Blackstar Investors Plc
Annual Report and Accounts 2008

Highlights

- Net asset value declined from 133 to 123 pence per share.
- Realisation of half of our investment in York Timber Organisation Limited in April 2008.
- Acquisition of a controlling interest in Ferro Industrial Products (Pty) Limited concluded in January 2009.
- Realisation of investment in DCD-Dorbyl (Pty) Limited concluded in February 2009.

Investment Advisor's report

"Despite these challenging markets our business remains in good shape"

Introduction

The 2008 financial year was one characterised by extreme volatility and dramatic changes in the world financial landscape. Despite this, South African businesses still continued to benefit from the economic growth over the past five years. However our financial markets have not been spared from the global fallout which has led to a steep decline in share prices.

Despite these challenging markets our business remains in good shape and in the period under review our net asset value ("NAV") declined 7.5% to end at 123p (2007:133p). Net assets declined to £93.2 million from £100.3 million largely on the back of the write down of our investment in Mvelaphanda Resources Limited ("Mvela") and our remaining investment in York Timber Organisation Limited ("York"). Mvela proved to be volatile, driven by the decline in commodity prices and the aborted acquisition of Mvela by Impala Platinum Holdings Limited. Given the general market sentiment and overall operating environment, we have also written down the majority of our listed and unlisted investments.

In addition to their very capable and experienced management teams, Blackstar Investors Plc's ("Blackstar" or the "Company") investments tend to enjoy strong positions in their respective sectors which we anticipate will help them ride out the market turmoil.

Overview of the market

South Africa has not suffered so many of the negative side effects currently being experienced by Europe and the United States. Due to domestic exchange controls, South African banks were prohibited from investing in sub-prime assets. This has resulted in the banks remaining well capitalised and able to continue financing the country's growth. The disciplined macroeconomic framework pursued under the Mbeki administration has helped not only in achieving South Africa's longest growth period since World War Two but also ensuring that South Africa's financial system was relatively unscathed at the onset of the global financial crisis. However, neither South Africa nor the Sub-Saharan regions have been immune from the effects of the global fallout.

Interest rates in South Africa are on a downward trend with the first 50 basis point cut taking place in December 2008 and another 100 basis point cut in February 2009. Blackstar is expecting further rate cuts during the course of 2009. The South African economy and its consumers will undoubtedly benefit from lower oil prices, dissipating food inflation, reduced interest rates, ongoing government infrastructure and social development initiatives. South Africa is hosting the Soccer Confederations Cup this year and we believe that sentiment in South Africa should further improve in the latter half of the year as South Africans begin final preparations for the 2010 FIFA Soccer World Cup.

> “ Blackstar generated significant cash flows from the disposal of its investments”

In the recent 2009 budget, the South African government earmarked an additional R787 billion (£57 billion) to be spent on infrastructure over the next three years.

South Africa’s 14 year old democracy has shown its maturity when the second democratically elected President, Thabo Mbeki, was removed from office by the African National Congress (“ANC”) six months before his term expired. The new president, Mr Kgalema Motlanthe who is the ANC’s Deputy President then removed underperforming ministers from a number of their positions, most notably the Ministers of Health, Safety and Security, Justice, Public Enterprise and Public Works.

The South African general election is due to be held in April 2009. Several high profile members recently split from the African National Congress (“ANC”) to form a new party called the Congress of the People (“Cope”). This is likely to further strengthen democracy in South Africa and may reduce the dominance of the ANC to below the two thirds majority that it currently enjoys.

Financial review

During the year under review Blackstar invested a further £10.1 million, part of which was financed with a loan from Investec Bank Limited of £6.6 million. Despite the decline in net assets from £100.3 million to £93.2 million, Blackstar generated significant cash flows from the disposal of its investments, most notably from the disposal of half of its interest in York for a consideration of £13.0 million (ZAR 201 million) representing a return of 2.09 times money and a 109% IRR in Pounds Sterling. Blackstar still retains 10.4% of York’s ordinary shares and is invested in the York preference shares which produce an annual yield for Blackstar.

Blackstar has made significant progress on generating cash flow from its investments. This trend is set to improve in the forthcoming financial year.

For more details on Blackstar’s investments, please refer to the Investment portfolio review.

Currency

The Rand remains a key variable in Blackstar’s investments. Despite its volatility in the medium term, certain Blackstar investments are nonetheless positively disposed to a weaker Rand. The Rand seems to have stabilised recently against its trading basket of currencies.

Post Balance Sheet Events and Outlook

On 15 January 2009 shareholders voted overwhelmingly to approve resolutions giving Blackstar authority to buy back its own shares. Since then Blackstar has bought back 2,405,488 shares at a cost of 32p per share, representing 3.18% of the shares in issue, at a significant discount to its NAV.

> "These economic conditions will present some challenges, however we maintain our commitment to continue growing both organically and where appropriate through acquisition"

Blackstar recently disposed of its investment in DCD-Dorbyl (Pty) Limited in February 2009 for £13.8 million (R192 million). The disposal has yielded a return of 2.83 times money and a 76% IRR in Pounds Sterling over a twenty month holding period.

Blackstar's Board of Directors has started discussions with its Investment Advisor, Blackstar Managers Limited, to consider whether to change the Company from an externally advised company to an internally managed holding company.

Blackstar's next set of financial results will include the consolidated financial results of Ferro Industrial Products (Pty) Limited and Kulungile Metals Group (Pty) Limited. This reflects Blackstar's departure from owning minority positions to a strategy where we take more majority positions with the ability to control the underlying cash flow of the subsidiaries. We hope that this will enable Blackstar to benefit from an earnings rating as well as growth in net assets.

The operating environment over the next six months will be a lot more uncertain as the global recession settles in. These economic conditions will present some challenges, however we maintain our commitment to continue growing, both organically and where appropriate, through acquisition.

Andrew Bonamour
Luxembourg
25 March 2009

Investment portfolio review

KULUNGILE METALS GROUP

Kulungile Metals Group (Pty) Limited ("KMG")

Company Profile: KMG has a strong market position in South Africa and is the country's third largest processor, distributor and stockist of carbon steel, stainless steel and aluminium in the form of high quality sheet, plate and coil as well as structural and other long product profiles. KMG services the engineering, mining, building fabricators and component manufacturers to the automotive industry. KMG also owns 100% of Global Roofing Solutions (Pty) Limited ("GRS"), the largest steel roofing and cladding company in South Africa.

Transaction Overview as at 31 December 2008

Date of investment	June 2007/December 2007
Total investment cost	£19.2 million
Total value realised	£0.9 million
Carrying value of unrealised investment	£26.7 million
Direct equity interest	47.5%

Summarised Income Statement

(£'000)[1]	12 months ended 29 February 2008[2]	12 months ended 28 February 2007[3]
Revenue	**147,982**	118,756
EBITDA	**9,737**	6,054
EBIT	**8,375**	5,207
PBT	**5,128**	3,801

Summarised Balance Sheet

(£'000)[1]	29 February 2008[2]	28 February 2007[3]
Total shareholders' funds	**22,147**	12,133
Net external debt/(cash)	**15,966**	(2,175)
Property, plant and equipment	**11,341**	5,279

1 For illustrative purposes, all the figures have been converted from ZAR to £ at the 31 December 2008 rate of ZAR 13.7195 to £1.
2 Reflects the earnings performance of KMG business had the KMG business acquisition been unconditional on 1 March 2007 and the GRS acquisition been unconditional from 1 August 2007 and includes the external debt raised for the acquisition of KMG.
3 Excludes any earnings from GRS acquisition.

Commentary

Following the acquisition of GRS, KMG has been focusing on integrating the businesses. The KMG Group is growing its penetration into the Sub-Saharan Africa market and now has more than 10% of its sales coming from this region.

2008 was a turbulent year in the steel sector with prices rising 70% only to drop 35% in the space of 10 months. This resulted in difficult trading as stockists attempted to manage their working capital under volatile pricing conditions.

In spite of this, KMG is expected to increase its EBITDA for the year ended February 2009, albeit at a lower rate than the prior year growth. GRS has performed well given that it has many large ongoing contracts. Steel volumes are expected to remain robust as the government continues its infrastructure spending. KMG has a strong management team and stable steel prices should help KMG to a solid performance in 2009. KMG is in the process of concluding two acquisitions, one in Namibia and one in South Africa. The Namibian acquisition will help KMG extend its footprint into Sub-Saharan Africa. Both transactions are being concluded on attractive terms and conditions.

In March 2009 Blackstar acquired a further 25.5% of KMG which has brought its holding to 73% and its total investment to £22.6 million. Blackstar will consolidate the financial results of KMG for the first time in its 30 June 2009 interim results and KMG will also change its year end to 31 December to coincide with Blackstar.

MVELAPHANDA RESOURCES LIMITED

Mvelaphanda Resources Limited ("Mvela")

Company Profile: Mvela is a leading, broad based, pan-African listed empowerment resources company and has significant investments in platinum, gold and diamond sectors. In August 2008, Mvela acquired Anglo Platinum Limited's 22.2% interest in Northam Platinum Limited ("Northam)" and its 50% effective interest in the Booysendal Resource ("Booysendal"). Mvela then sold its 100% interest in Booysendal to Northam for an issue of new ordinary shares in Northam, taking its shareholding in Northam to 63%. The Booysendal resource will extend the life of Northam mines from 16 years to over 100 years and provides an opportunity for long term value creation. Mvela's subsidiary Northam is the world's fifth largest Platinum Group Metals producer.

Transaction Overview as at 31 December 2008

Date of investment	April 2007
Total investment cost	£12.4 million
Total value realised	£1.4 million
Carrying value of unrealised investment	£12.8 million
Indirect equity interest via SPV	7.6%

Summarised Income Statement

(£'000)[1]	12 months ended 30 June 2008	12 months ended 30 June 2007
Total Income	**67,660**	54,956
PBT[2]	**12,982**	(174,502)

Summarised Balance Sheet

(£'000)[1]	30 June 2008	30 June 2007
Total shareholders' funds	**444,137**	423,804
Net debt	**10,979**	47,473
Non-current assets	**458,336**	470,528

1 For illustrative purposes, all the figures have been converted from ZAR to £ at the 31 December 2008 rate of ZAR 13.7195 to £1.
2 Includes fair value adjustments on revaluation of financial instruments.

Commentary

On 17 March 2009 Mvela took title of 50 million Goldfields Limited ("Goldfields") shares as the Goldfields Black Economic Empowerment funding structure unwinded. These shares represent a 7.1% shareholding in Goldfields. In addition to this, when Mvela took control of Northam, the JSE Securities Exchange gave them until August 2009 to collapse the pyramid holding structure that currently exists between the two companies. Mvela currently trades at a substantial discount to its underlying NAV given its holding company status and the multiple entry points to the underlying assets.

Mvela recently announced a strategy to address the pyramid structure, the Northam acquisition debt and position it for the longer term. In terms of this strategy Mvela has announced that it intends to dispose of the Goldfields shares and to use the proceeds from the disposal to settle the outstanding Northam acquisition debt and collapse the pyramid structure into one operating company. The balance of the funds realised from the Goldfields disposal will be used to develop Booysendal. Mvela share price has increased by 42% since Blackstar's year end from R22.61 to R32.00 per share. Mvela is currently trading at a significant discount to its intrinsic value and simplifying the corporate structure should result in the release of value to its shareholders.

York Timber Organisation Limited (“York”)

Company Profile: York is a vertically integrated forest products company listed on the JSE. York owns 61,000 hectares of Forest Stewardship Council certified timber plantations, 30,000 hectares of undeveloped land, seven sawmills, a plywood mill and a national distribution network of timber warehouses. The group employs 3,400 people directly as well as 2,300 indirectly through small contractors. York is the largest independent forestry company in Africa with an estimated market share of 21% of lumber sales.

Transaction Overview as at 31 December 2008

Date of investment	March 2007/July 2007
Total investment cost	£16.8 million
Total value realised	£15.9 million
Carrying value of unrealised investment	£11.0 million
Direct equity interest	10.0%
Indirect equity interest via SPV	0.6%

Summarised Income Statement

(£'000)[1]	18 months ended 30 June 2008[2]	12 months ended 31 December 2006
Revenue	**110,906**	28,716
EBITDA	**18,288**	3,250
EBIT	**16,377**	2,903
PBT[3]	**53,799**	3,085

Summarised Balance Sheet

(£'000)[1]	30 June 2008[2]	31 December 2006
Total shareholders' funds	**120,680**	7,574
Net debt	**70,711**	224
Property, plant and equipment	**26,496**	4,796
Biological assets	**125,253**	1,312

1 For illustrative purposes, all the figures have been converted from ZAR to £ at the 31 December 2008 rate of ZAR 13.7195 to £1.
2 Includes earnings of Global Forest Products from July 2007 and the assets acquired and the external debt raised for the acquisition of Global Forest Products.
3 Includes fair value adjustment of biological assets.

Commentary

York's acquisition of Global Forest Products in 2007 significantly changed the size and nature of the company and resulted in substantial increases in revenue and EBITDA. However, in the latter half of 2008, York experienced a reduced demand for lumber due to the economic slowdown. There has also been a temporary oversupply of timber due to surplus logs being processed as a result of the salvaging operations from the fires in 2007 and 2008. These factors had an impact on York's financial results in the short term, however South Africa still has a long term domestic shortage of timber. Once York and the other industry players have depleted the excessive log harvests necessitated by the fire, a substantial reduction in log availability is expected to endure for a lengthy period of time and York, as a vertically integrated entity, will be well positioned to benefit from the expected log shortage.

In the meantime, management is focussing on improving internal efficiencies and synergies from the recent acquisitions, decreasing log inventories and decreasing costs in order to mitigate the full impact of the economic downturn. York's timber mills are dependent on the building of residential homes and this sector is expected to remain depressed for the rest of 2009. York's Plywood operation is increasing margins and is expected to continue to benefit from the government funded infrastructural projects being implemented over the next five years.

York's share price has fallen by 64% since Blackstar's year end from R16.00 to R5.84 per share. This has mainly been due to concerns over York's high debt levels from its acquisition of Global Forest Products and adverse trading conditions expected for the remainder of 2009. Blackstar is currently working with other York shareholders to address the high debt levels and is investigating some strategic alternatives for York.

DCD-Dorbyl (Pty) Limited ("DCD-Dorbyl")

Company Profile: DCD-Dorbyl supplies products and services to three sectors of the economy, namely heavy engineering, rail transport and the marine ship repair and off-shore oil industries.

