BLACKSTAR

Blackstar Group SE
Annual Report and Accounts 2012

Contents

Annual report and accounts 2012

Highlights

During the review period

- Blackstar disposed of half its interest in the Litha Healthcare Group Limited, resulting in a 4.6 times return on investment
- The successful realisation of value in New Bond Capital Limited ("NBC") allowed for a return of capital to NBC shareholders. The calculated return on investment was 27.5% (in South African Rands) and 12.9% (in Pounds Sterling) over the 10 month period that the investment was held by Blackstar
- With the realisation of the NBC investment, Blackstar also repaid the Investec Bank acquisition facility
- The disposal of services derivatives resulted in a 2.28 times return on investment
- Blackstar generated R22.1 million (£1.7 million) in corporate finance and monitoring fees
- Successful launch of the Blackstar Special Opportunities Fund in October 2012

Post the review period

- During 2013, Blackstar increased its interest in Times Media Group Limited to 18.3%
- On 4 March 2013, Blackstar launched an offer to acquire the entire share capital of NBC
- Blackstar bought back 5.9 million shares at 79 pence (R11.07) per share. These shares will be re-issued at 91 pence (R12.47) for the purposes of the NBC transaction
- As at 31 March 2013, the intrinsic Net Asset Value ("NAV") per share was R14.72 (£1.05)
- In April 2013, Blackstar Global Opportunity Fund was launched focusing on global markets
- Blackstar announces its intention to declare a final dividend of 17 South African cents (1.21 pence) per ordinary share

Director's statement

Introduction

The period under review has in many ways been a watershed year for Blackstar Group SE ("Blackstar" or "the Company" or "the Group"), one which we believe has set a solid foundation for the Company.

We concluded three large transactions during the year, including the sale of 50% of Blackstar's shareholding in Litha Healthcare Group Limited ("Litha") at a significant premium relative to its cost.

In November 2012, Blackstar disposed of its listed services derivative investment via a series of on-market sales for cash consideration of R151.6 million (including dividends received), generating a 2.28 times return on investment in South African Rand and 2.04 times money on investment in Pounds Sterling, which equates to a 16% IRR and a 14% IRR, respectively, over the 6 year and 4 month holding period.

In January 2012, the Company acquired a significant shareholder interest in the South African investment company New Bond Capital Limited ("NBC") (formerly Mvelaphanda Group Limited, "MVG"). Following this acquisition we assumed the day-to-day management control of NBC in February 2012. We successfully realised NBC's assets within the year, and the proceeds of the sale were paid out to NBC shareholders. The NBC investment also enabled Blackstar to conclude a transaction for Times Media Group Limited ("TMG"), formerly Avusa Limited whereby TMG shares were distributed in the form of a dividend in specie to NBC shareholders. We arranged, structured, led and concluded this transaction in October 2012 which saw Blackstar receive a direct shareholding in TMG.

In May 2012, the Company completed the transfer of its registered office from the United Kingdom to Malta and its tax residency from Luxembourg to Malta. The move to Malta has already delivered improved efficiencies and reduced the administrative and legal costs which arise from being present in two jurisdictions.

In January 2013 I took over as the hands-on CEO of TMG. Having conceived the opportunity and executed the deal, it made sense for Blackstar to drive the changes required for repositioning TMG.

During 2012, Blackstar generated corporate finance and monitoring fees of R22.1 million (£1.7 million) compared to R5.2 million (£0.4 million) in the prior year. By the end of the year we managed to increase our intrinsic NAV from R1.0 billion (£82.0 million) in December 2011, to R1.1 billion (£82.6 million) as at end December 2012.

Annexure A includes a breakdown of the intrinsic NAV of Blackstar as at 31 March 2013. This provides shareholders with a useful analysis of the current, true inherent value of each investment held.

Investment and Market Review

NBC

In January 2012, Blackstar acquired 28% of NBC (formerly MVG) for a total cash consideration of R470.0 million (£37.4 million), equivalent to R3.21 (£0.26) per NBC share. With this, Blackstar became the largest single investor in NBC.

To fund the acquisition, Blackstar utilised R150.0 million (£12.0 million) of its own cash resources together with R320.0 million (£25.9 million) from a debt facility provided by Investec.

William Marshall-Smith and I were appointed to the NBC Board and assumed the roles of Interim Financial Director and Interim Chief Executive Officer respectively. Our specific objective was to unbundle and further realise the value of NBC's remaining investment portfolio in the most efficient manner possible. Blackstar subsequently realised all the investments and returned the capital to shareholders in January 2013.

Prior to this, in November 2012, Blackstar had sold its investment in NBC for a total return of R194.8 million (£13.7 million). However, Blackstar continues to manage NBC, recovering the costs to do this directly from NBC in the form of fees and salaries.

NBC became a cash shell following the special dividend payment to shareholders in January 2013. NBC continues to retain capital in order to fund liabilities and contingencies which may arise. On 4 March 2013, Blackstar launched an offer to acquire all of the shares in NBC via an issue of Blackstar shares. The terms of the offer are 1.12 Blackstar shares in return for every 100 NBC ordinary shares held. NBC has a NAV of R80.6 million (£5.9 million), which comprises entirely of cash.

We view this transaction as essentially a placing, to enable Blackstar to get additional cash into the Company on an attractive basis. Blackstar will re-issue the shares it recently bought back at 79 pence (R11.07), currently held as treasury shares, at a higher price of 91 pence (R12.47).

The transaction, which is expected to close in early June 2013, will increase Blackstar's asset base whilst reducing the cost base as a percentage of assets. In light of these benefits, Blackstar intends to try and identify similar acquisitions in the future.

Steel investments

Blackstar's steel and infrastructure interests include Global Roofing Solutions (Pty) Limited ("GRS"), Stalcor (Pty) Limited ("Stalcor"), and Robor (Pty) Limited ("Robor"). These businesses represent 22.4% of Blackstar's current gross intrinsic asset value as at 31 March 2013.

We remain conservative in the intrinsic NAV valuation of our steel interests. However, I maintain that these assets will prove very valuable should the promise of increased infrastructure spend become a reality.

GRS

Blackstar currently holds 100% of GRS, with its principle businesses being HH Robertson ("HHR") and Brownbuilt Metal Sections ("Brownbuilt"). These companies have been in existence since 1958 and 1964, respectively. GRS is the largest steel roofing and cladding company in South Africa.

The 2012 financial year was one of rapid change for GRS with the closure of the coil-to-coil coating line, and the consolidation of the Gauteng operations into a single facility. Both events resulted in abnormal costs totalling R14.3 million (£1.1 million) being incurred. We do however expect substantial cost-savings and streamlining of management as a result, and we look forward to improved efficiencies and greater productivity.

The recent Arcelor Mittal breakdown and the Medupi Power Station strike placed pressure on GRS with regard to meeting delivery requirements. However, the recent consolidation of operations has created improved controls and cost-efficiencies which mitigate some of the issues. I remain confident that the numbers will move in the right direction.

GRS's Namibian business continues on its path of strong growth. In 2012 we installed manufacturing facilities in Windhoek to enable a shorter and more cost-effective route to market, to satisfy the fast-growing industries in Angola and the Democratic Republic of Congo ("DRC"). GRS continues to grow its exports into Africa.

Robor

Robor is the largest steel tube and pipe manufacturer in southern Africa, and services the following industries:

- Agriculture
- Automotive
- Building and Construction
- Energy and Power Generation
- Manufacturing
- Mining
- Petrochemical
- Rail and Road
- Water Reticulation

Robor has a large export market with over one million tons of its products exported worldwide.

For the financial year ending 30 September 2012, Robor produced a solid set of financial results despite a tough trading environment. Robor succeeded in reducing group debt, and paid a dividend to shareholders.

The outlook for the remainder of the financial year looks encouraging, with volumes increasing. Robor will continue its African growth strategy by developing the company's businesses in Namibia, Botswana, Zimbabwe, Zambia, DRC and Mozambique.

At year end, Blackstar held 6.1% in Robor after purchasing additional shares at a total price of R5.0 million (£0.4 million) during the year. In February 2013, Blackstar spent a further R2.0 million (£0.1 million) buying Robor shares at an attractive valuation.

Stalcor

Stalcor is a tier-one distributor for both Columbus (stainless steel) and Hulamin (rolled, flat and extruded aluminium) products.

In June 2012, Blackstar brought in an equity partner into Stalcor who injected R5 million into the business. At the same time ordinary shares of Stalcor were allocated to the equity partner, as well as to management and a customer loyalty trust, bringing Blackstar's equity holding down to 50.1%. As the capital providers to Stalcor, Blackstar and its equity partner will be entitled to 18% of retained income (sharing in a ratio of 90:10 in favour of Blackstar) prior to other ordinary shareholders receiving any equity benefits.

At the beginning of 2012, we put in a new management team and this has resulted in Stalcor regaining lost market share, with sales in the second half of the year growing by 27%. The new management has done a superb job of managing working capital and strengthening their regional branches in Kwa Zulu Natal and Cape Town and enhancing their facilities with both banks and trade suppliers. We believe 2013 will remain a difficult macro environment however management are looking at a number of opportunities to enhance the business.

Litha

Following Blackstar's disposal of half of its investment in Litha for R200.6 million (£15.6 million) in June 2012, Blackstar held 13.4% of Litha as at year end. Litha is carried at a value of R260.6 million (£18.6 million) in the intrinsic NAV table and represents 23.3% of intrinsic net assets as at 31 March 2013.

Litha's 2012 financial results were negatively impacted by a number of once-off merger factors, the weakening Rand, and higher operating costs that all reduced Earnings before Interest, Taxation, Depreciation and Amortisation ("EBITDA") – overall a very disappointing year. The physical merger of Litha Pharma and Pharmaplan is complete. However, there are still opportunities to improve efficiencies and reduce operating costs which will come into effect during 2013.

Litha's strategy for shifting into a revenue growth phase includes acquiring new products, signing more agencies, and maintaining organic growth. Litha will continue to broaden its footprint in the SADC region via joint ventures and licensing agreements with regional distributors.

TMG

Blackstar obtained its initial 11.5% interest in TMG as a result of a distribution of TMG shares by NBC to its shareholders. Subsequent to year end, Blackstar acquired further shares in TMG and as at 31 March 2013 Blackstar held a 15.6% interest in TMG with a fair value of R312.7 million (£22.3 million), representing 27.9% of Blackstar's total intrinsic net asset value. By April 2013, Blackstar had increased its stake to 18.3% through the purchase of additional TMG shares.

As mentioned previously, I recently assumed the day-to-day running of TMG. TMG is an interesting opportunity. It is a business that has lost its way through the 2000's but owns some of South Africa's most well-known media publications, and is content rich.

TMG produces very strong cash flows and has remained profitable despite various issues. Firstly, TMG is a leverage opportunity: as the acquisition finance is repaid, the equity value will increase and we expect the TMG market capitalisation to rise as a result. To date, TMG has repaid 22% of its acquisition leverage within a five month period. The leverage has allowed TMG to focus the business and bring efficiencies to its underlying operations.

Over the coming months, it is our intention to focus on the business' core operations. We will sell-off the non-core assets to reduce the leverage further, while having little impact on TMG's EBITDA. It is our view that TMG is a potentially very valuable and profitable platform.

In our view TMG is also more than just a newspaper print business, it generates and owns a lot of content. We will be launching live streaming radio in May 2013 and developing our Television assets further utilising the content that TMG currently owns.

Blackstar Real Estate

Blackstar owns a number of commercial properties based in the industrial, retail and commercial sectors of the property market. The most recent acquisition was the commercial property in Midrand, Gauteng, South Africa which was acquired in the first half of 2012 and is now occupied by Litha under a 12 year lease.

Blackstar Fund Managers – Hedge Fund

Over the past seven years, Blackstar has developed a successful and profitable track record making portfolio investments in various listed instruments, and employing its private equity processes and hedge fund strategies. In order to leverage off this track record and establish a fund management platform, Blackstar has launched both a local fund (South African focused) and a global hedge fund. Both funds have been seeded by Blackstar along with some other investors.

Blackstar has partnered with well-known, experienced hedge fund managers with impressive track records to complement Blackstar's existing intellectual capital and created Blackstar Fund Managers (Pty) Limited ("BFM"). Fund management is a scalable business and with relatively small capital investment, reasonable earnings can be produced as funds under management grow.

The Blackstar Special Opportunities Fund ("BSOF") has had a satisfactory start since launching on 1 October 2012, returning 8.3% up to March 2013.

BSOF is a multi-strategy fund with an emphasis on special opportunities within the South African market. Positions will be extensively researched using private equity research and analysis techniques to establish fundamental reasons for a difference between the price and value of a security. Technical analysis will overlay the investment process to maximise entry and exit pricing. Blackstar Group SE invested R20.8 million (£1.5 million) into the fund. BSOF has been consolidated in the 2012 annual financial statements.

Director's statement continued

The Blackstar Global Opportunities Fund ("BGOF") launched at the beginning of April 2013. The BGOF is a global USD multi-strategy fund holding only highly liquid global securities in a combination of longer term long and short positions, and shorter term trading positions.

Longer-term holdings will be based on fundamental analysis and valuation, while trading will be based on high-risk return propositions. Technical and quantitative analysis will overlay the investment and trading processes. The size and liquidity of the fund universe makes it possible to significantly scale this business.

Other investments

The December 2011 report detailed that by 2012 year-end, Blackstar would hold an investment of R19.1 million (£1.4 million) in Shoprite Holdings Limited ("Shoprite"). At 31 March 2013, the investment had a fair value of R20.7 million (£1.5 million) representing 1.7% of Blackstar's current intrinsic net asset value as at 31 March 2013.

The decision to purchase the Lusaka shares was driven by the fact that Shoprite Lusaka traded at a 43% discount to the JSE share price at the time of acquisition. The discount has persisted and is now at a 38% discount to the Shoprite JSE price. Unfortunately the pending Shoprite litigation has frozen share trading activity.

Shoprite has also suspended all dividends to shareholders on the Zambian exchange pending the outcome of the legal action against Lewis Nathan and Lusaka shareholders. Blackstar, along with other shareholders, has engaged Shoprite on this matter and is working to resolve the shareholder element of the dispute. We maintain our position that Shoprite is mistaken in challenging Lusaka shareholders, and that Blackstar will succeed in any legal proceedings.

Services derivatives which had an underlying exposure to Bidvest Group Limited were sold during November 2012 for R151.6 million (£11.6 million). The realisation generated a 2.28 times return on investment in South African Rands and 2.04 times money on investment in Pounds Sterling.

Financial Review

In light of the fact that a significant portion of Blackstar's shareholders are South African, Blackstar now presents its results in South African Rand in addition to Pounds Sterling. Comparatives have also been provided in Rands. The applicable exchange rates utilised to translate the financial information from Rands to Pounds Sterling are as follows: average ZAR/GBP exchange rate for the 12 months ended 31 December 2012 of 13.015 (2011: 11.629) and a closing ZAR/GBP exchange rate of 13.773 as at 31 December 2012 (12.546 as at 31 December 2011).

The subsidiaries of Blackstar including Blackstar Group (Pty) Limited ("Blackstar SA"), BFM, GRS and its subsidiaries, Stalcor, Blackstar Real Estate (Pty) Limited ("BRE") and its subsidiaries have been consolidated in accordance with IFRS. In addition to these, the hedge fund BSOF has also been consolidated due to the fact that Blackstar has a controlling interest in the General Partner to the fund and also a beneficial interest in BSOF in the form of a direct investment. The associate Navigare Securities (Pty) Limited ("Navigare") has been equity accounted. Litha was also equity accounted up until the date of sale of half of the investment at which point it ceased to be an associate and the remaining investment was transferred to the investments held at fair value through profit and loss category within the balance sheet and fair valued.

Financial performance

The statement of income separately reports profit generated by continuing and discontinued operations. The discontinued operations separately reported includes the results of the associate Litha until June 2012, being the date on which Blackstar disposed of half of its Litha shares, the results of Ferro Industrial Products (Pty) Limited to date of disposal in June 2011 as well as Stalcor's operations discontinued or disposed of during the 2011 financial year. Comparatives have been restated to separately disclose these discontinued operations.

A gross profit of R153.1 million (£11.8 million) was generated by the Group's trading businesses, Stalcor, and GRS and its subsidiaries (2011: R141.5 million, £12.2 million).

Other income of R291.1 million (£22.3 million) comprises mainly of the following: net gains on investments of R19.9 million (£1.7 million); dividends from investments of R212.9 million (£16.4 million), fee income of R22.1 million (£1.7 million), R10.5 million (£0.8 million) of rental income generated by the Group's property portfolio and a R9.5 million (£0.7 million) fair value increase on two of the properties within the Group.

Blackstar was successful in generating additional fee income during the current year and as a result increased fee income by R16.9 million (£1.2 million) to R22.1 million (£1.7 million) when compared to the comparative year.

Dividends of R212.9 million (£16.4 million) include a capital distribution received by Blackstar from NBC in the form of TMG shares which were valued at R209.4 million (£16.1 million) being the closing TMG share price on the date the shares were received.

Gains on investments include a R125.3 million (£9.6 million) gain recognised when the remaining investment in Litha was transferred from the investment in associate category to investments at fair value through profit and loss and fair valued to its closing share price at 31 December 2012, and a R35.1 million (£2.7 million) realised gain recognised during the 2012 year on the services derivative investment.

Operating expenses for the Group have reduced from R351.5 million (£29.4 million) in 2011 to R246.5 million (£18.7 million) for the 2012 financial year mainly as a result of a decline in the total amount of impairment recognised in the current financial year . Included in operating expenses are total impairments of R57.4 million (£4.2 million) recognised on goodwill, intangible assets, plant and equipment, and investment properties (2011: R153.8 million, £12.4 million).

Fee income generated from investments of R22.1 million (£1.7 million) covers operating costs incurred by the investment activities segment excluding legal fees and staff incentive costs which are deal specific of R21.7 million (£1.7 million).

The Group generated an operating profit of R197.7 million (£15.4 million) in the current year compared to a loss of R118.6 million (£16.0 million) in the prior year. The main reasons for this significant improvement was a reduction in operating expenses and additional income generated from investments in the form of fee income and gains on disposals.

Net finance costs increased from R17.9 million (£1.5 million) in 2011 to R33.7 million (£2.6 million) in 2012. This is mainly as a result of the borrowings raised to finance the initial NBC acquisition (this debt was settled prior to year end on disposal of the investment), as well as additional mortgage bonds taken out to fund the new property acquisition.

The profit after tax from continuing operations for the year ended 31 December 2012 amounted to R164.2 million (£12.8 million).

A profit of R128.2 million (£7.7 million) was generated by discontinued operations and comprises equity accounted earnings of Litha amounting to R70.0 million (£5.6 million) to date of disposal of 50% of the Litha investment, a net gain of R63.2 million (£2.5 million) recognised on disposal of the investment, and a R5.0 million (£0.4 million) loss arising as a result of further costs incurred during the current year relating to Stalcor's operations which were discontinued in the prior financial year.

The Group reported a profit attributable to equity holders of the parent of R292.4 million (£20.5 million), and basic and diluted earnings of 356.16 cents (25.03 pence) per share and headline earnings of 273.59 cents (21.11 pence) per share.

Balance sheet changes

Total equity attributable to equity holders amounted to R1.1 billion (£83.1 million) as at 31 December 2012.

Investments at fair value through profit and loss amounted to R610.0 million (£44.3 million) as at 31 December 2012 and mainly comprised the following carried at fair value: investment in Litha carried at R262.8 million (£19.1 million), TMG investment of R195.0 million (£14.2 million), R60.0 million (£4.4 million) investment in Robor, and the BSOF investment portfolio with a fair value of R53.1 million (£3.8 million).

Investments classified as loans and receivables declined by R25.7 million (£2.1 million) to R1.7 million (£0.1 million) mainly due to disposals during the year.

Investment properties increased by R13.5 million (£0.4 million) to R101.6 million (£7.4 million) mainly as a result of the acquisition of the new commercial property for R5.4 million (£0.4 million) which is occupied by Litha under a 12 year lease, as well as fair value increases of R9.5 million (£0.7 million) which were partially offset by an impairment of R4.1 million (£0.3 million).

Goodwill was impaired by a total of R30.4 million (£2.2 million) which includes an impairment of R26.8 million (£1.9 million) on the remaining goodwill relating to Blackstar SA on the internalisation of investment advisory arrangements, and a R3.6 million (£0.3 million) impairment being recognised on goodwill relating to one of GRS's South African subsidiaries. The goodwill recognised on the internalisation of the investment advisory arrangement has now been impaired to nil which is in line with the terms of the investment advisory arrangements. Goodwill is tested for impairment at each reporting date. The remaining goodwill of R9.0 million (£0.6 million) mainly comprises goodwill recognised on the GRS subsidiary in Namibia of R8.1 million (£0.6 million).

As at 31 December 2012, intangible assets of R22.7 million (£1.7 million) comprise acquired marketing-related intangibles (brand names and registered trademarks) that arose on the acquisition of GRS. This is after an impairment of R11.7 million (£0.9 million) was recognised on these intangible assets, as a result of difficult market conditions during the year.

Gross assets increased from R1,2 billion (£95.2 million) in 2011 to R1,5 billion (£106.6 million) as at 31 December 2012. The main reasons for this are the increase in cash generated on successful realisation of investments which was then utilised to grow the investment portfolio as well as an increase in value of the investments held.

Borrowings and other financial liabilities amounted to R180.2 million (£13.1 million) compared to R185.3 million (£14.8 million) at 31 December 2011 and mainly comprises mortgage bonds raised by property companies amounting to R82.4 million (£6.0 million) as well as R71.9 million (£5.2 million) of invoice discounting facilities utilised by Stalcor and GRS. The borrowings raised to finance the acquisition of the interest in NBC were settled on the subsequent realisation of the investment. All debt is ring-fenced within each subsidiary.

Cash and cash equivalents increased by R96.9 million (£5.2 million) during the current financial year to an amount of R351.9 million (£25.5 million) as at 31 December 2012. Significant cash flow movements during the period included a R657.2 million (£50.3 million) cash outflow on purchases of investments, proceeds of R671.1 million (£51.4 million) received in cash on the disposal of investments and a R200.6 million (£15.7 million) cash inflow on disposal of half of the investment in Litha.

Share buy-backs

In January 2013, Blackstar purchased 5.9 million ordinary shares of €0.76 each in the Company at a price of 79 pence (R11.07) per share, representing 7.19% of the issued ordinary share capital prior to such purchases. The shares are currently being held in treasury.

Dividends

As a reflection of the strengthened financial position and cash reserves available to Blackstar, the Board has resolved to declare a final gross dividend of 17 South African cents (1.42 cents in Euros and 1.21 pence in Pounds Sterling) per ordinary share. The exchange rates have been fixed for the calculation of the Euro and Pounds Sterling equivalents based on the closing exchange rates on Thursday, 18 April 2013 of EUR 1 = ZAR 11.983 and GBP 1 = ZAR 14.000. The Board recognises that regular dividends are an important part of shareholder wealth creation.

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

Last day to trade on the South African register	Friday, 7 June 2013
Trading ex-dividend commences on the South African register	Monday, 10 June 2013
Last day to trade on the UK register	Tuesday, 11 June 2013
Trading ex-dividend commences on the UK register	Wednesday, 12 June 2013
Record date for shareholders recorded on the UK and South African registers	Friday, 14 June 2013
Date of payment	Tuesday, 18 June 2013

Share certificates may not be dematerialized or rematerialized between Monday, 10 June 2013 and Friday, 14 June 2013, both days inclusive, and transfers between the UK register and the South African register may not take place during that period.

Dividend Tax will be withheld from the amount of the gross dividend of 17 South African cents per share paid to South African shareholders at the rate of 15% unless a shareholder qualifies for exemption. After the Dividend Tax has been withheld, the net dividend will be 14.45 South African cents per share. There are no other taxes (foreign or otherwise) to be withheld from the dividend. The Company had a total of 82,088,422 shares in issue (which includes 5,900,000 shares held in treasury) at the date on which the dividend was announced, 19 April 2013. The dividend will be distributed by Blackstar Group SE (Malta tax registration number 995944033) and is regarded as a foreign dividend. There are no Secondary Tax on Companies (“STC”) credits available for use.

Blackstar Foundation

Blackstar is committed to reaching out to those less fortunate and giving back to the community. The Blackstar Foundation, a non profit organisation, has been registered and will focus on the education of underprivileged children, providing bursaries, educating, and funding the tools required to assist with their education. Blackstar has donated R1.0 million (£0.08 million) to the Foundation and third parties have donated a further R0.2 million (£0.02 million). These funds have been invested and returns generated will be utilised by the Blackstar Foundation to fund the education of identified individuals. The Blackstar Foundation will continue to source further donations from Corporates and individuals.

Blackstar: Management Incentive Scheme

At present, Blackstar does not have a formalised share incentive scheme in place to remunerate and retain Management. As such the Board is proposing to implement a share incentive scheme that will be presented at the upcoming Annual General Meeting of the Company and put to a Shareholder vote.

Much of Blackstar's success is based on the intellectual capital that is held within its current management. We are constantly in competition with other companies and funds (with share incentive schemes already in place) who vie for the talent we currently hold within our ranks. It has become imperative for Blackstar to introduce a share incentive scheme that levels the playing field, allowing us to retain and attract new talent, and effectively grow the Company.

For Blackstar to align all Management incentives with the performance expectations of our Shareholders is vital. The proposed scheme will therefore be linked to the NAV per share of the Company. Share prices will fluctuate over time but ultimately NAV per share will drive the Company's share price. When making asset allocation decisions, Management will explore all opportunities to create value on a per share basis, which may include share buy backs.

The share incentive scheme will be structured so that it is non-dilutive for Shareholders. This means that participants in the scheme will accrue shares based on a portion of the NAV growth per share that has been created. In order to retain talent over the long-term, participants will receive the value of their share incentives incrementally, over a defined period of time.

The Board believes that through this model, Management will be motivated to drive share performance, and align with our Shareholders' interests.

Outlook

The 2012 period under review has been a busy and successful year for Blackstar. Several investments have been realised with pleasing returns and the remaining investments have been re-assessed and reviewed during the year ensuring they are well-positioned to generate profitable returns going forward. TMG is proving to be an exciting opportunity and the successful finalisation of the NBC transaction will enhance Blackstar's balance sheet placing it in a good position to invest in new, attractive ventures. Blackstar maintains a strong focus on cost control and lowering these as a percentage of total assets.

It is our view that there may be opportunities for Blackstar to potentially absorb some of the operating companies which are currently in realisation mode, have decent assets, and which trade at large discounts to their intrinsic NAV.

It has been well publicised that the Cypriot government has been attempting to push through a levy on all deposits held in the island's banks in return for an EU bailout. This will have no impact on Blackstar as although it has a subsidiary registered in Cyprus, Blackstar (Cyprus) Investors Limited, none of the Group's bank accounts are held with Cypriot banks.

Subject to them being endorsed for use in the EU, Blackstar intends to adopt the Investment Entities amendments to IFRS 10, IFRS 12, and IAS27. These amendments introduce an exception to the principle that all subsidiaries need to be consolidated and instead allows investment entities to measure the investments in particular subsidiaries at fair value through profit and loss. As a result of adopting these amendments the Blackstar consolidated statement of financial position would be more closely aligned with the intrinsic NAV of the Group.

Andrew Bonamour
19 April 2013

Annexure A

Intrinsic NAV as at 31 March 2013

	Unaudited R'000	Unaudited £'000
Times Media Group Limited	312,730	22,278
Litha Healthcare Group Limited	260,571	18,563
Global Roofing Solutions (Pty) Limited	155,000	11,042
Stalcor (Pty) Limited	32,000	2,280
Robor (Pty) Limited	63,931	4,554
Blackstar Real Estate (Pty) Limited	30,260	2,156
Other listed	102,021	7,268
Other unlisted	7,487	533
Cash and cash equivalents	156,678	11,233
Intrinsic NAV	**1,120,678**	**79,907**
Actual number of shares in issue net of treasury shares held ('000)	76,188	76,188
Intrinsic NAV per share (in Rands/Pounds Sterling)	14.71	1.05
Ordinary share price on 31 March 2013 (in Rands/Pounds Sterling)	11.50	0.79
Ordinary share price discount to NAV	22%	25%

Notes:

1 The intrinsic NAV provides a measure of the underlying value of the Group's assets and does not indicate when the investments will be realised, nor does it guarantee the value at which the investments will be realised.

2 For the purposes of determining the intrinsic values, listed investments on recognised stock exchanges are valued using quoted bid prices and unlisted investments are shown at directors' valuation, determined using the discounted cash flow methodology. This methodology uses reasonable assumptions and estimations of cash flows and terminal values, and applies an appropriate risk-adjusted discount rate that quantifies the investment's inherent risk to calculate a present value. Given the subjective nature of valuations, the Group is cautious and conservative in determining the valuations and has a track record of selling its unlisted investments in the ordinary course of business above the levels at which it values them.

3 All amounts have been translated using the closing exchange rates at 31 March 2013. The GBP/ZAR closing exchange rate at 31 March 2013 was 14.037.

4 Other listed include investments in Shoprite Holdings Limited, Blackstar Global Opportunities Fund and Blackstar Special Opportunities Fund.

5 Other unlisted include investments in Navigare Securities (Pty) Limited and Blackstar Fund Managers (Pty) Limited.

Directors' report

The Directors present their report for Blackstar Group SE (registered number SE4) together with the audited financial statements for the year ended 31 December 2012.

Results and dividends
The consolidated statement of income as set out on page 18 shows the profit/loss for the year.

The Directors recommended the payment of a final dividend of 17 South African cents (1.42 cents in Euros and 1.21 pence in Pounds Sterling) per ordinary share (2011: special dividend of 80.53 South African cents, 6.5 pence in Pounds Sterling, 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 and principal place of business at 4th Floor Avantech Building, St Julian's Road, San Gwam, SGN 2805, Malta.

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 transfer was effective by 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 50% controlling interest in Stalcor (Pty) Limited ("Stalcor"), which is a processor, distributor and stockist of stainless steel and aluminium.

The Company has a 50% controlling interest in Blackstar Fund Managers (Pty) Limited ("BFM"), which is a hedge fund management business and responsible for managing the Blackstar Special Opportunities Fund ("BSOF"), a limited partnership also considered to be under the control of the Company.

