BLACKSTAR

Blackstar Group SE
Annual Report and Accounts 2014

Contents

Annual report and accounts 2014

Highlights

- Intrinsic NAV increased by 23.3% over the last financial year to R1.6 billion (in Pounds Sterling an increase of 19.4% to £89.0 million)
- Transaction announced with Tiso Investment Holdings
- Announced acquisition of remaining 67.5% of Times Media Group
- Blackstar to be renamed Tiso Blackstar
- Final dividend declared of 14 cents (0.77 pence) per ordinary share
- Realised Cadiz investment at a return of 39.0%

Director's statement

Overview

2014 was an exceptional year for Blackstar Group SE ("Blackstar" or "the Company" or "the Group"). Not only did the investments and operations performance exceed expectations, but we were also able to arrange two large transactions, which are in the process of being concluded in 2015, that will not only enhance Blackstar's scale and profitability but also put the Group on a new growth path. The acquisition with Tiso Investment Holdings Proprietary Limited (RF) ("TIH") and the acquisition of the remaining 67.5% of Times Media Group Limited ("TMG") that Blackstar doesn't already own, will herald a new era for the new Tiso Blackstar Group.

During the year Blackstar enhanced its cash flow from operations and grew its Intrinsic net asset value ("Intrinsic NAV") by 23.3% from R1.3 billion (£74.6 million) to R1.6 billion (£89.0 million) or R19.29 (£1.07) per share at 31 December 2014. As an Investment Holding Company, it is our belief that one needs to have lean head office costs so we are always mindful of costs. We have been able to lower our overhead costs at the Blackstar head office level.

Blackstar's debt reduced from R175.0 million (£9.8 million) when initially raised in February 2014 to finance an additional 7.3% interest in TMG, to the current R72.7 million (£4.0 million) as at 31 December 2014.

Our steel interests, Stalcor Proprietary Limited ("Stalcor") and Global Roofing Solutions Proprietary Limited ("GRS"), which were merged into one cost effective streamlined business-Consolidated Steel Industries Proprietary Limited ("CSI"), performed way above expectations. GRS in particular is growing nicely into Africa where we now generate close to 40% of the total GRS turnover. CSI has been able to buck the negative trend that most of the South African steel businesses find themselves in. CSI was completely reviewed from top to bottom and as a result has been able to enhance all aspects of the business from cash flows back to Blackstar to better service to our customers.

During the period we also received a total of R59.5 million (£3.3 million) from Robor Proprietary Limited ("Robor") as a result of the management buy-in and a dividend of R3.1 million (£0.2 million). Our interest in Robor also increased from 17.5% to 19.1%.

TMG made up 62.8% of the Blackstar Intrinsic NAV as at 31 December 2014. As announced on 8 December 2014, Blackstar has made an offer to TMG shareholders to purchase their equity in order to make TMG a 100% held subsidiary of Blackstar.

Subsequent to year end, Blackstar realised R36.1 million (£2.0 million) on disposal of its investment in Cadiz Holdings Limited ("Cadiz") thereby successfully generating a return of 39.0% on funds invested.

We continue to grow our property portfolio Blackstar Real Estate Proprietary Limited and the property subsidiaries ("BRE") opportunistically and during the year we added two new properties.

The South African Rand continued to weaken during the current year with the closing ZAR/GBP exchange rate increasing to 18.001 at 31 December 2014 compared to 17.431 at 31 December 2013. As the majority of the Group's assets are based in Rands, this continues to have a significant impact on the Pounds Sterling reported results of the Group. Blackstar manages its currency risk by holding the Group's cash resources in Pounds Sterling and US Dollars.

Investments review

Robor

Robor has experienced a decline in sales in South Africa in almost all market segments and all these reflect the slow economy and the lack of spend on infrastructure projects. Focus areas for growth into the future are in the Energy, Mining (mainly Africa) and Water segments where Robor will become an engineering steel solutions provider. Over the past 12 months exports made up 17% of total revenue and this is forecast to increase going forward.

Post the management buy-in concluded in 2014 Robor has continued to implement its consolidation and restructure initiatives. These are proceeding according to the plan which was to create space for a future investment (relating to enhanced capabilities in tube, pipe and structural steel solutions in growing market segments) and deliver operational cost savings equal to at least the new rental charge.

The Board takes a conservative view on investment valuations and the Group's investment in Robor was valued at R80.0 million (£4.4 million) at year end which is currently less than the Group's share of the tangible net asset value of Robor. Robor generated an EBITDA of R184.1 million (£10.3 million) for their financial year ended 30 September 2014.

CSI
Blackstar merged its steel business interests, Stalcor and GRS, within Stalcor and renamed it Consolidated Steel Industries Proprietary Limited ("CSI").

Aggregate revenue earned by these wholly owned businesses grew during the year by 40.9% to R1.8 billion (£0.1 billion), with an EBITDA increase of 28.7% to over R75.0 million (£4.2 million) during this period.

GRS continued its expansion initiative into Africa. This expansion was funded through cash generated by CSI's operations. GRS now has fully functioning entities in Namibia, Botswana, Zambia, Zimbabwe and Ghana with Mozambique in the process of being established. Direct and indirect sales revenues earned by GRS through this newly established African-network exceeded R340.0 million (£19.0 million), being over one third of GRS's total sales for the year. These revenues contributed significantly to CSI's overall profitability and cash flow.

Blackstar's investment in CSI has increased by R145.0 million (£8.1 million) over the past year to a fair value of R357.0 million (£19.8 million) at 31 December 2014.

TMG
TMG's interims were released on 30 March 2015. Please refer to www.timesmedia.co.za for full results; TMG is a unique asset, with high barriers to entry and good cash flow generation. Its brands are well known. TMG is well positioned and performing above its competitors in the print segment of the market. TMG newspapers are gaining in both circulation and advertising market share. The TMG digital business continues to grow and break new ground.

As referred to in Annexure A, the intrinsic fair value of Blackstar's investment in TMG amounted to R1.0 billion (£55.9 million) at 31 December 2014.

Other equity investments
Blackstar's remaining investments performed to expectations and are earmarked for sale at the right valuation.

