BLACKSTAR

Blackstar Group SE
Annual Report and Accounts 2013

Contents

Annual report and accounts 2013

Highlights

- Increase in reported net asset value ("NAV") per share for the year of 15.7% to 1,620 cents (93 pence)
- Earnings per share of 231 cents (15.3 pence) compared to 119 cents (7.2 pence) in the prior year
- Total dividends of 22 cents (1.3 pence) per ordinary share declared in respect of the 2013 financial year
- Final dividend of 14 cents (0.8 pence) per ordinary share declared in respect of the 2013 financial year
- Blackstar's operational cost base for 2013 reduced to 1.7% of the reported NAV at 31 December 2013
- Disposal of the Group's remaining investment in Litha Healthcare Group Limited for R196.9 million (£12.6 million), representing an internal rate of return of 47% and 3.57 times return on investment in South African Rands
- Successful integration of the cash shell New Bond Capital Limited into the Blackstar Group, thereby enhancing the asset base and reducing the cost base
- 16.7% increase in intrinsic NAV before dividends for the 2013 financial year
- 40.8% growth in intrinsic NAV before dividend and share buy backs since JSE listing in August 2011
- R224.8 million (£14.9 million) returned to shareholders via dividends and share buy backs since listing on the JSE
- Blackstar identified as an Investment Entity – investments (including subsidiaries and associates) now accounted for at fair value and no longer consolidated

Director's statement

Introduction

Blackstar Group SE ("Blackstar" or "the Company" or "the Group") achieved another successful year of growth and increased its intrinsic NAV by 16.7% before dividends for the 2013 financial year. Since listing on the JSE in August 2011, Blackstar has grown intrinsic NAV by 40.8% before dividends and share buy backs. During this time we have returned R224.8 million (£14.9 million) back to shareholders in the form of dividends and share buy backs. In respect of the 2013 financial year, Blackstar declared dividends totaling 22 cents (1.3 pence) per ordinary share, including an interim dividend of 8 cents (0.5 pence) and a final dividend of 14 cents (0.8 pence) announced today, and to be paid on 30 May 2014.

Management remains committed to reducing our operational cost base, thereby enhancing the yields on our investments, and senior management are now largely paid based on performance through the long term Management Incentive Scheme.

During 2013, all of our investments performed well. We are focusing on three investment pillars within Blackstar: property; fund management; and investments (both private and public companies). Times Media Group Limited ("TMG") is our core holding within our investment portfolio which represents 57% of the total investments held by Blackstar as at 31 December 2013. We are involved in TMG in an executive capacity and it represents a long term strategic investment for the Group. Blackstar's medium term strategy is to increase its shareholding in TMG to 34.9%.

The South African Rand weakened significantly during the period under review with the closing ZAR/GBP increasing from 13.773 at 31 December 2012 to 17.431 at 31 December 2013. This has had a significant impact on the Pounds Sterling reported results of the Group and must be taken into consideration on review and comparison of the year on year results. Blackstar has managed the effect of the weakening Rand on its cash balances at the centre by holding its cash resources in Pounds Sterling and US Dollars.

Investments review

Investments

Global Roofing Solutions (Pty) Limited ("GRS")

The Group's investment in GRS was valued at R180.0 million (£10.3 million) at year end and remained unchanged at 31 March 2014.

GRS returned impressive results for the year ended 31 December 2013. The challenges experienced by the company during the first quarter of the year, principally driven by the fire at Arcelormittal in February 2013 and the construction delays at the Medupi Power Station, were resolved.

During the last six months of the year, GRS enjoyed four record sales months, driven by both volume and, to a lesser extent, steel price increases.

Compared to the prior financial year, GRS's gross revenues have increased by 22.2% to R718.5 million (£47.6 million), EBITDA increased by 32.7% to R48.3 million (£3.2 million) and profit after tax has increased by 353% to R24.9 million (£1.6 million). The quality of these improved earnings has resulted in GRS being in a financial position during the last quarter of the financial year to return R1.2 million (£0.08 million) in free cash per month to its shareholder, Blackstar – a considerable improvement from the R0.3 million (£0.02 million) per month during the same period in the prior financial year.

GRS's 'Africa Initiative' continues to gain momentum with the company having established new operations in Botswana and Zambia whilst enjoying sales successes in Ghana. GRS's Africa Initiative is having a meaningful impact on the company's results with approximately 40% of its profit after tax being earned from these operations. GRS intends expanding its African footprint into four new territories during the forthcoming twelve to eighteen months.

Robor (Pty) Limited ("Robor")

At financial year end, Blackstar's investment in Robor amounted to R109.3 million (£6.3 million) and at 31 March 2014 the valuation of this investment remained unchanged. A further R22.0 million (£1.3 million) investment in the form of a loan to Robor made in the first quarter of 2014 was recognised under other unlisted investments.

During the year under review, Blackstar increased its investment in Robor from 6.1% to 11.1%. Subsequent to year end, Blackstar increased its investment in Robor to 17.5% in a second round Management Buyout ("MBO") and as part of this transaction it anticipates realising approximately R35.0 million (£2.0 million) from its investment in Robor in the second quarter of 2014.

The MBO will be funded through the sale of Robor's main property in Elandsfontein, Johannesburg and the business will not be taking on any additional debt. Management believes that they can achieve operational efficiencies equal to or greater than the rental charge that will be incurred following the property sale. Robor is also set to repay Blackstar's R21.0 million (£1.2 million) shareholder loan over the next twenty four months plus interest.

Stalcor (Pty) Limited ("Stalcor")
Blackstar's investment in Stalcor is valued at R32.0 million (£1.8 million) at financial year end and the fair value remained unchanged at 31 March 2014.

Against a backdrop of embattled South African manufacturing and mining capacity and output, Stalcor continued to make meaningful strides in capturing market share yet improving its trading margins during the 2013 financial year.

Stalcor's performance for the year ended 31 December 2013, when compared to the previous year, reflects a 23.4% growth in turnover to R587.8 million (£38.9 million); a R2.3 million (£0.2 million) increase in EBITDA to R6.2 million (£0.4 million); and a R3.2 million (£0.2 million) improvement in profit after tax to R0.1 million (£0.01 million). Management of the company's net trading assets continued to be strictly controlled with total working capital days being maintained at a level of approximately 65 days.

Trading activity during the last quarter of 2013 was particularly strong, which trend appears to be continuing for the early part of 2014.

Times Media Group Limited ("TMG")
Please see www.timesmedia.co.za for full details. TMG interims were released on 19 March 2014.

Property
Blackstar valued its property investments at R33.2 million (£1.9 million) at 31 December 2013 and the fair value increased to R36.4 million (£2.1 million) at 31 March 2014 mainly as a result of the deposit paid of R2.7 million (£0.2 million) on a new property acquisition.

Our strategy with regards to property is opportunistic and potential investments are assessed based on whether they meet our return parameters. Blackstar invests in property opportunities where the tenants' ability to meet rental obligations can be reasonably assessed and understood, and the resultant returns can be enhanced by leverage. Blackstar has historically structured these to be cash flow neutral post the initial investment and this allows significant returns on patient capital over the life of the leases. Our properties are predominately commercial and industrial in nature.

During the year we added an industrial property based in Namibia with a ten year lease to our portfolio. The purchase price was R9.0 million (£0.5 million) at a 16% initial yield and Blackstar borrowed the full R9.0 million (£0.5 million) for the purchase against the strength of the existing lease.

Blackstar Real Estate (Pty) Limited ("BRE") and the property subsidiaries have properties with a gross fair value of R127.7 million (£7.3 million) before debt and non-controlling interests as at 31 December 2013.

Fund management
The Group's investment in the Blackstar Special Opportunities Fund ("BSOF") was valued at R63.2 million (£3.6 million) at year end and R61.7 million (£3.5 million) at 31 March 2014 as a result of fair value adjustments. The investment in the Blackstar Global Opportunities Fund ("BGOF") amounted to R52.9 million (£3.0 million) at 31 December 2013 and was valued at R53.8 million (£3.1 million) at 31 March 2014.

BSOF has recorded a solid performance, generating a 25% return over the financial year making it one of the top performing funds in its category. This is approximately 7% higher than the return on the All Share Index ("Alsi") for the same period.

BGOF had a tough start since its launch in April 2013, however the investment processes are now in place which has resulted in positive monthly performance whilst global markets have been under significant pressure. BGOF has four strategies which are implemented on a global basis with a strong focus on the United States, United Kingdom and the rest of Europe. The philosophy is capital preservation and a US Dollar return. As far as we are aware, BGOF is the only South African based hedge fund that invests 100% outside of South Africa, giving it a unique position to offer high net worth individuals' interaction with the investment team.

Both BGOF and BSOF are receiving steady inflows of funds thereby increasing their assets under management.

See www.blackstarfundmanagers.co.za for further details on both funds.

Financial review

Blackstar early adopted IFRS 10, IFRS 12, and the revised version of IAS 27, including all amendments relating to Investment Entities, as a result of the endorsement of the amendments for use in the EU. These amendments introduce an exception to the principle that all subsidiaries need to be consolidated and instead requires investment entities to measure the investments (in particular subsidiaries and associates) at fair value through profit and loss as opposed to consolidating and equity accounting as was done in previous years. Subsidiaries which provide services that relate only to the Company's own investment activities continue to be consolidated.

The significant change as a result of the adoption of these new accounting policies is that subsidiaries GRS, Stalcor, New Bond Capital Limited ("NBC"), BRE and the property subsidiaries, and the interest in the BSOF, all of which were previously consolidated, are now fair valued and classified as investments designated at fair value through profit and loss. Investments in associates, being TMG and Navigare Securities (Pty) Limited ("Navigare") are also fair valued and included in the category investments designated at fair value through profit and loss. Gains and losses arising on re-assessment of the fair values of the investments are recognised in profit and loss.

Subsidiaries which are continued to be consolidated include Blackstar (Cyprus) Investors Limited ("Blackstar Cyprus"), Blackstar (Gibraltar) Limited ("Blackstar Gibraltar"), Blackstar Group (Pty) Limited ("Blackstar SA") and Blackstar Fund Managers (Pty) Limited ("BFM").

These changes in accounting policies required retrospective application, comparatives were therefore restated and the restated opening balance sheet as at 1 January 2012 has been provided as well as a summary of the impact of the changes in accounting policies (refer note 4). Total equity attributable to equity holders of the parent as at 31 December 2012 has increased by R4.7 million (£0.3 million) to R1.1 billion (£83.4 million) when compared to the previously reported balance as per the prior year's annual report.

As a result of the adoption of these amendments, the Blackstar consolidated balance sheet is more closely aligned with the intrinsic NAV of the Group. Annexure A provides shareholders with an updated analysis of the inherent value of each investment held as at 31 March 2014. References to the fair values at 31 March 2014 are made based on the intrinsic NAV calculation included in Annexure A.

The applicable exchange rates utilised to translate the financial information from the functional currency Rands to the presentational currency Pounds Sterling are as follows: average ZAR/GBP exchange rate for the 12 months ended 31 December 2013 of 15.099 (2012: 13.015) and a closing ZAR/GBP exchange rate of 17.431 as at 31 December 2013 (13.773 as at 31 December 2012). The weakening of the South African Rand in excess of 16% (based on the average rates for the current and comparative year), has had a negative impact on Blackstar's performance and financial position reported in Pounds Sterling. This must be taken into consideration on performing a comparison of the Pounds Sterling financial information for 2012 and 2013.

Financial performance

Income for the year increased by R78.0 million (£4.8 million) and amounted to R261.0 million (£17.3 million) at year end which includes the following: R105.5 million (£7.0 million) generated from investments in the form of performance and monitoring fees, dividends and interest income; R133.0 million (£8.8 million) gain on investments; and R22.5 million (£1.5 million) net foreign exchange gains.

Income generated from investments for the current financial year includes R6.7 million (£0.4 million) management and performance fees generated by the fund managers for BGOF and BSOF.

The gains on investments of R133.0 million (£8.8 million) comprises losses of R118.3 million (£7.8 million) on disposals of investments, and R251.3 million (£16.6 million) unrealised gains which includes a R49.9 million (£3.3 million) unrealised gain on the fair valuing of net investments in subsidiaries, and R21.9 million (£1.4 million) and R172.6 million (£11.4 million) unrealised gains recognised on the investments in Robor and TMG respectively.

In June 2013 Blackstar issued Blackstar shares held in treasury to NBC shareholders in order to acquire all of the shares in NBC. The 5,808,553 shares held in treasury used to acquire NBC had previously been bought back by Blackstar at a cost of R64.3 million (£4.3 million). Subsequently NBC distributed a dividend of R87.5 million (£5.8 million) to Blackstar (included in dividend income mentioned above) and the investment in NBC was impaired by R60.6 million (£4.0 million) (included in realised gains/losses on disposal of investments), as the investment had in effect been realised. NBC is currently in the process of being wound down and deregistered.

In the second half of 2013, Blackstar sold its remaining interest in Litha for a cash consideration of R196.9 million (£12.6 million), the equivalent of R2.75 (£0.18) per share. The proceeds represent an internal rate of return ("IRR") of 47% and 3.57 times return on investment in South African Rands and in Pounds Sterling, 35% and 2.66 respectively. Litha has been a successful investment for Blackstar and its total investment in Litha has generated an IRR of 35% and 4.03 times return on investment in South African Rands (35% and 3.62 respectively in Pounds Sterling), over the seven year holding period.

Net losses of R118.3 million (£7.8 million) on disposal of investments mainly comprise the R60.6 million (£4.0 million) write down of the investment in NBC on realisation of the investment via the dividend distribution and a R62.1 million (£4.1 million) loss on the investment in Litha as a result of the decline in the Litha share price from R3.60 (£0.26) at 31 December 2012 to the price at which Blackstar agreed to sell its Litha shares of R2.75 (£0.18).

Operating expenses of R76.5 million (£5.1 million) were incurred for the current financial year. The breakdown of the expenses within operating expenses can be analysed as follows:

Operational costs incurred to run the daily Blackstar operations amounted to R22.7 million (£1.5 million) and thus the cost base for the current financial year remained below 2% of the reported NAV as at 31 December 2013 (actual of 1.7% for the 2013 financial year). Management were successful in reducing the running costs by R7.7 million (£0.9 million) when compared to the prior year and it is expected that operating costs will continue to be reduced going forward. The hedge fund management businesses incurred operational costs of R7.2 million (£0.5 million) for the current financial year, an increase of R6.3 million (£0.4 million) when compared to the prior year due to the fact that the BGOF fund management business was launched in the current financial year and was therefore not included in 2012, and furthermore BFM was acquired in the third quarter of 2012.

Exceptional, non-recurring costs of R8.3 million (£0.5 million) were recognised for 2013 (2012: R5.3 million, £0.4 million). The long term Management Incentive Scheme, approved by shareholders at the previous AGM, calculates an incentive pool (which is split 50/50 between Blackstar shares and a cash pool) based on the growth in the intrinsic NAV of the Company. The award is performance based and no award is made if there is a decline in the value of the NAV per share. Senior management are now largely paid on performance via the long term Management Incentive Scheme. The cost of the long term Management Incentive Scheme awards in respect of the 2013 financial year amounted to R20.3 million (£1.3 million) for treasury shares issued and to be issued, and R17.9 million (£1.2 million) for the cash award. The long term Management Incentive Scheme was adopted during the current financial year and thus there were no such expenses recognised in the prior year.

Net finance costs declined by R19.2 million (£1.5 million) when compared to the prior financial year as a result of the settlement of the interest-bearing, acquisition financing facility.

Blackstar generated a profit attributable to equity holders of the parent of R183.9 million for the current financial year, a pleasing 87.7% increase when compared to the prior year's profit of R97.9 million. In Pounds Sterling, the profit attributable to equity holders of the parent increased by £6.3 million to £12.2 million for the 2013 financial year. 2013 earnings per share and HEPS ("headline earnings per share") amounted to 231.34 cents, 15.32 pence (2012: 119.32 cents, 7.20 pence) and 231.33 cents, 15.32 pence (2012: 151.96 cents, 9.57 pence) respectively.

Financial position

Total equity attributable to equity holders of the parent amounted to R1.3 billion as at 31 December 2013, a 13.5% or R154.6 million increase on the prior year. The same figures in Pounds Sterling reflect a decline of 10.3% or £8.6 million to £74.8 million at 31 December 2013 which can be attributed to the fact that the Rand weakened from the closing rate ZAR/GBP spot rate of 13.773 at the end of 2012 to 17.431 at the end of 2013. Treasury share reserve of R18.8 million (£1.2 million) relates to the 1,641,011 treasury shares held at year end (2012: nil). The movements in treasury shares during the current financial year are discussed under a separate heading below. The non-controlling interest of R0.4 million (£0.02 million) represents the non-controlling interests' 44% share of BFM.

Financial assets at fair value through profit and loss comprise net investments in subsidiaries of R312.0 million (£17.9 million), investments in associates of R677.1 million (£38.8 million) and investments held for trading of R191.3 million (£11.0 million).

Net investments in subsidiaries comprise equity interests in, as well as equity loans to, the respective subsidiary companies and include the following material investments in subsidiaries: 100% interest in GRS at a fair value of R180.0 million (£10.3 million), 50.1% interest in Stalcor valued at R32.0 million (£1.8 million); a R63.2 million (£3.6 million) interest in the BSOF and a R33.2 million (£1.9 million) investment in BRE and the property subsidiaries.

Net investments in associates of R677.1 million (£38.8 million) mainly comprise Blackstar's 25.2% shareholding in TMG valued at a fair value of R672.1 million (£38.6 million) at year end. The R672.0 million (£38.5 million) increase in investments in associates from 2012 to 2013 can be explained as follows: additional TMG shares were purchased amounting to R304.6 million (£20.1 million); Blackstar's investment in TMG amounting to R195.0 million (£14.2 million) at the end of the prior year (originally included in financial assets held for trading) was subsequently transferred to investments in associates as a result of the increase in Blackstar's shareholding in TMG; and finally, a fair value gain of R172.6 million (£11.4 million) was recognised on the TMG shares as a result of the share price increasing from R13.27 at 31 December 2012 to R21.00 at 31 December 2013.

Investments held for trading with a fair value of R191.3 million (£11.0 million) include a R52.9 million (£3.0 million) investment in the BGOF, Blackstar's investment in Robor amounting to R109.3 million (£6.3 million) and a R23.0 million (£1.3 million) investment in Shoprite Lusaka. The R365.7 million (£29.5 million) decline in investments held at fair value from R557.0 million (£40.4 million) in the prior year is attributable to the following material movements during the current financial year: the investment in Litha carried at a fair value of R262.8 million (£19.1 million) at 31 December 2012 was disposed of during the first half of 2013; the investment in TMG carried at R195.0 million (£14.2 million) was transferred to investments in associates; the investment in Robor was increased by R27.4 million (£1.8 million) via further share acquisitions and a fair value increase of R21.9 million (£1.5 million); and R46.0 million (£3.0 million) was invested into the BGOF.

Total assets increased from R1.2 billion as at 31 December 2012 to R1.3 billion as at 31 December 2013 mainly as a result of the new investments and growth in these underlying investments during the current financial year. In Pounds Sterling, a decline in total assets from £83.7 million to £75.7 million is reflected despite true growth in investments due to the weakening of the Rand against the Pound Sterling.

Cash and cash equivalents declined by R217.8 million (£14.3 million) during the current financial year to an amount of R122.9 million (£7.1 million). Significant cash flow movements during the year included R440.1 million (£29.2 million) cash outflow on additions to investments; R293.5 million (£19.5 million) cash inflow on disposal of investments, R61.5 million (£4.1 million) cash inflow of income from investments, R89.9 million (£6.0 million) cash out flow on treasury share purchases and R20.9 million (£1.4 million) paid out as cash dividends to shareholders.

Share split and consolidation

The proposed consolidation and sub-division of Blackstar's share capital was approved at the last Annual General Meeting and successfully implemented effective 28 June 2013 thereby removing 3,294 shareholders off the shareholder register, an 83.0% reduction in the total number of shareholders. The Blackstar NAV per share and the Company share price was not affected by the process of rationalising the shareholder base.

Treasury shares

Blackstar held 1,641,011 treasury shares at 31 December 2013, representing 2.0% of the issued share capital.

During the current financial year, Blackstar repurchased 8,027,949 shares off the open market. On conclusion of the NBC acquisition 5,808,553 shares (which were held in treasury) were issued to NBC shareholders and a total of 791,926 shares were awarded as part of the Management Incentive Scheme (approved by shareholders at the last AGM). Of the treasury shares held at year end, a further 1,186,246 shares have been set aside for issue as an award by the Management Incentive Scheme.

An additional 213,541 shares were added to the treasury share reserve as a result of the effects of the share split and consolidation implemented during the year.

A further 65,000 Blackstar shares have been acquired on the open market post year end.

Dividends

The Board declared an interim gross dividend of 8 South African cents (0.59 cents in Euros and 0.50 pence in Pounds Sterling) per ordinary share which was paid on 22 November 2013.

Given the strong performance of the Company, the Board has resolved to declare a final gross dividend of 14 South African cents (0.96 cents in Euros and 0.80 pence in Pounds Sterling) per ordinary share for the year ended 31 December 2013. The exchange rates have been fixed for the calculation of the Euro and Pounds Sterling equivalents based on the closing exchange rates on Friday, 11 April 2014 of EUR 1 = ZAR 14.562 and GBP 1 = ZAR 17.545. The Board continues to recognise that regular dividends are an important part of shareholder wealth creation.

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

Last day to trade on the South African register	Wednesday, 30 April 2014
Trading ex-dividend commences on the South African register	Friday, 02 May 2014
Last day to trade on the UK register	Tuesday, 06 May 2014
Trading ex-dividend commences on the UK register	Wednesday, 07 May 2014
Record date for shareholders recorded on the UK and South African registers	Friday, 09 May 2014
Date of payment	Friday, 30 May 2014

Share certificates may not be dematerialised or rematerialised between Friday, 02 May 2014 and Friday, 09 May 2014, both days inclusive, and transfers between the UK register and the South African register may not take place during that period.

Dividend tax will be withheld from the amount of the gross dividend of 14 South African cents per share paid to South African shareholders at the rate of 15% unless a shareholder qualifies for exemption. After the dividend tax has been withheld, the net dividend will be 11.9 South African cents per share. There are no other taxes (foreign or otherwise) to be withheld from the dividend. The Company had a total of 82,088,500 shares in issue (which includes 519,765 shares held in treasury) at the date on which the dividend was announced, 16 April 2014. The dividend will be distributed by Blackstar Group SE (Malta tax registration number 995944033) and is regarded as a foreign dividend. There are no Secondary Tax on Companies ("STC") credits available for use.

Outlook

Blackstar produced a pleasing set of results for the 2013 financial year achieving a record NAV of R1.3 billion at year end and a NAV per share of 1,620 cents (93 pence). Per Annexure A, the intrinsic NAV at 31 March 2014 amounted to R1.3 billion, and an intrinsic NAV per share of 1,641 cents (94 pence) which reflects continued growth in the value of Blackstar. The Group will continue to focus on growing and developing investments within the three pillars identified.

In line with this strategy, subsequent to year end, Blackstar acquired a further 9.1 million shares in TMG thereby increasing its shareholding to 32.3%. Of the acquisitions made post year end, 8.7 million shares acquired were financed through an access facility which was opened with a bank subsequent to year end.

As previously mentioned, Blackstar also invested a further R22.0 million (£1.3 million) into Robor.

The Property division acquired a new property, situated in a good office and retail node of Cape Town, for an amount of R27.7 million (£1.6 million). The property, which comprises 1 600sqm of office space, already has a triple net lease for the next five years and the transfer is expected to be completed in the third quarter of 2014. Blackstar has paid a deposit of R2.7 million (£0.2 million) and the balance of the purchase price will be financed through third party debt.

The outlook for Blackstar remains optimistic – the Group has a solid balance sheet which includes a strong investment portfolio thereby providing a foundation for growth and the ability to pursue exciting opportunities that come our way.

Andrew Bonamour
Non-executive Director
16 April 2014

Annexure A

Intrinsic NAV as at 31 March 2014

	Unaudited 31 March 2014 R'000	Unaudited 31 March 2014 £'000
Times Media Group Limited	883,151	50,331
Global Roofing Solutions (Pty) Limited	180,000	10,258
Robor (Pty) Limited	109,340	6,231
Stalcor (Pty) Limited	32,000	1,824
Blackstar Real Estate (Pty) Limited	36,429	2,076
Blackstar Global Opportunities Fund	53,762	3,064
Blackstar Special Opportunities Fund	61,671	3,515
Other listed	25,032	1,427
Other unlisted	46,839	2,669
Net assets of consolidated companies	7,729	440
Cash and cash equivalents	77,012	4,393
Access facility	(174,284)	(9,932)
Intrinsic NAV	**1,338,681**	**76,296**
Actual number of shares in issue net of treasury shares held ('000)	81,569	81,569
Intrinsic NAV per share (in Rands/Pounds Sterling)	16.41	0.94
Ordinary share price on 31 March 2014 (in Rands/Pounds Sterling)	12.25	0.64
Ordinary share price discount to intrinsic NAV	25%	32%

Notes:

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

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

3 All amounts have been translated using the closing exchange rates at 31 March 2014. The ZAR/GBP closing exchange rate at 31 March 2014 was 17.547.

4 Other unlisted include investments in Navigare Securities (Pty) Limited, Blackstar Fund Managers (Pty) Limited and the loan to Robor (Pty) Limited.

Directors' report

The Directors present their report for Blackstar Group SE (registered number SE4) together with the audited financial statements for the year ended 31 December 2013.

Results and dividends
The consolidated statement of comprehensive income as set out on page 17 reflects the profit for the year.

The Board declared an interim gross dividend of 8 South African cents (0.59 cents in Euros and 0.50 pence in Pounds Sterling) per ordinary share which was paid on 22 November 2013. Given the Company's strong performance, a final gross dividend of 14 South African cents (0.96 cents in Euros and 0.80 pence in Pounds Sterling) per ordinary share was declared and will be paid on 30 May 2014.

Principal activities, business review and future developments
Blackstar Group SE ("the Company") was incorporated in England and Wales and has its registered office and principal place of business at 4th Floor, Avantech Building, St Julian's Road, San Gwann, SGN 2805, Malta.

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

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

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

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

In February 2012, Shareholders approved the transfer of the Company's registered office from the United Kingdom to Malta. The transfer was effective by the second quarter of 2012.

The Company is an investment company, and its principal activities during the year (as well as that of its Cyprus subsidiary) were to participate in investment opportunities with a particular focus on South Africa and Sub-Saharan Africa.

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

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

The Company has a 50.1% controlling interest in Stalcor (Pty) Limited ("Stalcor"), which is a processor, distributor and stockist of stainless steel and aluminium.