The requirements of the business review have been included in the Director's statement as set out on pages 3 to 6.

Principal risks and uncertainties
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 34 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 trading businesses (being GRS and Stalcor) 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 currencies which differ from its functional currency (Rands) and presentational currencies (Pounds Sterling and Rands). The Board of Directors meet at least 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, in the case of listed investments, uncertainties about future prices. The Board of Directors meet at least 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. Both are therefore significantly affected by changes in the steel sector. These businesses also require 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 their main suppliers, Arcelor Mittal South Africa Limited and Columbus Stainless (Pty) Limited, also has a significant impact on their ability to manufacture and trade. Both GRS and Stalcor have developed relationships with key suppliers, and use 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 have an impact on their ability to achieve budgeted volumes and turnover. GRS and Stalcor consistently monitor the government's policies and activities as well as activity within the aforementioned industries to ensure that they are 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 Stacor interacts regularly with its bankers in order to improve and strengthen their relationship and to ensure that adequate facilities are always in place.

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.

Consolidated businesses are run on a decentralised manner with local management maintaining an entrepreneurial focus and being responsible for their own operations. The Company usually 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.

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, 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 Andrew Bonamour, Wolfgang Baertz and Marcel Ernzer. The Remuneration Committee will set the remuneration levels for the Directors having regard to market conditions and also ensure appropriate incentive schemes are in place for management.

Nominations Committee

The Nominations Committee is chaired by Marcel Ernzer and comprises John Mills, 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 four 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 Director's statement on pages 3 to 6. In addition, notes 34 and 35 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.

In January 2013, the Company purchased 5,900,000 ordinary shares of €0.76 each in the Company at a price of 79 pence (R11.07) per share. These shares are held as treasury shares.

Post balance sheet events

These are detailed in note 42 to the consolidated financial statements.

Charitable and political contributions

During the year, no charitable or political contributions were made other than Blackstar's contribution of R1.0 million (£77,000) to the Blackstar Foundation, a registered non profit organisation.

Financial instruments – risk management

Details of the financial risk management objectives and policies of the Company and its subsidiaries are contained in note 34 to the consolidated financial statements.

Directors

The current Directors of the Company, who all held office throughout 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 2012	Number of ordinary shares 2011
Andrew Bonamour*	**7,523,105**	7,522,105
John Mills	**761,328**	761,328
Wolfgang Baertz	**223,158**	183,158
Marcel Ernzer	**—**	—

Notes:

* These shares are held by funds associated with Andrew Bonamour.

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.

Charles Taberer was a director of the Company during the year until he resigned effective 31 December 2012.

Biographical details of all current Directors are to be found on page 16.

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

The Directors are required by the Malta Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Group and Company at the end of each financial period and of the Group's profit or loss 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 the financial statements, the Directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the European Union;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal controls relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Malta Companies Act, 1995. The Directors 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 Malta were appointed as auditors to the Company in January 2013 following the transfer of the Company's registered office to Malta. A resolution to confirm their appointment 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	**John Mills**
Director	**Director**
19 April 2013	

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 seven 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, the Company's investment advisory subsidiary. 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.

Independent auditors' report

Independent auditors' report to the shareholders of Blackstar Group SE

We have audited the accompanying Group and Parent Company financial statements (the "financial statements") of Blackstar Group SE set out on pages 18 to 111 which comprise the consolidated and parent company statements of financial position at 31 December 2012 and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity, and the consolidated and parent company statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

As described on page 15, the directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis of our audit opinion.

Opinion

In our opinion, these financial statements give a true and fair view of the financial position of the Group and Company as at 31 December 2012 and of the Group's financial performance and Group and Company's cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the provisions of the Malta Companies Act, 1995.

Report on other legal and regulatory requirements

We also have responsibilities under the Malta Companies Act, 1995 to report to you if, in our opinion:

- The information given in the directors' report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

BDO MALTA
Certified Public Accountants
19 April 2013

Consolidated statement of income
for the year ended 31 December 2012

2011 R'000	2012 R'000		Notes	2012 £'000	*As restated 2011 £'000
1,058,912	**1,063,016**	Revenue	**5**	**81,676**	91,058
(917,372)	**(909,943)**	Cost of sales		**(69,915)**	(78,887)
141,540	**153,073**	**Gross profit**		**11,761**	12,171
91,369	**291,102**	Other income	**6**	**22,302**	1,176
(351,502)	**(246,488)**	Operating expenses	**7**	**(18,694)**	(29,384)
(118,593)	**197,687**	**Operating profit/(loss)**	**8**	**15,369**	(16,037)
(17,912)	**(33,741)**	Net finance costs	**10**	**(2,592)**	(1,541)
2,220	**6,174**	Finance income		**474**	191
(20,132)	**(39,915)**	Finance costs		**(3,066)**	(1,732)
495	**490**	Share of profit from associate	**18**	**38**	43
(136,010)	**164,436**	**Profit/(loss) before taxation**		**12,815**	(17,535)
(4,935)	**(262)**	Taxation	**11**	**(36)**	(421)
(140,945)	**164,174**	**Profit/(loss) from continuing operations**		**12,779**	(17,956)
		Discontinuing operations			
115,151	**128,198**	Profit from discontinued operations, net of taxation	**12**	**7,741**	10,739
(25,794)	**292,372**	**Profit/(loss) for the year**		**20,520**	(7,217)
		Profit/(loss) for the period attributable to:			
(29,832)	**292,365**	Equity holders of the parent		**20,544**	(7,584)
4,038	**7**	Non controlling interests		**(24)**	367
(25,794)	**292,372**			**20,520**	(7,217)
(37.86)	**356.16**	**Basic and diluted earnings/(losses) per ordinary share attributable to equity holders (in cents/pence)**	**13**	**25.03**	(9.62)
(177.29)	**199.99**	**Basic and diluted earnings/(losses) per ordinary share attributable to equity holders from continuing operations (in cents/pence)**	**13**	**15.60**	(22.65)

* Refer note 4

The notes on pages 26 to 98 form part of the Consolidated financial statements.

Consolidated statement of comprehensive income
for the year ended 31 December 2012

2011 R'000	**2012** **R'000**		**2012** **£'000**	2011 £'000
(25,794)	**292,372**	**Profit/(loss) for the year**	**20,520**	(7,217)
		Other comprehensive income/(loss):		
—	**—**	Currency translation differences on translation of Rand denominated Group entities	**(7,681)**	(9,075)
—	**—**	Release of foreign currency translation reserve on disposal of associate/subsidiary	**2,407**	(1,261)
—	**—**	**Net comprehensive loss recognised directly in equity**	**(5,274)**	(10,336)
(25,794)	**292,372**	**Total comprehensive income/(loss) for the year**	**15,246**	(17,553)
		Attributable to:		
(29,832)	**292,365**	Equity holders of the parent	**15,184**	(18,095)
4,038	**7**	Non controlling interests	**62**	542
(25,794)	**292,372**		**15,246**	(17,553)

The notes on pages 26 to 98 form part of the consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2012

	Share capital R'000	Share premium R'000	Capital redemption reserve R'000	Treasury shares reserve R'000	Retained earnings R'000	Attributable to equity holders R'000	Non controlling interests R'000	Total equity R'000
Balance as at 31 December 2010	519,267	—	29,965	—	392,400	941,632	(25,643)	915,989
Total comprehensive income/ (loss) for the period	—	—	—	—	(29,832)	(29,832)	4,038	(25,794)
Income/(loss) for the period	—	—	—	—	(29,832)	(29,832)	4,038	(25,794)
Other comprehensive income/ (loss) for the period	—	—	—	—	—	—	—	—
Capital raising	77,612	22,125	—	—	—	99,737	—	99,737
Buy-back of ordinary shares	—	—	—	(29,452)	—	(29,452)	—	(29,452)
Arising on reclassification of investment, now a subsidiary (refer note 33)	—	—	—	—	—	—	75	75
Reduction in non controlling interests arising on subsidiary share buy-back of shares from non controlling shareholders (refer note 36)	—	—	—	—	(50,276)	(50,276)	50,276	—
Reduction in non controlling interests arising on acquisition of additional interests in subsidiary (refer note 36)	—	—	—	—	(4,520)	(4,520)	4,520	—
Arising on disposal of subsidiary (refer note 33)	—	—	—	—		—	(34,020)	(34,020)
Dividend paid	—	—	—	—	(80,175)	(80,175)	—	(80,175)
Balance as at 31 December 2011	596,879	22,125	29,965	(29,452)	227,597	847,114	(754)	846,360

	Share capital R'000	Share premium R'000	Capital redemption reserve R'000	Treasury shares reserve R'000	Retained earnings R'000	Attributable to equity holders R'000	Non controlling interests R'000	Total equity R'000
Balance as at 31 December 2011	596,879	22,125	29,965	(29,452)	227,597	847,114	(754)	846,360
Total comprehensive income for the period	—	—	—	—	292,365	292,365	7	292,372
Income for the period	—	—	—	—	292,365	292,365	7	292,372
Other comprehensive income for the period	—	—	—	—	—	—	—	—
Cancellation of ordinary shares	(22,208)	—	22,208	29,452	(29,452)	—	—	—
Arising on acquisition of investment in subsidiary (refer note 33)	—	—	—	—	—	—	7	7
Reduction in non controlling interests arising on rights issue by subsidiary (refer note 36)	—	—	—	—	(309)	(309)	309	—
Increase in non controlling interests arising on part disposal of subsidiary (refer note 36)	—	—	—	—	5,087	5,087	(5,087)	—
Arising on creation of Blackstar Special Opportunities Fund (refer note 33)	—	—	—	—	—	—	33,379	33,379
Balance as at 31 December 2012	**574,671**	**22,125**	**52,173**	**—**	**495,288**	**1,144,257**	**27,861**	**1,172,118**

Consolidated statement of changes in equity continued
for the year ended 31 December 2012

	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	—	—	—	—	(7,584)	(10,511)	(18,095)	542	(17,553)
Income/(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)
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 33)	—	—	—	—	—	—	—	6	6
Reduction in non controlling interests arising on subsidiary share buy-back of shares from non controlling shareholders (refer note 36)	—	—	—	—	(4,577)	—	(4,577)	4,577	—
Reduction in non controlling interests arising on acquisition of additional interests in subsidiary (refer note 36)	—	—	—	—	(415)	—	(415)	415	—
Arising on disposal of subsidiary (refer note 36)	—	—	—	—	—	—	—	(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

	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 2011	57,053	1,974	2,893	(2,272)	4,591	3,278	67,517	(60)	67,457
Total comprehensive income/ (loss) for the period	—	—	—	—	20,544	(5,360)	15,184	62	15,246
Income for the period	—	—	—	—	20,544	—	20,544	(24)	20,520
Other comprehensive income/ (loss) for the period	—	—	—	—	—	(5,360)	(5,360)	86	(5,274)
Cancellation of ordinary shares	(1,706)		1,706	2,272	(2,272)	—	—	—	—
Arising on acquisition of investment in subsidiary (refer note 33)	—	—	—	—	—	—	—	1	1
Reduction in non controlling interests arising on rights issue by subsidiary (refer note 36)	—	—	—	—	(24)	—	(24)	24	—
Increase in non controlling interests arising on part disposal of Subsidiary (refer note 36)	—	—	—	—	397	—	397	(397)	—
Arising on creation of Blackstar Special Opportunities Fund (refer note 33)	—	—	—	—	—	—	—	2,393	2,393
Balance as at 31 December 2012	**55,347**	**1,974**	**4,599**	**—**	**23,236**	**(2,082)**	**83,074**	**2,023**	**85,097**

A final dividend of 10.10 South African cents, 0.90 pence, per ordinary share was declared on 26 May 2011.

A special dividend of 80.53 South African cents, 6.5 pence, per ordinary share was paid on 2 December 2011.

A final dividend of 17 South African cents, 1.21 pence, per ordinary share, has been proposed, to be paid on 18 June 2013.

The notes on pages 26 to 98 form part of the consolidated financial statements.

Consolidated statement of financial position
as at 31 December 2012

2011 R'000	2012 R'000		Notes	2012 £'000	2011 £'000
		Non-current assets			
94,872	**74,631**	Property, plant and equipment	**14**	**5,418**	7,563
88,050	**101,585**	Investment properties	**15**	**7,375**	7,018
36,178	**9,022**	Goodwill	**16**	**656**	2,884
36,972	**22,713**	Intangible assets	**17**	**1,650**	2,947
206,234	**1,870**	Investments in associates	**18**	**136**	16,437
1,799	**1,741**	Investments classified as loans and receivables	**19**	**126**	144
46,260	**517,728**	Investments at fair value through profit and loss	**20**	**37,588**	3,687
—	**—**	Other financial assets	**21**	**—**	—
1,157	**2,405**	Deferred tax assets	**28**	**177**	92
511,522	**731,695**			**53,126**	40,772
		Current assets			
25,628	**—**	Investments classified as loans and receivables	**19**	**—**	2,042
130,457	**92,314**	Investments at fair value through profit and loss	**20**	**6,702**	10,398
23	**917**	Other financial assets	**21**	**67**	2
310	**2,155**	Current tax assets		**155**	24
144,797	**141,009**	Trade and other receivables	**22**	**10,238**	11,540
125,997	**148,117**	Inventories	**23**	**10,753**	10,042
255,124	**352,063**	Cash and cash equivalents	**24**	**25,560**	20,334
682,336	**736,575**			**53,475**	54,382
1,193,858	**1,468,270**	**Total assets**		**106,601**	95,154
		Non-current liabilities			
(88,792)	**(92,366)**	Borrowings	**25**	**(6,705)**	(7,077)
(9,844)	**(2,400)**	Other financial liabilities	**26**	**(175)**	(785)
(2,490)	**(1,939)**	Provisions	**27**	**(141)**	(199)
(18,802)	**(13,305)**	Deferred tax liabilities	**28**	**(969)**	(1,499)
(119,928)	**(110,010)**			**(7,990)**	(9,560)
		Current liabilities			
(7,549)	**(4,528)**	Borrowings	**25**	**(329)**	(602)
(79,150)	**(80,870)**	Other financial liabilities	**26**	**(5,871)**	(6,308)
(1,168)	**(2,500)**	Provisions	**27**	**(182)**	(93)
(1,069)	**(313)**	Current tax liabilities		**(23)**	(85)
(138,569)	**(97,814)**	Trade and other payables	**29**	**(7,101)**	(11,044)
(65)	**(117)**	Bank overdrafts	**24**	**(8)**	(5)
(227,570)	**(186,142)**			**(13,514)**	(18,137)
(347,498)	**(296,152)**	**Total liabilities**		**(21,504)**	(27,697)
846,360	**1,172,118**	**Total net assets**		**85,097**	67,457
		Equity			
596,879	**574,671**	Share capital	**30**	**55,347**	57,053
22,125	**22,125**	Share premium	**30**	**1,974**	1,974
29,965	**52,173**	Capital redemption reserve	**30**	**4,599**	2,893
(29,452)	**—**	Treasury shares reserve	**30**	**—**	(2,272)
—	**—**	Foreign currency translation reserve	**30**	**(2,082)**	3,278
227,597	**495,288**	Retained earnings	**30**	**23,236**	4,591
847,114	**1,144,257**	**Total equity attributable to equity holders**		**83,074**	67,517
(754)	**27,861**	Non controlling interests		**2,023**	(60)
846,360	**1,172,118**	**Total equity**		**85,097**	67,457
993	**1,394**	**Net asset value per share (in cents/pence)**	**31**	**101**	79

The official opening middle rates of exchange applicable between the Euro and the GBP, and the Euro and the ZAR, as issued by the European Central Bank at 31 December 2012 was 0.82 (2011: 0.84) and 11.17 (2011: 10.48) respectively.

The notes on pages 26 to 98 form part of the consolidated financial statements.

The consolidated financial statements were approved by the Board and authorised for issue on 19 April 2013.

Andrew Bonamour
Director

John Mills
Director

Consolidated statement of cash flows
for the year ended 31 December 2012

2011 R'000	**2012 R'000**		Notes	**2012 £'000**	2011 £'000
		Cash flow from operating activities			
71,614	**(46,018)**	Cash generated/(absorbed) by operations	**32**	**(3,048)**	2,013
3,503	**6,174**	Interest received		**348**	310
(16,504)	**(28,688)**	Interest paid		**(2,204)**	(1,627)
2,670	**3,537**	Dividends received		**272**	230
(15,981)	**(9,635)**	Taxation paid		**(740)**	(1,431)
45,302	**(74,630)**	**Cash generated/(absorbed) by operating activities**		**(5,372)**	(505)
		Cash flow from investing activities			
(13,297)	**(11,167)**	Purchase of property, plant and equipment		**(857)**	(1,164)
(58,350)	**(5,405)**	Purchase of investment properties		**(415)**	(5,018)
(21,683)	**(41)**	Additions to investments classified as loans and receivables		**(3)**	(1,883)
(34,042)	**(657,174)**	Purchase of investments at fair value through profit or loss		**(50,336)**	(2,965)
23	**(21,734)**	Acquisition of subsidiaries, net of cash acquired	**33**	**(1,560)**	2
5,186	**2,401**	Proceeds from disposal of property, plant and equipment		**185**	446
37,268	**671,133**	Proceeds from disposal of investments		**51,402**	3,080
272,476	**200,569**	Disposal of discontinued operations, net of cash disposed	**12**	**15,651**	23,006
187,581	**178,582**	**Cash generated by investing activities**		**14,067**	15,504
		Cash flow from financing activities			
54,980	**333,697**	Proceeds from borrowings		**25,639**	4,728
(24,163)	**(333,143)**	Repayment of borrowings		**(25,597)**	(2,181)
(197,582)	**(7,619)**	Movement in other financial liabilities (including short-term funding facilities)		**(585)**	(16,804)
(29,452)	**—**	Buy-back of ordinary shares		**—**	(2,272)
99,737	**—**	Capital raising		**—**	8,897
(80,175)	**—**	Dividends paid to equity holders of the parent		**—**	(6,217)
(176,655)	**(7,065)**	**Cash absorbed by financing activities**		**(543)**	(13,849)
56,228	**96,887**	**Net increase in cash and cash equivalents**		**8,152**	1,150
198,831	**255,059**	Cash and cash equivalents at the beginning of the year		**20,329**	19,195
—	**—**	Exchange losses on cash and cash equivalents		**(2,929)**	(16)
255,059	**351,946**	**Cash and cash equivalents at the end of the year**	**24**	**25,552**	20,329

The notes on pages 26 to 98 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 the Malta Companies Act, 1995.

The accounting policies that the Group applied in the presentation of the financial statements are set out below and have been consistently applied.

The Group has adopted the amendments to IFRS 7 Disclosures (effective 1 July 2011) and the amendments to IAS 12 Deferred tax (effective 1 January 2012) in preparing these financial statements. This has had no significant impact on the Group.

In light of the Group's dual listing in the United Kingdom and South Africa, and the fact that a significant portion of Blackstar's shareholders are now in South Africa, in addition to Pounds Sterling, the Rand was introduced as a secondary presentational currency during the current financial year. Comparatives in Rands have been included in the current annual report. Refer note 4 for further details.

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 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. Accounting policies (continued)

1.3 Goodwill

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

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 available 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. Accounting policies (continued)

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.

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

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

1.6 Intangible assets other than goodwill

Intangible assets acquired in a business combination are recognised separately from goodwill if they are separable from the acquired entity or give rise to other contractual/legal rights. The cost of such intangible assets is their fair value at the acquisition date arrived at by using appropriate valuation techniques.

Intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged to profit or loss 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 at least annually for impairment. The recoverable amount is the higher of its fair value less costs to sell and its value in use.

1. Accounting policies (continued)

1.8 Impairment (continued)

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 profit and loss whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

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 investment portfolio. In applying the equity method, associates are initially recognised in the consolidated statement of financial position at cost. 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 portfolio are recognised in the consolidated statement of comprehensive income 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.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

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. Accounting policies (continued)

1.11 Financial instruments (continued)

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.

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.

1. Accounting policies (continued)

1.11 Financial instruments (continued)

1.11.1 Financial assets (continued)

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.

1.11.2 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.

1. Accounting policies (continued)

1.11 Financial instruments (continued)

1.11.2 Financial liabilities and equity instruments issued by the Group (continued)

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.

1.13 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 reporting date. The provisions have been calculated at undiscounted amounts based on current wage and salary costs to the Group.

1. Accounting policies (continued)

1.14 Employee benefits (continued)

1.14.2 Retirement benefits

Certain Group companies provide retirement benefits for its employees in the form of provident funds. 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 services are provided 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 profit or loss in the period in which they arise.

Interest income earned on investments 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.

All investment related income is included within other income on the face of the statement of income.

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 statement of income as it accrues using the 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:

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.

1. Accounting policies (continued)

1.17 Tax (continued)

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

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.

Current and deferred tax is charged to the statement of income 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 profit and loss, except to the extent that it relates to items previously charged or credited directly to equity.

1.18 Foreign currencies

1.18.1 Functional and presentational currency

The functional currency of the Company is the South African Rand, being the currency of the primary economic environment in which the Company and its subsidiaries operate.

Blackstar is dual listed with a primary listing on the Alternative Investment Market of the London Stock Exchange (“AIM”) and a secondary listing on the Altx of the JSE Limited (“JSE”) in South Africa. As a result, Blackstar has two presentational currencies being South African Rand (“Rands”) and Pounds Sterling (“Pounds”).

The Rand was introduced as an additional presentational currency during the current financial year and comparatives in Rands have been included in the current annual report. Note 4 gives further details.

1.18.2 Translation of foreign currency assets and liabilities in the individual entities financial statements

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency are recorded at the exchange rates prevailing on the dates of the transactions.

At each reporting date, monetary items denominated in foreign currency are translated at the exchange rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currency are translated at the exchange rates prevailing when the fair value was determined. 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. Any exchange differences arising on translation are recognised in the statement of income in the period in which they occur.

1.18.3 Translation of financial statement of entities into the presentational currencies

Assets and liabilities of entities are translated into the Group’s presentational currencies of Rands and Pounds Sterling at year end exchange rates. Capital and reserves are translated at historical rates. Items included in the statement of income are translated at average exchange rates for the year.

1. Accounting policies (continued)

1.18 Foreign currencies (continued)

1.18.3 Translation of financial statement of entities into the presentational currencies (continued)

Translation differences arising from the translation of entities are taken directly to the foreign currency translation reserve. On disposal of entities, such translation differences are recognised in profit and loss as part of the gain or loss on disposal.

The principal exchange rates utilised to prepare the financial statements are as follows:

	Closing rate		Average rate	
	2012	2011	**2012**	2011
GBP/ZAR	**13.773**	12.546	**13.015**	11.629
EUR/ZAR	**11.187**	10.480	**10.552**	10.097
EUR/GBP	**0.812**	0.835	**0.810**	0.868

1.19 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.

1.20 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:

1.20.1 Investments

(Refer note 19 and 20).

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.

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. Accounting policies (continued)

1.20 Significant judgements and areas of estimation (continued)

1.20.2 Asset lives and residual values

(Refer note 14).

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.

1.20.3 Impairment of assets

(Refer note 14, 16 and 17).

The carrying values of property, plant and equipment, and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. 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 based on 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 which are deemed to represent fair 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.

2.1.2 Investment properties

Business combinations are based on market values which are deemed to represent fair 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 typically determined based on a cash flow valuation model using rentals received from tenants over the lease terms. Valuations by external professional valuers are obtained every three to five years.

2. Determination of fair values (continued)

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

2.1.3 Intangible assets

The relief from royalty methodology is 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.

2.2.2 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. Determination of fair values (continued)

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

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 2012, 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
IFRS 10 Consolidated Financial Statements	1 January 2014
IFRS 11 Joint Arrangements	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities	1 January 2014
IFRS 13 Fair Value Measurement	1 January 2013
IAS 27 Separate Financial Statements (Amendments)	1 January 2014
IAS 28 Investments in Associates and Joint Ventures (Amendments)	1 January 2014
Disclosures—Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*	1 January 2014
IFRS 9 Financial Instruments*	1 January 2015

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

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 statement of income.

IFRS 10

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The new standard replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements. IFRS 10 also provides a revised definition of control and sets out requirements for situations when control is difficult to assess. The principles of IFRS 10 have to some extent already been adopted by the Group and thus formal adoption is not expected to have any further impact.

IFRS 11

The principle in IFRS 11 is that a party to a joint arrangement recognises its rights and obligations arising from the arrangement rather than focussing on the legal form. Adoption of IFRS 11 is not expected to have any impact on the Group.

IFRS 12

IFRS 12 Disclosure of Interests in Other Entities includes the disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

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

IFRS 13

IFRS 13 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 (e.g. share-based payments) when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or liability at fair value, change what is measured at fair value in IFRSs or address how to present changes in fair value.

IAS 27 (Amendments)

IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. 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 (i.e. IAS 39 or IFRS 9). The amendments update the definitions and wording of the standard to be consistent with the requirements of IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as amended) but the accounting treatment remains unchanged.

IAS 28 (Amendments)

IAS 28 now includes the required accounting for joint ventures as well as the definition and required accounting for associates. Equity accounting is required in consolidated or individual financial statements for both of these types of investment unless the investing group is a venture capital organisation, mutual fund, unit trust or similar entity in which case the entity may account for those investments in accordance with the applicable financial instruments standard (i.e. IAS 39 or IFRS 9). Proportionate consolidation is no longer an option for joint ventures. The adoption of IAS 28 is not expected to have a material impact on the Group.

IFRS 7 (Amendments)

This amendment introduces disclosures intended to enable users of financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position.

IAS 32 (Amendments)

This amendment to IAS 32 seeks to clarify rather than to change the offsetting requirements previously set out in IAS 32.

IFRS 10, IFRS 12 and IAS 27 (Amendments)

The amendments provide an exception from the requirements for a qualifying entity to consolidate its controlled investees and, instead, requires them to present their investments in subsidiaries as a net investment that is measured at fair value. The exception means that investment entities will be able to measure all of their investments at fair value using the requirements in IFRS.

An investment entity is an entity whose business purpose is to make investments for capital appreciation, investment income, or both. An investment entity also evaluates the performance of those investments on a fair value basis. The most common types of investment entity are likely to be private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds.

The directors are of the view that Blackstar meets the definition of an investment entity. Subject to them being endorsed for use in the EU, Blackstar intends to adopt these amendments and as a result the Blackstar consolidated statement of financial position would be more closely aligned with the intrinsic NAV of the Group as provided in Annexure A of the Director's statement.

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

IFRS 9

IFRS 9 Financial instruments will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The impact on the Group of adoption of IFRS 9 has yet to be determined.

4. Comparative figures

4.1 Adoption of a secondary presentational currency

In light of the fact that a significant portion of Blackstar's shareholders are now South African, the decision was taken to add the South African Rand as an additional presentational currency (Blackstar's functional currency is the Rand). Blackstar's financial report is therefore published in both Pounds Sterling and Rands.

An opening consolidated statement of financial position has been prepared in Rands as at 31 December 2010 (being the opening balance sheet of the comparative period). Individual companies' statements of financial position which were maintained in Pounds Sterling were translated at the closing rate at 31 December 2010. Rand packs were prepared for each group company and the group consolidation was reperformed in Rands to obtain the opening consolidated statement of financial position. Consolidation entries were translated into Rands using the actual exchange rate prevailing at the time the original entry was raised.

All statement of financial position line items were translated into Rands using the closing rate as at 31 December 2010. Equity items including retained earnings were also translated into Rands using the 31 December 2010 exchange rate.

4. Comparative figures (continued)

4.1 Adoption of a secondary presentational currency (continued)

	Closing rate at 31 December 2010
GBP/ZAR	10.3584

The opening consolidated statement of financial position as at 31 December 2010 is provided in a summarised form below:

	2010 R'000	2010* £'000
Assets		
Property, plant and equipment	224,431	21,666
Goodwill and intangible assets	340,019	32,116
Investments in associates	151,612	14,637
Investments	144,772	13,976
Deferred tax assets	1,296	125
Trade and other receivables and other financial assets	265,654	25,606
Inventories	279,744	27,006
Cash and cash equivalents	198,837	19,196
Total assets	1,606,365	154,328
Liabilities		
Borrowings and other financial liabilities	(448,620)	(43,310)
Provisions	(5,027)	(485)
Deferred tax liabilities	(49,029)	(4,733)
Trade and other payables	(187,694)	(18,077)
Bank overdrafts	(6)	(1)
Total liabilities	(690,376)	(66,606)
Total net assets	915,989	87,722
Equity		
Total equity attributable to equity holders	941,632	90,196
Non controlling interests	(25,643)	(2,474)
Total equity	915,989	87,722

* Extracted from the Blackstar published Annual Accounts and Report 2011.

4.2 Presentation of the statement of income

The Group elected to change the presentation of its statement of income and certain supporting notes in order to improve disclosures and readability for users. The income and expenditure from the Group's trading businesses and investment activities are now grouped together on the face of statement of income according to the function of the income/expense with further analysis provided in the supporting notes. Comparatives have been restated for these changes. The actual results of the Group have not been impacted in any way by the amendments to the presentation of the figures.

4.3 Restatement of comparative information for discontinued operations

The comparative income statement and relating notes have been re-presented as if the operations discontinued during the current period had been discontinued from the start of the comparative period (refer note 12).