Property
During the year we added to our property portfolio by acquiring two commercial properties with long term tenants. BRE now has six commercial properties in South Africa and one in Namibia with a total gross fair value of R193.9 million (£10.8 million) and a value of R71.0 million (£3.9 million) net of third party debt raised to finance the property acquisitions. BRE also started a development on vacant land in an industrial development near the King Shaka airport in KwaZulu-Natal. This development will be completed by May 2015 and we expect to secure tenants in the next few weeks. To date BRE has generated good returns on the capital it has invested in its property portfolio over the last four years.

Our philosophy with our property investments is to leverage the property as much as possible and contribute a sliver of equity secured by a solid long-term tenant.

As at 31 December 2014, the fair value of Blackstar's investment in BRE, included in the Intrinsic NAV (refer to Annexure A), amounted to R65.3 million (£3.6 million).

Financial review
Blackstar is considered to be an Investment Entity and therefore measures its investments, including certain subsidiaries and associates, at fair value through profit and loss as opposed to consolidating and equity accounting. The following subsidiaries, which provide services that relate to the Company's own investment activities, continue to be consolidated: Blackstar Cyprus (Investors) Limited ("Blackstar Cyprus"); Blackstar Group Proprietary Limited ("Blackstar SA"); and Blackstar Fund Managers Proprietary Limited ("BFM").

As a result of this accounting treatment, the Blackstar consolidated balance sheet is more closely aligned with the Intrinsic NAV of the Group than it would be under the traditional equity accounting model. The Intrinsic NAV provides shareholders with an analysis of the inherent value of each investment held as at year end. References to the Intrinsic NAV are made based on the 31 December 2014 Intrinsic NAV as included in Annexure A.

As at 31 December 2014, the reported Intrinsic NAV amounted to R1.6 billion (£89.0 million) compared to the reported NAV per the Blackstar consolidated balance sheet of R1.5 billion (£80.6 million), a difference of R152.3 million (£8.5 million) which is mainly attributable to the differing share price used to value Blackstar's investment in TMG. In calculating the Intrinsic NAV, Blackstar's investment in TMG has been valued based on a price of R24.50 per share. This represents the value ascribed to TMG shares per the Scheme of Arrangement (as detailed within both the Blackstar and TMG circulars), which differed from the closing, quoted share price of TMG shares at 31 December 2014 of R21.00 per share. In accordance with the requirements of EU IFRS which specifically states that in all cases if there is a quoted price in an active market for an asset or a liability an entity shall use that price without adjustment when measuring fair value, the carrying value of the TMG investment included in the consolidated balance sheet is determined using the closing quoted share price of R21.00.

Income for the year ended 31 December 2014 amounted to R245.3 million (£13.7 million) which includes the following: R38.3 million (£2.1 million) generated from investments in the form of performance and monitoring fees, dividends and interest income; R204.7 million (£11.5 million) net gains on investments; and R2.3 million (£0.1 million) net foreign exchange gains.

The net gains on investments comprises of realised gains on disposals of R2.8 million (£0.2 million) and unrealised fair value gains of R201.9 million (£11.3 million). Unrealised gains mainly include a fair value gain of R165.0 million (£9.2 million) recognised on the net investment in CSI, and a gain of R27.4 million (£1.5 million) arising on the investment in Robor.

Operating expenses amounted to R92.2 million (£5.2 million) which includes amongst others the day-to-day operational expenses incurred to run Blackstar and its consolidated subsidiaries, the long term Management Incentive Scheme awards expense, as well as deal specific and other non-recurring costs incurred. The increase from R76.5 million (£5.1 million) in the prior year can be attributed to the higher long term Management Incentive Scheme award which is calculated based on the growth in the Blackstar Intrinsic NAV.

For the current financial year, operational costs to run the daily Blackstar operations amounted to 1.5% of the reported net asset value ("NAV") per the consolidated balance sheet as at 31 December 2014 which is lower than the prior year's reported figure of 1.7% of balance sheet NAV as at 31 December 2013. Operational costs are closely monitored and action is taken wherever possible to cut any excess expenditure in order to improve the profitability of the Group.

Finance costs increased by R5.4 million (£0.3 million) when compared to the prior year mainly as a result of the interest cost arising on the access facility raised to acquire further TMG shares. The on-going finance costs for this facility have reduced significantly since drawdown due to the fact that 58.5% of the debt was repaid during the 2014 financial year.

Total equity attributable to equity holders of the parent amounted to R1.5 billion as at 31 December 2014, an 11.3%, or R146.8 million increase since 31 December 2013. The same figures in Pounds Sterling only reflected an increase of 7.7%, or £5.8 million, to £80.6 million at 31 December 2014 which can be attributed to the fact that the Rand weakened during the reporting period.

Total assets increased from R1.3 billion (£75.7 million) as at 31 December 2013 to R1.5 billion (£85.9 million) as at 31 December 2014 mainly as a result of the new investment in TMG, growth in this underlying investment, and an increase in the fair value of CSI and Robor during the current financial year.

An access facility was opened with Rand Merchant Bank to finance R175.0 million (£9.8 million) of the TMG share purchases made in the first quarter of 2014. By year end, Blackstar had already reduced the outstanding debt to R72.7 million (£4.0 million). The debt repayments were largely funded by the proceeds received from Robor and dividends received from TMG. The debt is interest bearing with interest repayable quarterly and a bullet capital repayment in 2017. On implementation of the TMG and Kagiso Tiso Holdings Proprietary ("KTH") acquisitions, the access facility will be settled and be replaced by the new debt raised to finance these acquisitions.

Cash and cash equivalents declined by R59.9 million (£3.4 million) during the current financial year to an amount of R63.0 million (£3.5 million). Significant cash flow movements during the year included a R242.5 million (£13.6 million) cash outflow as a result of investment activity; a R167.8 million (£9.8 million) cash inflow on realisation of investments including repayments of loan receivables; a R72.7 million (£4.0 million) cash inflow from the access facility net of repayments; a R20.4 million (£1.1 million) cash outflow on treasury share purchases; and R18.5 million (£1.0 million) paid out in cash dividends to shareholders.

Dividend

Given the strong performance of the Company, the Board has resolved to declare a final gross dividend of 14 South African cents (1.08 cents in Euros and 0.77 pence in Pounds Sterling) per ordinary share for the year ended 31 December 2014.

