to 87 form part of the consolidated financial statements.

Consolidated balance sheet
as at 31 December 2011

	Notes	2011 £'000	2010 £'000
Non-current assets			
Property, plant and equipment	13	**7,563**	21,666
Investment properties	14	**7,018**	—
Goodwill	15	**2,884**	18,835
Intangible assets	16	**2,947**	13,281
Investments in associates	17	**16,437**	14,637
Investments classified as loans and receivables	18	**144**	873
Investments at fair value through profit and loss	19	**3,687**	12,056
Other financial assets	20	**—**	52
Deferred tax assets	27	**92**	125
		40,772	81,525
Current assets			
Investments classified as loans and receivables	18	**2,042**	502
Investments at fair value through profit and loss	19	**10,398**	545
Other financial assets	20	**2**	26
Current tax assets		**24**	423
Trade and other receivables	21	**11,540**	25,105
Inventories	22	**10,042**	27,006
Cash and cash equivalents	23	**20,334**	19,196
		54,382	72,803
Total assets		**95,154**	154,328
Non-current liabilities			
Borrowings	24	**(7,077)**	(12,538)
Other financial liabilities	25	**(785)**	(3,937)
Provisions	26	**(199)**	(197)
Deferred tax liabilities	27	**(1,499)**	(4,733)
		(9,560)	(21,405)
Current liabilities			
Borrowings	24	**(602)**	(1,295)
Other financial liabilities	25	**(6,308)**	(25,540)
Provisions	26	**(93)**	(288)
Current tax liabilities		**(85)**	(442)
Trade and other payables	28	**(11,044)**	(17,635)
Bank overdrafts	23	**(5)**	(1)
		(18,137)	(45,201)
Total liabilities		**(27,697)**	(66,606)
Total net assets		**67,457**	87,722
Equity			
Share capital	29	**57,053**	50,130
Share premium	29	**1,974**	—
Capital redemption reserve	29	**2,893**	2,893
Treasury shares reserve	29	**(2,272)**	—
Foreign currency translation reserve	29	**3,278**	14,604
Retained earnings	29	**4,591**	22,569
Total equity attributable to equity holders		**67,517**	90,196
Non controlling interest		**(60)**	(2,474)
Total equity		**67,457**	87,722
Net asset value per share (in pence)	30	**79**	121

The consolidated financial statements were approved by the Board and authorised for issue on 12 April 2012.

Andrew Bonamour
Director

The notes on pages 23 to 87 form part of the consolidated financial statements.

Consolidated cash flow statement

for the year ended 31 December 2011

	Notes	2011 £'000	2010 £'000
Cash flow from operating activities			
Cash generated by operations	31	**2,013**	13,795
Interest received		**310**	461
Interest paid		**(1,627)**	(4,525)
Dividends received		**230**	5,798
Taxation paid		**(1,431)**	(2,645)
Cash (absorbed)/generated by operating activities		**(505)**	12,884
Cash flow from investing activities			
Purchase of property, plant and equipment		**(1,164)**	(2,748)
Purchase of investment property		**(5,018)**	—
Additions to investments classified as loans and receivables		**(1,883)**	(746)
Purchase of investments at fair value through profit or loss		**(2,965)**	(5,019)
Acquisition of subsidiaries, net of cash acquired	32	**2**	(176)
Cash outflow on acquisition of subsidiary and subsequent deemed disposal		**—**	(4,950)
Proceeds from disposal of property, plant and equipment		**446**	127
Proceeds from disposal of investments		**3,080**	21,667
Disposal of discontinued operations, net of cash disposed		**23,006**	—
Cash generated by investing activities		**15,504**	8,155
Cash flow from financing activities			
Proceeds from borrowings		**4,728**	1,312
Repayment of borrowings		**(2,181)**	(14,866)
Movement in other financial liabilities (including short-term funding facilities)		**(16,804)**	(2,232)
Buy-back of ordinary shares		**(2,272)**	(3,079)
Capital raising		**8,897**	—
Dividends paid to equity holders of the parent		**(6,217)**	(493)
Cash absorbed by financing activities		**(13,849)**	(19,358)
Net increase in cash and cash equivalents		**1,150**	1,681
Cash and cash equivalents at the beginning of the year		**19,195**	17,319
Exchange (losses)/gains on cash and cash equivalents		**(16)**	195
Cash and cash equivalents at the end of the year	23	**20,329**	19,195

The notes on pages 23 to 87 form part of the consolidated financial statements.

1. Accounting policies

1.1 Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements have been consistently applied across all periods presented in the consolidated financial statements, except as noted in the paragraphs below which address instances where there has been a revision to an existing standard or a new standard has been issued and adopted by the Company and its subsidiaries (the "Group" or "Blackstar") during the current reporting period. All financial information has been rounded to the nearest thousand unless stated otherwise.

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB") as endorsed for use by the European Union and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS.

The accounting policies that the Group applied in the presentation of the financial statements are set out below and have been consistently applied. The comparative income statement and relating notes have been re-presented as if the operations discontinued during the current year had been discontinued from the start of the comparative year (refer note 11).

The Group has adopted the amendments to IAS 24 Related Party Disclosures and IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments, which became effective as of 1 January 2011 and 1 July 2010 respectively. This has no significant impact on the Group.

1.2 Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. These consolidated financial statements present the results of the Group as if they formed a single entity. Inter-company transactions and balances between Group companies are therefore eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Non controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non controlling interest's share of changes in equity since the date of the combination.

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired business. The acquired business' identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date. Non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquired business' identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

1.3 Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

1. Accounting policies (continued)

1.3 Goodwill (continued)

For the purpose of impairment testing, goodwill is allocated to each of the cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

1.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Self-constructed assets under construction (capital work in progress) are not depreciated until they are ready for use.

Subsequent expenditure relating to an item of property, plant and equipment is capitalised when it is probable that future economic benefits from the use of the asset will be increased. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

Residual values and useful lives are reassessed annually.

Depreciation is provided on the straight-line basis so as to write the assets down to their estimated residual values, over the estimated useful lives of the assets.

The estimated useful lives are as follows:

Buildings	20 – 50 years
Plant and machinery	4 – 10 years
Office furniture, fixtures and equipment	3 – 10 years
Vehicles	3 – 5 years

Land is not depreciated.

Where significant components of an asset have different useful lives to the asset itself, these components are depreciated over their estimated useful lives.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss is reversed, then it is only reversed to the extent that the revised carrying amount of the asset would reflect the depreciation that would have been charged had the impairment not been reflected. Where a reversal of a previously recognised impairment loss is recognised, the depreciation charge for the asset is adjusted to allocate the assets' revised carrying amount, less residual value, on a systematic basis over its remaining useful life.

Surpluses or deficits on the disposal of property, plant and equipment are credited or charged to profit or loss. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset.

1.5 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, rather than for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

1. Accounting policies (continued)

1.5 Investment properties (continued)

Investment properties are measured initially at its cost. Transaction costs are included in the initial measurement. After initial recognition, investment properties are measured at its fair value.

A gain or loss arising from a change in the fair value of the investment properties are recognised in profit and loss for the period in which it arises. Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in operating profit.

1.6 Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset. The cost of such intangible assets is their fair value at the acquisition date.

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on the straight-line basis over their estimated useful lives. The estimated useful lives and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The following useful lives are used in the calculation of amortisation for intangible assets:

Marketing related intangibles (brands)	5 and 20 years
Customer related intangibles (customer relationships)	3, 10 and 15 years
Technology related intangibles	20 years
Registered trademarks	20 years

1.7 Leases

1.7.1 Operating leases

Leases where the lessor retains the risk and rewards of ownership of the underlying assets are classified as operating leases. Payments made under operating leases are charged against income on the straight-line basis over the period of the lease.

1.7.2 Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful lives of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

1.8 Impairment

The carrying amounts of the Group’s assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. Goodwill is tested annually for impairment. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

1. Accounting policies (continued)

1.8 Impairment (continued)

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. For goodwill a recognised impairment loss is not reversed.

1.9 Inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition, and is determined using the first-in, first-out method for chemical coatings inventory and weighted average cost method for industrial metal inventories. The cost of work in progress, finished goods and contracts in progress includes direct costs and an appropriate allocation of overheads based on normal production levels. Obsolete, redundant and slow moving inventories are identified on a regular basis and are written down to their estimated net realisable values.

1.10 Associates

An associate is an entity over which the Group has the ability to exercise significant influence and is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Where investments in associates meet the specific criteria for inclusion in the venture capital division, they are carried at fair value even though the Group may have significant influence over those companies (refer note 1.11.1 below). When an associate no longer meets the requirements for inclusion in this investment portfolio, the investment is transferred to the equity accounted for investment portfolio. In applying the equity method, account is taken of the Group's share of accumulated retained earnings and movements in reserves from the effective dates on which the companies are included in the equity accounted for portfolio and up to the effective dates of disposals. In the events of associates making losses, the Group recognised the losses to the extent of the Group's exposure.

1.11 Financial instruments

Financial instruments presented in the financial statements include cash and cash equivalents, investments, trade and accounts receivable and trade and accounts payable. Financial instruments are initially recognised at fair value, when the Group becomes party to the contractual provisions of the instrument. Resulting gains or losses are recognised directly in profit or loss. Subsequent to initial recognition, these instruments are measured as follows:

1.11.1 Financial assets

The classification of financial assets depends on their nature and purpose and is determined at the time of initial recognition.

Investments at fair value through profit and loss – Investments at fair value through profit and loss are financial assets held-for-trading and those designated at fair value through profit and loss at inception. These assets are carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of these investments are recognised in profit or loss in the period in which they arise.

Investments in associates which are part of the venture capital division – Associates which meet the specific criteria for inclusion in the venture capital division, are included in the Group's investment portfolio at fair value. Realised and unrealised gains and losses arising from changes in the fair value of these investments are recognised in profit and loss in the period in which they arise. This treatment is permitted by IAS 28 Investment in Associates which allows investments held by venture capital organisations to be excluded from the scope of IAS 28 Investment in Associates provided that those investments upon initial recognition are designated as fair value through profit or loss and accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement, with changes in fair value recognised in profit or loss in the period of change.

1. Accounting policies (continued)

1.11 Financial instruments (continued)

1.11.1 Financial assets (continued)

Investments classified as loans and receivables – Investments classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; or
- those that the entity upon initial recognition designates as available for sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

These assets are subsequently carried at amortised cost, using the effective interest rate method.

Trade receivables – trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Cash and cash equivalents – Cash and cash equivalents comprise cash in current accounts, money market funds and short term deposits with original maturities of three months or less.

Impairment of financial assets – Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For trade receivables, receivables that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account.

De-recognition of financial assets – The Group de-recognises a financial asset only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

1. Accounting policies (continued)

1.11 Financial instruments (continued)

1.11.2 Financial liabilities and equity instruments issued by the Group

Classification as debt or equity – Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments – An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Treasury shares – Consideration paid/(received) for the purchase/(sale) of treasury shares is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve. Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to the share premium account. The cancellation of treasury shares reduces the share capital and increases the capital redemption reserve by an amount corresponding to the nominal value of the shares.

Trade and other payables – Trade and other payables are stated at amortised cost.

Other financial liabilities – all other financial liabilities with the exception of derivatives are accounted for at amortised cost using the effective interest rate method.

De-recognition of financial liabilities – Financial liabilities (or a portion thereof) are de-recognised when the obligation specified in the contract is discharged, cancelled or expires. On de-recognition, the difference between the carrying amount of the financial liability, including related un-amortised costs, and the amount paid for it is recognised directly in profit or loss.

Effective interest method – the effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Offset – Where a legally enforceable right of set off exists for recognised financial assets and financial liabilities, and there is an intention to settle the liability and realise the assets simultaneously, all related financial effects are offset.

1.12 Derivative financial instruments

Certain Group entities enter into a variety of derivative financial instruments to manage their exposure to interest rate and foreign exchange rate risk, namely foreign exchange contracts and interest rate swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to the fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship. The Group designates certain derivatives as either hedges of the fair value of recognised assets and liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

The fair value of hedging derivatives is classified as a non-current asset or a non current liability if the remaining maturity of the hedge relationship is more than twelve months and as a current asset or current liability if the remaining maturity of the hedge relationship is less than twelve months.

Derivatives not designated into an effective hedge relationship are classified as a current asset or current liability.

1. Accounting policies (continued)

1.13 Provisions and contingent liabilities

Provisions are recognised when a present legal or constructive obligation exists as a result of past events, for which it is probable that an outflow of economic benefits will occur and where a reliable estimate of the amount of the obligation can be made. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The Group discloses a contingent liability when it has a possible obligation arising from past events, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Financial guarantees contracts are initially recognised at fair value when the Group becomes party to the contract. Where it becomes probable that there will be an outflow of economic benefits under the financial guarantee contract then outflow of benefits is considered probable and the liability arising is subsequently re-measured at the higher of the best estimate of: the obligation arising under the contract; and the amount initially recognised less cumulative amortisation which has been recognised as revenue.

1.14 Employee benefits

1.14.1 Short term employee benefits

The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to wages, salaries, annual and sick leave represent the amount that the Group has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current wage and salary costs to the Group.

1.14.2 Retirement benefits

Certain Group companies provide retirement benefits for its employees. Contributions to the defined contribution plans are expensed in the year incurred.

1.15 Revenue and investment income

Revenue comprises invoiced sales to customers, net of discounts allowed and excluding Value Added Tax. Revenue is recognised when significant risks and rewards of ownership are transferred to the buyer on delivery of the goods, costs can be measured reliably and receipt of the future economic benefits is probable.

Rental income from investment properties are recognised under other income within profit and loss on a straight-line basis over the terms of the lease.

Investment fee income includes corporate finance and advisory fees, which are recognised on an accrual basis when the fees are earned and can be reliably estimated. Fee income is measured at the fair value of the consideration receivable.

Realised and unrealised gains and losses arising from changes in the fair value of investments at fair value through profit and loss are recognised in the income statement in the period in which they arise.

Interest income is recognised on a time proportion basis, by reference to the principal outstanding and the effective interest rate applicable, when it is determined that such income will accrue to the Group.

Dividends are recognised when the right to receive payment has been established and it is determined that such income will accrue to the Group.

1. Accounting policies (continued)

1.16 Finance income and finance costs

Finance income comprises interest receivable on current account bank balances, and deposits held on call.

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method.

Interest is recognised in the income statement as it accrues using effective interest rate method.

1.17 Tax

Current tax comprises tax payable calculated on the basis of the taxable profit for the period, using the tax rates and laws enacted or substantively enacted at the balance sheet date, and any adjustment of tax payable for previous years.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

(a) the initial recognition of goodwill; or
(b) the initial recognition of an asset or liability in a transaction which:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit
- nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries except to the extent that both of the following conditions are satisfied:

(a) the parent is able to control the timing of the reversal of the temporary difference; and
(b) it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

(a) is not a business combination; and
(b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax is charged to profit and loss except to the extent that it relates to a transaction that is recognised directly in equity, or a business combination that is an acquisition. The effect on deferred tax of any changes in tax rates is recognised in the income statement, except to the extent that it relates to items previously charged or credited directly to equity.

1.18 Translation of foreign currencies

The functional currency of Blackstar is the South African Rand, however the company has elected to present its financial statements in Pounds Sterling, being the denomination of the issued share capital of the company. The Group financial statements are also presented in Pounds Sterling.

Transactions denominated in currencies other than Pounds Sterling are translated at the rates of exchange ruling on the date of the transaction.

1. Accounting policies (continued)

1.18 Translation of foreign currencies (continued)

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated using the rates of exchange ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are carried at fair value are translated at the rates of exchange ruling on the date when the fair value was determined.

Foreign exchange gains and losses arising on translation of assets and liabilities denominated in Rands are recognised in the foreign currency translation reserve, whereas foreign exchange gains and losses arising on translation of assets and liabilities denominated in foreign currencies other than Rands are recognised in the income statement for the period.

1.19 Foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into Pounds Sterling at rates of exchange ruling at the balance sheet date. Income, expenditure and cash flow items are translated into Pounds Sterling at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognised directly in equity as a foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to the income statement.

Acquisition and disposals of foreign operations are accounted for at the rate ruling on the date of the transaction.

1.20 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker has been identified as the Board of Directors. This committee reviews the Group's internal reporting in order to assess performance. Management has determined the operating segments based on these reports.

1.21 Significant judgements and areas of estimation

The preparation of the financial statements requires the use of estimates, assumptions and judgements that affect the amounts reported in the balance sheet and income statement of the Group. Estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Although the estimates are based on management's best knowledge and judgements of current facts as at the balance sheet date, the actual outcome may differ from those estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised.

During the period, the areas involving higher degree of judgement or complexity, or areas where assumptions and estimates were significant to the financial statements are as follows:

1.21.1 Investments

(Refer note 18 and 19).

The most critical estimates, assumptions and judgements relate to the determination of carrying value of investments at fair value through profit and loss and investments classified as loans and receivables.

1. Accounting policies (continued)

1.21 Significant judgements and areas of estimation (continued)

1.21.1 Investments (continued)

In determining the carrying value of investments at fair value through profit and loss, the Group follows the International Private Equity and Venture Capital Valuation Guidelines, applying the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment drives the valuation methodology.

In determining the carrying value of investments classified as loans and receivables, the Group considers whether there have been any events or changes in circumstances which indicate that impairment may have occurred and reduces the carrying value by the estimated extent of the impairment.

1.21.2 Asset lives and residual values

(Refer note 13).

Property, plant and equipment are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

1.21.3 Impairment of assets

(Refer note 13, 15 and 16).

Property, plant and equipment, and intangible assets are considered for impairment if there is reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset and where it is a component of a larger economic unit, the viability of that unit itself.

Future cash flows expected to be generated by the asset are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using appropriate discount rates, is compared to the current net asset value and if lower, the assets are impaired to the present value.

Goodwill impairment tests are required to be performed on an annual basis. On acquisition, the goodwill is allocated to cash-generating units. A fair value is determined for each of these cash generating units using a discounted cash flow model using the budgets and forecasts set by management for each cash-generating unit and an appropriate discount rate. Actual outcomes may vary.

2. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

2.1 Determination of fair values arising on business combinations

2.1.1 Property, plant and equipment

Business combinations are based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of items of plant, equipment, fixtures and fittings is based on the market approach and cost approaches using quoted market prices for similar items when available and depreciated replacement cost when appropriate.

2. Determination of fair values (continued)

2.1 Determination of fair values arising on business combinations (continued)

2.1.2 Investment properties

Business combinations are based on market values. The market value of investment property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The fair value of investment properties is determined using a cash flow valuation model using rentals received from tenants over the lease terms.

2.1.3 Intangible assets

The relief from royalty methodology was utilised to value marketing related intangibles (including brands) and technology related intangible assets. The basis for this method is that the value of an intangible asset is what the owner would have to pay to licence the asset if he did not own it. In other words, the value equates to the avoided cost of not having to pay a royalty.

2.1.4 Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

2.1.5 Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. For trade and other receivables with a relatively short life span, the carrying value would approximate the fair value.

2.2 Determination of fair values arising on balances carried or disclosed at fair value

2.2.1 Investments

The specific methodologies applied in valuing unrealised investments are described below:

The valuation approach follows the international Private Equity and Venture Capital Guidelines, applying the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable and willing parties in an arm's length transaction. The nature, facts and circumstances of the investment drive the valuation methodology.

Investments at fair value through profit and loss include listed and unlisted investments:

Listed Equity Investments: All investments listed in recognised stock exchanges have been valued using quoted bid prices at year end.

Unlisted Equity investments: All unlisted equity investments have been valued as follows:

(a) Where applicable, on the basis of a similar recent investment transaction by an independent third-party in the equity of the portfolio of the company. Where the investment being valued was itself made fairly recently (within a period of one year), its costs provide a good indication of fair value; or

(b) Using the discounted cash flow methodology, in which case:

- Enterprise value is apportioned to the enterprise's financial Instruments in order of ranking. The enterprise value is derived, using reasonable assumptions and estimations of expected cash flows and the terminal value and discounting to the present value by applying the appropriate risk-adjusted discount rate that quantifies the risk inherent in the investment.
- Given the subjective nature of valuations, the Group is cautious and conservative in determining the valuations.

2. Determination of fair values (continued)

2.2 Determination of fair values arising on balances carried or disclosed at fair value (continued)

2.2.2 Derivatives

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

2.2.3 Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

3. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2011, and have not been applied in preparing these consolidated financial statements. These are to be applied to financial statements with periods commencing on or after the following dates:

Standards and Interpretations	Effective date
Amendment to IAS 1 Presentation of Financial Statements*	1 July 2012
IFRS 9 Financial Instruments*	1 January 2015
Amendment to IAS 32 – Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendment to IFRS 7 – Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to IFRS 7 Disclosures – Transfers of Financial Assets*	Periods beginning on or after 1 July 2011
Deferred Tax: Recovery of Underlying Assets Amendments to IAS 12*	Periods beginning on or after 1 January 2012
Amendments to IAS 27 Separate Financial Statements*	1 January 2013
Amendments to IAS 28 Investments in Associates and Joint Ventures*	1 January 2013
IFRS 10 Consolidated Financial Statements*	1 January 2013
IFRS 11 Joint Arrangements*	1 January 2013
IFRS 12 Disclosure of Interests in Other Entities*	1 January 2013
IFRS 13 Fair Value Measurement*	1 January 2013

* These standards and interpretations are not endorsed by the EU at present.

IFRS 9

IFRS 9 Financial Instruments will eventually replace IAS 39 in its entirety. IFRS 9 as issued on 12 November 2009, 28 October 2010 and 16 December 2011 addresses the classification and measurement of financial assets only. The requirements for the classification and measurement of financial liabilities will be finalised and added to IFRS 9 once issues related to the recognition of changes in an entity's own credit risk have been addressed. The effect on the Group of adoption of IFRS 9 has yet to be determined.

IAS 32 and IFRS 7 (Amendments)

This amendment seeks to clarify the offsetting requirements previously set out in IAS 32 and the disclosures intended to enable users of financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position in IFRS 7.

IFRS 7 (Amendments)

Amendments to IFRS 7 requires the disclosure of information in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred.

3. New standards and interpretations not yet adopted (continued)

IAS 12 (Amendments)

These amendments require an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will normally be through sale. The effect on the Group of adoption of the Amendment to IAS 12 has yet to be determined.

IAS 1 (Amendments)

This amendment requires companies to group together items within Other Comprehensive Income (OCI) that may be reclassified to the profit or loss section of the income statement. Items in the OCI should be presented as either a single statement or two consecutive primary statements.

IAS 27 (Amendments)

The standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with the applicable financial instruments standard. The definitions and wording have been updated to be in line with IFRS 10, IFRS 11, IFRS 12 and IAS 28.

IAS 28 (Amendments)

The standard now includes the required accounting for joint ventures as well as the definition and required accounting for associates.

IFRS 10 (New)

IFRS 10 Consolidated Financial Statements will eventually replace IAS 27 in its entirety. This standard establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. This standard also includes accounting requirements and consolidation procedures, which are carried over unchanged from IAS 27.