5. Revenue

2011 R'000	2012 R'000		2012 £'000	2011 £'000
1,051,718	**1,063,016**	Sale of goods	**81,676**	90,439
7,194	**—**	Rendering of services	**—**	619
1,058,912	**1,063,016**		**81,676**	91,058

6. Other income

2011 R'000	2012 R'000		2012 £'000	*As restated 2011 £'000
394	**19,919**	Net gains on investments (refer note 6.1)	**1,651**	632
10,090	**236,706**	Fees, dividends and interest from loans, receivables and investments (refer note 6.2)	**18,187**	866
3,645	**10,548**	Rental income from investment properties	**810**	313
555	**1,470**	Net profit on sale of property, plant and equipment	**113**	48
7	**147**	Insurance claims and legal fees recovered	**11**	1
—	**9,480**	Fair value adjustment to investment properties	**728**	—
2,841	**5,576**	Other sundry income	**428**	233
69,173	**3,319**	Net foreign exchange gains/(losses)	**72**	(1,318)
4,664	**3,937**	Sale of scrap and bad debt recoveries	**302**	401
91,369	**291,102**		**22,302**	1,176

* Refer note 4

6.1 Net gains on investments

2011 R'000	2012 R'000		2012 £'000	2011 £'000
—	**—**	Net losses on investments classified as loans and receivables	**—**	(160)
(12,782)	**18,888**	Net gains/(losses) on investments held at fair value through profit and loss	**1,571**	(1,811)
2,020	**1,031**	Net gains on trading financial instruments at fair value through profit and loss	**80**	174
11,156	**—**	Gains on derivatives in hedge relationships	**—**	2,429
394	**19,919**	Net gains on investments	**1,651**	632

6.2 Fees, dividends and interest from loans, receivables and investments

2011 R'000	2012 R'000		2012 £'000	2011 £'000
2,670	**212,903**	Dividends from investments at fair value through profit and loss	**16,358**	230
2,173	**1,701**	Interest income from unimpaired investments classified as loans and receivables	**131**	187
5,247	**22,102**	Fee income	**1,698**	449
10,090	**236,706**		**18,187**	866

7. Operating expenses

2011 R'000	**2012 R'000**		**2012 £'000**	*As restated 2011 £'000
18,043	**19,098**	Sales and distribution costs	**1,467**	1,551
333,459	**227,390**	Administrative expenses	**17,227**	27,833
32,743	**19,386**	Depreciation and amortisation	**1,494**	2,840
141,619	**30,417**	Impairment of goodwill	**2,208**	11,382
9,869	**11,716**	Impairment of intangible assets	**851**	861
2,345	**11,172**	Impairment of property, plant and equipment	**853**	202
—	**4,050**	Impairment of investment property	**311**	—
2,033	**3,334**	Direct operating expenses relating to investment property	**256**	175
27,607	**8,478**	Exceptional, non recurring costs #	**651**	2,374
117,243	**138,837**	Other administrative expenses	**10,603**	9,999
351,502	**246,488**		**18,694**	29,384

* Refer note 4

\# Once-off exceptional costs in the current year include the costs incurred by Global Roofing Solutions (Pty) Limited ("GRS") to relocate one of its branches and close its paint line in order to improve efficiencies; non recurring costs incurred on the migration of the Company to Malta; legal costs; and a once off donation to the Blackstar Foundation. In the prior year exceptional non recurring costs included 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 New Bond Capital Limited ("NBC")

8. Operating profit/(loss)

Profit/(loss) from operations has been arrived at after charging/(crediting) the following for both continuing and discontinuing operations.

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
		Auditor's remuneration		
		Paid to Group auditors and their associates		
756	**946**	– Audit fees of the Group and Company annual accounts	**68**	65
—	**—**	– Other services pursuant to legislation	**—**	—
395	**57**	– Other assurance services	**4**	34
1,837	**1,235**	– Paid to associates of BDO Malta for audit of subsidiaries	**88**	158
2,988	**2,238**		**160**	257
		Staff costs		
133,239	**103,912**	Wages and salaries	**7,984**	11,458
1,387	**429**	Social security costs	**33**	119
18,124	**11,747**	Pension costs	**903**	1,559
152,750	**116,088**		**8,920**	13,136
		Impairment losses arising on financial assets:		
8,954	**1,404**	Trade receivables (raised via provision for impairment)	**102**	771
—	**—**	Investments	**—**	—
8,954	**1,404**		**102**	771

8. Operating profit/(loss) (continued)

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
		Property, plant and equipment:		
26,025	**16,843**	Depreciation	**1,299**	2,252
2,345	**11,172**	Impairment	**853**	202
28,370	**28,015**		**2,152**	2,454
		Intangible assets:		
6,718	**2,543**	Amortisation	**195**	588
9,869	**11,716**	Impairment	**851**	861
16,587	**14,259**		**1,046**	1,449
		Investment properties		
—	**(9,480)**	Fair value adjustments to investment properties	**(728)**	—
—	**4,050**	Impairment of investment property	**311**	—
2,033	**3,334**	Direct operating expenses relating to investment properties	**256**	175
141,619	**30,417**	Impairment of goodwill	**2,208**	11,382
(2,582)	**(5,373)**	Write (up)/down of inventory to net realisable value	**(413)**	(222)
		Foreign exchange losses/(gains) on forward exchange contracts		
883	**104**	Realised	**8**	76
(512)	**(368)**	Unrealised	**(28)**	(44)
371	**(264)**		**(20)**	32
29,129	**14,552**	Operating lease expense	**1,118**	2,505

9. Employees

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

	2012	2011
Managerial	**34**	67
Administrative	**39**	152
Operational	**434**	801
	507	1,020

The number of employees has declined from the prior year as a result of Stalcor (Pty) Limited ("Stalcor") disposing of the Baldwins division as well as branch closures in the prior year (refer note 12).

10. Net finance costs

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
2,220	**6,174**	Finance income	**474**	191
2,159	**6,124**	Interest income on bank balances	**470**	186
61	**50**	Interest income on trade and other receivables	**4**	5
(20,132)	**(39,915)**	Finance costs	**(3,066)**	(1,732)
(148)	**(272)**	Interest expense on bank overdrafts	**(21)**	(13)
(6,289)	**(30,416)**	Interest expense and finance costs on borrowings from banks	**(2,336)**	(541)
(93)	**(413)**	Interest expense on non controlling shareholder loans	**(32)**	(8)
(591)	**(282)**	Interest expense on capitalised financial leases and instalment sale agreements	**(22)**	(51)
(5,370)	**(4,815)**	Interest expense on inventory financing facilities	**(370)**	(462)
(7,119)	**(3,356)**	Interest expense on debtors invoice discounting facilities	**(258)**	(612)
(522)	**(361)**	Interest expense on other financial liabilities and trade and other payables	**(27)**	(45)
(17,912)	**(33,741)**		**(2,592)**	(1,541)

11. Taxation

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
8,838	**7,000**	Current taxation	**538**	760
7,151	**7,000**	Current year	**538**	614
1,687	**—**	Prior years under provision	**—**	146
(4,234)	**(6,771)**	Deferred taxation	**(505)**	(367)
(4,234)	**(8,672)**	Current year	**(651)**	(367)
—	**1,901**	Prior years under provision	**146**	—
331	**33**	Net wealth tax and secondary tax on companies	**3**	28
4,935	**262**		**36**	421

The reason for the difference between the actual tax charge for the year and the standard rate of corporate tax in Malta applied to profits of 35% (2011: 28.8% standard rate of corporate tax in Luxembourg) are as follows:

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
(4,216)	**306,141**	Profit/(loss) before taxation	**21,595**	(6,375)
(33,744)	**(70,470)**	Add back share of profits of associates	**(5,627)**	(2,902)
(37,960)	**235,671**	Profit/(loss) before taxation and share of profits from associates	**15,968**	(9,277)
(10,932)	**82,485**	Tax at standard rate of corporate tax in Malta (2011: Luxembourg)	**5,589**	(2,672)
3,942	**(6,470)**	Differing foreign tax rates	**(1,151)**	3,695
15,445	**(81,440)**	Income and expenses not subject to tax	**(4,839)**	788
(937)	**3,753**	Tax losses unutilised/(utilised)	**288**	(1,143)
1,687	**1,901**	Under provision from prior years	**146**	146
331	**33**	Net wealth tax and secondary tax on companies	**3**	28
9,536	**262**	Current tax charge for the year for both continuing and discontinued operations	**36**	842

12. Discontinued operations

The following discontinued operations have been disclosed separately from continuing operations:

- In June 2012, Blackstar disposed of half of its 38.96% shareholding in Litha Healthcare Group Limited ("Litha") resulting in its shareholding being reduced from 38.96% to 13.42%. To date of sale, Litha was equity accounted as an associate of the Group. The income from the associate up to this date has been included in profit from discontinued operations and comparatives restated;
- In the prior year, the steel business, Stalcor (Pty) Limited ("Stalcor"), was restructured resulting in the sale of the Baldwins division and closure of two branches; and
- In the prior year, the subsidiary Ferro Industrial Products (Pty) Limited ("Ferro") was sold effective June 2011.

The comparative information for the year ended 31 December 2011 has been restated to present income generated and expenses incurred by discontinued operations separately from continuing operations.

12.1 Partial disposal of investment in Litha

In February 2012, Blackstar entered into a conditional agreement for the sale of 72,989,078 ordinary shares in Litha to Paladin Labs Inc. ("Paladin"). The disposal, for a cash consideration of R200.6 million (£15.7 million), represented 50% of Blackstar's interest in Litha and equated to R2.75 per Litha share. The transaction was completed in June 2012, once all of the suspensive conditions were met and resulted in Blackstar's interest in Litha being reduced from 38.96% to 13.42%.

Blackstar accounted for its 38.96% interest in Litha as an associate and equity accounted the earnings to date of sale, being 25 June 2012. The disposal of half of the investment in associate was recorded and the resulting gain of R63.2 million, £2.5 million was recognised in net profit from discontinued operations. The foreign currency translation reserve previously recognised on the investment in Litha of £2.4 million was released to profit and loss resulting in the net gain on disposal in Pounds Sterling of £2.5 million. Thereafter Litha ceased to be an associate and the carrying value of the remaining investment, amounting to R137.4 million, £10.7 million, was transferred to investments at fair value through profit and loss. It was then fair valued to closing share price at 31 December 2012 with the resulting fair value gain of R125.3 million, £9.8 million being included within the consolidated statement of income as net gains on investments. The remaining investment in Litha is included within investments at fair value through profit and loss at a carrying value of R262.8 million, £19.1 million as at 31 December 2012 (refer note 20).

The results from discontinued operations which have been included in the consolidated statement of income are as follows:

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
33,249	**69,980**	Shares of profits of associate	**5,589**	2,859
22,476	**—**	Exceptional gain on dilution of interest in associate	**—**	2,188
—	**63,152**	Gain on disposal of discontinued operation, net of taxation	**2,531**	—
55,725	**133,132**	**Profit for the year**	**8,120**	5,047
		Profit for the year attributable to:		
55,725	**133,132**	Equity holders of the parent	**8,120**	5,047
—	**—**	Non controlling interests	**—**	—
55,725	**133,132**		**8,120**	5,047

12. Discontinued operations (continued)

12.1 Partial disposal of investment in Litha (continued)

2011 R'000	2012 R'000		2012 £'000	2011 £'000
		The profit on disposal of the discontinued operation is calculated as follows:		
—	**200,569**	Cash consideration	**15,651**	—
—	**137,417**	Carrying value of retained investment	**10,712**	—
—	**(274,834)**	Carrying value of 38.96% shareholding	**(21,425)**	—
—	**—**	Release of foreign currency translation reserve relating to associate	**(2,407)**	—
—	**63,152**	**Gain on disposal of discontinued operations, net of taxation**	**2,531**	—
		Earnings per share from discontinued operation		
—	**162.18**	Basic and diluted earnings per share (in cents/pence)	**9.89**	—

12.2 Sale of Baldwins division and branch closures

In the prior period, Stalcor comprised of two main operating divisions, namely Baldwins and Stalcor. Due to overall poor performance of Stalcor, 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") effective 1 June 2011, Stalcor's head office function was restructured and two of its coastal branches were closed. During the current year, further residual costs were incurred by this discontinued operation.

Year to 31 December 2011 R'000	Year to 31 December 2012 R'000		Year to 31 December 2012 £'000	Year to 31 December 2011 £'000
		Results of discontinued operation		
364,945	**—**	Revenue	**—**	31,382
(401,998)	**(4,482)**	Expenses other than finance costs	**(344)**	(34,571)
(8,343)	**(452)**	Net finance costs	**(35)**	(717)
(45,396)	**(4,934)**	Loss before taxation	**(379)**	(3,906)
2,236	**—**	Taxation	**—**	193
18,295	**—**	Gain on disposal of discontinued operation, net of taxation	**—**	1,573
(24,865)	**(4,934)**	Loss for the year	**(379)**	(2,140)
		Loss for the year attributable to:		
(23,121)	**(4,934)**	Equity holders of the parent	**(379)**	(1,984)
(1,744)	**—**	Non controlling interests	**—**	(156)
(24,865)	**(4,934)**		**(379)**	(2,140)
		Losses per share from discontinued operation		
(29.34)	**(6.01)**	Basic and diluted losses per share (in cents/pence)	**(0.46)**	(2.52)

12. Discontinued operations (continued)

12.2 Sale of Baldwins division and branch closures (continued)

Year to 31 December 2011 R'000	**Year to 31 December 2012 R'000**		**Year to 31 December 2012 £'000**	Year to 31 December 2011 £'000
		Cash flows generated/(absorbed) by discontinued operation		
(53,343)	**(4,934)**	Cash absorbed from operating activities	**(379)**	(4,587)
103,572	**—**	Cash generated from investing activities	**—**	8,906
(47,892)	**—**	Cash absorbed from financing activities	**—**	(4,118)
2,337	**(4,934)**	Effect on cash flows	**(379)**	201

Year to 31 December 2011 R'000		Year to 31 December 2011 £'000
	Effect of disposal on the financial position of the Group	
	The net assets disposed of were as follows:	
34,540	Property, plant and equipment	2,970
—	Goodwill, net of impairment	—
7,272	Intangible assets	625
122,157	Inventories	10,505
—	Cash and cash equivalents	—
(8,087)	Other financial liabilities	(695)
(2,731)	Trade and other payables	(235)
153,151	Net assets and liabilities	13,170
	Consideration received	
121,072	Cash received	10,231
50,374	Shares in Robor (Pty) Limited at fair value	4,512
18,295	Gain on disposal of discontinued operation	1,573
—	Related tax expense	—
18,295	Gain on disposal of discontinued operation, net of taxation	1,573
121,072	Consideration received, satisfied in cash	10,231
—	Cash and cash equivalents disposed of	—
121,072	Net cash inflow on disposal of discontinued operation	10,231

12.3 Sale of Ferro

Blackstar sold its 54% interest in Ferro during the prior 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 the shareholder loan. 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 R11.2 million, £2.4 million, was earned on the hedge. This has been included in net gains and losses on investments for continuing operations (refer note 6.1).

12. Discontinued operations (continued)
12.3 Sale of Ferro (continued)

Year to 31 December 2011 R'000		Year to 31 December 2011 £'000
	Results of discontinued operation	
202,720	Revenue	18,194
(172,521)	Expenses other than finance costs	(15,484)
(6,149)	Net finance costs	(552)
24,050	Profit before taxation	2,158
(6,837)	Taxation	(614)
67,078	Gain on disposal of discontinued operation, net of taxation	6,288
84,291	Profit for the year	7,832
	Profit for the year attributable to:	
77,262	Equity holders of the parent	7,201
7,029	Non controlling interests	631
84,291		7,832
	Earnings per share from discontinued operation	
98.05	Basic and diluted earnings per share (in cents/pence)	9.14

Year to 31 December 2011 R'000		Year to 31 December 2011 £'000
	Cash flows generated by discontinued operation	
16,827	Cash generated from operating activities	1,447
(5,768)	Cash absorbed from investing activities	(496)
(7,989)	Cash absorbed from financing activities	(687)
3,070	Effect on cash flows	264
	Effect of disposal on the financial position of the Group	
	The net assets disposed of were as follows:	
75,965	Property, plant and equipment	6,980
42,209	Goodwill, net of impairment	3,878
76,738	Intangible assets	7,051
56,361	Inventories	5,178
56,629	Trade and other receivables	5,203
34,028	Cash and cash equivalents	3,127
(113,719)	Borrowings	(10,449)
(114)	Other financial liabilities	(10)
(22,292)	Deferred tax liabilities	(2,048)
(813)	Current tax liabilities	(75)
(52,618)	Trade and other payables	(4,834)
152,374	Net assets and liabilities	14,001
(34,020)	Minorities share of net assets and liabilities	(3,126)
	Consideration received	
185,432	Cash received for shares	15,902
67,078	Gain on disposal of discontinued operation	5,027
—	Release of foreign currency translation reserve relating to subsidiary	1,261
—	Related tax expense	—
67,078	Gain on disposal of discontinued operation, net of taxation	6,288

12. Discontinued operations (continued)

12.3 Sale of Ferro (continued)

Year to 31 December 2011 R'000		Year to 31 December 2011 £'000
185,432	Consideration received, satisfied in cash	15,902
(34,028)	Cash and cash equivalents disposed of	(3,127)
151,404	Net cash inflow on disposal of discontinued operation	12,775

12.4 Summary of all discontinued operations

Year to 31 December 2011 R'000	**Year to 31 December 2012 R'000**		**Year to 31 December 2012 £'000**	*As restated Year to 31 December 2011 £'000
		Total results of discontinued operations		
567,665	**—**	Revenue	**—**	49,576
(574,519)	**(4,482)**	Expenses other than finance costs	**(344)**	(50,055)
33,249	**69,980**	Share of profit of associates	**5,589**	2,859
22,476	**—**	Exceptional gain on dilution of interest in associate	**—**	2,188
(14,492)	**(452)**	Net finance costs	**(35)**	(1,269)
34,379	**65,046**	Profit before taxation	**5,210**	3,299
(4,601)	**—**	Taxation	**—**	(421)
85,373	**63,152**	Gain on disposal of discontinued operations, net of taxation	**2,531**	7,861
115,151	**128,198**	Profit for the year	**7,741**	10,739
		Profit for the year attributable to:		
109,866	**128,198**	Equity holders of the parent	**7,741**	10,264
5,285	**—**	Non controlling interests	**—**	475
115,151	**128,198**		**7,741**	10,739
		Total earnings/(losses) per share from discontinued operations		
133.84	**156.17**	Basic and diluted earnings/(losses) per share (in cents/pence)	**9.43**	13.03

Year to 31 December 2011 R'000	**Year to 31 December 2012 R'000**		**Year to 31 December 2012 £'000**	*As restated Year to 31 December 2011 £'000
		Total cash flows generated/(absorbed) by discontinued operations		
(36,516)	**(4,934)**	Cash absorbed from operating activities	**(379)**	(3,140)
97,804	**—**	Cash generated from investing activities	**—**	8,410
(55,881)	**—**	Cash absorbed from financing activities	**—**	(4,805)
5,407	**(4,934)**	Effect on cash flows	**(379)**	465

* Refer note 4

12. Discontinued operations (continued)

12.4 Summary of all discontinued operations (continued)

Year to 31 December 2011 R'000	Year to 31 December 2012 R'000		Year to 31 December 2012 £'000	Year to 31 December 2011 £'000
		Effect of disposals on the financial position of the Group		
		The net assets disposed of were as follows:		
110,505	—	Property, plant and equipment	—	9,950
42,209	—	Goodwill, net of impairment	—	3,878
84,010	—	Intangible assets	—	7,676
—	**274,834**	Investments in associates	**21,425**	—
178,518	—	Inventories	—	15,683
56,629	—	Trade and other receivables	—	5,203
34,028	—	Cash and cash equivalents	—	3,127
(113,719)	—	Borrowings	—	(10,449)
(8,201)	—	Other financial liabilities	—	(705)
(22,292)	—	Deferred tax liabilities	—	(2,048)
(813)	—	Current tax liabilities	—	(75)
(55,349)	—	Trade and other payables	—	(5,069)
305,525	**274,834**	Net assets and liabilities	**21,425**	27,171
—	**(137,417)**	Carrying value of retained investments in Litha	**(10,712)**	—
(34,020)	—	Minorities share of net assets and liabilities	—	(3,126)
		Consideration received		
306,504	**200,569**	Cash received	**15,651**	26,133
50,374	—	Shares in Robor (Pty) Limited at fair value	—	4,512
85,373	**63,152**	Gain on disposal of discontinued operations	**4,938**	6,600
—	—	Release of foreign currency translation reserve relating to associate/subsidiary	**(2,407)**	1,261
—	—	Related tax expense	—	—
85,373	**63,152**	Gain on disposal of discontinued operations, net of taxation	**2,531**	7,861
		Earnings per share from discontinued operation		
—	**162.18**	Basic and diluted earnings per share (in cents/pence)	**9.89**	—

Year to 31 December 2011 R'000	Year to 31 December 2012 R'000		Year to 31 December 2012 £'000	Year to 31 December 2011 £'000
306,504	**200,569**	Consideration received, satisfied in cash	**15,651**	26,133
(34,028)	—	Cash and cash equivalents disposed of	—	(3,127)
272,476	**200,569**	Net cash inflow on disposal of discontinued operation	**15,651**	23,006

13. Earnings/(losses) per share

13.1 Basic and diluted earnings/(losses) per share

Year to 31 December 2011 R'000	**Year to 31 December 2012 R'000**		**Year to 31 December 2012 £'000**	*As restated Year to 31 December 2011 £'000
(139,698)	**164,167**	Net profit/(loss) attributable to equity holders of the parent from continuing operations	**12,803**	(17,848)
109,866	**128,198**	Net profit attributable to equity holders of the parent from discontinued operations	**7,741**	10,264
(29,832)	**292,365**	Total net profit/(loss) attributable to equity holders of the parent	**20,544**	(7,584)
78,797	**82,088**	Weighted average number of shares in issue (thousands)	**82,088**	78,797
(37.86)	**356.16**	Basic and diluted earnings/(losses) per ordinary share attributable to equity holders (in cents/pence)	**25.03**	(9.62)
(177.29)	**199.99**	Basic and diluted earnings/(losses) per ordinary share attributable to equity holders from continuing operations (in cents/pence)	**15.60**	(22.65)

* Refer note 4

Refer note 42 for share transactions which occurred post 31 December 2012.

13.2 Basic and diluted headline earnings/(losses) per share^

Year to 31 December 2011 R'000	**Year to 31 December 2012 R'000**		**Year to 31 December 2012 £'000**	*As restated Year to 31 December 2011 £'000
(29,832)	**292,365**	Profit/(loss) for the period attributable to equity holders of the parent	**20,544**	(7,584)
		Adjusted for:		
(22,476)	**—**	Exceptional gain on dilution of interest in associate	**—**	(2,188)
(85,373)	**(63,152)**	Gain on disposal of discontinued operation	**(2,531)**	(7,861)
9,869	**11,716**	Impairment of intangible assets	**851**	861
141,619	**30,417**	Impairment of goodwill	**2,208**	11,382
2,345	**11,172**	Impairment of property, plant and equipment	**853**	202
—	**4,050**	Impairment of investment properties	**311**	—
(2,885)	**(53,300)**	Non-headline items included in equity accounted profits of associates	**(4,257)**	(248)
(1,055)	**(1,708)**	Profit on disposal of property, plant and equipment	**(131)**	(91)
(3,121)	**(6,674)**	Total tax effects of adjustments	**(498)**	(272)
183	**(295)**	Total non controlling interests' effects of adjustments	**(23)**	15
9,274	**224,591**	Headline earnings/(losses)	**17,327**	(5,784)
11.77	**273.59**	**Basic and diluted headline earnings/(losses) per ordinary share attributable to equity holders (in cents/pence)**	**21.11**	(7.34)

^ Disclosure of headline earnings/(losses) has been provided in accordance with the JSE listing requirements.
* Refer note 4.

14. Property, plant and equipment

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
139,203	**120,585**	Cost	**9,281**	11,550
25,963	**23,123**	Land and buildings	**1,660**	2,060
85,174	**67,109**	Plant and machinery	**5,292**	7,122
6,362	**6,404**	Vehicles	**476**	539
12,912	**13,516**	Office furniture, fixtures and equipment	**1,002**	1,089
8,792	**10,433**	Capital work in progress	**851**	740
(44,331)	**(45,954)**	Accumulated depreciation	**(3,863)**	(3,987)
(713)	**(1,348)**	Land and buildings	**(98)**	(56)
(31,209)	**(31,487)**	Plant and machinery	**(2,776)**	(2,849)
(2,212)	**(2,688)**	Vehicles	**(206)**	(208)
(10,197)	**(10,431)**	Office furniture, fixtures and equipment	**(783)**	(874)
—	**—**	Capital work in progress	**—**	—
94,872	**74,631**	Carrying amount	**5,418**	7,563

14. Property, plant and equipment (continued)

Total R'000	Capital work in progress R'000	Office furniture, fixtures and equipment R'000	Vehicles R'000	Plant and machinery R'000	Land and buildings R'000	2012	Land and buildings £'000	Plant and machinery £'000	Vehicles £'000	Office furniture, fixtures and equipment £'000	Capital work in progress £'000	Total £'000
94,872	**8,792**	**2,715**	**4,150**	**53,965**	**25,250**	Carrying amount at the beginning of the year	**2,004**	**4,273**	**331**	**215**	**740**	**7,563**
11,167	**1,641**	**1,921**	**1,362**	**6,243**	**—**	Additions	**—**	**480**	**105**	**146**	**126**	**857**
(2,700)	**—**	**—**	**—**	**—**	**(2,700)**	Transfer to investment properties	**(207)**	**—**	**—**	**—**	**—**	**(207)**
(693)	**—**	**(59)**	**(127)**	**(507)**	**—**	Disposals	**—**	**(39)**	**(10)**	**(5)**	**—**	**(54)**
(16,843)	**—**	**(1,492)**	**(1,669)**	**(12,907)**	**(775)**	Depreciation	**(60)**	**(997)**	**(128)**	**(114)**	**—**	**(1,299)**
(11,172)	**—**	**—**	**—**	**(11,172)**	**—**	Impairment	**—**	**(853)**	**—**	**—**	**—**	**(853)**
—	**—**	**—**	**—**	**—**	**—**	Currency exchange losses during the year	**(175)**	**(348)**	**(28)**	**(23)**	**(15)**	**(589)**
74,631	**10,433**	**3,085**	**3,716**	**35,622**	**21,775**	Carrying amount at the end of the year	**1,562**	**2,516**	**270**	**219**	**851**	**5,418**

Total R'000	Capital work in progress R'000	Office furniture, fixtures and equipment R'000	Vehicles R'000	Plant and machinery R'000	Land and buildings R'000	2011	Land and buildings £'000	Plant and machinery £'000	Vehicles £'000	Office furniture, fixtures and equipment £'000	Capital work in progress £'000	Total £'000
224,431	9,442	10,783	5,639	148,488	50,079	Carrying amount at the beginning of the year	4,835	14,334	544	1,041	912	21,666
13,297	4,958	769	2,536	3,448	1,586	Additions	138	305	221	67	433	1,164
150	—	150	—	—	—	Arising on reclassification of investment, now a subsidiary	—	—	—	13	—	13
(4,131)	—	(412)	(76)	(3,372)	(271)	Disposals	(23)	(290)	(7)	(35)	—	(355)
(110,505)	(5,384)	(2,448)	(1,990)	(75,100)	(25,583)	On disposal of businesses	(2,349)	(6,701)	(181)	(224)	(495)	(9,950)
(26,025)	—	(3,782)	(1,959)	(19,723)	(561)	Depreciation	(49)	(1,708)	(169)	(326)	—	(2,252)
(2,345)	—	(2,345)	—	—	—	Impairment	—	—	—	(202)	—	(202)
—	(224)	—	—	224	—	Transfers between categories	—	20	—	—	(20)	—
—	—	—	—	—	—	Currency exchange losses during the year	(548)	(1,687)	(77)	(119)	(90)	(2,521)
94,872	8,792	2,715	4,150	53,965	25,250	Carrying amount at the end of the year	2,004	4,273	331	215	740	7,563

For details of property, plant and equipment pledged as security refer note 25 Borrowings and note 26 Other financial liabilities.

During the year ended 31 December 2012, an impairment of R11,172,000, £853,000 was recognised on plant and machinery held by GRS (in 2011 impairment of R2,345,000, £202,000 on office equipment belonging to Stalcor).

15. Investment properties

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
88,050	**105,635**	Cost or valuation	**7,669**	7,018
—	**(4,050)**	Accumulated impairment losses	**(294)**	—
88,050	**101,585**	Carrying amount	**7,375**	7,018
—	**88,050**	Carrying amount at the beginning of the year	**7,018**	—
58,350	**5,405**	Additions	**415**	5,018
—	**2,700**	Transfer from property, plant and equipment	**207**	—
—	**9,480**	Fair value adjustments*	**728**	—
—	**(4,050)**	Impairments*	**(311)**	—
29,700	**—**	Arising on reclassification of investment, now a subsidiary	**—**	2,554
—	**—**	Currency exchange losses during the year	**(682)**	(554)
88,050	**101,585**	Carrying amount at the end of the year	**7,375**	7,018

* The properties were valued by independent valuers at the end of the current financial year and fair value adjustments (and an impairment) were recognised. The determination of fair value was supported by reference to market evidence of transaction prices for similar properties.

Investment properties comprises three properties :

- ERF 192 – 195 situated in Richmond, Pietermaritzburg, at a fair value of R26,000,000, £1,888,000 (2011: R30,050,000, £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 R71,385,000, £5,182,000 (2011: R58,000,000, £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.
- ERF 1813 situated in Richards Bay Extension 9 Kalkerbring Street at a fair value of R4,200,000, £305,000 (2011: nil). This property is let to Stalcor, a subsidiary of the Group. During the current financial year, the property was transferred into the investment properties classification from property, plant and equipment as a result of Stalcor sub-letting the property to an external entity which is not part of the Blackstar Group.

Properties are held by the banks as security for the mortgage loans provided (refer note 25).