The Company has a 56.0% controlling interest in Blackstar Fund Managers (Pty) Limited ("BFM"), which is a hedge fund management business and responsible for managing the Blackstar Special Opportunities Fund ("BSOF"), a limited partnership also considered to be under the control of the Company. The Company holds a 56.6% beneficial stake in BSOF as at 31 December 2013.

The Company has a 25.2% significant interest in Times Media Group Limited ("TMG") which is a South African based media company. Post year end, Blackstar increased its stake in TMG to 32.3%.

The requirements of the business review have been included in the Director's statement as set out on pages 3 to 9.

Principal risks and uncertainties
The key principal risks and uncertainties of the Group going forward are described below by segment, including details on the manner in which these risks are monitored and managed. Note 27 to the consolidated financial statements also provides a detailed analysis of the financial risks affecting the Group and the management thereof.

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

The Board of Directors ensure that the investee companies in which the Company has a controlling or significant interest (i.e. subsidiaries and associates) are well staffed with strong and experienced management teams who are responsible for designing, implementing and monitoring the process of risk management. These management teams are remunerated based on operational performance and are incentivised appropriately.

On adoption of Investment Entities amendments to IFRS 10, IFRS 12, and IAS 27, the Group's segments have changed from the previous annual report to separately group the various investments held. The Group now has three segments being: Investments, Funds and Properties which are assessed quarterly by the Board.

Foreign exchange risk arises because the Group makes investments in currencies which differ from its functional currency (Rands) and presentational currencies (Pounds Sterling and Rands). The Board of Directors meet at least on a quarterly basis to review the investment portfolio and consequently monitors currency risk on an on-going basis. To mitigate this risk, the Group may hedge its currency exposure from time to time.

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

Investment policy
The investment objective of the Company is to generate shareholder returns through investing in a portfolio of businesses. Whilst not constricted geographically, given the background and experience of management, it is expected that the majority of capital invested will be in businesses operating in Southern Africa, with a particular focus on South Africa. Investments outside Southern Africa will be considered where the Board believes the opportunities are particularly attractive. The Company will look to invest in businesses with the underlying themes of strategic market position and strong cash flows. The Company may invest in the form of either equity or debt and may acquire directly or indirectly controlling or minority holdings in investee companies.

The investee companies are run on a decentralised manner with local management maintaining an entrepreneurial focus and being responsible for their own operations. The Company usually seeks to be actively involved in setting the strategy of the investee companies and acts as an allocator of capital and resources but does not take day to day responsibility for the management of investee companies.

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

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

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

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

Corporate Governance

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

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

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

Audit Committee

The Audit Committee was chaired by Wolfgang Baertz who subsequently resigned on 20 January 2014. Marcel Ernzer was appointed as the new Chairman to the Audit Committee. John Mills and Andrew Bonamour are also members of the Audit Committee. The Audit Committee provides a forum for reporting by the Company's external auditors and is responsible for reviewing a wide range of matters, including interim and annual results and for monitoring the controls that are in force to ensure the integrity of information reported to shareholders.

Remuneration Committee

The Remuneration Committee is chaired by John Mills and comprises Andrew Bonamour and Marcel Ernzer. The Remuneration Committee will set the remuneration levels for the Directors having regard to market conditions and also ensure appropriate incentive schemes are in place for management.

Nominations Committee

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

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

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' statement on pages 3 to 9. In addition, notes 29 and 27 to the consolidated financial statements include the Group's objectives, policies and processes for managing its capital and its financial risk management objectives and procedures respectively.

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

Purchase of treasury shares

The Group purchased 8,027,949 (2012: nil) Blackstar shares on the open market. The 3,200,000 Blackstar shares acquired in 2011 were subsequently cancelled during the year ended 31 December 2012. No Blackstar shares were cancelled during the current financial year. Treasury shares issued during the 2013 financial year include 5,808,553 shares issued to NBC shareholders on conclusion of the NBC acquisition (refer note 16), and the balance comprises shares awarded as part of the Management Incentive Scheme which was approved by shareholders at the last AGM (refer note 34). An additional 213,541 Blackstar shares were added to the Blackstar treasury shares reserve as a result of the effects of the share split and consolidation implemented during the year.

Of the 1,641,011 treasury shares held at year end, 1,186,246 (2012: nil) shares have been set aside for issue as an award by the Management Incentive Scheme and will be issued in 2014 (refer note 34 for further details on the Management Incentive Scheme). A further 65,000 Blackstar shares were acquired on the open market post year end.

Post balance sheet events
These are detailed in note 36 to the consolidated financial statements.

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

Financial instruments – risk management
Details of the financial risk management objectives and policies of the Company and its subsidiaries are contained in note 27 to the consolidated financial statements.

Directors
The current Directors (all of which are Non-executive Directors) of the Company and Management of Blackstar had the following beneficial interests in the ordinary share capital of the Company as at the date of this report:

	Number of ordinary shares 2013	Number of ordinary shares 2012
Non-executive Directors of the Company		
Andrew Bonamour*	**8,193,180^**	7,523,105
John Mills	**761,328**	761,328
Marcel Ernzer	**—**	—
Richard Thomson Wight	**—**	—
Management of Blackstar#	**14,603,767^**	13,560,807
Total	**23,558,275**	21,845,240

Notes:
* These shares are held by funds associated with Andrew Bonamour
# Excludes shares held by Directors of the Company (and their associated funds) reflected within the table
^ Includes shares approved for issue by the Board under the long term Management Incentive Scheme

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 within the Directorate on page 15.

Wolfgang Baertz resigned as a Director effective 20 January 2014 and Charles Taberer resigned on 31 December 2012. Richard Thomson Wight was appointed as a Non-executive Director on 26 April 2013.

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

The Directors are required by the Malta Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the Group and Company at the end of each financial period and of the Group's profit and loss for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and the AltX of the JSE Limited.

In preparing the financial statements, the Directors are responsible for:

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

The Directors are also responsible for designing, implementing and maintaining internal controls relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Malta Companies Act, 1995. The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Auditors
BDO Malta were appointed as auditors to the Company in January 2013 following the transfer of the Company's registered office to Malta. A resolution to confirm their appointment will be proposed at the annual general meeting.

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

By order of the Board

Andrew Bonamour
Non-executive Director
16 April 2014

John Mills
Non-executive Director

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 eight years, he was and continues to be a director and a principal in the Maitland Group and a number of other companies. He has had extensive experience in advising clients in the structuring and exiting of private equity investments, through both onshore and offshore vehicles.

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

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.

Richard Thomson Wight (Non-executive Director)
Richard Wight has over 30 years experience in financial services. He started his career trading fixed income for Kidder Peabody, Bank of America and S.G Warburg, before running capital protected funds for Credit Suisse Private Bank and traded futures and equities for a privately held hedge fund. He resides in Malta, holds both American and Maltese citizenship and acts as the local non-executive director and investment committee member for several Malta-based financial entities. He is a graduate of Cornell University.

Independent auditors' report

Independent auditors' report to the shareholders of Blackstar Group SE
We have audited the accompanying Group and Parent Company financial statements (the "financial statements") of Blackstar Group SE set out on pages 17 to 94 which comprise the consolidated and parent company statements of financial position at 31 December 2013 and the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated and parent company statements of changes in equity, and the consolidated and parent company statements of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements
As described on page 14, the directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Opinion
In our opinion, these financial statements give a true and fair view of the financial position of the Group and Company as at 31 December 2013 and of the Group's financial performance and Group and Company's cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, and have been properly prepared in accordance with the provisions of the Malta Companies Act, 1995.

Report on other legal and regulatory requirements
We also have responsibilities under the Malta Companies Act, 1995 to report to you if, in our opinion:

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

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

BDO MALTA
Certified Public Accountants
16 April 2014

Consolidated statement of comprehensive income

for the year ended 31 December 2013

*Restated 2012 R'000	2013 R'000		Notes	2013 £'000	*Restated 2012 £'000
183,031	**261,025**	Income	**5**	**17,287**	12,443
(63,662)	**(76,541)**	Operating expenses	**6**	**(5,070)**	(4,888)
119,369	**184,484**	**Operating profit**	**7**	**12,217**	7,555
(19,383)	**(208)**	Net finance costs	**9**	**(14)**	(1,489)
2,388	**3,156**	Finance income		**209**	184
(21,771)	**(3,364)**	Finance costs		**(223)**	(1,673)
99,986	**184,276**	**Profit before taxation**		**12,203**	6,066
(2,342)	**222**	Taxation	**10**	**15**	(180)
97,644	**184,498**	**Profit for the year**		**12,218**	5,886
		Other comprehensive income/(loss) – items that may subsequently be reclassified to profit and loss:			
—	**—**	Currency translation differences on the translation of Rand denominated Group entities		**(20,297)**	(6,257)
—	**—**	Release of foreign currency translation reserve		**1,425**	—
—	**—**	**Total other comprehensive income/(loss) recognised directly in equity**		**(18,872)**	(6,257)
97,644	**184,498**	**Total comprehensive income/(loss) for the year**		**(6,654)**	(371)
		Profit for the period attributable to:			
97,945	**183,857**	Equity holders of the parent		**12,175**	5,908
(301)	**641**	Non-controlling interests		**43**	(22)
97,644	**184,498**			**12,218**	5,886
		Total comprehensive income/(loss) attributable to:			
97,945	**183,857**	Equity holders of the parent		**(6,697)**	(349)
(301)	**641**	Non-controlling interests		**43**	(22)
97,644	**184,498**			**(6,654)**	(371)
119.32	**231.34**	**Basic and diluted earnings per ordinary share attributable to equity holders (in cents/pence)**	**11**	**15.32**	7.20
82,088	**79,476**	**Weighted average number of shares (net of treasury shares, in thousands)**	**11**	**79,476**	82,088

* Comparatives have been restated for changes in accounting policies – refer to note 4

The notes on pages 22 to 79 form part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2013

	Notes	Share capital R'000	Share premium R'000	Capital redemption reserve R'000	Treasury shares reserve R'000	Retained earnings R'000	Attributable to equity holders R'000	Non-controlling interests R'000	Total equity R'000
Balance as at 1 January 2012		596,879	22,125	29,965	(29,452)	227,597	847,114	(754)	846,360
Change in accounting policies	4	—	—	—	—	203,866	203,866	754	204,620
Balance as at 1 January 2012 (*restated)		596,879	22,125	29,965	(29,452)	431,463	1,050,980	—	1,050,980
Total comprehensive income/(loss) for the period		—	—	—	—	97,945	97,945	(301)	97,644
Income/(loss) for the period		—	—	—	—	97,945	97,945	(301)	97,644
Other comprehensive income for the period		—	—	—	—	—	—	—	—
Cancellation of treasury shares		(22,208)	—	22,208	29,452	(29,452)	—	—	—
Arising on acquisition of investment in subsidiary	26	—	—	—	—	—	—	7	7
Balance as at 31 December 2012 (*restated)		574,671	22,125	52,173	—	499,956	1,148,925	(294)	1,148,631
Total comprehensive income for the period		—	—	—	—	183,857	183,857	641	184,498
Income for the period		—	—	—	—	183,857	183,857	641	184,498
Other comprehensive income for the period		—	—	—	—	—	—	—	—
Purchase of treasury shares		—	—	—	(89,910)	—	(89,910)	—	(89,910)
Effect of share split and consolidation	24	1	(1)	—	(2,499)	—	(2,499)	—	(2,499)
Treasury shares issued to acquire NBC	16	—	(447)	—	64,347	—	63,900	—	63,900
Reduction in non-controlling interests arising on acquisition of further shares in BFM	26	—	—	—	—	(123)	(123)	18	(105)
Equity settled share based payment	34	—	—	—	—	20,287	20,287	—	20,287
Treasury shares issued during the year as part of the long term Management Incentive Scheme	34	—	(209)	—	9,214	(9,005)	—	—	—
Dividend paid		—	—	—	—	(20,871)	(20,871)	—	(20,871)
Balance as at 31 December 2013		**574,672**	**21,468**	**52,173**	**(18,848)**	**674,101**	**1,303,566**	**365**	**1,303,931**

* Comparatives have been restated for changes in accounting policies – refer to note 4

Consolidated statement of changes in equity continued
for the year ended 31 December 2013

	Notes	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares reserve £'000	Foreign Currency Translation Reserve £'000	Retained earnings £'000	Attributable to equity holders £'000	Non-controlling interests £'000	Total equity £'000
Balance as at 1 January 2012		57,053	1,974	2,893	(2,272)	3,278	4,591	67,517	(60)	67,457
Change in accounting policies	4	—	—	—	—	(3,055)	19,302	16,247	60	16,307
Balance as at 1 January 2012 (*restated)		57,053	1,974	2,893	(2,272)	223	23,893	83,764	—	83,764
Total comprehensive income/(loss) for the period		—	—	—	—	(6,257)	5,908	(349)	(22)	(371)
Income/(loss) for the period		—	—	—	—	—	5,908	5,908	(22)	5,886
Other comprehensive loss for the period		—	—	—	—	(6,257)	—	(6,257)	—	(6,257)
Cancellation of treasury shares		(1,706)	—	1,706	2,272	—	(2,272)	—	—	—
Arising on acquisition of investment in subsidiary	26	—	—	—	—	—	—	—	—	—
Balance as at 31 December 2012 (*restated)		55,347	1,974	4,599	—	(6,034)	27,529	83,415	(22)	83,393
Total comprehensive income/(loss) for the period		—	—	—	—	(20,297)	13,600	(6,697)	43	(6,654)
Income for the period		—	—	—	—	—	12,175	12,175	43	12,218
Other comprehensive income/(loss) for the period		—	—	—	—	(20,297)	1,425	(18,872)	—	(18,872)
Purchase of treasury shares		—	—	—	(5,955)	—	—	(5,955)	—	(5,955)
Effect of share split and consolidation	24	—	—	—	(166)	—	—	(166)	—	(166)
Treasury shares issued to acquire NBC	16	—	(30)	—	4,262	—	—	4,232	—	4,232
Reduction in non-controlling interests arising on acquisition of further shares in BFM	26	—	—	—	—	—	(9)	(9)	1	(8)
Equity settled share based payment	34	—	—	—	—	—	1,344	1,344	—	1,344
Treasury shares issued during the year as part of the long term Management Incentive Scheme	34	—	(14)	—	611	—	(597)	—	—	—
Dividend paid		—	—	—	—	—	(1,382)	(1,382)	—	(1,382)
Balance as at 31 December 2013		**55,347**	**1,930**	**4,599**	**(1,248)**	**(26,331)**	**40,485**	**74,782**	**22**	**74,804**

* Comparatives have been restated for changes in accounting policies – refer to note 4

A final dividend of 17 South African cents, 1.21 pence per ordinary share was paid on 18 June 2013.

An interim dividend of 8 South African cents, 0.50 pence per ordinary share was paid on 22 November 2013.

A final dividend of 14 South African cents, 0.80 pence per ordinary share has been proposed, to be paid on 30 May 2014.

The notes on pages 22 to 79 form part of the consolidated financial statements.

Consolidated statement of financial position
as at 31 December 2013

*Restated 1 January 2012 R'000	*Restated 31 December 2012 R'000	31 December 2013 R'000		Notes	31 December 2013 £'000	*Restated 31 December 2012 £'000	*Restated 1 January 2012 £'000
			Assets				
24,406	875	**875**	Goodwill	**12**	**51**	64	1,945
777	294	**1,524**	Deferred tax assets	**13**	**87**	21	62
642	1,168	**1,364**	Equipment	**14**	**78**	85	51
805,700	799,664	**1,180,472**	Financial assets at fair value through profit and loss	**15**	**67,721**	58,057	64,215
215,362	237,519	**312,014**	Net investments in subsidiaries	**16**	**17,899**	17,244	17,165
413,621	5,164	**677,138**	Net investments in associates	**17**	**38,846**	375	32,966
176,717	556,981	**191,320**	Financial assets held for trading	**15**	**10,976**	40,438	14,084
2,047	5,000	**8,174**	Investments classified as loans and receivables	**18**	**469**	363	163
279	148	**188**	Current tax assets		**12**	10	23
19,826	4,366	**4,065**	Trade and other receivables	**19**	**233**	317	1,580
214,564	340,803	**122,893**	Cash and cash equivalents	**20**	**7,050**	24,743	17,101
1,068,241	1,152,318	**1,319,555**	**Total assets**		**75,701**	83,660	85,140
			Liabilities				
—	(73)	**(60)**	Deferred tax liabilities	**13**	**(3)**	(5)	—
(185)	(217)	**(201)**	Other financial liabilities	**21**	**(12)**	(16)	(15)
—	(127)	**—**	Borrowings	**22**	**—**	(9)	—
(1,350)	(313)	**(469)**	Current tax liabilities		**(28)**	(23)	(108)
(15,726)	(2,841)	**(14,890)**	Trade and other payables	**23**	**(854)**	(206)	(1,253)
—	(116)	**(4)**	Bank overdrafts	**20**	**—**	(8)	—
(17,261)	(3,687)	**(15,624)**	**Total liabilities**		**(897)**	(267)	(1,376)
1,050,980	1,148,631	**1,303,931**	**Total net assets**		**74,804**	83,393	83,764
			Equity				
596,879	574,671	**574,672**	Share capital	**24**	**55,347**	55,347	57,053
22,125	22,125	**21,468**	Share premium	**24**	**1,930**	1,974	1,974
29,965	52,173	**52,173**	Capital redemption reserve	**24**	**4,599**	4,599	2,893
(29,452)	—	**(18,848)**	Treasury shares reserve	**24**	**(1,248)**	—	(2,272)
—	—	**—**	Foreign currency translation reserve	**24**	**(26,331)**	(6,034)	223
431,463	499,956	**674,101**	Retained earnings	**24**	**40,485**	27,529	23,893
1,050,980	1,148,925	**1,303,566**	**Total equity attributable to equity holders**		**74,782**	83,415	83,764
—	(294)	**365**	Non-controlling interests		**22**	(22)	—
1,050,980	1,148,631	**1,303,931**	**Total equity**		**74,804**	83,393	83,764
1,280	1,400	**1,620**	**Net asset value per share (in cents/pence)**		**93**	102	102
82,088	82,088	**80,447**	**Actual number of shares in issue (net of treasury shares, in thousands)**	**24**	**80,447**	82,088	82,088

* Comparatives have been restated for changes in accounting policies – refer to note 4

The official opening middle rates of exchange applicable between the Euro and the GBP, and the Euro and the ZAR, as issued by the European Central Bank at 31 December 2013 was 0.83 (2012: 0.82) and 14.57 (2012:11.17) respectively.

The consolidated financial statements were approved by the Board and authorised for issue on 16 April 2014.

The notes on pages 22 to 79 form part of the consolidated financial statements.

Andrew Bonamour
Non-executive Director

John Mills
Non-executive Director

Consolidated statement of cash flows

for the year ended 31 December 2013

*Restated 2012 R'000	2013 R'000		Notes	2013 £'000	*Restated 2012 £'000
		Cash flow from operating activities			
(67,531)	**(164,195)**	Cash absorbed by operations	**25**	**(10,728)**	(6,712)
217,225	**61,450**	Dividend and interest income received		**4,069**	16,690
2,388	**3,156**	Finance income received		**209**	184
(21,771)	**(3,364)**	Finance costs paid		**(223)**	(1,673)
(2,719)	**(906)**	Taxation paid		**(58)**	(207)
127,592	**(103,859)**	**Cash (absorbed)/generated by operating activities**		**(6,731)**	8,282
		Cash flow from investing activities			
(716)	**(599)**	Purchase of equipment		**(40)**	(54)
14	**172**	Proceeds on disposal of equipment		**11**	1
(894)	**(105)**	Acquisition of subsidiaries, net of cash acquired	**26**	**(8)**	(65)
(1,596)	**(532)**	**Cash absorbed by investing activities**		**(37)**	(118)
		Cash flow from financing activities			
127	**(127)**	Movement in borrowings		**(8)**	10
—	**(2,499)**	Acquisition of Blackstar shares as a result of the share split and consolidation		**(166)**	—
—	**(89,910)**	Purchase of treasury shares		**(5,955)**	—
—	**(20,871)**	Dividends paid to equity holders of the parent		**(1,382)**	—
127	**(113,407)**	**Cash (absorbed)/generated by financing activities**		**(7,511)**	10
126,123	**(217,798)**	**Net (decrease)/increase in cash and cash equivalents**		**(14,279)**	8,174
214,564	**340,687**	Cash and cash equivalents at the beginning of the year		**24,735**	17,101
—	**—**	Exchange losses on cash and cash equivalents		**(3,406)**	(540)
340,687	**122,889**	**Cash and cash equivalents at the end of the year**	20	**7,050**	24,735

* Comparatives have been restated for changes in accounting policies – refer to note 4

The notes on pages 22 to 79 form part of the consolidated financial statements.

1. Accounting policies

1.1 Basis of preparation

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

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB") as endorsed for use by the European Union and with the Malta Companies Act, 1995. The financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit and loss that have been measured at fair value.

The Group presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 27. This is a change in accounting policy from the prior year and disclosure for the comparative periods has also been amended to reflect items in order of liquidity.

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

1.2 Basis of consolidation

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and by other parties;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

The Company is an Investment Entity and as such does not consolidate all of the entities it controls. Instead, certain interests in subsidiaries are classified as fair value through profit and loss and measured at fair value. Where the Company, (the Investment Entity) controls an investee that provides services that relate only to the Company's own investment activities, it then consolidates that investee. This represents a change in accounting policy in the current year, more details of which are provided in note 4. Investments in associates are also classified as fair value through profit and loss, and measured at fair value.

In circumstances where subsidiaries meet the requirements to be consolidated, the following policies apply:

- Inter-company transactions and balances between Group companies are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

1. Accounting policies (continued)

1.2 Basis of consolidation (continued)

- Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination (see below) and the non-controlling interest's share of changes in equity since the date of the combination.
- The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquired business. The acquired business' identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair values at the acquisition date. Non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations are recognised and measured at fair value less costs to sell.
- Goodwill arising on acquisition is recognised in accordance with the Group's goodwill accounting policy (refer below).

1.3 Non-controlling interests

For business combinations completed prior to 1 January 2010, the Group initially recognised any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. For business combinations completed on or after 1 January 2010 the Group has the choice, on a transaction by transaction basis, to initially recognise any non-controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value. The Group has not elected to take the option to use fair value in acquisitions completed to date.

1.4 Goodwill

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

The cost of goodwill is calculated as being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the Group's interest in the net fair value of the acquired business' identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit and loss.

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

1.5 Equipment

Equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

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

1. Accounting policies (continued)

1.5 Equipment (continued)

Residual values and useful lives are reassessed annually.

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

The estimated useful lives for office furniture, fixtures and equipment is 3 to 10 years.

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

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

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

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

1.6 Leases

Operating leases

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

Finance leases

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

1.7 Financial instruments

The Group classifies its financial assets and financial liabilities at initial recognition into the following categories in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Financial assets at fair value through profit and loss

The category of financial assets at fair value through profit and loss is sub-divided into:

- *Financial assets held for trading* – financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. This category includes equities and equity investments in hedge funds. These assets are acquired principally for the purpose of generating a profit from short term fluctuation in price.

1. Accounting policies (continued)

1.7 Financial instruments (continued)

Financial assets at fair value through profit and loss (continued)

- *Financial instruments designated as a fair value through profit and loss upon initial recognition* – These include investment in subsidiaries and investment in associates. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Company.

  - *Investments in subsidiaries* – In accordance with the Investment Entities exception under IFRS 10 Consolidated Financial Statements, the Company does not consolidate certain subsidiaries in the Group financial statements. Investments in these subsidiaries are accounted for as a financial instrument at fair value through profit and loss. The exception is applicable for annual periods beginning on or after 1 January 2014, but early adoption is permitted and the Company has early adopted this exception.
  - *Loans and receivables payable by subsidiaries designated at fair value through profit and loss* – Shareholder loans to subsidiaries which are considered to be equity loans (and ordinarily would be accounted for as loans and receivables) have been designated at fair value through profit and loss. On assessment of the fair value of the net investment in subsidiary, these equity loans are incorporated into the valuation assessment and any decline in fair value is first allocated to the carrying amount of the equity investment and then to the loan to the subsidiary.
  - *Investments in associates* – In accordance with the options available under IAS 28 Investments in Associates and Joint Ventures, the Company does not account for its investment in associates in the Group financial statements using the equity method. Instead the Company has elected to measure its investments in these entities at fair value through profit and loss.

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. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The Company includes in this category loans to subsidiaries which are identified as working capital loans, usually short term in nature.

The Group's loans and receivables also include trade and other receivables, and cash and cash equivalents in the consolidated statement of financial position.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

Other financial liabilities

This category includes all financial liabilities, including borrowings, other than those classified as held for trading. The Company includes in this category short term payables.

Recognition

The Company recognises a financial asset or a financial liability when it becomes party to the contractual provisions of the instrument.

Initial measurement

Financial assets at fair value through profit and loss are recorded in the statement of financial position at fair value. All transaction costs for such instruments are recognised directly in profit and loss.

1. Accounting policies (continued)

1.7 Financial instruments (continued)

Initial measurement (continued)

Loans and receivables and financial liabilities (other than those classified as held for trading) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Company recognises the difference in the statement of comprehensive income, unless specified otherwise.

Subsequent measurement

After initial measurement, the Company measures financial instruments which are classified at fair value through profit and loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in net gain or loss on financial assets at fair value through profit and loss. Interest and dividend earned or paid on these instruments are recorded separately in interest revenue and dividend revenue.

Loans and receivables are carried at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in profit and loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial liabilities, other than those classified as at fair value through profit and loss, are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit and loss when the liabilities are derecognised, as well as through the amortisation process.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liabilities. When calculating the effective interest rate, the Company estimates the cash flows considering all contractual terms of the financial instruments, but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Derecognition

A financial asset (or where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive the cash flows from the asset have expired or the Company has transferred its rights to receive the cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either:

- The Company has substantially transferred all of the risks and rewards of the asset, or
- The Company has neither transferred nor retained substantially all of the risks and rewards of the asset, but has transferred control of the asset

Where the Company has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. The Company derecognises a financial liability when the obligation under the liability has been discharged, cancelled, or expired.

1. Accounting policies (continued)

1.8 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position if there is a current enforceable legal right to offset the recognised amounts and there is an intention to settle on a net bass, or to realise the asset and settle the liability simultaneously.

1.9 Impairment of non-financial assets

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

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

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

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

1.10 Cash and cash equivalents

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

Short term investments that are not held for the purpose of meeting short term cash commitments and restricted margin accounts are not considered as 'cash and cash equivalents'.

For the purpose of the statement of cash flows, cash and cash equivalents consists of cash and cash equivalents as defined above, net of outstanding bank overdrafts when applicable.

In assessing the movements in the cash flows of the Group, the movements in and cash flows relating to financial instruments designated at fair value through profit and loss have been classified within operating activities due to the fact that Blackstar is considered to be an Investment Entity.