IFRS 11 (New)

The principle in this standard is that a party to a joint arrangement recognises its rights and obligations arising from the arrangement rather than focusing on the legal form. There will no longer be an option to use proportionate consolidation. The new standard supersedes IAS 31 Interest in Joint Ventures and SIC-13 Jointly Controlled Entities – Non-monetary Contributions by Venturers.

IFRS 12 (New)

The standard requires a reporting entity to disclose information that helps users to assess the nature and financial effects of the reporting entity's relationship with other entities.

IFRS 13 (New)

This standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The standard applies, except in some specified cases when other IFRSs require or permit fair value measurements.

4. Revenue and other income

4.1 Revenue

	2011	2010
	£'000	£'000
Sale of goods	**90,439**	91,437
Rendering of services	**619**	154
	91,058	91,591

4. Revenue and other income (continued)

4.2 Other income

Other income comprises the following:

4.2.1 Trading businesses

£497,000 (2010: £195,000) sale of scrap, recovery of bad debts and legal fees by trading subsidiaries Stalcor and GRS.

4.2.2 Investments

£313,000 (2010: nil) rental income earned through the leasing of investment properties; £765,000 net gain on dilution of interest in Litha in the prior year (nil in the current year): and £141,000 (2010: £397,000) gains on acquisition and redemption of preference shares.

5. Net gains on investments

	2011	2010
	£'000	£'000
Net (losses)/gains on investment classified as loans and receivables	**(160)**	3,432
Net (losses)/gains on investments held at fair value through profit and loss	**(1,811)**	2,477
Net gains on trading financial instruments at fair value through profit and loss	**174**	2
Gains/(losses) on derivatives in hedge relationships	**2,429**	(245)
Net gains on investments	**632**	5,666

6. Fees, dividends and interest from loans, receivables and investments

	2011	2010
	£'000	£'000
Dividends from unimpaired investments classified as loans and receivables	**—**	576
Dividends from investments at fair value through profit and loss	**230**	8
Interest income from unimpaired investments classified as loans and receivables	**187**	116
Fee income	**449**	547
	866	1,247

7. Loss from operations

	2011 £'000	2010 £'000
This has been arrived at after charging/(crediting):		
Auditor's remuneration		
Paid to Group auditors		
– Audit fees of the Group and Company annual accounts	**65**	70
– Other services pursuant to legislation	**—**	—
– Other assurance services	**34**	—
– Paid to associates of BDO LLP for audit of subsidiaries	**158**	68
	257	138
Staff costs		
– Wages and salaries	**11,458**	17,843
– Social security costs	**119**	142
– Pension costs	**1,559**	1,822
	13,136	19,807
Once-off exceptional costs include: costs incurred on the secondary listing on the Altx; conversion of the company to a Societas Europaea and transfer to Malta; and deal costs arising on the aborted offer to acquire the entire share capital of Mvelaphanda Group Limited ("MVG")	**2,374**	—
Impairment losses arising on financial assets:		
– Trade receivables (raised via provision for impairment)	**1,160**	369
– Investments	**—**	56
	1,160	425
Property, plant and equipment:		
– Depreciation	**2,252**	3,106
– Impairment	**202**	—
	2,454	3,106
Intangible assets:		
– Amortisation	**588**	1,465
– Impairment	**861**	1,729
	1,449	3,194
Investment property		
– Fair value adjustments to investment property	**—**	—
– Direct operating expenses relating to investment property	**175**	—
Impairment of goodwill	**11,382**	10,003
Write (up)/down of inventory to net realisable value	**(222)**	31
Foreign exchange losses/(gains)		
Realised		
– On forward exchange contracts	**76**	533
– Other	**576**	(514)
	652	19
Unrealised		
– On forward exchange contracts	**(44)**	—
	608	19
Operating lease expense	**2,505**	3,935

8. Employees

The average number of employees (excluding Blackstar Group SE Directors) during the year by function were as follows:

	2011	2010
Managerial	**67**	79
Administrative	**152**	271
Operational	**801**	1,015
	1,020	1,365

9. Net finance charges

	2011 £'000	2010 £'000
Finance income		
Interest income on bank balances	**186**	206
Interest income on trade receivables	**4**	10
Interest income on other receivables	**1**	13
	191	229
Finance costs		
Interest expense on bank overdrafts	**(13)**	(125)
Interest expense on borrowings from banks	**(541)**	(617)
Interest expense on non controlling shareholder loans	**(8)**	(52)
Interest expense on capitalised financial leases and instalment sale agreements	**(51)**	(29)
Interest expense on inventory financing facilities	**(462)**	(805)
Interest expense on debtors invoice discounting facilities	**(612)**	(523)
Interest expense on other financial liabilities	**(29)**	(33)
Interest expense on trade payables	**(7)**	(12)
Loss on cashflow hedge of interest rate risk	**—**	(86)
Other	**(9)**	—
	(1,732)	(2,282)
	(1,541)	(2,053)

10. Taxation

	2011 £'000	2010 £'000
Current taxation		
Current year	**614**	431
Prior years under provision	**146**	205
	760	636
Deferred taxation		
Current year	**(367)**	(832)
Prior years deferred tax asset derecognised	**—**	1,369
	(367)	537
Net wealth tax and secondary tax on companies	**28**	7
	421	1,180

10. Taxation (continued)

The reason for the difference between the actual tax charge for the year and the standard rate of corporate tax in Luxembourg applied to profits of 28.80% (2010: 28.59%) are as follows:

	2011 **£'000**	2010 £'000
Loss before taxation	**(6,375)**	(10,544)
Add back share of profits of associates	**(2,902)**	(1,539)
Loss before taxation and share of profit from associates	**(9,277)**	(12,083)
Tax at standard rate of corporate tax in Luxembourg	**(2,672)**	(3,455)
Differing foreign tax rates	**3,695**	(200)
Income and expenses not subject to tax	**798**	1,275
Tax losses (utilised)/unutilised	**(1,143)**	3,439
Over provision from prior years	**146**	1,559
Net wealth tax and secondary tax on companies	**18**	7
Current tax charge for the year	**842**	2,625

11. Discontinued operations

Blackstar had the following discontinued operations during the current reporting period: restructuring of the steel business which included the carbon steel division ("Baldwins"), being sold in June 2011 and the closure of two of Stalcor (Pty) Limited ("Stalcor") (previously KMG Steel Service Centres (Pty) Limited ("KMG")) branches; and Ferro Industrial Products (Pty) Limited ("Ferro") which was sold in June 2011. The comparative information for the year ended 31 December 2010 was restated to present income generated and expenses incurred by discontinued operations separately from continuing operations.

11.1 Sale of Baldwins divisions and branch closures

Stalcor (previously KMG) comprised of two main operating divisions, namely Baldwins and Stalcor. Due to overall poor performance, the decision was taken to restructure the steel business. As a result of this decision, the loss making Baldwins division was sold to Robor (Pty) Limited ("Robor"), Stalcor's head office function was restructured and two of its coastal branches were closed. The Baldwins division, comprising fixed and intangible assets, was sold to Robor in exchange for an issue of 5% of the equity share capital in Robor. Robor acquired the carbon inventories for cash and assisted Stalcor with collecting the outstanding trade receivables. The sale was effective on 1 June 2011.

	Year to 31 December 2011 £'000	Year to 31 December 2010 £'000
Results of discontinued operation		
Revenue	**31,382**	80,445
Expenses other than finance costs	**(34,571)**	(86,115)
Impairment of goodwill	**—**	(3,695)
Impairment of intangible assets	**—**	(997)
Finance costs	**(717)**	(2,113)
Loss before taxation	**(3,906)**	(12,475)
Taxation	**193**	(241)
Gain on disposal of discontinued operation net of taxation	**1,573**	—
Loss for the year	**(2,140)**	(12,716)
Loss for the period attributable to:		
Equity holders of the parent	**(1,984)**	(10,097)
Non controlling interests	**(156)**	(2,619)
	(2,140)	(12,716)
Losses per share from discontinued operation		
Basic and diluted losses per share (in pence)	**(2.52)**	(13,07)

11. Discontinued operations (continued)

11.1 Sale of Baldwins divisions and branch closures (continued)

	Year to 31 December 2011 £'000	Year to 31 December 2010 £'000
Cash flows generated/(absorbed) by discontinued operation		
Cash absorbed from operating activities	**(4,587)**	(1,410)
Cash generated/(absorbed) from investing activities	**8,906**	(1,335)
Cash (absorbed)/generated from financing activities	**(4,118)**	1,719
Effect on cash flows	**201**	(1,026)

	Year to 31 December 2011 £'000
Effect of disposal on the financial position of the Group	
The net assets disposed of were as follows:	
Property, plant and equipment	**2,970**
Goodwill, net of impairment	**—**
Intangible assets	**625**
Inventories	**10,505**
Cash and cash equivalents	**—**
Other financial liabilities	**(695)**
Trade and other payables	**(235)**
Net assets and liabilities	**13,170**
Consideration received	
Cash received	**10,231**
Shares in Robor (Pty) Limited at fair value	**4,512**
Gain on disposal of discontinued operation	**1,573**
Related tax expense	**—**
Gain on disposal of discontinued operation, net of taxation	**1,573**
Consideration received, satisfied in cash	**10,231**
Cash and cash equivalents disposed of	**—**
Net cash inflow on disposal of discontinued operation	**10,231**

11.2 Sale of Ferro

Blackstar sold its 54% interest in Ferro during the current financial year for a total of R200.0 million (£18.2 million) in cash. Of the proceeds received, R160.7 million (£14.6 million) was in respect of the shares in Ferro and the balance was received to settle shareholder loans. The sale of Ferro was effective from 1 July 2011.

In addition to the sale agreement, Blackstar entered into a forward foreign exchange contract to convert the South African Rand proceeds to Pounds Sterling at a rate of R10.9982:£1. As a result of the forward foreign exchange cover taken out by the Company, a profit of £2.4 million was earned on the hedge. This has been included in net gains and losses on investments from continuing operations (refer note 5).

11. Discontinued operations (continued)

11.2 Sale of Ferro (continued)

	Year to 31 December 2011 £'000	Year to 31 December 2010 £'000
Results of discontinued operation		
Revenue	**18,194**	36,064
Expenses other than finance costs	**(15,484)**	(30,209)
Finance costs	**(552)**	(1,215)
Profit before taxation	**2,158**	4,640
Taxation	**(614)**	(1,204)
Gain on disposal of discontinued operation net of taxation	**6,288**	—
Profit for the period	**7,832**	3,436
Profit for the period attributable to:		
Equity holders of the parent	**7,201**	2,105
Non controlling interests	**631**	1,331
	7,832	3,436
Earnings per share from discontinued operation		
Basic and diluted earnings per share (in pence)	**9.14**	2.72

	Year to 31 December 2011 £'000	Year to 31 December 2010 £'000
Cash flows generated by discontinued operation		
Cash generated from operating activities	**1,447**	2,882
Cash absorbed from investing activities	**(496)**	(800)
Cash absorbed from financing activities	**(687)**	(1,827)
Effect on cash flows	**264**	255

	Year to 31 December 2011 £'000
Effect of disposal on the financial position of the Group	
The net assets disposed of were as follows:	
Property, plant and equipment	**6,980**
Goodwill, net of impairment	**3,878**
Intangible assets	**7,051**
Inventories	**5,178**
Trade and other receivables	**5,203**
Cash and cash equivalents	**3,127**
Borrowings	**(10,449)**
Other financial liabilities	**(10)**
Deferred tax liabilities	**(2,048)**
Current tax liabilities	**(75)**
Trade and other payables	**(4,834)**
Net assets and liabilities	**14,001**

11. Discontinued operations (continued)

11.2 Sale of Ferro (continued)

	Year to 31 December 2011 £'000
Minorities share of net assets and liabilities	(3,126)
Consideration received	
Cash received for shares	15,902
Gain on disposal of discontinued operations	5,027
Release of foreign currency translation reserve relating to subsidiary	1,261
Related tax expense	—
Gain on disposal of discontinued operation, net of taxation	6,288
Consideration received, satisfied in cash	15,902
Cash and cash equivalents disposed of	(3,127)
Net cash inflow on disposal of discontinued operation	12,775

11.3 Summary of all discontinued operations

	Year to 31 December 2011 £'000	Year to 31 December 2010 £'000
Total results of discontinued operations		
Revenue	49,576	116,509
Expenses other than finance costs	(50,055)	(116,324)
Impairment of goodwill	—	(3,695)
Impairment of intangible assets	—	(997)
Finance costs	(1,269)	(3,328)
Loss before taxation	(1,748)	(7,835)
Taxation	(421)	(1,445)
Gain on disposal of discontinued operations, net of taxation	7,861	—
Profit/(loss) for the period	5,692	(9,280)
Profit/(loss) for the period attributable to:		
Equity holders of the parent	5,217	(7,992)
Non controlling interests	475	(1,288)
	5,692	(9,280)
Total earnings/(losses) per share from discontinued operations		
Basic and diluted earnings/(losses) per share (in pence)	6.62	(10.34)

	Year to 31 December 2011 £'000	Year to 31 December 2010 £'000
Cash flows generated/(absorbed) by discontinued operation		
Cash (absorbed)/generated from operating activities	(3,140)	1,472
Cash generated/(absorbed) from investing activities	8,410	(2,135)
Cash absorbed from financing activities	(4,805)	(108)
Effect on cash flows	465	(771)

11. Discontinued operations (continued)

11.3 Summary of all discontinued operations (continued)

	Year to 31 December 2011 £'000
Effect of disposal on the financial position of the Group	
The net assets disposed of were as follows:	
Property, plant and equipment	**9,950**
Goodwill, net of impairment	**3,878**
Intangible assets	**7,676**
Inventories	**15,683**
Trade and other receivables	**5,203**
Cash and cash equivalents	**3,127**
Borrowings	**(10,449)**
Other financial liabilities	**(705)**
Deferred tax liabilities	**(2,048)**
Current tax liabilities	**(75)**
Trade and other payables	**(5,069)**
Net assets and liabilities	**27,171**
Minorities share of net assets and liabilities	**(3,126)**
Consideration received	
Cash received	**26,133**
Shares in Robor (Pty) Limited at fair value	**4,512**
Gain on disposal of discontinued operations	**6,600**
Release of foreign currency translation reserve relating to subsidiary	**1,261**
Related tax expense	**—**
Gain on disposal of discontinued operations, net of taxation	**7,861**
Consideration received, satisfied in cash	**26,133**
Cash and cash equivalents disposed of	**(3,127)**
Net cash inflow on disposal of discontinued operations	**23,006**

12. Losses per share

12.1 Basic and diluted losses per share

	Year to 31 December 2011 £'000	Year to 31 December 2010 £'000
Net loss attributable to equity holders of the parent from continuing operations	**(12,801)**	(3,129)
Net profit/(loss) attributable to equity holders of the parent from discontinued operations	**5,217**	(7,992)
Total net loss attributable to equity holders of the parent	**(7,584)**	(11,121)
Weighted average number of shares in issue (thousands)	**78,797**	77,275
Basic and diluted losses per ordinary share attributable to equity holders (in pence)	**(9.62)**	(14.39)
Basic and diluted losses per ordinary share attributable to equity holders from continuing operations (in pence)	**(16.25)**	(4.05)

12. Losses per share (continued)

12.2. Basic and diluted headline losses per shares

Headline earnings reconciliation^	Year to 31 December 2011 £'000	Year to 31 December 2010 £'000
Loss for the period attributable to equity holders of the parent	**(7,584)**	(11,121)
Adjusted for:		
Exceptional gain on dilution of interest in associate	**(2,188)**	—
Gain on disposal of discontinued operation	**(7,861)**	
Gain on deemed disposal of a subsidiary	**—**	(870)
Impairment of intangible assets	**861**	1,729
Impairment of goodwill	**11,382**	10,003
Impairment of property, plant and equipment	**202**	—
Reclassification adjustments from other comprehensive income	**—**	(2,684)
Non-headline items included in equity accounted earnings of associates	**(248)**	168
Profit on disposal of property, plant and equipment	**(91)**	(25)
Total tax effects of adjustments	**(272)**	(477)
Total non controlling interests' effects of adjustments	**15**	(163)
Headline losses	**(5,784)**	(3,440)
Basic and diluted headline losses per ordinary share attributable to equity holders (in pence)	**(7.34)**	(4.45)

^ Disclosure of headline earnings has been provided in accordance with the JSE listing requirements.

13. Property, plant and equipment

	2011 £'000	2010 £'000
Cost		
Land and buildings	**2,060**	4,933
Plant and machinery	**7,122**	22,021
Vehicles	**539**	881
Office furniture, fixtures and equipment	**1,089**	2,030
Capital work in progress	**740**	912
	11,550	30,777
Accumulated depreciation		
Land and buildings	**(56)**	(98)
Plant and machinery	**(2,849)**	(7,687)
Vehicles	**(208)**	(337)
Office furniture, fixtures and equipment	**(874)**	(989)
Capital work in progress	**—**	—
	(3,987)	(9,111)
Carrying amount	**7,563**	21,666

13. Property, plant and equipment (continued)

2011	**Land and buildings £'000**	**Plant and machinery £'000**	**Vehicles £'000**	**Office furniture, fixtures and equipment £'000**	**Capital work in progress £'000**	**Total £'000**
Carrying amount at the beginning of the year	**4,835**	**14,334**	**544**	**1,041**	**912**	**21,666**
Additions	**138**	**305**	**221**	**67**	**433**	**1,164**
Arising on reclassification of investment, now a subsidiary	**—**	**—**	**—**	**13**	**—**	**13**
Disposals	**(23)**	**(290)**	**(7)**	**(35)**	**—**	**(355)**
On disposal of business	**(2,349)**	**(6,701)**	**(181)**	**(224)**	**(495)**	**(9,950)**
Depreciation	**(49)**	**(1,708)**	**(169)**	**(326)**	**—**	**(2,252)**
Impairment	**—**	**—**	**—**	**(202)**	**—**	**(202)**
Transfers between categories	**—**	**20**	**—**	**—**	**(20)**	**—**
Currency exchange losses during the year	**(548)**	**(1,687)**	**(77)**	**(119)**	**(90)**	**(2,521)**
Carrying amount at the end of the year	**2,004**	**4,273**	**331**	**215**	**740**	**7,563**

2010	Land and buildings £'000	Plant and machinery £'000	Vehicles £'000	Office furniture, fixtures and equipment £'000	Capital work in progress £'000	Total £'000
Carrying amount at the beginning of the year	3,670	13,020	342	1,153	1,074	19,259
Additions	229	1,586	381	200	352	2,748
Disposals	—	(9)	(79)	(14)	—	(102)
Depreciation	(57)	(2,436)	(165)	(448)	—	(3,106)
Transfers between categories	386	262	—	1	(649)	—
Currency exchange gains during the year	607	1,911	65	149	135	2,867
Carrying amount at the end of the year	4,835	14,334	544	1,041	912	21,666

For details of property, plant and equipment pledged as security refer note 24 Borrowings and note 25 Other financial liabilities.

An impairment of £202,000 was recognised on plant and equipment belonging to the trading subsidiary Stalcor. There were no impairments recognised on property during the year ended 31 December 2010.

14. Investment properties

	2011 £'000	2010 £'000
Cost	**7,018**	—
Accumulated impairment losses	**—**	—
Carrying amount	**7,018**	—

14. Investment properties (continued)

	2011 £'000	2010 £'000
Carrying amount at the beginning of the year	**—**	—
Additions	**5,018**	—
Disposals	**—**	—
Fair value adjustments*	**—**	—
Arising on reclassification of investment, now a subsidiary	**2,554**	—
Currency exchange losses during the year	**(554)**	—
Carrying amount at the end of the year	**7,018**	—

Investment properties comprises two properties:

- ERF 192 – 195 situated in Richmond, Pietermaritzburg, at a fair value of £2,395,000. The property earns rentals from various tenants within the commercial building.
- ERF 204 situated in Randjespark, Extension 36 Township, Midrand, at a fair value of £4,623,000. The property is leased to a company within the Litha group for a twelve year period with rentals escalating at 8% per annum.

Both properties are held by the banks as security for the mortgage loans provided (refer note 24).

* Directors valuations are performed annually on the investment properties and independently every 3 to 5 years. There were no changes to the fair values during the current year.

15. Goodwill

	2011 £'000	2010 £'000
Cost	**20,483**	33,304
Accumulated impairment losses	**(17,599)**	(14,469)
Carrying amount	**2,884**	18,835

	2011 £'000	2010 £'000
Carrying amount at the beginning of the year	**18,835**	26,772
Arising on acquisitions made by GRS	**—**	247
On disposal of business	**(3,878)**	—
Impairment arising on goodwill in respect of Stalcor and GRS	**(1,945)**	(6,503)
Impairment arising on goodwill in respect of internalisation of investment advisory arrangements	**(9,437)**	(3,500)
Currency exchange (losses)/gains during the year	**(691)**	1,819
Carrying amount at the end of the year	**2,884**	18,835

The aggregate carrying amounts of goodwill allocated by acquisition as at the end of the year are as follows:

	2011 £'000	2010 £'000
Ferro	**—**	4,075
Stalcor and GRS (net of impairment)	**—**	2,241
Blackstar Group (Pty) Limited ("Blackstar SA") and internalisation of investment advisory arrangements (net of impairment)	**1,945**	11,382
Arising on acquisitions made by GRS	**939**	1,137
Carrying amount at the end of the year	**2,884**	18,835

15. Goodwill (continued)

15.1 Impairment testing

The aggregate carrying amounts of goodwill as at year end allocated to each cash-generating unit are as follows:

2011	Carrying amount at year end prior to impairment £'000	Impairment raised £'000	Carrying amount at 31 December 2011 net of impairment £'000
Investment activities segment			
CGU 1	**11,382**	**(9,437)**	**1,945**
Industrial metals segment (Stalcor and GRS)			
CGU 1*	**—**	**—**	**—**
CGU 2*	**—**	**—**	**—**
CGU 3	**—**	**—**	**—**
CGU 4	**1,103**	**(1,103)**	**—**
CGU 5	**842**	**(842)**	**—**
CGU 6	**650**	**—**	**650**
CGU 7	**289**	**—**	**289**
	2,884	**(1,945)**	**939**
	14,266	**(11,382)**	**2,884**

* These CGU's, as well as the Industrial chemicals segment (Ferro), were disposed of during the current financial year.

2010	Carrying amount at year end prior to impairment £'000	Impairment raised £'000	Carrying amount at 31 December 2010 net of impairment £'000
Investment activities segment			
CGU 1	14,882	(3,500)	11,382
Industrial chemicals segment (Ferro)			
CGU 1	1,076	—	1,076
CGU 2	817	—	817
CGU 3	2,182	—	2,182
	4,075	—	4,075
Industrial metals segment (Stalcor, Baldwins and GRS)			
CGU 1	—	—	—
CGU 2	3,702	(3,702)	—
CGU 3	2,387	(2,307)	80
CGU 4	1,772	(494)	1,278
CGU 5	965	—	965
CGU 6	786	—	786
CGU 7	269	—	269
	9,881	(6,503)	3,378
	28,838	(10,003)	18,835

Impairment testing for Investment activities segment

As part of the internalisation of Blackstar's investment advisory arrangements, in 2010 the Group acquired 100% of the ordinary shares of Blackstar SA. In addition, Blackstar and Blackstar SA ended all of their respective investment advisory agreements and as a result, on acquisition of the company, Blackstar also assumed the liability for termination of the investment advisory agreements.