Transaction Overview as at 31 December 2008

Date of investment	April 2007
Total investment cost	£4.9 million
Total value realised	£35,000
Carrying value of unrealised investment	£13.8 million
Indirect equity interest via SPV	16.7%

Summarised Income Statement

(£'000)[1]	**12 months ended**	12 months ended
	31 March 2008	31 March 2007
Revenue	**155,024**	111,676
EBITDA	**38,949**	17,877
EBIT	**25,543**	15,530
PBT	**23,256**	14,950

Summarised Balance Sheet

(£'000)[1]		
	31 March 2008[2]	31 March 2007
Total shareholders' funds	**29,176**	18,150
Net debt/(cash)	**15,484**	(4,499)
Property, plant and equipment	**13,313**	10,521

1 For illustrative purposes, all the figures have been converted from ZAR to £ at the 31 December 2008 rate of ZAR 13.7195 to £1.
2 Includes external debt raised for the acquisition of DCD-Dorbyl.

Commentary

In February 2009 Blackstar disposed of its entire interest in DCD-Dorbyl for £13.8 million equating to a return on investment of 2.83 times and a 76% IRR in Pounds Sterling over the 20 month holding period.

Credit U Holdings Limited ("Credit U")

Company Profile: Credit U is a listed financial services group that targets the financial needs of clients in the lower income groups of South Africa with a broad range of financial services products. These include credit products, cellular products, insurance products, employee benefits and other financial solutions.

Transaction Overview as at 31 December 2008

Date of investment	April 2008
Total investment cost	£6.7 million
Total value realised	£0.6 million
Carrying value of unrealised investment	£7.6 million

Summarised Income Statement

(£'000)[1]	**12 months ended**	12 months ended
	29 February 2008	28 February 2007
Total Revenue	**10,243**	7,351
Net revenue from operations	**7,523**	5,181
PBT	**1,694**	1,797

Summarised Balance Sheet

(£'000)[1]		
	29 February 2008	28 February 2007
Total shareholders' funds	**9,203**	3,610
Borrowings	**8,309**	2,218
Loans and advances	**14,174**	4,723

1 For illustrative purposes, all the figures have been converted from ZAR to £ at the 31 December 2008 rate of ZAR 13.7195 to £1.

Commentary

Blackstar provided Credit U with a R100 million loan facility. As part of the transaction, Blackstar had the right and option to subscribe for a maximum of 16,666,667 Credit U ordinary shares for cash at an issue price of R3.00 per share. To fund this transaction Blackstar obtained a R100 million loan facility from Investec Bank Limited ("Investec"). Effectively Blackstar earns a spread on the interest differential between the loan facility made to Credit U and the loan facility from Investec.

In December 2008, Blue Financial Services Limited ("Blue") acquired 100% of Credit U. Following this transaction, the option to subscribe for Credit U ordinary shares expired and Credit U has agreed to repay Blackstar's loan in full by 30 April 2009, following which Blackstar will repay its loan to Investec.

Myriad Medical Holdings Limited ("Myriad")

Company Profile: Myriad offers a diverse range of medical devices in South Africa. These comprise hundreds of leading medical device products in both the critical care consumable and equipment fields, which are supplied to private and government hospitals across the country. In supplying these premium products to the local healthcare industry, the group is also supported by its own in-house training academy, technical and maintenance divisions and hospital turnkey operations. Myriad is the only listed black empowered medical device and surgical company in South Africa.

Transaction Overview as at 31 December 2008

Date of investment	October 2006
Total investment cost	£3.7 million
Total value realised	£1.3 million
Carrying value of unrealised investment	£2.9 million
Direct equity interest	13.7%
Indirect equity interest via SPV	6.3%

Summarised Income Statement

(£'000)[1]	**12 months ended 31 May 2008**	12 months ended 31 May 2007
Revenue	**16,637**	9,586
EBITDA	**2,314**	1,637
EBIT	**2,233**	1,612
PBT	**2,263**	1,672

Summarised Balance Sheet

(£'000)[1]	**31 March 2008**	31 March 2007
Total shareholders' funds	**9,836**	7,994
Net cash	**26**	589
Property, plant and equipment	**240**	251

1 For illustrative purposes, all the figures have been converted from ZAR to £ at the 31 December 2008 rate of ZAR 13.7195 to £1.

Commentary

Myriad recently published a strong set of interim results where revenue grew by 24% and earnings per share grew by 16%. Blackstar believes that further growth opportunities exist for Myriad in the public sector due to the government's significant investments in upgrading medical infrastructure and equipment at public hospitals. In addition Myriad has recently secured two new exclusive agency agreements with world class international players and management remains positive about the future outlook of the company. Blackstar recently appointed a representative to the board of Myriad to help with Myriad's acquisition efforts.

Adreach (Pty) Limited ("Adreach")

Company Profile: Adreach is recognised as one of South Africa's largest outdoor media owners, boasting significant BEE credentials and a presence in the local and global outdoor media industry. Adreach currently operates a national network of more than 20,000 alive advertising signs in various forms throughout South Africa and have regional monopolies throughout the major cities and towns in South Africa.

Transaction Overview as at 31 December 2008

Date of investment	November 2007
Total investment cost	£2.8 million
Total value realised	–
Carrying Value of unrealised investment	£1.8 million
Direct equity interest	15%

Summarised Income Statement

(£'000)[1]

	12 months ended 31 August 2008	**12 months ended 31 August 2007**
Revenue	6,710	6,099
EBITDA	2,212	1,885
EBIT	1,929	1,798
PBT	1,837	1,783

Summarised Balance Sheet

(£'000)[1]

	31 August 2008	**31 August 2007**
Total shareholder's funds	1,776	1,041
Net cash	311	125
Property, plant and equipment	634	472

1 For illustrative purposes, all the figures have been converted from ZAR to £ at the 31 December 2008 rate of ZAR 13.7195 to £1.

Commentary

Although Adreach performed to our expectations, the advertising spend in South Africa has declined over the course of 2008, which has affected Adreach's revenues. Adreach operates on a revenue sharing rather than a fixed rental basis so the business is not operationally leveraged. The forecast for 2009 also shows a subdued outlook for advertising spend in South Africa. Blackstar has written down its investment in Adreach on the back of a weaker market.

Services Company and Telecom Company Derivative Transactions

Transaction Overview as at 31 December 2008

Date of Investment	March 2006/May 2006/August 2007
Total investment cost	£6.0 million
Total value realised	£28,000
Carrying Value of unrealised investment	£4.4 million

Commentary

Blackstar concluded two secondary BEE transactions in a large listed services company, and a secondary BEE transaction in a large listed telecommunications company, using derivative structures, whereby Blackstar invested a fixed amount of its funds in exchange for a return, which is based on the performance of the underlying services and telecommunications companies.

These investments have been affected by the downturn in the equity markets. Both companies have nonetheless performed in line with expectations and we remain positive about the medium to longer term outlook of the companies.

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

The transaction was concluded post year end in January 2009 and is therefore not reflected in Blackstar's year end financial statements.

Company Profile: Ferro is a South African manufacturer and supplier of a specialised range of powder coatings, black and white plastic master batches as well as high quality porcelain enamels, glaze frits, glass coatings and glaze coatings used on ceramic products. Ferro has its own dedicated production facilities in South Africa for each product and its products are ISO accredited.

Transaction Overview post year end

Date of Investment	January 2009
Total investment cost	£6.1 million
Total value realised	-
Direct equity interest	56%

Summarised Income Statement

(£'000)[1]	**12 months ended**	12 months ended
	30 June 2008[2]	30 June 2007
Revenue	**31,832**	17,597
EBITDA	**3,466**	2,797
EBIT	**2,871**	2,382
PBT	**1,220**	1,329

Summarised Balance Sheet

(£'000)[1]		
	30 June 2008[2]	30 June 2007
Total shareholder's funds	**9,665**	8,881
Net debt	**10,065**	3,337
Property, plant and equipment	**5,752**	5,461

1 For illustrative purposes, all the figures have been converted from ZAR to £ at the 31 December 2008 rate of ZAR 13.7195 to £1.
2 Includes earnings of Spectrum Ceramics CC which was acquired in 2007 and the external debt raised for the acquisition of Spectrum Ceramics CC.

Commentary

Ferro has historically demonstrated a strong ability to generate cash flow through the business cycles. It has a strong reputation in the South African market and its brands are recognised as leaders in the industry. Ferro provides a diverse range of products and has significant market share in many of the sectors in which it operates. Ferro is run by a high quality and experienced management team with a solid track record and provides Blackstar with an excellent investment opportunity.

Directors' report

for the year ended 31 December 2008

The Directors present their report together with the audited financial statements for the year ended 31 December 2008.

Results and dividends

The consolidated income statement as set out on page 20 shows the loss for the year.

The Directors do not recommend the payment of a dividend (2007 – nil).

Principal activities, review of business and future developments

The Company was incorporated in England and Wales and has its registered office at 7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE and has its principal place of business at 58 rue Charles Martel, L-2134 Luxembourg.

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, including those that emanate from the Black Economic Empowerment ("BEE") process currently underway in South Africa. The principal activity of the Company's Gibraltar subsidiary is that of acting as a treasury vehicle to the Company.

Through two capital raisings in 2006, the Company successfully raised an aggregate of £80 million (before expenses) to pursue its investing strategy and engaged Blackstar Managers, an offshore management company, to assist with sourcing, evaluating and assessing potential investment opportunities. The Company has capitalised on this opportunity acquiring assets on attractive terms and conditions and has gained exposure to sectors and industries that it believes will do well, including amongst others, resources, forestry and industrial. The company has both listed and unlisted assets in its portfolio and has financed its investments through a mixture of cash from its own resources and third party debt.

During the year the Group incurred an overall net loss from its investments of £6.6 million set out as follows:

	£'millions
DCD-Dorbyl (Pty) Limited	8.4
Kulungile Metals Group (Pty) Limited	3.3
Credit U Holdings Limited	0.7
Euro Steel Holdings (Pty) Limited	(0.2)
Spescom Limited	(0.2)
Adreach (Pty) Limited	(1.0)
Myriad Medical Holdings Limited	(1.5)
Services Company and Telecom Company derivative transactions	(2.7)
Mvelaphanda Resources Limited	(6.6)
York Timber Organisation Limited	(6.8)
Total net investment loss	(6.6)

The Group generated proceeds of £16.2 million from the disposal of investments. This resulted in realised profits of £7.2 million against cost and a loss of £1.4 million against carrying value at prior year balance sheet date. The most significant disposal was half of the Group's interest in York Timber Organisation Limited, which generated proceeds of £13 million, a realised profit against cost of £6.8 million and a loss of £1.4 million against carrying value at prior year balance sheet date. These amounts are included in the overall net loss from investments of £6.6 million. In addition the Group invested a further £10.1 million, part of which was financed with a loan from Investec Bank Limited of £6.6 million.

Administrative expenses, including foreign exchange gains, increased by £0.4 million compared with the prior year. The Group paid total performance fees of £3.9 million. This included an amount of £450,000 paid to Shore Capital Trading Limited in consideration for Shore Capital Trading Limited and certain of its affiliates entering into an agreement to terminate all obligations of the Company to pay any further carried interest to any Shore Capital entity. The carried interest which would otherwise have been payable to Shore Capital will now accrue for the benefit of the Company. The overall performance fee accrual was reduced by £1.5 million as a result of the decline in the carrying value of the investment portfolio.

In the prior year ended 31 December 2007, the Company purchased 2,800,000 ordinary shares of nominal value £1.00 each in the share capital of the Company, representing 3.6% of the Company's shares in issue. The price paid for these ordinary shares was £2,980,000. These shares were cancelled in accordance with the Companies Act 1985. However in accordance with Luxembourg law, the ordinary shares bought back were held in treasury until cancelled through an amendment to the memorandum and articles of association of the Company and were therefore held as treasury shares at 31 December 2007. A resolution to authorise the cancellation of these shares was passed by shareholders of the Company at a general meeting of the Company held on 18 February 2008.

During the year, Illuminator Holdings Limited and Illuminator Investments Limited, which were wholly owned subsidiaries of the Company, were dissolved. As a result the special reserve that arose due to merger accounting in the consolidation of Illuminator Holdings Limited, was transferred to retained earnings.

The other requirements of the business review have been included in the Investment Advisor's report and Investment portfolio review.

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 fulfil its responsibilities and is assisted by the following committees

Audit Committee – The Audit Committee is chaired by Wolfgang Baertz and comprises John Mills, Julian Treger, 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 half-year 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 Julian Treger, Andrew Bonamour, Wolfgang Baertz and Marcel Ernzer. The Committee will set the remuneration levels for the Directors having regard to market conditions and appropriate incentive schemes.

Nominations Committee – The Nominations Committee is chaired by Marcel Ernzer and comprises John Mills, Julian Treger, 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 5 times during the year.

Going Concern

After making enquiries the Directors have a reasonable expectation that the Company and its subsidiaries have adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Policy and practice on the payment of creditors

It is the Group's policy to pay its creditors in accordance with the individual supplier's policy which is normally after having taken up to 30 days credit from each supplier. Trade creditor days for the Group at 31 December 2008 were 7 days (2007 – 4 days).

Post balance sheet events

These are detailed in note 30 to the consolidated financial statements.

Charitable and political contributions

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

Substantial shareholders
The Company is aware that the following shareholders had holdings of 5% or more of the issued ordinary shares of the Company on 25 March 2009.

	% of issued share capital
Angelo Gordon and Co	11.7%
Schroder Investment Management Limited	11.3%
Eton Park Capital Management LLC	10.5%
Lansdowne Partners Limited	9.8%
Blackstar Managers Limited	7.5%
Midas Capital Partners Limited	7.1%
Lynchwood Nominees Limited	6.5%
Kleinwort Benson Private Bank Limited	5.8%

Financial instruments – risk management
Details of the financial risk management objectives and policies of the Company and its subsidiaries are contained in note 18 to the consolidated financial statements.

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

	Number of ordinary Shares 2008	Number of ordinary Shares 2007
Julian Treger[1]	1,364,075	1,014,075
Andrew Bonamour[2]	6,070,891	110,415
Wolfgang Baertz	100,000	—
Marcel Ernzer	—	—
John Mills	1,100,000	—

Notes:
1 These shares are held by funds associated with Julian Treger and his family and also by E2Investors Limited, a company that is ultimately owned by discretionary trusts of which Julian Treger is a potential beneficiary.
2 These shares are held by Blackstar Managers Limited and 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.

Biographical details of all current Directors are to be found on page 18.