1.11 Dividend distributions

Dividends are at the discretion of the Company. A dividend to the Company's shareholders is accounted for as a deduction from retained earnings. An interim dividend is recognised as a liability in the period in which it is irrevocably declared by the Board of Directors. A final dividend is recognised as a liability in the period in which it is approved by the annual general meeting of shareholders.

1.12 Equity instruments and treasury shares

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

1. Accounting policies (continued)

1.12 Equity instruments and treasury shares (continued)

The 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 cost of the shares sold (calculated on a weighted average basis) 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.

1.13 Dividend and interest revenue

Interest revenue is recognised in profit and loss for all interest-bearing financial instruments using the effective interest rate method.

Dividend revenue is recognised on the date on which the investments are quoted ex-dividend or, where no ex-dividend date is quoted, when the Company's right to receive the payment is established. Dividend revenue is presented net of any non-recoverable with withholding taxes, which are disclosed separately in the statement of comprehensive income.

1.14 Net gains or losses on financial assets and liabilities at fair value through profit and loss

This item includes changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as at fair value through profit and loss and excludes interest and dividend income and expenses.

Unrealised gains and losses comprise changes in the fair value of financial instruments for the period and from reversal of prior period's unrealised gains and losses for financial instruments which were realised in the reporting period.

Realised gains and losses on disposals of financial instruments classified as at fair value through profit and loss represent the difference between an instrument's initial carrying amount and disposal amount, or cash payments or receipts made on derivative contracts (excluding payments or receipts on collateral margin accounts for such instruments).

1.15 Fee income and performance fee income

Fee income and performance fee income includes corporate finance and advisory fees, and performance fees earned by the hedge fund management company. Fee income is recognised on an accruals basis when the services are provided. Performance fee income is recognised when the Group has an unconditional entitlement to receive it and it can be reliably measured. All fee income is measured at the fair value of the consideration receivable.

1.16 Finance income and finance costs

Finance income comprises interest receivable on current account bank balances, and deposits held on call. Finance costs comprise interest payable on borrowings calculated using the effective interest rate method. Interest is recognised in profit and loss as it accrues using the effective interest rate method.

1.17 Share-based payments

Blackstar operates a long term Management Incentive Scheme ("the Scheme") which was implemented in 2013 post approval by shareholders at the previous Annual General Meeting. Based on a six month growth of intrinsic net asset value (not share price) an incentive fee pool is calculated on the Relevant Date (being 30 June and 31 December) which is split into 50% shares (vesting on date of issue but subject to certain restrictions) and 50% cash for the benefit of the participants of the executive scheme. The number of shares to be issued is calculated by dividing the 50% shares incentive pool by the Blackstar closing share price on the Relevant Date as quoted by the AltX stock market of South Africa. In addition, the Board has the discretion to issue up to 0.25% of the issued number of shares for the six month period ending on the relevant date as defined.

1. Accounting policies (continued)

1.17 Share-based payments (continued)

The cost of equity settled shares awarded to participants as part of the long term Blackstar Management Incentive Scheme is charged to the profit and loss on the Relevant Date (being the date on which the obligation arises) and a corresponding credit entry is raised directly to retained earnings within the consolidated statement of changes in equity. On the actual date on which the shares are issued, a debit entry is made to retained earnings and the issue of fresh shares or re-issue of treasury shares is recognised within the consolidated statement of changes in equity.

Per the Scheme rules, the shares vest immediately (although the shares are subject to certain restrictions) and thus the full cost is recognised in profit and loss on the Relevant Date. The fair value of the services received cannot be reliably estimated, and therefore the cost of the equity settled share award is calculated with reference to the fair value of the equity instruments granted, being the value of 50% of the incentive pool.

The cash award is calculated as 50% of the Incentive Pool which is calculated based on growth in intrinsic net asset value and with no reference to Blackstar's share price. Therefore the cash award does not meet the definition of a cash-settled share based payment in accordance with IFRS 2 Share Based Payments. The obligation arises on the Relevant Date and an expense is recognised within profit and loss and a corresponding accrual raised. The accrual is reversed on payment of the cash to participants.

The cost of the discretionary award is recognised in the profit and loss and is calculated with reference to the fair value of the equity instruments granted (being the Blackstar closing share price on the date of issue of the shares to participants). The obligation to transfer the discretionary share award to participants arises on the date that the award is approved by the Board of Directors.

1.18 Tax

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

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

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit
  - nor taxable profit (tax loss).

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

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

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

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

1. Accounting policies (continued)

1.18 Tax (continued)

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

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

1.19 Foreign currencies

Functional and presentation currency

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

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

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

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

At each reporting date, monetary items denominated in foreign currency are translated at the exchange rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currency are translated at the exchange rates prevailing when the fair value was determined.

Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are translated using the rates of exchange ruling at the date of the transaction. Any exchange differences arising on translation are recognised in the statement of income in the period in which they occur.

Translation of financial statement of entities into the presentation currencies

Assets and liabilities of entities are translated into the Group's presentation currencies of Rands and Pounds Sterling at year end exchange rates. Capital and reserves are translated at historical rates. Items included in profit and loss are translated at average exchange rates for the year.

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

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

	Closing rate		Average rate	
	2013	2012	**2013**	2012
GBP/ZAR	**17.431**	13.773	**15.099**	13.015
EUR/ZAR	**14.432**	11.187	**12.817**	10.552
EUR/GBP	**0.828**	0.812	**0.849**	0.810

1.20 Operating segments

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

1. Accounting policies (continued)

1.20 Operating segments (continued)

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

1.21 Significant judgements and areas of estimation

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

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

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the financial statements:

Assessment as an Investment Entity

Entities that meet the definition of an Investment Entity within IFRS 10 are required to measure certain subsidiaries at fair value through profit and loss rather than consolidate them.

The criteria which define an Investment Entity are as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits its investors that its business propose is to invest fund solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance for substantially all of its investments on a fair value basis

The Company's investment policy details its objective which is to generate returns, in the form of capital appreciation and income to shareholders, through investing in a portfolio of businesses.

The Company reports to its investors through information provided on its website, and to its Board of Directors, via internal Board reports, on a fair value basis in the form of an intrinsic net asset value ("NAV") calculation. All investments are reported at fair value within the intrinsic NAV calculation. The Company has an ultimate exit strategy noted for each investment.

The Board has also determined that the Company meets the additional characteristics of an Investment Entity, in that it has more than one investment, the investments are predominantly in the form of equities and similar securities, it has more than one investor and its investors are not related parties.

The Board has concluded that the Company meets the definition of an Investment Entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics change.

Estimates and key assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Company based its assumptions and estimations on parameters available when the financial statements were prepared.

1. Accounting policies (continued)

1.21 Significant judgements and areas of estimation (continued)

Estimates and key assumptions (continued)

However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The input to these models is taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimate includes considerations of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the statement of financial position and the level where the instruments are disclosed in the fair value hierarchy. The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument (without modification or repackaging) when available. To assess the significance of a particular input to the entire measurement, the Company performs sensitivity analysis or stress testing techniques.

The key assumptions used to determine the fair value of non-listed investments and sensitivity analyses are provided in note 28.

2. Determination of fair values

The Company measures its investments in subsidiaries and associates, as well as its investments in financial instruments, such as equities and investments in hedge funds, at fair value at each reporting date.

Fair value is the price that would be received or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value of financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deductions for transaction costs. Securities defined in these accounts as "listed" are traded in an active market.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances.

Unlisted equity investments have been valued as follows:

- Where applicable, on the basis of a similar recent investment transaction by an independent third party in the equity of the portfolio of the company. Where the investment being valued was itself made fairly recently (within a period of one year), its costs often provide a good indication of fair value.
- Using the discounted cash flow methodology, in which case:
  - Enterprise value is apportioned to the enterprise's financial instruments in order of ranking. The enterprise value is derived, using reasonable assumptions and estimations of expected cash flows and the terminal value and discounting to the present value by applying the appropriate risk-adjusted discount rate that quantifies the risk inherent in the investment.

2. Determination of fair values (continued)

– Given the subjective nature of valuations, the Company is cautious and conservative in determining the valuations.

- Where limited information is available to calculate a value using the discounted cash flow method, the value is calculated using an adjusted Net Asset Value ("NAV"). The adjusted NAV value is calculated using the NAV of the investment and adjusting the value for the risk factors that management feel are most appropriate to that investment.

All assets and liabilities for which fair value is measured or disclosed in the financial instruments are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for the lowest level of input that is significant to the fair value of measurement is unobservable

3. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations considered to be relevant to the operations of the Group are not yet effective for the year ended 31 December 2013, and have not been applied in preparing these consolidated financial statements. These are to be applied to financial statements with periods commencing on or after the following dates:

Standard and Interpretations	Effective date
IFRS 9 Financial Instruments#	Not yet determined
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014
Recoverable amounts disclosures for non-financial assets (Amendments to IAS 36)	1 January 2014

\# These standards and interpretations are not endorsed by the EU at present

IFRS 9

IFRS 9 Financial Instruments will eventually replace IAS 39 in its entirety. IFRS 9 is being developed in stages and is yet to be finalised. The effective date has been left open until this development is complete. The effect on the Group of adoption of IFRS 9 has yet to be determined.

IAS 32 (Amendments)

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

IAS 36 (Amendments)

This amendment requires additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal and the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique. This amendment is not expected to have any impact on the Group as the Group has a limited number of non-financial assets for which this amendment would apply.

The IASB and IFRIC have also issued or made amendments to IAS 19, IAS 39, IFRIC 21 and IFRS 14, but these are not relevant to the current operations of the Group.

4. Changes in accounting policies

New and amended standards and interpretations

The accounting policies adopted in the current year are consistent with those of the previous year, except that the Group has adopted the following new and revised accounting standards:

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

The Group has chosen to present the consolidated statement of financial position using the liquidity presentation. This change does not affect the quantitative value of amounts previously presented, and the differentiation between the current and the non-current elements on the consolidated statement of financial position can be assessed in note 27.

Of the above standards, only IFRS 10 (including the investment entities amendments) has made a significant impact to the financial performance and position of the Group as its adoption requires the restatement of results previously presented.

IFRS 12 requires additional disclosures to be made, but has no effect on the financial position or performance of the Group. The adoption of IFRS 11, IAS 27 (revised) and IAS 28 (revised) has not had a material impact on the financial statements.

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Group reassessed its policies for measuring fair values. IFRS 13 also requires additional disclosures to be made, and these are provided in note 28.

The amendments to IAS 1 clarify the disclosure requirements in respect of comparative information required in cases of changes of accounting policies, retrospective restatements or reclassifications, and change the grouping of items presented in the consolidated statement of other comprehensive income, such that items that could be reclassified (or recycled) to profit and loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will not be reclassified. These amendments have only had a disclosure impact on the Group's accounts.

Other amendments apply for the first time in 2013. However, they do not impact the financial statements of the Group.

The nature and impact of the adoption of IFRS 10 on the Group financial statements is described below:

IFRS 10 Consolidated Financial Statements and Investment Entities Amendments

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issue raised in SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities.

In addition, IFRS 10 includes an exception from consolidation for entities, which meet the definition of an investment entity, and requires such entities to recognise all investments at fair value through profit and loss.

4. Changes in accounting policies (continued)

New and amended standards and interpretations (continued)

IFRS 10 Consolidated Financial Statements and Investment Entities Amendments (continued)

The adoption of IFRS 10 has resulted in the Group treating certain of its net investments in subsidiaries and associates as investments held at fair value through profit and loss. Subsidiaries which provide services that relate only to the Company's own investment activities continue to be consolidated.

Under the transitional provisions of IFRS 10 this change in accounting policy is required to be accounted for retrospectively. Therefore, the relevant comparative figures have been restated.

The impact of these changes on the consolidated statement of financial position as at 31 December 2011 and 31 December 2012, and the impact on the consolidated statement of comprehensive income for the year ended 31 December 2012 are shown below:

Impact on the consolidated statement of financial position

Increase/(decrease) to net assets:

31 December 2011 R'000	**31 December 2012 R'000**		**31 December 2012 £'000**	31 December 2011 £'000
		Assets		
(94,230)	**(73,463)**	Property, plant and equipment	**(5,333)**	(7,512)
(88,050)	**(101,585)**	Investment properties	**(7,375)**	(7,018)
(11,772)	**(8,147)**	Goodwill	**(592)**	(939)
(36,972)	**(22,713)**	Intangible assets	**(1,650)**	(2,947)
—	**(1,870)**	Investments in associates	**(136)**	(16,437)
(25,380)	**3,259**	Investments classified as loans and receivables	**237**	(2,023)
422,749	**189,622**	Financial assets at fair value through profit and loss	**13,767**	50,130
(23)	**(917)**	Other financial assets	**(67)**	(2)
(380)	**(2,111)**	Deferred tax assets	**(156)**	(30)
(31)	**(2,006)**	Current tax assets	**(145)**	(1)
(124,971)	**(136,643)**	Trade and other receivables	**(9,921)**	(9,960)
(125,997)	**(148,117)**	Inventories	**(10,753)**	(10,042)
(40,560)	**(11,260)**	Cash and cash equivalents	**(817)**	(3,233)
(125,617)	**(315,951)**	**Total assets**	**(22,941)**	(10,014)
		Liabilities		
96,341	**96,767**	Borrowings	**7,025**	7,679
88,809	**83,053**	Other financial liabilities	**6,030**	7,078
18,802	**13,232**	Deferred tax liabilities	**964**	1,499
3,658	**4,439**	Provisions	**323**	292
(281)	**—**	Current tax liabilities	**—**	(23)
122,843	**94,973**	Trade and other payables	**6,895**	9,791
65	**1**	Bank overdrafts	**—**	5
330,237	**292,465**	**Total liabilities**	**21,237**	26,321
204,620	**(23,486)**	**Total net assets**	**(1,704)**	16,307
		Equity		
203,866	**4,668**	Total equity attributable to equity holders	**341**	16,247
754	**(28,154)**	Non-controlling interests	**(2,045)**	60
204,620	**(23,486)**	**Total equity**	**(1,704)**	16,307

4. Changes in accounting policies (continued)

Impact on the consolidated statement of comprehensive income

Increase/(decrease) to profit:

31 December 2012 R'000		31 December 2012 £'000
(1,063,016)	Revenue	(81,676)
909,943	Cost of sales	69,915
(153,073)	**Gross profit**	(11,761)
(108,071)	Other income	(9,859)
182,826	Operating expenses	13,806
(78,318)	**Operating profit**	(7,814)
14,358	Net finance costs	1,103
(490)	Share of profit from associate	(38)
(64,450)	**Profit before taxation**	(6,749)
(2,080)	Taxation	(144)
(66,530)	**Profit from continuing operations**	(6,893)
(128,198)	Profit from discontinued operations, net of taxation	(7,741)
(194,728)	**Profit for the year**	(14,634)
	Profit for the period attributable to:	
(194,420)	Equity holders of the parent	(14,636)
(308)	Non-controlling interests	2
(194,728)		(14,634)
(236.84)	Basic earnings per ordinary share attributable to equity holders (in cents/pence)	(17.83)

5. Income

*Restated 2012 R'000	**2013 R'000**		**2013 £'000**	*Restated 2012 £'000
(59,826)	**133,042**	Net gains/(losses) on financial assets at fair value through profit and loss	**8,811**	(4,597)
215,690	**93,966**	Dividend income	**6,223**	16,572
3,557	**2,861**	Interest income	**189**	273
21,609	**8,651**	Fee income and performance fee income	**573**	1,660
2,001	**22,505**	Net foreign exchange gains/(losses)	**1,491**	(1,465)
183,031	**261,025**		**17,287**	12,443

* Comparatives have been restated for changes in accounting policies – refer to note 4

6. Operating expenses

*Restated 2012 R'000	2013 R'000		2013 £'000	*Restated 2012 £'000
		Administrative expenses		
(182)	**(236)**	Depreciation and amortisation	**(16)**	(14)
(26,792)	**—**	Impairment of goodwill	**—**	(1,945)
(32)	**16**	Decrease/(increase) in lease charges for straight-lining of leases	**1**	(2)
—	**(20,287)**	Blackstar long term Management Incentive Scheme Award of treasury shares (equity settled share based payment expense) (refer note 34)	**(1,344)**	—
—	**(17,882)**	Blackstar long term Management Incentive Scheme Award – cash element (refer note 34)	**(1,184)**	—
(5,347)	**(8,275)**	Exceptional, non-recurring costs	**(548)**	(411)
(874)	**(7,166)**	Operational expenses incurred by the hedge fund management businesses	**(475)**	(67)
(30,435)	**(22,711)**	Operational expenses incurred by Blackstar Group SE, Blackstar SA, Blackstar Cyprus and Blackstar Gibraltar	**(1,504)**	(2,449)
(63,662)	**(76,541)**		**(5,070)**	(4,888)

* Comparatives have been restated for changes in accounting policies – refer to note 4

7. Operating profit

7.1 Operating profit

Profit from operations per the consolidated statement of comprehensive income has been arrived at after crediting/(charging) the following:

*Restated 2012 R'000	2013 R'000		2013 £'000	*Restated 2012 £'000
		Staff costs excluding amounts paid to Blackstar Group SE Directors (refer note 33 for Directors' remuneration)		
(21,187)	**(21,010)**	Wages and salaries	**(1,674)**	(1,625)
—	**—**	Social security costs	**—**	—
—	**—**	Pension costs	**—**	—
(21,187)	**(21,010)**		**(1,674)**	(1,625)
(182)	**(236)**	Depreciation of equipment	**(16)**	(14)
2,001	**22,505**	Net foreign exchange gains/(losses)	**1,491**	(1,465)
(964)	**(978)**	Operating lease expense	**(65)**	(74)

* Comparatives have been restated for changes in accounting policies – refer to note 4

7. Operating profit (continued)

7.2 Auditor's remuneration for the Company and its subsidiaries

Auditor's remuneration expense incurred by the Company and its subsidiaries (including subsidiaries which are not consolidated but rather designated at fair value through profit and loss) are as follows:

2012 R'000	**2013 R'000**		**2013 £'000**	2012 £'000
		Auditor's remuneration paid to Group auditors and their associates		
(946)	**(887)**	Audit fees of the Group and Company annual accounts	**(59)**	(68)
—	**(51)**	Other services relating to corporate finance transactions	**(3)**	—
(57)	**—**	Other assurance services	**—**	(4)
(1,235)	**(1,769)**	Paid to associates of BDO Malta for audit of subsidiaries	**(117)**	(88)
(2,238)	**(2,707)**		**(179)**	(160)

8. Employees

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

	2013	*Restated 2012
Managerial	**5**	6
Administrative	**8**	7
Operational	**3**	—
	16	13

* Comparatives have been restated for changes in accounting policies – refer to note 4

The average number of employees (excluding Blackstar Group SE Directors) during the current financial year for the Company and its subsidiaries (including subsidiaries which have not been consolidated) are as follows: 50 Managerial (2012: 34), 71 Administrative (2012: 39), and 393 Operational (2012: 434).

9. Net finance costs

*Restated 2012 R'000	**2013 R'000**		**2013 £'000**	*Restated 2012 £'000
2,388	**3,156**	Finance income	**209**	184
2,377	**3,156**	Interest income on bank balances	**209**	183
11	**—**	Interest income on trade and other receivables	**—**	1
(21,771)	**(3,364)**	Finance costs	**(223)**	(1,673)
(272)	**(164)**	Interest expense on bank overdrafts	**(11)**	(22)
(21,499)	**(3,200)**	Interest expense and finance costs on borrowings from banks	**(212)**	(1,651)
(19,383)	**(208)**		**(14)**	(1,489)

* Comparatives have been restated for changes in accounting policies – refer to note 4

10. Taxation

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
1,779	**909**	Current taxation	**59**	135
1,723	**411**	Current year	**26**	131
56	**498**	Prior years under provision	**33**	4
530	**(1,243)**	Deferred taxation	**(83)**	42
530	**(1,232)**	Current year	**(82)**	42
—	**(11)**	Prior years over provision	**(1)**	—
33	**112**	Net wealth tax and withholding taxes	**9**	3
2,342	**(222)**		**(15)**	180

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

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
99,986	**184,276**	Profit before taxation	**12,203**	6,066
34,995	**64,497**	Tax at standard rate of corporate tax in Malta	**4,271**	2,123
(13,573)	**(20,491)**	Differing foreign tax rates	**(1,358)**	(1,044)
(19,169)	**(44,827)**	Income and expenses not subject to tax	**(2,969)**	(906)
56	**487**	Under provision from prior years	**32**	4
33	**112**	Net wealth tax and withholding taxes	**9**	3
2,342	**(222)**	Current tax charge for the year	**(15)**	180

* Comparatives have been restated for changes in accounting policies - refer to note 4

Assessed losses of the Group for which no deferred tax asset has been recognised amount R14,799,000 (£1,074,000) at 31 December 2012 and R39,758,000 (£2,281,000) at 31 December 2013. The deferred tax asset has not been raised as its not believed probable that it will be utilised.

11. Earnings per share

11.1 Basic and diluted earnings per share

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
97,945	**183,857**	Profit for the period attributable to equity holders of the parent	**12,175**	5,908
82,088	**79,476**	Weighted average number of shares in issue (net of treasury shares, in thousands)#	**79,476**	82,088
119.32	**231.34**	Basic and diluted earnings per ordinary share attributable to equity holders (in cents/pence)	**15.32**	7.20

* Comparatives have been restated for changes in accounting policies - refer to note 4

The weighted average number of shares for the comparative period have been restated for the changes in accounting policies as well as the effects of the share split and consolidation which took place during the current financial year

11. Earnings per share (continued)

11.2 Basic and diluted headline earnings per share^

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
97,945	**183,857**	Profit for the period attributable to equity holders of the parent	**12,175**	5,908
		Adjusted for:		
26,792	**—**	Impairment of goodwill	**—**	1,945
—	**(5)**	Profit on disposal of equipment	**—**	—
—	**1**	Total tax effects of adjustments	**—**	—
124,737	**183,853**	Headline earnings	**12,175**	7,853
151.96	**231.33**	Basic and diluted headline earnings per ordinary share attributable to equity holders (in cents/pence)	**15.32**	9.57

^ Disclosure of headline earnings has been provided in accordance with the JSE Listings Requirements
* Comparatives have been restated for changes in accounting policies - refer to note 4

12. Goodwill

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
—	**—**	Blackstar Group (Pty) Limited ("Blackstar SA") and internalisation of investment advisory arrangements (net of impairment)	**—**	—
875	**875**	Blackstar Fund Managers (Pty) Limited ("BFM")	**51**	64
875	**875**	Carrying amount at the end of the year	**51**	64
24,406	**875**	Carrying amount at the beginning of the year	**64**	1,945
(26,792)	**—**	Impairment of goodwill	**—**	(1,945)
875	**—**	Acquisition of BFM	**—**	63
2,386	**—**	Currency exchange (losses)/gains during the year	**(13)**	1
875	**875**	Carrying amount at the end of the year	**51**	64

* Comparatives have been restated for changes in accounting policies – refer to note 4

12.1 Impairment testing of goodwill

Impairment testing of goodwill arising on Blackstar SA and internalisation of investment advisory arrangements

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

The internalisation gave rise to goodwill of R161,507,000, £14,882,000. The recoverable amount was determined using a discounted cash flow model using the net asset value of the Group at the end of the year, a growth rate of 0.7% and a weighted average cost of capital of 15.0%. In 2012, the recoverable amount was less than the carrying amount and an impairment of R26,792,000, £1,945,000 was recognised leaving no remaining balance of goodwill as at 31 December 2012.

Impairment testing of goodwill arising on acquisition of BFM

On acquisition of the shares in BFM in the latter half of 2012, goodwill amounting to R875,000, £64,000 was recognised. No impairment was recognised for either the 2012 or 2013 financial year.

13. Deferred taxation

13.1 Movement in net deferred taxation

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
777	**221**	Net deferred tax asset at the beginning of the year	**16**	62
(530)	**1,232**	Recognised in the statement of comprehensive income	**82**	(42)
(26)	**—**	On acquisition of business	**—**	(2)
—	**11**	Over provision from prior years	**1**	—
—	**—**	Currency exchange losses during the year	**(15)**	(2)
221	**1,464**	Net deferred tax asset at the end of the year	**84**	16

13.2 Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Net R'000	Liabilities R'000	Assets R'000	2013	Assets £'000	Liabilities £'000	Net £'000
(26)	**(26)**	**—**	Equipment	**—**	**(1)**	**(1)**
(34)	**(34)**	**—**	Trade and other receivables	**—**	**(2)**	**(2)**
56	**—**	**56**	Other financial liabilities	**3**	**—**	**3**
37	**—**	**37**	Trade and other payables	**2**	**—**	**2**
1,431	**—**	**1,431**	Assessed losses	**82**	**—**	**82**
1,464	**(60)**	**1,524**		**87**	**(3)**	**84**
—	**—**	**—**	Set-off of assets and liabilities	**—**	**—**	**—**
1,464	**(60)**	**1,524**	Deferred tax assets/(liabilities) per statement of financial position	**87**	**(3)**	**84**

Net R'000	Liabilities R'000	Assets R'000	* Restated 2012	Assets £'000	Liabilities £'000	Net £'000
(25)	(25)	—	Equipment	—	(2)	(2)
(48)	(48)	—	Trade and other receivables	—	(3)	(3)
61	—	61	Other financial liabilities	4	—	4
35	—	35	Trade and other payables	3	—	3
198	—	198	Assessed losses	14	—	14
221	(73)	294		21	(5)	16
—	—	—	Set-off of assets and liabilities	—	—	—
221	(73)	294	Deferred tax assets/(liabilities) per statement of financial position	21	(5)	16

* Comparatives have been restated for changes in accounting policies – refer to note 4

14. Equipment

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
1,818	**2,234**	Cost	**128**	132
(650)	**(870)**	Accumulated depreciation	**(50)**	(47)
1,168	**1,364**	Carrying amount	**78**	85
642	**1,168**	Carrying amount at the beginning of the year	**85**	51
716	**599**	Additions	**40**	54
(8)	**(167)**	Disposals	**(11)**	(1)
(182)	**(236)**	Depreciation	**(16)**	(14)
—	**—**	Currency exchange losses during the year	**(20)**	(5)
1,168	**1,364**	Carrying amount at the end of the year	**78**	85

* Comparatives have been restated for changes in accounting policies – refer to note 4

15. Financial assets at fair value through profit and loss

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
556,981	**191,320**	**Financial assets held for trading**	**10,976**	40,438
496,093	**23,565**	Listed equity securities	**1,352**	36,017
—	**58,415**	Equity investments in unlisted hedge funds	**3,351**	—
60,888	**109,340**	Unlisted equity securities	**6,273**	4,421
242,683	**989,152**	**Financial assets designated at fair value through profit and loss**	**56,745**	17,619
237,519	**312,014**	Net investments in subsidiaries	**17,899**	17,244
5,164	**677,138**	Net investments in associates	**38,846**	375
799,664	**1,180,472**	Total financial assets at fair value through profit and loss	**67,721**	58,057
		Net changes in the fair value of financial assets		
86,685	**(28,348)**	**Financial assets held for trading**	**(1,878)**	6,660
67,383	**143,086**	Realised gains	**9,476**	5,177
(32,717)	**(200,812)**	Unrealised losses on disposals recognised in prior years	**(13,300)**	(2,514)
52,019	**29,378**	Unrealised gains	**1,946**	3,997
(146,511)	**161,390**	**Financial assets designated at fair value through profit and loss**	**10,689**	(11,257)
(32,279)	**(60,551)**	Realised losses	**(4,010)**	(2,481)
(121,036)	**—**	Unrealised losses on disposals recognised in prior years	**—**	(9,300)
6,804	**221,941**	Unrealised gains	**14,699**	524
(59,826)	**133,042**	Net gains/(losses) on financial assets at fair value through profit and loss	**8,811**	(4,597)

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

Financial assets held for trading comprise the following investments:

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
496,093	**23,565**	**Listed equity securities**	**1,352**	36,017
18,306	**23,042**	Ordinary shares in Shoprite Holdings Limited	**1,322**	1,329
20,059	**523**	Other investments in ordinary shares	**30**	1,456
194,967	**#**	Ordinary shares in Times Media Group Limited ("TMG")	**#**	14,155
262,761	**—**	Ordinary shares in Litha Healthcare Limited ("Litha")	**—**	19,077
—	**58,415**	**Investments in unlisted hedge funds**	**3,351**	—
—	**52,941**	Investment in Blackstar Global Opportunities Fund ("BGOF")	**3,037**	—
—	**5,474**	Investment in SA Alpha Blackstar Special Opportunity Fund ("BFM US Fund")	**314**	—
60,888	**109,340**	**Unlisted equity securities**	**6,273**	4,421
60,000	**109,340**	Ordinary shares in Robor (Pty) Limited ("Robor")	**6,273**	4,356
888	**—**	Ordinary shares in FBDC Investor Offshore Holdings L.P.	**—**	65
556,981	**191,320**	Total financial assets held for trading	**10,976**	40,438

* Comparatives have been restated for changes in accounting policies – refer to note 4

\# Due to further acquisitions of shares in TMG, the investment in TMG was classified as an investment in associate during the current financial year (refer note 17)

Refer note 16 and 17 for further details of investments in subsidiaries and investments in associates designated at fair value through profit and loss.