15. Goodwill (continued)

15.1 Impairment testing (continued)

Impairment testing for Investment activities segment (continued)

The internalisation gave rise to goodwill of £14,882,000. The recoverable amount has been determined using a discounted cash flow model using the net asset value of the Group at the end of the year, a growth rate of 1.75% and discount rate of 15% for a three year period (being the remaining term of the investment advisory agreement which was terminated following the internalisation). In 2011, the recoverable amount was less than the carrying amount and an impairment of £9,437,000 (2010:£3,500,000) was recognised. These impairments arose as the net asset value of the Group declined.

Impairment testing for Industrial chemicals and Industrial metals segments

The recoverable amounts of all of the cash generating units within the Industrial metals segment has been determined by discounting the estimated future cash flows generated from the use of each cash generating unit. The cash flow projections were based on formally approved budgets for the year ended 31 December 2012. Cash flows for a further three years ending 31 December 2015 were determined by applying revenue and expense growth rates and margins to the 31 December 2012 approved budgets. These rates, which differed for each cash generating unit, were determined based on management's past experience and future expectations in the light of anticipated economic and market conditions.

A weighted average cost of capital of 17.8% was used to determine the recoverable amounts for each cash generating units within the Industrial metals segment and was determined using a South African Government Bond risk free rate, appropriate risk premiums, Betas of industry comparable companies, South African debt rates and tax rates and the debt ratios of industry comparable companies.

An impairment loss of £1,945,000 was recognised at 31 December 2011 as the carrying amount of goodwill for CGU's 4 and 5 within the Industrial metals segment exceeded their recoverable amounts. These cash generating units manufacture steel roofing and cladding. These units were negatively impacted by difficult market conditions including a decline in demand and weaker prices. This resulted in a lower recoverable amount for these particular cash generating units and the recognition of an impairment of goodwill.

The Group has one cash generating unit, where the carrying amount of goodwill is significant in comparison to the Group's total carrying amount of goodwill, namely CGU 1 in the Investing activities segment. Since the goodwill for this segment has been impaired, the recoverable amount is equal to the carrying amount.

16. Intangible assets

	2011 **£'000**	2010 £'000
Cost		
Marketing related intangibles (brands)	**4,144**	6,847
Customer related intangibles	**810**	8,470
Technology related intangibles	**—**	1,424
Registered trademarks	**—**	1,462
	4,954	18,203
Accumulated amortisation and impairments		
Marketing related intangibles (brands)	**(1,197)**	(1,811)
Customer related intangibles	**(810)**	(2,881)
Technology related intangibles	**—**	(142)
Registered trademarks	**—**	(88)
	(2,007)	(4,922)
Carrying amount	**2,947**	13,281

16. Intangible assets (continued)

2011	Marketing related intangibles (brands) £'000	Customer related intangibles £'000	Technology related intangibles £'000	Registered trademarks £'000	Total £'000
Carrying amount at the beginning of the year	**5,094**	**5,589**	**1,282**	**1,316**	**13,281**
On disposal of business	**(531)**	**(4,741)**	**(1,186)**	**(1,218)**	**(7,676)**
Amortisation	**(268)**	**(254)**	**(33)**	**(33)**	**(588)**
Impairments	**(575)**	**(286)**	**—**	**—**	**(861)**
Currency exchange losses during the year	**(773)**	**(308)**	**(63)**	**(65)**	**(1,209)**
Carrying amount at the end of the year	**2,947**	**—**	**—**	**—**	**2,947**

2010	Marketing related intangibles (brands) £'000	Customer related intangibles £'000	Technology related intangibles £'000	Registered trademarks £'000	Total £'000
Carrying amount at the beginning of the year	5,532	6,651	1,175	1,208	14,566
Amortisation	(524)	(809)	(65)	(67)	(1,465)
Impairments	(644)	(1,085)	—	—	(1,729)
Currency exchange gains during the year	730	832	172	175	1,909
Carrying amount at the end of the year	5,094	5,589	1,282	1,316	13,281

The amortisation and impairment charges are included in the line item "Administrative expenses – Trading businesses" in the income statement.

GRS has experienced difficult trading conditions which has negatively impacted its profitability and resulted in intangible assets within the Industrial metals segment being impaired by an amount of £588,000 (2010:£1,729,000). The total impairment expense arose as the recoverable amounts of the cash generating units to which these intangible assets were allocated were less than their carrying values and subsequent to impairment of the goodwill, this deficit was allocated to the intangible assets within each cash generating unit (refer note 15 for details of the impairment testing performed on the individual cash generating units within the Industrial metals segment).

There are no individually material intangible assets requiring separate disclosure.

17. Investments in associates

During the current financial year, Blackstar's wholly owned subsidiary Blackstar Real Estate (Pty) Limited ("BRE") acquired an interest in a property company Fantastic Investments 379 (Pty) Limited ("Fantastic"). During the latter half of 2011, the investment was reviewed and it was determined on analysis of the shareholders and review of the appointment of directors to the Board of the company, that Blackstar now has a significant influence in Fantastic. The investment in this company has therefore been transferred out of the category investments at fair value through profit and loss to investments in associate companies. Fantastic has been equity accounted during the current financial year.

	Principal Activity	31 December 2011	31 December 2010
Litha Healthcare Group Limited*	Healthcare company	**39%**	45%
Navigare Securities (Pty) Limited*	Stock broker	**25%**	25%
Fantastic Investments 379 (Pty) Limited*	Property investment company	**25%**	0%

* Incorporated in South Africa.

17. Investments in associates (continued)

On 1 January 2011, Blackstar's shareholding in Litha Healthcare Group Limited ("Litha") was diluted from 45% to 39% as a result of Litha issuing shares to non controlling shareholders. Litha shares were issued on acquisition of a new business and a further share issue occurred in order to implement Litha's acquisition of the remaining 49% of Litha Healthcare Holdings (Pty) Limited. Blackstar has recognised a gain of £2,188,000 in the income statement (comprising the difference between the carrying value of the associate that has been derecognised and Blackstar's share of the proceeds received by Litha on issue of the shares).

Summarised financial information in respect of the Group's associates is set out below:

	31 December 2011 £'000	31 December 2010 £'000
Total assets	**117,273**	121,013
Total liabilities	**(75,695)**	(70,958)
Net assets	**41,578**	50,055
Group's share of associates	**16,437**	14,637

At 31 December 2011, Litha's closing quoted bid price per share was R2.85 (22.9 pence) (2010: R2.76 (26.7 pence)) and the Group's investment in Litha was valued at R408,739,000 (£32,577,000), (2010: R402,900,000 (£38,896,000)).

	31 December 2011 £'000	31 December 2010 £'000
Total revenue	**152,133**	105,332
Total profit for the period	**7,508**	3,574
Group's share of associates	**2,902**	1,539

The Group has provided 62 million of its ordinary shares in Litha as security to a bank for its facility of R50 million (£4.0 million) which was unutilised at year end. The Company has also pledged and ceded 26 530,612 Litha shares to a bank in respect of Stalcor's facility with the bank.

The Group did not receive any dividends from any of its investment in associates.

18. Investments classified as loans and receivables

	2011 £'000	2010 £'000
Carrying value at the beginning of the year	**1,375**	23,101
Additions during the year at cost*	**2,037**	746
Disposals during the year at cost	**(991)**	(13,985)
Unrealised losses on disposals recognised in prior years	**4**	167
Net dividends and interest accrued/(received) during the year	**148**	(6,053)
Impairments during the year	**—**	(56)
Other movements#	**3**	—
Currency exchange losses during the year	**(390)**	(2,545)
Carrying value at the end of the year	**2,186**	1,375

* Additions in the current period include additions to loans and receivables as well as the reclassification of an amount of £154,000 from an investment in the associate Navigare to an equity loan and a loan amounting to £31,000 which was acquired as part of the acquisition of the associate Fantastic Investments.

Other movements represent balances that arise on reclassification of an investment which is now considered to be a subsidiary and thus is consolidated.

18. Investments classified as loans and receivables (continued)

	2011 £'000	2010 £'000
Non-current portion	**144**	873
Current portion	**2,042**	502
	2,186	1,375

Analysis of (losses)/gains on investments

	2011 £'000	2010 £'000
Proceeds on disposals during the year	**985**	17,306
Investments at cost	**(991)**	(13,985)
Realised (losses)/gains on disposals based on historical cost	**(6)**	3,321
Add unrealised losses on disposals recognised in prior years	**4**	167
Realised (losses)/gains recognised in the income statement on disposals based on carrying value at prior year balance sheet date	**(2)**	3,488
Realised exchange gains on disposal of investments released directly to retained earnings	**(158)**	—
Impairments during the year	**—**	(56)
Net (losses)/gains on investments	**(160)**	3,432

Investments classified as loans and receivables comprise the following:

	Carrying value 2011 £'000	Carrying value 2010 £'000
Loan to Ukuvula Investments (Pty) Limited. The loan bears interest at South African Prime rate plus 300 basis points nominal annual compounded monthly and is repayable on 30 September 2012	**1,263**	—
Loan issued by subsidiary which bears interest at South African Prime rate plus 300 basis points nominal annual compounded monthly and is repayable in April 2012	**773**	249
Loans to associates which are interest free and have no fixed dates of repayment	**144**	—
Loan to Adreach (Pty) Limited which is interest free and repayable in March 2012	**6**	244
Loan to Tanmac Trading (Pty) Limited. The loan bears interest at South African Prime rate plus 200 basis points nominal annual compounded monthly and has been repaid	**—**	564
Loan to staff of Ferro Industrial Products (Pty) Limited. The loan bears interest at 90% of South African Prime rate nominal annual compounded semi-annually and has been repaid	**—**	318
Carrying value at the end of the year	**2,186**	1,375

Refer note 33 Financial instruments for further disclosure.

19. Investments at fair value through profit and loss

	2011 £'000	2010 £'000
Fair value at the beginning of the year	**12,601**	13,482
Additions during the year at cost*	**7,798**	5,019
Disposals during the year at cost	**(3,791)**	(6,485)
Unrealised losses/(gains) on disposals recognised in prior years	**1,249**	(1,138)
Unrealised (losses)/gains during the year	**(744)**	2,992
Other movements^	**(329)**	(2,522)
Currency exchange (losses)/gains during the year	**(2,699)**	1,253
Fair value at the end of the year	**14,085**	12,601

* Additions in the current period include Robor shares with a fair value of £4,512,000 received on disposal of the Baldwins operation (refer note 11).

^ Other movements in the current year represent balances that are transferred out of the investments at fair value through profit and loss classification as a result of the investment now being considered a subsidiary and thus has been consolidated (refer note 32). Other movements in the prior year represent balances that are now included under investments in associates.

	2011 £'000	2010 £'000
Non-current portion	**3,687**	12,056
Current portion	**10,398**	545
	14,085	12,601

Analysis of (losses)/gains on investments

	2011 £'000	2010 £'000
Proceeds on disposals during the year	**2,095**	7,108
Investments at cost	**(3,791)**	(6,485)
Realised (losses)/gains on disposals based on historical cost	**(1,696)**	623
Add unrealised losses/(gains) on disposals recognised in prior years	**1,249**	(1,138)
Realised losses recognised in the income statement on disposals based on carrying value at prior year balance sheet date	**(447)**	(515)
Realised exchange gains on disposal of investments released directly to retained earnings	**(620)**	—
Unrealised (losses)/gains during the year	**(744)**	2,992
Net (losses)/gains on investments	**(1,811)**	2,477

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 2011 £'000	Fair value 2010 £'000
Derivative investment in a services company, which gives the Group exposure to a minority interest in the underlying services company	**7,672**	9,768
Ordinary shares in Robor (Pty) Limited	**3,507**	—
Investment in FBDC Investor Offshore Holdings L.P.	**291**	—
Ordinary shares in Adreach (Pty) Limited	**—**	2,027
Ordinary shares in Wonderdeals 38 (Pty) Limited*	**—**	261
Other listed shares, funds and fixed income securities	**2,615**	545
Fair value at the end of the year	**14,085**	12,601

* This investment has been classified as a subsidiary and is consolidated (refer note 32).

Refer note 33 Financial instruments for further disclosure.

20. Other financial assets

	2011 £'000	2010 £'000
Derivatives designated and effective as hedging instruments carried at fair value		
Forward exchange contracts	**2**	78
	2	78
Non-current portion	**—**	52
Current portion	**2**	26
	2	78

Refer note 33 Financial instruments for further disclosure.

21. Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables	**12,053**	24,698
Impairment allowance	**(874)**	(652)
	11,179	24,046
Prepayments and accrued income	**190**	405
Other receivables	**171**	654
	11,540	25,105

For details of trade receivables pledged as security refer note 24 Borrowings and note 25 Other financial liabilities.

Refer note 33 Financial instruments for further disclosure.

22. Inventories

	2011 £'000	2010 £'000
Finished goods	**5,867**	19,733
Work in progress	**190**	177
Raw materials	**3,985**	7,094
Consumables	**—**	2
	10,042	27,006

The cost of inventories recognised as an expense for continuing operations amounts to £78,887,000 (2010: £78,792,000) and has been reflected as cost of sales on the face of the income statement. A provision for obsolescence is raised for specific items identified as slow moving.

For details of inventories pledged as security refer to note 24 Borrowings and note 25 Other financial liabilities.

23. Cash and cash equivalents

	2011 £'000	2010 £'000
Deposits and cash at bank	**20,334**	19,196
Bank overdrafts	**(5)**	(1)
Cash and cash equivalents per the cash flow statement	**20,329**	19,195

Cash and cash equivalents held by South African subsidiaries of £5,911,000 (2010: £4,134,000) are ring-fenced and are not available to other entities within the Group. Transfers of cash are subject to South African exchange control regulations. Cash and cash equivalents held at the centre (comprising Blackstar Group SE, Blackstar (Cyprus) Investors Limited ("Blackstar Cyprus") and Blackstar (Gibraltar) Limited ("Blackstar Gibraltar")) amounted to £13,285,000 at year end (2010: £13,387,000).

For details of cash and cash equivalents pledged as security refer to note 24 Borrowings and note 25 Other financial liabilities.

24. Borrowings

Borrowings comprise the following:

	2011 £'000	2010 £'000
Unsecured		
Loan which bears interest at a fixed rate of 10% per annum and is repayable in monthly instalments ending in 2013	**76**	150
Loans to property companies from non controlling shareholders. One of the loans bears interest at South African Prime rate plus 200 basis points whilst the remaining loans are interest free. The loans have no fixed terms of repayment	**454**	—
Loan which bears no interest and is repayable by 2014	**399**	—
Cumulative redeemable preference shares in a subsidiary (property company) held by a non controlling shareholder. Dividends are payable at the South African Prime rate plus 200 basis points nominal annual compounded monthly and the shares are redeemable on date of sale of the property or earlier at the discretion of the issuer	**125**	—
Loans to Stalcor (Pty) Limited and Ferro Industrial Products (Pty) Limited from non controlling shareholders. The Stalcor (Pty) Limited loan bears interest at 90% of the South African Prime rate nominal annual compounded semi-annually and was acquired by Blackstar when the Group acquired the remaining non controlling interest in Stalcor (Pty) Limited. The Ferro Industrial Products (Pty) Limited loan bears interest at South African Prime rate plus 300 basis points and was sold as part of the disposal of the interest in Ferro Industrial Products (Pty) Limited	**—**	2,702
Cumulative redeemable class A preference shares in Stalcor (Pty) Limited by a non controlling shareholder. Dividends are payable at 90% of South African prime rate nominal annual compounded semi-annually. The preference shares were acquired by Blackstar when the Group acquired the remaining non controlling interest in Stalcor (Pty) Limited	**—**	169
Secured		
Mortgage loans taken out by property companies. The loans bear interest at fixed rates ranging between 8% and 12.37% repayable in fixed monthly instalments escalating by between 7% and 10% per annum with the final instalment due in 2020*	**6,625**	1,413
Loan which bears interest at a fixed rate of 12.07% per annum, repayable in quarterly instalments. This loan has been sold as part of the disposal of the Group's interest in the subsidiary Ferro Industrial Products (Pty) Limited#	**—**	9,399
	7,679	13,833

* The following security has been provided for BRE's mortgage loan: unconditional, irrevocable guarantees from Blackstar Group SE for the full obligations of BRE and for the full rental obligations of Stalcor; shareholder loans in BRE have been subordinated in favour of the lender (the bank); first covering mortgage bonds are registered over the properties (included in property, plant and equipment) in favour of the lender for an aggregate amount of R14.6 million (£1.2 million) plus costs; cession of rental income in respect of any lease agreement concluded or to be concluded in respect of the properties; and cession of all insurance policies over the mortgaged properties. For the remaining mortgage loans the properties with a carrying value of R88.1 million (£7.0 million) included in investment properties have been provided as security and the shareholders of the respective property companies who took out the mortgage loans have stood surety for the outstanding debt.

24. Borrowings (continued)

Security provided by Ferro for this loan includes first rank cession of the following: all of Ferro's book debts; all insurance policies held by Ferro; all cash balances and deposits held by Ferro; and first rank cession and pledge on all shareholders loan accounts and all shares held in Ferro. In addition to this Ferro has also provided as security first rank mortgage bond over Ferro's property for a fixed amount of R23 million (£2.2 million), and first rank notarial bond over Ferro's moveable assets for a fixed sum R70 million (£6.8 million).

	2011 £'000	2010 £'000
Non-current portion	**7,077**	12,538
Current portion	**602**	1,295
	7,679	13,833

At year end none of the borrowings were in default or breach.

Refer note 33 Financial instruments for further disclosure.

25. Other financial liabilities

Other financial liabilities comprise the following:

	2011 £'000	2010 £'000
Debtors invoice discounting facilities. The one facility bears interest at South African Prime rate plus 300 basis points and the other facility bears interest at a fixed rate of 9%. Interest is repayable monthly in arrears and capital is repayable on a rolling unspecified period*	**6,087**	—
Debtors invoice discounting facility. The loan bears interest at South African Prime rate plus 100 basis points. Interest is repayable monthly in arrears and the capital is repayable on a rolling unspecified period#	**—**	9,117
Revolving inventory financing facility agreements. The loans bear interest at South African Prime rate plus 100 basis points, are repayable monthly in arrears and capital is repayable on a rolling unspecified period^	**—**	15,929
Accrual arising on operating leases as a result of lease payments being recognised as an expense on a straight-line basis over the lease term	**643**	2,957
Asset finance loan, which bears interest at a fixed rate of 10% per annum and is repayable in monthly instalments ending in 2013+	**363**	624
Finance leases and instalment sale agreements. Certain loans bear interest at rates ranging from 150 to 200 basis points below the South African Prime rate and the other loans bear interest at a fixed rate between 12% and 13.5%. The loans are repayable in monthly instalments**	**—**	771
Derivatives effective as hedging instruments carried at fair value		
Forward exchange contracts ("FECs")	**—**	79
	7,093	29,477

* In the current year Stalcor and GRS entered into new financing agreements independently of each other. Stalcor entered into one agreement with a bank covering its invoice discounting facility amounting to R60 million (£4.8 million), of which R35.1 million (£2.8 million) has been utilised as at 31 December 2011; and a consignment facility of R5 million (£0.4 million) which was unutilised at year end. Refer note 33.4.2 for details of securities provided for these facilities. GRS has one agreement with a Bank which covers the following: an invoice financing facility of R45 million (£3.6 million), of which R41.2 million (£3.3 million) has been utilised as at 31 December 2011; an inventory financing facility of R15 million (£1.2 million) which was unutilised at year end; and a guarantees facility of R7.2 million (£0.6 million). Details of the security provided for the afore-mentioned facilities has been provided in note 33.4.2.

25. Other financial liabilities (continued)

In the prior year one debtors invoice discounting facility was held for Stalcor and GRS and its subsidiaries, and the companies provided the following security for this facility: first cession of the aforementioned companies receivables; cession of Credit Guarantee Insurance Company policies held by the companies; discounting of their invoices, with recourse, with 25% retention margin; and cession of the companies bank accounts utilised for debtor receipts.

^ In the prior year Stalcor and GRS had one agreement with a bank which covered the various facilities available to them and related securities provided. The revolving inventory financing facility amounting to £15,929,000 were included as part of the facilities utilised by Stalcor and GRS. Details of the security provided for the various liabilities have been provided in note 33.4.2.

+ Assets with a carrying value of £0.4 million (2010: £0.7 million), included in property, plant and equipment have been provided as security.

** Assets with a carrying value of £0.9 million (2010: £1.2 million), included in property, plant and equipment have been provided as security.

	2011 £'000	2010 £'000
Non-current portion	**785**	3,937
Current portion	**6,308**	25,540
	7,093	29,477

Refer note 33 Financial instruments for further disclosure.

26. Provisions

	2011 £'000	2010 £'000
Non-current portion	**199**	197
Current portion	**93**	288
	292	485

Provisions comprise the following:

Provision for rectification

A provision for rectification has been raised, where customers have been provided with a guarantee for certain products. This provision is based on the specific problematic products identified at year end.

Provision for redundancies

A provision for redundancies has been raised by the Group and is based on the staff identified to be retrenched and their average wages, working hours and length of service of employment.

Provision for onerous contracts

A provision for onerous contracts has been raised for operating leases for land and buildings which are considered by management to be onerous. The provision is calculated as the present value of the future cash flows identified as onerous net of any cash inflows from sub-letting, discounted using market-related rates.

Provision for contingent consideration

A provision has been raised for the consideration payable by GRS in respect of the acquisition of a subsidiary, which is dependent on the free cash flows generated by the entity over the next two and a half years. The provision is based on the formula per the purchase agreement.