The exchange rates have been fixed for the calculation of the Euro and Pounds Sterling equivalents based on the closing exchange rates on Tuesday, 21 April 2015 of EUR 1 = ZAR 13.013 and GBP 1 = ZAR 18.094.

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	Friday, 8 May 2015
Trading ex-dividend commences on the South African register	Monday, 11 May 2015
Last day to trade on the UK register	Wednesday, 13 May 2015
Trading ex-dividend commences on the UK register	Thursday, 14 May 2015
Record date for shareholders recorded on the UK and South African registers	Friday, 15 May 2015
Date of payment	Monday, 8 June 2015

Share certificates may not be dematerialised or rematerialised between Monday, 11 May 2015 and Friday, 15 May 2015, 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 81,296,942 shares in issue at the date on which the dividend was announced, Friday, 24 April 2015. The dividend will be distributed by Blackstar Group SE (Malta tax registration number 995944033) and is regarded as a foreign dividend.

Tiso Blackstar Group – Outlook

At the General Meeting of the Company on 23 March 2015, Blackstar shareholders approved resolutions of the acquisition of the shares not already owned in TMG and the acquisition of 22.9% of KTH from TIH and the Tiso Foundation Charitable Trust ("Tiso Foundation") (the "Acquisitions"). The Acquisitions will substantially increase Blackstar's scale and Intrinsic NAV to approximately R4.5 billion (£251.8 million) without materially adding to the head office costs of the Group (refer to Annexure B). Annexure B includes the 31 December 2014 Intrinsic NAV adjusted for the impact of the Acquisitions as if they had been completed on that date. This Annexure is a useful tool which can be used by shareholders and potential investors to assess the impact the Acquisitions have and to assist them in determining the estimated NAV of the Company post implementation of the Acquisitions.

The TMG Scheme Meeting and General Meeting were held on 30 March 2015 and all resolutions were passed by the requisite majority of TMG shareholders. The implementation of the Acquisitions remains subject to the fulfilment (or waiver where applicable) of the outstanding conditions and terms envisaged as detailed in both the TMG Scheme Circular and Blackstar Circular.

The new combined group called Tiso Blackstar, will have a London office and focus on Pan-African investment opportunities to benefit from the long term demographic trends that will grow Africa's economies over the next decades. The underlying, market-leading assets of Tiso Blackstar, predominantly based in South Africa, give the Company a solid foundation for its growth aspirations as it seeks to become the capital partner of choice to businesses growing in Africa.

These Acquisitions will set the platform for Tiso Blackstar's next exciting growth path and will bring in the skills of our new partners Nkululeko Sowazi and David Adomakoh, who together with the Tiso Foundation will become the largest shareholders of Tiso Blackstar.

KTH is one of South Africa's successful investment companies to emerge from Black Economic Empowerment ("BEE") beginnings. KTH has a solid asset base with good cash flow generation. Many of their BEE type investments are now reaching maturity.

KTH's investee entities include market leaders in key sectors including, amongst others, media, resources, infrastructure, power and financial services and include a mix of both listed and private investments. KTH's main investments which make up 77.3% of their NAV are as follows:

- *Kagiso Media Proprietary Limited ("KML")* – 100% shareholding. KML has interests in substantial media assets including East Coast Radio and Jacaranda FM.
- *MMI Holdings Limited ("MMI")* – 7.1% shareholding. MMI is a South African based financial services group listed on the JSE. Its core businesses are long and short-term insurance, asset management, savings, investment, healthcare administration and employee benefits.
- *Actom Proprietary Limited ("Actom")* – 18.6% shareholding. Actom is the largest manufacturer,

repairer and distributor of electro-mechanical equipment and turnkey solutions in Southern Africa.

- *Exxaro Resources Limited ("Exxaro")* – 4.2% shareholding owned through a BEE structure. Exxaro is a South African-based mining group, listed on the JSE with a diverse and world-class commodity portfolio in coal, mineral sands, base metals and industrial minerals, including exposure to iron ore. As the second-largest South African coal producer with capacity of 45 million tonnes per annum and the third-largest global producer of mineral sands, Exxaro is a significant participant in the coal and mineral sands markets and provides a unique listed investment opportunity into these commodities.

- *Idwala Industrial Holdings Proprietary Limited ("Idwala")* – 30.5% shareholding. Idwala is a company focused on mining, processing, distribution and sales of lime and industrial minerals. It exploits a scarce and unique white calcitic and dolomitic limestone deposit in the Port Shepstone area of KwaZulu-Natal.

The Company's shares are currently suspended on AIM and the JSE. An announcement shall be made within the next few days as to the timelines of when the suspension from AIM and the JSE shall be lifted.

Andrew Bonamour
Non-executive Director
24 April 2015

Annexure A

Intrinsic NAV as at 31 December 2014

	Unaudited 31 December 2014 R'000	Unaudited 31 December 2014 £'000
Times Media Group Limited	1,006,381	55,908
Consolidated Steel Industries Proprietary Limited	357,000	19,833
Robor Proprietary Limited	80,000	4,444
Blackstar Real Estate Proprietary Limited and the property subsidiaries	65,324	3,629
Blackstar Special Opportunities Fund	49,014	2,723
Cadiz Holdings Limited	20,813	1,156
Other listed investments	22,634	1,257
Other unlisted investments	24,605	1,367
Net assets of consolidated companies	5,590	311
Cash and cash equivalents	44,050	2,447
Access facility	(72,673)	(4,037)
Intrinsic NAV	**1,602,738**	**89,038**
Actual number of shares in issue net of treasury shares held ('000)	83,099	83,099
Intrinsic NAV per share (in Rands/Pounds Sterling)	19.29	1.07
Ordinary share price on 31 December 2014 (in Rands/Pounds Sterling)	11.85	0.67
Ordinary share price discount to Intrinsic NAV	39%	38%

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 (other than TMG) 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. The investment in TMG is calculated based on a share price of R24.50 per share representing the value ascribed to a TMG share per the Scheme of Arrangement.
3. All amounts have been translated using the closing exchange rates at 31 December 2014. The ZAR/GBP closing exchange rate at 31 December 2014 was 18.001.
4. Other unlisted include investments in Blackstar Fund Managers Proprietary Limited, Navigare Securities Proprietary Limited, New Bond Capital Limited and the loan to CCPA Properties Proprietary Limited.
5. The ordinary share price is the actual share price reflected on the JSE and the London Stock Exchange ("LSE") at 31 December 2014, being the closing share price on 8 December 2014 when the share was suspended from trade.