Statement of Directors' responsibilities
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and its subsidiaries ("the Group"), for safeguarding the assets of the Group, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs") and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The Directors have chosen to prepare financial statements for the Company in accordance with IFRSs.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and presentation of financial statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance.

Financial statements are published on the Group'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 Group'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 Stoy Hayward LLP has expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

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

By order of the Board

John Mills
25 March 2009

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 five 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.

Julian André Treger (Non-executive Director)
Julian Treger, who grew up in South Africa, has been involved in the corporate finance and securities investment business since graduating from Harvard College (Magna Cum Laude) in 1984. After starting at Hambros Bank in corporate finance (M&A division), he attended Harvard Business School, thereafter he joined the J Rothschild Group to manage a portfolio of venture capital investments in both the UK and abroad and in providing corporate finance services to clients. In 1993, together with Brian Myerson, he founded Active Value Advisors. Julian is a principal advisor to Audley Capital in London, an onshore advisory business to a hedge fund and a private equity fund, whilst he continues to serve a number of other directorships.

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

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

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

Independent auditor's report

Independent auditor's report to the shareholders of Blackstar Investors Plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Blackstar Investors Plc for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Cash Flow Statements, the Consolidated and Parent Company Statements of Changes in Equity and the related notes. The financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' report is consistent with those financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Investment Advisor's report, the Investment portfolio review, the Directors' report and the Directorate. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Gatwick
25 March 2009

Consolidated income statement

for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Continuing Operations			
Net (losses)/gains on investments	4	**(13,715)**	22,458
Fees, dividends and interest from loans, receivables and investments	5	**7,139**	3,813
Net investment (loss)/income		**(6,576)**	26,271
Administrative expenses – Performance fee	21	**1,467**	(5,767)
Administrative expenses – Other		**(2,824)**	(2,438)
Administrative expenses		**(1,357)**	(8,205)
(Loss)/profit from operations	6	**(7,933)**	18,066
Finance income	9	**864**	1,806
Finance costs	10	**(722)**	—
(Loss)/profit before taxation		**(7,791)**	19,872
Taxation	11	**(36)**	(37)
(Loss)/profit for the year from continuing operations		**(7,827)**	19,835
Discontinued Operations			
Profit for the year from discontinued operations	12	**—**	2,629
(Loss)/profit for the year		**(7,827)**	22,464
Attributable to:			
Equity holders of the parent		**(7,827)**	22,264
Minority interest		**—**	200
		(7,827)	22,464
Basic and diluted (losses)/earnings per ordinary share attributable to equity holders from continuing operations in pence	13	**(10.34)**	25.49
Basic and diluted (losses)/earnings per ordinary share attributable to equity holders from continuing and discontinued operations in pence	13	**(10.34)**	28.62

The notes on pages 24 to 44 form part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2008

	Share capital £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Special reserve £'000	Treasury shares £'000	Retained earnings £'000	Attributable to equity holders £'000	Minority interest £'000	Total equity £'000
Balance at 31 December 2006	78,465	775	(839)	11,754	—	(11,143)	79,012	—	79,012
Currency exchange gains on investments	—	—	2,053	—	—	—	2,053	—	2,053
Amount recognised directly in equity	—	—	2,053	—	—	—	2,053	—	2,053
Profit for the year	—	—	—	—	—	22,264	22,264	200	22,464
Total recognised income and expense for the year	—	—	2,053	—	—	22,264	24,317	200	24,517
Minority interest arising on acquisition	—	—	—	—	—	—	—	3,272	3,272
Minority interest eliminated on disposal of subsidiary held with a view to dispose	—	—	—	—	—	—	—	(3,472)	(3,472)
Buy back of ordinary shares	—	—	—	—	(2,980)	—	(2,980)	—	(2,980)
Balance at 31 December 2007	78,465	775	1,214	11,754	(2,980)	11,121	100,349	—	100,349
Currency exchange losses on investments	—	—	651	—	—	—	651	—	651
Amount recognised directly in equity	—	—	651	—	—	—	651	—	651
Loss for the year	—	—	—	—	—	(7,827)	(7,827)	—	(7,827)
Total recognised income and expense for the year	—	—	651	—	—	(7,827)	(7,176)	—	(7,176)
Cancellation of ordinary shares (refer note 24)	(2,800)	2,800	—	—	2,980	(2,980)	—	—	—
Dissolution of Illuminator Holdings Limited	—	—	—	(11,754)	—	11,754	—	—	—
Balance at 31 December 2008	75,665	3,575	1,865	—	—	12,068	93,173	—	93,173

No dividends were declared in any of the periods presented above.

The notes on pages 24 to 44 form part of the consolidated financial statements.

Consolidated balance sheet

as at 31 December 2008

	Notes	2008 £'000	2007 (restated) £'000
Non-current assets			
Investments classified as loans and receivables	14	**36,371**	41,998
Investments at fair value through profit and loss	15	**23,328**	54,706
		59,699	96,704
Current assets			
Investments classified as loans and receivables	14	**13,812**	—
Investments at fair value through profit and loss	15	**9,839**	—
Trade and other receivables	19	**626**	469
Cash and cash equivalents	20	**17,831**	10,295
		42,108	10,764
Total assets		**101,807**	107,468
Non-current liabilities			
Provisions	21	**(404)**	(5,767)
		(404)	(5,767)
Current liabilities			
Borrowings	22	**(8,049)**	—
Trade and other accounts payable	23	**(181)**	(1,315)
Taxation		**—**	(37)
		(8,230)	(1,352)
Total liabilities		**(8,634)**	(7,119)
Total net assets		**93,173**	100,349
Equity			
Share capital	24	**75,665**	78,465
Capital redemption reserve	24	**3,575**	775
Foreign currency translation reserve	24	**1,865**	1,214
Special reserve	24	**—**	11,754
Treasury shares	24	**—**	(2,980)
Retained earnings	24	**12,068**	11,121
Total equity attributable to equity holders		**93,173**	100,349
Minority interest		**—**	—
Total equity		**93,173**	100,349
Net asset value per share in pence	25	**123**	133

The consolidated financial statements were approved by the Board and authorised for issue on 25 March 2009.

Andrew Bonamour
Director

The notes on pages 24 to 44 form part of the consolidated financial statements.

Consolidated cash flow statement

for the year ended 31 December 2008

	Notes	2008 £'000	2007 (restated) £'000
Cash flow from operating activities			
Cash absorbed by operations	26	**(7,775)**	(413)
Interest received		**1,253**	1,817
Interest paid		**(100)**	—
Dividends received		**264**	138
Taxation paid		**(73)**	—
Cash (absorbed)/generated by operating activities		**(6,431)**	1,542
Cash flow from investing activities			
Purchase of investments		**(3,575)**	(17,474)
Purchase of subsidiary held with the view to dispose		**—**	(4,231)
Additions to investments classified as loans and receivables		**(6,569)**	(35,415)
Proceeds from disposal/redemption of investments		**16,195**	1,789
Proceeds from disposal of rights arising in respect of subsidiary held with a view to dispose		**—**	867
Cash generated/(absorbed) by investing activities		**6,051**	(54,464)
Cash flow from financing activities			
Proceeds from borrowings		**9,906**	—
Repayment of borrowings		**(3,329)**	—
Buy back of ordinary shares		**—**	(2,980)
Cash generated/(absorbed) by financing activities		**6,577**	(2,980)
Net increase/(decrease) in cash and cash equivalents		**6,197**	(55,902)
Cash and cash equivalents at beginning of year		**10,295**	66,197
Exchange gains on cash and cash equivalents		**1,339**	—
Cash and cash equivalents at the end of the year		**17,831**	10,295

The notes on pages 24 to 44 form part of the consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2008

1. Accounting policies

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.

These consolidated financial statements of the Company and its subsidiaries (the "Group") have been prepared in accordance with International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB") as endorsed for use by the European Union and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS.

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. Although the estimates are based on the Directors' best knowledge and judgements of current facts as at the balance sheet date, the actual outcome may differ from those estimates. 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 as well as the classification 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 an impairment may have occurred and reduces the carrying value by the estimated extent of the impairment.

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

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. Intercompany transactions and balances between Group companies are therefore eliminated on consolidation.

Revenue recognition

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

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

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

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

Translation of foreign currencies

The Group's functional currency is Rands. Items included in the financial statements are reported in Pounds Sterling, being the presentational currency in which the issued capital shares are denominated.

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

1. Accounting policies (continued)

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

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

Financial instruments

Financial instruments disclosed 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. Subsequent to initial recognition, these instruments are measured as follows:

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 the income statement in the period in which they arise.

Investments in associates – An associate is an entity over which the Group has 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. Investments in associates that are held as part of the Group's investment portfolio are carried at fair value even though the Group may have significant influence over those companies. Realised and unrealised gains and losses arising from changes in the fair value of these investments are recognised in the income statement 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. If there is objective evidence that an impairment loss on investments classified as loans and receivables has been incurred, the amount of the loss is measured and the carrying amount of the asset shall be reduced. The amount of the loss shall be recognised in the income statement in the period in which it arises.

De-recognition occurs when the contractual rights to the financial asset expire, or when a financial liability is extinguished.

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.

1. Accounting policies (continued)

Financial Guarantee Contracts

Where financial guarantee contracts are not considered to be insurance contracts then such contracts are initially recognised at fair value when the Group becomes party to the contract. Such contracts are subsequently re-measured at the higher of the best estimate of the obligation arising under the contract, and the amount initially recognised less any cumulative amortisation, which is recognised as revenue.

Cash and cash equivalents

Cash and cash equivalents comprise cash in current accounts, money market funds and short term deposits.

Accounts receivable

Receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Such items have a short duration and are not discounted.

Accounts payable

Accounts payable are stated at their nominal value. Such items have a short duration and are not discounted.

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.

Taxation

The taxation expense comprises tax payable calculated on the basis of the expected taxable income for the year using tax rates that have been either enacted or substantively enacted at the balance sheet date.

Deferred taxation is provided on the balance sheet liability method based on temporary differences between the taxation base of an asset or liability and its balance sheet carrying amount. A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the deferred taxation asset can be realised in the foreseeable future.

1. Accounting policies (continued)

New standards and interpretations

The International Accounting Standards Board and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations that were not applied. These are to be applied to financial statements with periods commencing on or after the following dates:

Standards and Interpretations	Effective Date
IAS 1 Presentation of Financial Statements (revised 2007)	1 January 2009
IAS 23 Borrowing Costs (revised 2007)	1 January 2009
Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
Amendments to IAS 27 Consolidated and Separate Financial Statements (Revised 2008)*	1 July 2009
Amendments to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations	1 January 2009
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009
Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items*	1 July 2009
Amendments to IAS 39 and IFRS 7: Reclassification of Financial Assets	1 July 2008
Amendments to IFRIC 9 and IAS 39: Re-assessment of Embedded Derivatives*	30 June 2009
Improvements to IFRSs	1 January 2009
Amendments to IFRS 7 Disclosures: Improving Disclosures about Financial Instruments*	1 January 2009
IFRS 1 First Time Adoption of IFRS (Revised 2008)*	1 July 2009
IFRS 3 Business Combinations (Revised 2008)*	1 July 2009
IFRS 8 Operating Segments	1 January 2009
IFRIC 12 Service Concession Arrangements*	1 January 2008
IFRIC 13 Customer Loyalty Programmes	1 July 2008
IFRIC 15 Agreements for the Construction of Real Estate*	1 January 2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation*	1 October 2008
IFRIC 17 Distribution of non-cash assets to owners*	1 July 2009
IFRIC 18 Transfers of Assets from Customers*	1 July 2009

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

The amendment to IAS 1 will require a change to how the Group Income Statement is presented by the inclusion of a Statement of Comprehensive Income which includes items taken directly to equity (with the exception of transactions with the shareholders of the Group). This new presentation will either be in terms of one single Statement of Comprehensive Income, or as two separate statements comprising a Group Income Statement, which is currently presented, and a further Statement of Comprehensive Income which incorporates only those items to be taken directly to equity. Given the post year end acquisition of Ferro Industrial Products (Pty) Limited and Kulungile Metals Group (Pty) Limited, additional segments will be reportable under IFRS 8. The Group is in the process of identifying its reportable operating segments under IFRS 8.

The Directors do not anticipate that the adoption of the other standards and interpretations listed above will have a material impact on the Group's financial statements in the period of initial application on the basis that they do not impact upon the Group's current activities.

2. Comparative figures

In the prior year, the Group classified certain of its investments with a carrying value of £41,998,000 in a held to maturity investment portfolio.

Following a review by the Board of Directors of these investments, the Group believes that they meet the definition of loans and receivables as set out in IAS 39: "Financial Instruments: Recognition and Measurement" and should thus be classified as loans and receivables from inception rather than as investments held to maturity. As a result these investments have been reclassified as loans and receivables in the consolidated financial statements for the year ended 31 December 2008 and the comparative consolidated financial statements for the year ended 31 December 2007 have been restated accordingly.

2. Comparative figures (continued)

Investments classified as loans and receivables are carried at amortised cost, using the effective interest rate method. If there is objective evidence that an impairment loss on investments classified as loans and receivables has been incurred, the amount of the loss is measured and the carrying amount of the asset shall be reduced. The amount of the loss shall be recognised in the income statement in the period in which it arises. This is consistent with the accounting policy that the Group adopted for the measurement of investments held to maturity. As a result, other than the reclassification set out above, there has been no change to the consolidated financial statements for the year ended 31 December 2008 and the comparative consolidated financial statements for the year ended 31 December 2007.

3. Segmental information

The Group's results are derived from its principal activity, investing in South Africa, this being its reportable segment, and geographic segment.

On 14 March 2007, the Group acquired a 56.3% interest in the voting rights of York Timber Organisation Limited ("York"), which was subsequently reduced to 19.9% of the voting rights on 12 July 2007. York is a forestry company that owns forests, sawmills and trading operations in South Africa, being a further segment from which the Group's results for 2007 were derived. During this period the profit of York amounted to £458,000, of which £200,000 was attributable to minority interests.

4. Net (losses)/gains on investments

	2008 £'000	2007 £'000
Net losses on investments classified as loans and receivables	**(173)**	—
Impairments on investments classified as loans and receivables	**(4,152)**	—
Net (losses)/gains on investments at fair value through profit and loss	**(9,390)**	22,458
Net (losses)/gains on investments	**(13,715)**	22,458

An analysis of gains and losses on investments is provided in notes 14 and 15 to the consolidated financial statements.