26. Provisions (continued)

	Provision for rectification £'000	Provision for redundancies £'000	Provision for onerous contracts £'000	Provision for contingent consideration £'000	Total £'000
Balance at 31 December 2009	54	84	—	—	138
Acquisition of business	—	—	—	102	102
Created	34	401	213	—	648
Utilised	(12)	(439)	—	—	(451)
Currency exchange losses	10	9	20	9	48
Balance at 31 December 2010	**86**	**55**	**233**	**111**	**485**
Acquisition of business	**—**	**—**	**—**	**—**	**—**
Created	**113**	**—**	**59**	**—**	**172**
Utilised	**(32)**	**(49)**	**(166)**	**(43)**	**(290)**
Currency exchange gains	**(20)**	**(6)**	**(33)**	**(16)**	**(75)**
Balance at 31 December 2011	**147**	**—**	**93**	**52**	**292**

27. Deferred taxation

27.1 Movement in net deferred taxation

	2011 £'000	2010 £'000
Net deferred tax liability at the beginning of the year	**(4,608)**	(3,390)
Recognised in income statement for continuing operations	**367**	(537)
Recognised in income statement under net profit/loss from discontinued operations	**312**	(110)
On disposal of businesses	**2,048**	—
Currency exchange gains/(losses) during the year	**474**	(571)
Net deferred tax liability at the end of the year	**(1,407)**	(4,608)

27.2 Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities at year end are attributable to the following:

2011	Assets £'000	Liabilities £'000	Net £'000
Property, plant and equipment	**—**	**(1,038)**	**(1,038)**
Intangible assets	**—**	**(870)**	**(870)**
Inventories	**16**	**—**	**16**
Trade and other receivables	**75**	**(14)**	**61**
Other financial liabilities	**127**	**—**	**127**
Trade and other payables	**252**	**(18)**	**234**
Assessed losses	**63**	**—**	**63**
	533	**(1,940)**	**(1,407)**
Set-off of assets and liabilities	**(441)**	**441**	**—**
Deferred tax assets/(liabilities) per balance sheet	**92**	**(1,499)**	**(1,407)**

27. Deferred taxation (continued)

27.2 Recognised deferred tax assets and liabilities (continued)

2010	Assets £'000	Liabilities £'000	Net £'000
Property, plant and equipment	—	(3,513)	(3,513)
Intangible assets	—	(2,729)	(2,729)
Inventories	124	—	124
Trade and other receivables	151	(92)	59
Other financial liabilities	828	—	828
Trade and other payables	320	—	320
Assessed losses	303	—	303
	1,726	(6,334)	(4,608)
Set-off of assets and liabilities	(1,601)	1,601	—
Deferred tax assets/(liabilities) per balance sheet	125	(4,733)	(4,608)

27.3 Unrecognised deferred tax assets

Blackstar Group SE has unutilised cumulative losses and capitalised expenses of £12,159,000 (2010: £6,387,000) that are deductible for tax purposes. Deferred tax assets have not been recognised due to the degree of uncertainty over both the amount and utilisation of the underlying tax losses and deductions.

The Group's subsidiary Stalcor has tax losses of £12,301,000 (2010:£19,342,000) on which a deferred tax asset has not been recognised as it is not probable that future taxable profit will be available against which these tax losses can be utilised. The tax losses do not expire.

28. Trade and other payables

	2011 £'000	2010 £'000
Trade payables	**7,734**	11,566
Salary related accruals	**657**	1,988
Other payables and accrued expenses	**2,653**	4,081
	11,044	17,635

Refer note 33 Financial instruments for further disclosure.

29. Share capital and reserves

	2011 £'000	2010 £'000
Authorised		
150,000,000 ordinary shares of €0.76 each	**100,500**	100,500
Issued and fully paid		
85,288,422 ordinary shares of €0.76 each	**57,053**	—
74,821,193 ordinary shares of £0.67 each	**—**	50,130

Movement of the ordinary shares of €0.76 (2010: £0.67) each for the year	**Number of shares**	Number of shares
Total number of shares in issue at the beginning of the year	**74,821,193**	79,138,688
Issue of new shares	**10,467,229**	—
Buy-back and cancellation of shares	**—**	(4,317,495)
Total number of shares in issue at the end of the year	**85,288,422**	74,821,193

Share capital

Following approval by Blackstar's shareholders on 22 June 2011, Blackstar converted into a Societas Europaea or European public limited liability company on 27 June 2011. Following this conversion, the base currency changed from Sterling to Euros and thus the share capital of the Company was converted from a par value £0.67 to a par value of €0.76 using the exchange rate on the prevailing date.

29. Share capital and reserves (continued)

Share capital (continued)

In August 2011, the Company raised an additional R100 million (£8.9 million) through the issue of 10,467,229 new ordinary shares.

Share premium

Share premium comprises the amount subscribed for share capital in excess of nominal value.

Shares held in treasury

In December 2011, Blackstar purchased 3,200,000 ordinary shares of €0.76 each in the Company at a price of 71 pence per share, representing 3.75% of the issued ordinary share capital prior to such purchases.

These shares will be cancelled in accordance with applicable law. In accordance with Luxembourg law, the ordinary shares bought back are held in treasury until they are cancelled through an amendment to the memorandum and articles of association of the Company and are therefore held as treasury shares at 31 December 2011. A resolution to authorise the cancellation of these shares was passed by shareholders of the Company at a general meeting of the Company held in January 2012.

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 operations.

Retained earnings

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

30. Net asset value per share

	2011 **£'000**	2010 £'000
Total net assets attributable to equity holders	**67,517**	90,196
Number of shares in issue (thousands)	**85,288**	74,821
Net asset value per share (pence)	**79**	121

31. Cash generated by operations

	2011 **£'000**	2010 £'000
Loss for the year	**(7,217)**	(13,169)
Taxation		
Continuing operations	**421**	1,180
Discontinued operations	**421**	1,445
Loss before taxation	**(6,375)**	(10,544)
Adjustments for:		
Profit on disposal property, plant and equipment	**(91)**	(25)
Depreciation and impairment of property, plant and equipment	**2,454**	3,106
Amortisation of intangible assets	**588**	1,465
Impairment of intangible assets	**861**	1,729
Impairment of goodwill	**11,382**	10,003
Unrealised gains on investments	**(509)**	(1,965)
Realised losses/(gains) on disposal of investments	**2,480**	(3,944)
Dividends and interest from loans and investments	**(417)**	(700)
Gain on deemed disposal of a subsidiary	**—**	(870)
Gain on disposal of discontinued operations (refer note 11)	**(6,600)**	—
Release of foreign currency translation reserve on disposal of a subsidiary (refer note 11)	**(1,261)**	—
Release of foreign currency translation reserve on deemed disposal of subsidiary	**—**	105
Finance income	**(271)**	(382)

31. Cash generated by operations (continued)

	2011 £'000	2010 £'000
Finance costs	**3,081**	5,764
Share of profit of associates	**(2,902)**	(1,539)
Exceptional gain on dilution of interest in associate	**(2,188)**	—
Share based payment expense	**—**	31
(Decrease)/increase in provisions	**(118)**	197
Changes in working capital		
Decrease in trade and other receivables	**4,986**	2,851
(Increase)/decrease in inventory	**(2,158)**	9,131
Increase/(decrease) in trade and other payables	**1,006**	(684)
(Decrease)/increase in lease accrual	**(1,940)**	185
Movement in other financial liabilities in respect of FECs and derivatives in hedging relationships	**5**	(118)
	2,013	13,795

32. Acquisition of subsidiaries

For all of the acquisitions in both the prior year and current financial year, the Group has elected to measure non controlling interests at its proportionate interest in the identifiable net assets of the acquiree.

32.1. Acquisition made during the current reporting year

The following acquisition was made during the current reporting year:

32.1.1 Investment reclassified as investment in subsidiary on Blackstar attaining a controlling interest

On 8 November 2010, BRE (Blackstar's wholly owned subsidiary) acquired 57.5% of the shares and shareholder loans in Wonderdeals 38 (Pty) Limited ("Wonderdeals") for R2.7 million (£0.2 million).

During the current year, BRE's interest in its investment was reviewed and it was determined on analysis of the shareholders and review of the appointment of directors to the Board of the company, that BRE now has a controlling interest in Wonderdeals. The investment has therefore been transferred out of the category investments at fair value through profit and loss to investments in subsidiary companies. Wonderdeals has been consolidated during the current financial year.

The net assets on date of reclassification to investment in subsidiary were as follows:

	Book value £'000	Fair value adjustments £'000	Fair value on acquisition £'000
Property, plant and equipment	13	—	13
Investment properties	2,258	296	2,554
Investments classified as loans and receivables	3	—	3
Trade and other receivables	66	—	66
Cash and cash equivalents	2	—	2
Borrowings	(2,549)	—	(2,549)
Trade and other payables	(74)	—	(74)
Total net identifiable assets	(281)	296	15
Non controlling interest's proportionate share of the acquiree's identifiable net liabilities			(6)
Total net identifiable liabilities at fair value attributable to equity holders of the parent			9
Loan payable by Wonderdeals, assumed as part of the acquisition			223
Transfer of initial cost from investments at fair value through profit and loss			232
Goodwill arising on acquisition			—

32. Acquisition of subsidiaries (continued)

32.2 Acquisitions made during the prior reporting year

32.2.1 Acquisition of subsidiary and subsequent deemed disposal

At 31 December 2009, Blackstar held 19.02% of the ordinary shares in Myriad Healthcare Holdings Limited (“Myriad’) with a carrying amount of £2,294,000 and accounted for the investment as an investment at fair value through profit and loss (as is permitted by IAS 28 Investments in Associates for venture capital organisations).

On 8 April 2010, Blackstar obtained further shares in Myriad at a carrying amount of £3,879,000 as a result of Blackstar’s redeemable preference shares in Vermogen Medical (Pty) Limited becoming due and payable, thereby increasing its shareholding to 50.16%.

Myriad acquired 51% of Litha Healthcare Holdings (Pty) Limited on 26 April 2010 and subsequently changed its name to Litha Healthcare Group Limited ("Litha"). This acquisition included a rights offer to existing shareholders and immediately thereafter a fresh issue of shares to Litha Healthcare Holdings (Pty) Limited’s existing shareholders. Blackstar participated in the rights offer resulting in an increase in shareholding in Myriad from 50.16% to 51.6% at 26 April 2010. The fresh issue of shares to Litha Healthcare Holdings (Pty) Limited’s existing shareholders then resulted in a dilution in Blackstar’s shareholding to 44.82% on 26 April 2010.

As a result of the above transactions, Blackstar held a controlling interest in Myriad for a period of 19 days (being 8 April to 26 April 2010). The investment in Myriad was accounted for as an investment at fair value through profit and loss up until 8 April 2010 (with resulting gains and losses being recognised in the income statement) and thereafter it was consolidated as a subsidiary and a non controlling interest of £10,122,000 was recognised in the consolidated statement of changes in equity. Myriad’s profit for the 19 days has not been consolidated in the Group’s consolidated income statement, nor have Myriad’s assets and liabilities been included for this 19 day period on a line-by-line basis within the Group’s consolidated balance sheet as this has no material impact on the Group’s results. Blackstar’s participation in the rights offer and increase in shareholding in Myriad from 50.16% to 51.6% reduced the non controlling interest by £14,000 as reflected in the consolidated statement of changes in equity.

Myriad’s issue of new shares resulted in Blackstar relinquishing its controlling interest in Myriad. In accordance with IFRS 3 Business Combinations, a Group gain of £870,000 was recognised in the consolidated income statement on the deemed disposal of the subsidiary. This gain was calculated as the difference between the fair value of the retained interest of £11,735,000 (being 44.82% at the quoted bid price on 26 April 2010) and the net assets disposed of amounting to £10,865,000 (being Blackstar’s share of Myriad’s net assets which were consolidated). As a result of this deemed disposal, the carrying amount of the non controlling interest at 26 April 2010 was released and the foreign currency translation reserve recognised on consolidation of the subsidiary, amounting to £105,000 was transferred to the consolidated income statement and recognised as a loss. Included in the consolidated cash flow statement is the cash outflow on acquisition of subsidiary and subsequent deemed disposal amounting to £4,950,000 the majority of which is the cost of the shares taken up by Blackstar in the rights offer. The fair value of the retained interest of £11,735,000 was transferred to investment in associates as Blackstar has significant influence over Litha from 27 April 2010 and Litha’s net profit from this date onwards has been equity accounted (refer note 17).

32. Acquisition of subsidiaries (continued)

32.2 Acquisitions made during the prior reporting year (continued)

32.2.2 Other acquisitions

On 1 July 2010, GRS acquired 100% of the shares in Helm Engineering (Pty) Limited ("Helm"). This was not a material acquisition from a Group perspective.

The net assets acquired were as follows:

	Book value £'000	Fair value adjustments £'000	Fair value on acquisition £'000
Trade and other receivables	196	—	196
Inventories	200	—	200
Cash and cash equivalents	—	—	—
Borrowings	(214)	—	(214)
Trade and other payables	(151)	—	(151)
Bank overdrafts	(31)	—	(31)
Total net identifiable assets	—	—	—
Contingent consideration	—	(102)	(102)
Cash consideration paid for shares			145
Goodwill arising on acquisition			247

The consideration paid for Helm is dependent on the free cash flows generated by the entity over the next two and a half years. A provision for the contingent consideration has been raised based on the formula per the agreement and takes into account the budgeted free cash flows for the entity, approved by management, discounted at market related rates.

32.3 Net cash inflow/(outflow) on acquisition of subsidiaries

	2011 £'000	2010 £'000
Consideration paid		
Other acquisitions	**—**	(145)
Net cash and cash equivalents acquired		
Wonderdeals	**2**	—
Other acquisitions	**—**	(31)
Net cash inflow/(outflow) on acquisition of subsidiaries	**2**	(176)

33. Financial instruments and financial risk management

33.1 Categories of financial instruments

	2011 £'000	2010 £'000
Financial assets		
Financial assets at fair value through profit and loss		
Investments at fair value through profit and loss (refer note 19)	**14,085**	12,601
FECs in designated hedge accounting relationships (refer note 20)	**2**	78
	14,087	12,679
Loans and receivables		
Investments classified as loans and receivables (refer note 18)	**2,186**	1,375
Trade receivables (refer note 21)	**12,053**	24,698
Cash and cash equivalents (refer note 23)	**20,334**	19,196
	34,573	45,269
	48,660	57,948

33. Financial instruments and financial risk management (continued)

33.1 Categories of financial instruments (continued)

	2011 £'000	2010 £'000
Financial liabilities		
Financial liabilities at fair value through profit and loss		
FECs in designated hedge accounting relationships (refer note 25)	—	(79)
Financial liabilities measured at amortised cost		
Borrowings (refer note 24)	**(7,679)**	(13,833)
Other financial liabilities at amortised cost excluding		
Lease accruals (refer note 25)	**(6,450)**	(26,441)
Trade payables (refer note 28)	**(7,734)**	(11,566)
Bank overdrafts (refer note 23)	**(5)**	(1)
	(21,868)	(51,841)
	(21,868)	(51,920)

33.2 Financial risk management overview

The Group has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; and market risk (which comprises currency risk, interest rate risk and market price risk).

The Group's major financial risks are mitigated through industry diversification and decentralisation. Thus the impact on the Group of any one particular risk within any of these industries is limited. Investee companies are run on a decentralised manner with management of the underlying business maintaining an entrepreneurial focus. The risks within the underlying businesses are managed by their local management teams who are responsible for their own operations.

The Board of Directors ensure that the investee companies are well staffed with strong, experienced management teams who are responsible for designing, implementing and monitoring the process of risk management. These management teams are remunerated based on operational performance and are incentivised appropriately. In addition to this,Blackstar is represented on each of the investee companies' Board of Directors.

Due to the diverse structure and decentralised management of the Group, there is no formal Group policy regarding the management of financial risks. The Board of Directors is responsible for agreeing and reviewing the objectives, policies and processes for managing risks specifically relating to the investment portfolio.

The management of each of the Group's operating subsidiaries are responsible for designing and implementing a risk management strategy. The managing directors, financial directors and divisional heads of the companies involved in the day-to-day management of the business, thereby identifying any financial risks. The subsidiary companies have monthly executive management meetings, where areas of concern and risks, and management thereof, are discussed. Any significant issues are further escalated to the Board of Directors of each company where appropriate.

The information provided below for each financial risk has been collated for disclosure based on the way in which the business is managed and what is believed to be useful information for shareholders. This note presents information about the Group's exposure to each of the afore-mentioned risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. IFRS 7 requires certain information to be disclosed by class of instrument. The classes of instruments for the company and its subsidiaries are Industrial metals (Stalcor, GRS and Baldwins up to date of sale being 1 June 2011), Industrial chemicals (including Ferro which was sold in July 2011) and Investment activities (which includes Blackstar SA, BRE and its subsidiaries, and the Group's minority investments).

33. Financial instruments and financial risk management (continued)

33.3 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, investments, cash and cash equivalents and guarantees.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained. The carrying values, net of impairment allowances, amount to £11,179,000 (2010: £24,046,000) for trade receivables (refer note 21), £2,186,000 (2010: £1,375,000) for investments classified as loans and receivables (refer note 18), £14,085,000 (2010: £12,601,000) for investments at fair value through profit and loss (refer note 19), and £20,334,000 (2010: £19,196,000) for cash and cash equivalents (refer note 23).

The impairment allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point, the amount which is considered irrecoverable is written off against the financial assets directly.

Similarly, an impairment allowance account is utilised to record impairments of investments classified as loans and receivables and investments at fair value through profit and loss.

33.3.1 Trade receivables

Refer note 21 Trade and other receivables.

Trade receivables by class

	2011 **£'000**	2010 £'000
Gross trade receivables		
Industrial chemicals	**—**	4,387
Industrial metals	**12,037**	20,311
Investment activities	**16**	—
	12,053	24,698
Impairment allowance		
Industrial chemicals	**—**	(229)
Industrial metals	**(874)**	(423)
Investment activities	**—**	—
	(874)	(652)
Net trade receivables		
Industrial chemicals	**—**	4,158
Industrial metals	**11,163**	19,888
Investment activities	**16**	—
	11,179	24,046

Trade receivables by class as at 31 December 2011 comprise debtors arising from the trading subsidiaries included in the Industrial metals and Investments activities segments. The trade receivables within the Industrial metals segment consists of a large number of customers, spread across diverse industries. The subsidiaries' operational management perform on-going credit evaluation on the financial position of its customers.

33. Financial instruments and financial risk management (continued)

33.3 Credit risk (continued)

33.3.1 Trade receivables (continued)

Trade receivables by class (continued)

Each segment has a general credit policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. As a result of the decentralised structure of the Group, operational management of each segment are responsible for implementation of policies to meet the above objective. This includes credit policies under which new customers are analysed for credit worthiness before standard payment and delivery terms and conditions are offered, determining whether collateral is required, and if so the type of collateral, and setting of credit limits for individual customers based on their references and credit ratings. Operational management are also responsible for monitoring credit exposure. Both segments have a policy of obtaining credit insurance for its debtors. The credit insurance companies set limits for each customer. Transactions with customers for whom the company was unable to obtain credit insurance or transactions which result in the credit limits being exceeded have to be authorised by the financial director and/or managing director of the relevant company. These directors will only provide their approval once other forms of security, such as suretyship, have been obtained.

Each segments' credit controller, together with the financial directors, are responsible for monitoring credit risk which includes detail reviews of the age analysis and the flagging of problematic debtors whose accounts are then placed on hold.

Both Stalcor and GRS have significant credit risk exposure to a single customer. These customers contributed 4% each to Group revenue. Amounts due by these two customers and included in the Group trade receivables as at 31 December 2011 amounted to £0.7 million. No impairments were raised for these debtors

Each segment establishes an impairment allowance that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Each segment is responsible for determining the impairment allowance in respect of trade receivables. The average credit periods depend on the type of industry in which they operate as well as the credit worthiness of their customers. The majority of the customers are given credit terms ranging from cash on delivery to 90 days from statement. The largest impairment raised for a specific trade receivable was obtained for each reporting operation and calculated as a percentage of the Group's total impairment allowance at year end. It was determined that there were significant impairment allowances raised for two of Stalcor's customers for a total amount of £0.4 million which represents 46% of the total impairment allowance raised by the Group. The total outstanding owing by these two debtors amounted to £0.5 million.

33. Financial instruments and financial risk management (continued)

33.3 Credit risk (continued)

33.3.1 Trade receivables (continued)

Movement in impairment allowance in respect of trade receivables

	2011 £'000	2010 £'000
Balance at the beginning of the year	**652**	630
Allowance raised during the year		
Industrial chemicals	**21**	125
Industrial metals	**750**	244
	771	369
On disposal of business		
Industrial chemicals	**(240)**	—
Impairment written off against trade receivables		
Industrial chemicals	**—**	(49)
Industrial metals	**(183)**	(385)
	(183)	(434)
Currency exchange (gains)/losses during the year	**(126)**	87
Balance at the end of the year	**874**	652

Ageing of trade receivables

2011	Gross trade receivables £'000	Impairment allowance £'000	Net trade receivables £'000
Not past due			
Industrial metals	**6,514**	**—**	**6,514**
Investment activities	**16**	**—**	**16**
	6,530	**—**	**6,530**
Past due			
0 – 30 days			
Industrial metals	**2,565**	**(3)**	**2,562**
31 – 60 days			
Industrial metals	**393**	**—**	**393**
61 – 90 days			
Industrial metals	**421**	**(12)**	**409**
91+days			
Industrial metals	**2,144**	**(859)**	**1,285**
	5,523	**(874)**	**4,649**
Total	**12,053**	**(874)**	**11,179**

33. Financial instruments and financial risk management (continued)

33.3 Credit risk (continued)

33.3.1 Trade receivables (continued)

Ageing of trade receivables (continued)

2010	Gross trade receivables £'000	Impairment allowance £'000	Net trade receivables £'000
Not past due			
Industrial chemicals	2,226	—	2,226
Industrial metals	11,467	—	11,467
	13,693	—	13,693
Past due			
0–30 days			
Industrial chemicals	1,727	—	1,727
Industrial metals	4,648	(5)	4,643
	6,375	(5)	6,370
31–60 days			
Industrial chemicals	434	(229)	205
Industrial metals	1,521	(54)	1,467
	1,955	(283)	1,672
61–90 days			
Industrial metals	879	(187)	692
91+days			
Industrial metals	1,796	(177)	1,619
	11,005	(652)	10,353
Total	24,698	(652)	24,046

The credit quality of receivables not past due nor impaired is considered by management of each segment to be of reasonable quality.

Collateral held on past due amounts

As previously mentioned, the Industrial metals segments has a policy of taking out credit insurance for its debtors to limit exposure to credit risk. At year end, the Industrial metals segment had taken out credit insurance cover for net trade receivables which were past due with carrying amounts of £3,493,000 (2010: £5,513,000). The Industrial metals segment also has collateral in the form of surety for past due trade receivables (net of impairment allowance) amounting to £510,000 as at 31 December 2011 (2010: £523,000). An accurate fair value cannot be attached to personal surety. In addition to this, security in the form of a pledge of assets for past due trade receivables (net of impairment allowance) amounting to £426,000 as at 31 December 2011 (2010: £55,000) is also held by the Industrial metals segment.

In certain instances the Group's operations reserve the right to collect inventory sold when the outstanding debt is not settled by the customer.

33. Financial instruments and financial risk management (continued)

33.3 Credit risk (continued)

33.3.2 Investments

With the exception of the loan to Air-O-Thene Products (Pty) Limited amounting to £773,000 (2010: £249,000) all of the investments classified as loans and receivables fall under the Investment activities segment (refer note 18). All of the investments at 31 December, as disclosed in note 19 Investments at fair value through profit and loss, fall under the Investment activities segment. An integral part of the Group's credit risk management process is the approval of all investment and financing transactions by the Board of Directors. The Group manages its credit risk by setting acceptable exposure limits for companies and industry segments. The Group provides financing to companies in which it has invested or to special purpose vehicles established to acquire an equity interest in portfolio companies. This financing is provided on the strength of the underlying companies in which the Group has invested.