Annexure B

Adjusted Intrinsic NAV as at 31 December 2014 post the Acquisitions

Annexure B includes the 31 December 2014 Intrinsic NAV adjustment to incorporate the Acquisitions as if they had been completed on that date, reflecting both the investment in TMG and KTH at fair value. This can be used by Shareholders in assessing the impact of these Acquisitions and in determining the estimated Blackstar Intrinsic NAV post implementation of the Acquisitions.

	Unaudited 31 December 2014 R'000	Unaudited 31 December 2014 £'000
Times Media Group Limited*	2,598,525	144,357
Kagiso Tiso Holdings Proprietary Limited^	1,858,977	103,272
Consolidated Steel Industries Proprietary Limited	357,000	19,833
Robor Proprietary Limited	80,000	4,444
Blackstar Real Estate Proprietary Limited and the property subsidiaries	65,324	3,629
Blackstar Special Opportunities Fund	49,014	2,723
Cadiz Holdings Limited	20,813	1,156
Other listed investments	22,634	1,257
Other unlisted investments	24,605	1,367
Net assets of consolidated companies	5,590	311
Cash and cash equivalents	10,315	573
Term debt	(559,750)	(31,096)
Access facility	–	–
Intrinsic NAV	**4,533,047**	**251,826**
Actual number of shares in issue net of treasury shares held ('000)	266,660	266,660
Intrinsic NAV per share (in Rands/Pounds Sterling)	17.00	0.94
Ordinary share price on 31 December 2014 (in Rands/Pounds Sterling)	11.85	0.67
Ordinary share price discount to Adjusted Intrinsic NAV	30%	29%

Notes:

* The investment in TMG has been reflected at fair value calculated based on a share price of R24.50 per share representing the value ascribed to a TMG share per the TMG Scheme.

^ The fair value of the investment in KTH has been determined based on the most recent available KTH Intrinsic NAV. A discount of 16.5% has been applied to the KTH Intrinsic NAV to take into account head office costs and potential CGT liability on assets that may be realised.

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 (other than TMG) 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 December 2014. The ZAR/GBP closing exchange rate at 31 December 2014 was 18.001.
4. Other unlisted include investments in Blackstar Fund Managers Proprietary Limited, Navigare Securities Proprietary Limited, New Bond Capital Limited and the loan to CCPA Properties Proprietary Limited.
5. The ordinary share price is the actual share price reflected on the JSE and the LSE at 31 December 2014, being the closing share price on 8 December 2014 when the share was suspended from trade.

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 2014.

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 9 South African cents (0.63 cents in Euros and 0.49 pence in Pounds Sterling) per ordinary share which was paid on 10 November 2014. Given the Company's strong performance, a final gross dividend of 14 South African cents (1.08 cents in Euros and 0.77 pence in Pounds Sterling) per ordinary share was declared and will be paid on 8 June 2015.

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 3rd 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) on the London Stock Exchange (AIM) 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 Proprietary Limited, which subsequently changed its name to Blackstar Group Proprietary 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 Proprietary Limited ("BRE"), a property company, which explores opportunities in the property sector.

The Company has a 100% interest in Consolidated Steel Industries Proprietary Limited ("CSI") (previously Stalcor Proprietary Limited ("Stalcor")) which comprises of Stalcor, which is a processor, distributor and stockist of stainless steel and aluminium, and its wholly owned subsidiary Global Roofing Solutions Proprietary Limited ("GRS"), which is a manufacturer and supplier of steel roofing and cladding.

The Company has a 66.0% controlling interest in Blackstar Fund Managers Proprietary 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 16.7% beneficial stake in BSOF as at 31 December 2014.

The Company has a 32.5% significant interest in Times Media Group Limited ("TMG") which is a South African based media company.

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, including details on the manner in which these risks are monitored and managed, are described in note 26 to the consolidated financial statements. This note also provides a detailed analysis described by segment 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. In most cases, for all investments, Blackstar will have one or more directors appointed to the investee company's Board thereby assisting in monitoring the investment performance.

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 usually do 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

Marcel Ernzer is the Chairman of 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 had five meetings 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 26 and 28 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 1,735,000 (2013: 8,027,949) Blackstar shares on the open market during the year which were held in treasury. Treasury shares issued during the 2014 financial year include shares awarded under the shareholder-approved long term Management Incentive Scheme (refer note 33). The 791,558 treasury shares held at year end have been set aside for issue in 2015 as an award under the long term Management Incentive Scheme (refer note 33 for further details).

Post balance sheet events

These are detailed in note 35 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 26 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 2014	Number of ordinary shares 2013
Non-executive Directors of the Company		
Andrew Bonamour* ^	**8,748,328**	8,193,180
John Mills	**761,328**	761,328
Marcel Ernzer	**—**	—
Richard Wight	**—**	—
Management of Blackstar# ^	**8,794,416**	14,603,767
Total	**18,304,072**	23,558,275

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.

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 AIM 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 on-going 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

John Mills
Non-executive Director
24 April 2015

Andrew Bonamour
Non-executive Director

Directorate

John Broadhurst Mills, Non-executive Chairman
John Mills, a qualified solicitor, is currently a director of Maitland Luxembourg SA and for more than 15 years has been a principal in the Maitland Group. He acts as a director for a number of private and public companies and investment funds, both regulated and unregulated. He has had extensive experience in advising clients in the structuring and exiting of private equity investments, through a variety of international investment vehicles.

Andrew David Bonamour, Non-executive Director
Andrew is the founder of Blackstar and the chief executive officer ("CEO") of Blackstar SA and TMG. Andrew previously worked at Brait SA Limited ("Brait") 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. Andrew is also a director of several listed and unlisted companies.

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 to 1986. From 1987 to 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 serving on the board of ALFI, the Association of the Luxembourg Fund Industry until 1998.