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

	2008 £'000	2007 £'000
Dividends from investments classified as loans and receivables	**3,925**	1,803
Dividends from investments at fair value through profit and loss	**214**	88
Interest income from investments classified as loans and receivables	**2,764**	1,020
Fee income	**236**	902
	7,139	3,813

6. Profit from operations

This has been arrived at after charging/(crediting):

	2008 £'000	2007 £'000
Foreign exchange gains	**(136)**	(284)
Auditors' remuneration		
– audit services: audit of the Company's annual accounts	**40**	38
– audit services: audit of the 30 September 2007 special purpose accounts	**—**	29
– audit services: audit of the Company's subsidiaries	**3**	3
– other services relating to corporate finance transactions	**—**	47
– other services pursuant to legislation	**27**	34

7. Employees

The average number of employees of the Group during the year, excluding Directors, was nil (2007 – nil).

During the prior year, as set out in note 12 to the consolidated financial statements, on 14 March 2007, the Group acquired a 56.3% interest in the voting rights of York Timber Organisation Limited ("York"), a subsidiary held with a view to dispose. Since 12 July 2007, the Group no longer had a controlling interest in York, which is a company that has a significant number of employees. On the basis that York and its employees were not intended to become part of the on-going Group, the Directors are of the opinion that the inclusion of the employees of York in the average number of employees and employment costs of the Group for the prior year would not be meaningful.

8. Directors remuneration

The fees of the Directors for services to the Group were £166,000 (2007: £183,000).

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

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

No Director held any share options and no options were granted or exercised in the year (2007 – nil).

9. Finance income

	2008 **£'000**	2007 £'000
Interest income on term deposits	864	1,806

10. Finance costs

	2008 **£'000**	2007 £'000
Interest expense on term borrowings	**722**	—

11. Taxation

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in Luxembourg applied to profits of 29.63% (2007: 29.63%) are as follows:

	2008 **£'000**	2007 £'000
(Loss)/profit before tax from continuing operations	**(7,791)**	19,872
Tax at standard rate of corporation tax in Luxembourg	**(2,308)**	5,888
Income and expenses not subject to tax	**1,180**	(6,270)
Tax losses unutilised	**1,128**	491
Under provision from prior years	**36**	—
Effect of lower tax rates in Cyprus	**—**	(72)
Current tax charge for the year	**36**	37

The Group has unutilised cumulative losses and capitalised expenses of £15,311,000 (2007 – £11,749,000 restated) that are deductible for tax purposes. Deferred tax assets have not been recognised due to the degree of uncertainty over both the amount and utilisation of the underlying tax losses and deductions.

12. Profit from discontinued operations

Acquisition of York Timber Organisation Limited ("York")

On 14 March 2007, the Group acquired a 56.3% interest in the voting rights of York. York was acquired with the intention to dispose of part of the holding and it has been accounted for as such in the financial statements, with its results from acquisition to deemed disposal (see below) being treated as a discontinued operation.

The assets and liabilities acquired were as follows:

	£'000
Total assets	18,378
Total liabilities	10,892
Total net assets acquired	7,486
Group share of net assets acquired (including goodwill of £17,000)	4,231
Consideration paid	4,231

Deemed disposal of York

On 12 July 2007, York acquired 100% of the shares in and claims against Global Forest Products (Pty) Limited ("GFP") and South African Plywood (Pty) Limited ("Plywood"), which was funded by York through raising additional equity including a rights issue by York, with the balance through debt facilities.

Whilst the Group exercised its rights to 10 million additional shares in York, it did not exercise all of its available rights and following the acquisition by York of GFP and Plywood on 12 July 2007, the Group's share of voting rights reduced from 56.3% to 19.9%.

Results shown as part of discontinued operations

The profit from discontinued operations of £458,000 in the consolidated income statement for the six months ended 30 June 2007 reflects the post acquisition profits of York for the period 14 March 2007 to 30 June 2007.

The profit from discontinued operations of £2,629,000 in the consolidated income statement for the year ended 31 December 2007 reflects the post acquisition profits of York for the period 14 March 2007 to 12 July 2007 of £458,000 and the post tax gain on the deemed disposal arising on 12 July 2007 of £2,171,000 which includes net proceeds from the sale of rights that were not taken up of £867,000.

Consequential accounting since 12 July 2007

Since 12 July 2007, the Group has accounted for its retained interest in York at fair value through profit and loss.

13. Basic and diluted (losses)/earnings per share

Continuing operations	**2008**	2007
	£'000	£'000
Net (loss)/profit attributable to equity holders	**(7,827)**	19,835
Weighted average number of shares in issue (thousands)	**75,665**	77,801
Basic and diluted (losses)/earnings per share (in pence)	**(10.34)**	25.49

Continuing and discontinued operations	**2008**	2007
	£'000	£'000
Net (loss)/profit attributable to equity holders	**(7,827)**	22,264
Weighted average number of shares in issue (thousands)	**75,665**	77,801
Basic and diluted (losses)/earnings per share (in pence)	**(10.34)**	28.62

14. Investments classified as loans and receivables

	2008 £'000	2007 (restated) £'000
Book cost at the beginning of the year	**38,200**	2,796
Additions during the year at cost	**6,569**	35,415
Disposals/redemptions during the year at cost	**(948)**	(11)
Book cost at the end of the year	**43,821**	38,200

	2008 £'000	2007 (restated) £'000
Carrying value at the beginning of the year	**41,998**	2,816
Additions during the year at cost	**6,569**	35,415
Disposals/redemptions during the year — proceeds	**(865)**	(11)
— realised losses	**(83)**	—
Dividends accrued on disposals	**(90)**	—
Dividends accrued during the year	**3,875**	1,753
Interest accrued during the year	**2,375**	1,009
Impairments during the year	**(4,152)**	—
Currency exchange gains during the year	**556**	1,016
Carrying value at the end of the year	**50,183**	41,998
Non current portion	**36,371**	41,998
Current portion	**13,812**	—
	50,183	41,998

Analysis of (losses)/gains on investments

	2008 £'000	2007 (restated) £'000
Proceeds on disposals/redemptions during the year	**865**	11
Investments classified as loans and receivables at cost	**(948)**	(11)
Realised losses on disposals/redemptions based on historical cost	**(83)**	—
Less dividends accrued on disposals/redemptions in prior years	**(71)**	—
Realised losses recognised in the income statement on disposals/redemptions based on carrying value at prior year balance sheet date	**(154)**	—
Less dividends accrued on disposals/redemption in current year	**(19)**	—
Realised losses recognised in the income statement on disposals/redemptions based on carrying value at disposal/redemption date	**(173)**	—
Impairments during the year	**(4,152)**	—
Net losses on investments	**(4,325)**	—

14. Investments classified as loans and receivables (continued)

Analysis of impairments

The following investments classified as loans and receivables were impaired during the year (2007 — nil):

Cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Myriad Medical Holdings Limited

	2008 £'000
Carrying value at the beginning of the year	2,675
Dividends accrued during the year	476
Currency exchange gains during the year	(22)
Carrying value before impairments	3,129
Impairments during the year	(1,212)
Carrying value at the end of the year	1,917

The carrying value of the Group's cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Myriad Medical Holdings Limited is based on the value of the underlying assets in the special purpose vehicle less any external debt and potential liabilities.

The Group identified objective evidence that an impairment loss has been incurred. In determining the impairment, the Group has taken into account current market conditions and expected future cash flows to be derived from the investment. The amount of the impairment loss has been measured and the carrying value of the asset has been reduced accordingly.

Cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Mvelaphanda Resources Limited

	2008 £'000
Carrying value at the beginning of the year	12,843
Dividends accrued during the year	1,867
Currency exchange gains during the year	(108)
Carrying value before impairments	14,602
Impairments during the year	(2,940)
Carrying value at the end of the year	11,662

The carrying value of the Group's cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Mvelaphanda Resources Limited is based on the value of the underlying assets in the special purpose vehicle less any external debt and potential liabilities.

The Group identified objective evidence that an impairment loss has been incurred. In determining the impairment, the Group has taken into account current market conditions and expected future cash flows to be derived from the investment. The amount of the impairment loss has been measured and the carrying value of the asset has been reduced accordingly.

Movement in impairments

	2008 £'000
Balance at the beginning of the year	—
Impairment of cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Myriad Medical Holdings Limited	1,212
Impairment of cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Mvelaphanda Resources Limited	2,940
Carrying value of impairment allowance account at the end of the year	4,152

14. Investments classified as loans and receivables (continued)

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

	Carrying value 2008 £'000	Carrying value 2007 (restated) £'000
Cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Euro Steel Holdings (Pty) Limited. Dividends are payable at the South African Prime rate plus 5.5% nominal annual compounded monthly.	**–**	588
Cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Myriad Medical Holdings Limited. Dividends are payable at South African Prime rate plus 1.5% nominal annual compounded monthly and the shares are redeemable in 2010.	**1,917**	2,675
Cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Mvelaphanda Resources Limited. Dividends are payable at 91% of South African Prime rate nominal annual compounded monthly and the shares are redeemable in 2010.	**11,662**	12,843
Loan to a special purpose vehicle established to acquire an interest in DCD-Dorbyl (Pty) Limited. The loan bears interest at South African Prime rate less 25 basis points per annum, nominal annual compounded semi-annually and is repayable in a bullet payment in 2014.	**6,197**	5,436
Cumulative redeemable class A preference shares in Kulungile Metals Group (Pty) Limited. Dividends are payable at 90% of South African Prime rate nominal annual compounded semi-annually and the shares are redeemable in 2013.*	**3,353**	3,057
Cumulative redeemable class B preference shares in Kulungile Metals Group (Pty) Limited. Dividends are payable at 90% of South African Prime rate nominal annual compounded semi-annually and the shares are redeemable in 2010.*	**9,308**	8,228
Loan to Kulungile Metals Group (Pty) Limited. The loan bears interest at 90% of South African Prime rate nominal annual compounded semi-annually and is repayable in a bullet payment in 2013.*	**10,058**	9,171
Loan to Credit U Holdings Limited. The loan bears interest at South African Prime rate plus 200 basis points per annum, nominal annual compounded monthly and is repayable in 2009.*	**7,615**	–
Loan to Adreach (Pty) Limited. The loan bears no interest and has no fixed terms of repayment.	**73**	–
Carrying value at the end of the year	**50,183**	41,998

* The Group has provided security to ABSA Bank Limited over its class A preference shares and class B preference shares in and loan to Kulungile Metals Group (Pty) Limited. The Group has provided security to Investec Bank Limited over its loan to Credit U Holdings Limited

15. Investments at fair value through profit and loss

	2008 £'000	2007 £'000
Book cost at the beginning of the year	**27,387**	6,766
Additions during the year at cost	**3,575**	21,705
Disposals during the year at cost	**(8,062)**	(1,084)
Book cost at the end of the year	**22,900**	27,387

	2008 £'000	2007 £'000
Fair value at the beginning of the year	**54,706**	9,722
Additions during the year at cost	**3,575**	21,705
Disposals during the year — proceeds	**(15,330)**	(1,779)
— realised gains	**7,268**	695
Unrealised gains recognised in prior years on disposals	**(8,503)**	(246)
Unrealised (losses)/gains during the year	**(8,155)**	22,009
Currency exchange (losses)/gains during the year	**(394)**	1,038
Gains on the deemed disposal from discontinued operations	**—**	1,304
Share of post acquisition profits from discontinued operations	**—**	258
Fair value at the end of the year	**33,167**	54,706
Non current portion	**23,328**	54,706
Current portion	**9,839**	—
	33,167	54,706

Analysis of (losses)/gains on investments

	2008 £'000	2007 £'000
Proceeds on disposals during the year	**15,330**	1,779
Investments at cost	**(8,062)**	(1,084)
Realised gains on disposals based on historical cost	**7,268**	695
Less unrealised gains on disposals recognised in prior years	**(8,503)**	(246)
Realised (losses)/gains recognised in the income statement on disposals based on carrying value at prior year balance sheet date	**(1,235)**	449
Unrealised (losses)/gains during the year	**(8,155)**	22,009
Net (losses)/gains on investments	**(9,390)**	22,458

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

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

	Fair value 2008 £'000	Fair value 2007 £'000
Derivative investment in a telecom company, which gives the Group exposure to a minority interest in the underlying telecom company.	**725**	1,589
Derivative investment in a services company, which gives the Group exposure to a minority interest in the underlying services company.	**3,666**	5,557
Ordinary shares in a special purpose vehicle established to acquire an interest in Euro Steel Holdings (Pty) Limited.	**–**	327
Ordinary shares in Myriad Medical Holdings Limited.*	**1,033**	1,901
Preference shares in a special purpose vehicle established to facilitate an empowered group to acquire an interest in Myriad Medical Holdings Limited, in which the Group participates. The shares are redeemable in 2010.	**–**	83
Ordinary shares in York Timber Organisation Limited.*	**9,488**	29,592
Preference shares in a special purpose vehicle established to facilitate a York staff trust to acquire an interest in York Timber Organisation Limited in which the Group participates. The shares are redeemable in 2011.	**598**	721
Preference shares in a special purpose vehicle established to facilitate a community trust to acquire an interest in York Timber Organisation Limited, in which the Group participates. The shares are redeemable in 2011.	**957**	1,155
Option to subscribe for "N" preference shares in a special purpose vehicle established to acquire an interest in Mvelaphanda Resources Limited. The "N" preference shares will have an economic interest in the special purpose vehicle and are redeemable in 2014.	**1,093**	6,940
Ordinary shares in a special purpose vehicle established to acquire an interest in DCD-Dorbyl (Pty) Limited. The special purpose vehicle unwinds in 2014.	**7,652**	86
Ordinary shares in Kulungile Metals Group (Pty) Limited.*	**3,995**	2,481
Ordinary shares in Spescom Limited.	**–**	491
Ordinary shares in Adreach (Pty) Limited.	**1,749**	2,776
Ordinary shares in Mvelaphanda Resources Limited.	**–**	1,007
Ordinary shares in Blue Financial Services Limited.	**24**	–
Amount receivable from Claim Your Share Investments (Pty) Limited, a wholly owned subsidiary of Metier Investment and Advisory Services (Pty) Limited, ("Metier") in terms of an agency agreement, whereby the Company acquired 26% of the ordinary shares in Kulungile Metals Group (Pty) Limited as agent on behalf of Metier. The agency agreement expires in 2009.#	**2,187**	–
Fair value at the end of the year	**33,167**	54,706

* The Group has provided security to ABSA Bank Limited over its ordinary shares in Kulungile Metals Group (Pty) Limited. The Group has provided security to Investec Bank Limited over its ordinary shares in York Timber Organisation Limited and its ordinary shares in Myriad Medical Holdings Limited.