16. Goodwill

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
256,996	**257,871**	Cost	**20,547**	20,483
(220,818)	**(248,849)**	Accumulated impairment losses	**(19,891)**	(17,599)
36,178	**9,022**	Carrying amount	**656**	2,884
202,448	**36,178**	Carrying amount at the beginning of the year	**2,884**	18,835
—	**875**	On acquisition of Blackstar Fund Managers (Pty) Limited ("BFM")	**63**	—
(42,209)	**—**	On disposal of business	**—**	(3,878)
(23,214)	**(3,625)**	Impairment arising on goodwill in respect of Stalcor and GRS	**(263)**	(1,945)
(118,405)	**(26,792)**	Impairment arising on goodwill in respect of internalisation of investment advisory arrangements	**(1,945)**	(9,437)
17,558	**2,386**	Currency exchange gains/(losses) during the year	**(83)**	(691)
36,178	**9,022**	Carrying amount at the end of the year	**656**	2,884

16. Goodwill (continued)

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

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
24,406	**—**	Blackstar Group (Pty) Limited ("Blackstar SA") and internalisation of investment advisory arrangements (net of impairment)	**—**	1,945
—	**875**	BFM	**64**	—
11,772	**8,147**	Arising on acquisitions made by GRS	**592**	939
36,178	**9,022**	Carrying amount at the end of the year	**656**	2,884

16.1 Impairment testing

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

Carrying amount at 31 December 2012 net of impairment R'000	**Impairment raised R'000**	**Carrying amount at year end prior to impairment R'000**	**2012**	**Carrying amount at year end prior to impairment £'000**	**Impairment raised £'000**	**Carrying amount at 31 December 2012 net of impairment £'000**
			Investment activities segment			
—	**(26,792)**	**26,792**	CGU 1	**1,945**	**(1,945)**	**—**
8,147	**(3,625)**	**11,772**	**Industrial metals segment (Stalcor and GRS)**	**855**	**(263)**	**592**
—	**—**	**—**	CGU 1*	**—**	**—**	**—**
—	**—**	**—**	CGU 2*	**—**	**—**	**—**
—	**—**	**—**	CGU 3	**—**	**—**	**—**
—	**—**	**—**	CGU 4	**—**	**—**	**—**
—	**—**	**—**	CGU 5	**—**	**—**	**—**
8,147	**—**	**8,147**	CGU 6	**592**	**—**	**592**
—	**(3,625)**	**3,625**	CGU 7	**263**	**(263)**	**—**
875	**—**	**875**	**Hedge fund and fund management activities**	**64**	**—**	**64**
875	**—**	**875**	CGU 1	**64**	**—**	**64**
—	**—**	**—**	CGU 2	**—**	**—**	**—**
9,022	**(30,417)**	**39,439**		**2,864**	**(2,208)**	**656**

Carrying amount at 31 December 2011 net of impairment R'000	Impairment raised R'000	Carrying amount prior to impairment R'000	2011	Carrying amount prior to impairment £'000	Impairment raised £'000	Carrying amount at 31 December 2011 net of impairment £'000
			Investment activities segment			
24,406	(118,405)	142,811	CGU 1	11,382	(9,437)	1,945
11,772	(23,214)	34,986	Industrial metals segment (Stalcor and GRS)	2,884	(1,945)	939
—	—	—	CGU 1	—	—	—
—	—	—	CGU 2	—	—	—
—	—	—	CGU 3	—	—	
—	(13,237)	13,237	CGU 4	1,103	(1,103)	—
—	(9,977)	9,977	CGU 5	842	(842)	—
8,147	—	8,147	CGU 6	650	—	650
3,625	—	3,625	CGU 7	289	—	289
36,178	(141,619)	177,797		14,266	(11,382)	2,884

16. Goodwill (continued)

16.1 Impairment testing (continued)

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.

The internalisation gave rise to goodwill of R161,507,000, £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 0.7% and a weighted average cost of capital of 15.0%. In 2012, the recoverable amount was less than the carrying amount and an impairment of R26,792,000, £1,945,000 (2011: R118,405,000, £9,437,000) was recognised leaving no remaining balance of goodwill as at 31 December 2012.

Impairment testing for Industrial metals segment

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 2013. Cash flows for a further three years ending 31 December 2016 were determined by applying revenue and expense growth rates and margins to the 31 December 2013 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 20.0% 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 R3,625,000, £263,000 was recognised at 31 December 2012 as the carrying amount of goodwill for CGU 7 within the Industrial metals segment exceeded its recoverable amount (2011: R23,214,000, £1,945,000 for CGU's 4 and 5). 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 impairments of goodwill in both the current and prior year.

At 31 December 2012, the Group has one cash generating unit, where the carrying amount of goodwill was significant in comparison to the Group's total carrying amount of goodwill, namely CGU 6 in the Industrial metals segment. No impairment of this goodwill was necessary in the current financial year.

17. Intangible assets

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
62,152	**62,152**	Cost	**4,514**	4,954
51,992	**51,992**	Marketing related intangibles (brands)	**3,776**	4,144
10,160	**10,160**	Customer related intangibles	**738**	810
(25,180)	**(39,439)**	Accumulated amortisation and impairments	**(2,864)**	(2,007)
(15,020)	**(29,279)**	Marketing related intangibles (brands)	**(2,126)**	(1,197)
(10,160)	**(10,160)**	Customer related intangibles	**(738)**	(810)
36,972	**22,713**	Carrying amount	**1,650**	2,947

17. Intangible assets (continued)

Total R'000	Registered trademarks R'000	Technology related intangibles R'000	Customer related intangibles R'000	Marketing related intangibles (brands) R'000	2012	Marketing related intangibles (brands) £'000	Customer related intangibles £'000	Technology related intangibles £'000	Registered trademarks £'000	Total £'000
36,972	**—**	**—**	**—**	**36,972**	Carrying amount at the beginning of the year	**2,947**	**—**	**—**	**—**	**2,947**
(2,543)	**—**	**—**	**—**	**(2,543)**	Amortisation	**(195)**	**—**	**—**	**—**	**(195)**
(11,716)	**—**	**—**	**—**	**(11,716)**	Impairments	**(851)**	**—**	**—**	**—**	**(851)**
—	**—**	**—**	**—**	**—**	Currency exchange losses during the year	**(251)**	**—**	**—**	**—**	**(251)**
22,713	**—**	**—**	**—**	**22,713**	Carrying amount at the end of the year	**1,650**	**—**	**—**	**—**	**1,650**

Total R'000	Registered trademarks R'000	Technology related intangibles R'000	Customer related intangibles R'000	Marketing related intangibles (brands) R'000	2011	Marketing related intangibles (brands) £'000	Customer related intangibles £'000	Technology related intangibles £'000	Registered trademarks £'000	Total £'000
137,571	13,634	13,273	57,892	52,772	Carrying amount at the beginning of the year	5,094	5,589	1,282	1,316	13,281
(84,012)	(13,255)	(12,904)	(51,859)	(5,994)	On disposal of businesses	(531)	(4,741)	(1,186)	(1,218)	(7,676)
(6,718)	(379)	(369)	(2,851)	(3,119)	Amortisation	(268)	(254)	(33)	(33)	(588)
(9,869)	—	—	(3,182)	(6,687)	Impairments	(575)	(286)	—	—	(861)
—	—	—	—	—	Currency exchange losses during the year	(773)	(308)	(63)	(65)	(1,209)
36,972	—	—	—	36,972	Carrying amount at the end of the year	2,947	—	—	—	2,947

The amortisation charges are included in the line item "Operating expenses" in the statement of income.

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 R11,716,000, £851,000 (2011: R9,869,000, £861,000) during the current financial year. 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 16 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.

18. Investments in associates

	Principal Activity	31 December 2012	31 December 2011
Litha Healthcare Group Limited *	**Healthcare company**	**#**	39%
Navigare Securities (Pty) Limited *	**Stock broker**	**25%**	25%
Fantastic Investments 379 (Pty) Limited *	**Property investment company**	**25%**	25%

* Incorporated in South Africa
# Now an investment at fair value through profit and loss as a result of the disposal of half of the investment. Refer note 20.

In February 2012, Blackstar entered into a conditional agreement for the sale of 72,989,078 ordinary shares in Litha to Paladin Labs Inc. ("Paladin"). The disposal, for a cash consideration of R200.6 million (£15.7 million), represented 50% of Blackstar's interest in Litha and equated to R2.75 per Litha share. The transaction was completed in June 2012, once all of the suspensive conditions were met and resulted in Blackstar's interest in Litha being reduced from 38.96% to 13.42%. Litha has been accounted for as a discontinued operation and comparatives restated (refer note 12).

18. Investments in associates (continued)

Blackstar accounted for its 38.96% interest in Litha as an associate and equity accounted the earnings to date of sale, being 25 June 2012. The disposal of half of the investment in associate was recorded and the resulting gain of R63.2 million, £2.5 million was recognised in net profit from discontinued operations. The foreign currency translation reserve previously recognised on the investment in Litha of £2.4 million was released to profit and loss resulting in the net gain on disposal in Pounds Sterling of £2.5 million. Thereafter Litha ceased to be an associate and the carrying value of the remaining investment, amounting to R137.4 million, £10.7 million, was transferred to investments at fair value through profit and loss. It was then fair valued to closing share price at December 2012 with the resulting fair value gain of R125.3 million, £9.8 million being included within the consolidated statement of income as net gains on investments. The remaining investment in Litha is included within investments at fair value through profit and loss at a carrying value of R262.8 million, £19.1 million as at 31 December 2012 (refer note 20).

During the prior 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 had a significant influence in Fantastic. The investment in this company was therefore transferred out of the category investments at fair value through profit and loss to investments in associate companies. Fantastic is equity accounted.

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

2011 R'000	2012 R'000		2012 £'000	2011 £'000
1,471,411	**34,739**	Total assets	**2,522**	117,273
(949,729)	**23,873**	Total liabilities	**1,733**	(75,695)
521,682	**58,612**	Net assets	**4,255**	41,578
206,234	**1,870**	Group's share of associates	**136**	16,437

2011 R'000	2012 R'000		2012 £'000	2011* £'000
22,131	**24,659**	Total revenue	**1,895**	1,903
1,979	**1,961**	Total profit for the period	**151**	170
495	**490**	Group's share of associates	**38**	43

* Comparatives have been restated to exclude the results of Litha which has been included in discontinued operations (refer note 12).

2011 R'000	2012 R'000		2012 £'000	2011 £'000
		Continuing operations		
495	**490**	Share of profits of associate	**38**	43
55,725	**133,132**	**Discontinued operations**	**8,120**	5,047
33,249	**69,980**	Share of profits of associate	**5,589**	2,859
22,476	**—**	Exceptional gain on dilution of interest in associate	**—**	2,188
—	**63,152**	Gain on disposal of associate, net of taxation	**2,531**	—
56,220	**133,622**		**8,158**	5,090

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

19. Investments classified as loans and receivables

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
14,248	**27,427**	Carrying value at the beginning of the year	**2,186**	1,375
23,281	**41**	Additions during the year at cost *	**3**	2,037
(11,927)	**(27,395)**	Disposals during the year at cost	**(2,105)**	(991)
—	**—**	Unrealised losses on disposals recognised in prior years	**—**	4
1,791	**1,668**	Net dividends and interest accrued during the year	**128**	148
34	**—**	Other movements #	**—**	3
—	**—**	Currency exchange losses during the year	**(86)**	(390)
27,427	**1,741**	Carrying value at the end of the year	**126**	2,186

* Additions in the prior year include additions to loans and receivables as well as the reclassification of an amount of R1,598,000, £154,000 from an investment in the associate Navigare Securities (Pty) Limited ("Navigare") to an equity loan and a loan amounting to R363,000, £31,000 which was acquired as part of the acquisition of the associate Fantastic.

\# Other movements represent balances that arose on reclassification of an investment now considered a subsidiary and therefore consolidated.

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
1,799	**1,741**	Non-current portion	**126**	144
25,628	**—**	Current portion	**—**	2,042
27,427	**1,741**		**126**	2,186

Investments classified as loans and receivables comprise the following:

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
15,850	**—**	Interest bearing loan to Ukuvula Investments (Pty) Limited which has been repaid in 2012	**—**	1,263
9,704	**—**	Interest bearing loan issued by subsidiary which has been repaid in 2012	**—**	773
1,799	**1,741**	Loans to associates which are interest free and have no fixed dates of repayment	**126**	144
74	**—**	Interest free loan to Adreach (Pty) Limited which has been repaid in 2012	**—**	6
27,427	**1,741**	Carrying value at the end of the year	**126**	2,186

Refer note 34 Financial instruments for further disclosure.

20. Investments at fair value through profit and loss

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
130,524	**176,717**	Fair value at the beginning of the year	**14,085**	12,601
88,142	**866,539**	Additions during the year at cost *	**66,423**	7,798
—	**54,219**	Additions arising on creation of the Blackstar Special Opportunities Fund ("BSOF")	**3,886**	—
(49,907)	**(716,342)**	Disposals during the year at cost	**(54,882)**	(3,791)
16,576	**(32,808)**	Unrealised losses/(gains) on disposals recognised in prior years	**(2,521)**	1,249
(5,880)	**123,802**	Unrealised gains/(losses) during the year	**9,638**	(744)
(3,827)	**137,417**	Other movements^	**10,712**	(329)
1,089	**498**	Exchange gains recognised in profit and loss on investments denominated in a foreign currency	**38**	—
—	**—**	Currency exchange losses during the year	**(3,089)**	(2,699)
176,717	**610,042**	Fair value at the end of the year	**44,290**	14,085

* Additions in the current year include a capital distribution received from New Bond Capital Limited ("NBC", previously Muelaphanda Group Limited ("MVG") in the form of Times Media Group Limited ("TMG") shares valued at R209,365,000, £16,086,000. Additions in the prior year include Robor shares with a fair value of R50,374,000, £4,512,000 received on disposal of the Baldwins operation (refer note 12).

^ Other movements in the current year comprise the transfer of the remaining carrying value of the investment in Litha from the investments in associates classification. This is as a result of the sale of half of Blackstar's interest in Litha which reduced the Group's interest in Litha to 13.42%. Other movements in the prior year represent balances that are transferred out of the investments at fair value through profit and loss classification as a result of the investment being considered a subsidiary and therefore consolidated (refer note 36).

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
46,260	**517,728**	Non-current portion	**37,588**	3,687
130,457	**92,314**	Current portion	**6,702**	10,398
176,717	**610,042**		**44,290**	14,085

Analysis of gains/(losses) on investments

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
25,340	**643,738**	Proceeds on disposals during the year	**49,298**	2,095
(49,907)	**(716,342)**	Investments at cost	**(54,882)**	(3,791)
(24,567)	**(72,604)**	Realised losses on disposals based on historical cost	**(5,584)**	(1,696)
16,576	**(32,808)**	Add unrealised losses/(gains) on disposals recognised in prior years	**(2,521)**	1,249
(7,991)	**(105,412)**	Realised losses recognised in profit and loss on disposals based on carrying value at prior year balance sheet date	**(8,105)**	(447)
—	**—**	Realised exchange gains on disposal of investments released directly to retained earnings	**—**	(620)
1,089	**498**	Exchange gains recognised in profit and loss on investments denominated in a foreign currency	**38**	—
(5,880)	**123,802**	Unrealised gains/(losses) during the year	**9,638**	(744)
(12,782)	**18,888**	Net gains/(losses) on investments	**1,571**	(1,811)

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

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

2011 R'000	2012 R'000		2012 £'000	2011 £'000
—	**262,761**	Ordinary shares in Litha Healthcare Group Limited*	**19,077**	—
—	**194,967**	Ordinary shares in Times Media Group Limited	**14,155**	—
—	**33,840**	Equity investments held by Blackstar Special Opportunities Fund	**2,457**	—
—	**19,221**	Bonds, funds and other investments held by Blackstar Special Opportunities Fund	**1,395**	—
96,258	**—**	Derivative investment in a services company, which gives the Group exposure to a minority interest in the underlying services company	**—**	7,672
44,000	**60,000**	Ordinary shares in Robor (Pty) Limited	**4,356**	3,507
3,650	**—**	Investment in FBDC Investor Offshore Holdings L.P.	**—**	291
32,809	**39,253**	Other listed shares, funds and fixed income securities	**2,850**	2,615
176,717	**610,042**	Fair value at the end of the year	**44,290**	14,085

* This investment was transferred from investments in associates to investments at fair value through profit and loss as a result of Blackstar disposing of half of the investment in June 2012.

Refer note 34 Financial instruments for further disclosure.

21. Other financial assets

2011 R'000	2012 R'000		2012 £'000	2011 £'000
		Derivatives designated and effective as hedging instruments carried at fair value		
23	**917**	Forward exchange contracts	**67**	2
23	**917**		**67**	2
—	**—**	Non-current portion	**—**	—
23	**917**	Current portion	**67**	2
23	**917**		**67**	2

Refer note 34 Financial instruments for further disclosure.

22. Trade and other receivables

2011	2012		2012	2011
R'000	**R'000**		**£'000**	£'000
151,232	**134,476**	Trade receivables	**9,764**	12,053
(10,970)	**(7,963)**	Impairment allowance	**(578)**	(874)
140,262	**126,513**		**9,186**	11,179
2,388	**3,673**	Prepayments and accrued income	**267**	190
2,147	**10,823**	Other receivables	**785**	171
144,797	**141,009**		**10,238**	11,540

For details of trade receivables pledged as security refer note 25 Borrowings and note 26 Other financial liabilities.

Refer note 34 Financial instruments for further disclosure.

23. Inventories

2011	2012		2012	2011
R'000	**R'000**		**£'000**	£'000
73,613	**94,803**	Finished goods	**3,814**	5,867
2,380	**788**	Work in progress	**57**	190
50,004	**52,526**	Raw materials	**6,882**	3,985
125,997	**148,117**		**10,753**	10,042

The cost of inventories recognised as an expense for continuing operations amounts to R909,943,000, £69,915,000 (2011: R917,372,000, £78,887,000 and has been reflected as cost of sales on the face of the statement of income. A provision for obsolescence is raised for specific items identified as slow moving.

For details of inventories pledged as security refer to note 25 Borrowings and note 26 Other financial liabilities.

24. Cash and cash equivalents

2011	2012		2012	2011
R'000	**R'000**		**£'000**	£'000
255,124	**352,063**	Deposits and cash at bank	**25,560**	20,334
(65)	**(117)**	Overdrafts	**(8)**	(5)
255,059	**351,946**	Cash and cash equivalents per the statement of cash flows	**25,552**	20,329

Cash and cash equivalents held by South African subsidiaries of R17,931,000, £1,302,000 (2011: R44,532,000, £3,549,000) 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 R334,015,000, £24,250,000 (2011: R210,527,000, £16,780,000) at year end.

For details of cash and cash equivalents pledged as security refer to note 25 Borrowings and note 26 Other financial liabilities.

25. Borrowings

Borrowings comprise the following:

2011 R'000	**2012 R'000**		**2011 £'000**	2011 £'000
		Unsecured		
950	**350**	Loan which bears interest at a fixed rate of 10% per annum and is repayable in monthly instalments ending in 2013	**25**	76
5,701	**7,244**	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	**526**	454
5,000	**5,000**	Loan which bears no interest and is repayable on demand	**363**	399
1,573	**1,751**	Cumulative redeemable preference shares in 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	**127**	125
		Secured		
83,117	**82,422**	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 2022 *	**5,984**	6,625
—	**127**	Acquisition facility which bears interest at the South African Prime rate plus15 basis points nominal annual compounded semi-annually in arrears, with a bullet payment of the capital in January 2014#	**9**	—
96,341	**96,894**		**7,034**	7,679

* 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, and investment properties) in favour of the lender for an aggregate amount of R14.4 million, £1.0 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 R97.4 million, £7.1 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. BRE has also provided suretyship, by binding itself jointly and severally as surety for the mortgage bond taken out by Wonderdeals to acquire the investment property, for an amount not exceeding R10.0 million, £0.7 million. Blackstar Group SE has a limited warranty and indemnity for the obligations of Firefly Investments 223 (Pty) Limited ("Firefly") (a subsidiary of BRE) in favour of a bank with whom Firefly has a mortgage bond for an investment property acquired.

Blackstar Group SE obtained an acquisition facility from a bank amounting to R320.0 million, £23.2 million, which was used to fund the acquisition of a 28% stake in NBC. On subsequent disposal of this investment the majority of the facility was settled. As at year end the following security has been provided for this facility: 72,989,058 of the Group's ordinary shares in Litha and 14,626,387 of its ordinary shares in TMG.

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
88,792	**92,366**	Non-current portion	**6,705**	7,077
7,549	**4,528**	Current portion	**329**	602
96,341	**96,894**		**7,034**	7,679

26. Other financial liabilities

Other financial liabilities comprise the following:

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
76,370	**51,929**	Debtors invoicing discounting facilities. The one facility bears interest at South African Prime rate plus 275 basis points and the other facility bears interest at South Africa Prime rate. Interest is repayable monthly in arrears and capital is repayable on a rolling unspecified period *	**3,770**	6,087
—	**26,263**	Revolving inventory financing facility agreements. The loans bear interest at South African Prime rate plus 275 basis points, are repayable monthly in arrears and capital is repayable on a rolling unspecified period *	**1,907**	—
8,071	**959**	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	**70**	643
4,551	**2,436**	Asset finance loan, which bears interest at a fixed rate of 10% per annum and is repayable in monthly instalments ending in 2013^	**177**	363
—	**1,133**	Finance leases and instalment sale agreements.	**82**	—
		Derivatives effective as hedging instruments carried at fair value		
2	**550**	Forward exchange contracts ("FECs")	**40**	—
88,994	**83,270**		**6,046**	7,093

* Stalcor has one agreement with a bank covering the following: an invoice discounting facility amounting to R60.0 million, £4.4 million, of which R29.8 million, £2.2 million, has been utilised as at 31 December 2012; and an inventory consignment facility of R12.5 million, £0.9 million, of which R6.3 million, £0.5 million, was utilised as at 31 December 2012. GRS also has one agreement with a bank which covers the following: an invoice financing facility of R60.0 million, £4.4 million, of which R22.1 million, £1.6 million, has been utilised as at 31 December 2012; an inventory financing facility of R20.0 million, £1.5 million, which was fully utilised at year end; and a guarantees facility of R0.3 million, £0.02 million. Details of the securities provided for both of the aforementioned facilities are provided in note 34.4.2.

^ Assets with a carrying value of R3.8 million, £0.3 million (2011: R5.9 million, £0.4 million), included in property, plant and equipment have been provided as security.

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
9,844	**2,400**	Non-current portion	**175**	785
79,150	**80,870**	Current portion	**5,871**	6,308
88,994	**83,270**		**6,046**	7,093

Refer note 34 Financial instruments for further disclosure.

27. Provisions

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
2,490	**1,939**	Non-current portion	**141**	199
1,168	**2,500**	Current portion	**182**	93
3,658	**4,439**		**323**	292

27. Provisions (continued)

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 one and a half years. The provision is based on the formula per the purchase agreement.

Total R'000	Provision for contingent consideration R'000	Provision for onerous contracts R'000	Provision for redundancies R'000	Provision for rectification R'000		Provision for rectification £'000	Provision for redundancies £'000	Provision for onerous contracts £'000	Provision for contingent consideration £'000	Total £'000
5,027	1,153	2,411	572	891	Balance at 31 December 2010	86	55	233	111	485
2,005	—	687	—	1,318	Created	113	—	59	—	172
(3,374)	(502)	(1,930)	(572)	(370)	Utilised	(32)	(49)	(166)	(43)	(290)
—	—	—	—	—	Currency exchange gains	(20)	(6)	(33)	(16)	(75)
3,658	**651**	**1,168**	**—**	**1,839**	Balance at 31 December 2011	**147**	**—**	**93**	**52**	**292**
3,078	**417**	**2,500**	**—**	**161**	Created	**12**	**—**	**192**	**32**	**236**
(2,297)	**(1,068)**	**(1,168)**	**—**	**(61)**	Utilised	**(5)**	**—**	**(90)**	**(82)**	**(177)**
—	**—**	**—**	**—**	**—**	Currency exchange gains	**(13)**	**—**	**(13)**	**(2)**	**(28)**
4,439	**—**	**2,500**	**—**	**1,939**	Balance at 31 December 2012	**141**	**—**	**182**	**—**	**323**

28. Deferred taxation

28.1 Movement in net deferred taxation

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
(47,733)	**(17,645)**	Net deferred tax liability at the beginning of the year	**(1,407)**	(4,608)
4,234	**8,672**	Recognised in income statement for continuing operations	**651**	367
—	**(1,901)**	Under provision for prior year	**(146)**	—
3,562	**—**	Recognised in income statement under net profit/loss from discontinued operations	**—**	312
—	**(26)**	On acquisition of business	**(2)**	—
22,292	**—**	On disposal of businesses	**—**	2,048
—	**—**	Currency exchange gains during the year	**112**	474
(17,645)	**(10,900)**	Net deferred tax liability at the end of the year	**(792)**	(1,407)

28. Deferred taxation (continued)

28.2 Recognised deferred tax assets and liabilities

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

Net R'000	Liabilities R'000	Assets R'000	2012	Assets £'000	Liabilities £'000	Net £'000
(13,610)	**(13,610)**	**—**	Property, plant and equipment and investment properties	**—**	**(989)**	**(989)**
(6,360)	**(6,360)**	**—**	Intangible assets	**—**	**(463)**	**(463)**
220	**—**	**220**	Inventories	**17**	**—**	**17**
2,089	**(683)**	**2,229**	Trade and other receivables	**162**	**(50)**	**151**
269	**—**	**269**	Other financial liabilities	**20**	**—**	**20**
3,715	**—**	**4,258**	Trade and other payables	**309**	**—**	**270**
2,777	**—**	**2,777**	Assessed losses utilised	**202**	**—**	**202**
(10,900)	**(20,653)**	**9,753**		**710**	**(1,502)**	**(792)**
—	**7,348**	**(7,348)**	Set-off of assets and liabilities	**(533)**	**533**	**—**
(10,900)	**(13,305)**	**2,405**	Deferred tax assets/(liabilities) per statement of financial position	**177**	**(969)**	**(792)**

Net R'000	Liabilities R'000	Assets R'000	2011	Assets £'000	Liabilities £'000	Net £'000
(13,124)	(13,124)	—	Property, plant and equipment and investment properties	—	(1,038)	(1,038)
(10,822)	(10,822)	—	Intangible assets	—	(870)	(870)
203	—	203	Inventories	16	—	16
771	(171)	942	Trade and other receivables	75	(14)	61
1,595	—	1,595	Other financial liabilities	127	—	127
2,935	(225)	3,160	Trade and other payables	252	(18)	234
797	—	797	Assessed losses utilised	63	—	63
(17,645)	(24,342)	6,697		533	(1,940)	(1,407)
—	5,540	(5,540)	Set-off of assets and liabilities	(441)	441	—
(17,645)	(18,802)	1,157	Deferred tax assets/(liabilities) per statement of financial position	92	(1,499)	(1,407)

28.3 Unrecognised deferred tax assets

At 31 December 2011, Blackstar Group SE had unutilised cumulative losses and capitalised expenses of R152,558,000, £12,159,0000 that were deductible against future taxable earnings arising in Luxembourg. Deferred tax assets were not recognised due to the degree of uncertainty over both the amount and utilisation of the underlying tax losses and deductions. Following the transfer of the Company's registration to Malta in the current year, these losses ceased to have any real value.

The Group's subsidiary Stalcor has tax losses of R234,240,000, £17,006,000 (2011: R154,343,000, £12,301,000) 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.

29. Trade and other payables

2011 R'000	2012 R'000		2012 £'000	2011 £'000
97,034	**60,495**	Trade payables	**4,392**	7,734
8,242	**8,560**	Salary related accruals	**621**	657
33,293	**28,759**	Other payables and accrued expenses	**2,088**	2,653
138,569	**97,814**		**7,101**	11,044

Refer note 34 Financial instruments for further disclosure.

30. Share capital and reserves

2011 R'000	2012 R'000		2012 £'000	2011 £'000
		Authorised		
1,553,754	**1,553,754**	150,000,000 ordinary shares of €0.76 each	**100,500**	100,500
		Issued and fully paid		
—	**574,671**	82,088,422 ordinary shares of €0.76 each	**55,347**	—
596,879	**—**	85,288,422 ordinary shares of €0.76 each	**—**	57,053

Number of shares	Number of shares	Movement of the ordinary shares of € 0.76 each for the year	Number of shares	Number of shares
74,821,193	**85,288,422**	Total number of shares in issue at the beginning of the year	**85,288,422**	74,821,193
10,467,229	**—**	Issue of new shares	**—**	10,467,229
—	**(3,200,000)**	Treasury shares cancelled	**(3,200,000)**	—
85,288,422	**82,088,422**	**Total number of shares in issue at the end of the year**	**82,088,422**	**85,288,422**

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.

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.

Capital redemption reserve

The capital redemption reserve comprises amounts transferred from share capital on redemption of issued shares.

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. Following a resolution of the shareholders, these shares were cancelled in January 2012 in accordance with the applicable law.

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) into one of the presentational currency Pounds Sterling.

Retained earnings

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

31. Net asset value per share

2011 R'000	2012 R'000		2012 £'000	2011 £'000
847,114	**1,144,257**	Total net assets attributable to equity holders	**83,074**	67,517
85,288	**82,088**	Number of shares in issue (thousands)	**82,088**	85,288
993	**1,394**	Net asset value per share (in cents/pence)	**101**	79

32. Cash generated/(absorbed) by operations

2011	**2012**		**2012**	2011
R'000	**R'000**		**£'000**	£'000
(25,794)	**292,372**	Profit/(loss) for the year	**20,520**	(7,217)
		Taxation		
4,935	**262**	Continuing operations	**36**	421
4,601	**—**	Discontinued operations	**—**	421
(16,258)	**292,634**	Profit/(loss) before taxation	**20,556**	(6,375)
		Adjustments for:		
(1,055)	**(1,708)**	Profit on disposal of property, plant and equipment	**(131)**	(91)
28,370	**28,015**	Depreciation and impairment of property, plant and equipment	**2,152**	2,454
—	**4,050**	Impairment of investment property	**311**	—
—	**(9,480)**	Fair value adjustments to investment properties	**(728)**	—
16,587	**14,259**	Amortisation and impairment of intangible assets	**1,046**	1,449
141,619	**30,417**	Impairment of goodwill	**2,208**	11,382
(17,558)	**(2,386)**	Foreign exchange losses/(gains) on goodwill not denominated in Rands	**83**	691
(1,089)	**(498)**	Foreign exchange gains on investments not denominated in Rands	**(38)**	—
(10,696)	**(90,995)**	Unrealised gains on investments	**(7,117)**	(509)
24,567	**72,604**	Realised losses on disposal of investments	**5,584**	2,480
(4,843)	**(214,604)**	Dividends and interest from loans and investments	**(16,489)**	(417)
(85,373)	**(63,152)**	Gain on disposal of discontinued operations (refer note 12)	**(4,938)**	(6,600)
—	**—**	Release of foreign currency translation reserve on part disposal of associate/disposal of a subsidiary (refer note 12)	**2,407**	(1,261)
(3,120)	**(6,174)**	Finance income	**(474)**	(271)
35,525	**40,367**	Finance costs	**3,101**	3,081
(33,744)	**(70,470)**	Share of profit of associates	**(5,627)**	(2,902)
(22,476)	**—**	Exceptional gain on dilution of interest in associate	**—**	(2,188)
(1,368)	**780**	Increase/(decrease) in provisions	**60**	(118)
		Changes in working capital		
59,831	**801**	Decrease in trade and other receivables	**398**	4,295
(24,771)	**(22,121)**	Increase in inventory	**(1,700)**	(2,158)
9,943	**(40,901)**	Increase/(decrease) in trade and other payables	**(3,140)**	1,006
(22,562)	**(7,112)**	Decrease in lease accrual	**(546)**	(1,940)
85	**(344)**	Movement in other financial liabilities in respect of FECs and derivatives in hedging relationships	**(26)**	5
71,614	**(46,018)**		**(3,048)**	2,013

33. 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.