The Board meets on a quarterly basis to review the investment portfolio, in particular the underlying performance of the companies in which it has invested and consequently monitors credit risk on an on-going basis. At balance sheet date, the Group had no financial assets that were past due. Details of impairments are provided in the following note below. An industry analysis of the investment portfolio, including investments at fair value through profit and loss and investments classified as loans and receivables, is set out in the table below. No single industry is considered to be materially more risky than another.

	2011		2010	
	Exposure £'000	**Exposure Percentage**	Exposure £'000	Exposure Percentage
Support Services	**7,672**	**47%**	9,768	70%
Industrial (Steel)	**3,507**	**22%**	—	0%
Real Estate	**2,649**	**16%**	564	4%
Other	**2,437**	**15%**	1,373	10%
Media	**6**	**0%**	2,271	16%
	16,271	**100%**	13,976	100%

For investments classified as loans and receivables, the Group has obtained security in the form of guarantees and in some cases the pledges of shares owned by the borrower. For investments held at fair value through profit and loss, no such securities are held by the Group.

Analysis of impairments in respect of financial instruments classified as loans and receivables

	2011 £'000	2010 £'000
Balance at the beginning of the year	**—**	711
Impairment of cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Litha	**—**	56
Currency exchange losses during the year	**—**	53
Release of impairment on redemption of cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Litha	**—**	(820)
Balance at the end of the year	**—**	—

33. Financial instruments and financial risk management (continued)

33.3 Credit risk (continued)

33.3.2 Investments (continued)

Cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Litha

In the prior year, the carrying value of the Group's cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Litha was based on the value of the underlying assets in the special purpose vehicle less any external debt and potential liabilities. The realisable value of the investment was calculated taking into account current market conditions and expected future cash flows to be derived from the investment. It was determined that a further impairment of £56,000 was required during the previous financial year. The carrying value of the impairment raised was released as a result of the redemption of the cumulative redeemable preference shares.

33.3.3 Cash and cash equivalents

Any excess cash and cash equivalents are held in current accounts, money market funds, and term deposits. At year end, overdrafts amounted to £5,000 (2010: £1,000) and cash and cash equivalents amounted to £20,334,000 (2010: £19,196,000). Refer note 24 and 25 for details of cash and cash equivalents provided as securities for borrowings and other financial liabilities respectively. Of the carrying value of cash and cash equivalents amounting to £20,334,000, 67% was held in AAA rated money market funds, 17% with an A rated financial institution and the balance with a BBB+ or lower rated financial institutions. In 2010, of the value of cash and cash equivalents amounting to £19,196,000, 61% was held in AAA rated money market funds, 17% with an A rated financial institution and the balance with BBB+ or lower rated financial institutions. The credit risk on cash and cash equivalents is limited because the high credit ratings assigned to the funds and financial institutions by international credit-rating agencies.

33.3.4 Guarantees

Refer note 38 Contingents for further details of guarantees issued by the Group. The Group's maximum exposure to credit risk, without taking into account collateral or any other credit enhancements held, in respect of guarantees would be equal to the amounts disclosed in note 38.

33.4 Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Industrial metals segment manages working capital, in particular the collection of trade receivables, on an on-going basis. Management maintain relationships with the companies' bankers and monitor cash reserves on an on-going basis to ensure there are sufficient cash resources to meet liabilities in the short term.

Cash inflows from trade receivables amounting to £12,053,000 at 31 December 2011 (2010: £24,069,000) are to be utilised to meet cash outflows on financial liabilities. Cash inflows arising from trade receivables balances are expected within 6 months or less. In addition the segments have undrawn facilities at their disposal to further reduce liquidity risk (refer note 33.4.2).

The Board of Directors is responsible for ensuring the Investment activities segment (other than Blackstar SA, and BRE and its subsidiaries) has sufficient funds to meet its operational requirements and financial obligations. The Group has access to cash on hand of £16.8 million at the centre as well as an unutilised facility of R50 million (£4.0 million) (2010: R20 million (£1.9 million). All surplus cash within this segment is invested in liquid cash and money market instruments. The type of instrument and its maturity date depends on the Group's forecasted cash requirements.

The management of Blackstar SA and BRE are responsible for managing liquidity risk in each of their respective businesses. BRE's management are involved in managing the property subsidiaries liquidity and cashflows.

33. Financial instruments and financial risk management (continued)

33.4 Liquidity risk (continued)

33.4.1 Contractual maturities of non-derivative financial liabilities, including interest payments and excluding the impact of netting agreements

The table below details the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of the financial liabilities. The table includes both interest and principal cash flows. To the extent that interest flows are at a floating rate, the undiscounted amount is derived utilising the interest rate at year end. The contractual maturity is based on the earliest date on which the Group may be required to pay. Where there are no fixed terms of repayment, the undiscounted amount has been included in the 6 months or less column.

			Undiscounted contractual cash flows				
2011	**Carrying amount £'000**	**Total £'000**	**6 months or less £'000**	**6-12 months £'000**	**1-2 years £'000**	**2-5 years £'000**	**More than 5 years £'000**
Borrowings (refer note 24)							
Unsecured borrowings	**1,054**	**1,054**	**607**	**24**	**24**	**399**	**—**
Secured borrowings	**6,625**	**10,429**	**814**	**430**	**910**	**3,197**	**5,078**
	7,679	**11,483**	**1,421**	**454**	**934**	**3,596**	**5,078**
Other financial liabilities (refer note 25)							
Debtors invoice discounting facility	**6,087**	**6,087**	**4,687**	**1,400**	**—**	**—**	**—**
Asset finance loan	**363**	**383**	**93**	**93**	**197**	**—**	**—**
	6,450	**6,470**	**4,780**	**1,493**	**197**	**—**	**—**
Trade payables (refer note 28)	**7,734**	**7,734**	**7,734**	**—**	**—**	**—**	**—**
Bank overdrafts	**(5)**	**(5)**	**(5)**	**—**	**—**	**—**	**—**

The expected maturity of financial liabilities is not expected to differ from the contractual maturities as disclosed above.

			Undiscounted contractual cash flows				
2010	Carrying amount £'000	Total £'000	6 months or less £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
Borrowings (refer note 24)							
Unsecured borrowings	3,021	3,160	34	29	58	844	2,195
Secured borrowings	10,812	11,976	1,225	1,232	4,761	3,223	1,535
	13,833	15,136	1,259	1,261	4,819	4,067	3,730
Other financial liabilities (refer note 25)							
Revolving inventory financing facility	15,929	15,929	7,965	7,964	—	—	—
Debtors invoice discounting facility	9,117	9,117	4,558	4,559	—	—	—
Asset finance loan	624	690	113	113	226	238	—
Finance leases and instalment sale agreements	771	889	145	137	221	386	—
	26,441	26,625	12,781	12,773	447	624	—
Trade payables (refer note 28)	11,566	11,566	11,566	—	—	—	—
Bank overdrafts	(1)	(1)	(1)	—	—	—	—

The expected maturity of financial liabilities is not expected to differ from the contractual maturities as disclosed above.

33. Financial instruments and financial risk management (continued)

33.4 Liquidity risk (continued)

33.4.2 Undrawn facilities and securities provided

The Group has the following undrawn facilities at its disposal to further reduce liquidity risk:

	2011 £'000	2010 £'000
Unsecured bank overdraft facility, reviewed annually and payable on call		
Utilised	—	—
Unutilised	80	145
	80	145
Secured bank overdraft facility, reviewed annually and payable on call		
Utilised	—	—
Unutilised	3,989	4,827
	3,989	4,827

Stalcor and GRS have the following additional undrawn facilities in terms of their agreements with its bankers ("the Banks").

Utilised and unutilised portions of the facilities provided by the Banks under the respective agreement are as follows:

2011	Utilised £'000	Unutilised £'000	Total £'000
Debtors invoice discounting facilities (refer note 25)	6,087	2,282	8,369
Revolving inventory financing facility (refer note 25)	—	1,196	1,196
Foreign exchange contract facilities	1,523	895	2,418
Other facilities	7,865	4,732	12,597
	15,475	9,105	24,580

During the current financial year, 100% of the ordinary shares held by Stalcor in GRS were unbundled to Blackstar Group SE. GRS's reporting and financing structures were also separated from Stalcor and thus Stalcor and GRS entered into funding agreements with their bankers independently of each other.

GRS has one agreement with a Bank which covers its forward exchange contract facilities as well as other facilities which in total amount to R21,256,000 (£1,695,000). Securities provided to the Bank for these facilities include: cession and pledge by GRS of its fixed deposit account; demand guarantee by the other Bank from which GRS has its debtors invoice discounting and inventory financing facilities in the amount of R5 million (£0.4 million); and unlimited suretyship by Blackstar Group SE (including cession of their loan account). Another agreement with a second Bank governs GRS's debtors invoice financing facility, revolving inventory financing facility and a guarantee facility which amount to R67,200,000 (£5,357,000) in total. The following securities have been provided for these facilities: registration of a notarial bond for R15 million (£1.2 million) in favour of the Bank over the moveable assets of GRS, together with a cession of short term insurance for an adequate cover over the said moveable assets; cession of domestic debtor cover held by GRS with Credit Guarantee Insurance Corporation of Africa Limited ("CGIC"); subordination by Blackstar Gibraltar of its loan in GRS with a balance of R41 million (£3.3 million).

33. Financial instruments and financial risk management (continued)

33.4 Liquidity risk (continued)

33.4.2 Undrawn facilities and securities provided (continued)

During the current financial year, Stalcor entered into an agreement with respect to its debtors invoice discounting facility and consignment facility amounting to R65,000,000 (£5,181,000). Securities provided for these facilities include: guarantee and cession signed for and on behalf of each other by Stalcor and certain of its directors; fidelity guarantee in favour of the Bank by Blackstar Group SE and two of Stalcor's directors; subordination of the shareholder loan account in Stalcor by Blackstar Group SE and the loans from directors (with an undertaking not to reduce below R45 million (£3.6 million) and R5 million (£0.4 million) respectively); first cession of Stalcor's trade receivables; general notarial bond of R65 million over the moveable assets of Stalcor; general pledge and cession of certain bank accounts; CGIC credit insurance policies; and a standing instruction for the second Bank to transfer all credit balances to this banks clearing account. Another agreement was entered into with a second Bank which covers its forward exchange contract facilities as well as other facilities which in total amount to R4,603,000 (£367,000). Securities provided to the bank for these facilities include: a limited recourse guarantee by Blackstar Group SE for all amounts due by Stalcor; and cession of Blackstar's shares in Litha to the value of R9.2 million (the equivalent of 26,530,612 shares as at 31 December 2011). This agreement with the Bank came to an end subsequent to year end and Blackstar was released from the guarantees provided.

2010	Utilised £'000	Unutilised £'000	Total £'000
Debtors invoice financing facilities (refer note 25)	9,117	22,259	31,376
Revolving inventory financing facilities (refer note 25)	15,929	3,379	19,308
Foreign exchange contract facility	161	7,273	7,434
Other facilities	3,856	594	4,450
	29,063	33,505	62,568

In the prior year, when GRS was still held as a subsidiary of Stalcor, both Stalcor and GRS had combined agreements with one bank. One agreement covered the debtors invoice financing facilities and one agreement covering the revolving inventory financial facilities, forward exchange contract facility and the other facilities (as tabled above). Securities provided for the debtors invoice financing facility were as follows: first cession of the aforementioned companies receivables; cession of Credit Guarantee Insurance Company policies held by the companies; discounting of their invoices, with recourse, with 25% retention margin; and cession of the companies bank accounts utilised for debtor receipts which had a nil balance as at 31 December 2010. Securities provided to the Bank for the remainder of the facilities in terms of the agreement were as follows: cession and pledge over claims and other assets of Stalcor and GRS including shares in Stalcor's subsidiaries; GRS's accounts receivables and CGIC insurance policies; any other securities held by GRS for any other receivables; all Stalcor and GRS bank accounts, deposits and cash; all insurance policies for Stalcor and GRS; where possible all customer contracts, sale and distribution agreements held by Stalcor and GRS; all franchise agreements; any existing and future licenses, trademarks, trade names, copyright and patent rights; all existing and future intercompany loans between Stalcor and its subsidiaries. In addition to this, other securities provided to the bank included: general notarial bonds to the value of £33.8 million (R350 million) and £8.7 million (R90 million) over all moveable assets of Stalcor and GRS respectively; subordination of all existing and future shareholders loans and claims between Stalcor and its subsidiaries; registered hypothecs over all the identifiable trademarks held by GRS and Stalcor; irrecoverable and unlimited guarantees provided by Stalcor and its subsidiaries for the obligations of both Stalcor and GRS. The shareholders of Stalcor in the prior year pledged all the shares held in Stalcor to the Bank and provided suretyship limited to the value of the shares held in Stalcor. Further securities were provided to the Bank for the additional facilities provided to Stalcor and its subsidiaries in accordance with the relevant agreements.

33. Financial instruments and financial risk management (continued)

33.5 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk has been broken down into currency risk, interest rate risk and market price risk.

33.5.1 Currency risk

The Group's activities expose it to financial risks of changes in foreign currency. The exposure to currency risk has been discussed in further detail by class. The Industrial chemicals and Industrial metals segments have been grouped together due to the fact that the nature of their exposure to currency risk as well as their management thereof is similar.

Investment activities

Currency risk arises because the Group makes investments in South Africa in Rands, which differs to the Group's reporting currency (Sterling). The value of these assets is exposed to currency risk giving rise to gains or losses on translation into Sterling. Currency risk also arises because operations within this segment, incur costs from service providers in various parts of the world whose currency is not the same as the Group's reporting currency (Sterling). The Board of Directors meet on a quarterly basis to review the investment portfolio and consequently monitors currency risk on an on-going basis. To mitigate this risk, the Group may hedge its currency exposure from time to time.

During the current financial year, a forward exchange contract was taken out by Blackstar Group SE on behalf of Blackstar to hedge against fluctuations in currency arising on the disposal of its shares and claims in Ferro (the proceeds were received in Rands). The FEC was settled during the year on receipt of the proceeds.

In the prior year, a currency option was taken out by one of the subsidiaries within the Investment activities segment to hedge against fluctuations in currency arising on the settlement of one of the investments classified as loans and receivables and which was settled during the 2010 financial year.

Industrial metals and Industrial chemicals

Currency risk arises in the Industrial metals and Industrial chemical segments as the subsidiaries in these segments make purchases and sales which are denominated in a currency other than their reporting currency (South African Rand). Both subsidiaries have a policy of hedging purchases denominated in foreign currency by taking out forward exchange contracts ("FECs"). Hedges may be taken out for sales in foreign currencies; this decision is taken by the financial director depending on the materiality of the sale. It is the Group's policy not to trade in derivative financial instruments for speculative purposes.

The periods in which the cash flows associated with the forward exchange contracts are expected to occur are detailed below under the heading 'Settlement'. The periods in which the cash flows are expected to impact profit and loss are believed to be in the same time period as when the actual cash flows occur.

33. Financial instruments and financial risk management (continued)

33.5 Market risk (continued)

33.5.1 Currency risk (continued)

2011	Settlement		Contract value Foreign amount 000's	Rand amount 000's
In respect of FEC's relating to foreign liabilities as at 31 December 2011				
– US Dollars	**January 2012**	**February 2012**	**485**	**3,961**

2010	Settlement		Contract value Foreign amount 000's	Rand amount 000's
In respect of FECs relating to foreign liabilities as at 31 December 2010				
– US Dollars	January 2011	February 2011	244	1,716
– Euro	January 2011	April 2011	858	8,316
– Australian Dollars	January 2011	March 2011	69	473
In respect of FECs relating to goods and services ordered not accounted for as at 31 December 2010				
– US Dollars	January 2011	April 2011	612	4,435

The net gain under forward FECs recognised in profit and loss amounted to £2,000 (2010: £4,000).

Exposure to currency risk

An analysis of financial assets and liabilities by currency, at the reporting date provides an indication of each of the classes exposure to currency risk:

2011	Industrial chemicals	Industrial metals	Investment activities	Total
Functional currency	South African Rand **£'000**	South African Rand **£'000**	Sterling and South African Rand **£'000**	**£'000**
Trade receivables (gross)				
South African Rand	**—**	**11,898**	**16**	**11,914**
US Dollars	**—**	**139**	**—**	**139**
	—	**12,037**	**16**	**12,053**
Trade payables				
South African Rand	**—**	**5,300**	**1,513**	**6,813**
US Dollars	**—**	**404**	**2**	**406**
Sterling	**—**	**—**	**501**	**501**
Euro	**—**	**—**	**14**	**14**
	—	**5,704**	**2,030**	**7,734**
Borrowings				
South African Rand	**—**	**474**	**7,205**	**7,679**
Other financial liabilities (excluding FECs and derivatives)				
South African Rand	**—**	**7,210**	**(117)**	**7,093**

33. Financial instruments and financial risk management (continued)

33.5 Market risk (continued)

33.5.1 Currency risk (continued)

2011	**Industrial chemicals**	**Industrial metals**	**Investment activities**	**Total**
Cash and cash equivalents (including overdrafts)				
South African Rand	**—**	**1,467**	**2,551**	**4,018**
US Dollars	**—**	**47**	**36**	**83**
Sterling	**—**	**—**	**15,689**	**15,689**
Euro	**—**	**—**	**2**	**2**
Namibian Dollars	**—**	**537**	**—**	**537**
		2,051	**18,278**	**20,329**

2010	Industrial chemicals	Industrial metals	Investment activities	Total
Functional currency	South African Rand £'000	South African Rand £'000	Sterling and South African Rand £'000	£'000
Trade receivables (gross)				
South African Rand	4,071	20,175	—	24,246
US Dollars	316	136	—	452
	4,387	20,311	—	24,698
Trade payables				
South African Rand	2,004	8,453	9	10,466
US Dollars	166	—	—	166
Sterling	—	—	19	19
Euro	570	233	61	864
Australian Dollars	46	—	—	46
Namibian Dollars	—	5	—	5
	2,786	8,691	89	11,566
Borrowings				
South African Rand	11,594	826	1,413	13,833
Other financial liabilities (excluding FEC's and derivatives)				
South African Rand	—	29,390	8	29,398
Cash and cash equivalents (including overdrafts)				
South African Rand	3,245	1,734	828	5,807
US Dollars	—	25	1	26
Sterling	—	—	12,805	12,805
Euro	—	—	423	423
Namibian Dollars	—	134	—	134
	3,245	1,893	14,057	19,195

Sensitivity analyses

A 10% strengthening of the Rand against the Sterling at the balance sheet date, all other variables held constant, would have resulted in an increase of £4,440,000 (2010: £6,915,000) in the reported net asset value of the Group. A 10% weakening of the Rand against Sterling at the balance sheet date, on the same basis, would have resulted in a decrease of £3,600,000 (2010: £5,658,000) in the reported net asset value of the Group.

33. Financial instruments and financial risk management (continued)

33.5 Market risk (continued)

33.5.1 Currency risk (continued)

Sensitivity analyses (continued)

The following significant exchange rates applied during the year:

	2011	2010
South African Rand/Sterling		
Opening rate	**10.358**	11.924
Closing rate	**12.547**	10.358

33.5.2 Interest rate risk

Fair value interest rate risk is the risk that the fair value of financial instruments will fluctuate because of changes in market interest rates. Cash flow interest rate risk is the risk that future cash flows associated with financial instruments will fluctuate because of changes in market interest rates. The following financial instruments are exposed to interest rate risk: investments, borrowings, other financial liabilities and cash and cash equivalents.

At the reporting date the interest rate profile of the Group's interest bearing financial instruments were as follows:

	2011 £'000	2010 £'000
Fixed rate instruments		
Financial assets		
Investments classified as loans and receivables (refer note 18)	**—**	—
Investments at fair value through profit and loss (refer note 19)	**14,085**	12,601
Financial liabilities		
Borrowings (refer note 24)	**(6,701)**	(10,962)
Other financial liabilities excluding lease accruals and derivatives (refer note 25)	**(3,650)**	(837)
	3,734	802
Variable rate instruments		
Financial assets		
Investments classified as loans and receivables (refer note 18)	**2,186**	1,375
Investments at fair value through profit and loss (refer note 19)	**—**	—
Cash and cash equivalents (refer note 23)	**20,334**	19,196
Financial liabilities		
Borrowings (refer note 24)	**(978)**	(2,871)
Other financial liabilities excluding lease accruals and derivatives (refer note 25)	**(2,800)**	(25,604)
Overdrafts (refer note 23)	**(5)**	(1)
	18,737	(7,905)

Interest income and expenses in respect of assets/(liabilities) not at fair value through profit and loss can be analysed as follows:

	2011 £'000	2010 £'000
Total interest income on financial assets (including interest income on investments classified as loans and receivables in note 6 and interest income on cash and receivables in note 9)	**378**	345
Total interest expense on financial liabilities in note 25	**(1,732)**	(2,282)
	(1,354)	(1,937)

33. Financial instruments and financial risk management (continued)

33.5 Market risk (continued)

33.5.2 Interest rate risk (continued)

Investments

The Group's exposure to interest rates on investments is detailed in note 18 Investments classified as loans and receivables and note 19 Investments at fair value through profit and loss. Interest rate risk in respect of investments falling within the Investment activities segment is managed by the Board of Directors, who meet on a quarterly basis to review the investment portfolio and consequently monitors interest rate risk on an on-going basis.

Borrowings and other financial liabilities

The Group adopts a policy of ensuring that its borrowings are at market-related rates. Operational management in each segment is responsible for monitoring borrowing levels and exposure to interest rate risk on an on-going basis. The variable rates are influenced by movements in the South African Prime borrowing rates.

Cash and cash equivalents

Any excess cash and cash equivalents are invested with banks at short term market interest rates. Overdrafts which arise in the Industrial metals segment are linked to the South African Prime rate.

Sensitivity analyses

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting year. A 1% change has been used as this is what could reasonably be expected as a change in interest rates based on historical movements in interest rates within South Africa.

A 1% decrease in the South African Prime rate effective from the beginning of the year, all other variables held constant, would have resulted in an increase of £104,000 (2010: decrease of £4,000) in the reported net asset value of the Group. A 1% increase in the South African Prime rate effective from the beginning of the year, on the same basis, would have resulted in a decrease of £104,000 (2010: increase of £4,000) in the reported net asset value of the Group.

33.5.3 Market price risk

Investments

The Group is exposed to market price risk in its listed and unlisted investments (which fall within the Investment activities segment) as well as country risk as all the investments are in companies operating in South Africa. This is in line with the Group's investment strategy. Listed and unlisted investments are susceptible to market price risk arising from the performance of the underlying companies and uncertainties about future prices in the case of listed investments. The Board of Directors meet on a quarterly basis to review the investment portfolio, in particular the underlying performance of the companies in which it has invested and consequently monitors the value of its investments on an on-going basis.

Assuming that the investment portfolio is directly correlated to the FTSE/JSE Africa All Share Index, an increase of 10% in the FTSE/JSE Africa All Share Index at the balance sheet date, all other variables held constant, would have resulted in an increase of £1,245,000 (2010: £2,904,000) in the reported net asset value of the Group. A decrease of 10% in the FTSE/JSE Africa All Share Index at the balance sheet date, on the same basis, would have resulted in a decrease of £1,269,000 (2010: £1,775,000) in the reported net asset value of the Group.