The ordinary shares in Kulungile Metals Group (Pty) Limited are not the property of the Group and the Group has no beneficial right or interest in these shares and cannot deal with these shares or with any rights or benefits attaching thereto except on and pursuant to instructions given to it by Metier. In addition, the Group granted to Metier, the right to sell the beneficial ownership of these shares in whole or in part to the Group or its nominee. In February 2009, Metier exercised its right to sell the beneficial ownership of the shares to the Group as set out in note 30 to the consolidated financial statements.

16. Subsidiary companies
The principal subsidiaries of the Company, all of which have been included in these consolidated financial statements, are as follows:

Name	Country of incorporation	Proportion of ownership	Principal Activity
Blackstar (Cyprus) Investors Limited	Cyprus	100%	Investment company
Blackstar (Gibraltar) Limited	Gibraltar	100%	Investment company

The Company has its principal place of operation in Luxembourg. For all undertakings listed above, the country of operation is the same as its country of incorporation.

17. Capital under management
Through two capital raisings the Company raised £80 million (£75.4 million after capital raising expenses) in 2006, which it manages in accordance with its investment strategy.

The Company's objective is to generate substantial returns by pursuing investment opportunities, including those that emanate from the Black Economic Empowerment process in South Africa. This includes achieving long-term capital appreciation through majority or minority investments in a diversified portfolio of commercial and industrial companies in South Africa and Sub-Saharan Africa. The Company's approach to transactions is based on opportunism and market timing coupled with fundamental analysis. The Company follows a proactive approach to seeking out opportunities that it believes will generate substantial returns for its investors.

The Company is meeting such objectives by investing the capital that it manages in companies in South Africa. The current investing strategy of the Company is to participate in investment opportunities in South Africa and Sub-Saharan Africa, as an indirect and direct investor in a limited number of companies. The Company has no externally imposed capital requirements and there have been no changes in the capital that it manages.

18. Financial instruments – risk management
Blackstar Investors Plc is an investment company. Investments are usually in the form of equity or debt, which would be on a floating rate basis. The Group is exposed to one or more of the following financial risks:

- Interest rate risk
- Currency risk
- Market price risk
- Credit risk
- Liquidity risk

The Board agrees and reviews the objectives, policies and processes for managing these risks. There have been no changes to the objectives, policies and processes used to manage these risks, which are described in more detail below. The Group may use derivatives and other instruments to mitigate such risks but have not used such instruments to date.

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 Board of Directors meet on a quarterly basis to review the investment portfolio and consequently monitors interest rate risk on an ongoing basis.

All interest bearing funding provided by the Group is linked to the South African Prime Rate. In addition certain of the Group's investments have third party debt funding, which are generally linked to the South African Prime Rate. A 1% increase in the South African Prime Rate, all other variables held constant, would have resulted in an estimated increase of £2,000 in the reported net asset value of the Group. A 1% decrease in the South African Prime, on the same basis, would have resulted in an estimated decrease of £1,000 in the reported net asset value of the Group.

18. Financial instruments – risk management (continued)

Interest rate risk associated with the Group's borrowings is also monitored on an ongoing basis and is mitigated by the fact that the Group currently has sufficient cash resources to meet its debt obligations.

Any excess cash and cash equivalents are invested with banks at short term market interest rates.

Currency risk

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

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 £7,283,000 in the reported net asset value of the Group. A 10% weakening of the Rand against Pounds Sterling at the balance sheet date, on the same basis, would have resulted in an estimated decrease of £7,044,000 in the reported net asset value of the Group.

Market price risk

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

Assuming that the investment portfolio is directly correlated to the FTSE/JSE Africa All Share Index, an increase of 10% in the FTSE/JSE Africa All Share Index at the balance sheet date, all other variables held constant, would have resulted in an estimated increase of £5,502,000 in the reported net asset value of the Group. A decrease of 10% in the FTSE/JSE Africa All Share Index at the balance sheet date, on the same basis, would have resulted in an estimated decrease of £7,683,000 in the reported net asset value of the Group.

Liquidity risk

Certain of the Group's underlying investments are in private, illiquid special purpose vehicles. The Group however has sufficient funds to meet its operational requirements and financial obligations and does not have any other liquidity risk. All surplus cash is invested in liquid cash and money market instruments. The type of instrument and its maturity date depends on the Group's forecast cash requirements.

Credit risk

Credit risk is the risk that a counterparty will be unable to repay amounts when they fall due. This risk arises from investing and financing activities. 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 to 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 that the Group has invested in.

18. Financial instruments – risk management (continued)

The Board meets on a quarterly basis to review the investment portfolio, in particular the underlying performance of the companies in which it has invested and consequently monitors credit risk on an ongoing basis. At balance sheet date, the Group had no financial assets that were past due. Impairments are detailed in note 14 to the consolidated financial statements. An industry analysis of the investment portfolio, including investments at fair value through profit and loss and investments classified as loans and receivables, is set out in the table below. No single industry is considered to be materially more risky than another.

	2008 Exposure £'000	**2008 Exposure Percentage**	2007 Exposure £'000	2007 Exposure Percentage
Industrial (Steel)	**28,901**	**35%**	23,852	25%
Engineering	**13,849**	**17%**	5,522	6%
Resources	**12,755**	**15%**	20,790	21%
Forestry	**11,043**	**13%**	31,468	32%
Financial Services	**7,639**	**9%**	–	0%
Support Services	**3,666**	**4%**	5,557	6%
Health Care	**2,950**	**4%**	4,659	5%
Media	**1,822**	**2%**	2,776	3%
Telecommunications	**725**	**1%**	2,080	2%
	83,350	**100%**	96,704	100%

The Group's maximum exposure to credit risk, excluding contingent liabilities as set out in note 29 to the consolidated financial statements, is set out in the table below:

	2008 £'000	2007 £'000
Investments classified as loans and receivables	**50,183**	41,998
Investments at fair value through profit and loss	**33,167**	54,706
Cash and cash equivalents	**17,831**	10,295
Trade and other receivables*	**–**	11
	101,181	107,010

* Excludes prepayments which do not give rise to credit risk

To mitigate its risk, the Group has entered into various security arrangements in respect of its investments in Myriad Medical Holdings Limited, York Timber Organisation Limited, Mvelaphanda Resources Limited, DCD-Dorbyl (Pty) Limited and Credit U Holding Limited. Where the Group has invested in the form of preference shares and loans, the entities that have been funded by these preference shares and loans have provided security to the Group by either the Group taking security over the shares that the funding special purpose vehicle ("SPV") owns, or by the shareholders of the funding SPV entering into guarantee and put and call option agreements over their shares in the funding SPV, or by a combination of both of these arrangements. These arrangements provide the Group with security for the performance of the SPV's obligations to the Group. The security arrangements do not give the Group control of the shares or voting rights while there is no event of default. There have been no events of default during the year.

Any excess cash and cash equivalents are held in current accounts, money market funds, and term deposits. At year end cash and cash equivalents amounted to £17.8 million, of which £3.5 million has been provided as security. The remaining cash and cash equivalents amounted to £14.3 million, of which 57% was held in AAA rated money market funds, 40% with an AA- rated financial institution and the balance with a BBB+ rated financial institution. The credit risk on cash and cash equivalents is limited because the high credit ratings assigned to the funds and financial institutions by international credit-rating agencies.

18. Financial instruments – risk management (continued)

The Group's loans and receivables are set out in the table below:

	2008 £'000	2007 (restated) £'000
Investments classified as loans and receivables	**50,183**	41,998
Cash and cash equivalents	**17,831**	10,295
Trade and other receivables	**—**	11
Carrying amount of loans and receivables	**68,014**	52,304

The Group's financial liabilities are set out in the table below:

	2008 £'000	2007 £'000
Borrowings	**8,049**	—
Trade and other accounts payable	**181**	(1,315)
Taxation payable	**—**	(37)
Carrying amount of financial liabilities at amortised cost	**8,230**	1,352

Valuation methodologies

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

The valuation approach 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 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 on 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 company. Where the investment being valued was itself made fairly recently (within a period of one year), its cost provides a good indication of fair value; or

(b) On an earnings multiple basis involving the application of an earnings multiple to the earnings of the portfolio company, in which case:

- The appropriate earnings of the portfolio company have been based on the latest audited accounts, more recent management accounts or forecast numbers, whichever indicate a maintainable result; and
- The appropriate market multiple has been based on either comparable companies or industry sector multiples taken from the relevant stock exchange; and
- An appropriate marketability discount has been applied to the enterprise value. This is to adjust for factors such as a lack of marketability.

Investments classified as loans and receivables, which include loans and preference shares, have been carried at amortised cost, using the effective interest rate method, less impairments.

Enterprise value is apportioned to the enterprise's financial instruments in order of ranking. Given the subjective nature of valuations, the Group is cautious and conservative in determining its valuations.

19. Trade and other receivables

	2008 £'000	2007 £'000
Prepayments and accrued income	**626**	458
Other debtors	**—**	11
	626	469

The Directors consider that the carrying amount of trade and other receivables approximates to its fair value.

20. Cash and cash equivalents

	2008 £'000	2007 £'000
Deposits and cash at bank	**17,831**	10,295

Cash and cash equivalents include cash in current accounts, money market funds, and term deposits. A bank account comprising £3.5 million has been provided as security to Investec Bank Limited.

21. Provisions

A provision is raised for the performance fee payable by the Company under the terms of the investment advisory agreement. The total performance fee is equal to 20% of the increase in the fair value of investments of the Company, subject to a 10% hurdle and making good any investment write-downs and general expenses. Following the approval of the new investment advisory agreement at a general meeting of the Company held on 18 February 2008. 50% of the performance fee is payable annually, subject to a high watermark and the availability of cash resources and the remaining 50% of the performance fee will be payable within 14 days of the approval of the Company's audited consolidated financial statements for the year ending 31 December 2012 or earlier, if the Company's investments are realised prior to that date. Blackstar Managers Limited can elect to postpone this fee payment for a further 12 month period, but cannot postpone the fee payment beyond 14 April 2015 (based on the Company's audited consolidated financial statements for the year ended 31 December 2014). The movement in provisions was as follows:

	2008 £'000	2007 £'000
Balance at the beginning of the year	**5,767**	—
(Decrease)/increase in provisions during the year	**(1,467)**	5,767
Performance fee paid during the year	**(3,896)**	—
Balance at the end of the year	**404**	5,767
Non current portion	**404**	5,767
Current portion	**—**	—
	404	5,767

22. Borrowings

	2008 £'000	2007 £'000
Carrying value at the beginning of the year	**—**	—
Increases during the year	**6,577**	—
Interest accrued during the year	**622**	—
Currency exchange gains on borrowings during the year	**850**	—
Carrying value at the end of the year	**8,049**	—
Non current portion	**—**	—
Current portion	**8,049**	—
	8,049	—

22. Borrowings (continued)

The Group's borrowings are denominated in Rands and bear interest at the Johannesburg Interbank Accepted Rate plus 275 basis points and are repayable in 2009 or earlier. Security for the loan has been provided in the form of the Group's ordinary shares in York Timber Organisation Limited, its ordinary shares in Myriad Medical Holdings Limited, its loan to Credit U Holdings Limited and a bank account comprising £3.5 million.

23. Trade and other accounts payable

	2008 £'000	2007 £'000
Trade creditors	**57**	1,070
Accrued expenses	**124**	245
	181	1,315

The Directors consider that the carrying amount of trade and other accounts payable approximates to its fair value.

24. Share capital and reserves

	2008 £'000	2007 £'000
Authorised		
150,000,000 ordinary shares of £1.00 each	**150,000**	
90,000,000 ordinary shares of £1.00 each		90,000
Issued and fully paid		
75,664,998 ordinary shares of £1.00 each	**75,665**	
78,464,998 ordinary shares of £1.00 each		78,465

Movement of the ordinary shares of £1.00 each for the year

	Number of shares	Number of shares
Total number of shares in issue at the beginning of the year	**78,464,998**	78,464,998
Buyback and cancellation of shares	**(2,800,000)**	—
Total number of shares in issue at the end of the year	**75,664,998**	78,464,998

Increase in the authorised share capital

Following a general meeting of the Company held on 18 February 2008, the Company increased the authorised share capital of the Company from £90,000,000 to £150,000,000 by the creation of 60,000,000 ordinary shares of £1.00 each.

Buyback and cancellation of shares

On 12 September 2007, the Company purchased 500,000 ordinary shares of nominal value £1.00 each in the share capital of the Company, further to the authority granted to the Company at the annual general meeting of the Company held on 29 June 2007. The price paid for these ordinary shares was £1.05 per share.

On 21 September 2007, the Company purchased 500,000 ordinary shares of nominal value £1.00 each in the share capital of the Company, further to the authority granted to the Company at the annual general meeting of the Company held on 29 June 2007. The price paid for these ordinary shares was £1.13 per share.

On 16 October 2007, the Company purchased 1,800,000 ordinary shares of nominal value £1.00 each in the share capital of the Company, further to the authority granted to the Company at the annual general meeting of the Company held on 29 June 2007. The price paid for these ordinary shares was £1.05 per share.

These shares were cancelled in accordance with the Companies Act 1985 in 2007. However in accordance with Luxembourg law, the ordinary shares bought back were held in treasury until cancelled through an amendment to the memorandum and articles of association of the Company and were therefore held as treasury shares at 31 December 2007. A resolution to authorise the cancellation of these shares was passed by shareholders of the Company at a general meeting of the Company held on 18 February 2008.

24. Share capital and reserves (continued)

Capital redemption reserve

The capital redemption reserve arose due to transfers from retained earnings in accordance with relevant legislation and on the cancellation of 2,800,000 treasury shares and is not distributable.

Foreign currency translation reserve

The foreign currency translation reserve arose as exchange differences on translation of assets and liabilities denominated in the functional currency (Rands) are recognised in equity.

Special reserve

The special reserve arose due to merger accounting in the consolidation of Illuminator Holdings Limited. This special reserve was transferred to retained earnings on dissolution of Illuminator Holdings Limited in July 2008.

Retained earnings

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

25. Net asset value per share

	2008 £'000	2007 £'000
Total net assets attributable to equity holders	**93,173**	100,349
Number of shares in issue (thousands)	**75,665**	75,665
Net asset value per share (in pence)	**123**	133

Net asset value per share has been calculated by using the actual number of shares in issue at the end of the financial period. At 31 December 2007, the actual number of shares in issue has been reduced to take into account the 2,800,000 shares that were bought back by the Company. These shares were held as treasury shares at 31 December 2007 and have since been cancelled as set out in note 24 to consolidated financial statements.