16. Net investments in subsidiaries

16.1 Net investments in subsidiaries designated at fair value through profit and loss

Blackstar meets the definition of an Investment Entity. Therefore, it does not consolidate some of its subsidiaries but rather, it recognises them as investments at fair value through profit and loss.

Principal place of business	Principal activity	Name of unconsolidated subsidiaries	Proportion of ownership rights 2013	2012
South Africa	Hedge fund	Blackstar Special Opportunities Fund# ("BSOF")	**56.6%**	38.4%
South Africa	General Partner	Blackstar GP (Pty) Limited# ("Blackstar GP")	**100.0%**	100.0%
South Africa	Steel roofing and cladding company	Global Roofing Solutions (Pty) Limited# ("GRS")	**100.0%**	100.0%
South Africa	Steel roofing and cladding company	Helm Engineering (Pty) Limited## ("Helm")	**100.0%**	100.0%
Namibia	Steel roofing and cladding company	Starbuck Island Investments (Pty) Limited## ("Starbuck")	**100.0%**	0.0%
South Africa	Industrial steel company	Stalcor (Pty) Limited^^ ("Stalcor")	**50.1%**	50.1%
South Africa	Investment property company	CCPA Properties (Pty) Limited^ ("CCPA")	**50.1%**	0.0%
South Africa	Investment company	New Bond Capital Limited^^ $$ ("NBC")	**100.0%**	0.0%
South Africa	Investment property company	Blackstar Real Estate (Pty) Limited^^ ("BRE")	**100.0%**	100.0%
South Africa	Investment property company	Fantastic Investments 379 (Pty) Limited** ("Fantastic")	**79.0%**	@
South Africa	Investment property company	Firefly Investments 223 (Pty) Limited** ("Firefly")	**70.0%**	70.0%
South Africa	Investment property company	Wonderdeals 38 (Pty) Limited** ("Wonderdeals")	**85.9%**	85.9%
Namibia	Investment property company	Domel Investments (Pty) Limited** $ ("Domel")	**100.0%**	100.0%

\# Subsidiary of Blackstar Group SE
^ Subsidiary of Stalcor (Pty) Limited
^^ Subsidiary of Blackstar (Cyprus) Investors Limited
** Subsidiary of Blackstar Real Estate (Pty) Limited
\## Subsidiary of Global Roofing Solutions (Pty) Limited
$ In the prior year Domel was wholly owned by GRS
$$ During Q2 2013, Blackstar's offer to acquire all of the shares in NBC via an issue of Blackstar shares was approved. Blackstar re-issued 5,808,553 of its treasury shares which it had previously bought back at a cost of R64.3 million (£4.3 million) to acquire NBC, a cash shell with a net asset value of R79.2 million (£5.2 million). This transaction was essentially a placing to enable Blackstar to obtain additional cash on an attractive, discounted basis. The cash was pooled with Blackstar's existing cash resources available for investment by Blackstar. NBC is currently in the process of being wound down and deregistered and remaining cash available in NBC post closure costs will be distributed up to Blackstar
@ In the prior year, BRE held 25% of the shares in Fantastic and thus the investment was classified as an associate, refer note 17

16. Net investments in subsidiaries (continued)

16.1 Net investments in subsidiaries designated at fair value through profit and loss (continued)

Loans and receivables payable by subsidiaries designated at fair value through profit and loss

Shareholder loans to subsidiaries which are considered to be equity loans (and ordinarily would be accounted for as loans and receivables) have been designated at fair value through profit and loss. On assessment of the fair value of the net investment in subsidiary, these equity loans are incorporated into the valuation assessment and any decline in fair value is first allocated to the carrying amount of the equity investment and then to the loan to the subsidiary.

Net investments in subsidiaries included in note 15 comprises the following investments:

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
155,000	**180,000**	Net investment in GRS	**10,327**	11,254
115,720	**129,770**	Equity share investment	**7,445**	8,402
39,280	**50,230**	Interest-free loan to GRS with no fixed terms of repayment. Monthly repayments are made by GRS, currently these amount to R1.25 million per month	**2,882**	2,852
32,000	**32,000**	Net investment in Stalcor	**1,836**	2,323
—	**—**	Equity share investment	**—**	—
32,000	**32,000**	Interest-free loan to Stalcor with no fixed terms of repayment	**1,836**	2,323
		Investment in BSOF		
21,540	**63,222**	Equity share investment#	**3,627**	1,563
		Investment in NBC		
—	**3,600**	Equity share investment	**206**	—
28,979	**33,192**	Investment in BRE and the property subsidiaries	**1,903**	2,104
—	**28,417**	Equity share investments in BRE and the property subsidiaries^	**1,630**	—
7,707	**2,641**	Interest-free loans to BRE and the property subsidiaries^	**152**	559
17,187	**11,997**	Loans to property investment subsidiaries bearing interest of between South African Prime Rate and South African Prime Rate plus 200 basis points. Repayment terms range between interest payable quarterly in arrears and no fixed terms of repayment	**688**	1,249
4,085	**4,535**	Preference shares held in property subsidiary bearing interest at South African Prime Rate plus 200 basis points and repayable on demand	**259**	296
—	**(14,398)**	Loan from BRE bearing interest at South African Prime Rate with no fixed terms of repayment	**(826)**	—
237,519	**312,014**		**17,899**	17,244

* Comparatives have been restated for changes in accounting policies - refer to note 4

\# In terms of the definition of control per IFRS, Blackstar, through its shareholding in Blackstar GP, is considered to control the fund BSOF and thus it is classified as a subsidiary. Blackstar's percentage ownership of the fund is calculated based on the fair value of Blackstar's direct investment into BSOF relative to the other limited partners' investment in the fund carried at fair value

^ As a result of a further acquisition of shares in Fantastic during the current financial year, Blackstar's shareholding increased to 79% and the investment in Fantastic is classified as an investment in subsidiary designated at fair value through profit and loss and is included as part of the investment in subsidiaries within the property portfolio. In the prior year the investment was classified as an investment in associate designated at fair value through profit and loss (refer note 17)

Restrictions

Blackstar receives income in the form of dividends and interest from its investments in unconsolidated subsidiaries, and there are no significant restrictions on the transfer of funds from these entities to Blackstar with the exception of the South African Reserve Bank regulations with respect to the transfer of funds offshore.

16. Net investments in subsidiaries (continued)

16.1 Net investments in subsidiaries designated at fair value through profit and loss (continued)

Support

Blackstar and its consolidated subsidiaries have provided support in the form of equity and working capital loans to its subsidiaries. Details of these loans are provided in note 16 for equity loans and note 18 for working capital loans. Blackstar has no contractual commitments and may provide further financial or any other type of support to its unconsolidated subsidiaries should they require it and the Company has the funds available to do so.

Maximum credit exposure for loans designated at fair value through profit and loss

The maximum credit exposure for these loans would be equal to the original carrying amount of the loan prior to any fair value adjustments, details of which are provided below:

Original loan amount prior to fair value adjustments R'000	**Carrying Value R'000**	**2013**	**Carrying Value £'000**	**Original loan amount prior to fair value adjustments £'000**
50,230	**50,230**	Loan to GRS	**2,882**	**2,882**
45,000	**32,000**	Loan to Stalcor	**1,836**	**2,582**
(14,398)	**(14,398)**	Loan from BRE	**(826)**	**(826)**
30,512	**19,173**	Loans to and preference shares in BRE and the property subsidiaries	**1,099**	**1,750**

Original loan amount prior to fair value adjustments R'000	Carrying Value R'000	2012	Carrying Value £'000	Original loan amount prior to fair value adjustments £'000
39,280	39,280	Loan to GRS	2,852	2,852
45,000	32,000	Loan to Stalcor	2,323	3,267
32,364	28,979	Loans to and preference shares in BRE and the property subsidiaries	2,104	2,350

16.2 Investments in subsidiaries which are consolidated

Certain subsidiaries provide services that relate only to the Company's own investment activities, and thus they should be consolidated. The summary of subsidiaries that are consolidated is provided below:

Principal place of business	**Principal activity**	**Name of consolidated subsidiaries**	**Proportion of ownership rights 2013**	**2012**
Cyprus	Investment company	Blackstar (Cyprus) Investors Limited# ("Blackstar Cyprus")	**100.0%**	100.0%
Gibraltar	Investment company	Blackstar (Gibraltar) Limited# ("Blackstar Gibraltar")	**^**	100.0%
South Africa	Investment advisory company	Blackstar Group (Pty) Limited# ("Blackstar SA")	**100.0%**	100.0%
South Africa	Fund Manager	Blackstar Fund Managers (Pty) Limited# ("BFM") **	**56.0%**	50.1%

\# Subsidiary of Blackstar Group SE
^ During the last quarter of 2013, Blackstar Gibraltar was wound down and deregistered
** During the current financial year, Blackstar acquired further shares in the fund manager BFM (refer note 26)

17. Net investments in associates

As Blackstar meets the definition of an Investment Entity, interests in associates are no longer equity accounted but rather recognised as investments designated at fair value through profit and loss. Details of the associates within the Group are provided below:

Principal place of business	Principal activity	Name of associates	Proportion of ownership rights 2013	2012
South Africa	Media	Times Media Group Limited ("TMG")	**25.2%**	#
South Africa	Stock broker	Navigare Securities (Pty) Limited ("Navigare")	**25.0%**	25.0%
South Africa	Property Investment company	Fantastic Investments 379 (Pty) Limited ("Fantastic")	**^**	25.0%

Investments in associates carried at fair value through profit and loss comprise the following:

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
		Net investment in TMG		
#	**672,138**	Equity shares in TMG	**38,559**	#
5,000	**5,000**	Net investment in Navigare	**287**	363
3,722	**3,820**	Equity shares in Navigare	**219**	270
1,278	**1,180**	Loan to Navigare which is interest-free with no fixed terms of repayment	**68**	93
164	**—**	Net investment in Fantastic	**—**	12
164	**^**	Equity shares in Fantastic	**^**	12
—	**^**	Loan to Fantastic which is interest-free with no fixed terms of repayment	**^**	—
5,164	**677,138**		**38,846**	375

* Comparatives have been restated for changes in accounting policies - refer to note 4

\# Due to further acquisitions of shares in TMG, the investment in TMG was classified as an investment in associate during the current financial year. In the prior year, the TMG investment was included in financial assets held for trading, listed equity securities (refer note 15)

^ As a result of a further acquisition of shares in Fantastic during the current financial year, Blackstar's shareholding increased to 79% and the investment in Fantastic was classified as an investment in subsidiary designated at fair value through profit and loss and is included in the category BRE and the property subsidiaries as part of the net investments in subsidiaries (refer note 16)

18. Investments classified as loans and receivables

Loans from Blackstar to subsidiaries of the Group which are considered to be working capital loans, and not part of equity, have been accounted for at amortised cost and comprise of the following:

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
—	**8,174**	Loan to subsidiary CCPA which bears interest at the South African Prime Rate. Interest is calculated monthly in arrears and both interest and capital are repayable once the Borrower has sufficient funds available	**469**	—
5,000	**—**	Short term working capital loan provided to Stalcor. The loan bore interest at the South African Prime Rate and was repaid during 2013	**—**	363
5,000	**8,174**		**469**	363

* Comparatives have been restated for changes in accounting policies – refer to note 4

19. Trade and other receivables

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
266	**206**	Management and fee income receivables	**12**	19
676	**921**	Prepayments, deposits and accrued income	**53**	49
3,424	**2,938**	Other receivables	**168**	249
4,366	**4,065**		**233**	317

* Comparatives have been restated for changes in accounting policies – refer to note 4

20. Cash and cash equivalents

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
340,803	**122,893**	Deposits and cash at bank	**7,050**	24,743
(116)	**(4)**	Bank overdrafts	**—**	(8)
340,687	**122,889**	Cash and cash equivalents per the statement of cash flows	**7,050**	24,735

* Comparatives have been restated for changes in accounting policies – refer to note 4

Cash and cash equivalents held by South African subsidiaries of R6,281,000, £360,000 (2012: R6,788,000, £493,000) are ring-fenced and are not available to other entities within the Group. Transfers of cash are subject to South African exchange control regulations. Cash and cash equivalents held at the centre (comprising Blackstar Group SE, Blackstar Cyprus and, at 31 December 2012, Blackstar Gibraltar) amounted to R116,608,000, £6,690,000 (2012: R333,899,000, £24,242,000) at year end.

21. Other financial liabilities

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
217	**201**	Accrual arising on operating leases as a result of lease payments being recognised as an expense on a straight-line basis over the lease term	**12**	16
217	**201**		**12**	16

* Comparatives have been restated for changes in accounting policies – refer to note 4

22. Borrowings

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
		Secured		
127	**—**	The facility bore interest at the South African Prime Rate plus 15 basis points nominal annual compounded semi-annually in arrears and was repaid during 2013	**—**	9
127	**—**		**—**	9

* Comparatives have been restated for changes in accounting policies – refer to note 4

23. Trade and other payables

* Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
708	**12,700**	Salary related accruals	**729**	51
2,133	**2,190**	Other payables and accrued expenses	**125**	155
2,841	**14,890**		**854**	206

* Comparatives have been restated for changes in accounting policies – refer to note 4

24. Share capital and reserves

24.1 Share capital

2012 R'000	2013 R'000		2013 £'000	2012 £'000
		Authorised		
1,553,754	**1,553,754**	150,000,000 ordinary shares of €0.76 each	**100,500**	100,500
		Issued and fully paid		
—	**574,672**	82,088,500 ordinary shares of €0.76 each	**55,347**	—
574,671	**—**	82,088,422 ordinary shares of €0.76 each	**—**	55,347

A reconciliation of the movement in ordinary shares of €0.76 each is provided below:

	Issued and fully paid Number of shares	Treasury shares Number of shares	Outstanding shares Number of shares
Balance as at 31 December 2011	**85,288,422**	**(3,200,000)**	**82,088,422**
Treasury shares cancelled	(3,200,000)	3,200,000	—
Balance as at 31 December 2012	**82,088,422**	**—**	**82,088,422**
Share split and consolidation	78	(213,541)	(213,463)
Repurchase of own shares	—	(8,027,949)	(8,027,949)
Issue of treasury shares	—	6,600,479	6,600,479
Balance as at 31 December 2013	**82,088,500**	**(1,641,011)**	**80,447,489**

The consolidation and sub-division of Blackstar's share capital approved at the Annual General Meeting was implemented effective 28 June 2013. As part of the share split and consolidation, a Blackstar Group subsidiary acquired a total of 213,660 fraction shares from shareholders as well as the additional 78 Blackstar shares issued by the Company. Blackstar's existing treasury shares were reduced by 197 shares on implementation of the share consolidation.

Blackstar repurchased 8,027,949 (2012: nil) shares on the open market. Treasury share issues include 5,808,553 shares issued to NBC shareholders on conclusion of the NBC acquisition (refer note 16), and the balance comprises shares awarded as part of the Blackstar long term Management Incentive Scheme which was approved by shareholders at the last AGM (refer note 34). Of the 1,641,011 treasury shares held at year end, 1,186,246 (2012: nil) shares have been set aside for issue as an award by the long term Management Incentive Scheme which include 981,025 shares awarded in December 2013 and an additional discretionary award of 205,221 shares which occurred in the first quarter of 2014. These shares will be issued in 2014 (refer note 34 for further details on the Blackstar long term Management Incentive Scheme).

24. Share capital and reserves (continued)

24.2 Reserves

The nature and purpose of each reserve within equity is described below:

Share premium

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

Capital redemption reserve

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

Treasury shares reserve

This reserve comprises the cost of the Blackstar shares acquired and held as treasury shares by the Company.

Foreign currency translation reserve

The foreign currency translation reserve comprises exchange differences arising on translation of assets and liabilities denominated in the functional currency (Rands) into the presentational currency (Pounds Sterling).

Retained earnings

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

25. Cash absorbed by operations

*Restated 2012 R'000	2013 R'000		2013 £'000	*Restated 2012 £'000
97,644	**184,498**	Profit for the period	**12,218**	5,886
2,342	**(222)**	Add back taxation	**(15)**	180
99,986	**184,276**	Profit before taxation	**12,203**	6,066
		Adjustments for non cash items:		
(5)	**(5)**	Profit on disposal equipment	**—**	—
182	**236**	Depreciation of equipment	**16**	14
26,792	**—**	Impairment of goodwill	**—**	1,945
(2,386)	**—**	Foreign exchange gains on goodwill not denominated in Rands	**—**	—
60,959	**(138,019)**	Fair value adjustments on investments held at fair value through profit and loss	**(9,110)**	4,713
(219,247)	**(96,827)**	Dividends and interest accrued from loans and investments	**(6,412)**	(16,845)
(2,388)	**(3,156)**	Finance income	**(209)**	(184)
21,771	**3,364**	Finance costs	**223**	1,673
—	**20,287**	Long term Management Incentive Scheme Award of treasury shares (equity settled share based payment expense)	**1,344**	—
		Changes in working capital:		
15,657	**301**	Decrease/(increase) in trade and other receivables	**(37)**	1,172
(13,029)	**12,049**	Increase/(decrease) in trade and other payables	**954**	(977)
32	**(16)**	(Decrease)/increase in lease accrual	**(1)**	2
(873,537)	**(440,135)**	Additions to investments	**(29,151)**	(67,117)
817,682	**293,450**	Proceeds on disposal and redemption of investments	**19,452**	62,826
(67,531)	**(164,195)**		**(10,728)**	(6,712)

26. Acquisition and disposals of subsidiaries

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

26.1 Acquisitions made during the current year

Acquisition of further interest in the hedge fund management business BFM

Blackstar acquired a further 6% stake in the hedge fund management business BFM for R105,000 (£8,000), bringing its investment in the company to 56.0%. BFM is responsible for the management of the BSOF and has been consolidated within these Group financial statements.

As Blackstar meets the definition of an Investment Entity, the investment in BSOF is not consolidated, but rather recognised as a financial asset designated at fair value through profit and loss. Blackstar's percentage ownership of the fund of 56.6% as at 31 December 2013 is calculated based on the fair value of Blackstar's direct investment into the BSOF relative to the other limited partners' investment in the fund carried at fair value.

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

During the current year, BRE's interest in Fantastic increased to 79.0%, through the acquisition of additional shares from other shareholders. On analysis of the shareholders and review of the company's structure, it was determined that BRE now has a controlling interest in Fantastic. The investment was therefore reclassified from investment in associate to investment in subsidiary. However, as Blackstar meets the definition of an Investment Entity, the investment in Fantastic is not consolidated, but rather recognised as a financial asset designated at fair value through profit and loss and is included in the line item investment in BRE and the property subsidiaries in note 16.

26.2 Disposals made during the current year

Winding down and strike off of Blackstar Gibraltar

During 2013 new legislation was released in Gibraltar and it was determined that it was no longer beneficial to have a Group company in Gibraltar. Blackstar Gibraltar was therefore wound down, and all of its assets were assigned to and liabilities assumed by Blackstar Group SE. The company was consolidated in the financial statements up to date of closure, being 1 November 2013.

26.3 Acquisitions made during the prior year

Initial acquisition of hedge fund management business BFM

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

26. Acquisition and disposals of subsidiaries (continued)

The net assets acquired on the acquisition of the ordinary shares in BFM in 2012 were as follows:

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

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

26.4 Net cash outflow on acquisition of subsidiaries

*Restated 2012 R'000	**2013 R'000**		**2013 £'000**	*Restated 2012 £'000
		Consideration paid		
(882)	**(105)**	BFM	**(8)**	(64)
		Net cash and cash equivalents acquired		
(12)	**—**	BFM	**—**	(1)
(894)	**(105)**		**(8)**	(65)

* Comparatives have been restated for changes in accounting policies – refer to note 4

27. Financial instruments and financial risk management

27.1 Categories of financial assets

*Restated 2012 R'000	2013 R'000		2013 £'000	*Restated 2012 £'000
		Financial assets		
799,664	**1,180,472**	**Financial assets at fair value through profit and loss**	**67,721**	58,057
237,519	**312,014**	Net investments in subsidiaries (refer note 16)	**17,899**	17,244
5,164	**677,138**	Investments in associates (refer note 17)	**38,846**	375
556,981	**191,320**	Financial assets held for trading (refer note 15)	**10,976**	40,438
350,169	**135,132**	**Loans and receivables**	**7,752**	25,423
5,000	**8,174**	Investments classified as loans and receivables (refer note 18)	**469**	363
4,366	**4,065**	Trade and other receivables (refer note 19)	**233**	317
340,803	**122,893**	Cash and cash equivalents (refer note 20)	**7,050**	24,743
1,149,833	**1,315,604**		**75,473**	83,480
		Financial liabilities		
(3,301)	**(15,095)**	**Financial liabilities measured at amortised cost**	**(866)**	(239)
(217)	**(201)**	Other financial liabilities (refer note 21)	**(12)**	(16)
(127)	**—**	Borrowings (refer note 22)	**—**	(9)
(2,841)	**(14,890)**	Trade and other payables (refer note 23)	**(854)**	(206)
(116)	**(4)**	Bank overdrafts (refer note 20)	**—**	(8)
(3,301)	**(15,095)**		**(866)**	(239)

* Comparatives have been restated for changes in accounting policies – refer to note 4

27.2 Financial risk management overview

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

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

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

Where Blackstar holds a controlling or significant interest, the management of each of these investee companies are responsible for designing and implementing a risk management strategy. The managing directors, financial directors and divisional heads of the companies are involved in the day-to-day management of the business, thereby identifying any financial risks. The investee companies have monthly executive management meetings, where areas of concern and risks, and management thereof, are discussed. Any significant issues are further escalated to the Board of Directors of each company where appropriate.

The information provided below for each financial risk has been collated for disclosure based on the way in which the business is managed and what is believed to be useful information for shareholders. For this reason the information provided within the note is analysed by segment as referred to in the segmental information (refer note 37). This note presents information about the Group's exposure to each of the afore-mentioned risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

27. Financial instruments and financial risk management (continued)

27.3 Credit risk

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

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained. The carrying values amount to R4,065,000, £233,000 (2012: R4,366,000, £317,000) for trade and other receivables (refer note 19), R8,174,000, £469,000 (2012: R5,000,000, £363,000) for investments classified as loans and receivables (refer note 18) and R122,889,000, £7,050,000 (2012: R340,687,000, £24,735,000) for cash and cash equivalents (refer note 20).

27.3.1 Trade and other receivables

*Restated 2012 R'000	2013 R'000		2013 £'000	*Restated 2012 £'000
4,366	**4,065**	Trade and other receivables (refer note 19)	**233**	317

* Comparatives have been restated for changes in accounting policies – refer to note 4

The Group does not carry out daily trading activities with customers. Trade and other receivables arise from performance fees which are receivable for the management of the funds, monitoring and Director fees from related parties, deposits and prepayments and Value Added Tax. The nature of each of these items is such that there is an underlying amount against which the amount receivable is recoverable. As a result, no impairment allowance has been raised in 2012 or 2013 as the Group is satisfied that all amounts are recoverable. Of the trade and other receivables outstanding at year end, R2,832,000, £162,000 are for performance fees owing by BSOF to BFM for the last quarter of the financial year and this amount was received during January 2014.

Due to the nature of items held as trade and other receivables, there is no formal Group credit policy. Each item is assessed on an individual basis and appropriate mitigating controls are enforced to reduce the respective credit risk. No collateral was held for trade and other receivables.

27.3.2 Investments

Refer note 18 Investments classified as loans and receivables and note 15 Financial assets at fair value through profit and loss.

*Restated 2012 R'000	2013 R'000		2013 £'000	*Restated 2012 £'000
5,000	**8,174**	**Investments classified as loans and receivables**	**469**	363
5,000	**8,174**	Investments	**469**	363
799,664	**1,180,472**	**Investments at fair value through profit and loss**	**67,721**	58,057
748,981	**1,025,644**	Investments	**58,840**	54,378
21,540	**121,636**	Funds	**6,978**	1,563
29,143	**33,192**	Property	**1,903**	2,116
804,664	**1,188,646**	**Total Investments**	**68,190**	58,420

* Comparatives have been restated for changes in accounting policies – refer to note 4

Included within Investments at fair value through profit and loss are net investments in subsidiaries which comprise equity interests and equity loans to subsidiaries. Detail of the maximum credit risk exposure for each of the loans to subsidiaries is provided in note 16.