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 SG Warburg, before running capital protected funds for Credit Suisse PrivateBank 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 83 which comprise the consolidated and parent company statements of financial position at 31 December 2014 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 2014 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
24 April 2015

Consolidated statement of comprehensive income
for the year ended 31 December 2014

2013 R'000	2014 R'000		Notes	2014 £'000	2013 £'000
261,025	**245,289**	Income	**4**	**13,737**	17,287
(76,541)	**(92,172)**	Operating expenses	**5**	**(5,162)**	(5,070)
184,484	**153,117**	**Operating profit**	**6**	**8,575**	12,217
(208)	**(7,266)**	Net finance costs	**8**	**(407)**	(14)
3,156	**1,458**	Finance income		**82**	209
(3,364)	**(8,724)**	Finance costs		**(489)**	(223)
184,276	**145,851**	**Profit before taxation**		**8,168**	12,203
222	**137**	Taxation	**9**	**8**	15
184,498	**145,988**	**Profit for the year**		**8,176**	12,218
		Other comprehensive income/(loss) – items that may subsequently be reclassified to profit and loss:			
—	—	Currency translation differences on the translation of Rand denominated Group entities		**(2,431)**	(20,297)
—	—	Release of foreign currency translation reserve		**—**	1,425
—	—	**Total other comprehensive loss recognised directly in equity**		**(2,431)**	(18,872)
184,498	**145,988**	**Total comprehensive income/(loss) for the year**		**5,745**	(6,654)
		Profit for the year attributable to:			
183,857	**146,584**	Equity holders of the parent		**8,210**	12,175
641	**(596)**	Non controlling interests		**(34)**	43
184,498	**145,988**			**8,176**	12,218
		Total comprehensive income/(loss) attributable to:			
183,857	**146,584**	Equity holders of the parent		**5,779**	(6,697)
641	**(596)**	Non controlling interests		**(34)**	43
184,498	**145,988**			**5,745**	(6,654)
231.34	**181.77**	**Basic and diluted earnings per ordinary share attributable to equity holders (in cents/pence)**	**10**	**10.18**	15.32
79,476	**80,642**	**Weighted average number of shares (net of treasury shares, in thousands)**	**10**	**80,642**	79,476

The notes on pages 22 to 72 form part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2014

	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 2013		574,671	22,125	52,173	—	499,956	1,148,925	(294)	1,148,631
Total comprehensive income for the year		—	—	—	—	183,857	183,857	641	184,498
Income for the year		—	—	—	—	183,857	183,857	641	184,498
Other comprehensive income for the year		—	—	—	—	—	—	—	—
Purchase of treasury shares	23	—	—	—	(89,910)	—	(89,910)	—	(89,910)
Effect of share split and consolidation	23	1	(1)	—	(2,499)	—	(2,499)	—	(2,499)
Treasury shares issued to acquire NBC		—	(447)	—	64,347	—	63,900	—	63,900
Reduction in non controlling interests arising on acquisition of further shares in BFM	25	—	—	—	—	(123)	(123)	18	(105)
Equity settled share based payment	33	—	—	—	—	20,287	20,287	—	20,287
Treasury shares issued during the year as part of the long term Management Incentive Scheme		—	(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
Total comprehensive income/(loss) for the year		—	—	—	—	146,584	146,584	(596)	145,988
Income/(loss) for the year		—	—	—	—	146,584	146,584	(596)	145,988
Other comprehensive income for the year		—	—	—	—	—	—	—	—
Purchase of treasury shares	23	—	—	—	(20,449)	—	(20,449)	—	(20,449)
Reduction in non controlling interests arising on acquisition of further shares in BFM	25	—	—	—	—	(175)	(175)	25	(150)
Equity settled share based payment	33	—	—	—	—	32,730	32,730	—	32,730
Treasury shares issued for property acquisition	23	—	240	—	6,360	—	6,600	—	6,600
Treasury shares issued during the year as part of the long term Management Incentive Scheme	23	—	1,435	—	23,653	(25,088)	—	—	—
Dividend paid		—	—	—	—	(18,464)	(18,464)	—	(18,464)
Balance as at 31 December 2014		**574,672**	**23,143**	**52,173**	**(9,284)**	**809,688**	**1,450,392**	**(206)**	**1,450,186**

Consolidated statement of changes in equity continued
for the year ended 31 December 2014

	Notes	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares reserve £'000	Foreign Currency Translation Reserve (FCTR) £'000	Retained earnings £'000	Attributable to equity holders £'000	Non controlling interests £'000	Total equity £'000
Balance as at 1 January 2013		55,347	1,974	4,599	—	(6,034)	27,529	83,415	(22)	83,393
Total comprehensive income/(loss) for the year		—	—	—	—	(20,297)	13,600	(6,697)	43	(6,654)
Income for the year		—	—	—	—	—	12,175	12,175	43	12,218
Other comprehensive income/(loss) for the year		—	—	—	—	(20,297)	1,425	(18,872)	—	(18,872)
Purchase of treasury shares	23	—	—	—	(5,955)	—	—	(5,955)	—	(5,955)
Effect of share split and consolidation	23	—	—	—	(166)	—	—	(166)	—	(166)
Treasury shares issued to acquire NBC		—	(30)	—	4,262	—	—	4,232	—	4,232
Reduction in non controlling interests arising on acquisition of further shares in BFM	25	—	—	—	—	—	(9)	(9)	1	(8)
Equity settled share based payment	33	—	—	—	—	—	1,344	1,344	—	1,344
Treasury shares issued during the year as part of the long term Management Incentive Scheme		—	(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
Total comprehensive income/(loss) for the year		—	—	—	—	(2,431)	8,210	5,779	(34)	5,745
Income/(loss) for the year		—	—	—	—	—	8,210	8,210	(34)	8,176
Other comprehensive loss for the year		—	—	—	—	(2,431)	—	(2,431)	—	(2,431)
Purchase of treasury shares	23	—	—	—	(1,147)	—	—	(1,147)	—	(1,147)
Reduction in non controlling interests arising on acquisition of further shares in BFM	25	—	—	—	—	—	(10)	(10)	1	(9)
Equity settled share based payment	33	—	—	—	—	—	1,833	1,833	—	1,833
Treasury shares issued for property acquisition	23	—	14	—	357	—	—	371	—	371
Treasury shares issued during the year as part of the long term Management Incentive Scheme	23	—	80	—	1,325	—	(1,405)	—	—	—
Dividend paid		—	—	—	—	—	(1,034)	(1,034)	—	(1,034)
Balance as at 31 December 2014		**55,347**	**2,024**	**4,599**	**(713)**	**(28,762)**	**48,079**	**80,574**	**(11)**	**80,563**

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

A 2013 final dividend of 14 South African cents, 0.80 pence, per ordinary share was paid on 30 May 2014.