33.6 Fair values

The carrying amount of all financial assets and liabilities as reflected in the balance sheet approximate fair value with the exception of investments classified as loans and receivables, borrowings and other financial liabilities all of which have been accounted for at amortised cost using the effective interest rate method.

33. Financial instruments and financial risk management (continued)

33.6 Fair values (continued)

33.6.1 Fair value of financial instruments carried at amortised cost

A discounted cashflow basis was utilised to calculate the fair values of financial instruments accounted for at amortised cost. On performance of the calculation, the existing terms and conditions were reviewed for each financial instrument and were found to be reasonable estimates of the terms and conditions that would be offered on such a financial instrument as at 31 December 2011 and 31 December 2010 (refer respective notes for details of the terms). Investments classified as loans and receivables bear interest at rates linked to the South African Prime rate and these rates approximate the market related discount rates used in the fair value calculations. The fair values calculated therefore approximate the carrying values.

33.6.2 Fair value of financial instruments carried at fair value in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value adjustments are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market date (unobservable inputs).

2011	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Financial assets at fair value through profit and loss				
Investments at fair value through profit and loss (refer note 19)	**6,413**	**7,672**	**—**	**14,085**
Derivative financial assets (refer note 20)	**2**	**—**	**—**	**2**
	6,415	**7,672**	**—**	**14,087**

2010	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss				
Investments at fair value through profit and loss (refer note 19)	10,313	2,288	—	12,601
Derivative financial assets (refer note 20)	78	—	—	78
	10,391	2,288	—	12,679
Financial liabilities at fair value through profit and loss				
Derivative financial liabilities (refer note 25)	79	—	—	79
	79	—	—	79

There were no transfers between levels during the current or prior financial year.

33. Financial instruments and financial risk management (continued)

33.6 Fair values (continued)

33.6.3 Significant assumptions used in determining fair value of financial assets and liabilities

Investments at fair value through profit and loss

Investments at fair value through profit and loss include unlisted shares which are measured at fair value (refer note 19). Details of the valuation methodologies utilised to calculate fair values have been provided in note 2 to the consolidated financial statements.

Derivative financial assets

Derivative financial instruments are fair valued utilising quoted prices from listed stock exchanges.

33.7 Hedge accounting

During the current financial year, Blackstar entered into an agreement to dispose of the shares (held by Blackstar Group SE) and claims (held by Blackstar Gibraltar) in its subsidiary Ferro for a total consideration of R200.0 million (£18.2 million). On behalf of the Group, Blackstar Group SE entered into a forward exchange contract to sell the proceeds in exchange for Sterling on the date the proceeds were received. A gain of £2,429,000 was recognised on the FEC and is included in note 5 Net gains on investments. The profit on disposal of the interest in Ferro is included in profit from discontinued operations (refer note 11).

In the prior year, Blackstar Gibraltar entered into a currency option to hedge against risk changes in the Sterling/Rand exchange rate with respect to a portion of one of its investments included in the category investment classified as loans and receivables. The investment was realised during the prior financial year and thus there was no outstanding currency option at 31 December 2010. A loss of £245,000 was recognised on the option in 2010 and is included in note 5 Net gains on investments as this is where the gains and losses arising on the investment were disclosed.

34. Capital management

Through two capital raisings the Company raised £80 million (£75.4 million after capital raising expenses) in 2006. In 2011, the Company raised a further R100 million (£8.9 million). The capital is managed in accordance with its investment strategy.

The Group's objective is to develop a substantial business in South Africa with the underlying themes of strategic market position, strong cash flow and the ability to exploit the wider African markets from its South African base. The Company is meeting such objectives by investing the capital that it manages in companies in South Africa and Sub-Saharan Africa.

The Board of Directors meets on a quarterly basis and is responsible for reviewing the capital structure of the Group. The Board seeks to maintain a balance between return on capital, gearing within the Group and usage of the Group's equity capital. The key performance indicator for the Group is return on capital employed.

The Company finances its portfolio of investments out of its own capital resources and utilises third party debt funding as appropriate on a limited basis. In addition, investee companies may themselves have gearing, which is ring-fenced within the companies and is based on the levels of gearing that the companies can sustain. The Directors review the level of gearing in the Group on a regular basis.

From time to time the Company acquires its own ordinary shares in the market. Such buy-backs depend on market prices and available cash resources and reserves. During the year, the Company bought back 3,200,000 ordinary shares in the market.

The Company looks to maintain a flexible policy regarding the payment of dividends. The Company is of the view that the Group requires a balance between the retention of earnings for investment opportunities and the establishment of consistent dividend declarations as they form an important part of shareholder wealth creation. There are accordingly no fixed dates for declaration and payment of dividends by the Company.

The Company has no externally imposed capital requirements and there have been no other changes in the capital that it manages.

35. Subsidiary companies

Details of the Company's subsidiaries, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation and operation	Principal activity	Proportion of ownership 31 December 2011	31 December 2010
Blackstar (Cyprus) Investors Limited	Cyprus	Investment company	100%	100%
Blackstar (Gibraltar) Limited	Gibraltar	Investment company	100%	100%
Blackstar Group (Pty) Limited	South Africa	Investment advisory company	100%	100%
Ferro Industrial Products (Pty) Limited	South Africa	Industrial chemicals company	0%	54%
Stalcor (Pty) Limited	South Africa	Industrial steel company	100%	87%
Global Roofing Solutions (Pty) Limited	South Africa	Steel roofing and cladding company	100%	87%
Helm Engineering (Pty) Limited#	South Africa	Steel roofing and cladding company	100%	87%
GRS Namibia-Domel Investments (Pty) Limited#	Namibia	Steel roofing and cladding company	100%	87%
Blackstar Real Estate (Pty) Limited^	South Africa	Investment property company	100%	100%
Firefly Investments 223 (Pty) Limited*	South Africa	Investment property company	70%	0%
Wonderdeals 38 (Pty) Limited*	South Africa	Investment property company	57.5%	57.5%

Subsidiaries of GRS.
* Subsidiaries of BRE.
^ Subsidiary of Blackstar Cyprus.

Effective 1 July 2011, Blackstars interest in Ferro was sold (refer note 11).

In May 2011, Stalcor bought back some of the non controlling shareholders ordinary shares at par value thereby increasing Blackstar's effective shareholding in Stalcor from 87% to 99%. As a result, an amount of £4,577,000 (being the proportionate share of 12% of the carrying amount of the net liabilities of Stalcor) was transferred to non controlling interests (refer consolidated statements of changes in equity). Later in the year, Blackstar acquired the remaining 1% from the non controlling shareholder thereby increasing Blackstar's shareholding to 100%. A further £415,000 loss (representing the non controlling shareholder's share of the loss of Stalcor) was transferred from non controlling interest to retained earnings as a result of this (refer consolidated statements of changes in equity).

During 2011, GRS, previously a wholly owned subsidiary of Stalcor, was unbundled to Blackstar through a settlement of the shareholder loan account between Stalcor and Blackstar.

During the year, Firefly Investments 223 (Pty) Limited ("Firefly") was formed with Blackstar's wholly owned subsidiary BRE owning 70% of the ordinary shares of Firefly and Litha owning the remaining 30%. The company entered into an agreement to purchase a commercial property in Midrand, Gauteng, South Africa which will be occupied by Litha and will provide operating space for a large portion of Litha's operations within Gauteng.

Blackstar's interest in its investment Wonderdeals is now accounted for as an investment in subsidiary (refer note 32).

On 31 May 2010, the B preference shares held by Blackstar Cyprus were converted into ordinary shares. Stalcor therefore issued fresh shares to Blackstar Cyprus which increased Blackstar's effective shareholding from 73% to 87%. As a result an amount of £1,907,000 (being the proportionate share of 14% of the carrying amount of the net liabilities of the Steel group (comprising Stalcor and GRS and its subsidiaries) has been transferred to non controlling interests (refer consolidated statement of changes in equity).

36. Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

	2011 **£'000**	2010 £'000
Land and buildings		
Less than one year	**1,370**	4,183
Due between one and five years	**1,888**	13,006
More than five years	**1,497**	4,916
	4,755	22,105
Equipment and vehicles		
Less than one year	**516**	574
Due between one and five years	**521**	910
More than five years	**—**	—
	1,037	1,484
	5,792	23,589

37. Capital commitments

As at year end, management of Group companies had not committed to any contracted capital expenditure (2010: £68,000) and non contracted capital expenditure of £627,000 (2010: £751,000) on property, plant and equipment had been approved at year end.

38. Contingencies and guarantees

Guarantees

Blackstar Group SE has provided suretyship, by binding itself jointly and severally as surety for and co-principal debtor in solidium with GRS to and in favour of two of GRS's suppliers for amounts not exceeding R50 million (£4.0 million) and USD 2 million (£1.45 million).

The Group has provided 62 million of its ordinary shares in Litha as security for its facility of R50 million (£4.0 million) which was unutilised at year end. Blackstar Group SE had also pledged and ceded 26,530,612 Litha shares to a bank in respect of Stalcor's facility with the bank.

Blackstar Group SE has bound itself jointly and severally liable to a landlord as surety in respect of a lease agreement entered into by Blackstar SA.

Blackstar Group SE has provided guarantees to a bank in respect of the mortgage bond taken out by BRE to acquire properties (refer note 24). Details of these guarantees are provided in note 33.

Blackstar Group SE has a limited warranty and indemnity for the obligations of Firefly (a subsidiary of BRE) in favour of a bank with whom Firefly has a mortgage bond for investment property acquired.

BRE has provided suretyship, by binding itself jointly and severally as surety for the mortgage bond taken out by Wonderdeals to acquire the investment property (refer note 24), for an amount not exceeding R10 million (£0.8 million).

Contingent liabilities and contingent assets

There are no contingent liabilities or assets to report as at 31 December 2011 (2010: nil).

39. Directors' remuneration

2011	Non-executive directors fees £'000	Salary earned as employee of a subsidiary of the Group Salary £'000	Other benefits £'000	Performance bonus £'000	Total £'000
Non-executive directors fees					
John Broadhurst Mills	**42**	**—**	**—**	**—**	**42**
Andrew David Bonamour	**40**	**346**	**46***	**353#**	**785**
Wolfgang Andreas Baertz	**35**	**—**	**—**	**—**	**35**
Marcel Ernzer	**35**	**—**	**—**	**—**	**35**
Charles Taberer	**35**	**—**	**—**	**—**	**35**
	187	**346**	**46**	**353**	**932**

* Benefits include medical aid, security and motor vehicle allowance.
# Includes incentive bonus earned of £138,000 for successful realisation of Ferro and conclusion of capital raising and listing on the Altx market of the JSE.

2010	Non-executive directors fees £'000	Salary earned as employee of a subsidiary of the Group Salary £'000	Other benefits £'000	Performance bonus £'000	Total £'000
Non-executive directors fees					
John Broadhurst Mills	46	—	—	—	46
Andrew David Bonamour	40	312	38*	471#	861
Wolfgang Andreas Baertz	35	—	—	—	35
Marcel Ernzer	35	—	—	—	35
Charles Taberer	15	—	—	—	15
Julian Andre Treger	45	—	—	—	45
	216	312	38	471	1,037

* Benefits include medical aid, security and motor vehicle allowance.
# Includes incentive bonus earned of £226,000 on successful closure of the investment in Mvelaphanda Resources Limited.

The highest paid director earned fees of £785,000 (2010: £861,000).

The Company does not operate a pension scheme for its Directors.

All Directors' fees payable to John Mills are payable to the Maitland Group.

No Directors of Blackstar Group SE held any share options and no options were granted or exercised during the year (2010: nil).

Details of the Director's beneficial interest in the ordinary share capital of the Company at year end is provided in the Directors' Report.

40. Related parties

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The Group's associates, Litha, Navigare and Fantastic are considered to be related parties. During the current financial year Blackstar Group SE and Blackstar SA earned fees totalling R2,750,000 (£239,000) from transaction arranging, underwriting and capital raising in respect of the Litha transaction. Blackstar Group SE earned a guarantee fee amounting to R188,000 (£17,000) from Litha. Blackstar SA also earned additional fees amounting to R1,800,000 (£155,000) from Litha in the form of directors and monitoring fees. As at 31 December 2011, Blackstar SA reflected a prepayment of fees from Litha amounting to R62,000 (£5,000).

40. Related parties (continued)

At 31 December 2011, the following loans were held with the Group's associates:

- Blackstar Group SE held a loan with Navigare amounting to £109,000, included within investments classified as loans and receivables (refer note 18).
- BRE held a loan with Fantastic amounting to £31,000, included within investments classified as loans and receivables (refer note 18).
- Firefly held a loan with Litha Medical (Pty) Limited ("Litha Medical"), a subsidiary of Litha, amounting to £233,000, included within borrowings (refer note 24).
- Firefly issued 30 preference shares amounting to £125,000 to Litha Medical, included within borrowings (refer note 24).

John Mills is deemed to be a related party, as in addition to being a Director, funds associated with John Mills are interested in 0.89% of the issued share capital of the Company. In addition John is a Director of Maitland Luxembourg S.A. ("Maitland"). Maitland provided a variety of services to the Company, on a commercial, arm's length basis. In 2011, fees to Maitland for advisory and administrative services amounted to £395,000 (2010: £204,000). At the balance sheet date £163,000 (2010: £58,000) was owing to Maitland.

Andrew Bonamour is deemed to be a related party as in addition to being a Director, funds associated with Andrew Bonamour are interested in 8.8% of the issued share capital of the Company.

Charles Taberer was appointed as a director during the prior financial year. During 2010, a loan amounting to £564,000 was provided by Blackstar Gibraltar to Tanmac Trading (Pty) Limited in which Charles Taberer has an indirect exposure. The terms and conditions of the loan were considered to be at arms length. The loan was repaid in the current year and Blackstar Gibraltar earned interest of £38,500 (2010: £8,300) on the loan during 2011.

Details of Directors' remuneration are provided in note 39 to the consolidated financial statements. There are no other related parties transactions to disclose.

41. Events after the reporting period

Transfer to Malta

Following approval by Blackstar's shareholders on 10 February 2012 of the transfer of the Company's registered office from the United Kingdom to Malta, the Company shall in accordance with Council Regulation (EC) No 2157/2001 of 8 October 2001 on the Statute for a European Company, take all steps necessary to effect the transfer to Malta. It is expected the transfer will become effective during the second quarter of 2012.

Investment in Mvelaphanda Group Limited

In January 2012, Blackstar acquired 146,423,470 ordinary shares in Mvelaphanda Group Limited ("MVG") representing 28% of MVG's issued ordinary share capital (excluding treasury shares), for a total cash consideration of R470 million (£38 million), equivalent to R3.20 per share. To fund the acquisition, Blackstar used R150 million (£12 million) of its own cash resources and R320 million (£26 million) from a debt facility provided by Investec Bank Limited for the purpose of this transaction. The Investec facility has a term of two years and accrues interest at the South African Prime Rate (currently 9%) plus fifteen basis points per annum; interest is payable semi-annually in arrears.

MVG is an iconic South-Africa focused broad-based black economically-empowered investment holding company listed on the Main Board of the Johannesburg Stock Exchange. MVG's diversified portfolio included significant investments in South Africa's financial, media, entertainment, construction and healthcare sectors.

Following the acquisition, Blackstar has become the largest single investor in MVG. The 5 day volume weighted average price per share of MVG as at 31 March 2012 is R3.44, representing a premium of 7.5% to Blackstar's entry price. MVG trades at a significant discount to its estimated NAV per share and the transaction is expected to be NAV enhancing for Blackstar shareholders.

41. Events after the reporting period (continued)

Disposal of investment in Litha

In February 2012, Blackstar announced that it had entered into a conditional agreement for the sale of 72,989,078 ordinary shares in Litha to Paladin Labs Inc. ("Paladin") for a cash consideration of R200.7 million (£16.6 million). The disposal represents 50% of Blackstar's interest in Litha and equates to R2.75 per Litha share. On completion, the disposal proceeds will represent a 4.58 times return on investment in South African Rand and 5.36 times return in Sterling, which equates to a 32% IRR and 36% IRR, respectively, over the 5 year holding period.

The disposal forms part of a larger transaction, facilitating Litha's acquisition of 100% of Pharmaplan (Pty) Limited ("Pharmaplan") from Paladin for R590 million in cash and shares, Following the transaction, Blackstar will retain 72,989,078 shares or 13.4% of the ordinary share capital of Litha. Blackstar will also earn a R5 million (£0.4 million) corporate finance fee, payable in cash, for its role as originator and underwriter of the transaction.

The sale agreement is subject to the fulfillment of certain suspensive conditions, which are standard in a transaction of this nature, including the approval of the South African Competition Authorities. Blackstar's remaining shares will be subject to a 6 month lock up, with Paladin having a pre-emptive right over these shares. The transaction is expected to be completed in the second half of 2012.

42. Segmental information

The Group has four reporting segments, as described below. Each segment operates in a separate industry and is managed by the individual segment's management team. For each of the segments, the Board of Directors review internal management reports to assess performance.

The operating segments have been identified as follows:

Industrial chemicals segment includes the subsidiary Ferro. 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. Ferro was sold during the current financial year (refer note 11);

Industrial metals segment includes the subsidiaries Stalcor, GRS and its subsidiaries. Stalcor 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. GRS is a steel roofing and cladding company;

Investment activities includes the holding company Blackstar Group SE, the subsidiaries Blackstar (Gibraltar) and Blackstar (Cyprus) (through which all of the investments are made), Blackstar SA, BRE, Wonderdeals, Firefly and the Group's associates Navigare and Fantastic; and

Healthcare segment includes the associate Litha. Litha is a diversified healthcare business with the following divisions Biotech, Medical and Pharmaceuticals. The Biotech division is currently in the process of developing its own vaccine manufacturing plant in Africa and is the controlling shareholder in a Public Private Partnership with the South African government to provide vaccines under the government's Expanded Program of Immunisation which targets a suite of free vaccines to government clinics and hospitals to all children in South Africa. Litha's medical division provides consumable devices to private and government hospitals predominantly in the critical and ICU areas. The pharmaceuticals division has a variety of branded and generic products currently being marketed as well products awaiting registration with the Medical Control Council.

The Board of Directors assess the performance of the operating segments based primarily on the measures of revenue and EBITDA. Other information provided, except as noted below, is measured in a manner consistent with that in the financial statements.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies with the following exception: Ferro included in the Industrial chemicals segment has an accounting policy to revalue property, plant and equipment. This revaluation is reversed on consolidation as it is the Group's policy to account for property, plant and equipment at cost. No adjustment was required to the

42. Segmental information (continued)

property, plant and equipment during the current financial year as Ferro has been disclosed as a discontinued operation, and has not been included in the Group's balance sheet as of 31 December 2011. No adjustment was required to the property, plant and equipment during the prior financial year as Ferro had not revalued its property, plant and equipment since becoming a subsidiary of Blackstar.

Transactions between reportable segments are included in the segmental information provided and are then eliminated on consolidation (refer to the reconciliation below).

The Baldwins division (sold in June 2011) and the closure of two of Stalcor's branches, which fall within the Industrial metals segment, together with Ferro (sold in July 2011), which falls within the Industrial chemicals segment, are discontinued operations (refer note 11). The comparative information for the year ended 31 December 2010 was restated to present income generated and expenses incurred by discontinued operations separately from continuing operations.

42.1 Information about reportable segments

	2011 £'000	As restated 2010 £'000
Revenue		
As reported by segment:		
Industrial chemicals	**18,194**	36,064
Industrial metals	**122,563**	172,037
Consolidated total reported by the Group	**140,757**	208,101
Less reported by discontinued operations		
Industrial chemicals	**(18,194)**	(36,064)
Industrial metals	**(31,505)**	(80,446)
	(49,699)	(116,510)
Consolidated total from continuing operations reported by the Group	**91,058**	91,591
EBITDA		
As reported by segment:		
Industrial chemicals	**3,559**	7,043
Industrial metals	**501**	(3,502)
Investment activities	**(46)**	145
Healthcare	**5,048**	1,539
Total EBITDA reported by segments	**9,062**	5,225
Less EBITDA reported by discontinued operations		
Industrial chemicals	**(3,559)**	(7,043)
Industrial metals	**2,274**	4,653
	(1,285)	(2,390)
Total EBITDA reported by continuing segments	**7,777**	2,835
Consolidation adjustments		
Inter-group transactions and consolidation of subsidiaries	**(3,587)**	32,381
Equity account associates	**(63)**	(26,254)
Other	**(934)**	—
	(4,584)	6,127
Consolidated EBITDA for continuing operations	**3,193**	8,962
Depreciation and amortisation	**(1,897)**	(2,579)
Impairment of goodwill and intangible assets	**(12,243)**	(7,039)
Finance income and finance costs	**(1,540)**	(2,053)
Loss before taxation reported by the Group	**(12,487)**	(2,709)

42. Segmental information (continued)

42.1 Information about reportable segments (continued)

Share of profit of associates	2011 £'000	As restated 2010 £'000
Healthcare	**2,859**	1,460
Investment activities	**43**	79
Consolidated total reported by the Group	**2,902**	1,539
Total assets		
As reported by segment:		
Industrial chemicals	**—**	33,799
Industrial metals	**30,624**	64,095
Investment activities	**96,356**	107,134
Total assets reported by segments	**126,980**	205,028
Consolidation adjustments		
Inter-Group transactions	**(8,525)**	(22,672)
On acquisition fair value adjustments and consolidation of subsidiaries	**(6,871)**	(3,165)
Equity account associates	**(16,429)**	(24,863)
Consolidated total reported by the Group	**95,155**	154,328
Investments in associates		
Healthcare	**16,327**	14,397
Investment activities	**110**	240
Consolidated total reported by the Group	**16,437**	14,637
Total liabilities		
As reported by segment:		
Industrial chemicals	**—**	(20,343)
Industrial metals	**(28,533)**	(81,568)
Investment activities	**(10,814)**	(2,379)
Total liabilities reported by segments	**(39,347)**	(104,290)
Consolidation adjustments		
Inter-group transactions	**8,525**	22,672
On acquisition fair value adjustments and consolidation of subsidiaries	**3,122**	15,689
Other	**—**	(677)
Consolidated total reported by the Group	**(27,700)**	(66,606)
Additions to non-current assets		
As reported by segment:		
Industrial chemicals	**496**	675
Industrial metals	**925**	1,464
Investment activities	**19,147**	8,801
	20,568	10,940

42.2 Geographical information

Both the Industrial chemicals and Industrial metals segments have their operations in South Africa and the Industrial metals business has a less significant operation in Namibia (Southern Africa). The Investment activities segment operates and holds investments located in the South Africa. Thus for all segments, non-current assets are located in the Southern Africa region.