27. Financial instruments and financial risk management (continued)

27.3 Credit risk (continued)

27.3.2 Investments (continued)

Investments within the Investment segment

An integral part of the Group's credit risk management process is the approval of all investment and financing transactions by the Board of Directors. The Group manages its credit risk by setting acceptable exposure limits for companies in the respective segments. The Group may provide financing to companies in which it has a controlling or significant interest. This financing is provided on the strength of the underlying companies in which the Group has invested.

The Blackstar Group SE Board meets on a quarterly basis to review the investment portfolio, in particular the underlying performance of the companies in which it has invested and consequently monitors credit risk on an on-going basis.

Investments within the Fund segment

BSOF is managed via an investor memorandum ("Mandate") which governs the products, asset classes and various exposure limits that can be taken in the fund. Limits are detailed as a % of NAV and these limits are monitored internally, by the prime broker and by the risk management third party service. For the SA Alpha managed Funds, namely BGOF and BFM US Fund, both of these funds are managed via an Investor Advisory Agreement. Daily risk management reports are delivered to the hedge fund managers and investment committee. Any breaches in mandate limits are highlighted in risk reports and rectified immediately.

Investments within the Property segment

The property segment is actively monitored by the property portfolio manager. The risk in the Property segment is limited as the majority of the properties are secured by triple net lease contracts and the majority of these properties are single-tenanted properties.

At balance sheet date, the Group had no financial assets that were past due and no impairments (other than fair value adjustments to equity loans) were raised on investments in both the prior and current year.

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

Credit exposure on investments

*Restated 2012 Exposure %	*Restated 2012 Exposure R'000	2013 Exposure %	2013 Exposure R'000		2013 Exposure %	2013 Exposure £'000	*Restated 2012 Exposure %	*Restated 2012 Exposure £'000
31%	252,000	**28%**	**329,514**	Industrial (Steel)	**28%**	**18,905**	31%	18,296
26%	207,768	**56%**	**672,661**	Media	**56%**	**38,589**	26%	15,085
32%	262,761	**0%**	**—**	Healthcare	**0%**	**—**	32%	19,077
2%	12,889	**1%**	**8,600**	Financial	**1%**	**493**	2%	936
0%	48	**0%**	**—**	Consumer goods	**0%**	**—**	0%	3
3%	21,540	**10%**	**121,637**	Hedge funds	**10%**	**6,978**	3%	1,563
2%	18,306	**2%**	**23,042**	Retail	**2%**	**1,322**	2%	1,329
4%	29,352	**3%**	**33,192**	Property	**3%**	**1,903**	4%	2,131
100%	804,664	**100%**	**1,188,646**		**100%**	**68,190**	100%	58,420

* Comparatives have been restated for changes in accounting policies – refer to note 4

27. Financial instruments and financial risk management (continued)

27.3 Credit risk (continued)

27.3.3 Cash and cash equivalents

Any excess cash and cash equivalents are held in current accounts, money market funds, and term deposits. At year end, overdrafts amounted to R4,000, £222 (2012: R116,000, £8,000) and cash and cash equivalents amounted to R122,893,000, £7,050,000 (2012: R340,803,000, £24,743,000). Of the total carrying value of cash and cash equivalents held at 31 December 2013, R74,624,000, £4,281,000 (or 61%) was held in AAA rated money market funds and the balance with a BBB+ or lower rated financial institutions. Of the total carrying value of cash and cash equivalents held at 31 December 2012, R10,112,000, £734,000, (or 3%) was held in AAA rated money market funds; R22,343,000, £1,622,000 (or 7%) with an A rated financial institution; and the balance with BBB+ or lower rated financial institutions. The credit risk on cash and cash equivalents is limited due to the high credit ratings assigned to the funds and financial institutions by international credit-rating agencies.

27.3.4 Guarantees

Refer note 32 Contingencies and guarantees for further details of guarantees issued by the Group. The Group's maximum exposure to credit risk, without taking into account collateral or any other credit enhancements held, in respect of guarantees would be equal to the amounts disclosed in note 32.

27.4 Liquidity risk

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

Management maintain relationships with the investee companies' bankers and monitor cash reserves on an on-going basis to ensure there are sufficient cash resources to meet liabilities in the short term.

The management of Blackstar SA and BFM are responsible for managing liquidity risk in each of their respective businesses.

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

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

27. Financial instruments and financial risk management (continued)

27.4 Liquidity risk (continued)

27.4.1 Contractual maturities of non-derivative financial assets and liabilities

The table below details the Group's remaining contractual maturity for its non-derivative financial assets and liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of the financial liabilities. The table includes both interest and principal cash flows. To the extent that interest flows are at a floating rate, the undiscounted amount is derived utilising the interest rate at year end. The contractual maturity is based on the earliest date on which the Group may be required to pay.

		Undiscounted contractual cash flows					
As at 31 December 2013	Carrying amount R'000	Total R'000	6 months or less R'000	6–12 months R'000	1–5 years R'000	More than 5 years R'000	No fixed maturity R'000
Net investments in subsidiaries (refer note 16)	312,014	312,014	—	—	—	—	312,014
Investments in associates (refer note 17)	677,138	677,138	—	—	—	—	677,138
Financial assets held for trading (refer note 15)	191,320	191,320	—	—	—	—	191,320
Investments classified as loans and receivables (refer note 18)	8,174	8,174	500	600	7,074	—	—
Trade and other receivables (refer note 19)	4,065	4,065	4,065	—	—	—	—
Cash and cash equivalents (refer note 20)	122,893	122,893	122,893	—	—	—	—
Total financial assets	1,315,604	1,315,604	127,458	600	7,074	—	1,180,472
Other financial liabilities (refer note 21)	(201)	(201)	—	(104)	(97)	—	—
Trade and other payables (refer note 23)	(14,890)	(14,890)	(14,890)	—	—	—	—
Bank overdrafts (refer note 20)	(4)	(4)	(4)	—	—	—	—
Total financial liabilities	(15,095)	(15,095)	(14,894)	(104)	(97)	—	—

		Undiscounted contractual cash flows					
As at 31 December 2013	Carrying amount £'000	Total £'000	6 months or less £'000	6–12 months £'000	1–5 years £'000	More than 5 years £'000	No fixed maturity £'000
Net investments in subsidiaries (refer note 16)	17,899	17,899	—	—	—	—	17,899
Investments in associates (refer note 17)	38,846	38,846	—	—	—	—	38,846
Financial assets held for trading (refer note 15)	10,976	10,976	—	—	—	—	10,976
Investments classified as loans and receivables (refer note 18)	469	469	29	34	406	—	—
Trade and other receivables (refer note 19)	233	233	233	—	—	—	—
Cash and cash equivalents (refer note 20)	7,050	7,050	7,050	—	—	—	—
Total financial assets	75,473	75,473	7,312	34	406	—	67,721
Other financial liabilities (refer note 21)	(12)	(12)	—	(6)	(6)	—	—
Trade and other payables (refer note 23)	(854)	(854)	(854)	—	—	—	—
Bank overdrafts (refer note 20)	—	—	—	—	—	—	—
Total financial liabilities	(866)	(866)	(854)	(6)	(6)	—	—

27. Financial instruments and financial risk management (continued)

27.4 Liquidity risk (continued)

27.4.1 Contractual maturities of non-derivative financial assets and liabilities (continued)

*Restated As at 31 December 2012	Carrying amount R'000	Total R'000	Undiscounted contractual cash flows 6 months or less R'000	6–12 months R'000	1–5 years R'000	More than 5 years R'000	No fixed maturity R'000
Net investments in subsidiaries (refer note 16)	237,519	237,519	—	—	—	—	237,519
Net investments in associates (refer note 17)	5,164	5,164	—	—	—	—	5,164
Financial assets held for trading (refer note 15)	556,981	556,981	—	277,845	—	—	279,136
Investments classified as loans and receivables (refer note 18)	5,000	5,000	5,000	—	—	—	—
Trade and other receivables (refer note 19)	4,366	4,366	4,366	—	—	—	—
Cash and cash equivalents (refer note 20)	340,803	340,803	340,803	—	—	—	—
Total financial assets	1,149,833	1,149,833	350,169	277,845	—	—	521,819
Other financial liabilities (refer note 21)	(217)	(217)	—	(104)	(113)	—	—
Borrowings (refer note 22)	(127)	(127)	—	(127)	—	—	—
Trade and other payables (refer note 23)	(2,841)	(2,841)	(2,841)	—	—	—	—
Bank overdrafts (refer note 20)	(116)	(116)	(116)	—	—	—	—
Total financial liabilities	(3,301)	(3,301)	(2,957)	(231)	(113)	—	—

* Comparatives have been restated for changes in accounting policies – refer to note 4

*Restated As at 31 December 2012	Carrying amount £'000	Total £'000	Undiscounted contractual cash flows 6 months or less £'000	6–12 months £'000	1–5 years £'000	More than 5 years £'000	No fixed maturity £'000
Net investments in subsidiaries (refer note 16)	17,244	17,244	—	—	—	—	17,244
Net investments in associates (refer note 17)	375	375	—	—	—	—	375
Financial assets held for trading (refer note 15)	40,438	40,438	—	20,172	—	—	20,266
Investments classified as loans and receivables (refer note 18)	363	363	363	—	—	—	—
Trade and other receivables (refer note 19)	317	317	317	—	—	—	—
Cash and cash equivalents (refer note 20)	24,743	24,743	24,743	—	—	—	—
Total financial assets	83,480	83,480	25,423	20,172	—	—	37,885
Other financial liabilities (refer note 21)	(16)	(16)	—	(8)	(8)	—	—
Borrowings (refer note 22)	(9)	(9)	—	(9)	—	—	—
Trade and other payables (refer note 23)	(206)	(206)	(206)	—	—	—	—
Bank overdrafts (refer note 20)	(8)	(8)	(8)	—	—	—	—
Total financial liabilities	(239)	(239)	(214)	(17)	(8)	—	—

* Comparatives have been restated for changes in accounting policies – refer to note 4

27. Financial instruments and financial risk management (continued)

27.4 Liquidity risk (continued)

27.4.2 Undrawn Facilities

*Restated 2012 R'000	2013 R'000		2013 £'000	*Restated 2012 £'000
		Unsecured bank overdraft facility, reviewed annually and payable on call		
1,000	**1,000**	Fully unutilised	**57**	73
		Secured acquisition facility settled during the 2013 financial year (refer note 22)		
127	**—**	Utilised	**—**	9
319,873	**—**	Unutilised	**—**	23,223
320,000	**—**		**—**	23,232

* Comparatives have been restated for changes in accounting policies – refer to note 4

27.5 Market risk

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

27.5.1 Currency risk

The Group's activities expose it to financial risks of changes in foreign currency. The exposure to currency risk has been discussed in further detail by segment.

Investment segment

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

Fund segment

All of the funds have access to financial products that are easily traded to mitigate currency risk. Both the BFM US Fund and BGOF are US Dollar based funds. Both of these funds trade currency and future options to hedge out any exposure that may arise.

BSOF has a 25% offshore exposure limit which can be attained in various currencies to obtain a diversification of currencies and limit single currency risk factors. As with BFM US Fund and BGOF, BSOF trades currency and future options to hedge out any exposure that may arise.

Property segment

Blackstar holds an investment in BRE, which in turn holds 100% of the shares in Domel, a Namibian investment property company. The currency risk in this property is limited as both the income streams, and expense streams, are based in Namibian Dollars. There is limited volatility between the Namibian Dollar and the South Africa Rand which also reduces the currency risk on the valuation of Domel from Namibian Dollars to Rands.

27. Financial instruments and financial risk management (continued)

27.5 Market risk (continued)

27.5.1 Currency risk (continued)

Non-segmental entities

The non-segmental entites are not invested in any activities that are exposed to currency risk. However, similarly to the Investment segment, the non-segmental entities carry monetary assets and liabilities (namely trade and other receivables and payables and cash) which differ to the Group's presentational and functional currencies being Rands and Pounds Sterling. As with the investment segment, the Board of Directors meet on a quarterly basis to review the non-segmental entites and consequently monitor currency risk on an on-going basis. To mitigate this risk, the Group may hedge its currency exposure from time to time.

Exposure to currency risk

As at 31 December 2013 Functional and presentational currency exposure	South African Rands R'000	Pounds Sterling R'000	US Dollar R'000	Euro R'000	Zambian Kwatcha R'000	Total R'000
Financial assets						
Net investments in subsidiaries (refer note 16)	312,014	—	—	—	—	312,014
Net investments in associates (refer note 17)	677,138	—	—	—	—	677,138
Financial assets held for trading (refer note 15)	109,864	—	58,414	—	23,042	191,320
Investments classified as loans and receivables (refer note 18)	8,174	—	—	—	—	8,174
Trade and other receivables (refer note 19)	3,308	227	315	215	—	4,065
Cash and cash equivalents (refer note 20)	42,440	66,642	12,459	1,352	—	122,893
Total financial assets	1,152,938	66,869	71,188	1,567	23,042	1,315,604
Financial liabilities						
Other financial liabilities (refer note 21)	(201)	—	—	—	—	(201)
Trade and other payables (refer note 23)	(13,159)	(957)	(359)	(415)	—	(14,890)
Bank overdrafts (refer note 20)	—	(4)	—	—	—	(4)
Total financial liabilities	(13,360)	(961)	(359)	(415)	—	(15,095)

As at 31 December 2013 Presentational currency exposure	South African Rands £'000	Pounds Sterling £'000	Zambian US Dollar £'000	Euro £'000	Kwatcha £'000	Total £'000
Financial assets						
Net investments in subsidiaries (refer note 16)	17,899	—	—	—	—	17,899
Net investments in associates (refer note 17)	38,846	—	—	—	—	38,846
Financial assets held for trading (refer note 15)	6,303	—	3,351	—	1,322	10,976
Investments classified as loans and receivables (refer note 18)	469	—	—	—	—	469
Trade and other receivables (refer note 19)	190	13	18	12	—	233
Cash and cash equivalents (refer note 20)	2,435	3,823	715	77	—	7,050
Total financial assets	66,142	3,836	4,084	89	1,322	75,473
Financial liabilities						
Other financial liabilities (refer note 21)	(12)	—	—	—	—	(12)
Trade and other payables (refer note 23)	(754)	(55)	(21)	(24)	—	(854)
Bank overdrafts (refer note 20)	—	—	—	—	—	—
Total financial liabilities	(766)	(55)	(21)	(24)	—	(866)

27. Financial instruments and financial risk management (continued)

27.5 Market risk (continued)

27.5.1 Currency risk (continued)

Exposure to currency risk (continued)

*Restated As at 31 December 2012 Functional and presentational currency exposure	South African Rands R'000	Pounds Sterling R'000	US Dollar R'000	Euro R'000	Zambian Kwatcha R'000	Total R'000
Financial assets						
Net investments in subsidiaries (refer note 16)	237,519	—	—	—	—	237,519
Net investments in associates (refer note 17)	5,164	—	—	—	—	5,164
Financial assets held for trading (refer note 15)	537,787	—	888	—	18,306	556,981
Investments classified as loans and receivables (refer note 18)	5,000	—	—	—	—	5,000
Trade and other receivables (refer note 19)	4,056	7	—	303	—	4,366
Cash and cash equivalents (refer note 20)	214,354	124,084	2,324	41	—	340,803
Total financial assets	1,003,880	124,091	3,212	344	18,306	1,149,833
Financial liabilities						
Other financial liabilities (refer note 21)	(217)	—	—	—	—	(217)
Borrowings (refer note 22)	(127)	—	—	—	—	(127)
Trade and other payables (refer note 23)	(1,481)	(1,307)	—	(53)	—	(2,841)
Bank overdrafts (refer note 20)	(116)	—	—	—	—	(116)
Total financial liabilities	(1,941)	(1,307)	—	(53)	—	(3,301)

*Restated As at 31 December 2012 Presentational currency exposure	South African Rands £'000	Pounds Sterling £'000	US Dollar £'000	Euro £'000	Zambian Kwatcha £'000	Total £'000
Financial assets						
Net investments in subsidiaries (refer note 16)	17,244	—	—	—	—	17,244
Net investments in associates (refer note 17)	375	—	—	—	—	375
Financial assets held for trading (refer note 15)	39,045	—	64	—	1,329	40,438
Investments classified as loans and receivables (refer note 18)	363	—	—	—	—	363
Trade and other receivables (refer note 19)	294	1	—	22	—	317
Cash and cash equivalents (refer note 20)	15,562	9,009	169	3	—	24,743
Total financial assets	72,883	9,010	233	25	1,329	83,480
Financial liabilities						
Other financial liabilities (refer note 21)	(16)	—	—	—	—	(16)
Borrowings (refer note 22)	(9)	—	—	—	—	(9)
Trade and other payables (refer note 23)	(107)	(95)	—	(4)	—	(206)
Bank overdrafts (refer note 20)	(8)	—	—	—	—	(8)
Total financial liabilities	(140)	(95)	—	(4)	—	(239)

* Comparatives have been restated for changes in accounting policies – refer to note 4

27. Financial instruments and financial risk management (continued)

27.5 Market risk (continued)

27.5.1 Currency risk (continued)

Sensitivity analysis for exposure to foreign currency risk

The following table demonstrates in Rands, the impact on net financial assets if the Rand strengthened/(weakened) by 10% and all other variables remained constant:

10% strengthening in the Rand Increase/(decrease) in net financial assets			10% weakening in the Rand Increase/(decrease) in net financial assets	
*Restated 2012 R'000	**2013 R'000**	**Currency exposed to:**	**2013 R'000**	*Restated 2012 R'000
(12,278)	**(6,591)**	Pounds Sterling	**6,591**	12,278
(321)	**(7,083)**	US Dollar	**7,083**	321
(29)	**(115)**	Euro	**115**	29
(1,831)	**(2,304)**	Zambian Kwatcha	**2,304**	1,831

The following table demonstrates, in Pounds Sterling, the impact on net financial assets if the Pound Sterling strengthened/(weakened) by 10% and all other variables remained constant:

10% strengthening in Pounds Sterling Increase/(decrease) in net financial assets			10% weakening in Pounds Sterling Increase/(decrease) in net financial assets	
*Restated 2012 £'000	**2013 £'000**	**Currency exposed to:**	**2013 £'000**	*Restated 2012 £'000
7,274	**6,538**	South African Rands	**(6,538)**	(7,274)
23	**406**	US Dollar	**(406)**	(23)
2	**7**	Euro	**(7)**	(2)
133	**132**	Zambian Kwatcha	**(132)**	(133)

* Comparatives have been restated for changes in accounting policies – refer to note 4

The following significant exchange rates applied during the year:

	2013	2012
South African Rands/Pounds Sterling		
Average Rate	**15.099**	13.015
Closing Rate	**17.431**	13.773

27.5.2 Interest rate risk

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

27. Financial instruments and financial risk management (continued)

27.5 Market risk (continued)

27.5.2 Interest rate risk (continued)

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

*Restated 2012 R'000	2013 R'000		2013 £'000	*Restated 2012 £'000
		Non-interest bearing instruments		
		Financial assets		
84,280	**99,489**	Net investments in subsidiaries^ (refer note 16)	**5,708**	6,119
572	**—**	Net investments in associates^ (refer note 17)	**—**	42
84,852	**99,489**		**5,708**	6,161
		Variable rate instruments		
		Financial assets		
22,216	**1,707**	Net investments in subsidiaries^ (refer note 16)	**98**	1,613
5,000	**8,174**	Investments classified as loans and receivables (refer note 18)	**469**	363
340,803	**122,893**	Cash and cash equivalents (refer note 20)	**7,050**	24,743
		Financial liabilities		
(127)	**—**	Borrowings (refer note 22)	**—**	(9)
(116)	**(4)**	Bank overdrafts (refer note 20)	**—**	(8)
367,776	**132,770**		**7,617**	26,702
		Fixed rate instruments		
		Financial assets		
10,148	**10,148**	Net investments in subsidiaries^ (refer note 16)	**582**	737
10,148	**10,148**		**582**	737

* Comparatives have been restated for changes in accounting policies – refer to note 4

^ Comprises equity loans to subsidiaries and associates reflected at their nominal value (being the value on which the interest is calculated if applicable) prior to any fair value adjustments

Investments

The Group's exposure to interest rates on investments is detailed in note 16 Net investments in subsidiaries, note 17 Net investments in associates and note 18 Investments classified as loans and receivables. Interest rate risk in respect of investments falling within the Investments segment is managed by the Board of Directors, who meet on a quarterly basis to review the investment portfolio and consequently monitors interest rate risk on an on-going basis.

Borrowings

The Group adopts a policy of ensuring that its borrowings are at market-related rates. Operational management in each segment is responsible for monitoring borrowing levels and exposure to interest rate risk on an on-going basis. The variable rates are influenced by movements in the South African Prime borrowing rates. The Group had no outstanding borrowings at year end.

Cash and cash equivalents

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

27. Financial instruments and financial risk management (continued)

27.5 Market risk (continued)

27.5.2 Interest rate risk (continued)

Sensitivity analyses

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

A 1% decrease in the South African Prime Rate effective from the beginning of the year, all other variables held constant, would have resulted in a decrease of R1,328,000, £76,000 (2012: decrease of R3,628,000, £263,000) in the reported net asset value of the Group. A 1% increase in the South African Prime Rate effective from the beginning of the year, on the same basis, would have resulted in an increase of R1,328,000, £76,000 (2012: increase of R3,628,000, £263,000) in the reported net asset value of the Group.

27.5.3 Market price risk

Market price risk, or equity price risk, is the risk of unfavourable changes in the fair values of the equities as a result of changes in the levels of equity indices and the value of individual shares. The market price risk exposure arises from the Group's investments in equity securities. The Group manages this risk by investing in a variety of equities the portfolio of which is reviewed on a quarterly basis by the Board of Directors.

Investment segment

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

Fund segment

The investments in the hedge funds are exposed to market price risk as this is part of the investment strategy within the fund. Hedging tools and products are utilised to reduce market price risk where necessary in various markets, namely currencies, derivatives, shares and fixed income products.

Investments exposed to market price risk

*Restated 2012 R'000	2013 R'000		2013 £'000	*Restated 2012 £'000
		Financial assets		
21,540	**63,222**	Net investments in subsidiaries (refer note 16)	**3,627**	1,563
—	**672,138**	Net investments in associates (refer note 17)	**38,559**	—
496,093	**81,980**	Financial assets held for trading (refer note 15)	**4,703**	36,017
517,633	**817,340**		**46,889**	37,580

* Comparatives have been restated for changes in accounting policies – refer to note 4

27. Financial instruments and financial risk management (continued)

27.5 Market risk (continued)

27.5.3 Market price risk (continued)

Sensitivity analysis

The Group is mainly invested in equities on the Johannesburg Stock Exchange. However, with the advent of the investments in the hedge funds, the Group has diversified its risk across global equity indices. Should global equity indices increase by 10%, the fair value of the Group's investments, if all other input factors remained constant, would increase by R81,734,000, £4,689,000 (2012: R51,763,000 £3,758,000). Should global equity indices decrease by 10%, the fair value of the Group's investments, if all other input factors remained constant, would decrease by R81,734,000 £4,689,000 (2012: R51,763,000, £3,758,000). The sensitivity analyses does not take into account the hedges that have been put in place by the hedge funds which ultimately limit the sensitivities of the Group's investments in the hedge funds to changes in market risk.

28. Fair value of assets

28.1 Fair value hierarchy

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering the factors specific to the asset or liability. The following table shows financial instruments recognised at fair value, categorised in accordance with the manner in which the fair value is based:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Recurring fair value measurement of assets and liabilities

Total R'000	Level 3 R'000	Level 2 R'000	Level 1 R'000	2013	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
				Financial assets				
312,014	248,792	—	63,222	Net investments in subsidiaries	3,627	—	14,272	17,899
180,000	180,000	—	—	Investment in GRS	—	—	10,327	10,327
32,000	32,000	—	—	Investment in Stalcor	—	—	1,836	1,836
63,222	—	—	63,222	Investment in BSOF	3,627	—	—	3,627
3,600	3,600	—	—	Investment in NBC	—	—	206	206
33,192	33,192	—	—	Investment in BRE and the property subsidiaries	—	—	1,903	1,903
677,138	5,000	—	672,138	Net investments in associates	38,559	—	287	38,846
672,138	—	—	672,138	Investment in TMG	38,559	—	—	38,559
5,000	5,000	—	—	Investment in Navigare	—	—	287	287
191,320	—	109,340	81,980	Financial assets held for trading	4,703	6,273	—	10,976
23,565	—	—	23,565	Listed equity securities	1,352	—	—	1,352
58,415	—	—	58,415	Equity investment in hedge funds	3,351	—	—	3,351
109,340	—	109,340	—	Unlisted equity securities	—	6,273	—	6,273
1,180,472	253,792	109,340	817,340		46,889	6,273	14,559	67,721

28. Fair value of assets (continued)

28.1 Fair value hierarchy (continued)

Recurring fair value measurements of assets and liabilities

Total R'000	Level 3 R'000	Level 2 R'000	Level 1 R'000	*Restated 2012	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
				Financial assets				
237,519	215,979	—	21,540	Net investments in subsidiaries	1,563	—	15,681	17,244
155,000	155,000	—	—	Investment in GRS	—	—	11,254	11,254
32,000	32,000	—	—	Investment in Stalcor	—	—	2,323	2,323
21,540	—	—	21,540	Investment in BSOF	1,563	—	—	1,563
28,979	28,979	—	—	Investment in BRE and the property subsidiaries	—	—	2,104	2,104
5,164	5,164	—	—	Net investments in associates	—	—	375	375
—	—	—	—	Investment in TMG	—	—	—	—
5,000	5,000	—	—	Investment in Navigare	—	—	363	363
164	164			Investment in BRE associate Fantastic	—	—	12	12
556,981	—	60,888	496,093	Financial assets held for trading	36,017	4,421	—	40,438
496,093	—	—	496,093	Listed equity securities	36,017	—	—	36,017
60,888	—	60,888	—	Unlisted equity securities	—	4,421	—	4,421
799,664	221,143	60,888	517,633		37,580	4,421	16,056	58,057

* Comparatives have been restated for changes in accounting policies – refer to note 4

28.2 Valuation techniques

28.2.1 Level 1

Listed investments in subsidiaries, associates and equity securities

When fair values of publicly traded equity securities and managed funds are based on quoted market prices, or binding dealer quotations, in an active market for identical assets without any adjustments, the instruments are included in Level 1 of the hierarchy. The Group values these investments at the bid price of the investment at the end of the reporting period.

28.2.2 Level 2

Investment in unlisted equity securities

The Group has invested in privately held companies which are not quoted in an active market. The Group uses a market based earnings valuation for the position in these privately held companies. The earnings multiple for the comparable market companies range between 5 to 15. The Group classifies the fair value of these investments as Level 2.