A 2014 interim dividend of 9 South African cents, 0.49 pence per ordinary share was paid on 10 November 2014.

A 2014 final dividend of 14 South African cents, 0.77 pence, per ordinary share, has been proposed, to be paid on 8 June 2015.

The notes on pages 22 to72 form part of the consolidated financial statements.

Consolidated statement of financial position
as at 31 December 2014

31 December 2013 R'000	**31 December 2014 R'000**		**Notes**	**31 December 2014 £'000**	31 December 2013 £'000
		Assets			
875	**875**	Goodwill	**11**	**49**	51
1,524	**2,777**	Deferred tax assets	**12**	**154**	87
1,364	**1,189**	Equipment	**13**	**66**	78
1,180,472	**1,467,639**	Financial assets at fair value through profit and loss	**14**	**81,532**	67,721
312,014	**468,218**	Net investments in subsidiaries	**15**	**26,011**	17,899
677,138	**867,612**	Net investments in associates	**16**	**48,199**	38,846
191,320	**131,809**	Financial assets held for trading	**14**	**7,322**	10,976
8,174	**7,888**	Investments classified as loans and receivables	**17**	**438**	469
188	**155**	Current tax assets		**9**	12
4,065	**1,923**	Trade and other receivables	**18**	**107**	233
122,893	**63,020**	Cash and cash equivalents	**19**	**3,501**	7,050
1,319,555	**1,545,466**	**Total assets**		**85,856**	75,701
		Liabilities			
(60)	**(55)**	Deferred tax liabilities	**12**	**(3)**	(3)
(201)	**(15)**	Other financial liabilities	**20**	**(1)**	(12)
—	**(72,673)**	Borrowings	**21**	**(4,037)**	—
(469)	**—**	Current tax liabilities		**—**	(28)
(14,890)	**(22,537)**	Trade and other payables	**22**	**(1,252)**	(854)
(4)	**—**	Bank overdrafts	**19**	**—**	—
(15,624)	**(95,280)**	**Total liabilities**		**(5,293)**	(897)
1,303,931	**1,450,186**	**Total net assets**		**80,563**	74,804
		Equity			
574,672	**574,672**	Share capital	**23**	**55,347**	55,347
21,468	**23,143**	Share premium	**23**	**2,024**	1,930
52,173	**52,173**	Capital redemption reserve	**23**	**4,599**	4,599
(18,848)	**(9,284)**	Treasury shares reserve	**23**	**(713)**	(1,248)
—	**—**	Foreign currency translation reserve	**23**	**(28,762)**	(26,331)
674,101	**809,688**	Retained earnings	**23**	**48,079**	40,485
1,303,566	**1,450,392**	**Total equity attributable to equity holders**		**80,574**	74,782
365	**(206)**	Non controlling interests		**(11)**	22
1,303,931	**1,450,186**	**Total equity**		**80,563**	74,804
1,620	**1,784**	**Net asset value per share (in cents/pence)**		**99**	93
80,447	**81,297**	**Actual number of shares in issue (net of treasury shares)**	**23**	**81,297**	80,447

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 2014 was 0.78 (2013: 0.83) and 14.04 (2013: 14.57) respectively.

The consolidated financial statements were approved by the Board and authorised for issue on 24 April 2015.

The notes on pages 22 to 72 form part of the consolidated financial statements.

John Mills
Non-executive Director

Andrew Bonamour
Non-executive Director

Consolidated statement of cash flows
for the year ended 31 December 2014

2013 R'000	**2014 R'000**		Notes	**2014 £'000**	2013 £'000
		Cash flow from operating activities			
(164,195)	**(116,491)**	Cash absorbed by operations	**24**	**(6,124)**	(10,728)
61,450	**31,782**	Dividend and interest income received		**1,380**	4,069
3,156	**1,458**	Finance income received		**82**	209
(3,364)	**(8,724)**	Finance costs paid		**(489)**	(223)
—	**30**	Taxation refunded		**2**	—
(906)	**(1,502)**	Taxation paid		**(83)**	(58)
(103,859)	**(93,447)**	**Cash absorbed by operating activities**		**(5,232)**	(6,731)
		Cash flow from investing activities			
(599)	**(32)**	Purchase of equipment		**(2)**	(40)
172	**—**	Proceeds on disposal of equipment		**—**	11
(105)	**(150)**	Acquisition of subsidiaries, net of cash acquired	**25**	**(8)**	(8)
(532)	**(182)**	**Cash absorbed by investing activities**		**(10)**	(37)
		Cash flow from financing activities			
(127)	**72,673**	Movement in borrowings		**4,070**	(8)
(2,499)	**—**	Acquisition of Blackstar shares as a result of the share split and consolidation		**—**	(166)
(89,910)	**(20,449)**	Purchase of treasury shares		**(1,147)**	(5,955)
(20,871)	**(18,464)**	Dividends paid to equity holders of the parent		**(1,034)**	(1,382)
(113,407)	**33,760**	**Cash generated/(absorbed) by financing activities**		**1,889**	(7,511)
(217,798)	**(59,869)**	**Net decrease in cash and cash equivalents**		**(3,353)**	(14,279)
340,687	**122,889**	Cash and cash equivalents at the beginning of the year		**7,050**	24,735
—	**—**	Exchange losses on cash and cash equivalents		**(196)**	(3,406)
122,889	**63,020**	**Cash and cash equivalents at the end of the year**	**19**	**3,501**	7,050

The notes on pages 22 to 72 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 26.

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 financial assets at 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. Investments in associates are also classified as financial assets at 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.
- 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.

1. Accounting policies (continued)

1.2 Basis of consolidation (continued)

- The acquisition of subsidiaries, which are not accounted for as financial assets at fair value through profit and loss, are 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.