26. Cash absorbed by operations

	2008 £'000	2007 £'000
(Loss)/profit before taxation	**(7,791)**	19,872
Adjustments for:		
Losses/(gains) on investments	**13,715**	(22,458)
Dividends and interest from loans and investments	**(6,903)**	(2,911)
Finance income	**(864)**	(1,806)
Finance costs	**722**	—
(Decrease)/increase in provision for performance fee	**(5,363)**	5,767
Changes in working capital		
Increase in trade and other receivables	**(157)**	(34)
(Decrease)/increase in trade and other accounts payable	**(1,134)**	1,157
Cash absorbed by operations	**(7,775)**	(413)

27. Related party transactions

Julian Treger is deemed to be a related party, as in addition to being a Director, he is a potential beneficiary of discretionary trusts that are interested in 1.8% of the issued share capital of the Company. Funds associated with Julian Treger are entitled to share in the fees payable by the Company under the terms of the investment advisory agreement. A trust associated with Julian Treger is a major shareholder in Audley Capital Advisors LLP, which agreed to provide financial advisory services to the Company in 2007 amounting to £24,000.

27. Related party transactions (continued)

Andrew Bonamour is deemed to be a related party, as in addition to being a Director, he is a potential beneficiary of family trusts that own shares in Blackstar Managers Limited. Blackstar Managers Limited has agreed to provide investment advisory services to the Company under the terms of the investment advisory agreement, and is also entitled to share in any performance fee payable by the Company under the terms of the investment advisory agreement. Blackstar Managers Limited is interested in 7.3% of the issued share capital of the Company. In addition, funds associated with Andrew Bonamour are interested in 0.7% of the issued share capital of the Company. In 2008, investment advisory fees to Blackstar Managers Limited amounted to £1,876,000 (2007 – £1,525,000). At the balance sheet date £456,000 (2007 – £363,000) has been paid in advance to Blackstar Managers Limited.

John Mills is deemed to be a related party, as in addition to being a Director, funds associated with John Mills are interested in 1.5% of the issued share capital of the Company. In addition he is a Director of Maitland Luxembourg S.A. Maitland provided a variety of services to the Company, on a commercial, arm's length basis. In 2007, fees to Maitland for advisory and administrative services amounted to £219,000 (2007 – £275,000). At the balance sheet date £20,000, (2006 – £62,000) was owing to Maitland.

Details of Directors' remuneration are provided in note 8 to the consolidated financial statements. There are no other related party transactions.

28. Pension costs

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

29. Contingent liabilities

The Company has provided a guarantee in respect of funding facilities provide by ABSA Bank Limited to Kulungile Metals Group (Pty) Limited for an amount not exceeding R125 million (£9.1 million).

This guarantee has been provided as additional security to ABSA Bank Limited for the debt financing provided by ABSA Bank Limited to Kulungile Metals Group (Pty) Limited and Global Roofing Solutions (Pty) Limited. In addition ABSA Bank Limited has security over the immovable and movable property of Kulungile Metals Group (Pty) Limited and Global Roofing Solutions (Pty) Limited. It is not probable that these items will result in an outflow of resources required to settle an obligation.

30. Post balance sheet events

Buy back and cancellation of ordinary shares

On 16 January 2009, the Company purchased 2,405,488 ordinary shares of nominal value £1.00 each in the share capital of the Company, further to the authority granted to the Company at the extraordinary general meeting of the Company held on 15 January 2009. The price paid for these ordinary shares was 32p per share and these shares have subsequently been cancelled. There are currently 73,259,510 ordinary shares of nominal value £1.00 each in issue.

Investment in Ferro Industrial Products (Pty) Limited ("Ferro")

The Group acquired a controlling interest in Ferro, comprising 56% of the issued ordinary shares for R47 million (£3.4 million) and certain shareholder loans at face value of R37.5 million (£2.7 million), resulting in a total consideration of R84.5 million (£6.1 million), which includes costs directly attributable to the acquisition.

The effective date of the acquisition was 21 January 2009. Ferro is a South African manufacturer and supplier of a specialised range of powder coatings, black and white plastic master batches as well as high quality porcelain enamels, glaze frits, glass coatings and glaze coatings used on ceramic products.

30. Post balance sheet events (continued)

Ferro's unaudited assets and liabilities at 31 December 2008 (converted from Rands to Pounds Sterling at the rate on the date of acquisition), which approximate it assets and liabilities at acquisition date, are set out as follows:

	£'000
Non-current assets	16,453
Inventories	3,886
Trade and other receivables	3,496
Cash and cash equivalents	1
Non-current liabilities	(5,299)
Interest bearing borrowings	(9,205)
Trade and other payables	(3,700)
Total net assets acquired	5,632
Group share of net assets acquired	3,154
Consideration paid	3,362
Goodwill on acquisition	208

The purchase consideration exceeded the net asset value by £208,000 resulting in estimated goodwill of £208,000. Ferro does not intend disposing of any operations.

Disposal of investment in DCD-Dorbyl (Pty) Limited ("DCD-Dorbyl")

On 4 February 2009, the Group disposed of its entire investment in DCD-Dorbyl for R192 million (£13.8 million) equating to a return on investment of 2.83 times money and a 76% IRR in Pounds Sterling over the 20 month holding period.

Investment in Kulungile Metals Group (Pty) Limited ("KMG")

The Group acquired a further 25.5% shareholding in KMG, bringing its shareholding in KMG to 73%. The shares were initially acquired by the Group in 2008 for R49 million (£3.3 million), as an agent on behalf of Claim Your Share Investments (Pty) Limited, a wholly owned subsidiary of Metier Investment and Advisory Services (Pty) Limited, which exercised its right to sell the beneficial ownership of the shares to the Group.

The effective date of the acquisition was 9 March 2009. KMG is a processor, distributor and stockist of carbon steel, stainless steel and aluminium in the form of high quality sheet, plate and coil as well as structural and other long product profiles. KMG also owns 100% of Global Roofing Solutions (Pty) Limited, a steel roofing and cladding company.

KMG's unaudited assets and liabilities at 31 January 2009 (converted from Rands to Pounds Sterling at the rate on the date of acquisition), which approximate it assets and liabilities at acquisition date, are set out as follows:

	£'000
Non-current assets	22,009
Inventories	34,878
Trade and other receivables	18,959
Cash and cash equivalents	4,726
Non-current liabilities	(25,329)
Interest bearing borrowings	(14,043)
Trade and other payables	(37,004)
Total net assets acquired	4,196
Group share of net assets acquired	3,062
Consideration paid	3,348
Goodwill on acquisition	286

The purchase consideration exceeded the net asset value by £286,000 resulting in estimated goodwill of £286,000. KMG does not intend disposing of any operations.

In addition, the Group has provided a suretyship, by binding itself jointly and severally as surety for and co-principal debtor in solidium with KMG to and in favour of ArcelorMittal South Africa Limited for an amount not exceeding R100 million (£7.3 million). The suretyship expires on 31 October 2009.

Company statement of changes in equity

for the year ended 31 December 2008

	Share capital £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Treasury shares £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2006	78,465	775	(209)	—	(1,958)	77,073
Currency exchange gains on investments	—	—	870	—	—	870
Amount recognised directly in equity	—	—	870	—	—	870
Profit for the year	—	—	—	—	10,272	10,272
Total recognised income and expense for the year	—	—	870	—	10,272	11,142
Buy back of ordinary shares	—	—	—	(2,980)	—	(2,980)
Balance at 31 December 2007	78,465	775	661	(2,980)	8,314	85,235
Currency exchange losses on investments	—	—	(681)	—	—	(681)
Amount recognised directly in equity	—	—	(681)	—	—	(681)
Loss for the year	—	—	—	—	(695)	(695)
Total recognised income and expense for the year	—	—	(681)	—	(695)	(1,376)
Cancellation of ordinary shares (refer note 14)	(2,800)	2,800	—	2,980	(2,980)	—
Balance at 31 December 2008	75,665	3,575	(20)	—	4,639	83,859

No dividends were declared in any of the periods presented above.

The notes on pages 48 to 55 form part of the Company financial statements.

Company balance sheet
as at 31 December 2008

	Notes	2008 £'000	2007 (restated) £'000
Non-current assets			
Investments in subsidiary companies	4	**56,807**	50,799
Investments classified as loans and receivables	5	**73**	—
Investments at fair value through profit and loss	6	**17,014**	39,923
		73,894	90,722
Current assets			
Investments classified as loans and receivables	5	**—**	—
Investments at fair value through profit and loss	6	**9,839**	—
Trade and other receivables	9	**624**	504
Cash and cash equivalents	10	**8,143**	1,087
		18,606	1,591
Total assets		**92,500**	92,313
Non-current liabilities			
Provisions	11	**(404)**	(5,767)
		(404)	(5,767)
Current liabilities			
Borrowings	12	**(8,049)**	—
Trade and other accounts payable	13	**(188)**	(1,311)
		(8,237)	(1,311)
Total liabilities		**(8,641)**	(7,078)
Total net assets		**83,859**	85,235
Equity			
Share capital	14	**75,665**	78,465
Capital redemption reserve	14	**3,575**	775
Foreign currency translation reserve	14	**(20)**	661
Treasury shares	14	**—**	(2,980)
Retained earnings		**4,639**	8,314
Total equity attributable to equity holders		**83,859**	85,235

The Company financial statements were approved by the Board and authorised for issue on 25 March 2009.

Andrew Bonamour
Director

The notes on pages 48 to 55 form part of the Company financial statements.

Company cash flow statement

for the year ended 31 December 2008

	Notes	2008 £'000	2007 (restated) £'000
Cash flow from operating activities			
Cash absorbed by operations	15	**(7,671)**	(741)
Interest received		**283**	13
Interest paid		**(100)**	—
Dividends received		**1,780**	—
Cash absorbed by operating activities		**(5,708)**	(728)
Cash flow from investing activities			
Purchase of investments		**(12,975)**	(42,949)
Additions to investments classified as loans and receivables		**(6,569)**	—
Proceeds from disposal/redemption of investments		**25,294**	47,109
Cash generated by investing activities		**5,750**	4,160
Cash flow from financing activities			
Proceeds from borrowings		**9,906**	—
Repayment of borrowings		**(3,329)**	—
Buy back of ordinary shares		**—**	(2,980)
Cash generated/(absorbed) by financing activities		**6,577**	(2,980)
Net increase in cash and cash equivalents		**6,619**	452
Cash and cash equivalents at beginning of year		**1,087**	635
Exchange gains on cash and cash equivalents		**437**	—
Cash and cash equivalents at the end of the year		**8,143**	1,087

The notes on pages 48 to 55 form part of the Company financial statements.

Notes to the Company financial statements

for the year ended 31 December 2008

1. Accounting policies

The financial statements of the Company are presented as required by the Companies Act 1985. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB") as endorsed for use by the European Union and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS.

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

Except for the basis of consolidation, the principal accounting policies adopted in the preparation of the Company financial statements are the same as those set out on pages 24 to 27 of the consolidated financial statements.

2. Comparative figures

In the prior year, the Company classified certain of its investments with a carrying value of £41,998,000 in a held to maturity investment portfolio.

Following a review by the Board of Directors of these investments, the Company believes that they meet the definition of loans and receivables as set out in IAS 39: "Financial Instruments: Recognition and Measurement" and should thus be classified as loans and receivables from inception rather than as investments held to maturity. As a result these investments have been reclassified as loans and receivables in the Company financial statements for the year ended 31 December 2008 and the comparative Company financial statements for the year ended 31 December 2007 have been restated accordingly.

Investments classified as loans and receivables are carried at amortised cost, using the effective interest rate method. If there is objective evidence that an impairment loss on investments classified as loans and receivables has been incurred, the amount of the loss is measured and the carrying amount of the asset shall be reduced. The amount of the loss shall be recognised in the income statement in the period in which it arises. This is consistent with the accounting policy that the Company adopted for the measurement of investments held to maturity. As a result, other than the reclassification set out above, there has been no change to the Company financial statements for the year ended 31 December 2008 and the comparative Company financial statements for the year ended 31 December 2007.

3. (Loss)/profit for the financial year

The Company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss in these financial statements. The Group's profit for the year includes a loss after tax of £695,000 (2007 – profit after tax of £10,272,000) of the Company.