28.2.3 Level 3

Investment in Stalcor, GRS and Navigare

For these investments, the Group's investment manager determines comparable public companies (peers) based on industry, size, leverage and strategy and calculates a weighted average cost of capital ("WACC"). This WACC is then applied to the future cash flows of the respective investment to calculate a value based on a discounted cash flow model. The value derived from the discounted cash flow model is then compared to the NAV of the investment and the investment manager then determines a value of the investment which is discounted from the discounted cash flow model in relation to the NAV.

For the valuation of Stalcor, limited information was available to calculate a value using the discounted cash flow method. The fair value of Stalcor was therefore based on the adjusted Net Asset Value ("NAV"). The adjusted NAV value was calculated using the NAV of the Stalcor and this NAV was then adjusted for various industry factors.

The Group classifies the fair value of these investments as Level 3.

28. Fair value of assets (continued)

28.2 Valuation techniques (continued)

28.2.3 Level 3 (continued)

BRE and the property subsidiaries

Where the Group has investments in BRE and the property subsidiaries, the Group values these investments using a yield percentage on an adjusted profit before interest and tax ("PBIT") basis. The adjustment made to the PBIT is to exclude items which are non-recurring. The Group classifies the fair value of these investments as Level 3.

Valuation process for Level 3 valuations

Valuations are the responsibility of the Board of Directors of the Group.

The valuation of BRE and the property subsidiaries is performed quarterly by the investment manager and reviewed by the Board of Directors. This is presented in the form of the Intrinsic NAV. The valuation of the underlying investment property is performed every 3 to 5 years by an independent valuator. On a quarterly basis, the investment manager shall review the respective valuations and inputs for significant changes, and shall consult with external sources where relevant.

The valuations are subject to quality assurance procedures performed by the Board of Directors. The Board of Directors verify the major inputs applied in the latest valuation by agreeing the information in the latest valuation computation to relevant documents and market information. In addition, the accuracy of the computation is tested. The latest valuation is also compared to the valuations of the previous quarter and bi-annually to the valuation of the preceding year.

On a quarterly basis, the Intrinsic NAV calculation (which includes the investments at fair value) is presented to the Board of Directors. This includes discussions of the major assumptions used in the valuations, with an emphasis on the more significant investments.

Any changes in valuation methods are discussed and agreed by the Group's Board of Directors.

Quantitative information of significant unobservable inputs – Level 3

Description	Fair value 2013 R'000	Fair value *Restated 2012 R'000	Fair value 2013 £'000	Fair value *Restated 2012 £'000	Valuation technique	Unobservable input	Range (weighted average)
Investment in GRS	**180,000**	155,000	**10,327**	11,254	Discounted cash flows	WACC	10%-20%
						Perpetual growth	3%-5%
Investment in Stalcor	**32,000**	32,000	**1,836**	2,323	Adjusted NAV	#	#
Investment in NBC	**3,600**	—	**206**	—	Adjusted NAV	#	#
Investment in Navigare	**5,000**	**5,000**	**287**	363	Discounted cash flows	WACC	20%–30%
						Perpetual growth	3%–5%
Investment in BRE and the property subsidiaries and associates	**33,192**	29,143	**1,903**	2,116	Yield on profit before interest and tax per year	Estimated operating profit before interest and tax	R800,000 to R2,500,000 (£68,000 to £165,000)
						Yield	9% to 15%
						Occupancy rate	45% to 100%
Total	**253,792**	221,143	**14,559**	16,056			

\# Stalcor and NBC use an adjusted NAV for the purposes of their valuations. There is no unobservable data that is used barring the information in the NAV value. As a result, no sensitivity analysis could be performed

* Comparatives have been restated for changes in accounting policies – refer to note 4

28. Fair value of assets (continued)

28.2 Valuation techniques (continued)

28.2.3 Level 3 (continued)

Investment in GRS, Stalcor and Navigare

Significant increase/decreases in the WACC shall result in a significantly lower/higher fair value measurement. A significant decrease/increase in the perpetual growth shall result in a decrease/increase in the fair value measurement.

BRE and the property subsidiaries

Significant increases/decreases in estimated operating profit before interest and tax and significant decreases/increases in the yield rate in isolation would result in a significant higher/lower fair value measurement. Significant decreases/increases in long term occupancy rates in isolation would result in a significantly lower/higher fair value measurement. Generally, a change in the assumption made for the estimated rental value is accompanied by a directional change in the rent growth rate and discount rate, as well as, an opposite change in the long term vacancy rate.

Sensitivity analysis to significant changes in unobservable inputs within the Level 3 hierarchy

			Effect on fair value increase/(decrease)		**Effect on fair value increase/(decrease)**	
Description	**Input**	**Sensitivity used**	**2013 R'000**	*Restated 2012 R'000	**2013 £'000**	*Restated 2012 £'000
Investment in GRS	WACC	1%	**(15,289)**	(12,193)	**(877)**	(885)
	Perpetual growth	1%	**15,095**	11,879	**866**	862
Investment in Stalcor	#	#	**#**	#	**#**	#
Investment in NBC	#	#	**#**	#	**#**	#
Investment in Navigare	WACC	1%	**(77)**	(34)	**(4)**	(2)
	Perpetual growth	1%	**58**	23	**3**	2
Investment in BRE and the property subsidiaries and associates	Estimated rental per annum per property	R 1,000,000 or £ 100,000	**6,266**	6,642	**542**	628
	Yield	1%	**(2,200)**	(1,934)	**(110)**	(133)
	Occupancy rate	5%	**1,880**	1,560	**108**	113

Stalcor and NBC use an adjusted NAV for the purposes of their valuations. There is no unobservable data that is used barring the information in the NAV value. As a result, no sensitivity analysis could be performed

* Comparatives have been restated for changes in accounting policies – refer to note 4

28. Fair value of assets (continued)

28.2 Valuation techniques (continued)

28.2.3 Level 3 (continued)

Level 3 reconciliation

The following table shows a reconciliation of all movements in the fair value of investments categorised within Level 3 between the beginning and the end of the reporting periods.

Investment in GRS R'000	**Investment in Stalcor R'000**	**Investment in NBC^ R'000**	**Investment in Navigare R'000**	**Investment in BRE and the property subsidiaries and associates R'000**	**2013**	**Investment in GRS £'000**	**Investment in Stalcor £'000**	**Investment in NBC^ £'000**	**Investment in Navigare £'000**	**Investment in BRE and the property subsidiaries and associates £'000**
155,000	**32,000**	**—**	**5,000**	**29,143**	Balance as at 1 January 2013	**11,254**	**2,323**	**—**	**363**	**2,116**
14,050	**—**	**3,600**	**98**	**11,102**	Total gains and losses in profit and loss	**931**	**—**	**238**	**6**	**735**
—	**—**	**—**	**—**	**2,026**	Interest and dividends accrued	**—**	**—**	**—**	**—**	**134**
19,000	**—**	**—**	**—**	**—**	Additions	**1,258**	**—**	**—**	**—**	**—**
(8,050)	**—**	**—**	**(98)**	**(9,079)**	Disposals/equity loan repayments	**(533)**	**—**	**—**	**(6)**	**(601)**
—	**—**	**—**	**—**	**—**	Exchange losses	**(2,583)**	**(487)**	**(32)**	**(76)**	**(481)**
180,000	**32,000**	**3,600**	**5,000**	**33,192**	**Balance as at 31 December 2013**	**10,327**	**1,836**	**206**	**287**	**1,903**

Investment in GRS R'000	Investment in Stalcor R'000	Investment in NBC^ R'000	Investment in Navigare R'000	Investment in BRE and the property subsidiaries and associates R'000	*Restated 2012	Investment in GRS £'000	Investment in Stalcor £'000	Investment in NBC^ £'000	Investment in Navigare £'000	Investment in BRE and the property subsidiaries and associates £'000
155,000	45,000	—	4,500	16,427	Balance as at 1 January 2012	12,354	3,587	—	359	1,309
1,800	(13,000)	—	500	3,022	Total gains and losses in profit and loss	138	(999)	—	38	232
—	—	—	—	2,022	Interest and dividends accrued	—	—	—	—	155
—	—	—	—	8,240	Additions	—	—	—	—	633
(1,800)	—	—	—	(568)	Disposals/equity loan repayments	(138)	—	—	—	(44)
—	—	—	—	—	Exchange losses	(1,100)	(265)	—	(34)	(169)
155,000	32,000	—	5,000	29,143	Balance as at 31 December 2012	11,254	2,323	—	363	2,116

^ During Q2 2013, Blackstar's offer to acquire all of the shares in NBC via an issue of Blackstar share was approved. Blackstar re-issued 5,808,553 of its treasury shares which it had previously bought back at a cost of R64.3 million (£4.3 million) to acquire NBC, a cash shell with a net asset value of R79.2 million (£5.2 million). This transaction was essentially a placing to enable Blackstar to obtain additional cash on an attractive, discounted basis. During the current financial year, a dividend was declared, free cash available was distributed up to Blackstar and the investment cost was substantially impaired to nil as the investment cost had been realised via the dividend. NBC is currently in the process of being wound down and deregistered and remaining cash available in NBC post closure costs will be distributed up to Blackstar

* Comparatives have been restated for changes in accounting policies – refer to note 4

29. Capital management

Through two capital raisings the Company raised £80 million (£75.4 million after capital raising expenses) in 2006. In 2011, the Company raised a further R100 million £8.9 million. The capital includes share capital, share premium and all distributable and non-distributable reserves, and is managed in accordance with its investment strategy.

The investment objective of the Company is to generate shareholder returns through investing in a portfolio of businesses. Whilst not constricted geographically, given the background and experience of management, it is expected that the majority of capital invested will be in businesses operating in Southern Africa, with a particular focus on South Africa. Investments outside Southern Africa will be considered where the Board believes the opportunities are particularly attractive. The Company will look to invest in businesses with the underlying themes of strategic market position and strong cash flows. The Company may invest in the form of either equity or debt and may acquire directly or indirectly controlling or minority holdings in investee companies.

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

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

From time to time the Company acquires its own ordinary shares in the market. Such buy backs depend on market prices and available cash resources and reserves. During the current financial year, the Company bought back a total of 8,027,949 ordinary shares in the ordinary market and a further 213,541 ordinary shares as part of the share split and consolidation. Treasury shares were issued as part of the long term Management Incentive Scheme approved by shareholders at the last Annual General meeting and also to effect the NBC acquisition (refer note 24 for further details on movements in treasury shares). No shares were bought back during the prior year.

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

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

30. Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

* Restated 2012 R'000	**2013 R'000**		**2013 £'000**	* Restated 2012 £'000
(2,225)	**(1,355)**	Land and buildings	**(77)**	(31)
(869)	**(947)**	Less than one year	**(54)**	(5)
(1,356)	**(408)**	Due between one and five years	**(23)**	(26)
—	**—**	More than five years	**—**	—
(428)	**(363)**	Equipment and vehicles	**(21)**	(161)
(65)	**(75)**	Less than one year	**(4)**	(63)
(363)	**(288)**	Due between one and five years	**(17)**	(98)
—	**—**	More than five years	**—**	—
(2,653)	**(1,718)**		**(98)**	(192)

* Comparatives have been restated for changes in accounting policies – refer to note 4

31. Capital commitments

As at year end, management of consolidated Group companies had not committed to any contracted capital expenditure (2012: nil) nor any non-contracted capital expenditure (2012: nil).

32. Contingencies and guarantees

32.1 Guarantees

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

Blackstar Group SE has provided guarantees to a bank in respect of a mortgage bond taken out by BRE to acquire properties.

Blackstar Group SE has provided guarantees to Sasfin Holdings Limited in respect of financing provided by Sasfin Holdings Limited to Stalcor for the amount of R20,000,000, £1,147,000.

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

32.2 Contingent liabilities and contingent assets

There are no contingent liabilities or assets to report as at 31 December 2013 (2012: nil).

33. Directors' remuneration

Salary earned as employee of a subsidiary of the Group					Salary earned as employee of a subsidiary of the Group			
Total R'000	Other benefits R'000	Salary R'000	Non-executive Directors fees R'000	2013	Non-executive Directors fees £'000	Salary £'000	Other benefits £'000	Total £'000
577	—	—	577	John Broadhurst Mills	38	—	—	38
4,626	837*	3,429**	360	Andrew David Bonamour^	24	227**	56*	307
386	—	—	386	Wolfgang Andreas Baertz	26	—	—	26
472	—	—	472	Marcel Ernzer	31	—	—	31
130	—	—	130	Richard Thomson Wight	9	—	—	9
6,191	837	3,429	1,925		128	227	56	411

Amounts awarded through the long term Management Incentive Scheme were as follows:

Management Incentive Scheme Award in respect of 2013 year R'000	2013	Management Incentive Scheme Award in respect of 2013 year £'000
14,601#	Andrew David Bonamour^	967#

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

\# Includes expenses recognised under the Management Incentive Scheme Award to Andrew Bonamour which comprises a cash element amounting to R7.8 million (£0.5 million), and 599,357 Blackstar treasury shares issued at a cost of R6.8 million (£0.5 million). The award is variable and is dependent purely on the performance and growth in the NAV of the Company. This Scheme was approved and adopted in the current financial year and thus there is no such expense recognised in the prior year

^ Of the direct salary cost incurred by the subsidiary for Andrew Bonamour, 42.5 % was recovered from TMG. From 1 October 2013, Andrew Bonamour earned the majority of his salary directly from TMG and his Blackstar remuneration is now incentive based and calculated in terms of the rules for the long terms Management Incentive Scheme

** An amount of R0.3 million (£0.02 million) was recovered by Blackstar SA from TMG in the form of Andrew Bonamour's directors fees earned for the current financial year. This was not taken into account on calculation of the salary cost as disclosed above

33. Directors' remuneration (continued)

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

* Other benefits include medical aid, security and motor vehicle allowance
# Includes incentive bonus earned on successful realisation of Blackstar's investments in Litha, NBC and the services derivative as well as additional fees and other income generated for the Group

The Group is not considered to have any key management personnel as defined by IAS24 Related Party Disclosures, in addition to its Directors.

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

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

Charles Taberer resigned 31 December 2012 and Richard Thomson Wight was appointed in 2013.

No Directors of Blackstar Group SE held any share options and no options were granted or exercised during the year (2012: nil).

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

34. Blackstar long term Management Incentive Scheme

Prior to the current financial year, Blackstar did not have a formalised share incentive scheme in place to remunerate and retain its management team and key employees ("Management" or "Participants"). Much of Blackstar's success is based on intellectual capital that is within current Management. It was vital that Blackstar align all management incentives with the performance expectations of the Company's shareholders. The long term Management Incentive Scheme ("the Scheme") implemented is therefore linked to the intrinsic NAV per share of the Group. Share prices will fluctuate over time but ultimately NAV per share will drive the Company's share price. The Scheme is structured so that it is non-dilutive for shareholders of the Company.

Pursuant to the approval of the long term Management Incentive Scheme by the Blackstar Group SE Board of Directors ("the Board") and the adoption of this at the Annual General Meeting, the Scheme was implemented with effect from 1 January 2013.

The intrinsic NAV is determined on a semi-annual basis (the Relevant Dates being 30 June and 31 December) and subject to a review by the Company's auditors. The NAV at the end of each six month period is compared to the NAV at the beginning of the period and 15% of the increase in the NAV is allocated to the Incentive Pool. The hurdle is the South Africa Short Term Fixed Interest Benchmark Rate ("STEFI") and is subject to a catch up. Should the NAV decline over a reporting period, the Company would need to recover that decline and the NAV would need to increase to the high watermark plus hurdle, before any amount would be allocated to the Incentive Pool. The award is therefore performance based and no award is made if there is a decline in the value of the NAV per share. The NAV would be adjusted for corporate events including share buy backs, dividends and capital raisings.

34. Blackstar long term Management Incentive Scheme (continued)

Of the Incentive Pool calculated at each Relevant Date, 50% is settled in cash and 50% is settled in Blackstar shares. The number of shares to be issued is calculated by dividing the 50% shares incentive pool by the Blackstar closing share price on the Relevant Date as quoted by the AltX stock market of South Africa. The shares issued pursuant to the Scheme vest immediately but have a restriction on selling of three years or such shorter period as the Chairman of the Board may determine in his absolute discretion. Unless there are exceptional circumstances, the Chairman of the Board will not exercise this discretion save that, if conditions warrant it, he may do so to release one-third of the shares from lock-up on the first anniversary of the date of issue or transfer and a further third on the second anniversary of the date of issue or transfer. If a Participant ceases to be an employee of the Blackstar Group at a time when any of his shares are still restricted in circumstances in which he is a "bad leaver", the Board may require those shares which are still restricted to be forfeited.

In addition, the Board has the discretion to issue up to 0.25% of the issued number of shares for the six month period ending on the Relevant Date depending on performance criteria specified by the Board from time to time.

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

The cost of equity settled shares awarded to participants as part of the Scheme (equal to 50% of the Incentive Pool) are charged to profit and loss on the Relevant Date (being the date on which the obligation arises) and a corresponding entry is raised directly to retained earnings within the consolidated statement of changes in equity. On the date on which the shares are actually issued, a debit entry is made to retained earnings and the issue of fresh shares or re-issue of treasury shares is recognised against the share capital and share premium account or treasury share reserve and share premium account respectively.

Per the Scheme rules, the shares vest immediately (although the shares are subject to certain restrictions as mentioned above) and thus the full cost is recognised in profit and loss on the Relevant Date. The fair value of the services received cannot be reliably estimated, and therefore the cost of the equity settled share award is calculated with reference to the fair value of the equity instruments granted, being the value of 50% of the Incentive Pool.

The cash award is equal to 50% of the Incentive Pool which is calculated based on growth in intrinsic Net Asset Value and with no reference to Blackstar's share price. Therefore the cash award does not meet the definition of a cash-settled share based payment in accordance with IFRS 2 Share Based Payments. The obligation arises on the Relevant Date and an expense is recognised within profit and loss and a corresponding accrual raised. The accrual is reversed on payment of the cash to Participants.

The cost of the discretionary award is recognised in profit and loss and is calculated with reference to the fair value of the equity instruments granted (being the Blackstar closing share price on the date of issue of the shares to Participants). The obligation to transfer these shares to Participants arises on the date that the discretionary award is approved by the Board of Directors.

34. Blackstar long term Management Incentive Scheme (continued)

Shares issued under the Scheme

	Share price on date of issue R	Number of shares issued	Total equity settled share based payment expense recognised in profit and loss R'000	Total equity settled share based payment expense recognised in profit and loss £'000
30 June 2013 award	11.25	791,926	9,005	597
31 December 2013 award	11.50	981,025	11,282	747
		1,772,951	20,287	1,344

Cash award under the Scheme

	Total cost of the cash award recognised in profit and loss R'000	Total cost of the cash award recognised in profit and loss £'000
30 June 2013 award	6,600	437
31 December 2013 award	11,282	747
	17,882	1,184

As the incentive scheme was introduced in the current financial year, there is no information to be disclosed for 2012.

All shares were issued out of the treasury shares held by Blackstar in the treasury share reserve. The cost of the share award is equal to the fair value of the shares issued to Participants (based on the share price on date of issue). The treasury share reserve is reduced by the cost of the treasury shares issued (calculated on a weighted average basis) and the difference is recorded against the share premium account.

Due to the fact that the 981,025 shares awarded at the 31 December 2013 were only issued to Participants subsequent to year end, the treasury share reserve will only be adjusted on the actual issue of the shares in 2014, at which point an R11,282,000, £747,000 debit entry to retained earnings will also be raised.

Subsequent to year end, the Board approved an additional discretionary award of 205,221 shares to Participants. These shares will also be issued out of the treasury shares held by Blackstar. Discretionary share awards are only recognised once approved by the Board of Directors.

35. Related parties

Blackstar Group SE's subsidiaries and associates designated at fair value through profit and loss are considered to be related parties of the Company and its consolidated subsidiaries. Balances and transactions between these related parties are disclosed within this note. Balances and transactions between the Company and its consolidated subsidiaries (which are also related parties of the Company), have been eliminated on consolidation and are therefore not disclosed in this note.

Equity loans to subsidiaries and equity investments in associates and subsidiaries are reflected at fair value in the table below. Note 15, 16, 17 can be referred to for further details.

Working capital loans to subsidiaries are reflected at amortised cost (refer note 18).

35. Related parties (continued)

*Restated 2012 R'000	**2013 R'000**		**2013 £'000**	*Restated 2012 £'000
		Transactions with Stalcor – Subsidiary 50.1%		
(330)	**(405)**	Monitoring fees earned from Stalcor	**(27)**	(25)
—	**(54)**	Guarantee fees earned from Stalcor	**(4)**	—
		At 31 December, the following loans and investments were held with Stalcor:		
32,000	**32,000**	Interest-free loan to Stalcor at fair value with no fixed terms of repayment (refer note 16)	**1,836**	2,323
5,000	**—**	Short term working capital loan provided to Stalcor which bore interest at the South African Prime Rate and was repaid during 2013 (refer note 18)	**—**	363
—	**—**	Investment in Stalcor at fair value (refer note 16)	**—**	—
		Transactions with CCPA — 100% subsidiary of Stalcor		
—	**(281)**	Interest income on loan to CCPA	**(19)**	—
		At 31 December, the following loans and investments were held with CCPA:		
—	**8,174**	Working capital loan to CCPA at amortised cost which bears interest at the South African Prime Rate. Interest is calculated monthly in arrears and both interest and capital are repayable once CCPA has sufficient funds available (refer note 18)	**469**	—
		Transitions with GRS — Subsidiary 100%		
(240)	**(257)**	Monitoring fees earned from GRS	**(17)**	(18)
(340)	**(278)**	Guarantee fees earned from GRS	**(18)**	(26)
		At 31 December, the following loans and investments were held with GRS:		
39,280	**50,230**	Interest-free loan to GRS at fair value with no fixed terms of repayment. Monthly repayments are made by GRS, currently these amount to R1.25 million per month (refer note 16)	**2,882**	2,852
115,720	**129,770**	Investment in GRS at fair value (refer note 16)	**7,445**	8,402
		Transactions with BSOF — Subsidiary 56.6%		
(92)	**(5,765)**	Performance and management fees earned by BFM from BSOF	**(382)**	(7)
		At 31 December, the following loans and investments were held with BSOF:		
(36)	**(2,832)**	Performance fees receivable by BFM from BSOF included in trade and other payables	**(162)**	(3)
21,540	**63,222**	Investment in BSOF at fair value (refer note 16)	**3,627**	1,563

* Comparatives have been restated for changes in accounting policies – refer to note 4

35. Related parties (continued)

*Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
		Transactions with BRE – Subsidiary 100%#		
(637)	**(633)**	Interest income on loan to BRE	**(42)**	(49)
–	**(108)**	Accounting fees earned from BRE	**(7)**	—
		At 31 December, the following loans and investments were held with BRE		
		Loan to BRE at fair value bearing interest at South African Prime Rate.		
5,682	**—**	Interest is repayable quarterly in arrears and there are no fixed terms of repayment for the capital	**—**	413
—	**(14,398)**	Loan from BRE at fair value bearing interest at South African Prime Rate with no fixed terms of repayment	**(826)**	—
—	**22,892**	Investment in BRE	**1,313**	—
		Transactions with Firefly – Subsidiary 70%#		
(969)	**(948)**	Interest income on loan to Firefly	**(63)**	(74)
(417)	**(450)**	Dividend income on preference shares issued by Firefly	**(30)**	(32)
(70)	**(112)**	Accounting fees earned from Firefly	**(7)**	(5)
		At 31 December, the following loans and investments were held with Firefly		
11,505	**11,997**	Interest bearing loan at fair value with no fixed dates of repayment. Interest is payable at the South African Prime Rate plus 200 basis points	**688**	836
4,085	**4,535**	Preference shares held in Firefly at fair value bearing interest at South African Prime Rate plus 200 basis points	**259**	296
—	**—**	Investment in Firefly at fair value	**—**	—
		Transactions with Domel – 100% subsidiary of BRE#		
—	**(8,550)**	Dividend received from Domel	**(566)**	—
		At 31 December, the following loans and investments were held with Domel		
—	**5,525**	Investment in Domel at fair value	**317**	—
		Transactions with Wonderdeals – 85.9% subsidiary of BRE#		
(104)	**(48)**	Accounting fees earned from Wonderdeals	**(3)**	(8)
		At 31 December 2013, the following loans and investments were held with Wonderdeals		
7,707	**—**	Interest-free loan at fair value with no fixed terms of repayment	**—**	559
	—	Investment in Wonderdeals at fair value	**—**	—
		Transactions with Fantastic – 79% subsidiary of BRE#		
(24)	**(24)**	Accounting fees earned from Fantastic	**(2)**	(2)
		At 31 December 2013, the following loans and investments were held with Fantastic		
—	**2,641**	Interest-free loan at fair value with no fixed terms of repayment	**152**	—
—	**—**	Investment in Fantastic at fair value	**—**	—

* Comparatives have been restated for changes in accounting policies – refer to note 4

35. Related parties (continued)

*Restated 2012 R'000	2013 R'000		2013 £'000	* Restated 2012 £'000
		Transactions with NBC – Subsidiary 100%		
(3,859)	**(150)**	Directors fees earned from NBC	**(10)**	(297)
(2,501)	**(1,500)**	Monitoring fees earned from NBC	**(99)**	(192)
—	**(87,460)**	Dividend received from NBC	**(5,792)**	—
		At 31 December 2013, the following loans and investments were held with NBC:		
—	**3,600**	Investment in NBC at fair value (refer note 16)	**206**	—
		Transactions with TMG – Associate 25.2%		
^	**(2,408)**	Directors fees earned from TMG	**(159)**	^
		At 31 December, the following loans and investments were held with TMG		
—	**672,138**	Investment in TMG at fair value (refer note 17)	**38,559**	—
		Transactions with Navigare – Associate 25%		
(180)	**(180)**	Monitoring fees earned from Navigare	**(12)**	(14)
		At 31 December, the following loans and investments were held with Navigare:		
1,278	**1,180**	Loan to Navigare at fair value which is interest-free with no fixed terms of repayment (refer note 17)	**68**	93
3,722	**3,820**	Investment in Navigare at fair value (refer note 17)	**219**	270

* Comparatives have been restated for changes in accounting policies – refer to note 4
# Included under the category BRE and the property subsidiaries in note 15 and 16
^ Not an associate in the prior year and thus information excluded for the 2012 financial year

John Mills is deemed to be a related party, as in addition to being a Director, funds associated with John Mills are interested in 0.9% of the issued share capital of the Company. In addition John Mills is a Director of Maitland Luxembourg S.A. ("Maitland"). Maitland provided a variety of services to the Company, on a commercial, arms-length basis. In 2013, fees to Maitland for advisory and administrative services amounted to R1,528,000, £101,200 (2012: R447,000, £37,000). At balance sheet date amounts owing to Maitland amounted to R50,000, £3,000 (2012: there were no amounts owing to Maitland).