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.

1. Accounting policies (continued)

1.5 Equipment (continued)

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.
- *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 Group.

1. Accounting policies (continued)

1.7 Financial instruments (continued)

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

- *Investments in subsidiaries* – In accordance with the Investment Entities exception under IFRS 10 Consolidated Financial Statements, the Group does not consolidate certain subsidiaries in the consolidated financial statements. Investments in these subsidiaries are accounted for as a financial instrument at fair value through profit and loss.
- *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 within IAS 28 Investments in Associates and Joint Ventures, the Group does not account for its investment in associates using the equity method. Instead the Group 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 Group 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 Group includes in this category short term payables.

Recognition

The Group 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.

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 Group recognises the difference in the statement of comprehensive income, unless specified otherwise.

1. Accounting policies (continued)

1.7 Financial instruments (continued)

Subsequent measurement

After initial measurement, the Group 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 Group 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 Group has substantially transferred all of the risks and rewards of the asset, or
- The Group has neither transferred nor retained substantially all of the risks and rewards of the asset, but has transferred control of the asset

Where the Group 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 Group's continuing involvement in the asset. In that case, the Group 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 Group has retained. The Group derecognises a financial liability when the obligation under the liability has been discharged, cancelled, or expired.

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 basis, 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.

1. Accounting policies (continued)

1.9 Impairment of non-financial assets (continued)

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

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

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

1.10 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.

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.

1. Accounting policies (continued)

1.13 Dividend and interest revenue (continued)

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 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 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 contacts (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 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 2012 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.

The cost of equity settled shares awarded to participants as part of the long term Management Incentive Scheme is charged to 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.

1. Accounting policies (continued)

1.17 Share-based payments (continued)

The cash award is calculated as 50% of the incentive pool which is calculated based on growth in Intrinsic NAV 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 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 (or 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 (or loss).

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

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

1.19 Foreign currencies

Functional and presentation currency

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

1. Accounting policies (continued)

1.19 Foreign currencies (continued)

Functional and presentation currency (continued)

Blackstar is dual listed with a primary listing on the AIM 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 Rands ("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	
	2014	2013	**2014**	2013
GBP/ZAR	**18.001**	17.431	**17.857**	15.099
EUR/ZAR	**13.980**	14.432	**14.396**	12.817
EUR/GBP	**0.777**	0.828	**0.806**	0.849

1.20 Operating segments

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

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

1.21 Significant judgements and areas of estimation

The preparation of the financial statements requires the use of estimates, assumptions and judgements that affect the amounts reported in the 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.

1. Accounting policies (continued)

1.21 Significant judgements and areas of estimation (continued)

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

Judgements

In the process of applying the Group'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 their 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 to 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 Group'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 NAV calculation. All investments are reported at fair value within the Intrinsic NAV calculation. The Group has an ultimate exit strategy noted for each investment.

The Board has also concluded 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 Group based its assumptions and estimations on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Group. 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.

1. Accounting policies (continued)

1.21 Significant judgements and areas of estimation (continued)

Fair value of financial instruments (continued)

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 Group 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 27.

2. Determination of fair values

The Group 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 Group.

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 consolidated financial statements 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 company. Where the investment being valued was itself made fairly recently (within a period of one year), its cost provides a good indication of fair value.
- Using the discounted cash flow methodology, in which case:

  – Enterprise value is apportioned to the enterprise’s financial instruments in order of ranking. The enterprise value is derived using reasonable assumptions and estimations of expected cash flows and the terminal value and discounting to the present value by applying the appropriate risk-adjusted discount rate that quantifies the risk inherent in the investment.

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

- Where limited information is available to calculate a value using the discounted cash flow method, the value is calculated using an adjusted 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.

2. Determination of fair values (continued)

All assets and liabilities for which fair value is measured or disclosed as 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 2014, 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	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2017
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016

Subject to endorsement for use in the EU

IFRS 9

IFRS 9 Financial instruments replaces IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The effect on the Group of adoption of IFRS 9 has yet to be determined.

IFRS 15

IFRS 15 is intended to clarify the principles of revenue recognition and establish a single framework for revenue recognition. The core principle is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The effect on the Group of adoption of IFRS 15 has yet to be determined.

Investment Entities (Amendments)

The narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. Adoption of these amendments is not expected to have any material impact on the Group.

IFRS 10 and IAS 28 (Amendments)

The amendments clarify the accounting for transactions where a parent loses control of a subsidiary, that does not constitute a business as defined in IFRS 3 Business Combinations, by selling all or part of its interest in that subsidiary to an associate or a joint venture that is accounted for using the equity method. Once adopted, future disposals will need to be accounted for in accordance with these amendments.

IAS 27(Amendments)

The amendments introduce an option for an entity to account for its investments in subsidiaries, joint ventures, and associates using the equity method in its separate financial statements. The accounting approach that is selected is required to be applied for each category of investment.

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

The option to present its investments using the equity method result in the presentation of a share of profit or loss, and other comprehensive income, of subsidiaries, joint ventures and associates with a corresponding adjustment to the carrying amount of the equity accounted investment in the statement of financial position. Any dividends received are deducted from the carrying amount of the equity accounted investment, and are not recorded as income in profit or loss. As an Investment Entity that accounts for its investments in subsidiaries and associates at fair value through profit and loss, this amendment is not expected to have any impact on the Company.

The IASB and IFRIC have also issued or made amendments to IAS 16, IAS 19, IAS 38, IAS 41, IFRS 11 and IFRS 14, but these are not relevant to the current operations of the Group.