33.1 Acquisitions made during the current reporting year

33.1.1 Creation of hedge fund and acquisition of hedge fund management business

Towards the end of 2012, Blackstar established a fund management platform which necessitated the creation of a hedge fund, a general partner and a fund manager.

Blackstar launched the Blackstar Special Opportunities Fund ("BSOF") in October 2012 which is a multi-strategy fund with an emphasis on special opportunities within the South African market. Blackstar Group SE invested R20.8 million (£1.5 million) into the fund in October 2012.

33. Acquisition of subsidiaries (continued)

33.1 Acquisitions made during the current reporting year (continued)

33.1.1 Creation of hedge fund and acquisition of hedge fund management business (continued)

A new company, Blackstar GP (Pty) Limited ("Blackstar GP"), was created to act as the general partner of the hedge fund and Blackstar holds 100% of the ordinary share capital of Blackstar GP. Blackstar GP is a shell company with no assets and liabilities, earns no income and incurs no expenses. This company performs an administrative role co-ordinating the contracting of suppliers on behalf the hedge fund.

In terms of the definition of control per IFRS, Blackstar, through its shareholding in Blackstar GP, is considered to have the power to govern the financial operating policies of the fund. This is as a result of the role Blackstar GP performs on behalf of the fund (as mentioned above). Blackstar also benefits from its power to govern through the investment it has made in the fund. The BSOF is therefore consolidated into the Blackstar results and a non controlling interest raised for the other limited partners (investors) share of the fund. Blackstar's percentage ownership of the fund of 38.4% as at 31 December 2012 is calculated based on the fair value of Blackstar's direct investment into the BSOF relative to the other limited partners' investment in the fund carried at fair value.

Blackstar also acquired a 50% plus 1 share stake in a hedge fund management business Radcliffe Capital (Pty) Limited and rebranded it as Blackstar Fund Managers (Pty) Limited ("BFM"). BFM is responsible for the management of BSOF and is also consolidated.

The net assets acquired on the acquisition of the ordinary shares in BFM are as follows:

Fair value on acquisition R'000	Fair value adjustments R'000	Book value R'000		Book value £'000	Fair value adjustments £'000	Fair value on acquisition £'000
197	—	197	Trade and other receivables	14	—	14
(26)	—	(26)	Deferred tax liability	(2)	—	(2)
(145)	—	(145)	Trade and other payables	(10)	—	(10)
(12)	—	(12)	Bank overdrafts	(1)	—	(1)
14	—	14	Total net identifiable assets	1	—	1
(7)			Non controlling interest's proportionate share of the acquiree's identifiable net liabilities			—*
7			Total net identifiable liabilities at fair value attributable to equity holders of the parent			1
882			Cash consideration paid for shares			64
875			Goodwill arising on acquisition			63

* Non controlling interest amounts to £500 and is therefore rounded off to nil for the sake of balancing the above table and maintaining numbers in the nearest thousand.

33.2. Acquisition made during the prior reporting year

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

During the prior year, BRE's interest in Wonderdeals 38 (Pty) Limited ("Wonderdeals") 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 had a controlling interest in Wonderdeals. The investment was therefore transferred out of the category investments at fair value through profit and loss to investments in subsidiary companies. Wonderdeals has been consolidated during both the current and prior financial year.

33. Acquisition of subsidiaries (continued)

33.2 Acquisition made during the prior reporting year (continued)

33.2.1 Investment reclassified as investment in subsidiary on Blackstar attaining a controlling interest (continued)

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

Fair value on acquisition R'000	Fair value adjustments R'000	Book value R'000		Book value £'000	Fair value adjustments £'000	Fair value on acquisition £'000
150	—	150	Property, plant and equipment	13	—	13
29,700	3,442	26,258	Investment properties	2,258	296	2,554
34	—	34	Investments classified as loans and receivables	3	—	3
765	—	765	Trade and other receivables	66	—	66
23	—	23	Cash and cash equivalents	2	—	2
(29,641)	—	(29,641)	Borrowings	(2,549)	—	(2,549)
(854)	—	(854)	Trade and other payables	(74)	—	(74)
177	3,442	(3,265)	Total net identifiable assets	(281)	296	15
(75)			Non controlling interest's proportionate share of the acquiree's identifiable net liabilities			(6)
102			Total net identifiable liabilities at fair value attributable to equity holders of the parent			9
2,598			Loan payable by Wonderdeals, assumed as part of the acquisition			223
2,700			Transfer of initial cost from investments at fair value through profit and loss			232
—			Goodwill arising on acquisition			—

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

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
		Consideration paid		
—	**(882)**	BFM	**(64)**	—
		Net cash and cash equivalents acquired		
—	**(12)**	BFM	**(1)**	—
23	**—**	Wonderdeals	**—**	2
—	**(20,840)**	Contributions made by Blackstar Group SE to BSOF	**(1,495)**	—
23	**(21,734)**	Net cash inflow/(outflow) on acquisition of subsidiaries	**(1,560)**	2

34. Financial instruments and financial risk management

34.1 Categories of financial instruments

2011 R'000	2012 R'000		2012 £'000	2011 £'000
		Financial assets		
176,740	**610,959**	**Financial assets at fair value through profit and loss**	**44,357**	14,087
176,717	**610,042**	Investments at fair value through profit and loss (refer note 20)	**44,290**	14,085
23	**917**	FECs in designated hedge accounting relationships (refer note 21)	**67**	2
433,783	**488,280**	**Loans and receivables**	**35,450**	34,573
27,427	**1,741**	Investments classified as loans and receivables (refer note 19)	**126**	2,186
151,232	**134,476**	Trade receivables (refer note 22)	**9,764**	12,053
255,124	**352,063**	Cash and cash equivalents (refer note 24)	**25,560**	20,334
610,523	**1,099,239**		**79,807**	48,660
		Financial liabilities		
		Financial liabilities at fair value through profit and Loss		
(2)	**(550)**	FECs in designated hedge accounting relationships (refer note 26)	**(40)**	—
(274,361)	**(239,267)**	**Financial liabilities measured at amortised cost**	**(17,370)**	(21,868)
(96,341)	**(96,894)**	Borrowings (refer note 25)	**(7,034)**	(7,679)
(80,921)	**(81,761)**	Other financial liabilities at amortised cost excluding lease accrual (refer note 26)	**(5,936)**	(6,450)
(97,034)	**(60,495)**	Trade payables (refer note 29)	**(4,392)**	(7,734)
(65)	**(117)**	Bank overdrafts (refer note 24)	**(8)**	(5)
(274,363)	**(239,817)**		**(17,410)**	(21,868)

34.2 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 are involved in the day-to-day management of the business, thereby enabling them to identify 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.

34. Financial instruments and financial risk management (continued)

34.2 Financial risk management overview (continued)

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 its operating segments being Industrial metals (Stalcor and GRS), Investment activities (which includes Blackstar SA, and the Group's minority investments), Property investments (which includes BRE and its subsidiaries), and Hedge fund and fund management activities (which includes BFM and the BSOF). In the prior year, Baldwins was included in Industrial metals up to date of sale being 1 June 2011, and Ferro was included in the Industrial chemicals segment up to date of sale being July 2011. On disposal of Ferro the Industrial chemicals segment is no longer required.

34.3 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 R126,513,000, £9,186,000 (2011: R140,262,000, £11,179,000) for trade receivables (refer note 22), R1,741,000, £126,000 (2011: R27,427,000, £2,186,000) for investments classified as loans and receivables (refer note 19) and R352,063,000, £25,560,000 (2011: R255,124,000, £20,334,000) for cash and cash equivalents (refer note 24).

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.

34.3.1 Trade receivables

Refer note 22 Trade and other receivables.

Trade receivables by class

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
151,232	**134,476**	Gross trade receivables	**9,764**	12,053
151,033	**133,306**	Industrial metals	**9,678**	12,037
199	**45**	Investment activities	**4**	16
—	**1,125**	Property investments	**82**	—
(10,970)	**(7,963)**	Impairment allowance	**(578)**	(874)
(10,970)	**(7,963)**	Industrial metals	**(578)**	(874)
—	**—**	Investment activities	**—**	—
—	**—**	Property investments	**—**	—
		Net trade receivables		
140,063	**125,343**	Industrial metals	**9,100**	11,163
199	**45**	Investment activities	**4**	16
—	**1,125**	Property investments	**82**	—
140,262	**126,513**		**9,186**	11,179

34. Financial instruments and financial risk management (continued)

34.3 Credit risk (continued)

34.3.1 Trade receivables (continued)

Trade receivables by class (continued)

Trade receivables by class as at 31 December 2012 comprise debtors arising from the trading subsidiaries included in the Industrial metals, Investments activities and Property investments 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.

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 is also responsible for monitoring credit exposure. The Industrial metals segment has 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 5% and 2% respectively to Group revenue. Amounts due by these two customers and included in the Group trade receivables as at 31 December 2012 amounted to R5.4 million, £0.4 million (2011: R9.7 million, £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 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 R2.8 million, £0.2 million (2011: R5.0 million, £0.4 million) which represents 36% (2011: 46%) of the total impairment allowance raised by the Group. The total outstanding amount owing by these two debtors at 31 December 2012 was R3.8 million, £0.3 million (2011: R5.7 million, £0.5 million).

34. Financial instruments and financial risk management (continued)

34.3 Credit risk (continued)

34.3.1 Trade receivables (continued)

Movement in impairment allowance in respect of trade receivables

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
6,752	**10,970**	Balance at the beginning of the year	**874**	652
8,954	**1,404**	Allowance raised during the year	**102**	771
237	**—**	Industrial chemicals	**—**	21
8,717	**1,404**	Industrial metals	**102**	750
		Allowance reversed during the year		
—	**(4,048)**	Industrial metals	**(294)**	—
		On disposal of business		
(2,612)	**—**	Industrial chemicals	**—**	(240)
		Impairment written off against trade receivables		
(2,124)	**(363)**	Industrial metals	**(26)**	(183)
—	**—**	Currency exchange gains during the year	**(78)**	(126)
10,970	**7,963**	Balance at the end of the year	**578**	874

Ageing of trade receivables

Net trade receivables R'000	**Impairment allowance R'000**	**Gross trade receivables R'000**	**2012**	**Gross trade receivables £'000**	**Impairment allowance £'000**	**Net trade receivables £'000**
54,467	**—**	**54,467**	Not past due	**3,955**	**—**	**3,955**
54,422	**—**	**54,422**	Industrial metals	**3,952**	**—**	**3,952**
45	**—**	**45**	Investment activities	**3**	**—**	**3**
72,046	**(7,963)**	**80,009**	Past due	**5,809**	**(578)**	**5,231**
31,335	**—**	**31,335**	0 – 30 days	**2,275**	**—**	**2,275**
31,268	**—**	**31,268**	Industrial metals	**2,270**	**—**	**2,270**
67	**—**	**67**	Property investments	**5**	**—**	**5**
11,785	**—**	**11,785**	31 – 60 days	**855**		**855**
10,727	**—**	**10,727**	Industrial metals	**778**	**—**	**778**
1,058	**—**	**1,058**	Property investments	**77**	**—**	**77**
			61 – 90 days			
9,194	**—**	**9,194**	Industrial metals	**668**	**—**	**668**
			91 + days			
19,732	**(7,963)**	**27,695**	Industrial metals	**2,011**	**(578)**	**1,433**
126,513	**(7,963)**	**134,476**	Total	**9,764**	**(578)**	**9,186**

34. Financial instruments and financial risk management (continued)

34.3 Credit risk (continued)

34.3.1 Trade receivables (continued)

Ageing of trade receivables (continued)

Net trade receivables R'000	Impairment allowance R'000	Gross trade receivables R'000	2011	Gross trade receivables £'000	Impairment allowance £'000	Net trade receivables £'000
81,932	—	81,932	Not past due	6,530	—	6,530
81,734	—	81,734	Industrial metals	6,514	—	6,514
198	—	198	Investment activities	16	—	16
58,330	(10,970)	69,300	Past due	5,523	(874)	4,649
			0 – 30 days			
32,141	(44)	32,185	Industrial metals	2,565	(3)	2,562
			31 – 60 days			
4,922	(3)	4,925	Industrial metals	393	—	393
			61 – 90 days			
5,129	(153)	5,282	Industrial metals	421	(12)	409
			91 + days			
16,138	(10,770)	26,908	Industrial metals	2,144	(859)	1,285
140,262	(10,970)	151,232	Total	12,053	(874)	11,179

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 segment 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 R60,727,000, £4,409,000 (2011: R43,827,000, £3,493,000). The Industrial metals segment also has collateral in the form of surety for past due trade receivables (net of impairment allowance) amounting to R5,980,000, £434,000 (2011: R6,398,000, £510,000). 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 R2,666,000, £194,000 (2011: R5,342,000, £426,000) 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.

34.3.2 Investments

All investments classified as loans and receivables (as per note 19) fall under the Investment activities segment (2011: with the exception of the loan issued by a subsidiary within the Industrial metals segment of R9,704,000, £773,000, the remaining investments fell under the Investment activities segment).

Of the carrying value of the investments at fair value through profit and loss of R610,042,000, £44,290,000 as at 31 December 2012 (refer note 20), R53,061,000, £3,852,000 is included in the Hedge fund and fund management activities segment and the balance falls within the Investment activities segment (2011: all investments fell within the Investment activities segment).

34. Financial instruments and financial risk management (continued)

34.3 Credit risk (continued)

34.3.2 Investments (continued)

Investments within 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 Blackstar Group SE 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.

Investments within the Hedge fund and fund management activities segment

The hedge fund is managed via an investor memorandum (Mandate) which governs the products, asset classes and various exposure limits that can be taken in the fund. Limits are detailed as a % of net asset value ("NAV") and these limits are monitored internally, by the prime broker and by the risk management third party service Riscura Analytics. Daily risk management reports are delivered to the hedge fund managers and investment committee. Any breaches in mandate limits are highlighted in risk reports and rectified immediately.

At balance sheet date, the Group had no financial assets that were past due and no impairments were raised on investments in both the prior and current year.

An industry analysis of the investment portfolios, including investments at fair value through profit and loss and investments classified as loans and receivables, are set out in the tables below. No single industry is considered to be materially more risky than another.

Investments within the Investment activities and Industrial metals segment

2011		**2012**			**2012**		2011	
Exposure Percentage	Exposure R'000	**Exposure Percentage**	**Exposure R'000**		**Exposure £'000**	**Exposure Percentage**	Exposure £'000	Exposure Percentage
47%	96,258	**0%**	**—**	Support Services	**—**	**0%**	7,672	47%
22%	44,000	**11%**	**60,000**	Industrial (Steel)	**4,356**	**11%**	3,507	22%
16%	32,809	**0%**	**672**	Real Estate	**49**	**0%**	2,649	16%
15%	31,003	**0%**	**1,278**	Other	**93**	**0%**	2,437	15%
0%	—	**48%**	**262,955**	Healthcare	**19,091**	**48%**	—	0%
0%	74	**37%**	**207,769**	Media	**15,084**	**37%**	6	0%
0%	—	**1%**	**7,695**	Financial	**559**	**1%**	—	0%
0%	—	**3%**	**18,353**	Consumer goods	**1,332**	**3%**	—	0%
100%	204,144	**100%**	**558,722**		**40,564**	**100%**	16,271	100%

Investments within the Hedge fund and fund management activities

2011		**2012**			**2012**		2011	
Exposure Percentage	Exposure R'000	**Exposure Percentage**	**Exposure R'000**		**Exposure £'000**	**Exposure Percentage**	Exposure £'000	Exposure Percentage
0%	—	**10%**	**5,463**	Bonds	**397**	**10%**	—	0%
0%	—	**10%**	**5,478**	Retail	**398**	**10%**	—	0%
0%	—	**2%**	**1,308**	Cash	**95**	**2%**	—	0%
0%	—	**3%**	**1,440**	Financial Services	**105**	**3%**	—	0%
0%	—	**29%**	**15,145**	Resources	**1,100**	**29%**	—	0%
0%	—	**46%**	**24,227**	Industrial	**1,757**	**46%**	—	0%
0%	—	**100%**	**53,061**		**3,852**	**100%**	—	0%

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.

34. Financial instruments and financial risk management (continued)

34.3 Credit risk (continued)

34.3.3 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 R117,000, £8,000 (2011: R65,000, £5,000) and cash and cash equivalents amounted to R352,063,000, £25,560,000 (2011: R255,124,000, £20,334,000). Refer note 25 and 26 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 R352,063,000, £25,560,000, 9% was held in AAA rated money market funds, 6% with an A rated financial institution and the balance with a BBB+ or lower rated financial institutions. In 2011, of the value of cash and cash equivalents amounting to R255,124,000, £20,334,000, 67% 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 as a result of the high credit ratings assigned to the funds and financial institutions by international credit-rating agencies.

34.3.4 Guarantees

Refer note 39 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 39.

34.4 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 R134,476,000, £9,764,000 (2011: R151,232,000, £12,053,000) 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 34.4.2).

The Board of Directors is responsible for ensuring the Investment activities segment (other than Blackstar SA) has sufficient funds to meet its operational requirements and financial obligations. The Group has access to cash on hand of R334,015,000, £24,250,000 at the centre as at 31 December 2012. 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, BRE and BFM 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.

The fund management business mitigates liquidity risk in the following ways:

- Business continuity liquidity risk is mitigated by holding no less than R3 million as a capital adequacy requirement as per the category 2A hedge fund regulations;
- Market liquidity risk is mitigated by position size management relative to the underlying securities liquidity profile held by the fund; and
- Investor liquidity is mitigated by a 30 day notice period for withdrawals and no more than 20% of the fund may be withdrawn within a calendar month.

34. Financial instruments and financial risk management (continued)

34.4 Liquidity risk (continued)

34.4.1 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.

2012	Carrying amount R'000	Total R'000	Undiscounted contractual cash flows 6 months or less R'000	6–12 months R'000	1-2 years R'000	2-5 years R'000	More than 5 years R'000
Borrowings (refer note 25)							
Unsecured borrowings	**14,345**	**14,345**	**3,130**	—	—	—	**11,215**
Secured borrowings	**82,549**	**124,261**	**5,857**	**6,117**	**14,671**	**45,458**	**52,158**
	96,894	**138,606**	**8,987**	**6,117**	**14,671**	**45,458**	**63,373**
Other financial liabilities (refer note 26)							
Debtors Invoice discounting facilities and revolving inventory financing facility	**78,192**	**78,192**	**63,272**	**14,920**	—	—	—
Asset finance loan	**2,436**	**2,436**	**2,436**	—	—	—	—
Finance leases and instalment sale agreements	**1,133**	**1,133**	**178**	**184**	**395**	**374**	—
	81,761	**81,761**	**65,886**	**15,104**	**395**	**374**	—
Trade and other payables (refer note 29)	**60,495**	**60,495**	**60,495**	—	—	—	—
Bank overdrafts	**(117)**	**(117)**	**(117)**	—	—	—	—

2012	Carrying amount £'000	Total £'000	Undiscounted contractual cash flows 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 25)							
Unsecured borrowing	**1,041**	**1,042**	**228**	—	—	—	**814**
Secured borrowings	**5,993**	**9,021**	**425**	**444**	**1,065**	**3,300**	**3,787**
	7,034	**10,063**	**653**	**444**	**1,065**	**3,300**	**4,601**
Other financial liabilities (refer note 26)							
Debtors Invoice discounting facilities and revolving inventory financing facility	**5,677**	**5,677**	**4,594**	**1,083**	—	—	—
Asset finance loan	**177**	**177**	**177**	—	—	—	—
Finance leases and instalment sale agreements	**82**	**82**	**13**	**13**	**29**	**27**	—
	5,936	**5,936**	**4,784**	**1,096**	**29**	**27**	—
Trade and other payables (refer note 29)	**4,392**	**4,392**	**4,392**	—	—	—	—
Bank overdrafts	**(8)**	**(8)**	**(8)**	—	—	—	—

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

34. Financial instruments and financial risk management (continued)

34.4 Liquidity risk (continued)

34.4.1 Contractual maturities of non-derivative financial liabilities, including interest payments and excluding the impact of netting agreements (continued)

2011	Carrying amount R'000	Total R'000	Undiscounted contractual cash flows 6 months or less R'000	6–12 months R'000	1-2 years R'000	2-5 years R'000	More than 5 years R'000
Borrowings (refer note 25)							
Unsecured borrowings	13,224	13,224	7,624	300	300	5,000	—
Secured borrowings	83,117	130,866	10,213	5,398	11,424	40,113	63,718
	96,341	144,090	17,837	5,698	11,724	45,113	63,718
Other financial liabilities (refer note 26)							
Debtors Invoice discounting facility	76,370	76,370	58,807	17,563	—	—	—
Asset finance loan	4,551	4,814	1,172	1,172	2,470	—	—
	80,921	81,184	59,979	18,735	2,470	—	—
Trade and other payables (refer note 29)	97,034	97,034	97,034	—	—	—	—
Bank overdrafts	(65)	(65)	(65)	—	—	—	—

2011	Carrying amount £'000	Total £'000	Undiscounted contractual cash flows 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 25)							
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 26)							
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 and other payables (refer note 29)	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.

34. Financial instruments and financial risk management (continued)

34.4 Liquidity risk (continued)

34.4.2 Undrawn facilities and securities provided

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

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
		Unsecured bank overdraft facility, reviewed annually and payable on call		
—	**—**	Utilised	**—**	—
1,000	**1,000**	Unutilised	**73**	80
1,000	**1,000**		**73**	80
		Secured bank overdraft facility, reviewed annually and payable on call		
—	**—**	Utilised	**—**	—
50,000	**—**	Unutilised	**—**	3,989
50,000	**—**		**—**	3,989
		Secured acquisition facility (refer note 25)		
—	**127**	Utilised	**9**	—
—	**319,873**	Unutilised	**23,223**	—
—	**320,000**		**23,232**	—

Blackstar Group SE obtained an acquisition facility from a bank amounting to R320,000,000, £23,232,000 which was utilised to fund the acquisition of a 28% stake in NBC. On subsequent disposal of this investment the majority of the debt was settled. The facility bears interest at the South African Prime rate plus 15 basis points nominal annual compounded semi-annually in arrears with a bullet payment of capital in January 2014.

The following security has been provided for this facility: 72,989,058 of the Group's ordinary shares in Litha and 14,626,387 of its ordinary shares in TMG.

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

Total R'000	**Unutilised R'000**	**Utilised R'000**	**2012**	**Utilised £'000**	**Unutilised £'000**	**Total £'000**
120,000	**68,071**	**51,929**	Secured debtors invoicing discounting facilities (refer note 26)	**3,770**	**4,942**	**8,712**
32,500	**6,237**	**26,263**	Revolving inventory financing facilities (refer note 26)	**1,907**	**453**	**2,360**
44,917	**—**	**44,917**	Overdraft facilities	**3,261**	**—**	**3,261**
2,000	**43**	**1,957**	Foreign exchange contract facilities	**142**	**3**	**145**
5,064	**3,835**	**1,229**	Other facilities	**89**	**278**	**367**
204,481	**78,186**	**126,295**		**9,169**	**5,676**	**14,845**

34. Financial instruments and financial risk management (continued)

34.4 Liquidity risk (continued)

34.4.2 Undrawn facilities and securities provided (continued)

GRS has one agreement with a bank which covered its overdraft facilities as well as other facilities which in total amounts to R47,404,000, £3,442,000. Securities provided to the first bank for these facilities include: cession and pledge by GRS of its fixed deposit account; demand guarantee by the second bank with which GRS has its debtors invoice discounting and revolving inventory financing facilities in the amount of R44,9 million, £3.3 million; and unlimited suretyship by Blackstar Group SE (including cession of its loan account). Another agreement with a second bank governs GRS's debtors invoice discounting facility, revolving inventory financing facility and a guarantee facility which amount to R80,304,000, £5,830,000, in total. The following securities have been provided for these facilities: guarantee in favour of the second bank in the amount of R500,000, £36,300; cession of debtors in terms of a banking finance facility; general notarial covering bond of R15,000,000, £1,089,000, over moveable assets, together with a cession of short term insurance for an adequate amount of cover over the said moveable assets; cession of domestic debtor cover held with CGIC; subordination in favour of the first lending bank by Blackstar Gibraltar of its loan account balance as at 31 December 2012 of R39.3 million, £2.9 million; and cession of a fire policy in the amount of R306,046,000, £22,220,000.

Stalcor has one agreement with respect to its debtors invoice discounting facility and inventory consignment facility amounting to R72,500,000, £5,264,000. Securities provided for these facilities include: guarantee and cession signed for and on behalf of each other by Stalcor and certain of its directors; subordination of the shareholder loan account in Stalcor by Blackstar Group SE and the loans from directors (with an undertaking not to reduce below R45.0 million, £3.3 million and R5.0 million, £0.4 million, respectively); first cession of Stalcor's trade receivables; general notarial bond of R65.0 million, £4.7 million, over the moveable assets of Stalcor; and CGIC credit insurance policies.

Total R'000	Unutilised R'000	Utilised R'000	2011	Utilised £'000	Unutilised £'000	Total £'000
105,000	28,630	76,370	Debtors invoice discounting facilities (refer note 26)	6,087	2,282	8,369
15,000	15,000	—	Revolving inventory financing facilities (refer note 26)	—	1,196	1,196
30,339	11,226	19,113	Foreign exchange contract facilities	1,523	895	2,418
158,059	59,378	98,681	Other facilities	7,865	4,732	12,597
308,398	114,234	194,164		15,475	9,105	24,580

GRS had one agreement with a bank which covered its forward exchange contract facilities as well as other facilities which in total amounted to R21,256,000, £1,695,000. Securities provided to the bank for these facilities included: cession and pledge by GRS of its fixed deposit account; demand guarantee by the other bank with which GRS has its debtors invoice discounting and revolving inventory financing facilities in the amount of R5,000,000, £399,000 and unlimited suretyship by Blackstar Group SE (including cession of their loan account). Another agreement with a second bank governed GRS's debtors invoice financing facility, revolving inventory financing facility and a guarantee facility which amounted to R67,200,000 £5,357,000 in total. The following securities had been provided for these facilities: registration of a notarial bond for R15,000,000, £1,196,000 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 CGIC; subordination by Blackstar Gibraltar of its loan in GRS with a balance of R41,000,000, £3,268,000.

34. Financial instruments and financial risk management (continued)

34.4 Liquidity risk (continued)

34.4.2 Undrawn facilities and securities provided (continued)

During the prior 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 included: 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 R45,000,000, £3,587,000 and R5,000,000, £399,000 respectively); first cession of Stalcor's trade receivables; general notarial bond of R65,000,000 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 covered 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 R9,200,000 (the equivalent of 26,530,612 shares as at 31 December 2011). This agreement with the bank came to an end subsequent to the 2011 year end and Blackstar was released from the guarantees provided.

34.5 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.

34.5.1 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. In the prior year, the Industrial chemicals and Industrial metals segments were grouped together due to the fact that the nature of their exposure to currency risk as well as their management thereof was similar.

Investment activities

Currency risk arises because the Group makes investments in currencies which differ from its functional currency Rands and presentational currencies Rands and Pounds Sterling. The value of these assets is exposed to currency risk giving rise to gains or losses on translation into Pounds Sterling and Rands. 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 functional and presentational currencies (Rands and 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.

During the prior 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 prior year on receipt of the proceeds.

Hedge fund and fund management activities

The hedge fund has access to financial products that are easily traded to mitigate currency risk. The underlying fund has a 25% offshore exposure limit which can be attained in various currencies to obtain a diversification of currencies and limit single currency risk factors. The fund trades currency futures and options to hedge out exposure if necessary.

34. Financial instruments and financial risk management (continued)

34.5 Market risk (continued)

34.5.1 Currency risk (continued)

Industrial metals, (and Industrial chemicals in the prior year)

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 functional and presentational currency (South African Rand). Both segments 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.