Further to the amounts above, BSOF has paid Maitland Group South Africa Limited a fee of R54,000, £3,000 (2012: nil) for the administration of BSOF and at year end there was no amount outstanding (2012: nil).

Andrew Bonamour is deemed to be a related party as in addition to being a Director, funds associated with Andrew Bonamour are interested in 9.5% of the issued share capital of the Company.

Details of Directors' remuneration are provided in note 33 to the consolidated financial statements. There are no other related parties transactions to disclose.

36. Post balance sheet events

Subsequent to year end, Blackstar acquired a further 9.1 million shares in TMG thereby increasing its shareholding to 32.3%. Of the acquisitions made post year end, 8.7 million shares acquired were financed through an access facility which was opened with a bank subsequent to year end.

Blackstar also invested a further R22.0 million (£1.3 million) into Robor after year end.

The Property division acquired a new property, situated in a good office and retail node of Cape Town, for an amount of R27.7 million (£1.6 million). The property, which comprises 1 600sqm of office space, already has a triple net lease for the next five years and the transfer is expected to be completed in the third quarter of 2014. Blackstar has paid a deposit of R2.7 million (£0.2 million) and the balance of the purchase price will be financed through third party debt.

Refer to note 24 for details of treasury share purchases and issues which occurred subsequent to year end.

37. Segmental information

For the purpose of reporting to the Blackstar Board of Directors (who are considered to be the chief operating decision maker of the Company), the Group is organised into three segments, namely Investments, Funds and Property. These segments are compared by considering both the growth in their fair value as well as the returns on the respective segment. In addition to these segments are the non-segmental entities. The non-segmental entities house the overhead costs of the Group which are not directly linked to returns on investments and as a result, these entities cannot be compared to the segmental entities.

The Group segments have changed from the Annual Report presented at 31 December 2012 as a result of the adoption of the Investment Entities amendments to IFRS 10, IFRS 12 and IAS 27. The segments were previously grouped in relation to earnings before interest and taxation and depreciation ("EBITDA") as the results of each subsidiary were consolidated and associates equity accounted, and therefore incorporated within the statement of comprehensive income on a line-by-line basis. On adoption of the Investment Entities amendments, the interests in the majority of all subsidiaries and associates are fair valued and only the fair value adjustment in relation to each investment is included in profit and loss. The Directors review of financial performance is more focussed on the fair value of each investment and resulting changes in fair value and thus the segmental information has been adjusted accordingly. Comparatives have been restated for this change in presentation as well as the changes in accounting policies.

The segments have been further explained as follows:

Investments

The Investments segment includes investments in the steel sector, namely, Stalcor, GRS, Robor and their respective subsidiaries. Stalcor is a processor, distributor and stockist of carbon steel, stainless steel and aluminium in the form of high quality sheet, plate and coil as well as structural and other long product profiles. Blackstar holds a 50.1% (2012: 50.1%) interest in Stalcor and accounts for Stalcor as an investment in a subsidiary designated at fair value through profit and loss (refer note 16).

GRS is a steel roofing and cladding company. Blackstar holds a 100% (2012: 100%) interest in GRS and accounts for GRS as an investment in a subsidiary designated at fair value through profit and loss (refer note 16).

Robor is a manufacturer and supplier of welded steel tube and pipe and cold formed steel profiles. Blackstar holds an 11.1% (2012: 6.1%) interest in Robor and accounts for this investment as an investment at fair value through profit and loss (refer note 15).

Also included in the Investments segment is TMG. Listed on the Johannesburg Stock Exchange, TMG is a media and entertainment company that informs, educates and entertains. Blackstar has significantly increased its shareholding in TMG from 11.6% at the end of the 2012 period to 25.2% at the end of 2013. In 2012, Blackstar accounted for this investment as an investment at fair value through profit and loss however, due to the increased shareholding, TMG became an associate of Blackstar. As a result of the changes in accounting policies, associates are designated as investments at fair value through profit and loss and TMG is therefore reflected at fair value (refer note 17).

Litha, a diversified healthcare company, was also included in this segment. In August 2013, Blackstar disposed of its remaining interest in Litha.

In June 2013, Blackstar offered to acquire all the shares of NBC via an issue of Blackstar shares. The investment in NBC is accounted for as a subsidiary designated at fair value through profit and loss. NBC is currently in the process of being wound up and deregistered.

37. Segmental information (continued)

The Investment segment also includes the investment held by Blackstar in Navigare. Navigare is a boutique institutional trading firm. Blackstar holds a 25% (2012: 25%) interest in Navigare and accounts for Navigare as an investment in associate designated at fair value through profit and loss (refer note 17).

In addition to the above, the investments sector includes a small portfolio of investments in listed equities which are traded for the purpose of making short term profits. These investments are accounted for as investments at fair value through profit and loss (refer note 15).

Funds

The Funds segment consists of the investments in BSOF, BGOF and BFM US Fund.

Blackstar launched the BSOF in October 2012 which is a multi-strategy fund with an emphasis on special opportunities within the South African market. During October 2013, an additional fund, BFM US Fund, was started and Blackstar took up an initial 5,000 shares in this fund. BFM were appointed as advisors to the fund and the intention is for the BFM US Fund to mirror the positions held in BSOF, the only difference being the investments in the BFM US Fund shall be held in US Dollars, whilst the investments held in BSOF shall be held in South African Rands.

During the current year BGOF was launched. BGOF is a USD fund suited to South African investors wanting exposure to developed markets with returns in USD. The fund is predominantly focused on European and US equities but will also have exposure to other global markets.

Property

Blackstar invests in property opportunities where the tenants ability to meet rental obligations can be reasonably assessed and understood. The properties which Blackstar has invested in are predominantly commercial and industrial properties. The properties in the Group are held by BRE and its respective subsidiaries.

The accounting policies of the segments are the same as those described in the summary of significant accountant policies.

37. Segmental information (continued)

Segmental operating profit:

*Restated 31 December 2012 R'000	31 December 2013 R'000		31 December 2013 £'000	*Restated 31 December 2012 £'000
174,486	**186,539**	**Investments**	**12,354**	13,406
(64,231)	**90,758**	Net gains/(losses) on financial assets at fair value through profit and loss	**6,011**	(4,935)
215,690	**93,966**	Dividend income	**6,223**	16,572
1,535	**483**	Interest income	**32**	118
21,492	**1,332**	Fee income	**88**	1,651
792	**24,441**	**Funds**	**1,619**	61
700	**17,726**	Net gains on financial assets at fair value through profit and loss	**1,174**	54
92	**6,715**	Fee income and performance fee income	**445**	7
5,752	**27,286**	**Property**	**1,806**	442
3,705	**24,558**	Net gains on financial assets at fair value through profit and loss	**1,626**	285
2,023	**2,377**	Interest income	**157**	155
24	**351**	Fee income	**23**	2
(61,661)	**(53,782)**	**Non-segmental entities**	**(3,562)**	(6,354)
119,369	**184,484**	**Operating profit reported by the Group**	**12,217**	7,555

* Comparatives have been restated for changes in accounting policies – refer to note 4

Segmental assets

*Restated 31 December 2012 R'000	31 December 2013 R'000		31 December 2013 £'000	*Restated 31 December 2012 £'000
753,981	**1,033,818**	Investments	**59,309**	54,741
21,540	**121,636**	Funds	**6,978**	1,563
29,143	**33,192**	Property	**1,903**	2,116
347,654	**130,909**	Non-segmental entities	**7,511**	25,240
1,152,318	**1,319,555**	**Total assets reported by the Group**	**75,701**	83,660

* Comparatives have been restated for changes in accounting policies – refer to note 4

All Group revenues are derived in Southern Africa and all of the Group's assets that are expected to be recovered more than twelve months after the balance sheet date are located in Southern Africa.

No further geographical information is presented for the segments as this would not influence management's decision pertaining to the respective investment.

Company statement of changes in equity
for the year ended 31 December 2013

	Notes	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 1 January 2012		57,053	1,974	2,893	(2,272)	267	9,614	69,529
Change in accounting policy		—	—	—	—	(7,739)	21,856	14,117
Balance as at 1 January 2012 (*restated)		57,053	1,974	2,893	(2,272)	(7,472)	31,470	83,646
Total comprehensive income/(loss) for the period		—	—	—	—	(7,839)	7,058	(781)
Income for the period		—	—	—	—	—	7,058	7,058
Other comprehensive loss for the period		—	—	—	—	(7,839)	—	(7,839)
Cancellation of ordinary shares		(1,706)	—	1,706	2,272	—	(2,272)	—
Balance as a 31 December 2012 (*restated)		55,347	1,974	4,599	—	(15,311)	36,256	82,865
Total comprehensive income/(loss) for the period		—	—	—	—	(18,784)	12,368	(6,416)
Income for the period		—	—	—	—	—	12,368	12,368
Other comprehensive loss for the period		—	—	—	—	(18,784)	—	(18,784)
Purchase of treasury shares		—	—	—	(5,955)	—	—	(5,955)
Effect of share split and consolidation	12	—	—	—	(166)	—	—	(166)
Treasury shares issued to acquire NBC	12	—	(30)	—	4,262	—	—	4,232
Equity settled share based payment	16	—	—	—	—	—	1,344	1,344
Treasury shares issued during the year as part of the long term Management Incentive Scheme	16	—	(14)	—	611	—	(597)	—
Dividends paid		—	—	—	—	—	(1,382)	(1,382)
Balance as at 31 December 2013		**55,347**	**1,930**	**4,599**	**(1,248)**	**(34,095)**	**47,989**	**74,522**

* Comparatives have been restated for changes in accounting policies – refer to note 3

A final dividend of 1.21 pence per ordinary share was paid on 18 June 2013.

An interim dividend of 0.50 pence per ordinary share was paid on 22 November 2013.

A final dividend of 0.80 pence, per ordinary share, has been proposed, to be paid on 30 May 2014.

The notes on pages 83 to 94 form part of the Company financial statements.

Company statement of financial position
as at 31 December 2013

	Notes	31 December 2013 £'000	*Restated 31 December 2012 £'000	*Restated 1 January 2012 £'000
Assets				
Financial assets at fair value through profit and loss	**4**	**70,719**	62,701	90,572
Net investments in subsidiaries	**5**	**44,325**	45,712	76,590
Net investments in associates	**6**	**23,357**	363	13,621
Financial assets held for trading	**4**	**3,037**	16,626	361
Investment classified as loans and receivables	**7**	**469**	363	163
Trade and other receivables	**8**	**329**	255	301
Cash and cash equivalents	**9**	**4,641**	21,657	2,570
Total assets		**76,158**	84,976	93,606
Liabilities				
Borrowings	**10**	**—**	(9)	—
Current tax liability		**(29)**	(23)	(22)
Trade and other payables	**11**	**(1,607)**	(2,079)	(9,938)
Total liabilities		**(1,636)**	(2,111)	(9,960)
Total net assets		**74,522**	82,865	83,646
Equity				
Share capital	**12**	**55,347**	55,347	57,053
Share premium	**12**	**1,930**	1,974	1,974
Capital redemption reserve	**12**	**4,599**	4,599	2,893
Treasury shares reserve	**12**	**(1,248)**	—	(2,272)
Foreign currency translation reserve	**12**	**(34,095)**	(15,311)	(7,472)
Retained earnings	**12**	**47,989**	36,256	31,470
Total equity attributable to equity holders		**74,522**	82,865	83,646

* Comparatives have been restated for changes in accounting policies – refer to note 3

The official opening middle rates of exchange applicable between the Euro and the GBP, and the Euro and the ZAR, as issued by the European Central Bank at 31 December 2013 was 0.83 (2012: 0. 82) and 14.57 (2012:11.17) respectively.

The notes on pages 83 to 94 form part of the Company financial statements.

The Company financial statements were approved by the Board and authorised for issue on 16 April 2014.

Andrew Bonamour
Non-executive Director

John Mills
Non-executive Director

Company statement of cash flows

for the year ended 31 December 2013

	Notes	2013 £'000	*Restated 2012 £'000
Cash flow from operating activities			
Cash (absorbed)/generated by operations	**13**	**(6,874)**	21,742
Dividend and interest income received		**24**	1
Interest received		**158**	147
Interest paid		**(11)**	(1,419)
Taxation received		**3**	—
Cash (absorbed)/generated by operating activities		**(6,700)**	20,471
Cash flow from investing activities			
Purchase of equipment		**(1)**	—
Cash absorbed by investing activities		**(1)**	—
Cash flow from financing activities			
Movement in borrowings		**(8)**	10
Acquisition of Blackstar shares as a result of the share split and consolidation		**(166)**	—
Purchase of treasury shares		**(5,955)**	—
Dividends paid to equity holders of the parent		**(1,382)**	—
Cash (absorbed)/generated by financing activities		**(7,511)**	10
Net (decrease)/increase in cash and cash equivalents		**(14,212)**	20,481
Cash and cash equivalents at the beginning of the year		**21,657**	2,570
Exchange losses on cash and cash equivalents		**(2,804)**	(1,394)
Cash and cash equivalents at the end of the year	**9**	**4,641**	21,657

* Comparatives have been restated for changes in accounting policies – refer to note 3

The notes on page 83 to 94 form part of the Company financial statements.

1. Accounting policies

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

The financial statements of the Company are presented as required by the Malta Companies Act, 1995. 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 Malta Companies Act, 1995 applicable to companies preparing their accounts under IFRS.

The Company presents its statement of financial position in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 14. This is a change in accounting policy from the prior year and disclosure for the comparative periods has also been amended to reflect items in order of liquidity.

The Company is an Investment Entity and as such in its Group consolidated financial statements does not consolidate all of the entities it controls. Instead, certain interests in subsidiaries are classified as fair value through profit and loss and measured at fair value. As a result of this change, the Company no longer accounts for its investments in subsidiaries at cost less provision for impairment but rather carries these investments at fair value. This represents a change in accounting policy in the current year, more details of which are provided in note 3. Investments in associates are continued to be classified as investments at fair value through profit and loss, and measured at fair value.

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. Where the Company has the power to participate in the financial and operating policy decisions of an entity, it is classified as an associate.

Any gains or losses arising from changes in the fair value of investments in subsidiaries and associates are recognised in profit and loss in the period in which they occur.

The principal accounting policies which are relevant in the preparation of the Company financial statements are listed below and can be found on pages 22 to 33 of the consolidated financial statements:

Note 1.7	Financial instruments
Note 1.8	Offsetting of financial instruments
Note 1.10	Cash and cash equivalents
Note 1.11	Dividend distributions
Note 1.12	Equity instruments and treasury shares
Note 1.13	Dividend and interest revenue
Note 1.14	Net gains or losses on financial assets and liabilities at fair value through profit and loss
Note 1.16	Finance income and finance costs
Note 1.17	Share-based payments
Note 1.18	Tax
Note 1.19	Foreign currencies
Note 1.21	Significant judgements and areas of estimation
Note 2	Determination of fair values

2. Profit for the year

The Company has taken advantage of the exemption allowed under section 183(8) of Malta Companies Act, 1995 and has not presented its own profit and loss in these financial statements. The Group's profit for the year includes a profit after taxation of £12,368,000 (2012 restated: £7,058,000) for the Company.

3. Changes in accounting policies

New and amended standards and interpretations

The accounting policies adopted in the current year are consistent with those of the previous year, except that the Company has adopted the following new and revised accounting standards:

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

The Company has chosen to present the statement of financial position using the liquidity presentation. The change does not affect the quantitative value of the amounts previously presented, and the differentiation between the current and non-current elements on the statement of financial position can be assessed in note 14.

Of the above standards, only IFRS 10 (including the Investment Entities amendments) has made a significant impact to the financial performance and position of the Company as its adoption requires the restatement of results previously presented.

IFRS 12 requires additional disclosures to be made, but has no effect on the financial position or performance of the Company. The adoption of IFRS 11, IAS 27 (revised) and IAS 28 (revised) has not had a material impact on the financial statements.

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the Company reassessed its policies for measuring fair values. IFRS 13 also requires additional disclosures to be made, and these are provided in note 28 of the Group financial statements.

The amendments to IAS 1 clarify the disclosure requirements in respect of comparative information required in cases of changes of accounting policies, retrospective restatements or reclassifications, and change the grouping of items presented in other comprehensive income, such that items that could be reclassified (or recycled) to profit and loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will not be reclassified. These amendments have only had a disclosure impact on the Company's accounts.

Other amendments apply for the first time in 2013. However, they do not impact the financial statements of the Company.

The nature and impact of the adoption of IFRS 10 on the Company financial statements described below:

IFRS 10 Consolidated Financial Statements and Investment Entities Amendments

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issue raised in SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities.

3. Changes in accounting policies (continued)

IFRS 10 Consolidated Financial Statements and Investment Entities Amendments (continued)
In addition, IFRS 10 includes an exception from consolidation for entities, which meet the definition of an Investment Entity, and requires such entities to recognise all investments at fair value through profit and loss.

The adoption of IFRS 10 has resulted in the Company treating its net investments in subsidiaries and associates as investments held at fair value through profit and loss.

Under the transitional provisions of IFRS 10 this change in accounting policy is required to be accounted for retrospectively. Therefore, the relevant comparative figures have been restated.

The impact of these changes on the statement of financial position as at 31 December 2011 and 31 December 2012 is shown below:

Impact on the statement of financial position
Increase/(decrease) to net assets:

	31 December 2012 £'000	31 December 2011 £'000
Assets		
Investments in subsidiary companies (carried at impaired cost)	**(42,160)**	(62,435)
Investments classified as loans and receivables	**270**	54
Financial assets at fair value through profit and loss	**45,805**	76,661
Trade and other receivables	**(363)**	(163)
Total assets	**3,552**	14,117
Total liabilities	**—**	—
Total net assets	**3,552**	14,117
Equity		
Total equity attributable to equity holders	**3,552**	14,117
Total equity	**3,552**	14,117

4. Financial assets at fair value through profit and loss

	2013 £'000	*Restated 2012 £'000
Financial assets held for trading	**3,037**	16,626
Listed equity securities	**—**	16,561
Equity investments in unlisted hedge funds	**3,037**	—
Unlisted equity securities	**—**	65
Financial assets designated at fair value through profit and loss	**67,682**	46,075
Net investments in subsidiaries	**44,325**	45,712
Net investments in associates	**23,357**	363
Total financial assets at fair value through profit and loss	**70,719**	62,701

Financial assets held for trading comprise the following investments:

	2013 £'000	*Restated 2012 £'000
Listed equity securities	**—**	16,561
Other investments in ordinary shares	**—**	1,456
Ordinary shares in Times Media Group Limited	**—**	14,155
Ordinary shares in Litha Healthcare Limited	**—**	950
Investments in unlisted hedge funds	**3,037**	—
Investment in Blackstar Global Opportunities Fund	**3,037**	—
Unlisted equity securities	**—**	65
Ordinary shares in FBDC Investor Offshore Holdings L.P.	**—**	65
Total financial assets held for trading	**3,037**	16,626

* Comparatives have been restated for changes in accounting policies – refer to note 3

5. Net investments in subsidiaries

Details of the Group's subsidiaries are as follows:

Principal place of business	Principal activity	Name of subsidiaries	Proportion of ownership rights 2013	2012
Subsidiaries not consolidated in the Group consolidated financial statements				
South Africa	Hedge fund	Blackstar Special Opportunities Fund # ("BSOF")	**56.6%**	38.4%
South Africa	General Partner	Blackstar GP (Pty) Limited # ("Blackstar GP")	**100.0%**	100.0%
South Africa	Steel roofing and cladding company	Global Roofing Solutions (Pty) Limited # ("GRS")	**100.0%**	100.0%
South Africa	Steel roofing and cladding company	Helm Engineering (Pty) Limited ## ("Helm")	**100.0%**	100.0%
Namibia	Steel roofing and cladding company	Starbuck Island Investments (Pty) Limited ## ("Starbuck")	**100.0%**	0.0%
South Africa	Industrial steel company	Stalcor (Pty) Limited ^^ ("Stalcor")	**50.1%**	50.1%
South Africa	Investment property company	CCPA Properties (Pty) Limited ^ ("CCPA")	**50.1%**	0.0%
South Africa	Investment company	New Bond Capital Limited ^^ $$ ("NBC")	**100.0%**	100.0%
South Africa	Investment property company	Blackstar Real Estate (Pty) Limited ^^ ("BRE")	**100.0%**	100.0%
South Africa	Investment property company	Fantastic Investments 379 (Pty) Limited ** ("Fantastic")	**79.0%**	@
South Africa	Investment property company	Firefly Investments 223 (Pty) Limited ** ("Firefly")	**70.0%**	70.0%
South Africa	Investment property company	Wonderdeals 38 (Pty) Limited ** ("Wonderdeals")	**85.9%**	85.9%
Namibia	Investment property company	Domel Investments (Pty) Limited ** $ ("Domel")	**100.0%**	100.0%
Subsidiaries consolidated in the Group consolidated financial statements				
Cyprus	Investment company	Blackstar (Cyprus) Investors Limited # ("Blackstar Cyprus")	**100.0%**	100.0%
Gibraltar	Investment company	Blackstar (Gibraltar) Limited # ("Blackstar Gibraltar")	**^^^**	100.0%
South Africa	Investment advisory company	Blackstar Group (Pty) Limited # ("Blackstar SA")	**100.0%**	100.0%
South Africa	Fund Manager	Blackstar Fund Managers (Pty) Limited # ("BFM") ***	**56.0%**	50.1%

Subsidiary of Blackstar Group SE
^ Subsidiary of Stalcor (Pty) Limited
^^ Subsidiary of Blackstar (Cyprus) Investors Limited
** Subsidiary of Blackstar Real Estate (Pty) Limited
Subsidiary of Global Roofing Solutions (Pty) Limited
$ In the prior year Domel was wholly owned by GRS
$$ During Q2 2013, Blackstar's offer to acquire all of the shares in NBC via an issue of Blackstar shares was approved. Blackstar re-issued 5,808,553 of its treasury shares which it had previously bought back at a cost of £4.3 million to acquire NBC, a cash shell with a net asset value of £5.2 million. This transaction was essentially a placing to enable Blackstar to obtain additional cash on an attractive, discounted basis. The cash was pooled with Blackstar's existing cash resources available for investment by Blackstar. NBC is currently in the process of being wound down and deregistered and remaining cash available in NBC post closure costs will be distributed up to Blackstar
@ In the prior year, BRE held 25% of the shares in Fantastic and thus the investment was classified as an associate, refer note 6
^^^ During the last quarter of 2013, Blackstar Gibraltar was wound down and deregistered
*** During the current financial year, Blackstar acquired further shares in the fund manager BFM (refer note 26 of the consolidated financial statements)

Loans and receivables payable by subsidiaries designated at fair value through profit and loss

Shareholder loans to Group subsidiaries which are considered to be equity loans (and ordinarily would be accounted for as loans and receivables) have been designated as at fair value through profit and loss. On assessment of the fair value of the investment in subsidiary, these equity loans are incorporated into the valuation assessment and any decline in fair value is first allocated to the carrying amount of the equity investment and then to the loan to the subsidiary.

5. Net investments in subsidiaries (continued)

Net investments in subsidiaries included in note 4 comprises the following investments at fair value:

	2013 £'000	* Restated 2012 £'000
Net investments in subsidiaries where equity held by the Company:		
Net investment in GRS	**10,327**	8,402
Equity share investment	**7,445**	8,402
Interest-free loan to GRS with no fixed terms of repayment. Monthly repayments are made by GRS, currently these amount to R1.25 million per month ##	**2,882**	—
Net investment in Blackstar Cyprus	**32,243**	31,113
Equity share investment	**28,775**	31,113
Preference shares	**3,468**	—
Net investment in Blackstar Gibraltar	**—**	4,570
Equity share investment ##	**—**	4,570
Net investment in BFM	**57**	64
Equity share investment	**57**	64
Investment in BSOF #	**—**	1,563
Net investments in subsidiaries where equity held by Blackstar Cyprus:		
Net investment in Stalcor	**1,836**	—
Interest-free loan to Stalcor with no fixed terms of repayment##	**1,836**	—
Net investment in BRE	**(826)**	—
Loan from BRE bearing interest at South African Prime Rate with no fixed terms of payment	**(826)**	—
Net investment in Firefly	**688**	—
Loan to Firefly bearing interest at South African Prime Rate plus 200 basis points with no fixed terms of repayment	**688**	—
	44,325	45,712

* Comparatives have been restated for changes in accounting policies - refer to note 3

\# In terms of the definition of control per IFRS, Blackstar, through its shareholding in Blackstar GP, is considered to control the fund BSOF and thus it is classified as a subsidiary. Blackstar's percentage ownership of the fund is calculated based on the fair value of Blackstar's direct investment into BSOF relative to the other limited partners' investment in the fund carried at fair value. During the year, the Company's investment in BSOF was transferred to Blackstar Cyprus.

\## During 2013 new legislation was released in Gibraltar and it was determined that it was no longer beneficial to have a company in Gibraltar. Blackstar Gibraltar was therefore wound down, and all of its assets were assigned to and liabilities assumed by Blackstar Group SE thereby resulting in the creation of these loans within the Company accounts

Restrictions

Blackstar receives income in the form of dividends and interest from its investments in subsidiaries, and there are no significant restrictions on the transfer of funds from these entities to Blackstar with the exception of the South African Reserve Bank regulations with respect to the transfer of funds offshore.

Support

Blackstar has provided support in the form of equity and working capital loans to its subsidiaries. Details of these loans are provided in note 5 for equity loans and note 7 for working capital loans. Blackstar has no contractual commitments and may provide further financial or any other support to its subsidiaries should they require it and the Company has funds available to do so.

5. Net investments in subsidiaries (continued)

Maximum credit exposure for loans designated at fair value through profit and loss

The maximum credit exposure for the loans held by the Company with subsidiaries would be equal to the original carrying amount of the loan prior to any fair value adjustments, details of which are provided below:

	Carrying Value 2013 £'000	Original loan amount prior to fair value adjustments 2013 £'000
Loan to GRS	2,882	2,882
Loan to Stalcor	1,836	2,582
Loan from BRE	(826)	(826)
Loans to Firefly	688	688

In 2012 all loans were held by Blackstar Gibraltar.