42. Segmental information (continued)

42.2 Geographical information (continued)

Segmental revenue is presented below on the basis of the geographical location of the customers:

2011	**Industrial chemicals £'000**	**Industrial metals £'000**	**Investment activities £'000**	**Total £'000**
South Africa	**16,407**	**115,255**	**—**	**131,662**
Other countries	**1,787**	**7,308**	**—**	**9,095**
Revenue	**18,194**	**122,563**	**—**	**140,757**

2010	Industrial chemicals £'000	Industrial metals £'000	Investment activities £'000	Total £'000
South Africa	33,286	158,775	—	192,061
Other countries	2,778	13,262	—	16,040
Revenue	36,064	172,037	—	208,101

42.3 Major customers

As has been disclosed in note 33.3, the Group does not rely on any one major customer (i.e. revenues from any one single customer do not exceed 10% of the Group's total revenue).

42.4 Analysis of revenue by product

	2011 £'000	2010 £'000
Industrial chemicals		
Sale of specialised range of powder coatings*	**6,381**	11,943
Sale of black and white plastic master batches*	**3,084**	6,309
Sale of glass coating and glass decorating products*	**1,392**	2,972
Sale of ceramic glazes and enamel products*	**7,337**	14,840
	18,194	36,064
Industrial metals		
Sale of manufactured roofing sheets	**48,178**	41,934
Sale of stainless steel*	**26,980**	20,759
Sale of carbon and aluminium steel*	**47,405**	109,344
	122,563	172,037
	140,757	208,101

* The Industrial chemicals segment, together with the Baldwins division and two of Stalcor's branches, included under the Industrial metals segment, have been disclosed as discontinued operations during the current year.

Company statement of changes in equity

for the year ended 31 December 2011

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 31 December 2009	53,023	—	30,156	—	183	(8,764)	74,598
Total comprehensive income for the year							
Profit for the year	—	—	—	—	—	1,149	1,149
Other comprehensive income for the year	—	—	—	—	3,599	—	3,599
	—	—	—	—	3,599	1,149	4,748
Capital reduction	—	—	(30,156)	—	—	30,156	—
Buy-back of ordinary shares	(2,893)	—	2,893	—	—	(3,079)	(3,079)
Dividends declared	—	—	—	—	—	(493)	(493)
Balance as at 31 December 2010	50,130	—	2,893	—	3,782	18,969	75,774
Total comprehensive income for the year							
Loss for the year	—	—	—	—	—	(3,874)	(3,874)
Other comprehensive loss for the year	—	—	—	—	(2,779)	—	(2,779)
					(2,779)	(3,874)	(6,653)
Capital raising	6,923	1,974	—	—	—	—	8,897
Buy-back of ordinary shares	—	—	—	(2,272)	—	—	(2,272)
Release of foreign currency translation reserve on disposal of investments	—	—	—	—	(736)	736	—
Dividends declared	—	—	—	—	—	(6,217)	(6,217)
Balance as at 31 December 2011	**57,053**	**1,974**	**2,893**	**(2,272)**	**267**	**9,614**	**69,529**

An interim dividend of 0.65 pence per ordinary share was declared on 29 October 2010.

A final dividend of 0.90 pence per ordinary share will be declared on 6 May 2011.

A special dividend of 6.5 pence per ordinary share was declared on 11 November 2011

The notes on pages 91 to 100 form part of the Company financial statements.

Company balance sheet
as at 31 December 2011

	Notes	**2011 £'000**	2010 £'000
Non-current assets			
Investments in subsidiary companies	3	**62,435**	54,708
Investment classified as loans and receivables	5	**109**	318
Investments at fair value through profit and loss	6	**1,114**	18,718
		63,658	73,744
Current assets			
Investments at fair value through profit and loss	6	**12,797**	509
Trade and other receivables	7	**464**	722
Cash and cash equivalents	8	**2,570**	982
		15,831	2,213
Total assets		**79,489**	75,957
Non-current liabilities		**—**	—
Current liabilities			
Current tax liability		**(22)**	(46)
Trade and other payables	9	**(9,938)**	(137)
		(9,960)	(183)
Total liabilities		**(9,960)**	(183)
Total net assets		**69,529**	75,774
Equity			
Share capital	10	**57,053**	50,130
Share premium	10	**1,974**	—
Capital redemption reserve	10	**2,893**	2,893
Treasury shares reserve	10	**(2,272)**	—
Foreign currency translation reserve	10	**267**	3,782
Retained earnings	10	**9,614**	18,969
Total equity attributable to equity holders		**69,529**	75,774

The Company financial statements were approved by the Board and authorised for issue on 12 April 2012.

Andrew Bonamour
Director

The notes on pages 91 to 100 form part of the Company financial statements.

Company cash flow statement

for the year ended 31 December 2011

	Notes	**2011 £'000**	2010 £'000
Cash flow from operating activities			
Cash absorbed by operations	11	**(1,240)**	(2,623)
Interest received		**79**	30
Interest paid		**(98)**	(39)
Dividends and interest received from investments		**6,693**	28
Taxation paid		**(38)**	—
Dividends paid		**(6,217)**	(493)
Cash absorbed by operating activities		**(821)**	(3,097)
Cash flow from investing activities			
Acquisition of investments at fair value through profit or loss		**(673)**	(5,374)
Acquisition of subsidiary companies	3	**(29,070)**	(11,341)
Increase in loans to subsidiaries		**—**	(191)
Proceeds from disposal of investments		**2,096**	4,828
Proceeds on disposal/redemption of shares in subsidiary companies		**23,418**	18,616
Cash (absorbed)/generated by investing activities		**(4,229)**	6,538
Cash flow from financing activities			
Buy-back of ordinary shares		**(2,272)**	(3,079)
Capital raising		**8,897**	—
Cash generated/(absorbed) by financing activities		**6,625**	(3,079)
Net increase in cash and cash equivalents		**1,575**	362
Cash and cash equivalents at the beginning of the year		**982**	586
Exchange gains on cash and cash equivalents		**13**	34
Cash and cash equivalents at the end of the year	8	**2,570**	982

The notes on pages 91 to 100 form part of the Company financial statements.

Notes to the Company financial statements
for the year ended 31 December 2011

1. Accounting policies

The financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB") as endorsed for use by the European Union and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS.

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. Investments in subsidiary companies are stated at cost less provisions where in the opinion of the Directors, there has been impairment in the value of the investment.

Where the Company has the power to participate in the financial and operating policy decisions of an entity, it is classified as an associate. Investments in associates are accounted for at fair value in the Company's financial statements and unrealised gains and losses arising from changes in the fair value of these investments are recognised in profit and loss in the period in which they arise. These investments are included in the line item investments at fair value through profit and loss.

The principal accounting policies which are relevant in the preparation of the Company financial statements are listed below and can be found on pages 23 to 34 of the consolidated financial statements:

Note 1.8 Impairment
Note 1.11 Financial instruments
Note 1.13 Provisions and contingent liabilities
Note 1.15 Revenue and investment income
Note 1.16 Finance income and finance costs
Note 1.17 Tax
Note 1.18 Translation of foreign currencies
Note 1.21 Significant judgements and areas of estimation
Note 2 Determination of fair values

2. Loss for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss in these financial statements. The Group's profit for the year includes a loss after taxation of £3,874,000 (2010: loss after taxation of £1,149,000) for the Company.

3. Investments in subsidiary companies

The subsidiaries of the Group at year end are as follows:

2011

Name	Country of incorporation	Method used to account for investment	Proportion of ownership
Blackstar (Cyprus) Investors Limited ("Blackstar Cyprus")	Cyprus	Consolidation	100%
Blackstar (Gibraltar) Limited ("Blackstar Gibraltar")	Gibraltar	Consolidation	100%
Blackstar Group (Pty) Limited ("Blackstar SA")	South Africa	Consolidation	100%
Ferro Industrial Products (Pty) Limited ("Ferro")	South Africa	Consolidation	0%
Stalcor (Pty) Limited ("Stalcor") (previously KMG Steel Service Centres (Pty) Limited)*	South Africa	Consolidation	100%
Global Roofing Solutions (Pty) Limited ("GRS")	South Africa	Consolidation	100%
Helm Engineering (Pty) Limited#	South Africa	Consolidation	100%
GRS Namibia- Domel Investments (Pty) Limited#	Namibia	Consolidation	100%
Blackstar Real Estate (Pty) Limited ("BRE")†	South Africa	Consolidation	100%
Firefly Investments 223 (Pty) Limited ("Firefly")^	South Africa	Consolidation	70%
Wonderdeals 38 (Pty) Limited ("Wonderdeals")^	South Africa	Consolidation	57.5%

* Blackstar Group SE holds 42% and Blackstar Cyprus 58% of the ordinary shares in Stalcor. The Group's effective shareholding is 100%.

Subsidiary of GRS.

† Subsidiary of Blackstar Cyprus.

^ Subsidiaries of BRE.

Effective 1 July 2011, Blackstar interest in Ferro was sold (refer to note 11 of the consolidated financial statements for further details).

In May 2011, Stalcor bought back some of the non controlling shareholders ordinary shares at par value thereby increasing Blackstar's effective shareholding in Stalcor 87% to 99%. Later in the year, Blackstar acquired the remaining 1% from the non controlling shareholder thereby increasing Blackstars shareholding to 100%.

During the 2011, GRS, previously a wholly owned subsidiary of Stalcor, was unbundled to Blackstar Group SE through a settlement of the shareholders loan account between Stalcor and Blackstar Group SE.

During the year, Firefly was formed with Blackstar's wholly owned subsidiary BRE owning 70% of the ordinary shares of Firefly and Litha Healthcare Group Limited owning the remaining 30%.

BRE's interest in its investment Wonderdeals is now accounted for as an investment in subsidiary (refer note 32 of the consolidated financial statements for further details).

3. Investments in subsidiary companies (continued)

2010

Name	Country of incorporation	Method used to account for investment	Proportion of ownership
Blackstar (Cyprus) Investors Limited	Cyprus	Consolidation	100%
Blackstar (Gibraltar) Limited	Gibraltar	Consolidation	100%
Blackstar Group (Pty) Limited	South Africa	Consolidation	100%
Ferro Industrial Products (Pty) Limited	South Africa	Consolidation	54%
Stalcor (Pty) Limited*	South Africa	Consolidation	87%
Global Roofing Solutions (Pty) Limited	South Africa	Consolidation	87%
Helm Engineering (Pty) Limited#	South Africa	Consolidation	87%
GRS Namibia- Domel Investments (Pty) Limited#	Namibia	Consolidation	87%
Blackstar Real Estate (Pty) Limited†	South Africa	Consolidation	100%

* Blackstar Group SE held 36% and Blackstar Cyprus 51% of the ordinary shares in Stalcor. The Group's effective shareholding was 87%.

Subsidiaries of GRS.

† Subsidiary of Blackstar Cyprus.

During the prior year Blackstar held a controlling interest in Litha Healthcare Group Limited, previously Myriad Medical Holdings Limited, for a number of days, refer to note 32 of the consolidated financial statements for further details.

	2011 £'000	2010 £'000
Cost		
Balance at the beginning of the year	**65,302**	72,577
Additions during the year at cost	**29,070**	11,341
Disposals and redemptions during the year at cost	**(11,906)**	(18,616)
	82,466	65,302
Accumulated impairment		
Balance at the beginning of the year	**(10,594)**	(3,883)
Impairments of investments in subsidiaries	**(9,437)**	(6,711)
	(20,031)	(10,594)
Carrying amount at the end of the year	**62,435**	54,708

The investment in Blackstar SA has been impaired by an amount of £9,437,000 during the current financial year. In the prior year, impairments of £3,500,000 and £3,211,000 were recognised on the investments in Blackstar SA and Stalcor respectively.

4. Investments in associates

The principal associates of the Group at 31 December are as follows:

Name	Country of incorporation	Method used to account for investment	**2011 Proportion of ownership**	2010 Proportion of ownership
Litha Healthcare Group Limited ("Litha")*	South Africa	Equity accounted	**39%**#	45%#
Navigare Securities (Pty) Limited ("Navigare")	South Africa	Equity accounted	**25%**	25%

At 31 December 2011, the Company held 16% of the shares in Litha (2010:19%). Blackstar Cyprus held a further 23% (2010:26%) in Litha and as a result, the Group's effective shareholding in Litha amounted to 39% (2010: 45%).

* At year end, the Company had provided 30,045,958 of its ordinary shares in Litha as security to a bank for its facility of R50 million (£4.0 million) which was unutilised at year end. The Company had also pledged and ceded 26, 530, 612 Litha shares to a bank in respect of Stalcor's facility with the bank.

In accordance with the Company's accounting policy, investments in associates are accounted for at fair value and unrealised gains and losses arising from changes in the fair value of these investments are recognised in profit and loss in the period in which they arise. As a result, investments in associates have been included in investments at fair value through profit and loss (refer note 6). Both investments in associates have been equity accounted in the consolidated financial statements of the Group for the year ended 31 December 2011 (refer to note 17 of the consolidated financial statements).

5. Investment classified as loans and receivables

	2011 £'000	2010 £'000
Carrying value at the beginning of the year	**318**	270
Disposals during the year at cost	**(240)**	(12)
Unrealised losses on disposals recognised in prior years	**3**	—
Net interest (received)/accrued during the year	**(33)**	22
Other movements*	**154**	—
Currency exchange (losses)/gains during the year	**(93)**	38
Carrying value at the end of the year	**109**	318

* Other movements during the year include the reclassification of an amount of £154,000 from investment in the associate Navigare to an equity loan.

	2011 £'000	2010 £'000
Non-current portion	**109**	318
Current portion	**—**	—
	109	318

5. Investment classified as loans and receivables (continued)

Analysis of (losses)/gains on investments

	2011 £'000	2010 £'000
Proceeds on disposals during the year	**251**	14
Investments at cost	**(240)**	(12)
Realised gains on disposals based on historical cost	**11**	2
Add unrealised losses on disposals recognised in prior years	**3**	—
Realised gains recognised in the income statement on disposals based on carrying value at prior year balance sheet date	**14**	2
Realised exchange gains on disposal of investments realised directly to retained earnings	**(70)**	—
Net (losses)/gains on investments	**(56)**	2

	Carrying value 2011 £'000	Carrying value 2010 £'000
Loan to staff of Ferro Industrial Products (Pty) Limited. The loan bears interest at 90% of South African Prime rate nominal annual compounded semi-annually and has been repaid	**—**	318
Loan to Navigare Securities (Pty) Limited which is interest free and has no fixed dates of repayment	**109**	—
Carrying value at the end of the year	**109**	318

6. Investments at fair value through profit and loss

	2011 £'000	2010 £'000
Fair value at the beginning of the year	**19,227**	5,374
Additions during the year at cost	**673**	5,374
Disposals during the year at cost	**(3,533)**	(4,347)
Unrealised losses on disposals recognised in prior years	**1,251**	384
Unrealised (losses)/gains during the year	**(166)**	11,268
Currency exchange (losses)/gains during the year	**(3,387)**	1,174
Other movements*	**(154)**	—
Fair value at the end of the year	**13,911**	19,227

* Other movements during the year include the reclassification of an amount of £154,000 from investment in the associate Navigare to an equity loan.

	2011 £'000	2010 £'000
Non-current portion	**1,114**	18,718
Current portion	**12,797**	509
	13,911	19,227

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

Analysis of (losses)/gains on investments

	2011 £'000	2010 £'000
Proceeds on disposals during the year	1,845	4,814
Investments at cost	(3,533)	(4,347)
Realised (losses)/gains on disposals based on historical cost	(1,688)	467
Add unrealised losses on disposals recognised in prior years	1,251	384
Realised (losses)/gains recognised in the income statement on disposals based on carrying value at prior year balance sheet date	(437)	851
Realised exchange gains on disposal of investments realised directly to retained earnings	(620)	—
Unrealised (losses)/gains during the year	(166)	11,268
Net (losses)/gains on investments	(1,223)	12,119

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 2011 £'000	Fair Value 2010 £'000
Ordinary shares in Litha Healthcare Group Limited*#	13,262	16,088
Ordinary shares in Navigare Securities (Pty) Limited#	289	603
Ordinary shares in Adreach (Pty) Limited	—	2,027
Other listed shares	360	509
Fair value at the end of the year	13,911	19,227

* The Company has provided 30,045,958 of its ordinary shares in Litha as security to a bank for its facility of R50 million (£4.0 million) which was unutilised at year end. The Company has also pledged and ceded 26,530,612 Litha shares to a bank in respect of Stalcor's facility with the bank.

Investments in associates (refer note 4).

7. Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables due by subsidiary companies	211	—
Trade receivables due by external parties	—	—
Impairment allowance	—	—
Total trade receivables net of impairment allowance	211	—
Other receivables due by subsidiary companies	163	205
Prepayments and accrued income	17	18
Other receivables	73	499
	464	722

Amounts due by subsidiary companies comprises an interest bearing working capital loan to GRS which was settled in 2012. In the prior year, amounts due by subsidiaries comprised a loan to Stalcor to finance the acquisition of vehicles. The loan was secured by the underlying vehicles, interest was at the South African Prime rate plus 100 basis points nominal annual compounded monthly and was repayable in monthly instalments by December 2011.

8. Cash and cash equivalents

	2011 £'000	2010 £'000
Deposits and cash at bank	**2,570**	982
Cash and cash equivalents per the cash flow statement	**2,570**	982

Cash and cash equivalents include cash in current accounts and term deposits.

9. Trade and other payables

	2011 £'000	2010 £'000
Trade payables due to subsidiary companies	**17**	26
Trade payables due to external parties	**—**	—
Total trade payables	**17**	26
Other payables due to subsidiary companies	**8,965**	—
Accrued expenses	**636**	65
Other payables	**320**	46
	9,938	137

Amounts due to subsidiary companies comprise of an interest free loan from Blackstar Gibraltar of £7,461,000 which is settled in 2012, and an interest bearing loan from Blackstar Cyprus of £1,504,000. The loan bears interest at Libor plus 50 basis points and is repayable on demand.

10. Share capital and reserves

Details for the share capital and reserves are set out in note 29 to the consolidated financial statements.

11. Cash absorbed by operations

	2011 £'000	2010 £'000
(Loss)/profit before taxation	**(3,860)**	1,149
Adjustments for:		
Impairment of investment in subsidiaries	**9,437**	9,051
Profit on disposal of subsidiary	**(11,512)**	—
Realised losses on loans to subsidiaries included in trade and other receivables	**6,071**	—
Unrealised losses on loans from subsidiaries included in trade and other payables	**4**	—
Unrealised losses/(gains) on investments	**166**	(11,268)
Realised losses/(gains) on disposal of investments	**1,113**	(853)
Dividends and interest from loans and investments	**(6,662)**	(51)
Finance income	**(79)**	(30)
Finance costs	**102**	39
Changes in working capital		
Decrease in trade and other receivables	**(5,813)**	(300)
Increase/(decrease) in trade and other payables	**9,793**	(360)
	(1,240)	(2,623)

12. Financial instruments

The company is exposed to one or more of the following risks from its use of financial instruments: credit risk; liquidity risk; and market risk (which comprises currency risk, interest rate risk and market price risk).

Information related to financial instruments and management of these risks is set out in note 33 to the consolidated financial statements. The following information relates specifically to the Company.

12. Financial instruments (continued)

12.1 Financial instruments by category

	2011 £'000	2010 £'000
Financial assets		
Financial assets at fair value through profit and loss		
Investments at fair value through profit and loss	**13,911**	19,227
Loans and receivables		
Investments classified as loans and receivables	**109**	318
Trade receivables	**211**	—
Cash and cash equivalents	**2,570**	982
	2,890	1,300
	16,801	20,527
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade payables	**(17)**	(26)
	(17)	(26)

12.2 Credit risk

At balance sheet date, the Company had no financial assets that were past due or impaired. The Company's maximum exposure to credit risk is equal to the carrying amount of the financial assets recorded in the financial statements (as detailed in note 12.1 above). The credit quality of financial instruments that are not past due or impaired is considered to be good.

12.3 Liquidity risk

All financial liabilities have a contractual maturity of less than 6 months and the expected maturity is not believed to differ from the contractual maturity.

The Company has facilities amounting to R50 million (£4.0 million) with a South African bank which have not been utilised (2010: the same facility amounted to R20 million (£1.9 million) and was unutilised). 30,045,958 shares held by the Company in Litha have been provided as security for this facility.

12.4 Market risk

12.4.1 Currency risk

A 10% strengthening of the Rand against Pounds Sterling at the balance sheet date, all other variables held constant, would have resulted in an estimated increase of £1,639,000 (2010: £2,242,000) in the reported net asset value of the Company. A 10% weakening of the Rand against Pounds Sterling at the balance sheet date, on the same basis, would have resulted in an estimated decrease of £1,341,000 (2010: £1,835,000) in the reported net asset value of the Company.

12.4.2 Interest rate risk

A 1% increase in the South African Prime rate, all other variables held constant, would have resulted in an estimated increase of £15,000 (2010: £5,000) in the reported net asset value of the Company. A 1% decrease in the South African Prime Rate, on the same basis, would have resulted in an estimated decrease of £15,000 (2010: £5,000), in the reported net asset value of the Company.

12.4.3 Market price risk

Assuming that the investment portfolio is directly correlated to the FTSE/JSE Africa All Share Index, an increase of 10% in the FTSE/JSE Africa All Share Index at the balance sheet date, all other variables held constant, would have resulted in an estimated increase of £158,000 (2010: £1,923,000) in the reported net asset value of the Company. A decrease of 10% in the FTSE/JSE Africa All Share Index at the balance sheet date, on the same basis, would have resulted in an estimated decrease of £158,000 (2010: £1,923,000) in the reported net asset value of the Company.

12. Financial instruments (continued)

12.5 Fair value

12.5.1 Fair value of financial instruments carried at amortised cost

The fair value of the financial instruments accounted for at amortised have been determined for both the current and prior year and approximate the carrying amounts at the respective year ends. Investments classified as loans and receivables and borrowings have a fair value which approximates the carrying amount due to the fact that the afore-mentioned instruments bear interest at rates linked to the South African Prime rate and are believed to be approximate the market related discount rates which would be utilised in a discounted cash flow technique in order to calculate a fair value.

12.5.2 Fair value of financial instruments carried at fair value in the balance sheet

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 (as defined in note 33.6.2 of the consolidated financial statements) based on the degree to which the fair value is observable:

2011	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments at fair value through profit and loss (refer note 6)	**13,622**	**289**	**—**	**13,911**

2010	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit and loss (refer note 6)	16,597	2,630	—	19,227

There were no transfers between levels during the current year (2010: nil).

13. Capital under management

Information related to capital under management is set out in note 34 to the consolidated financial statements.

14. Contingencies and guarantees

The Company has provided suretyship, by binding itself jointly and severally as surety for and co-principal debtor in solidium with GRS to and in favour of two of GRS's suppliers for amounts not exceeding R50 million (£4.0 million) and USD 2 million (£1.45 million).

The Company had provided 30,045,958 of its ordinary shares in Litha as security to a bank for its facility of R50 million (£4.0 million) which was unutilised at year end. The Company had also pledged and ceded 26,530,612 Litha shares to a bank in respect of Stalcor's facility with the bank.

The Company has bound itself jointly and severally liable to a landlord as surety in respect of a lease agreement entered into by Blackstar SA.

The Company has provided guarantees to a bank in respect of the mortgage bond taken out by BRE to acquire properties. Details of these guarantees are provided in note 33 to the consolidated financial statements.