	Settlement		Contract value	
2012			**Foreign Amount 000's**	**Rand amount 000's**
In respect of FEC relating to foreign liabilities as at 31 December 2012				
– US Dollars	**January 2013**	**May 2013**	**4,406**	**39,190**
– Euro	**June 2013**	**June 2013**	**25**	**292**

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

34. Financial instruments and financial risk management (continued)

34.5 Market risk (continued)

34.5.1 Currency risk (continued)

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:

2012	Hedge fund and fund management activities	Property investments	Industrial metals	Investment activities	Total
Functional currency	**South African Rand R'000**	**South African Rand R'000**	**South African Rand R'000**	**South African Rand R'000**	**R'000**
Trade receivables (gross)					
South African Rand	—	1,125	133,306	45	134,476
	—	1,125	133,306	45	134,476
Trade payables					
South African Rand	36	27	44,124	90	44,277
US dollars	—	—	14,858	—	14,858
Pounds Sterling	—	—	—	1,307	1,307
Euro	—	—	—	53	53
	36	27	58,982	1,450	60,495
Borrowings					
South African Rand	—	91,417	5,350	127	96,894
Other financial liabilities (excluding forward exchange contracts and derivatives)					
South African Rand	—	(4,482)	86,985	217	82,720
Cash and cash equivalents (including overdrafts)					
South African Rand	1,625	1,158	4,816	214,159	221,758
US dollars	33	—	11	2,324	2,368
Pounds Sterling	3	—	—	124,084	124,087
Euro	—	—	—	41	41
Namibian Dollars	—	—	3,692	—	3,692
	1,661	1,158	8,519	340,608	351,946

2012	Hedge fund and fund management activities	Property investments	Industrial metals	Investment activities	Total
Functional currency	**South African Rand £'000**	**South African Rand £'000**	**South African Rand £'000**	**South African Rand £'000**	**£'000**
Trade receivables (gross)					
South African Rand	—	82	9,678	4	9,764
	—	82	9,678	4	9,764
Trade payables					
South African Rand	3	2	3,203	6	3,214
US dollars	—	—	1,079	—	1,079
Pounds Sterling	—	—	—	95	95
Euro	—	—	—	4	4
	3	2	4,282	105	4,392
Borrowings					
South African Rand	—	6,637	388	9	7,034
Other financial liabilities (excluding forward exchange contracts and derivatives)					
South African Rand	—	(325)	6,315	16	6,006
Cash and cash equivalents (including overdrafts)					
South African Rand	118	84	350	15,548	16,100
US dollars	2	—	1	169	172
Pounds Sterling	—	—	—	9,009	9,009
Euro	—	—	—	3	3
Namibian Dollars	—	—	268	—	268
	120	84	619	24,729	25,552

34. Financial instruments and financial risk management (continued)

34.5 Market risk (continued)

34.5.1 Currency risk (continued)

Exposure to currency risk (continued)

Total	Investment activities	Industrial metals	Property investments	2011	Property investments	Industrial metals	Investment activities	Total
	South African Rand	South African Rand	South African Rand	Functional currency	South African Rand	South African Rand	South African Rand	
R'000	R'000	R'000	R'000		£'000	£'000	£'000	£'000
				Trade receivables (gross)				
149,484	—	149,285	199	South African Rand	16	11,898	—	11,914
1,748	—	1,748	—	US Dollars	—	139	—	139
151,232	—	151,033	199		16	12,037	—	12,053
				Trade payables				
85,488	5,216	66,504	13,768	South African Rand	1,097	5,300	416	6,813
5,091	20	5,071	—	US Dollars	—	404	2	406
6,282	6,282	—	—	Pounds Sterling	—	—	501	501
173	173	—	—	Euro	—	—	14	14
97,034	11,691	71,575	13,768		1,097	5,704	933	7,734
				Borrowings				
96,341	—	5,950	90,391	South African Rand	7,205	474	—	7,679
				Other financial liabilities (excluding forward exchange contracts and derivatives)				
88,992	185	90,462	(1,655)	South African Rand	(132)	7,210	15	7,093
				Cash and cash equivalents (including overdrafts)				
50,407	17,423	18,402	14,582	South African Rand	1,162	1,467	1,389	4,018
1,041	451	590	—	US Dollars	—	47	36	83
196,851	196,851	—	—	Pounds Sterling	—	—	15,689	15,689
20	20	—	—	Euro	—	—	2	2
6,740	—	6,740	—	Namibian Dollars	—	537	—	537
255,059	214,745	25,732	14,582		1,162	2,051	17,116	20,329

Sensitivity analyses

A 10% strengthening of the Rand against Pounds Sterling at the reporting date, all other variables held constant, would have resulted in an increase of R12,408,000, £7,735,000 (2011: R19,685,000, £4,440,000) in the reported net asset value of the Group. A 10% weakening of the Rand against Pounds Sterling at the reporting date, on the same basis, would have resulted in a decrease of R12,408,000, £9,456,000 (2011: R19,685,000, £3,600,000) in the reported net asset value of the Group.

The following significant exchange rates applied during the year:

	2012	2011
South African Rand/Pounds Sterling		
Opening rate	**12.546**	10.358
Closing rate	**13.773**	12.546

34.5.2 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.

34. Financial instruments and financial risk management (continued)

34.5 Market risk (continued)

34.5.2 Interest rate risk (continued)

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

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
		Fixed rate instruments		
		Financial assets		
—	**—**	Investments classified as loans and receivables (refer note 19)	**—**	—
		Financial liabilities		
(84,067)	**(82,772)**	Borrowings (refer note 25)	**(6,009)**	(6,701)
(4,551)	**(2,436)**	Other financial liabilities excluding lease accruals and derivatives (refer note 26)	**(177)**	(363)
(88,618)	**(85,208)**		**(6,186)**	(7,064)
		Variable rate instruments		
		Financial assets		
27,427	**1,741**	Investments classified as loans and receivables (refer note 19)	**126**	2,186
255,124	**352,063**	Cash and cash equivalents (refer note 24)	**25,560**	20,334
		Financial liabilities		
(12,274)	**(14,122)**	Borrowings (refer note 25)	**(1,025)**	(978)
(76,370)	**(79,325)**	Other financial liabilities excluding lease accruals and derivatives (refer note 25)	**(5,759)**	(6,087)
(65)	**(117)**	Overdrafts (refer note 24)	**(8)**	(5)
193,842	**260,240**		**18,894**	15,450

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

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
4,393	**7,875**	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 10)	**605**	378
(20,132)	**(39,915)**	Total interest expense on financial liabilities (refer note 10)	**(3,066)**	(1,732)
(15,739)	**(32,040)**		**(2,461)**	(1,354)

Investments

The Group's exposure to interest rates on investments is detailed in note 19 Investments classified as loans and receivables. 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.

34. Financial instruments and financial risk management (continued)

34.5 Market risk (continued)

34.5.2 Interest rate risk (continued)

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 R681,000, £49,000 (2011: R1,305,000, £104,000) 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 R681,000, £49,000 (2011: R1,305,000, £104,000) in the reported net asset value of the Group.

34.5.3 Market price risk

Investments which fall under the Investment activities segment

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 the majority of 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.

Investments which fall under the Hedge fund and fund management activities

The hedge fund is also exposed to market price risk. Hedging tools and products are utilised to reduce market price risk, where necessary, in various markets namely currencies, derivatives, shares and fixed income products.

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 reporting date, all other variables held constant, would have resulted in an increase of R19,492,000, £1,415,000 (2011: R15,659,000, £1,248,000) in the reported net asset value of the Group. A decrease of 10% in the FTSE/JSE Africa All Share Index at the reporting date, on the same basis, would have resulted in a decrease of R29,968,000, £2,176,000 (2011: R15,922,000, £1,269,000) in the reported net asset value of the Group.

34.6 Fair values

The carrying amount of all financial assets and liabilities as reflected in the statement of financial position 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.

34.6.1 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 2012 and 31 December 2011 (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.

34. Financial instruments and financial risk management (continued)

34.6 Fair values (continued)

34.6.2 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).

Total	**Level 3**	**Level 2**	**Level 1**	**2012**	**Level 1**	**Level 2**	**Level 3**	**Total**
R'000	**R'000**	**R'000**	**R'000**		**£'000**	**£'000**	**£'000**	**£'000**
				Financial assets at fair value through profit and loss				
610,042	**—**	**60,000**	**550,042**	Investments at fair value through profit and loss (refer note 20)	**39,934**	**4,356**	**—**	**44,290**
917		**—**	**917**	Derivative financial assets (refer note 21)	**67**	**—**	**—**	**67**
610,959	**—**	**60,000**	**550,959**		**40,001**	**4,356**	**—**	**44,357**

Total	Level 3	Level 2	Level 1	2011	Level 1	Level 2	Level 3	Total
R'000	R'000	R'000	R'000		£'000	£'000	£'000	£'000
				Financial assets at fair value through profit and loss				
176,717	—	140,258	36,459	Investments at fair value through profit and loss (refer note 20)	2,906	11,179	—	14,085
23	—	—	23	Derivative financial assets (refer note 21)	2	—	—	2
176,740	—	140,258	36,482		2,908	11,179	—	14,087

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

34.6.3 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 20). 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.

34.7 Hedge accounting

During the prior 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 Pounds Sterling on the date the proceeds were received. A gain of R11.2 million, £2.4 million, was recognised on the FEC and is included in net gains and losses on investments (refer note 6.1). The profit on disposal of the interest in Ferro is included in profit from discontinued operations (refer note 12).

35. Capital management

Through two capital raisings the Company raised £80.0 million (£75.4 million after capital raising expenses) in 2006. In 2011, the Company raised a further R100.0 million (£8.9 million). The capital includes share capital, share premium and all distributable and non-distributable reserves, and 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. In January 2013 the Company bought back 5,900,000 ordinary shares in the ordinary market which are held as treasury shares. During the prior financial year, the Company bought back 3,200,000 ordinary shares in the market which were subsequently cancelled in January 2012.

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.

36. 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 2012	Proportion of ownership 31 December 2011
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%
Blackstar Fund Managers (Pty) Limited	South Africa	Fund manager	50.1%	—
Blackstar GP (Pty) Limited	South Africa	General Partner of the hedge fund	100%	—
Blackstar Special Opportunities Fund	South Africa	Hedge fund	38.4%	—
Stalcor (Pty) Limited^	South Africa	Industrial steel company	50.1%	100%
Global Roofing Solutions (Pty) Limited	South Africa	Steel roofing and cladding company	100%	100%
Helm Engineering (Pty) Limited#	South Africa	Steel roofing and cladding company	100%	100%
GRS Namibia – Domel Investments (Pty) Limited#	Namibia	Steel roofing and cladding company	100%	100%
Blackstar Real Estate (Pty) Limited^	South Africa	Investment property company	100%	100%
Firefly Investments 223 (Pty) Limited*	South Africa	Investment property company	70%	70%
Wonderdeals 38 (Pty) Limited*	South Africa	Investment property company	85.9%	57.5%

Subsidiary of GRS.

* Subsidiary of BRE.

^ Subsidiary of Blackstar (Cyprus) Investors Limited.

36. Subsidiary companies (continued)

In June 2012, Blackstar brought in an equity partner into Stalcor who injected R5,000,000, £384,000 into the business. At the same time ordinary shares of Stalcor were allocated to the equity partner, as well as to management and a customer loyalty trust, bringing Blackstar's equity holding down to 50.1%. As the capital providers to Stalcor, Blackstar and its equity partner will be entitled to 18% of retained income (sharing in a ratio of 90:10 in favour of Blackstar) prior to ordinary shareholders receiving any equity benefits. Blackstar believes that this re-aligned structure will be beneficial to the turnaround and success of Stalcor in the future.

During the current year, BRE participated in Wonderdeals' rights offer resulting in an increase in shareholding to 85.9%.

During the second half of 2012, Blackstar acquired a 50% plus 1 share stake in a hedge fund management company which is responsible for the management of the BSOF. Blackstar GP was created to act as the General Partner of the BSOF. This is a shell company with no assets or liabilities and Blackstar Group SE owns 100% of the shares in Blackstar GP. BSOF is also consolidated as the definition of control in terms of IFRS has been met (refer note 33 for further details). The proportional ownership of 38.4% is based on the fair value of Blackstar Group SE's investment in BSOF relative to the total fair value of investments held by the fund.

37. Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

2011 R'000	**2012 R'000**		**2012 £'000**	2011 £'000
59,661	**42,671**	Land and buildings	**3,098**	4,755
17,185	**10,722**	Less than one year	**778**	1,370
23,693	**29,308**	Due between one and five years	**2,128**	1,888
18,783	**2,641**	More than five years	**192**	1,497
13,020	**11,218**	Equipment and vehicles	**814**	1,037
6,478	**5,278**	Less than one year	**383**	516
6,542	**5,940**	Due between one and five years	**431**	521
—	**—**	More than five years	**—**	—
72,681	**53,889**		**3,912**	5,792

38. Capital commitments

As at 31 December 2012, management of Group companies had committed to contracted capital expenditure of R1,239,000, £90,000 (2011: nil). At year end, non contracted capital expenditure of R6,479,000, £470,000 (2011: R7,865,000, £627,000) on property, plant and equipment had been approved.

39. 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 R50.0 million, £4.0 million, and USD2.0 million, R17.0 million, £1.5 million.

The Group has provided 72,989,058 of its ordinary shares in Litha and 14,626,387 of its ordinary shares in TMG as security for its facility of R320,000,000, £23,232,000 of which R127,000, £9,000 was utilised at year end.

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 25).

39. Contingencies and guarantees (continued)

Guarantees (continued)

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 25), for an amount not exceeding R10 million (£0.7 million).

Contingent liabilities and contingent assets

There are no contingent liabilities or assets to report as at 31 December 2012 (2011: nil).

40. Directors' remuneration

	Salary earned as employee of a subsidiary of the Group							Salary earned as employee of a subsidiary of the Group		
Total R'000	**Performance bonus R'000**	**Other benefits R'000**	**Salary R'000**	**Non-executive directors fees R'000**	**2012**	**Non-executive directors fees £'000**	**Salary £'000**	**Other benefits £'000**	**Performance bonus £'000**	**Total £'000**
589	**—**	**—**	**—**	**589**	John Broadhurst Mills	**45**	**—**	**—**	**—**	**45**
8,527	**3,338#**	**515***	**4,158**	**516**	Andrew David Bonamour	**40**	**319**	**39***	**256#**	**654**
455	**—**	**—**	**—**	**455**	Wolfgang Andreas Baertz	**35**	**—**	**—**	**—**	**35**
455	**—**	**—**	**—**	**455**	Marcel Ernzer	**35**	**—**	**—**	**—**	**35**
455	**—**	**—**	**—**	**455**	Charles Taberer	**35**	**—**	**—**	**—**	**35**
10,481	**3,338**	**515**	**4,158**	**2,470**		**190**	**319**	**39**	**256**	**804**

* Other benefits include medical aid, security and motor vehicle allowance.

\# Includes incentive bonus earned on successful realisation of Blackstar's investments in Litha, NBC and the services derivative as well as additional fees and other income generated for the Group.

	Salary earned as employee of a subsidiary of the Group							Salary earned as employee of a subsidiary of the Group		
Total R'000	Performance bonus R'000	Other benefits R'000	Salary R'000	Non-executive directors fees R'000	2011	Non-executive directors fees £'000	Salary £'000	Other benefits £'000	Performance bonus £'000	Total £'000
486	—	—	—	486	John Broadhurst Mills	42	—	—	—	42
9,131	4,102#	538*	4,026	465	Andrew David Bonamour	40	346	46*	353#	785
407	—	—	—	407	Wolfgang Andreas Baertz	35	—	—	—	35
407	—	—	—	407	Marcel Ernzer	35	—	—	—	35
407	—	—	—	407	Charles Taberer	35	—	—	—	35
10,838	4,102	538	4,026	2,172		187	346	46	353	932

* Other benefits include medical aid, security and motor vehicle allowance.

\# Includes incentive bonus earned of R1,600,000, £138,000 for successful realisation of Ferro and conclusion of capital raising and listing on the Altx market of the JSE.

The highest paid director earned fees of R8,527,000 £654,000, (2011: R9,131,000, £785,000).

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

All Directors' fees payable to John Mills are payable to Maitland Luxembourg S.A. ("Maitland").

No Directors of Blackstar Group SE held any share options and no options were granted or exercised during the year (2011: 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.

41. 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 (to 30 June 2012 being date of disposal of half of the investment), Navigare and Fantastic, are considered to be related parties. During the current financial year, Blackstar Group SE and Blackstar SA earned underwriting fees totalling R5,000,000, £363,000 (2011: R2,750,000, £239,000) from Litha. Blackstar SA also earned fees amounting to R917,000, £67,000 (2011: R1,800,000, £155,000) from Litha, Fantastic and Navigare in the form of directors, monitoring and accounting fees. There were no amounts outstanding at year end (2011: Blackstar SA reflected a prepayment of fees from Litha of R62,000, £5,000).

At 31 December 2012, the following loans were held with the Group's associates:

- Blackstar Group SE held a loan with Navigare amounting to R1,279,000, £92,000 (2011: R1,368,000, £109,000) included within investments classified as loans and receivables (refer note 19).
- BRE held a loan with Fantastic amounting to R462,000, £34,000 (2011: R390,000, £31,000) included within investments classified as loans and receivables (refer note 19).
- Firefly held a loan with Litha Medical (Pty) Limited ("Litha Medical"), a subsidiary of Litha, amounting to R4,464,000, £324,000 (2011: R2,923,000, £233,000) included within borrowings (refer note 25).
- Firefly also held a preference share loan amounting to R1,751,000, £127,000 (2011: R1,573,000, £125,000) to Litha Medical, included within borrowings (refer note 25).

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 Mills is a Director of Maitland. Maitland provide a variety of services to the Company on a commercial, arm's length basis. In 2012, fees to Maitland for advisory and administrative services amounted to R447,000, £37,000, (2011: R4,593,000, £395,000). At balance sheet date there were no amounts owing to Maitlands (2011: R2,045,000, £163,000 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 9.2% of the issued share capital of the Company.

Details of Directors' remuneration are provided in note 40 to the consolidated financial statements. There are no other related parties transactions to disclose.

42. Events after the reporting period

Offer to acquire NBC

On 4 March 2013, Blackstar launched an offer to acquire all of the shares in NBC via an issue of Blackstar shares. The terms of the offer are 1.12 Blackstar shares in return for every 100 NBC ordinary shares held. NBC has a net asset value ("NAV") of R80.6 million, £5.9 million, which comprises entirely of cash.

The transaction is essentially viewed as a rights issue, to enable Blackstar to get additional cash into the Company on an attractive basis. Blackstar will re-issue the shares it recently bought back at 79 pence (R11.07), currently held as treasury shares.

The transaction, which is expected to close in early June 2013, will increase Blackstar's asset base whilst reducing the cost base as a percentage of assets.

Launch of the Blackstar Global Opportunities Fund

The Blackstar Global Opportunities Fund ("BGOF") launched at the beginning of April 2013. BGOF is a global USD multi-strategy fund holding only highly liquid global securities in a combination of longer term long and short positions, and shorter term trading positions.

42. Events after the reporting period (continued)

Share buy-back

In January 2013, Blackstar purchased 5.9 million ordinary shares of €0.76 each in the Company at a price of 79 pence (R11.07) per share, representing 7.19% of the issued ordinary share capital prior to such purchases. The shares are currently being held in treasury.

Dividend declaration

As a reflection of the strengthened financial position and cash reserves available to Blackstar, the Board has resolved to declare a final gross dividend of 17 South African cents (1.42 cents in Euros and 1.21 pence in Pounds Sterling) per ordinary share. The exchange rates have been fixed for the calculation of the Euro and Pounds Sterling equivalents based on the closing exchange rates on Thursday, 18 April 2013 of EUR 1 = ZAR 11.983 and GBP 1 = ZAR 14.000. The Board recognises that regular dividends are an important part of shareholder wealth creation.

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

Last day to trade on the South African register	Friday, 7 June 2013
Trading ex-dividend commences on the South African register	Monday, 10 June 2013
Last day to trade on the UK register	Tuesday, 11 June 2013
Trading ex-dividend commences on the UK register	Wednesday, 12 June 2013
Record date for shareholders recorded on the UK and South African registers	Friday, 14 June 2013
Date of payment	Tuesday, 18 June 2013

Share certificates may not be dematerialized or rematerialized between Monday, 10 June 2013 and Friday, 14 June 2013, both days inclusive, and transfers between the UK register and the South African register may not take place during that period.

Dividend Tax will be withheld from the amount of the gross dividend of 17 South African cents per share paid to South African shareholders at the rate of 15% unless a shareholder qualifies for exemption. After the Dividend Tax has been withheld, the net dividend will be 14.45 South African cents per share. There are no other taxes (foreign or otherwise) to be withheld from the dividend. The Company had a total of 82,088,422 shares in issue (which includes 5,900,000 shares held in treasury) at the date on which the dividend was announced, 19 April 2013. The dividend will be distributed by Blackstar Group SE (Malta tax registration number 995944033) and is regarded as a foreign dividend. There are no Secondary Tax on Companies ("STC") credits available for use.

43. Segmental information

The Group's reporting segments are 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 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 and the Group's associate Navigare;

Healthcare segment only included the associate Litha to 30 June 2012, being the date that Blackstar disposed of half of its shares in Litha. Litha then ceased to meet the definition of an associate and the carrying value of the remaining investment held was transferred to investments at fair value through profit and loss. As a result the Litha investment is included within the Investment activities segment at 31 December 2012 and Healthcare is no longer a reporting segment;

43. Segmental information (continued)

Property investments include the subsidiaries BRE, Firefly, Wonderdeals and the Group's associate Fantastic; and

Hedge fund and fund management activities includes the subsidiaries BFM and BSOF. BFM is responsible for managing the hedge fund BSOF which was launched during the current financial year.

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.

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

The Baldwins division and the closure of two of Stalcor's branches, which fell within the Industrial metals segment, together with Litha, which comprised the Healthcare segment, are discontinued operations (refer note 12). The comparative information for the year ended 31 December 2011, was restated to present income generated and expenses incurred by discontinued operations separately from continuing operations.

In the prior financial year, the Industrial chemicals segment was a discontinued operation as the subsidiary Ferro was sold effective July 2011. There were no other operations to report within this segment and thus it fell away as from 31 December 2011.

43.1 Information about reportable segments

2011 R'000	**2012 R'000**		**2012 £'000**	As restated* 2011 £'000
		Revenue		
		As reported by segment:		
202,720	—	Industrial chemicals	—	18,194
1,423,857	**1,063,016**	Total revenue reported by segments	**81,676**	122,563
1,626,577	**1,063,016**	Consolidated total reported by the Group	**81,676**	140,757
(567,665)	—	Less reported by discontinued operations	—	(49,699)
(202,720)	—	Industrial chemicals	—	(18,194)
(364,945)	—	Industrial metals	—	(31,505)
1,058,912	**1,063,016**	Consolidated total from continuing operations reported by the Group	**81,676**	91,058

* Refer note 4

43. Segmental information (continued)

43.1 Information about reportable segments (continued)

2011 R'000	2012 R'000		2012 £'000	As restated* 2011 £'000
		EBITDA		
		As reported by segment:		
26,480	**—**	Industrial chemicals	**—**	3,559
16,897	**34,230**	Industrial metals	**2,630**	1,445
134,268	**152,028**	Investment activities	**11,555**	2,129
4,666	**9,614**	Property investments	**739**	401
—	**(821)**	Hedge fund and fund management activities	**(59)**	—
55,725	**133,132**	Healthcare	**8,121**	5,047
238,036	**328,183**	Total EBITDA reported by segments	**22,986**	12,581
(56,176)	**(130,868)**	Less EBITDA reported by discontinued operations	**(7,947)**	(6,332)
(26,480)	**—**	Industrial chemicals	**—**	(3,559)
26,029	**2,264**	Industrial metals	**174**	2,274
(55,725)	**(133,132)**	Healthcare	**(8,121)**	(5,047)
181,860	**197,315**	Total EBITDA reported by continuing segments	**15,039**	6,249
(85,775)	**76,605**	Consolidation adjustments	**6,011**	(4,584)
(82,039)	**5,362**	Inter-group transactions and consolidation of subsidiaries	**122**	(3,587)
(4,809)	**490**	Equity account associates	**38**	(63)
1,073	**70,753**	Other	**5,851**	(934)
96,085	**273,920**	Consolidated total reported by the Group for continuing operations	**21,050**	1,665
(32,743)	**(19,386)**	Depreciation and amortisation	**(1,494)**	(2,840)
(153,833)	**(57,355)**	Impairment of goodwill and other non current assets	**(4,223)**	(12,445)
—	**9,480**	Fair value adjustment on investment property	**728**	—
(27,607)	**(8,482)**	Other	**(654)**	(2,374)
(17,912)	**(33,741)**	Finance income and finance costs	**(2,592)**	(1,541)
(136,010)	**164,436**	Profit/(loss) before taxation reported by the Group	**12,815**	(17,535)
		Share of profit of associates		
55,725	**133,132**	Healthcare	**8,120**	5,047
495	**490**	Investment activities	**38**	43
56,220	**133,622**	Total profit of associates	**8,158**	5,090
		Less share of profit of associate reported as a discontinued operation		
(55,725)	**(133,132)**	Healthcare	**(8,120)**	(5,047)
495	**490**	Consolidated total reported by the Group for continuing segments	**38**	43

* Refer note 4

43. Segmental information (continued)

43.1 Information about reportable segments (continued)

2011 R'000	**2012 R'000**		**2012 £'000**	As restated* 2011 £'000
		Total assets		
		As reported by segment:		
384,230	**359,421**	Industrial metals	**26,095**	30,624
1,087,165	**1,151,833**	Investment activities	**84,605**	86,699
121,153	**121,522**	Property investments	**8,823**	9,657
—	**58,452**	Hedge fund and fund management activities	**4,244**	—
1,592,548	**1,691,228**	Total assets reported by segments	**123,767**	126,980
		Consolidation adjustments		
(106,906)	**(99,850)**	Inter-group transactions	**(7,249)**	(8,526)
(85,657)	**(121,256)**	On acquisition fair value adjustments and consolidation of subsidiaries	**(9,783)**	(6,871)
(206,127)	**(1,852)**	Equity account associates	**(134)**	(16,429)
1,193,858	**1,468,270**	Consolidated total reported by the Group	**106,601**	95,154
		Investments in associates		
204,854	**—**	Healthcare	**—**	16,327
1,380	**1,870**	Investment activities	**136**	110
206,234	**1,870**	Consolidated total reported by the Group	**136**	16,437
		Total liabilities		
		As reported by segment:		
(358,002)	**(279,891)**	Industrial metals	**(20,321)**	(28,533)
(38,875)	**(3,392)**	Investment activities	**(246)**	(1,388)
(96,752)	**(111,327)**	Property investments	**(8,083)**	(9,426)
—	**(3,096)**	Hedge fund and fund management activities	**(225)**	—
(493,629)	**(397,706)**	Total liabilities reported by segments	**(28,875)**	(39,347)
		Consolidation adjustments		
106,906	**99,850**	Inter-group transactions	**7,249**	8,526
39,225	**1,704**	On acquisition fair value adjustments and consolidation of subsidiaries	**122**	3,124
(347,498)	**(296,152)**	Consolidated total reported by the Group	**(21,504)**	(27,697)
		Additions to non-current assets		
		As reported by segment:		
5,527	**—**	Industrial chemicals	**—**	496
17,915	**16,469**	Industrial metals	**1,251**	925
104,868	**839,161**	Investment activities	**64,476**	12,058
88,880	**8,632**	Property investments	**663**	7,089
—	**28,439**	Hedge fund and fund management activities	**2,021**	—
217,190	**892,701**		**68,411**	20,568

* Refer note 4

43. Segmental information (continued)

43.2 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.

Segmental revenue (for both continuing and discontinued operations) is presented below on the basis of the geographical location of the customers:

Total R'000	Industrial metals R'000	Industrial chemicals R'000	2012	Industrial chemicals £'000	Industrial metals £'000	Total £'000
1,002,976	**1,002,976**	—	South Africa	**—**	**77,063**	**77,063**
60,040	**60,040**	—	Namibia	**—**	**4,613**	**4,613**
1,063,016	**1,063,016**	—	Revenue	**—**	**81,676**	**81,676**

Total R'000	Industrial metals R'000	Industrial chemicals R'000	2011	Industrial chemicals £'000	Industrial metals £'000	Total £'000
1,521,671	1,338,867	182,804	South Africa	16,407	115,255	131,662
104,906	84,990	19,916	Namibia	1,787	7,308	9,095
1,626,577	1,423,857	202,720	Revenue	18,194	122,563	140,757

43.3 Major customers

As has been disclosed in note 34.3, 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).

43.4 Analysis of revenue by product

2011 R'000	2012 R'000		2012 £'000	2011 £'000
202,720	—	Industrial chemicals	—	18,194
71,092	—	Sale of specialised range of powder coatings	—	6,381
34,375	—	Sale of black and white plastic master batches	—	3,084
15,505	—	Sale of glass coating and glass decorating products	—	1,392
81,748	—	Sale of ceramic glazes and enamel products	—	7,337
1,423,857	**1,063,016**	Industrial metals	**81,676**	122,563
559,588	**575,016**	Sale of manufactured roofing sheets	**44,181**	48,178
310,149	**364,114**	Sale of stainless steel^	**27,976**	26,980
554,120	**123,886**	Sale of carbon and aluminium steel^	**9,519**	47,405
1,626,577	**1,063,016**	Total revenue report by the segments	**81,676**	140,757

^ 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 (refer note 12).

Company statement of changes in equity
for the year ended 31 December 2012

	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 2010	50,130	—	2,893	—	3,782	18,969	75,774
Total comprehensive loss for the year	—	—	—	—	(2,779)	(3,874)	(6,653)
Loss for the year	—	—	—	—	—	(3,874)	(3,874)
Other comprehensive loss for the year	—	—	—	—	(2,779)	—	(2,779)
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 paid	—	—	—	—	—	(6,217)	(6,217)
Balance as at 31 December 2011	57,053	1,974	2,893	(2,272)	267	9,614	69,529
Total comprehensive income for the year	—	—	—	—	(5,442)	15,226	9,784
Income for the year	—	—	—	—	—	15,226	15,226
Other comprehensive loss for the year	—	—	—	—	(5,442)	—	(5,442)
Cancellation of ordinary shares	(1,706)	—	1,706	2,272	—	(2,272)	—
Balance as at 31 December 2012	**55,347**	**1,974**	**4,599**	**—**	**(5,175)**	**22,568**	**79,313**

A final dividend of 10.10 South African cents, 0.90 pence, per ordinary share was declared on 26 May 2011.

A special dividend of 80.53 South African cents, 6.5 pence, per ordinary share was paid on 2 December 2011.

A final dividend of 17 South African cents, 1.21 pence, per ordinary share has been proposed, to be paid on 18 June 2013.

The notes on pages 102 to 111 form part of the Company financial statements.