4. Investments in subsidiary companies

The principal subsidiaries of the Company at 31 December 2008 are as follows:

Name	Country of incorporation	Proportion of Ownership	Method used to account for investment
Blackstar (Cyprus) Investors Limited	Cyprus	100%	Consolidation
Blackstar (Gibraltar) Limited	Gibraltar	100%	Consolidation

	2008 £'000	2007 £'000
Book cost at the beginning of the year	**50,799**	73,127
Additions during the year at cost	**16,264**	23,321
Redemptions during the year at cost	**(10,256)**	(45,649)
Book cost at the end of the year	**56,807**	50,799

5. Investments classified as loans and receivables

	2008 £'000	2007 (restated) £'000
Book cost at the beginning of the year	–	–
Additions during the year at cost	6,569	–
Disposals during the year at cost	(6,499)	–
Book cost at the end of the year	70	–

	2008 £'000	2007 (restated) £'000
Carrying value at the beginning of the year	–	–
Additions during the year at cost	6,569	–
Disposals during the year – proceeds	(6,864)	–
– realised gains	365	–
Currency exchange gains during the year	3	–
Carrying value at the end of the year	73	–
Non current portion	73	–
Current portion	–	–
	73	–

Analysis of (losses)/gains on investments

	2008 £'000	2007 (restated) £'000
Proceeds on disposals during the year	6,864	–
Investments classified as loans and receivables at cost	(6,499)	–
Realised gain on disposals based on historical cost/ carrying value at prior year balance sheet date	365	–
Net gains on investments	365	–

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

	Carrying value 2008 £'000	Carrying value 2007 (restated) £'000
Loan to Adreach (Pty) Limited. The loan bears no interest and has no fixed terms of repayment.	73	–
Carrying value at the end of the year	73	–

6. Investments at fair value through profit and loss

	2008 £'000	2007 £'000
Book cost at the beginning of the year	**21,684**	2,236
Additions during the year at cost	**3,575**	21,705
Disposals during the year at cost	**(8,062)**	(2,257)
Book cost at the end of the year	**17,197**	21,684

	2008 £'000	2007 £'000
Fair value at the beginning of the year	**39,923**	3,042
Additions during the year at cost	**3,575**	21,705
Disposals during the year – proceeds	**(15,038)**	(3,537)
– realised gains	**6,976**	1,280
Unrealised gains recognised in prior years on disposals	**(8,178)**	(246)
Unrealised (losses)/gains during the year	**(134)**	16,809
Currency exchange (losses)/gains during the year	**(271)**	870
Fair value at the end of the year	**26,853**	39,923
Non current portion	**17,014**	39,923
Current portion	**9,839**	—
	26,853	39,923

Analysis of (losses)/gains on investments

	2008 £'000	2007 £'000
Proceeds on disposals during the year	**15,038**	3,537
Investments at cost	**(8,062)**	(2,257)
Realised gains on disposals based on historical cost	**6,976**	1,280
Less unrealised gains on disposals recognised in prior years	**(8,178)**	(246)
Realised (losses)/gains recognised in the income statement on disposals based on carrying value at prior year balance sheet date	**(1,202)**	1,034
Unrealised (losses)/gains during the year	**(134)**	16,809
Net (losses)/gains on investments	**(1,336)**	17,843

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

The Company 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 2008 £'000	Fair value 2007 £'000
Derivative investment in a telecom company, which gives the Company exposure to a minority interest in the underlying telecom company.	**725**	1,589
Ordinary shares in Myriad Medical Holdings Limited.*	**1,033**	1,901
Ordinary shares in York Timber Organisation Limited.*	**9,488**	29,592
Ordinary shares in a special purpose vehicle established to acquire an interest in DCD-Dorbyl (Pty) Limited. The special purpose vehicle unwinds in 2014.	**7,652**	86
Ordinary shares in Kulungile Metals Group (Pty) Limited.*	**3,995**	2,481
Ordinary shares in Spescom Limited.	**—**	491
Ordinary shares in Adreach (Pty) Limited.	**1,749**	2,776
Ordinary shares in Mvelaphanda Resources Limited.	**—**	1,007
Ordinary shares in Blue Financial Services Limited.	**24**	—
Amount receivable from Claim Your Share Investments (Pty) Limited, a wholly owned subsidiary of Metier Investment and Advisory Services (Pty) Limited, ("Metier") in terms of an agency agreement, whereby the Company acquired 26% of the ordinary shares in Kulungile Metals Group (Pty) Limited as agent on behalf of Metier. The agency agreement expires in 2009.#	**2,187**	—
Fair value at the end of the year	**26,853**	39,923

* The Company has provided security to ABSA Bank Limited over its ordinary shares in Kulungile Metals Group (Pty) Limited. The Company has provided security to Investec Bank Limited over its ordinary shares in York Timber Organisation Limited and its ordinary shares in Myriad Medical Holdings Limited.

The ordinary shares in Kulungile Metals Group (Pty) Limited are not the property of the Company and the Company has no beneficial right or interest in these shares and cannot deal with these shares or with any rights or benefits attaching thereto except on and pursuant to instructions given to it by Metier. In addition, the Company granted to Metier, the right to sell the beneficial ownership of these shares in whole or in part to the Company or its nominee. In February 2009, Metier exercised its right to sell the beneficial ownership of the shares to the Company as set out in note 18 to the Company financial statements.

7. Capital under management

Information related to capital under management is set out in note 17 to the consolidated financial statements

8. Financial instruments – risk management

The Company is exposed to one or more of the following financial risks:

- Interest rate risk
- Currency risk
- Market price risk
- Credit risk
- Liquidity risk

Information related to financial instruments and management of these risks is set out in note 18 to the consolidated financial statements. The following information relates specifically to the Company.

A 1% increase in the South African Prime Rate, all other variables held constant, would have resulted in an estimated decrease of £274,000 in the reported net asset value of the Company. A 1% decrease in the South African Prime, on the same basis, would have resulted in an estimated increase of £273,000 in the reported net asset value of the Company.

8. Financial instruments – risk management (continued)

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 £694,000 in the reported net asset value of the Company. A 10% weakening of the Rand against Pounds Sterling at the balance sheet date, on the same basis, would have resulted in an estimated decrease of £1,653,000 in the reported net asset value of the Company.

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 £917,000 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 £1,928,000 in the reported net asset value of the Company.

At balance sheet date, the Company had no financial assets that were past due or impaired. The Company's maximum exposure to credit risk, excluding contingent liabilities as set out in note 17 to the Company financial statements and investments in subsidiary companies as set out in note 4 to the Company financial statements, is set out in the table below.

	2008 £'000	2007 £'000
Investments classified as loans and receivables	**73**	—
Investments at fair value through profit and loss	**26,853**	39,923
Cash and cash equivalents	**8,143**	1,087
Trade and other receivables*	**15**	46
	35,084	41,056

* Excludes prepayments which do not give rise to credit risk

The Company's loans and receivables are set out in the table below:

	2008 £'000	2007 (restated) £'000
Investments classified as loans and receivables	**73**	—
Cash and cash equivalents	**8,143**	1,087
Trade and other receivables	**15**	46
Carrying amount of loans and receivables	**8,231**	1,133

The Company's financial liabilities are set out in the table below:

	2008 £'000	2007 £'000
Borrowings	**8,049**	—
Trade and other accounts payable	**188**	1,311
Carrying amount of financial liabilities at amortised cost	**8,237**	1,311

9. Trade and other receivables

	2008 £'000	2007 £'000
Prepayments and accrued income	**609**	458
Other debtors	**15**	46
	624	504

Other debtors include amounts receivable from wholly owned subsidiary companies of £15,000 (2006 – £35,000). The Directors consider that the carrying amount of trade and other receivables approximates to its fair value.

10. Cash and cash equivalents

	2008 £'000	2007 £'000
Deposits and cash at bank	**8,143**	1,087

Cash and cash equivalents include cash in current accounts and term deposits. The Company has provided security to Investec Bank Limited secured by over a bank account comprising £3.5 million.

11. Provisions

A provision is raised for the performance fee payable by the Company under the terms of the investment advisory agreement. The total performance fee is equal to 20% of the increase in the fair value of investments of the Company, subject to a 10% hurdle and making good any investment write-downs and general expenses. Following the approval of the new investment advisory agreement at a general meeting of the Company held on 18 February 2008. 50% of the performance fee is payable annually, subject to a high watermark and the availability of cash resources and the remaining 50% of the performance fee will be payable within 14 days of the approval of the Company's audited consolidated financial statements for the year ending 31 December 2012 or earlier, if the Company's investments are realised prior to that date. Blackstar Managers Limited can elect to postpone this fee payment for a further 12 month period, but cannot postpone the fee payment beyond 14 April 2015 (based on the Company's audited consolidated financial statements for the year ended 31 December 2014). The movement in provisions was as follows:

	2008 £'000	2007 £'000
Balance at the beginning of the year	**5,767**	—
(Decrease)/increase in provisions during the year	**(1,467)**	5,767
Performance fee paid during the year	**(3,896)**	—
Balance at the end of the year	**404**	5,767
Non current portion	**404**	5,767
Current portion	**—**	—
	404	5,767

12. Borrowings

	2008 £'000	2007 £'000
Carrying value at the beginning of the year	**—**	—
Increases during the year	**6,577**	—
Interest accrued during the year	**622**	—
Currency exchange gains on borrowings during the year	**850**	—
Carrying value at the end of the year	**8,049**	—
Non current portion	**—**	—
Current portion	**8,049**	—
	8,049	—

The Company's borrowings are denominated in Rands and bear interest at the Johannesburg Interbank Accepted Rate plus 275 basis points and are repayable in 2012 or earlier. Security for the loan has been provided in the form of the Company's ordinary shares in York Timber Organisation Limited, its ordinary shares in Myriad Medical Holdings Limited, its loan to Credit U Holdings Limited and a bank account comprising £3.5 million.

13. Trade and other accounts payable

	2008 £'000	2007 £'000
Trade creditors	**68**	1,081
Accrued expenses	**120**	230
	188	1,311

Trade creditors includes amounts payable to a wholly owned subsidiary company of £11,000 (2006 – £12,000). The Directors consider that the carrying amount of trade and other accounts payable approximates to its fair value.

14. Share capital and reserves

Details of share capital and reserves are set out in note 24 to the consolidated financial statements.

15. Cash absorbed by operations

	2008 £'000	2007 £'000
(Loss)/profit before taxation	**(695)**	10,272
Adjustments for:		
Losses/(gains) on investments	**971**	(17,843)
Dividends and interest from loans and investments	**(1,780)**	—
Finance income	**(283)**	(13)
Finance costs	**722**	—
(Decrease)/increase in provision for performance fee	**(5,363)**	5,767
Changes in working capital		
Increase in trade and other receivables	**(120)**	(86)
(Decrease)/increase in trade and other accounts payable	**(1,123)**	1,162
Cash absorbed by operations	**(7,671)**	(741)

16. Related party transactions

Details of related parties are set out in note 27 to the consolidated financial statements. In addition the subsidiaries set out in note 4 to the Company financial statements are related parties to the Company.

The Company subscribed for 1,435 redeemable B shares in Blackstar (Gibraltar) Limited, a wholly owned subsidiary of the Company for a cash consideration of £9,400,000.

The Company assigned all of its rights and obligations, except certain excluded rights, in respect a facility agreement between the Company and Credit U Holdings Limited as well as its rights and obligations in respect of various other related agreements to Blackstar (Gibraltar) Limited for a consideration of £6,864,000, which was left outstanding on a loan account between the parties. Blackstar (Gibraltar) Limited then agreed to capitalise the loan by allotting 1,048 redeemable B shares in Blackstar (Gibraltar) Limited to the Company.

In addition, Blackstar (Gibraltar) Limited redeemed 1,566 redeemable B shares for an aggregate cash amount of £10,256,000.

17. Contingent liabilities

The Company has provided a guarantee in respect of funding facilities provide by ABSA Bank Limited to Kulungile Metals Group (Pty) Limited for an amount not exceeding R125 million (£9.1 million).

This guarantee has been provided as additional security to ABSA Bank Limited for the debt financing provided by ABSA Bank Limited to Kulungile Metals Group (Pty) Limited and Global Roofing Solutions (Pty) Limited. In addition ABSA Bank Limited has security over the immovable and movable property of Kulungile Metals Group (Pty) Limited and Global Roofing Solutions (Pty) Limited. It is not probable that these items will result in an outflow of resources required to settle an obligation.

18. Post balance sheet events

Buy back and cancellation of ordinary shares

On 16 January 2009, the Company purchased 2,405,488 ordinary shares of nominal value £1.00 each in the share capital of the Company, further to the authority granted to the Company at the extraordinary general meeting of the Company held on 15 January 2009. The price paid for these ordinary shares was 32p per share and these shares have subsequently been cancelled. There are currently 73,259,510 ordinary shares of nominal value £1.00 each in issue.

Investment in Ferro Industrial Products (Pty) Limited ("Ferro")

On 21 January 2009, the Company acquired a controlling interest in Ferro, comprising 56% of the issued ordinary shares for a total consideration of R47 million (£3.4 million). Ferro is a South African manufacturer and supplier of a specialised range of powder coatings, black and white plastic master batches as well as high quality porcelain enamels, glaze frits, glass coatings and glaze coatings used on ceramic products.

Disposal of investment in DCD-Dorbyl (Pty) Limited ("DCD-Dorbyl")

On 4 February 2009, the Company disposed of its ordinary shares DCD-Dorbyl for R106 million (£7.6 million).

Investment in Kulungile Metals Group (Pty) Limited ("KMG")

On 9 March 2009, the Company acquired a further 25.5% shareholding in KMG, bringing its shareholding in KMG to 73%. The shares were initially acquired by the Company in 2008 for R49 million (£3.3 million), as an agent on behalf of Claim Your Share Investments (Pty) Limited, a wholly owned subsidiary of Metier Investment and Advisory Services (Pty) Limited, which exercised its right to sell the beneficial ownership of the shares to the Company.

In addition, the Company has provided a suretyship, by binding itself jointly and severally as surety for and co-principal debtor in solidium with KMG to and in favour of ArcelorMittal South Africa Limited for an amount not exceeding R100 million (£7.3 million). The suretyship expires on 31 October 2009.

Company information

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

Principal place of Business
58 rue Charles Martel
L-2134 Luxembourg
Tel: +352 (40) 25 05 449
Fax: +352 (40) 25 05 509
E-mail: info@blackstar.lu
Website: www.blackstar.lu

Registered Office
7th Floor, Phoenix House
18 King William Street
London EC4N 7HE

Solicitors to the Company (as to South African law)
Edward Nathan Sonnenbergs Inc
150 West Street
Sandton 2196
South Africa

Solicitors to the Company (as to English law)
Macfarlanes LLP
20 Cursitor Street
London EC4A 1LT

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

Investment Advisor
Blackstar Managers Limited
Rue du Puits-Godet 12
P O Box 763 CH-2002
Neuchatel
Switzerland

Registrars and Receiving Agents
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Nominated Advisor and Broker
Collins Stewart Europe Limited
9th Floor
88 Wood Street
London
EC2V 7QR

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

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

Blackstar Investors PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 2396996)
(R.C.S. Luxembourg number B114318)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Blackstar Investors PLC (the "Company") will be held at 58 rue Charles Martel, L-2134 Luxembourg on 4 June 2009 at 11.00 a.m. CET (or as soon thereafter as it may be held) in the presence of a Luxembourg notary for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY BUSINESS:

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 accounts of the Company for the year ended 31 December 2008 and to the accounts for the Group for the year ended 31 December 2008.

2. To adopt the Company's audited annual accounts for the financial year ended 31 December 2008.

3. To adopt the Group's audited annual accounts for the financial year ended 31 December 2008.

4. To re-elect Wolfgang Baertz, who retires from office pursuant to the Memorandum and Articles of Association of the Company (the "Articles"), as a director of the Company.

5. To re-elect Andrew Bonamour, who retires from office pursuant to the Articles, as a director of the Company.

6. To re-elect Marcel Ernzer, who retires from office pursuant to the Articles, as a director of the Company.

7. To re-elect John Mills, who retires from office pursuant to the Articles, as a director of the Company.

8. To re-elect Julian Treger, who retires from office pursuant to the Articles, as a director of the Company.

9. To re-elect the Company's statutory auditor and to authorise the directors to determine his remuneration.

10. To re-elect BDO Stoy Hayward LLP as the Company's independent auditors and to authorise the directors to determine their remuneration.