The Company has a limited warranty and indemnity for the obligations of Firefly (a subsidiary of BRE) in favour of a bank with whom Firefly has a mortgage bond for investment property acquired.

15. Related party transactions

Details of related parties are set out in note 40 to the consolidated financial statements. In addition the subsidiaries and associates set out in note 3 and 4 respectively to the Company financial statements are related parties to the Company.

The Company pays an advisory fee, paid quarterly in advance, to Blackstar SA. The advisory fee for the year ending 31 December 2011 amounted to £1.7 million (2010: £1.8 million). A portion of the advisory fee for the 2012 financial year has been paid in advance (amounting to £195,500), no such payment in advance was made during the prior reporting period. Blackstar SA may incur expenses on behalf of the Company and *vice versa*. These amounts are invoiced and re-imbursed on a monthly basis.

15. Related party transactions (continued)
During the prior financial year, the Company earned an underwriting fee of R1 million (£88,000) from Litha in respect of transaction arranging, underwriting and capital raising in respect of the Litha transaction and no amounts were outstanding at 31 December 2010.

16. Events after the reporting period
Information relating to events after the reporting period are set out in note 41 to the consolidated financial statements.

Company information

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

Registered Office
Blackstar Group SE
4th Floor Avantech Building
St Julian's Road San Gwann
SGN 2805 Malta
Tel: +356 2144 6377
Fax: +356 2144 6330
E-mail: info@blackstar.lu
Website: www.blackstar.lu

Nominated Adviser and Broker (United Kingdom)
Liberum Capital Limited
Ropemaker Place, Level 12
25 Ropemaker Street
London
EC2Y 9LY

Legal Adviser (as to English Law)
Paul Hastings (Europe) LLP
Ten Bishops Square, Eighth Floor
London
E1 6EG

Registrars and Receiving Agents (United Kingdom)
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Primary listing
The Alternative Investment Market of the London Stock Exchange ("AIM")

Secondary listing
ALTx of the JSE Limited

International Adviser
Maitland Advisory LLP
Berkshire House
168-173 High Holborn
London
WC1V 7AA

Auditors
BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex
RH6 0PA

Nominated Adviser and Broker (South Africa)
PSG Capital
1st Floor, Ou Kollege Building
35 Kerk Street
Stellenbosch
7600

Legal Adviser (as to South African law)
Edward Nathan Sonnenbergs Inc
150 West Street
Sandton
2196

Registrar and Receiving Agents (South Africa)
Link Market Services
13th Floor Rennie House
19 Ameshoff Street
Braamfontein
2000

Bankers
ING Luxembourg S.A.
Investec Bank Limited
Goldman Sachs International

BLACKSTAR GROUP SE

(registered in Malta with registered number SE 4)
4th Floor, Avantech Building,
St Julian's Road
San Gwann SGN 2805, Malta

Notice is hereby given to all the Members, Directors and Auditors of Blackstar Group SE (the "**Company**") that the Annual General Meeting of the Company will be held at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on 20 June 2012 at 10h00 CEST (or shortly thereafter in case of delays) for the purpose of considering and, if thought fit, approving the following resolutions:

ORDINARY RESOLUTIONS:

Approval of Accounts, Appointment of Auditors and Election of Directors

1. To receive and consider the accounts and reports of the directors, statutory auditor and the independent auditors, and any other documents required by law to be attached or annexed to the stand-alone accounts of the Company for the year ended 31 December 2011 and to the consolidated accounts for the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

2. To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2011.

3. To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2011.

4. To re-elect Wolfgang Baertz, who retires from office by rotation in accordance with the Articles of Association of the Company ("**Articles**"), as a director of the Company with effect from the date of the annual general meeting for a period not exceeding three years.

5. If all filings by the Company's statutory auditor in Luxembourg in relation to the termination of its tax residence and establishment in Luxembourg are not complete by the date of the annual general meeting, to re-elect John Kleynhans as the Company's statutory auditor with effect from the date of the annual general meeting until all such filings are completed and to authorise the directors to determine his remuneration.

6. To appoint BDO LLP and BDO Malta CPA as the Company's joint independent auditors for the financial year ending 31st December, 2012 and to authorise the directors to determine their terms of engagement inclusive of remuneration.

SPECIAL BUSINESS

7. To the extent permitted by law, and in accordance with Article 32 of the Articles, to grant a discharge to the directors in respect of the execution of their mandates up to 31 December 2011.

8. To the extent permitted by law, and in accordance with Article 32 of the Articles, to grant a discharge to the statutory auditor in respect of the execution of his mandate up to 31 December 2011.

9. To the extent permitted by law, and in accordance with Article 32 of the Articles, to grant a discharge to the independent auditors in respect of the execution of their mandate up to 31 December 2011.

10. **Directors' Authority to Allot and Issue Shares**
    That, in substitution for all previous authorisations currently in force, and in accordance with Article 4.1 of the Articles, the Board of Directors ("**Board**") be generally and unconditionally authorised pursuant to article 85 of the Companies Act (Chapter 386 of the laws of Malta) (the "**Companies Act**") to exercise all the powers of the Company to allot and issue Equity Securities (as defined in the Articles), up to a maximum aggregate

nominal amount of €20,795,733 for a period expiring (unless previously revoked, varied or renewed) on 20 September 2013 or, if sooner, the annual general meeting to be held in 2013, but if the Company has, before such expiry, made an offer or entered into an agreement which would or might require Equity Securities to be allotted after this authority expires, the directors may allot Equity Securities in pursuance of such offer or agreement as if this authority had not expired.

EXTRAORDINARY RESOLUTIONS

11. **Company's Authority To Purchase Its Own Shares**

Purpose
The Board is proposing to renew the authority for the Company to make market purchases of its own shares, including depository interests relating to such shares. In certain circumstances it may be advantageous for the Company to purchase its own shares and this resolution seeks authority from shareholders to make such purchases in the market. The directors consider it to be desirable for this general authority to be available to provide flexibility in the management of the Company's capital resources and to enable the Board to narrow the discount to the Company's net asset value. You are asked to consent to the purchase by the Company of up to a maximum aggregate of 10% of the Company's issued share capital.

Proposal
11.1 The Company be and is generally and unconditionally authorised pursuant to Article 3.4 of the Articles and in accordance with article 106 of the Companies Act to make market purchases of its own ordinary shares, including depository interests relating to such ordinary shares (the "**Ordinary Shares**") on such terms and in such manner as the directors shall determine, provided that:

11.1.1 the Ordinary Shares to be purchased are fully paid up;

11.1.2 the maximum aggregate nominal value of Ordinary Shares authorised to be purchased is €6,238,720, representing as at the date of this notice, 8,208,842 Ordinary Shares;

11.1.3 the maximum price which may be paid for each Ordinary Share shall be 5 per cent. above the average of the middle market quotations for an Ordinary Share on the exchange on which the Ordinary Shares are purchased for the five business days immediately before the day on which the purchase is made (in each case exclusive of expenses);

11.1.4 the minimum price which may be paid for each Ordinary Share shall be one euro cent;

11.1.5 all conditions and limitations imposed by the Companies Act are adhered to;

11.2 This authority (unless previously revoked, varied or renewed) shall expire on 20 September 2013 or, if sooner, at the end of the Annual General Meeting of the Company to be held in 2013 except that in relation to any offers or promises for the purchase of Ordinary Shares made before such date, the contract in relation to such acquisitions may be executed wholly or partly after such date as if such authority has not expired.

12. **Amendments to the Articles**

Purpose
One of the benefits of the migration of the Company to Malta is a reduction in the operational costs and complexities without materially impacting or prejudicing any rights of shareholders. The Company was subject to Luxembourg law that required it to send notices to its Members by registered post; however these requirements no longer apply now the Company is registered in Malta.

The Board is proposing that the Articles be amended in order to simplify the process of communication of notices and documents and to allow the Company, amongst other things, to send notices or other documents to its Members by normal post.

Consequential amendments are also required to align the provisions concerning the time of service of notices and documents to Members with the method of delivery of notices and documents, as amended.

The opportunity is also being taken to amend the Articles to allow for the possibility of instruments of proxy not contained in an electronic communication to be delivered at an address or location outside Malta.

These changes will result in significant cost savings to the Company.

All the above amendments are then to be consolidated into a new Memorandum and Articles, and accordingly to substitute and replace the existing Memorandum and Articles in their entirety.

Proposal
THAT:

12.1 Article 57 be deleted in its entirety and replaced with the following:

"57. The Company may communicate a notice or other document (including, without limitation, annual accounts and the Directors' and Auditors' reports thereon, a summary of the financial statements, a notice of meeting and a form of proxy) to a Member, by sending it by post or electronic communication."

12.2 Article 30.2 be deleted in its entirety and replaced with the following:

"A proxy shall be appointed either:

30.2.1 by means of completion and delivery of the usual or common form of instrument of proxy, or such other form as may be approved by the Directors from time to time, executed under the hand of the appointer, or of his duly authorized attorney, or if such appointer is a corporate Member either under its common seal or under the hand of a duly authorized officer or attorney of the corporate Member; or

30.2.2 otherwise, and subject to such terms and conditions (including, without limitation, as to security), as the Directors shall determine from time to time;

provided that any form of proxy shall provide for voting either for or against the resolutions to be proposed at the meeting at which the proxy is to vote. A Member may appoint two or more persons as proxies, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such Member."

12.3 Article 58 be deleted in its entirety and replaced with the following:

"58.1 If a notice or document is sent by post, it shall be treated as being delivered seven calendar days immediately following that on which it was posted, provided that if first class post or a similar express delivery service is used a notice or document shall be deemed as having been delivered 72 hours after it was given to the delivery service used.

58.2 If a notice or document is sent by means of electronic communication, it shall be treated as being delivered at the expiration of 48 hours after the time it was sent notwithstanding that the Company is aware of the failure in delivery of such electronic communication. Without prejudice to such deemed delivery; if the Company is aware of the failure in delivery of an electronic communication and has sought to give notice by such means at least three times, it shall send the notice in writing by post or other similar delivery service within 48 hours of the original attempt."

12.4 Article 59.1 be deleted in its entirety replaced with the following:

"59.1 In the case of delivery by post, in proving delivery of the document or notice concerned it shall be sufficient to show that it was properly addressed and put into the delivery system concerned with any fee or charge payable for communication paid or otherwise accounted for. In the case of electronic communications, proof that a notice contained in an electronic communication was addressed properly and transmitted to such fax number or electronic mail address as may be notified by the relevant Members and Directors to the Company shall be conclusive evidence that the notice was given."

12.5 Article 59.3 be deleted in its entirety.

12.6 Article 59.4 be deleted in its entirety replaced with the following:

"59.4 In respect of joint holdings all notices, documents and information shall be given to the joint holder whose name stands first in the Register in respect of such joint holding, and notice so given shall be sufficient notice to all the joint holders."

12.7 Article 30.4.1 shall be deleted in its entirety and replaced by the following:

"30.4.1 In the case of an instrument in writing not contained in an electronic communication, be delivered to the office (or such other address or location as may be specified for that purpose in or by way of a note to the notice convening the meeting) not less than 48 hours before the time fixed for holding the meeting or adjourned meeting at which the person named in the instrument is authorised to vote."

12.8 Article 30.4.2 shall be deleted in its entirety and replaced by the following:

"30.4.2 In the case of an appointment contained in an electronic communication, be communicated so as to be delivered to such address or fax number specified in the notice convening the meeting (or in any instrument of proxy sent out or in any other communication) not less than 48 hours before the time fixed for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote."

12.9 Article 30.5 shall be deleted in its entirety and replaced by the following:

"30.5 An appointment of a proxy which is not delivered in a manner permitted by Article 30.4 shall be treated as invalid. An appointment of proxy contained in an electronic communication found by the Company to contain a computer virus shall not be accepted by the Company and shall be invalid."

12.10 the definition of "electronic communication" within Article 2.1 shall be deleted in its entirety and replaced by the following:

"electronic communication means fax and electronic mail".

12.11 The above amendments are consolidated into a new set of Memorandum and Articles which will be and are hereby adopted as the Memorandum and Articles of the Company in substitution for, and to the exclusion of, the existing Memorandum and Articles.

Resolutions 1-10 are ordinary resolutions. Resolutions 11 and 12 are extraordinary resolutions.

The quorum requirement in relation to all Resolutions is at least two Members present or represented at the Annual General Meeting. If the Annual General Meeting is not quorate, it can be adjourned to a date not less than 7 and not more than 30 days after the Annual General Meeting as the chairman shall determine.

Notice of annual general meeting continued

Ordinary resolutions (resolutions 1-10) may be passed at the Annual General Meeting by a member or members holding more than 50% of the voting rights attached to shares represented and entitled to vote at the meeting.

Extraordinary resolutions (resolutions 11 and 12) require:

- a 75% majority by nominal value of the shares represented at the Annual General Meeting and entitled to vote thereat; and
- a majority vote of at least 51% in nominal value of all the shares entitled to vote at the Annual General Meeting.

If one but not both of the majorities for an extraordinary resolution is met, a second meeting may be convened within 30 days to take another vote. At the said second meeting, either one of the following majorities will suffice:

- 75% majority by nominal value of the shares represented and entitled to vote at the second meeting; or
- a simple majority in nominal value where more than half in nominal value of all of the shares entitled to vote are represented at the meeting.

By order of the Board

Dr Nadine Cachia
Company Secretary

11 May 2012

Notes:

1. This notice is being mailed to the Members on the Register of Members of the Company as at 11 May 2012. Members registered on the Register of Members as at 15 June 2012 (the "**Record Date**") shall have the right to participate and vote at the Meeting. Accordingly, the last day to trade for shareholders on the South African sub-register in order to be able to participate and vote at the meeting is 8 June 2012 and the last day to trade for shareholders on the UK sub-register in order to be able to participate and vote at the meeting is 14 June 2012. Any change to an entry on the Register after the Record Date shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.
2. A member entitled to attend and vote may appoint a proxy to attend and vote instead of him/her using the enclosed Form of Proxy; the appointed proxy need not be a member.
3. To be valid the Form of Proxy must be signed and the signed Form of Proxy must either reach the Company's registered office at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta or be emailed to Nadine.Cachia@maitlandgroup.com in either case by no later than 18 June 2012 at 10h00 (CEST). In order to assist shareholders:
   a. certificated shareholders and own-name registered dematerialised shareholders **who trade their shares on AltX of the JSE Securities Exchange and are registered on the South African part of the register of members** are strongly urged to send their signed Form of Proxy to South African Transfer Secretaries, Link Market Services South Africa (Pty) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) by no later than 15 June 2012 at 10h00 (SAST); and
   b. certificated shareholders **who trade their shares on AIM of the London Stock Exchange and are registered on the UK part of the register of members** are strongly urged to send their signed Form of Proxy to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 15 June 2012 at 09h00 (BST)

   so as to enable the Form of Proxy to be forwarded on your behalf to the Company no later than 18 June 2012 at 10h00 (CEST).
4. Dematerialised shareholders on the South African sub-register, other than own-name registered dematerialised shareholders, who wish to attend the meeting in person, will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the general meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein. The CSDP or broker must provide all voting instructions to the transfer secretaries by no later than 18 June 2012 at 10h00 (SAST).
5. Holders of depositary interests representing shares in the Company can instruct Capita IRG Trustees Limited, the Depositary, or amend an instruction to a previously submitted direction, via the CREST system. The CREST message must be received by the issuer's agent RA10 by 09h00 (BST) on 18 June 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with instructing Capita IRG Trustees Limited via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a direction appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertified Securities Regulations 2001. In any case your form of direction must be received by the Company's registrars no later than 09h00 (BST) on 18 June 2012.
6. Please indicate in the Form of Proxy the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.
7. A Form of Proxy which may be used to appoint a proxy and give proxy directions accompanies this notice. If you are a shareholder on the UK sub-register and do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Capita Registrars on 0871 664 0300 or from overseas +44 208 639 3399. Calls cost 10p per minute plus network charges, lines are open 08h30 – 17h30 (BST) Monday – Friday. If you are a shareholder on the South African sub-register and do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Link Market Services South Africa (Pty) Limited on 011 713 0800, lines are open 08h30 – 16h30 (SAST) Monday – Friday.
8. In order to participate and vote at the Meeting, a Member being a body corporate, association of persons, foundation or other body of persons, a representative thereof will only be eligible to attend and be admitted to the Meeting, and to vote thereat, if a Form of Proxy has been (a) duly executed in his/her favour by the competent organ of the entity

which he/she represents, and (b) submitted to the Company Secretary in accordance with the procedures set out at notes 3, 4 or 5 above, as the case may be.

9. The register of interests of the directors and their families in the share capital of the Company or in any subsidiary of the Company and copies of contracts of service of directors with the Company or with any of its subsidiary undertakings will be available for inspection at the registered office of the Company in Malta during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting.

10. Any one of the joint holders of any share for the time being conferring a right to vote may vote either personally or by proxy at any meeting in respect of such share as if he were the sole holder, provided that if more than one of the joint holders is present at any meeting, either personally or by proxy, the person whose name stands first in the register as one of such holders, and no other, shall be entitled to vote in respect of the share.

11. Admission to the Meeting will commence one hour before the advertised and appointed time.

12. After the Meeting has proceeded to business, voting documents will continue to be issued until such time as the Meeting proceeds to vote on the first Resolution of the Agenda whether by show of hands or by poll. Thereafter no further voting documents will be issued and admittance to the Meeting will be discontinued.

13. The following information is also made available to the Members on the Blackstar Group SE website (www.blackstar.eu) in the Investor Relations section:

    (a) a copy of this notice;

    (b) the total number of shares and voting rights at the date of the notice;

    (c) the documents to be submitted to the general meeting;

    (d) the form of proxy for the general meeting.

Form of proxy

BLACKSTAR GROUP SE

(Incorporated in Malta under the Companies Act 1995 with registration number SE4
and registered office at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta)

FORM OF PROXY

For use at the Annual General Meeting to be held in 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on 20 June 2012 at 10h00 (CEST)

Please read the notice of Annual General Meeting and the explanatory notes below before completing this form.

I/We ....

(Please insert full name in block capitals)

of..

(Please insert address in block capitals)

being (a) member(s) of Blackstar Group SE (the ''Company''), hereby appoint the Chairman of the Meeting,

or .... (see Note 1)

as my/our proxy in relation to all/ .... of my/our shares, to attend and vote for me/us at the Annual General Meeting of the Company to be held on 20 June 2012 at 10h00 (CEST) and at any adjournment of that meeting. I/We direct the proxy to vote in relation to the resolutions referred to below as follows:

Please indicate by ticking the box if this proxy appointment is one of multiple appointments being made ☐

For the appointment of one or more proxy see Note 1.

	Resolutions	For	Against
1	To receive and consider the accounts and reports of the directors, statutory auditor and the independent auditors and any other documents required by law to be attached or annexed to the stand-alone accounts of the Company for the year ended 31 December 2011 and to the consolidated accounts for the Group for the year ended 31 December 2011.		
2	To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2011.		
3	To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2011.		
4	To re-elect Wolfgang Baertz as a director of the Company.		
5	To re-elect the Company's statutory auditor for a limited time and to authorise the directors to determine his remuneration.		
6	To appoint the Company's joint independent auditors and to authorise the directors to determine their remuneration.		
7	To the extent permitted by law, to grant a discharge to the directors in respect of the execution of their mandates to 31 December 2011.		
8	To the extent permitted by law, to grant a discharge to the statutory auditor in respect of the execution of his mandate to 31 December 2011.		
9	To the extent permitted by law, to grant a discharge to the independent auditors in respect of the execution of their mandate to 31 December 2011.		
10	To grant the Directors authority to allot and issue shares.		
11	To authorise the Company to purchase its own shares.		
12	To amend the Company's Memorandum and Articles.		

If you want your proxy to vote in a certain way on the resolutions specified, please place an "X" in the appropriate box. If you fail to select any of the given options your proxy can vote as he/she chooses or can decide not to vote at all. The proxy can also do this on any other resolution that is put to the meeting.

Please indicate below whether or not you intend to be present at the meeting. This information is sought for administrative purposes only and will not affect your right to attend the meeting, notwithstanding any indication to the contrary.

I will be attending the Meeting ☐ I will not be attending the Meeting ☐

Signature .... Date 2012

Form of proxy continued

Notes:

1. To appoint as a proxy a person other than the Chairman of the meeting insert the full name in the space provided. A proxy need not be a member of the Company. You can also appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. The following options are available:
   (a) To appoint the **Chairman** as your **sole proxy** in respect of all your shares, simply fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
   (b) To appoint a **person other than the Chairman as your sole proxy** in respect of all your shares, delete the words 'the Chairman of the meeting (or)' and insert the name and address of your proxy in the spaces provided. Then fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
   (c) To appoint **more than one proxy**, you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. If you wish to appoint the Chairman as one of your multiple proxies, simply write 'the Chairman of the Meeting'. All forms must be signed and should be returned together in the same envelope.
2. If no voting indication is given, the proxy will vote as he thinks fit or, at his discretion, abstain from voting.
3. To be valid the Form of Proxy must be signed and the signed Form of Proxy must either reach the Company's registered office at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta or be emailed to Nadine.Cachia@maitlandgroup.com in either case by no later than 18 June 2012 at 10h00 (CEST). In order to assist shareholders:
   (a) certificated shareholders and own-name registered dematerialised shareholders **who trade their shares on AltX of the JSE Securities Exchange and are registered on the South African part of the register of members** are strongly urged to send their signed Form of Proxy to South African Transfer Secretaries, Link Market Services South Africa (Pty) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) by no later than 15 June 2012 at 10h00 (SAST); and
   (b) certificated shareholders **who trade their shares on AIM of the London Stock Exchange and are registered on the UK part of the register of members** are strongly urged to send their signed Form of Proxy to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by no later than 15 June 2012 at 09h00 (BST)

   so as to enable the Form of Proxy to be forwarded on your behalf to the Company no later than 18 June 2012 at 10h00 (CEST).
4. Dematerialised shareholders on the South African sub-register, other than own-name registered dematerialised shareholders, who wish to attend the meeting in person, will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the general meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein. The CSDP or broker must provide all voting instructions to the transfer secretaries by no later than 18 June 2012 at 10h00 (SAST).
5. Holders of depositary interests representing shares in the Company can instruct Capita IRG Trustees Limited, the Depositary, or amend an instruction to a previously submitted direction, via the CREST system. The CREST message must be received by the issuer's agent RA10 by 09h00 (BST) on 18 June 2012. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with instructing Capita IRG Trustees Limited via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a direction appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertified Securities Regulations 2001. In any case your form of direction must be received by the Company's registrars no later than 09h00 (BST) on 18 June 2012.
6. A corporation must execute the Form of Proxy under either its common seal or the hand of a duly authorised officer or attorney.
7. The Form of Proxy is for use in respect of the shareholder account specified above only and should not be amended or submitted in respect of a different account.
8. Completion and return of the Form of Proxy will not preclude you from attending and voting in person at the Meeting should you subsequently decide to do so.

Blackstar Group SE
4th Floor Avantech Building
St Julian's Road San Gwann
SGN 2805 Malta
www.blackstar.lu