Company statement of financial position
as at 31 December 2012

	Notes	2012 £'000	2011 £'000
Non-current assets			
Investments in subsidiary companies	**3**	**42,160**	62,435
Investment classified as loans and receivables	**5**	**93**	109
Investments at fair value through profit and loss	**6**	**15,105**	1,114
		57,358	63,658
Current assets			
Investments at fair value through profit and loss	**6**	**1,791**	12,797
Trade and other receivables	**7**	**618**	464
Cash and cash equivalents	**8**	**21,657**	2,570
		24,066	15,831
Total assets		**81,424**	79,489
Non-current liabilities		**—**	—
Current liabilities			
Borrowings	**9**	**(9)**	—
Current tax liability		**(23)**	(22)
Trade and other payables	**10**	**(2,079)**	(9,938)
		(2,111)	(9,960)
Total liabilities		**(2,111)**	(9,960)
Total net assets		**79,313**	69,529
Equity			
Share capital	**11**	**55,347**	57,053
Share premium	**11**	**1,974**	1,974
Capital redemption reserve	**11**	**4,599**	2,893
Treasury shares reserve	**11**	**—**	(2,272)
Foreign currency translation reserve	**11**	**(5,175)**	267
Retained earnings	**11**	**22,568**	9,614
Total equity attributable to equity holders		**79,313**	69,529

The official opening middle rates of exchange applicable between the Euro and the GBP, and the Euro and the ZAR, as issued by the European Central Bank at 31 December 2012 was 0.82 (2011: 0.84) and 11.17 (2011: 10.48) respectively.

The notes on pages 102 to 111 form part of the Company financial statements.

The Company financial statements were approved by the Board and authorised for issue on 19 April 2013.

Andrew Bonamour
Director

John Mills
Director

Company statement cash flows
for the year ended 31 December 2012

	Notes	2012 £'000	2011 £'000
Cash flow from operating activities			
Cash generated/(absorbed) by operations	**12**	**16,699**	(1,240)
Interest received		**147**	79
Interest paid		**(1,419)**	(98)
Dividends and interest received from investments		**1**	6,693
Taxation paid		**—**	(38)
Dividends paid		**—**	(6,217)
Cash generated/(absorbed) by operating activities		**15,428**	(821)
Cash flow from investing activities			
Acquisition of investments at fair value through profit or loss		**(38,440)**	(673)
Acquisition of subsidiary companies	**3**	**(1,604)**	(29,070)
Increase in loans to subsidiary company		**(363)**	—
Repayment of loan by subsidiary company		**159**	—
Proceeds on part disposal of investment in associate		**12,167**	—
Proceeds from disposal of other investments		**26,270**	2,096
Proceeds on redemption/disposal of shares in subsidiary companies		**11,500**	23,418
Cash generated/(absorbed) by investing activities		**9,689**	(4,229)
Cash flow from financing activities			
Proceeds from borrowings		**25,079**	—
Repayment of borrowings		**(25,069)**	—
Buy-back of ordinary shares		**—**	(2,272)
Capital raising		**—**	8,897
Cash generated by financing activities		**10**	6,625
Net increase in cash and cash equivalents		**25,127**	1,575
Cash and cash equivalents at the beginning of the year		**2,570**	982
Exchange gains/(losses) on cash and cash equivalents		**(6,040)**	13
Cash and cash equivalents at the end of the year	**8**	**21,657**	2,570

The notes on pages 102 to 111 form part of the Company financial statements.

Notes to the Company financial statements
for the year ended 31 December 2012

1. Accounting policies

These separate financial statements of Blackstar Group SE ("the Company") 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 the Malta Companies Act, 1995.

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 26 to 40 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	Foreign currencies
Note 1.20	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 183(8) of Malta Companies Act, 1995 and has not presented its own profit and loss in these financial statements. The Group's profit for the year includes a profit after taxation of £15,226,000 (2011: loss after taxation of £3,874,000) for the Company.

3. Investments in subsidiary companies

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

2012

Name	Country of incorporation	Proportion of ownership
Blackstar (Cyprus) Investors Limited ("Blackstar Cyprus")	Cyprus	100%
Blackstar (Gibraltar) Limited ("Blackstar Gibraltar")	Gibraltar	100%
Blackstar Group (Pty) Limited ("Blackstar SA")	South Africa	100%
Blackstar Fund Managers (Pty) Limited ("BFM")	South Africa	50.1%
Blackstar GP (Pty) Limited ("Blackstar GP")	South Africa	100%
Blackstar Special Opportunities Fund ("BSOF")	South Africa	38.4%
Stalcor (Pty) Limited ("Stalcor") #	South Africa	50.1%
Global Roofing Solutions (Pty) Limited ("GRS")	South Africa	100%
Helm Engineering (Pty) Limited *	South Africa	100%
GRS Namibia- Domel Investments (Pty) Limited *	Namibia	100%
Blackstar Real Estate (Pty) Limited ("BRE") #	South Africa	100%
Firefly Investments 223 (Pty) Limited ("Firefly") ^	South Africa	70%
Wonderdeals 38 (Pty) Limited ("Wonderdeals") ^	South Africa	85.9%

* Subsidiary of GRS.

Subsidiary of Blackstar Cyprus.

^ Subsidiaries of BRE.

In June 2012, Blackstar brought in an equity partner into Stalcor who injected R5,000,000, £384,000 into the business. At the same time ordinary shares held by Blackstar Group SE of Stalcor were allocated to the equity partner, as well as to management and a customer loyalty trust, bringing Blackstar's equity holding down to 50.1%. As the capital providers to Stalcor, Blackstar and its equity partner will be entitled to 18% of retained income (sharing in a ratio of 90:10 in favour of Blackstar) prior to ordinary shareholders receiving any equity benefits. Blackstar believes that this re-aligned structure will be beneficial to the turnaround and success of Stalcor in the future.

During the current year, BRE participated in Wonderdeals' rights offer resulting in an increase in shareholding to 85.9%.

During the second half of 2012, Blackstar acquired a 50% plus 1 vote in a hedge fund management company which is responsible for the management of the BSOF. Blackstar GP was created to act as the General Partner of the BSOF. This is a shell company with no assets or liabilities and Blackstar Group SE holds 100% of the shares in Blackstar GP. The BSOF is also consolidated as the definition of control in terms of IFRS has been met (refer note 33 of the consolidated financial statements for further details). The proportional ownership of 38.4% is based on the fair value of Blackstar Group SE's investment in BSOF relative to total fair value of investments held by the fund.

3. Investments in subsidiary companies (continued)

2011

Name	Country of incorporation	Proportion of ownership
Blackstar (Cyprus) Investors Limited	Cyprus	100%
Blackstar (Gibraltar) Limited	Gibraltar	100%
Blackstar Group (Pty) Limited	South Africa	100%
Ferro Industrial Products (Pty) Limited	South Africa	0%
Stalcor (Pty) Limited*	South Africa	100%
Global Roofing Solutions (Pty) Limited	South Africa	100%
Helm Engineering (Pty) Limited #	South Africa	100%
GRS Namibia- Domel Investments (Pty) Limited #	Namibia	100%
Blackstar Real Estate (Pty) Limited +	South Africa	100%
Firefly Investments 223 (Pty) Limited ^	South Africa	70%
Wonderdeals 38 (Pty) Limited ^	South Africa	57.5%

* Blackstar Group SE held 42% and Blackstar Cyprus 58% of the ordinary shares in Stalcor. The Group's effective shareholding was 100% at 31 December 2011.

Subsidiary of GRS.

+ Subsidiary of Blackstar Cyprus.

^ Subsidiaries of BRE.

During the prior year the following changes took place:

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 Blackstar's shareholding to 100%;

Effective 1 July 2011, Blackstar interest in Ferro was sold (refer note 12 of the consolidated financial statements for further details);

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;

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%; and

In 2011, BRE's interest in its investment Wonderdeals was accounted for as an investment in subsidiary for the first time (refer note 33 of the consolidated financial statements for further details).

	2012 £'000	2011 £'000
Cost	**58,018**	82,466
Balance at the beginning of the year	**82,466**	65,302
Additions during the year at cost	**1,604**	29,070
Disposals and redemptions during the year at cost	**(26,052)**	(11,906)
Accumulated impairment	**(15,858)**	(20,031)
Balance at the beginning of the year	**(20,031)**	(10,594)
Disposals during the year	**7,094**	—
Impairments of investments in subsidiaries	**(2,921)**	(9,437)
Carrying amount at the end of the year	**42,160**	62,435

3. Investments in subsidiary companies (continued)

During the current financial year, the investment in Blackstar SA was impaired from £1,963,000 to nil (2011: impairment of £9,437,000) and the investment in GRS was impaired by an amount of £958,000 (2011: nil).

4. Investments in associates

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

Name	Country of incorporation	**2012 Proportion of ownership**	2011 Proportion of ownership
Litha Healthcare Group Limited ("Litha")*	South Africa	**#**	39%# ^
Navigare Securities (Pty) Limited ("Navigare")	South Africa	**25%**	25%

Now an investment at fair value through profit and loss in the consolidated financial statements as a result of the disposal of half of the investment.

^ At 31 December 2011, the Company held 16% of the shares in Litha and Blackstar Cyprus held a further 23%. As a result, the Group's effective shareholding in Litha amounted to 39%.

* The Company has provided 72,989,058 of the Group's ordinary shares in Litha (of which 3,633,520 are held by the Company) and 14,626,387 of its ordinary shares in TMG (of which all are held by the Company), as security to a bank for its acquisition facility of R320.0 million (£23.2 million), of which R319.9 million (£23.2 million) was unutilised at year end.

In February 2012, Blackstar entered into a conditional agreement for the sale of 72,989,078 ordinary shares in Litha to Paladin Labs Inc. ("Paladin"). The disposal, for a cash consideration of R200.6 million (£15.7 million), represented 50% of Blackstar's interest in Litha and equated to R2.75 per Litha share. The transaction was completed in June 2012, once all of the suspensive conditions were met and resulted in Blackstar's interest in Litha being reduced from 38.96% to 13.42% Litha has been accounted for as a discontinued operation in the consolidated financial statements (refer note 12 of the consolidated financial statements).

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). Investments in associates have been equity accounted in the consolidated financial statements of the Group for the year ended 31 December 2012 (refer note 18 of the consolidated financial statements).

5. Investment classified as loans and receivables

	2012 £'000	2011 £'000
Carrying value at the beginning of the year	**109**	318
Disposals during the year at cost	**—**	(240)
Unrealised losses/(gains) on disposals recognised in prior years	**(7)**	3
Net interest received during the year	**—**	(33)
Other movements*	**—**	154
Currency exchange losses during the year	**(9)**	(93)
Carrying value at the end of the year	**93**	109

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

5. Investment classified as loans and receivables (continued)

	2012 £'000	2011 £'000
Non-current portion	**93**	109
Current portion	**—**	—
	93	109

	Carrying value 2012 £'000	Carrying value 2011 £'000
Loan to Navigare which is interest free and has no fixed dates of repayment	**93**	109
Carrying value at the end of the year	**93**	109

6. Investments at fair value through profit and loss

	2012 £'000	2011 £'000
Fair value at the beginning of the year	**13,911**	19,227
Additions during the year at cost	**54,527**	673
Disposals during the year at cost	**(40,022)**	(3,533)
Unrealised (gains)/losses on disposals recognised in prior years	**(11,153)**	1,251
Unrealised losses during the year	**(923)**	(166)
Exchange gains recognised in profit and loss on investments denominated in a foreign currency	**1,579**	—
Currency exchange losses during the year	**(1,023)**	(3,387)
Other movements*	**—**	(154)
Fair value at the end of the year	**16,896**	13,911

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

	2012 £'000	2011 £'000
Non-current portion	**15,105**	1,114
Current portion	**1,791**	12,797
	16,896	13,911

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

Analysis of losses on investments

	2012 £'000	2011 £'000
Proceeds on disposals during the year	**38,437**	1,845
Investments at cost	**(40,022)**	(3,533)
Realised losses on disposals based on historical cost	**(1,585)**	(1,688)
Add unrealised losses/(gains) on disposals recognised in prior years	**(11,153)**	1,251
Realised losses recognised in profit and loss on disposals based on carrying value at prior year balance sheet date	**(12,738)**	(437)
Realised exchange losses/(gains) on disposal of investments realised directly to retained earnings	**1,678**	(620)
Unrealised losses during the year	**(923)**	(166)
Net losses on investments	**(11,983)**	(1,223)

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 2012 £'000	Fair Value 2011 £'000
Ordinary shares in Times Media Group Limited ("TMG") *	**14,155**	—
Ordinary shares in Litha * #	**950**	13,262
Ordinary shares in Navigare #	**270**	289
Other listed shares	**1,521**	360
Fair value at the end of the year	**16,896**	13,911

Investments in associates (refer note 4).

* The Company has provided 72,989,058 of the Group's ordinary shares in Litha (of which 3,633,520 are held by the Company) and 14,626,387 of its ordinary shares in TMG (of which all are held by the Company), as security to a bank for its acquisition facility of R320.0 million (£23.2 million), of which R319.9 million (£23.2 million) was unutilised at year end.

7. Trade and other receivables

	2012 £'000	2011 £'000
Trade receivables due by subsidiary companies	**1**	211
Trade receivables due by external parties	**—**	—
Impairment allowance	**—**	—
Total trade receivables net of impairment allowance	**1**	211
Other receivables due by subsidiary companies	**363**	163
Prepayments and accrued income	**21**	17
Other receivables	**233**	73
	618	464

Amounts due by subsidiary companies comprise an interest bearing working capital loan to Stalcor which was settled in January 2013. Amounts due by subsidiary companies in the prior year comprised an interest bearing working capital loan to GRS which was settled in 2012.

8. Cash and cash equivalents

	2012 £'000	2011 £'000
Deposits and cash at bank	**21,657**	2,570
Cash and cash equivalents per the statement of cash flows	**21,657**	2,570

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

9. Borrowings

Borrowings comprise the following:

	2012 £'000	2011 £'000
Secured		
Acquisition facility which bears interest at the South African Prime rate plus 15 basis points nominal annual compounded semi-annually in arrears, with a bullet payment of the capital in January 2014*	**9**	—
	9	—

* The Company obtained an acquisition facility from a bank amounting to R320.0 million, £23.2 million, which was used to fund the acquisition of a 28% stake in New Bond Capital Limited ("NBC"). On subsequent disposal of this investment the majority of the debt was settled. As at year end, the following security has been provided for this facility: 72,989,058 of the Group's ordinary shares in Litha (of which 3,633,520 are held by the Company) and 14,626,387 of its ordinary shares in TMG (of which all are held by the Company).

	2012 £'000	2011 £'000
Non-current portion	**—**	—
Current portion	**9**	—
	9	—

10. Trade and other payables

	2012 £'000	2011 £'000
Trade payables due to subsidiary companies	**—**	17
Trade payables due to external parties	**99**	—
Total trade payables	**99**	17
Other payables due to subsidiary companies	**1,980**	8,965
Accrued expenses	**—**	636
Other payables	**—**	320
	2,079	9,938

Amounts due to subsidiary companies in the current year mainly comprise an interest free loan of £380,000 from Blackstar Gibraltar and an interest bearing loan from Blackstar Cyprus of £1,535,000. Amounts due to subsidiaries in the prior year included an interest free loan from Blackstar Gibraltar of £7,461,000 (which was settled in 2012) and an interest bearing loan from Blackstar Cyprus of £1,504,000. The loan from Blackstar Gibraltar bore interest at Libor plus 50 basis points. All loans are repayable on demand.

11. Share capital and reserves

Details of the share capital and reserves are set out in note 30 to the consolidated financial statements.

12. Cash generated/(absorbed) by operations

	2012 £'000	2011 £'000
Profit/(loss) for the period	**15,226**	(3,874)
Taxation	**3**	14
Profit/(loss) before taxation	**15,229**	(3,860)
Adjustments for:		
Impairment of investment in subsidiaries	**2,921**	9,437
Profit on disposal of subsidiary	**—**	(11,512)
Foreign exchange losses on investments not denominated in Rands	**3**	—
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 on investments	**930**	166
Realised losses on disposal of investments	**10,804**	1,113
Unrealised losses on disposals recognised in prior years	**65**	—
Unrealised losses on part disposal of investment in associate recognised in prior years	**11,088**	—
Realised gains on part disposal of investment in associate	**(9,219)**	—
Dividends and interest from loans and investments	**(16,088)**	(6,662)
Finance income	**(148)**	(79)
Finance costs	**1,456**	102
Changes in working capital		
Decrease/(increase) in trade and other receivables	**18**	(5,813)
Increase/(decrease) in trade and other payables	**(360)**	9,793
	16,699	(1,240)

13. 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 comprise currency risk, interest rate risk and market price risk).

Information related to financial instruments and management of these risks is set out in note 34 to the consolidated financial statements. The following information relates specifically to the Company.

13.1 Financial instruments by category

	2012 £'000	2011 £'000
Financial assets		
Financial assets at fair value through profit and loss		
Investments at fair value through profit and loss	**16,896**	13,911
Loans and receivables	**21,751**	2,890
Investments classified as loans and receivables	**93**	109
Trade receivables	**1**	211
Cash and cash equivalents	**21,657**	2,570
	38,647	16,801
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade payables	**(99)**	(17)
	(99)	(17)

13. Financial instruments (continued)

13.2 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 13.1 above). The credit quality of financial instruments that are not past due or impaired is considered to be good.

13.3 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.

Blackstar Group SE obtained an acquisition facility from a bank amounting to R320.0 million, £23.2 million, which was used to fund the acquisition of a 28% stake in NBC. On subsequent disposal of this investment the majority of the debt was settled. The facility bears interest at the South African Prime rate plus 15 basis points nominal annual compounded semi-annually in arrears with a bullet payment of capital in January 2014. R319.9 million, £23.2 million of this facility was unutilised at year end.

The Company has provided 72,989,058 of the Group's ordinary shares in Litha (of which 3,633,520 are held by the Company) and 14,626,387 of its ordinary shares in TMG (of which all are held by the Company), as security to a bank for its acquisition facility.

13.4 Market risk

13.4.1 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 £15,049,000 (2011: £1,639,000) 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 increase of £768,000 (2011: decrease of £1,341,000) in the reported net asset value of the Company.

13.4.2 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 £87,000 (2011: £15,000) 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 £87,000 (2011: £15,000), in the reported net asset value of the Company.

13.4.3 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 £1,663,000 (2011: £158,000) 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 £1,663,000 (2011: £158,000) in the reported net asset value of the Company.

13.5 Fair value

13.5.1 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 aforementioned instruments bear interest at rates linked to the South African Prime rate and are believed to approximate the market related discount rates which would be utilised in a discounted cash flow technique in order to calculate a fair value.

13. Financial instruments (continued)

13.5.2 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 34.6.2 of the consolidated financial statements) based on the degree to which the fair value is observable:

2012	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments at fair value through profit and loss (refer note 6)	**16,626**	**270**	**—**	**16,896**

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

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

14. Capital under management

Information related to capital under management is set out in note 35 to the consolidated financial statements.

15. 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 R50.0 million (£4.0 million) and USD 2.0 million (£1.5 million).

The Company has provided 72,989,058 of the Group's ordinary shares in Litha (of which 3,633,520 are held by the Company) and 14,626,387 of its ordinary shares in TMG (of which all are held by the Company), as security to a bank for its acquisition facility of R320.0 million (£23.2 million), of which R319.9 million (£23.2 million) was unutilised at year end.

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 34 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.

16. Related party transactions

Details of related parties are set out in note 41 to the consolidated financial statements. In addition to this, 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 ended 31 December 2012 amounted to £1.1 million (2011: £1.7 million). At the end of the prior financial year a portion of the advisory fee for the 2012 financial year had been paid in advance (amounting to £0.2 million), no such payment in advance was made during the current reporting period. Blackstar SA may incur expenses on behalf of the Company and vice versa. These amounts are invoiced and reimbursed on a monthly basis.

During the current financial year, the Company earned an underwriting fee of R3.5 million (£0.3 million) from Litha in respect of transaction arranging, underwriting and capital raising in respect of the Litha transaction, and no amounts were outstanding at year end.

17. Events after the reporting period

Information relating to events after the reporting period is set out in note 42 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)

Registered Office
Blackstar Group SE
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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

Legal Adviser (as to Maltese Law)
Ganado & Associates Advocates
171 Old Bakery Street
Vallette
VLT 1455
Malta

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 Malta
Tower Gate Place
Tal-Qroqq Street
Msida MSD 1703
Malta

Nominated Adviser and Broker (South Africa)
PSG Capital (Pty) Limited
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 (United Kingdom)
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

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

NOTICE OF ANNUAL GENERAL MEETING 2013

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the proposals referred to in this document, or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant or other professional adviser.

If you have sold or otherwise transferred all of your shares in the Company, please pass this document together with the accompanying document(s) to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

Blackstar Group SE
(registered in Malta with number SE4)
4th Floor
Avantech Building
St Julian's Road
San Gwann
SGN 2805
Malta
(the "Company")

26 April 2013

Dear Shareholder

Notice of Annual General Meeting to be held on Tuesday 28 May 2013
I am writing to give you notice of the Company's Annual General Meeting ("AGM" or "Annual General Meeting") that is to be held at the registered office of the Company at 4th Floor Avantech Building, St Julian's Road, San Gwann, SGN 2805 Malta on Tuesday 28 May 2013 at 10.00 a.m. (CEST). The notice of AGM is set out in Part 4 of this document.

The following items are also included in this document:

- Part 1: details of a proposal from the Board on reducing the administrative burden and costs of the large number of shareholders with a very small holding in the Company;
- Part 2: a summary of the proposed management incentive scheme;
- Part 3: an explanation of certain resolutions at the AGM;
- Part 5: a Proxy Form (for use by registered shareholders only); and
- Part 6: a Form of Direction (for use by holders of despository instruments only).

Please read the notes to the Notice of Annual General Meeting as these set out other rights of shareholders and further requirements which you should check to ensure your proxy vote will be valid.

Electronic communication with shareholders
Hopefully this is the last occasion on which we will be required to send you a hard copy of our Annual Report and Accounts. As you will see from the resolutions set out in the Notice, the Company is seeking members' consent to send or supply documents and information to them in electronic form and via a website, as well as amending the articles of association to permit such forms of communication.

Increased use of electronic communications will deliver significant savings to the Company in terms of administration, printing and postage costs, as well as speeding up the provision of information to shareholders. The reduced use of paper will also have environmental benefits.

We will write to you later this year with further details of our proposals regarding electronic communications and seeking your agreement to the Company sending or supplying documents and information to you in electronic form.

Recommendation on voting

The directors consider that all of the resolutions to be put to the AGM are in the best interests of the Company and its shareholders. Your Board will be voting in favour of them and unanimously recommends that you do so as well.

Yours sincerely

John Broadhurst Mills
Chairman

PART 1 – PROPOSED CONSOLIDATION AND SUB-DIVISION OF THE SHARE CAPITAL OF THE COMPANY

Definitions

In this part of this document, the following words and expressions shall have the meaning shown below:

Articles: the articles of association of the Company;

business day: a business day in Malta;

Consolidation Factor: 250, being the number of Existing Ordinary Shares to be consolidated into each new Consolidated Share;

Consolidated Shares: the ordinary shares of €190 each in the capital of the Company following the Share Consolidation;

Existing Ordinary Shares: existing ordinary shares of €0.76 each in the capital of the Company;

Fractional Entitlement: the number of Existing Ordinary Shares which cannot be consolidated into one Consolidated Share (i) by virtue of a Shareholder holding a number of Existing Ordinary Shares which is less than or not a whole multiple of the Consolidation Factor or (ii) by virtue of Capita IRG Trustees Limited having issued depository interests representing a number of Existing Ordinary Shares to a specific underlying holder which is less than or not a whole multiple of the Consolidation Factor;

Fractional Shareholders: Shareholders with Fractional Entitlements or, in the case of Fractional Entitlements arising in respect of Existing Ordinary Shares registered in the name of Capita IRG Trustees Limited, shall mean the underlying holders of depository interests representing those Fractional Entitlements;

New Ordinary Shares: the ordinary shares of €0.76 each in the capital of the Company following the Share Split;

Nominated Third Party: a third party nominated by the Company who will agree to acquire the Fractional Entitlements;

Record Date: the close of trading on 28 June 2013 (or such time and/or date as the Directors may determine);

Register or Share Register: the register of members of the Company;

Resolutions: the extraordinary resolution numbered 13 set out in the notice of AGM amending the Company's Memorandum and Articles of Association and the extraordinary resolution numbered 14 set out in the notice of AGM to give effect to the Share Consolidation and the extraordinary resolution numbered 15 set out in the notice of AGM to give effect to the Share Split;

Share Consolidation: the proposed share consolidation as more particularly described in the extraordinary resolution numbered 14 set out in the notice of AGM;

Share Consolidation Resolution: resolution 14 as set out in the notice of AGM;

Share Split: the proposed share split as more particularly described in resolution 15 as set out in the notice of AGM.

Expected timetable relating to the Share Consolidation and Share Split

Notice of Annual General Meeting sent to shareholders	3 May 2013
Last day to trade for Shareholders on the South African sub-register in order to be recorded in the Share Register of the Company on the record date for the Annual General Meeting	10 May 2013
Last day to trade for Shareholders on the AIM sub-register in order to be recorded in the Share Register of the Company on the record date for the Annual General Meeting	22 May 2013
Record date for Shareholders in order to participate and vote at the Annual General Meeting	17 May 2013
Annual General Meeting held on	28 May 2013
Announcement confirming that the special resolutions in respect of the Share Consolidation and Share Split have been passed	By 29 May 2013
Last day to trade for Shareholders on the South African sub-register in order to be able to particpate in the Share Consolidation and Share Split	21 June 2013
Listing and trading in New Ordinary Shares commences under new ISIN (number to be confirmed) on the JSE	24 June 2013
Last day to trade for Shareholders on the AIM sub-register in order to be able to particpate in the Share Consolidation and Share Split	27 June 2013
Last day to trade under ISIN: MT0000620105	28 June 2013
Record Date for the Share Consolidation and Share Split	28 June 2013
First trading day after completion of the Share Consolidation and Share Split on AIM	1 July 2013
Trading commences under new ISIN (number to be confirmed) on AIM	1 July 2013
CSDP/Broker accounts updated with the New Ordinary Shares on the South African sub-register	1 July 2013
Share certificates in relation to the New Ordinary Shares posted to Shareholders on the South African sub-register	1 July 2013

Note:

1. No transfer of Shares will be allowed between the sub-registers of the Company between 21 June 2013 and 28 June 2013, both dates included.
2. No dematerialisation and rematerialisation of Shares will be allowed between 24 June 2013 and 28 June 2013, both dates included.
3. If any of the above times and/or dates change materially, the revised times and/or dates will be notified to Shareholders by announcement to shareholders on AIM and on Alt^{x}.

Introduction

For a company whose net asset value is approximately £80 million, the Company has over 3,800 registered shareholders, and a further 140 shareholders who hold shares through depository interests. Although the Board is supportive of smaller shareholders in the Company, it believes that for historic reasons which pre-date the establishment of Blackstar in 2006, the Company has a large number of shareholders who each hold a small number of shares, are not engaged with the Company and many of whom are probably unaware they own shares in the company: at 31 March 2013, almost 3,300 shareholders of the Company held fewer than 250 ordinary shares and over 2,000 shareholders currently have not cashed one or more dividend cheques.

This extremely wide shareholder base adds significant costs to the running of the Company both in terms of the cost of maintaining and servicing a large Share Register with this number of Shareholders (including the production and distribution of the annual report and accounts and other communications, and associated registrar costs) and also in the administration time and the expense involved in servicing Shareholders who have very small holdings which is significant and disproportionate to the value of those holdings. The Board does not believe that continuing to incur these costs is in the best interests of the Company or Shareholders as a whole.

The Board has considered ways to reduce the administrative burden and costs of the long tail on the Share Register with the intention of giving minority shareholders value for their small number of shares whilst also leaving the Company with a more engaged and manageable shareholder base.

The Board has therefore decided that a Share Consolidation would be in the best interests of the Company and Shareholders as a whole at this time and is proposing to consolidate the share capital on the basis of 250 Existing Shares for one Consolidated Share. Fractional Entitlements will be dealt with in the manner described below.

In the absence of the Share Consolidation there is likely to be very little or no chance for smaller Shareholders to be able to realise any value for their Shares in the future without incurring dealing costs which, in many cases, would outweigh the value of their shareholding.

Immediately following the Share Consolidation, the Board is proposing that each Consolidated Share be sub-divided into 250 Existing Shares as this means that the NAV per share and the Company's share price will not be affected by the process of rationalising the shareholder base.

Details of the Share Consolidation and subsequent Share Split
The implementation of the Share Consolidation and the Share Split will, based on the current Share Register, result in approximately 3,250 Shareholders who each hold fewer than 250 Shares, together representing approximately one-eighth of one per cent (0.125%) of the issued share capital of the Company, ceasing to be members of the Company. These Shareholders will receive a payment in cash of (i) £0.80 per Existing Share if their shares are held on the AIM register or (ii) ZAR11.27 per Existing Share if their shares are held on the Alt-X register (being the closing market price in London on 19 April 2013 and using the closing exchange rate of ZAR:GBP of 14.09:1 as quoted by Bloomberg).

To be able to effect the Consolidation it is necessary to issue additional Existing Ordinary Shares so that the number of Existing Ordinary Shares in issue is exactly divisible by the Consolidation Factor. The Company will issue the required number of Existing Ordinary Shares at £0.80 per Share to the Nominated Third Party as soon as practicable following the Annual General Meeting and, in any event, before the Record Date.

A consequence of the terms of the Share Consolidation is that holders of fewer than 250 Existing Ordinary Shares will not be entitled to receive a Consolidated Share and holders of more than 250 Existing Ordinary Shares will only be entitled to one Consolidated Share for every 250 Existing Ordinary Shares they hold at the Record Date.

Fractional Entitlements will be sold (for the benefit of the Fractional Shareholders) to the Nominated Third Party at a price of £0.80 or ZAR11.27 per Existing Share and will then be aggregated so as to form whole Consolidated Shares. For the avoidance of doubt, no rounding up or down will be applied in relation to the Fractional Entitlements and all Fractional Entitlements will be sold.

The proceeds of the sale will then be distributed to Fractional Shareholders in proportion to the fractions of Consolidated Shares held by each of them.

On completion of the Share Consolidation any Shareholder holding fewer than 250 Existing Ordinary Shares on the Record Date will, therefore, no longer be a shareholder of the Company.