6. Net investments in associates

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

Principal place of business	Principal activity	Name of associates	Proportion of ownership rights 2013	2012
South Africa	Media	Times Media Group Limited ("TMG")^	25.2%	$
South Africa	Stock broker	Navigare Securities (Pty) Limited ("Navigare")	25.0%	25.0%
South Africa	Property investment company	Fantastic Investments 379 (Pty) Limited ("Fantastic")	#	25.0%

Net investments in associates carried at fair value through profit and loss comprise the following:

	2013 £'000	* Restated 2012 £'000
Net investment in TMG		
Equity shares in TMG	23,070	$
Net investment in Navigare	287	363
Equity shares in Navigare	219	270
Loan to Navigare which is interest-free with no fixed terms of repayment	68	93
	23,357	363

* Comparatives have been restated for changes in accounting policies – refer to note 3

$ Due to further acquisitions of shares in TMG, the investment in TMG was classified as an investment in associate during the current financial year. In the prior year, the TMG investment was included in financial assets held for trading

^ As at 31 December 2013, the Company holds a 15.1% interest in TMG, whilst Blackstar Cyprus holds a further 10.1% resulting in a Group shareholding in TMG of 25.2%. Since the Company controls Blackstar Cyprus. TMG is deemed to qualify as an associate of the Company

As a result of further acquisition of shares in Fantastic during the current financial year, Blackstar's shareholding increased to 79% and the investment in Fantastic was classified as an investment in subsidiary designated at fair value through profit and loss. Refer to note 5

7. Investments classified as loans and receivables

Loans from Blackstar to subsidiaries of the Company, which are considered to be working capital loans and not part of equity, have been accounted for at amortised cost and comprise of the following:

	2013 £'000	*Restated 2012 £'000
Loan to subsidiary CCPA which bears interest at the South African Prime Rate. Interest is calculated monthly in arrears and both interest and capital are repayable once the Borrower has sufficient funds available	**469**	—
Short term working capital loan provided to Stalcor. The loan bore interest at the South African Prime Rate and was repaid during 2013	**—**	363
	469	363

* Comparatives have been restated for changes in accounting policies – refer to note 3

8. Trade and other receivables

	2013 £'000	*Restated 2012 £'000
Trade receivables due by subsidiary companies	**23**	1
Trade receivables due by external parties	**2**	—
Impairment allowance	**—**	—
Total trade receivables net of impairment allowance	**25**	1
Other receivables due by subsidiary companies	**281**	—
Prepayments and accrued income	**23**	21
Other receivables	**—**	233
	329	255

* Comparatives have been restated for changes in accounting policies – refer to note 3

Amounts due by subsidiary companies comprise an inter-group debtor with Blackstar SA which was settled in January 2014.

9. Cash and cash equivalents

	2013 £'000	2012 £'000
Deposits and cash at bank	**4,641**	21,657
Cash and cash equivalents per the statement of cash flows	**4,641**	21,657

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

10. Borrowings

	2013 £'000	2012 £'000
Secured		
The facility bore interest at the South African Prime Rate plus15 basis points nominal annual compounded semi-annually in arrears and was repaid during 2013	—	(9)
	—	(9)

11. Trade and other payables

	2013 £'000	2012 £'000
Trade payables due to external parties	**(11)**	(99)
Other payables due to subsidiary companies	**(1,534)**	(1,980)
Accrued expenses	**(47)**	—
Other payables	**(15)**	—
	(1,607)	(2,079)

Amounts due to subsidiary companies in the current year include: a £647,000 liability which is due to management as part of the long term Management Incentive Scheme (refer note 16) and will be paid via Blackstar SA; and a £887,000 inter-group creditor with Blackstar Cyprus. Amounts due to subsidiary companies in the prior year mainly comprised an interest-free loan of £380,000 from Blackstar Gibraltar and a short term interest bearing loan from Blackstar Cyprus of £1,535,000.

12. Share capital and reserves

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

13. Cash (absorbed)/generated by operations

	2013 £'000	*Restated 2012 £'000
Profit for the period	**12,368**	7,058
Add back taxation	**6**	3
Profit before taxation	**12,374**	7,061
Adjustments for non cash items:		
Fair value adjustments on investments held at fair value through profit and loss	**(9,580)**	22,792
Dividends and interest accrued from loans and investments	**(79)**	(16,088)
Finance income	**(158)**	(148)
Finance costs	**11**	1,456
Long term Management Incentive Scheme Award of treasury shares (equity settled share based payment expense)	**1,344**	—
Changes in working capital:		
Decrease in trade and other receivables	**178**	7
Increase/(decrease) in trade and other payables	**442**	(343)
Additions to investments	**(14,358)**	(40,492)
Proceeds on disposal and redemption of investments	**2,952**	47,497
	(6,874)	21,742

* Comparatives have been restated for changes in accounting policies – refer to note 3

14. Financial instruments

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

Information related to financial instruments and management of these risks is set out in note 27 to the consolidated financial statements. The following information relates specifically to the Company.

14.1 Financial instruments by category

	2013 £'000	*Restated 2012 £'000
Financial assets		
Financial assets at fair value through profit and loss		
Investments at fair value through profit and loss	**70,719**	62,701
Loans and receivables	**5,439**	22,275
Investments classified as loans and receivables	**469**	363
Trade and other receivables	**329**	255
Cash and cash equivalents	**4,641**	21,657
	76,158	84,976
Financial liabilities		
Financial liabilities measured at amortised cost		
Borrowings	**—**	(9)
Trade and other payables	**(1,607)**	(2,079)
	(1,607)	(2,088)

* Comparatives have been restated for changes in accounting policies – refer to note 3

14.2 Credit risk

At balance sheet date, the Company had no financial assets that were past due or impaired (other than fair value adjustments to equity loans). The Company's maximum exposure to credit risk on loans and receivables is equal to the carrying amount of the financial assets recorded in the financial statements (as detailed in note 14.1 above). The Company's maximum exposure to credit risk on equity loans is set out in note 5. The credit quality of financial instruments that are not past due or impaired is considered to be good.

14.3 Liquidity risk

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

14.4 Market risk

14.4.1 Currency risk

A 10% strengthening of the Rand against Pounds Sterling at the balance sheet date, all other variables held constant, would have resulted in an estimated increase of £6,775,000 (2012: £7,532,000) 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 £6,775,000 (2012: £7,532,000) in the reported net asset value of the Company.

14.4.2 Interest rate risk

A 1% increase in the South African Prime Rate, all other variables held constant, would have resulted in an estimated increase of £38,000 (2012: £4,000) in the reported net asset value of the Company. A 1% decrease in the South African Prime Rate, on the same basis, would have resulted in an estimated decrease of £38,000 (2012: £4,000), in the reported net asset value of the Company.

14. Financial instruments (continued)

14.4 Market risk (continued)

14.4.3 Market price risk

Assuming that the investment portfolio is directly correlated to the FTSE/JSE Africa All Share Index, an increase of 10% in the FTSE/JSE Africa All Share Index at the balance sheet date, all other variables held constant, would have resulted in an estimated increase of £2,611,000 (2012: £1,813,000) 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 £2,611,000 (2012: £1,813,000) in the reported net asset value of the Company.

14.5 Fair value

14.5.1 Fair value of financial instruments carried at amortised cost

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

14.5.2 Fair value of financial instruments carried at fair value in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 (as defined in note 28 of the consolidated financial statements) based on the degree to which the fair value is observable:

2013	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments at fair value through profit and loss (refer note 4)	**26,107**	**—**	**44,612**	**70,719**

2012 (*Restated)	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Investments at fair value through profit and loss (refer note 4)	18,125	65	44,511	62,701

* Comparatives have been restated for changes in accounting policies – refer to note 3

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

The fair value of the investments in Blackstar Cyprus and BFM were determined based on the underlying NAV of these companies. Refer to note 28 in the consolidated financial statements for further information on the determination of the fair value of the other investments.

15. Related parties

Details of related parties are set out in note 35 to the consolidated financial statements. In addition to this, the subsidiaries and associates (set out in note 5 and 6 respectively to the Company financial statements) are related parties to the Company.

The Company pays an advisory fee, paid quarterly in advance, to Blackstar SA. The advisory fee for the year ending 31 December 2013 amounted to £1.0 million (2012: £1.1 million). Blackstar SA may incur expenses on behalf of the Company and vice versa. These amounts are invoiced and re-imbursed on a monthly basis.

16. Long term Blackstar Management Incentive Scheme

Details of long term Blackstar Management Incentive Scheme are set out in note 34 to the consolidated financial statements.

17. Capital under management

Information related to capital under management is set out in note 29 to the consolidated financial statements.

18. Contingencies and guarantees

Information relating to contingencies and guarantees is set out in note 32 to the consolidated financial statements.

19. Post balance sheet events

Information relating to post balance sheet events is set out in note 36 to the consolidated financial statements.

Company information

Directors
J B Mills (Non-executive Chairman)
A D Bonamour (Non-executive)
M Ernzer (Non-executive)
R T Wight (Non-executive)

Registered Office
Blackstar Group SE
4th Floor Avantech Building
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SGN 2805 Malta
Tel: +356 2137 3360
E-mail: info@blackstar.eu
Website: www.blackstar.eu

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

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

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

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

Secondary listing
AltX of the JSE Limited

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

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

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

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

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

NOTICE OF ANNUAL GENERAL MEETING 2014

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

15 May 2014

Dear Shareholder,

Notice of Annual General Meeting to be held on Monday 30 June 2014
I am writing to give you notice of the Company's Annual General Meeting ("AGM" or "Annual General Meeting") that is to be held at the registered office of the Company at 4th Floor, Avantech Building, St Julian's Road, San Gwann, SGN 2805 Malta on Monday 30 June 2014 at 10.00 a.m. (CEST). The Notice of AGM is set out in Part 2 of this document.

The following items are also included in this document:

- Part 1: An explanation of certain resolutions at the AGM;
- Part 3: A Proxy Form (for use by registered shareholders only); and
- Part 4: A Form of Direction (for use by holders of despository instruments only).

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

Recommendation on voting
The Directors consider that all of the resolutions to be put to the AGM are in the best interests of the Company and its shareholders. Your Directors will be voting unanimously in favour of each of them and recommend that you do so as well.

Yours sincerely

John Broadhurst Mills
Chairman

PART 1 – EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

The Notice of Annual General Meeting appears on pages 98 to 102 of this document. The following information provides additional background information to the resolutions proposed which are not ordinary business.

It is noted that Resolutions 7, 8 and 9 apply for the same levels of authority as were requested and approved by shareholders in the prior year.

Resolution 7 – General authority to allot shares
This resolution will extend the general authority of the directors to allot shares until the Company's next AGM or, if earlier, 30 September 2015. The authority will be in respect of shares with an aggregate nominal value of €20,795,000 equal to one third of the Company's current issued share capital as at 30 April 2014 (being the latest practicable date prior to the printing of this document).

Resolution 8 – Authority to allot shares for cash free from pre-emption rights
This resolution will dis-apply shareholders' statutory pre-emption rights in relation to the Company's allotment for cash of its own shares pursuant to Resolution 7 or in relation to the Company's sale of its own shares held in treasury, and shall expire when the Board no longer remains authorised to issue Equity Securities (as defined in the Articles). The dis-application will permit the Board to allot shares for cash pursuant to Resolution 7 or to sell treasury shares, without first offering them to all existing Shareholders pursuant to their statutory pre-emption rights under article 88 of the Companies Act (Cap. 386 of the Laws of Malta). Any such allotments or sales must be limited to shares with an aggregate nominal value not exceeding that of five per cent of all the ordinary shares in issue as at 30 April 2014 (being shares to an aggregate nominal value of €3,119,363), the latest practicable date prior to the printing of this document.

Resolution 9 – Company's authority to purchase its own shares
The Board is proposing to renew the authority for the Company to make market purchases of its own shares, including depository interests relating to such shares. In certain circumstances it may be advantageous for the Company to purchase its own shares and this resolution seeks authority from Shareholders to make such purchases in the market. The Board considers it to be desirable for this general authority to be available to provide flexibility in the management of the Company's capital resources and to enable the Board to narrow the discount to the Company's net asset value. You are asked to consent to the purchase by the Company of up to a maximum aggregate of 10% of the Company's issued share capital.

PART 2 – NOTICE OF ANNUAL GENERAL MEETING

BLACKSTAR GROUP SE

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

Notice is hereby given to all the Members, Directors and Auditors of Blackstar Group SE (the "Company") that the Annual General Meeting ("AGM" or "Annual General Meeting") of the Company will be held at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on Monday 30 June 2014 at 10h00 CEST (or shortly thereafter in case of delays) for the purpose of considering and, if thought fit, approving the following resolutions with or without modification:

ORDINARY BUSINESS:

Approval of Accounts, Appointment of Auditors and Election of Directors

1. To receive and consider the accounts and reports of the Directors, statutory auditor and the independent auditors, and any other documents required by law to be attached or annexed to the stand-alone accounts of the Company for the year ended 31 December 2013 and to the consolidated accounts for the Company and its subsidiaries (the "Group") for the year ended 31 December 2013.

2. To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2013.

3. To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2013.

4. To re-elect John Mills, who retires from office by rotation in accordance with the articles of association of the Company ("Articles"), as a director of the Company with effect from the date of the Annual General Meeting for a period not exceeding three years.

5. To re-elect Andrew Bonamour, who retires from office by rotation in accordance with the articles of association of the Company ("Articles"), as a director of the Company with effect from the date of the Annual General Meeting for a period not exceeding three years.

6. To appoint BDO Malta CPA as the Company's independent auditor for the financial year ending 31 December 2014 and to authorise the directors to determine their terms of engagement inclusive of remuneration.

ORDINARY RESOLUTIONS WHICH CONSTITUTE SPECIAL BUSINESS

7. **Directors' Authority to Allot and Issue Shares**
   That, in substitution for all previous authorisations currently in force, and in accordance with Article 4.1 of the Articles, the Board of Directors ("Board") be generally and unconditionally authorised pursuant to article 85 of the Companies Act (Chapter 386 of the laws of Malta) (the "Companies Act") to exercise all the powers of the Company to allot and issue Equity Securities (as defined in the Articles), up to a maximum aggregate nominal amount of €20,795,000 for a period expiring (unless previously revoked, varied or renewed) on 30 September 2015 or, if sooner, the annual general meeting to be held in 2015, but if the Company has, before such expiry, made an offer or entered into an agreement which would or might require Equity Securities to be allotted after this authority expires, the directors may allot Equity Securities in pursuance of such offer or agreement as if this authority had not expired.

EXTRAORDINARY RESOLUTIONS WHICH CONSITUTE SPECIAL BUSINESS

8. **Dis-application of statutory pre-emption rights**
Purpose:

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

a) issues of shares for cash, and
b) the sale of treasury shares by the Company if such statutory pre-emption rights are applicable in relation thereto,

for as long as the Board of Directors remains authorised to issue Equity Securities under Resolution 7.

Proposal:

That in substitution for any previous authorisations currently in force but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities and that, subject to the passing of resolution 7 (Directors' Authority to Allot and Issue Shares), and pursuant to Article 88(7) of the Companies Act and in accordance with Article 4.4 of the Articles, the Board be generally authorised to restrict the statutory pre-emption rights of the Company's shareholders in respect of new issue of shares for cash by the Company and in respect of the sale of treasury shares by the Company, for as long as the Directors remain authorised to issue Equity Securities, provided that this power shall be limited to the allotment of Equity Securities up to an aggregate nominal amount of €3,119,363.

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

9. **Company's Authority to Purchase Its Own Shares**
Purpose:

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

Proposal:

That :

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

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

9.1.2 the maximum aggregate nominal value of Ordinary Shares authorised to be purchased is €6,238,726, representing as at the date of this notice, 8,208,850 Ordinary Shares;

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

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

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

9.2 This authority (unless previously revoked, varied or renewed) shall expire on 30 September 2015 or, if sooner, at the end of the annual general meeting of the Company to be held in 2015 except that in relation to any offers or promises for the purchase of Ordinary Shares made before such date, the contract in relation to such acquisitions may be executed wholly or partly after such date as if such authority has not expired.

Resolutions 1 to 7 are ordinary resolutions. Resolutions 8 to 9 are extraordinary resolutions.

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

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

Extraordinary resolutions require:

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

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

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

By order of the Board

Laetitia Lefevre
Company Secretary
15 May 2014

Notes:

1. This notice of Annual General Meeting is being mailed to the Members on the Register of Members of the Company as at Friday, 9 May 2014. Members registered on the Register of Members as at Friday, 20 June 2014 (the "Record Date") shall have the right to participate and vote at the Annual General Meeting. Accordingly, the last day to trade for Shareholders on the South African sub-register in order to be able to participate and vote at the meeting is Thursday, 12 June 2014. Any change to an entry on the Register after the Record Date shall be disregarded in determining the right of any person to attend and vote at the Annual General Meeting.

2. A member entitled to attend and vote may appoint a proxy to attend and vote instead of him/her using the enclosed Form of Proxy; the appointed proxy need not be a member.

3. To be valid the Form of Proxy must be signed and the signed Form of Proxy must either reach the Company's registered office at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta or be emailed to info@blackstar.eu. In either case by no later than 28 June 2014 at 10h00 (CEST). In order to assist shareholders:

   a certificated shareholders and own-name registered dematerialised shareholders who trade their shares on AltX of the JSE Stock Exchange and are registered on the South African part of the register of members are strongly urged to send their signed Form of Proxy to South African Transfer Secretaries, Link Market Services South Africa (Pty) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) to be received by no later than 25 June 2014 at 10h00 (SAST); and

   b certificated shareholders who trade their shares on AIM of the London Stock Exchange and are registered on the AIM part of the register of members are strongly urged to send their signed Form of Proxy to Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU to be received by no later than 27 June 2014 at 09h00 (BST),

   so as to enable the Form of Proxy to be forwarded on your behalf to the Company no later than 28 June 2014 at 10h00 (CEST).

4. Dematerialised shareholders on the South African sub-register, other than own-name registered dematerialised shareholders, who wish to attend the Annual General Meeting in person, will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the Annual General Meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein. The CSDP or broker must provide all voting instructions to the transfer secretaries by no later than 25 June 2014 at 10h00 (SAST).

5. Holders of Depository Interests representing shares in the Company can instruct Capita IRG Trustees Limited, the Depository, or amend an instruction to a previously submitted direction, via the CREST system. The CREST message must be received by the issuer's agent RA10 by 09h00 (BST) on 25 June 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with instructing Capita IRG Trustees Limited via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a direction appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertified Securities Regulations 2001. In any case your Form of Direction must be received by the Company's registrars no later than 09h00 (BST) on 25 June 2014.

6. Please indicate in the Form of Proxy the number of shares in relation to which they are authorised to act as your proxy.

   Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.

7. A Form of Proxy which may be used to appoint a proxy and give proxy directions accompanies this Notice of Annual General Meeting. If you are a shareholder on the AIM sub-register and do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Capita Asset Services on 0871 664 0300 or from overseas +44 208 639 3399. Calls cost 10p per minute plus network charges, lines are open 08h30 – 17h30 (BST) Monday – Friday. If you are a shareholder on the South African sub-register and do not receive a proxy form and believe that you should have one, or if you require additional proxy forms in order to appoint more than one proxy, please contact Link Market Services South Africa (Pty) Limited on +2711 713 0800, lines are open 08h30 – 16h30 (SAST) Monday – Friday.

8. In order to participate and vote at the Annual General Meeting, a Member being a body corporate, association of persons, foundation or other body of persons, a representative thereof will only be eligible to attend and be admitted

to the Annual General Meeting, and to vote thereat, if a Form of Proxy has been (a) duly executed in his/her favour by the competent organ of the entity Notice of Annual General Meeting continued which he/she represents, and (b) submitted to the Company Secretary in accordance with the procedures set out at notes 3, 4 or 5 above, as the case may be.

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

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

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

12. The following information is also made available to the Members on the Blackstar Group SE website (www.blackstar.eu) located at Publications, 2014 AGM Documents section:

    (a) a copy of this Notice of Annual General Meeting;

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

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

    (d) the form of proxy for the Annual General Meeting.

Form of Proxy

BLACKSTAR GROUP SE

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

FORM OF PROXY

For use by registered shareholders at the Annual General Meeting to be held in 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on 30 June 2014 at 10h00 (CEST)

Please read the Notice of Annual General Meeting (attached as Part 3 of this documennt) and the explanatory notes below before completing this form.

HOLDERS OF DEPOSITORY INSTRUMENTS SHOULD COMPLETE THE FORM OF DIRECTION IN PART 5 AND SHOULD NOT COMPLETE THIS FORM OF PROXY.

I/We ....

(Please insert full name in block capitals)

of..

(Please insert address in block capitals)

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

or .... (see Note 1)

as my/our proxy in relation to all/ .... of my/our shares, to attend and vote for me/us at the Annual General Meeting of the Company to be held on 30 June 2014 at 10h00 (CEST) and at any adjournment of that meeting. I/We direct the proxy to vote in relation to the resolutions referred to below as follows:

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

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

	Resolutions	**For**	**Against**
1	To receive and consider the accounts and reports of the directors, statutory auditor and the independent auditors and any other documents required by law to be attached or annexed to the stand-alone accounts of the Company for the year ended 31 December 2013 and to the consolidated accounts for the Group for the year ended 31 December 2013.		
2	To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2013.		
3	To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2013.		
4	To re-elect John Mills as a director of the Company.		
5	To re-elect Andrew Bonamour as a director of the Company.		
6	To appoint the Company's independent auditor and to authorise the directors to determine their remuneration.		
7	To grant the Directors authority to allot and issue shares.		
8	To dis-apply statutory pre-emption rights on the issue of shares.		
9	To authorise the Company to purchase its own shares.		

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

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

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

Signature .... Date 2014

Notes:

1. To appoint as a proxy a person other than the Chairman of the Annual General Meeting insert the full name in the space provided. A proxy need not be a member of the Company. You can also appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. The following options are available:
   (a) To appoint the Chairman as your sole proxy in respect of all your shares, simply fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
   (b) To appoint a person other than the Chairman as your sole proxy in respect of all your shares, delete the words 'the Chairman of the Annual General Meeting (or)' and insert the name and address of your proxy in the spaces provided. Then fill in any voting instructions in the appropriate box and sign and date the Form of Proxy.
   (c) To appoint more than one proxy, you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. If you wish to appoint the Chairman as one of your multiple proxies, simply write 'the Chairman of the Annual General Meeting'. All forms must be signed and should be returned together in the same envelope.
2. If no voting indication is given, the proxy will vote as he thinks fit or, at his discretion, abstain from voting.
3. To be valid the Form of Proxy must be signed and the signed Form of Proxy must either reach the Company's registered office at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta or be emailed to info@blackstar.eu in either case by no later than 28 June 2014 at 10h00 (CEST). In order to assist shareholders:
   (a) certificated shareholders and own-name registered dematerialised shareholders who trade their shares on AltX of the JSE Securities Exchange and are registered on the South African part of the register of members are strongly urged to send their signed Form of Proxy to South African Transfer Secretaries, Link Market Services South Africa (Pty) Limited, 13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001 (PO Box 4844, Johannesburg, 2000) to be received by no later than 25 June 2014 at 10h00 (SAST); and
   (b) certificated shareholders who trade their shares on AIM of the London Stock Exchange and are registered on the AIM part of the register of members are strongly urged to send their signed Form of Proxy to Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU to be received by no later than 27 June 2014 at 09h00 (BST) as to enable the Form of Proxy to be forwarded on your behalf to the Company no later than 28 June 2014 at 10h00 (CEST).
4. Dematerialised shareholders on the South African sub-register, other than own-name registered dematerialised shareholders, who wish to attend the Annual General Meeting in person, will need to request their Central Securities Depository Participant ("CSDP") or broker to provide them with the necessary letter of representation in terms of the custody agreement entered into between such shareholders and the CSDP or broker. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the Annual General Meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein. The CSDP or broker must provide all voting instructions to the transfer secretaries by no later than 25 June 2014 at 10h00 (SAST).
5. Holders of Depositary Interests representing shares in the Company can instruct Capita IRG Trustees Limited, the Depository, or amend an instruction to a previously submitted direction, via the CREST system. The CREST message must be received by the issuer's agent RA10 by 09h00 (BST) on 25 June 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with instructing Capita IRG Trustees Limited via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a direction appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertified Securities Regulations 2001. In any case your Form of Direction must be received by the Company's registrars no later than 09h00 (BST) on 25 June 2014.
6. A corporation must execute the Form of Proxy under either its common seal or the hand of a duly authorised officer or attorney.
7. The Form of Proxy is for use in respect of the shareholder account specified above only and should not be amended or submitted in respect of a different account.
8. Completion and return of the Form of Proxy will not preclude you from attending and voting in person at the Annual General Meeting should you subsequently decide to do so.

BLACKSTAR GROUP SE

(registered in Malta with registered number SE4)

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

FORM OF DIRECTION

Form of Direction for completion by holders of Depository Interests representing shares on a one for one basis in the Company in respect of the Annual General Meeting of the Company to be held at 4th Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on 30 June 2014 at 10h00 CET.

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

Capitalised terms which are used in this Form of Direction but which are not defined shall have the meaning attributed thereto in the Notice of Annual General Meeting dated 15 May 2014.

I/We ....

of...

(Please insert full name(s) and address(es) in BLOCK CAPITALS)

being a holder of Depository Interests representing shares in the Company hereby instruct Capita IRG Trustees Limited (the "**Depository**"), to vote for me/us and on my/our behalf in person or by proxy at the 2014 Annual General Meeting of the Company to be held on the above date (and at any adjournment thereof) as directed by an X in the spaces below.

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

	Resolutions	For	Against
1	To receive and consider the accounts and reports of the directors, statutory auditor and the independent auditors and any other documents required by law to be attached or annexed to the stand-alone accounts of the Company for the year ended 31 December 2013 and to the consolidated accounts for the Group for the year ended 31 December 2013.		
2	To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2013.		
3	To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2013.		
4	To re-elect John Mills as a director of the Company.		
5	To re-elect Andrew Bonamour as a director of the Company.		
6	To appoint the Company's independent auditor and to authorise the directors to determine their remuneration.		
7	To grant the Directors authority to allot and issue shares.		
8	To dis-apply statutory pre-emption rights on the issue of shares		
9	To authorise the Company to purchase its own shares		

Signature .... Date 2014

Notes:

1. To be effective, this Form of Direction and the power of attorney or other authority (if any) under which it is signed, or a notarially or otherwise certified copy of such power or authority, must be deposited at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 25 June 2014 at 09h00 (GMT) or 72 hours before the time appointed for holding any adjourned meeting.
2. Any alterations made to this Form of Direction should be initialled.
3. In the case of a corporation this Form of Direction should be given under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
4. Please indicate how you wish your votes to be cast by placing "X" in the box provided. On receipt of this form duly signed, you will be deemed to have authorised the Depository to vote, or to abstain from voting, as per your instructions.
5. Depository Interests held in uncertified form (i.e. in CREST), representing shares on a one for one basis in the Company, may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual. The CREST message must be received by the issuer's agent RA10 by 09h00 (GMT) on 25 June 2014.
6. The Depository will appoint the Chairman of the Annual General Meeting as its proxy to cast your votes. The Chairman may also vote or abstain from voting as he or she thinks fit on any other business (including amendments to resolutions) which may properly come before the Annual General Meeting.
7. Depository Interest holders wishing to attend the Annual General Meeting should contact the Depository at Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by e-mail at custodymgt@capita.co.uk by no later than 23 June 2014 at 09h00 (GMT) or seven days before the time appointed for holding any adjourned meeting.

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