Directors' authority to allot and issue shares

11. That, subject to the passing of Resolution 12 below, and in place of all existing powers, for the purposes of section 80 of the Companies Act 1985 (the "Act") (and so that expressions used in this resolution shall bear the same meanings as in the said section 80):

    11.1 the directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot and issue relevant securities up to an aggregate nominal amount of £24,419,837 to such persons and at such times and on such terms as they think proper during the period expiring (unless previously revoked, varied, or renewed) on 4 August 2010 or, if sooner, at the end of the annual general meeting of the Company to be held in 2010; and

    11.2 the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require relevant securities to be allotted after this expiry of the said period and the directors may allot and issue relevant securities in pursuance of such offer or agreement notwithstanding the expiry of the authority given by this resolution, so that all previous authorities of the directors pursuant to the said section 80 be and are hereby revoked and that the Articles be amended to reflect the effect of this resolution.

Disapplication of pre-emption rights

12. That, subject to the passing of Resolution 11 above, and in place of all existing powers, the directors be and are empowered in accordance with section 95 of the Act to allot and issue equity securities (as defined in section 94 of the Act) for cash, pursuant to the authority conferred on them to allot and issue relevant securities (as defined in section 80 of the Act) by Resolution 11, as if section 89(1) and sub-sections (1) to (6) of section 90 of the Act did not apply to such allotment and issue (i.e. the statutory pre-emption rights normally applying to the allotment and issue of equity securities for cash be disapplied) provided that the power conferred by this resolution shall be limited to:

    12.1 the allotment and issue of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal, or practical problems arising in connection with the laws, or requirements of any recognised regulatory body or stock exchange in any territory; and

    12.2 the allotment and issue (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value not exceeding £3,662,976;

    and this power, unless renewed, shall expire on 4 August 2010 or, if sooner, at the end of the annual general meeting of the Company to be held in 2010, but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot and issue equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired and that the Articles be amended to reflect the effect of this resolution.

Company's authority to purchase its own shares

13. That the Company be and is generally authorised pursuant to section 166 of the Act to make market purchases (within the meaning of section 163(3) of the Act) of its Ordinary Shares of £1 each on such terms and in such manner as the directors shall determine, provided that:

    13.1 the maximum number of Ordinary Shares hereby authorised to be purchased is 7,325,951;

    13.2 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 (as derived from the AIM appendix to the Daily Official List of the London Stock Exchange plc) for the five business days immediately before the day on which the purchase is made (in each case exclusive of expenses);

    13.3 the minimum price which may be paid for each Ordinary Share shall be 1 pence; and

    13.4 this authority (unless previously revoked, varied or renewed) shall expire on 4 August 2010 or, if sooner, at the end of the annual general meeting of the Company to be held in 2010 except in relation to the purchase of Ordinary Shares the contract for which was concluded before such date and which will or may be executed wholly or partly after such date and that the Ordinary Shares bought back in terms of this resolution be cancelled at the relevant time and that any employee of Maitland Luxembourg S.A. or of M Partners be hereby appointed to appear before a public notary in Luxembourg for the purpose of amending the Articles to reflect the changes resulting from the cancellation of any Ordinary Shares bought back in accordance with the terms of this resolution.

SPECIAL BUSINESS:

14. To the extent permitted by law, and in accordance with Article 37 of the Articles, to grant a discharge to the directors in respect of the execution of their mandates to 31 December 2008.

15. To the extent permitted by law, and in accordance with Article 37 of the Articles, to grant a discharge to the statutory auditor in respect of the execution of his mandate to 31 December 2008.

16. To the extent permitted by law, and in accordance with Article 37 of the Articles, to grant a discharge to the independent auditors in respect of the execution of their mandate to 31 December 2008.

17. To approve the continuation of the current investment strategy.

Luxembourg Office

18. To amend Article 1.17 and Article 2 of the Articles to reflect the correct Luxembourg office address at 58, rue Charles Martel, L-2134 Luxembourg, being the principal place of business of the Company in Luxembourg.

Company's Name

19. To change the Company's name from "Blackstar Investors PLC" to "Blackstar Group Plc" and subsequently amend Article 2.

Duty of directors to avoid conflicts between their interests and those of the company

20. That the Company's Articles be amended by:

20.1 The addition of the following definition:

a Conflict Situation: a situation in which a Director has, or can have, a direct or indirect interest that conflicts, or may possibly conflict, with the interests of the Company, including in relation to the exploitation of any property, information or opportunity and regardless of whether the Company could take advantage of the property, information or opportunity itself, but excluding a situation which could not reasonably be regarded as likely to give rise to a conflict of interest;

20.2 The addition of the following new Article 39.8:

39.8 Authorisation of Directors' conflicts of interest

39.8.1 If a Conflict Situation arises, the Directors may authorise it for the purposes of section 175 of the CA 2006 by a resolution of the Directors made in accordance with these Articles.

39.8.2 Any authorisation made for the purposes of this Article 39.8 shall be effective only if:

39.8.2.1 any requirement as to the quorum at a meeting at which the Conflict Situation is authorised is met without counting the Director or any other Director to whom the Conflict Situation relates; and

39.8.2.2 the Conflict Situation was authorised without any such Director voting or would have been authorised if his or their votes had not been counted.

39.8.3 At the time of the authorisation, or at any time afterwards, the Directors may impose any limitations or conditions or grant the authority subject to such terms which (in each case) they consider appropriate and reasonable in all the circumstances, including that:

39.8.3.1 any information obtained by a Director concerned, other than in his capacity as a Director or employee of the Company, which is confidential in relation to a third party, need not be disclosed or used for the benefit of the Company where such disclosure or use would constitute a breach of confidence;

39.8.3.2 no Director concerned shall, by reason of his being a Director or his doing anything as a Director, be accountable to the Company for any remuneration or other benefit received from a third party as a result of the Conflict Situation;

39.8.3.3 no Director concerned shall be required or entitled to attend those parts of meetings of the Directors or meetings of a committee of the Directors at which matters to which the Conflict Situation relates are discussed; and

39.8.3.4 no Director concerned shall be entitled to receive any papers or other documents in relation to, or concerning, matters to which the Conflict Situation relates.

Subject to any such limitations, conditions or terms, any authorisation given by the Directors shall be deemed to be given to the fullest extent permitted by the Statutes.

39.8.4 Any authorisation made for the purposes of this Article may be revoked or varied at any time in the absolute discretion of the Directors.

39.8.5 A Director shall not be in breach of the duties he owes to the Company by virtue of sections 171 to 177 of the CA 2006 or otherwise because of anything done or omitted to be done in accordance with the provisions of this Article or the terms of any authorisation given by the Directors in accordance with this Article.

Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 14, 15, 16 and 17 are to be proposed as ordinary resolutions and Resolutions 11, 12, 13, 18, 19 and 20 as special resolutions. Resolutions 11, 12, 13, 18, 19 and 20 require a 75 per cent majority by value of the Ordinary Shares present or represented at the Annual General Meeting. In addition, in order to pass Resolutions 11, 12, 13, 18, 19 and 20, a quorum of more than half of the issued Ordinary Shares by value is required to be present or represented at the Annual General Meeting. Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 14, 15, 16 and 17 may be passed at the Annual General Meeting by a simple majority representing more than 50 per cent by value of the Ordinary Shares. The quorum requirement in relation to Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 14, 15, 16 and 17 is at least two Members present or represented at the Annual General Meeting.

In accordance with Luxembourg law, the Annual General Meeting cannot be adjourned if there is no quorum. Accordingly, if at the Annual General Meeting (the “First Meeting”) the aforesaid quorum requirement of more than half of the issued Ordinary Shares by value is not present, Resolutions 11, 12, 13, 18, 19 and 20 will not be proposed and will, therefore, not be capable of being passed. The Board of Directors may then decide to convene a subsequent General Meeting (the “Second Meeting”) to re-consider Resolutions 11, 12, 13, 18, 19 and 20, (and any other Resolutions not passed at the First Meeting), for which a further notice of meeting will be sent to the Members in accordance with the Articles.

The quorum requirement in relation to all the Resolutions at the Second Meeting will be at least two Members present or represented at the Second Meeting.

If Resolutions 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 14, 15, 16 and 17 are not passed at the First Meeting, they can be passed at the Second Meeting by a simple majority representing more than 50 per cent by value of the Ordinary Shares.

At the Second Meeting Resolutions 11, 12, 13, 18, 19 and 20 can be validly adopted by a majority of 75 per cent by value of the Ordinary Shares present or represented.

By order of the Board
2 April 2009

Registered Office
7th Floor, Phoenix House
18 King William Street
London EC4N 7HE

Notes:

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend, speak and vote at the meeting instead of him. The proxy need not be a member of the Company but must attend the meeting in order to represent his appointor. A member entitled to attend and vote at the meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
2. A member entitled to attend and vote at the meeting is entitled to appoint more than one proxy provided that each proxy is appointed to exercise rights attached to different shares held by that member. To appoint more than one proxy, you may photocopy the enclosed Form of Proxy. 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. All forms must be signed and should be returned together in the same envelope.
3. To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Capita Registrars (Proxy Department), 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours before the time appointed for taking the poll, or where the poll is taken not more than 48 hours after it was demanded, the document(s) must be delivered at the meeting at which the demand is made.
4. A Form of Proxy which may be used to appoint a proxy and give proxy directions accompanies this notice. If you 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. Calls cost 10p per minute plus network charges.
5. The register of interests of the directors and their families in the share capital of the Company and copies of contracts of service of directors with the Company or with any of its subsidiary undertakings will be available for inspection at the registered office of the Company and at the principal place of business of the Company in Luxembourg during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the Annual General Meeting.
6. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the Annual General Meeting is 6.00 p.m. (CET) on 2 June 2009 (being not more than 48 hours prior to the time fixed for the meeting) or, if the meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the meeting.
7. Any corporation that is a member of the Company may, by resolution of its directors or other governing body, authorise any person it thinks fit to act as its representative at the Annual General Meeting.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the annual general meeting to be held on the above date and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent, Capita Registrars, (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. 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 Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

   CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Form of proxy

Blackstar Investors PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 2396996 and registered office at 7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE)
(R.C.S. Luxembourg number B114318)

FORM OF PROXY

For use at the Annual General Meeting to be held in the presence of a Luxembourg notary at 58 rue Charles Martel, L-2134 Luxembourg, on 4 June 2009 at 11.00 a.m. (CET)

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

I/We ....

(Please insert full name in block capitals)

of ....

(Please insert address in block capitals)

being (a) member(s) of Blackstar Investors PLC (the "Company"), hereby appoint the Chairman of the Meeting,

or .... (see Note 1)

as my/our proxy in relation to all/.. of my/our shares, to attend and vote for me/us at the Annual General Meeting of the Company to be held at 11.00 a.m. CET on 4 June 2009 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	Vote Withheld*
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 accounts of the Company for the year ended 31 December 2008 and to the accounts for the Group for the year ended 31 December 2008.			
2 To adopt the Company's audited annual accounts for the financial year ended 31 December 2008.			
3 To adopt the Group's audited annual accounts for the financial year ended 31 December 2008.			
4 To re-elect Wolfgang Baertz as a director of the Company.			
5 To re-elect Andrew Bonamour as a director of the Company.			
6 To re-elect Marcel Ernzer as a director of the Company.			
7 To re-elect John Mills as a director of the Company.			
8 To re-elect Julian Treger as a director of the Company.			
9 To re-elect the Company's statutory auditor and to authorise the directors to determine his remuneration.			
10 To re-elect the Company's independent auditors and to authorise the directors to determine their remuneration.			
11 To authorise the directors to allot and issue ordinary shares up to an aggregate nominal amount of £24,419,837 in the capital of the Company and the amendment of the Company's Articles to reflect the effect of Resolution 11.			
12 To authorise the disapplication of statutory pre-emption rights in the case of an allotment and issue of shares by the directors and the amendment of the Company's Articles to reflect the effect of Resolution 12.			
13 To authorise the Company to purchase its own shares and that the shares bought back in terms of Resolution 13 be cancelled at the relevant time and that any employee of Maitland Luxembourg S.A. or M Partners be appointed to appear before a public notary in Luxembourg for the purpose of amending the Company's Articles to reflect the changes resulting from the cancellation of any shares bought back in accordance with the terms of Resolution 13.			
14 To grant a discharge to the directors in respect of the execution of their mandates to 31 December 2008.			
15 To grant a discharge to the statutory auditor in respect of the execution of his mandate to 31 December 2008.			
16 To grant a discharge to the independent auditors in respect of the execution of their mandate to 31 December 2008.			
17 To approve the continuation of the current investment strategy.			
18 To amend Article 1.17 and Article 2 of the Company's Articles to reflect the correct Luxembourg office address.			
19 To change the Company's name and subsequently amend Article 2 of the Company's Articles.			
20 To add a new definition and a new Article 39.8 regarding directors' conflicts of interest to the Company's Articles.			

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

* The 'Vote Withheld' option is to enable you to abstain on any particular resolution. However, it should be noted that a "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution.

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

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

Signature .... Date ....

NOTES:

1. To appoint as a proxy a person other than the Chairman of the meeting insert the full name in the space provided. A proxy need not be a member of the Company. You can also appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. The following options are available:
   (a) To appoint the **Chairman** as your **sole proxy** in respect of all your shares, simply fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
   (b) To appoint a **person other than the Chairman as your sole proxy** in respect of all your shares, delete the words 'the Chairman of the meeting (or)' and insert the name and address of your proxy in the spaces provided. Then fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
   (c) To appoint **more than one proxy**, you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. If you wish to appoint the Chairman as one of your multiple proxies, simply write 'the Chairman of the Meeting'. All forms must be signed and should be returned together in the same envelope.
2. Unless otherwise indicated the proxy will vote as he thinks fit or, at his discretion, abstain from voting.
3. The Form of Proxy below must arrive at Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU during usual business hours accompanied by any Power of attorney under which it is executed (if applicable) no later than 48 hours before the time set for holding the meeting.
4. A corporation must execute the Form of Proxy under either its common seal or the hand of a duly authorised officer or attorney.
5. 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.
6. The 'Vote Withheld' option is to enable you to abstain on any particular resolution. Such a vote is not a vote in law and will not be counted in the votes 'For' and 'Against' a resolution.
7. Shares held in uncertified form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual.
8. Completion and return of the Form of Proxy will not preclude you from attending and voting in person at the Meeting should you subsequently decide to do so.
9. If you prefer, you may return the proxy form to the Registrar in an envelope addressed to FREEPOST RLYX-GZTU-KRRG, Capita Registrars (Proxies), 34 Beckenham Road, Beckenham, Kent, BR3 9ZA.

Sterling 114237

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