Any Shareholder holding more than 250 Existing Ordinary Shares on the Record Date, but being a holding which is not exactly divisible by 250, will be entitled to one Consolidated Share for every 250 Existing Ordinary Shares held, together with the proceeds of sale of his or her Fractional Entitlements (which will be aggregated and sold as described above).

Based on the Register at 31 March 2013, the Directors estimate that the number of Shareholders following the Share Consolidation will reduce to approximately 650 Shareholders.

The date for the Share Consolidation (being the date on which the Fractional Entitlements will be calculated) is expected to be the close of business on 28 June 2013 and the Share Consolidation, subject to the passing of the Resolutions, the Consolidation Resolution becoming unconditional and the transfer of the Fractional Entitlements to the Nominated Third Party, will become effective immediately after that time.

The Last day to trade for Shareholders on the South African sub-register in order to be recorded in the Share Register on the Record date will be 21 June 2013. The Last day to trade for Shareholders on the UK sub-register in order to be recorded in the Share Register on the Record Date will be 25 June 2013.

The Share Split will take place immediately following the Share Consolidation.

The New Ordinary Shares arising on the completion of the Share Consolidation and Share Split will have the same rights as the Existing Ordinary Shares, including without limitation, the same nominal value and the same voting, dividend and other rights.

Impact of the Share Consolidation and Share Split on the holders of depository interests in the Company
For holders of depository interests in the Company issued by Capita IRG Trustees Limited, the Company will look through the depository arrangements. As such, for the purposes of the Share Consolidation and Share Split, Capita IRG Trustees Limited shareholding will be disregarded and depository interest holders will be treated as if they were shareholders directly.

Exchange control regulations
The following is a summary of the South African Exchange Control Regulations. If in doubt, Shareholders should consult their professional advisers without delay.

Emigrants from the Common Monetary Area *(South Africa, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of Swaziland)*
A cheque in respect of proceeds of a sale of Fractional Entitlements will be forwarded to the authorised dealer in foreign exchange in South Africa controlling the Fractional Shareholder's blocked assets.

If the information regarding the authorised dealers has not been given to the transfer secretaries, any cash will be held by the Company for the Fractional Shareholders concerned pending receipt of the necessary information or instructions. No interest will be paid on any cash so held.

All other non-residents of the Common Monetary Area *(South Africa, the Republic of Namibia, the Kingdom of Lesotho and the Kingdom of Swaziland)*
A cheque in respect of proceeds of a sale of Fractional Entitlements will be forwarded to the Fractional Shareholder's authorised dealer in foreign exchange. Where the Fractional Shareholder does not have an authorised dealer in South Africa, a cheque will be posted, at the risk of such Fractional Shareholder, to the address of such Fractional Shareholder in the Share Register on the Record Date.

All CSDPs and brokers with whom Ordinary Shares have been dematerialised should note that they are required to comply with the South African Exchange Control Regulations set out above.

Proposed amendment to the Articles of Association to facilitate the Share Consolidation and Share Split
Article 4.9.4 of the Articles of Association of the Company currently provide that the Company may by extraordinary resolution of its members at a general meeting of Members "consolidate or subdivide all or any of its shares, convert any of its shares into shares of another class and attach to them any preferential, qualified, special deferred rights, privileges or conditions". However, the Articles do not make any provision for how any fractional shares arising as a result of consolidation or sub-division should be dealt with. As such, it is proposed that the Articles of Association of the Company be amended to allow the Company to aggregate and either sell any resulting fractions of shares either to a person nominated by the Company, an employee benefit trust or to its investment bank or brokers, or through its investment bank or brokers to the market, or to buy-back those shares and hold them as treasury shares and then to distribute the net cash proceeds received to the appropriate shareholders.

In order to allow for the Share Consolidation and the Share Split, it is also proposed to amend the authorised share capital of the Company so that the said authorised share capital is divided into ordinary shares of a nominal value of €0.76 and €190 respectively.

Change of ISIN
As a result of the Share Consolidation and Share Split, the Company will need to change its ISIN. The Company will make an announcement regarding details of the new ISIN when arrangements have been finalised with the relevant authorities.

PART 2 – SUMMARY OF PROPOSED MANAGEMENT INCENTIVE SCHEME

Introduction

At present, Blackstar does not have a formalised share incentive scheme in place to remunerate and retain its management team and key employees ("Management"). As such the Board is proposing to implement a Management share incentive scheme that will be presented at the upcoming Annual General Meeting of the Company and put to a Shareholder vote.

Much of Blackstar's success is based on the intellectual capital that is held within its current Management. The Company is constantly in competition with other companies and funds (with share incentive schemes already in place) who vie for the talent Blackstar currently holds within its ranks. It has become an imperative for Blackstar to introduce a management share incentive scheme that levels the playing field, allowing us to retain and attract new talent, and effectively grow the Company.

For Blackstar to align all Management incentives with the performance expectations of our Shareholders is vital. The proposed Management incentive scheme will therefore be linked to the NAV per share of the Company. Share prices will fluctuate over time but ultimately NAV per share will drive the Company's share price. When making asset allocation decisions, Management will explore all opportunities to create value on a per share basis, which may include share buy backs.

The Management share incentive scheme will be structured so that it is non-dilutive for Shareholders. This means that participants in the Management incentive scheme will accrue shares based on a portion of the NAV growth per share that has been created. In order to retain talent over the long-term, participants will receive the value of their share incentives incrementally, over a defined period of time.

The Board believes that through this model, Management will be motivated to drive share performance, and align with our Shareholders' interests.

The details of the proposed Blackstar Incentive Scheme ("Scheme") are set out below.

Mangement Incentive Scheme Details

The Scheme has two components and is set out below:

1. **Increase in NAV**

   In order to align Management with Shareholders, part of the Scheme is linked to the published net asset value per Share ("NAV") of the Company, which the Board believes is the ultimate driver of the Company's share price. NAV would be determined on a semi-annual basis and subject to audit/review by the Company's auditors. The NAV at the end of each period would be compared to the NAV at the beginning of the period and 15% of the increase in the NAV would be allocated to the incentive pool and paid on a semi-annual basis. The hurdle will be the South Africa Short Term Fixed Interest Benchmark Rate ("STEFI") and will be subject to a catch up. Should the NAV decline over a reporting period, the Company would need to recover that decline and the NAV would need to increase to the high watermark plus hurdle, before any amount would be allocated to the incentive pool. The NAV would be adjusted for corporate events including share buy backs, dividends and capital raisings.

   It is proposed that 50% of the incentive pool is settled in cash and 50% is settled in Blackstar shares. The shares issued pursuant to the Scheme will have a restriction on selling of three years or such shorter period as the Chairman may determine in his absolute discretion. Unless there are exceptional circumstances, the Chairman will not exercise this discretion save that, if conditions warrant it, he may do so to release one-third of the shares from lock-up on the first anniversary of the date of issue or transfer and a further third on the second anniversary of the date of issue or transfer. If a member of Management ceases to be an employee of the Blackstar Group at a time when any of his shares are still restricted in circumstances in which he is a "bad leaver", the Board may require those shares which are still restricted to be forfeited.

2. **Portfolio performance**
   It is proposed that the Board has the ability to issue up to 0.5% of the ordinary shares in issue per year depending on performance criteria specified by the Board from time to time.

Benefits to shareholders
The Board believes that the principal benefits of the proposed Scheme to shareholders include:

- Shareholders are not diluted as the Scheme only pays out when value is created;
- Half of the incentive is settled in shares which are locked up for three years aligning Management to focus on the share price and limiting the cash reduction of the Company; and
- Management is incentivised to reduce the operating costs (as high operating costs will reduce the NAV) and focus on growing NAV which is the ultimate alignment with Shareholders.

General
All calculations in respect of the Scheme and all allocations to the incentive pool will be determined in South African Rands. Any amounts payable under the Scheme will be subject to the availability of cash resources in the Company and will be deferred until cash resources become available.

The Scheme will be in place for a minimum of 10 years from the commencement date. The effective date for the commencement of the Scheme is 1 January 2013.

Shareholder Approval
The Board has determined that the establishment of the Scheme should be made subject to obtaining Blackstar Shareholder approval and a resolution to approve the Scheme will be proposed at the AGM.

PART 3 – EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

The notice of Annual General Meeting appears on pages 122 to 131. The background to resolutions 7, 8, 12, 13, 14 and 15 is set out in Parts 1 and 2 of this document. The following information provides additional background information to the other resolutions proposed which are not ordinary business.

Resolution 6 – General authority to allot shares

This resolution will extend the general authority of the directors to allot shares until the Company's next AGM or, if earlier, 28 August 2014. The authority will be in respect of shares with an aggregate nominal value of €20,795,000 equal to one third of the Company's current issued share capital as at 25 April 2013, the latest practicable date prior to the printing of this document.

Resolution 9 – Proposed amendments to Investing Policy

The Directors believe that whilst the Company should continue to focus on investments falling within its existing investing policy, moving forward it would be appropriate to provide the Directors with greater flexibility to utilize the Company's existing cash reserves to take advantage of investment opportunities across all geographies. The amended Investing Policy would permit the Directors to continue to review and consider potential investments in not just South African and the wider African markets from its South African base, but would also permit investment globally. Despite this global mandate, having regard to the background and experience of the investment team, it is expected that a majority of capital invested will be in businesses operating in southern Africa.

Resolution 10 – Authority to allot shares for cash free from pre-emption rights

This resolution will dis-apply shareholders' statutory pre-emption rights in relation to the Company's allotment for cash of its own shares pursuant to Resolution 6 or in relation to the Company's sale of its own shares held in treasury, and shall expire when the Board no longer remains authorised to issue Equity Securities. The dis-application will permit the Board to allot shares for cash pursuant to Resolution 6 or to sell treasury shares, without first offering them to all existing shareholders pursuant to their statutory pre-emption rights under article 88 of the Companies Act (Cap. 386 of the Laws of Malta). Any such allotments or sales must be limited to shares with an aggregate nominal value not exceeding that of five per cent of all the ordinary shares in issue as at 25 April 2013 (being shares to an aggregate nominal value of €3,119,360), the latest practicable date prior to the printing of this document.

Resolution 11 – Company's authority to purchase its own shares

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 Board 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.

PART 4 – NOTICE OF ANNUAL GENERAL MEETING

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 ("AGM" or "Annual General Meeting") of the Company will be held at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on 28 May 2013 at 10h00 CEST (or shortly thereafter in case of delays) for the purpose of considering and, if thought fit, approving the following resolutions with or without modification:

ORDINARY BUSINESS:

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 2012 and to the consolidated accounts for the Company and its subsidiaries (the "Group") for the year ended 31 December 2012.

2. To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2012.

3. To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2012.

4. To re-elect Marcel Ernzer, 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. To appoint BDO Malta CPA as the Company's independent auditor for the financial year ending 31st December 2013 and to authorise the directors to determine their terms of engagement inclusive of remuneration.

ORDINARY RESOLUTIONS WHICH CONSTITUTE SPECIAL BUSINESS

6. **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 €20,795,000 for a period expiring (unless previously revoked, varied or renewed) on 28 August 2014 or, if sooner, the annual general meeting to be held in 2014, 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.

7. **Approval of Blackstar Group SE Executive Incentive Scheme**

   To approve the rules of the Blackstar Group SE Executive Incentive Scheme (the "Scheme") which was previously approved by the Board on 21 November 2012, the main features of which are summarized in

Part 3 of the covering letter to this Notice of Meeting and to authorize the directors of the Company to grant awards under the rules of the Scheme and to allot, issue or approve the transfer or otherwise deal with shares of the Company pursuant to the exercise of awards granted under the rules of the Scheme.

8. **Permission to communicate with shareholders electronically**

Subject to the passing of resolution 12 (Amendment to Articles in connection with communication by the Company with shareholders) and agreement by the relevant members in accordance with the procedures referred to in resolution 12, that the Company may send or supply documents or information to members by way of electronic communication (including by making them available on a website).

9. **Approval of amendments to Investing Policy**

That the Investing Policy, as set out in Schedule A of the Notice, be approved and that the Directors of the Company be authorised to take all such steps as any of them may consider necessary or desirable to implement the Investing Policy.

EXTRAORDINARY RESOLUTIONS WHICH CONSITUTE SPECIAL BUSINESS

10. **Dis-application of statutory pre-emption rights**

Purpose:
To authorise the Directors to restrict or withdraw the shareholders' statutory pre-emption rights in respect of:

(a) issues of shares for cash, and

(b) the sale of treasury shares by the Company if such statutory pre-emption rights are applicable in relation thereto,

for as long as the Board of Directors remains authorised to issue Equity Securities under Resolution 6.

Proposal:
That in substitution for any previous authorisations currently in force but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities and that, subject to the passing of resolution 6 (Directors' Authority to Allot and Issue Shares), and pursuant to Article 88(7) of the Companies Act and in accordance with Article 4.4 of the Articles of Association of the Company, the Board be generally authorised to restrict the statutory pre-emption rights of the Company's shareholders in respect of new issue of shares for cash by the Company and in respect of the sale of treasury shares by the Company, for as long as the Directors remain authorised to issue Equity Securities, provided that this power shall be limited to the allotment of Equity Securities up to an aggregate nominal amount of €3,119,360.

The power granted by this resolution will expire when the Board no longer remains authorised to issue Equity Securities, save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

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

Purpose:
To authorise the Company to re-purchase its own shares within the parameters of the Companies Act.

Proposal:
That:

11.1 The Company be and is generally and unconditionally authorised pursuant to Article 3.4 of the Articlesand 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 theOrdinary 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 28 August 2014 or, if sooner, at the end of the Annual General Meeting of the Company to be held in 2014 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 in connection with communication by the Company with shareholders**

Purpose:
Various amendments to the Articles are being proposed for the purpose of facilitating the manner in which the Company may communicate with its shareholders, and to reduce the costs associated therwith.

Proposal:
That the Articles be amended by:

12.1 The deletion of the existing definition of electronic communication in article 2 and the substitution therefor of the following definition:

"electronic communication: shall have the meaning attributed thereto in the Electronic Commerce Act 2002 (Chapter 426 of the Laws of Malta) and shall include fax, electronic mail and website communications";

12.2 the deletion of the words "twenty-one clear days" in article 56.3 and the substitution therefor of the words "fourteen clear days";

12.3 the deletion of the existing article 57 and the substitution therefor of the following new article 57:

"57 Communication of Notices and other Documents

57.1 Subject to the Rules and to the provisions of these Articles, the Company may communicate a notice or other document (including, without limitation, annual accounts and the Directors' and Auditor's reports thereon, a summary financial statement, a notice of meeting, a form of proxy, but not including a share certificate) to a Member:

57.1.1 by delivering it by hand to the Member at the address recorded for that Member on the register;

57.1.2 by sending it by post or other similar delivery service to the Member at the address recorded for that Member on the register, if any, supplied by him to the Company as his address for the service of notices, documents or information;

57.1.3 subject to the Member agreeing (generally or specifically) that the notice, document or information may be so sent or supplied, by means of electronic communication to an address or other location (including any number) notified in writing by the Member to the Company for the purposes of this Article 57;

57.1.4 by means of publication of the notice, document or information on a web site or sites for the period (if any) required by the Rules and the requirements in Article 57.2 are satisfied; or

57.1.5 subject to the Member agreeing (generally or specifically) that the notice, document or information may be so sent or supplied by a relevant system

provided that, in the case of the means of communication specified in Articles 57.1.3 (electronic communication), 57.1.4 (web site) and 57.1.5 (relevant system), the Directors have resolved to communicate by such means either in relation to the particular communication concerned or in relation to communications generally or in relation to the particular class of communications which includes the particular communication concerned.

57.2 The requirements referred to in Article 57.1.4 are:

57.2.1 the Member has agreed (generally or specifically) that the notice, document or information may be sent or supplied to him by being made available on a website (and has not revoked that agreement), or the Member has been asked by the Company to agree that the Company may send or supply notices, documents and information generally, or the notice, document or information in question, to him by making it available on a website and the Company has not received a response within the period of 28 days beginning on the date on which the Company's request was sent and the Member is therefore taken to have so agreed (and has not revoked that agreement);

57.2.2 the Member is sent notification by post or other similar delivery method of the presence of the notice, document or information on a website, the address of that website, the place on that website where it may be accessed, and how it may be accessed ('notification of availability');

57.2.3 in the case of a notice of meeting, the notification of availability states that it concerns a notice of a company meeting, specifies the place, time and date of the meeting, and states whether it will be an Annual General Meeting;

57.2.4 the notice, document or information continues to be published on that website, in the case of a notice of the meeting, throughout the period beginning with a date of the notification of availability and ending with the conclusion of the meeting, save that if the notice, document or information is made available for part only of that period then failure to make it available throughout that period shall be disregarded where such failure is wholly attributable to circumstances which it would not be reasonable to have expected the Company to prevent or avoid.

12.4 the insertion of the following articles as new articles 58.3 and 58.4:

"58.3 If a notice or document is published on a web site or sites, it shall be treated as being delivered when the Member is, or is deemed to have received the notification under Article 57.2.2 by post or other similar delivery service or (if later) when the notice or document is published on the web site or sites.

58.4 If a notice or document is sent by a relevant system, it shall be treated as being delivered when the Company (or a sponsoring system-participant acting on its behalf) sends the issuer-instruction relating to the notice or document."

13. **Amendments to the Articles in connection with the consolidation and sub-division of shares**

Purpose:
Various amendments to the Company's Memorandum of Association and its Articles are being proposed to amplify the manner in which Company may consolidate and sub-divide its share capital, and to provide for a higher authorised capital of the Company to facilitate the consolidation and sub-division of the Company's existing shares.

Proposal:
That:

13.1 the Articles be amended by the insertion of the following article as a new article 4.9A:

"4.9A If any shares are consolidated or consolidated and then divided, the Board has power to deal with any fractions of shares which result or with any shares which cannot be consolidated into one whole share. If the Board decides to sell any shares which cannot be consolidated or representing fractions, it can do so for the best price reasonably obtainable and distribute the net proceeds of sale among members or directly to the holders of depository interests (as the case may be) in proportion to their beneficial interest in the fractional entitlements. The Board can arrange for any shares representing fractions to be entered in the Register as certificated shares if they consider that this makes it easier to sell them. The Board can sell the shares or the fractional shares to anyone, including the Company if the legislation allows, and may authorise any person to transfer or deliver the shares to the buyer or in accordance with the buyer's instructions. The buyer shall not be bound to see to the application of the purchase money, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the sale.

The Company is irrevocably appointed by all Members as the lawful attorney of each Member for the limited purpose of signing on the Members' behalf all share transfer documents, statutory forms, and any other related documents to give effect to and in connection with the transfer by such Member of any shares which cannot be consolidated into one whole share in the context of a consolidation of, or consolidation and subsequent sub-division, of the Company's shares effected pursuant to this Article."

13.2 Clause 6.1 of the Memorandum of Association be deleted and replaced with the following:

"The authorised share capital of the company shall be:

€114,000,000 divided into 150,000,000 ordinary shares having a nominal value of €0.76 each; and

€62,700,000 divided into 330,000 ordinary shares having a nominal value of €190.00 each."

13.3 accordingly, the current Memorandum and Articles of Association be deleted and substituted in their entirety by a new Memorandum and Articles of Association to reflect the amendments adopted pursuant to Resolution 12 and Resolution 13.

14. **Consolidation**

Purpose:
In order to reduce the administrative burden and costs of the long tail on the Company's shareholder register with the intention of leaving the Company with a more engaged and manageable shareholder base, the Board is proposing to consolidate the Company's share capital on the basis of 250 Existing Shares into one Consolidated Share, and to deal with Fractional Entitlements in an equitable manner as described in the Proposal below.

Proposal:
THAT, conditionally on:

i. the passing of Resolutions 13 (Amendments to the Articles in connection with the consolidation and subdivision of shares) and Resolution 15 (Sub-division); and

(ii) the consideration payable in respect of the transfer of the Fractional Entitlements not exceeding £250,000 in aggregate (or such other amount as the directors may determine in their absolute discretion):

A every 250 ordinary shares with a nominal value of €0.76 each in the issued share capital of the Company (other than those registered in the name of Capita IRG Trustees Limited) be consolidated at Record Date into one ordinary shares with a nominal value of €190 each, such shares having the same rights and being subject to the same restrictions (save as to nominal value) as the Existing Ordinary Shares with a nominal value of €0.76 each in the capital of the Company as set out in the Articles for the time being; and

B ordinary shares with a nominal value of €0.76 each in the share capital of the Company registered in the name of Capita IRG Trustees Limited shall be consolidated in the same manner provided for in part A of this resolution save that Capita IRG Trustees Limited will be disregarded for these purposes and the consolidation of the shares held by Capita IRG Trustees Limited will be effected by reference to the interest of the underlying holders of depository interests.

That, accordingly, the then applicable Memorandum and Articles of Association be deleted and substituted in their entirety by a new Memorandum and Articles of Association to reflect the amendments adopted pursuant to this Resolution 14.

15. **Sub-division**

Purpose:
The Board is proposing that each Consolidated Share (following the Share Consolidation referred to in Resolution 14) be subsequently sub-divided into 250 Existing Shares as this means that the NAV per share and the Company's share price will not be affected by the process of rationalising the shareholder base.

Proposal:
THAT, conditionally on the consolidation approved by Resolution 14 (Consolidation) becoming effective upon the registration of the new Memorandum and Articles of Association approved in terms of Resolution 14 with the Malta Registrar of Companies, each ordinary share with a nominal value of €190 each in the issued share capital of the Company be sub-divided into 250 ordinary shares with a nominal value of €0.76 each, such shares having the same rights and being subject to the same restrictions (save as to nominal value) as the ordinary shares of €190 each in the capital of the Company created pursuant to Resolution 14 as set out in the Articles for the time being.

That, accordingly, the then applicable Memorandum and Articles of Association be deleted and substituted in their entirety by a new Memorandum and Articles of Association to reflect the amendments adopted pursuant to this Resolution 15.

Resolutions 1 to 9 are ordinary resolutions. Resolutions 10 to 15 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 seven and not more than 30 days after the Annual General Meeting as the chairman shall determine.

Ordinary resolutions 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 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

Bryan Moyer
Company Secretary
26 April 2013

SCHEDULE
INVESTING POLICY

The investment objective of the Company is to generate returns, in the form of both capital appreciation and income to shareholders, through investing in a portfolio of businesses. While not constricted geographically, given the background and experience of management, it is expected that the majority of capital invested will be in businesses operating in southern Africa, with a particular focus on South Africa. Investments outside southern Africa will be considered where the Board believes the opportunities are particularly attractive.

The Company will look to invest in businesses with the underlying themes of strategic market position and strong cash flows.

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.

The Company seeks to be actively involved in setting the strategy of the investee companies and seeks to act as an allocator of capital and resources. When appropriate, the Company will become involved in the day to day management of investee companies either alongside or instead of the management team of the investee company. 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.

Notes:

1. This notice of Annual General Meeting is being mailed to the Members on the Register of Members of the Company as at 19 April 2013. Members registered on the Register of Members as at 17 May 2013 (the "Record Date") shall have the right to participate and vote at the Annual General 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 10 May 2013 and the last day to trade for shareholders on the AIM sub-register in order to be able to participate and vote at the meeting is 14 May 2013. 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 bryan.moyer@maitland.com in either case by no later than 26 May 2013 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 Stock 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) to be received by no later than 23 May 2013 at 10h00 (SAST); and
    b. certificated shareholders who trade their shares on AIM of the London Stock Exchange and are registered on the AIM 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 to be received by no later than 23 May 2013 at 09h00 (BST)

    so as to enable the Form of Proxy to be forwarded on your behalf to the Company no later than 26 May 2013 at 10h00 (CEST).
4. Dematerialised shareholders on the South African sub-register, other than own-name registered dematerialised shareholders, who wish to attend the Annual General 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 Annual 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 23 May 2013 at 10h00 (SAST).
5. Holders of depository interests representing shares in the Company can instruct Capita IRG Trustees Limited, the Depository, 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 23 May 2013. 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 23 May 2013.
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 of Annual General Meeting. If you are a shareholder on the AIM 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 Annual General 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 Annual General 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 Notice of Annual General Meeting continued 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. 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.

10. Admission to the Annual General Meeting will commence one hour before the advertised and appointed time.

11. After the Annual General Meeting has proceeded to business, voting documents will continue to be issued until such time as the Annual General 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 Annual General Meeting will be discontinued.

12. 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 of Annual General Meeting;

    (b) the total number of shares and voting rights at the date of the Notice of Annual General Meeting;

    (c) the documents to be submitted to the Annual General Meeting; and

    (d) the form of proxy for the Annual 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 by registered shareholders at the Annual General Meeting to be held in 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on 28 May 2013 at 10h00 (CEST).

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

HOLDERS OF DEPOSITORY INSTRUMENTS SHOULD COMPLETE THE FORM OF DIRECTION IN PART 6 AND SHOULD NOT COMPLETE THIS FORM OF PROXY.

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 Annual General 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 28 May 2013 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 2012 and to the consolidated accounts for the Group for the year ended 31 December 2012.		
2	To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2012.		
3	To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2012.		
4	To re-elect Marcel Ernzer as a director of the Company.		
5	To appoint the Company's independent auditor and to authorise the directors to determine their remuneration.		
6	To grant the Directors authority to allot and issue shares.		
7	To approve the Blackstar Group SE executive incentive scheme.		
8	To permit communication with shareholders electronically.		
9	To approve the amended Investing Policy.		
10	To dis-apply statutory pre-emption rights on the issue of shares.		
11	To authorise the Company to purchase its own shares.		
12	To amend the Articles in connection with communication by the Company with shareholders.		
13	To amend the Articles to facilitate the consolidation and sub-division of shares.		
14	To consolidate the share capital of the Company into ordinary shares of €190.		
15	To sub-divide the share capital of the Company into ordinary shares of €0.76.		

Form of Proxy continued

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

Signature .... Date 2013

Notes:

1. To appoint as a proxy a person other than the Chairman of the Annual General 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 Annual General 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 Annual General 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 bryan.moyer@maitland.com in either case by no later than 26 May 2013 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) to be received by no later than 23 May 2013 at 10h00 (SAST); and
   (b) certificated shareholders who trade their shares on AIM of the London Stock Exchange and are registered on the AIM 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 to be received by no later than 23 May 2013 at 09h00 (BST)

   so as to enable the Form of Proxy to be forwarded on your behalf to the Company no later than 26 May 2013 at 10h00 (CEST).
4. Dematerialised shareholders on the South African sub-register, other than own-name registered dematerialised shareholders, who wish to attend the Annual General 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 Annual 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 23 May 2013 at 10h00 (SAST).
5. Holders of depositary interests representing shares in the Company can instruct Capita IRG Trustees Limited, the Depository, 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 23 May 2013. 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 23 May 2013.
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 Annual General Meeting should you subsequently decide to do so.

BLACKSTAR GROUP SE

(registered in Malta with registered number SE4)

4th Floor, Avantech Building, St Julian's Road, San Gwann, SGN 2805, Malta (the "Company")

FORM OF DIRECTION

Form of Direction for completion by holders of Depository Interests representing shares on a one for one basis in the Company in respect of the Annual General Meeting of the Company to be held at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on 28 May 2013 at 10h00 CET.

This Form of Direction is for use by holders of Depository Interests issued by Capita IRG Trustees Limited only.

Capitalised terms which are used in this Form of Direction but which are not defined shall have the meaning attributed thereto in the Notice of Annual General Meeting dated 26 April 2013.

I/We ....

of...

(Please insert full name(s) and address(es) in Block Capitals)

being a holder of Depository Interests representing shares in the Company hereby instruct Capita IRG Trustees Limited (the "**Depository**"), to vote for me/us and on my/our behalf in person or by proxy at the 2013 Annual General Meeting of the Company to be held on the above date (and at any adjournment thereof) as directed by an X in the spaces below.

Please indicate with an "X" in the spaces below how you wish your vote to be cast. If no indication is given, you will be deemed as instructing the Depository to abstain from voting on the specified resolution.

	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 2012 and to the consolidated accounts for the Group for the year ended 31 December 2012.		
2	To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2012.		
3	To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2012.		
4	To re-elect Marcel Ernzer as a director of the Company.		
5	To appoint the Company's independent auditor and to authorise the directors to determine their remuneration.		
6	To grant the Directors authority to allot and issue shares.		
7	To approve the Blackstar Group SE executive incentive scheme.		
8	To permit communication with shareholders electronically.		
9	To approve the amended Investing Policy.		
10	To dis-apply statutory pre-emption rights on the issue of shares.		
11	To authorise the Company to purchase its own shares.		
12	To amend the Articles in connection with communication by the Company with shareholders.		
13	To amend the Articles to facilitate the consolidation and sub-division of shares.		
14	To consolidate the share capital of the Company into ordinary shares of €190.		
15	To sub-divide the share capital of the Company into ordinary shares of €0.76.		

Signature .... Date 2013

Form of Direction continued

Notes:

1. To be effective, this Form of Direction and the power of attorney or other authority (if any) under which it is signed, or a notarially or otherwise certified copy of such power or authority, must be deposited at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 23 May 2013 at 09h00 (GMT) or 72 hours before the time appointed for holding any adjourned meeting.
2. Any alterations made to this Form of Direction should be initialled.
3. In the case of a corporation this Form of Direction should be given under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
4. Please indicate how you wish your votes to be cast by placing "X" in the box provided. On receipt of this form duly signed, you will be deemed to have authorised the Depository to vote, or to abstain from voting, as per your instructions.
5. Depository Interests held in uncertified form (i.e. in CREST), representing shares on a one for one basis in the Company, may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual. The CREST message must be received by the issuer's agent RA10 by 09h00 (GMT) on 23 May 2013.
6. The Depository will appoint the Chairman of the Annual General Meeting as its proxy to cast your votes. The Chairman may also vote or abstain from voting as he or she thinks fit on any other business (including amendments to resolutions) which may properly come before the Annual General Meeting.
7. Depository Interest holders wishing to attend the Annual General Meeting should contact the Depository at Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by e-mail at custodymgt@capitaregistrars.com by no later than 21 May 2013 at 09h00 (GMT) or seven days before the time appointed for holding any adjourned meeting.

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