4. Income

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
133,042	**204,664**	Net gains on financial assets at fair value through profit and loss	**11,462**	8,811
93,966	**28,938**	Dividend income	**1,621**	6,223
2,861	**3,743**	Interest income	**210**	189
8,651	**5,654**	Fee income and performance fee income	**316**	573
22,505	**2,290**	Net foreign exchange gains	**128**	1,491
261,025	**245,289**		**13,737**	17,287

5. Operating expenses

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
		Administrative expenses		
(236)	**(207)**	Depreciation	**(12)**	(16)
16	**186**	Lease smoothing adjustment	**11**	1
(20,287)	**(32,730)**	Long term Management Incentive Scheme Award - equity settled share based payment expense (refer note 33)	**(1,833)**	(1,344)
(17,882)	**(27,610)**	Long term Management Incentive Scheme Award - cash element (refer note 33)	**(1,546)**	(1,184)
(8,275)	**(6,617)**	Exceptional, deal related and non-recurring costs	**(371)**	(548)
(7,166)	**(3,857)**	Operational expenses incurred by the hedge fund management businesses	**(216)**	(475)
(22,711)	**(21,337)**	Operational expenses incurred by Blackstar Group SE, Blackstar SA and Blackstar Cyprus	**(1,195)**	(1,504)
(76,541)	**(92,172)**		**(5,162)**	(5,070)

6. Operating profit

6.1 Operating profit

Operating profit per the consolidated statement of comprehensive income has been arrived at after crediting/(charging) the following:

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
(21,010)	**(12,796)**	Staff salary costs excluding amounts paid to Blackstar Group SE Directors (refer note 32 for Directors remuneration)	**(717)**	(1,674)
(236)	**(207)**	Depreciation of equipment	**(12)**	(16)
22,505	**2,290**	Net foreign exchange gains	**128**	1,491
(978)	**(1,234)**	Operating lease expense	**(69)**	(65)

6. Operating profit (continued)

6.2 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:

2013 R'000	2014 R'000		2014 £'000	2013 £'000
		Auditor's remuneration paid to Group auditors and their associates		
(887)	**(893)**	Audit fees for the Group and Company annual accounts	**(50)**	(59)
(1,769)	**(2,089)**	Paid to associates of BDO Malta for audit of subsidiaries	**(117)**	(117)
(51)	**(248)**	Other services	**(14)**	(3)
(2,707)	**(3,230)**		**(181)**	(179)

7. Employees

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

	2014	2013
Managerial	**6**	5
Administrative	**3**	8
Operational	**4**	3
	13	16

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: 91 Managerial (2013: 50), 164 Administrative (2013: 71), and 187 Operational (2013: 393).

8. Net finance costs

2013 R'000	2014 R'000		2014 £'000	2013 £'000
3,156	**1,458**	Finance income	**82**	209
3,156	**1,458**	Interest income on bank balances	**82**	209
(3,364)	**(8,724)**	Finance costs	**(489)**	(223)
(164)	**—**	Interest expense on bank overdrafts	**—**	(11)
(3,200)	**(8,724)**	Interest expense and finance costs on borrowings from banks	**(489)**	(212)
(208)	**(7,266)**		**(407)**	(14)

9. Taxation

2013 R'000	2014 R'000		2014 £'000	2013 £'000
909	**361**	Current taxation	**20**	59
411	**167**	Current year	**9**	26
498	**194**	Prior years under provision	**11**	33
(1,243)	**(1,258)**	Deferred taxation	**(70)**	(83)
(1,232)	**(1,258)**	Current year	**(70)**	(82)
(11)	**—**	Prior years over provision	**—**	(1)
112	**760**	Withholding taxes	**42**	9
(222)	**(137)**		**(8)**	(15)

9. Taxation (continued)

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:

2013 R'000	2014 R'000		2014 £'000	2013 £'000
184,276	**145,851**	Profit before taxation	**8,168**	12,203
64,497	**51,048**	Tax at standard rate of corporate tax in Malta	**2,859**	4,271
(20,491)	**(32,629)**	Differing foreign tax rates	**(1,827)**	(1,358)
(44,827)	**(19,510)**	Income and expenses not subject to tax	**(1,093)**	(2,969)
487	**194**	Under provision from prior years	**11**	32
112	**760**	Withholding taxes	**42**	9
(222)	**(137)**	Current tax charge for the year	**(8)**	(15)

Assessed losses of the Group for which no deferred tax asset has been recognised amount R54,155,307 (£3,008,511) at 31 December 2014 and R39,758,000 (£2,281,000) at 31 December 2013. The deferred tax asset has not been recognised as it is not believed to be probable that it will be utilised.

10. Earnings per share

10.1 Basic and diluted earnings per share

2013 R'000	2014 R'000		2014 £'000	2013 £'000
183,857	**146,584**	Profit for the period attributable to equity holders of the parent	**8,210**	12,175
79,476	**80,642**	Weighted average number of shares in issue (net of treasury shares, in thousands)	**80,642**	79,476
231.34	**181.77**	Basic and diluted earnings per ordinary share attributable to equity holders (in cents/pence)	**10.18**	15.32

10.2 Basic and diluted headline earnings per share ^

2013 R'000	2014 R'000		2014 £'000	2013 £'000
183,857	**146,584**	Profit for the period attributable to equity holders of the parent Adjusted for:	**8,210**	12,175
(5)	**—**	Profit on disposal of equipment	**—**	—
1	**—**	Total tax effects of adjustments	**—**	—
183,853	**146,584**	Headline earnings	**8,210**	12,175
231.33	**181.77**	Basic and diluted headline earnings per ordinary share attributable to equity holders (in cents/pence)	**10.18**	15.32

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

11. Goodwill

2013 R'000	2014 R'000		2014 £'000	2013 £'000
875	**875**	BFM goodwill at the beginning of the year	**51**	64
—	**—**	Currency exchange losses during the year	**(2)**	(13)
875	**875**	BFM goodwill at the end of the year	**49**	51

11.1 Impairment testing of goodwill

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 2013 or 2014 financial year.

12. Deferred taxation

12.1 Movement in net deferred taxation

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
221	**1,464**	Net deferred tax asset at the beginning of the year	**84**	16
1,232	**1,258**	Recognised in statement of comprehensive income	**70**	82
11	**—**	Over provision from prior years	**—**	1
—	**—**	Currency exchange losses during the year	**(3)**	(15)
1,464	**2,722**	Net deferred tax asset at the end of the year	**151**	84

12.2 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**	**2014**	**Assets £'000**	**Liabilities £'000**	**Net £'000**
(34)	**(34)**	**—**	Equipment	**—**	**(2)**	**(2)**
(15)	**(15)**	**—**	Trade and other receivables	**—**	**(1)**	**(1)**
4	**—**	**4**	Other financial liabilities	**—**	**—**	**—**
65	**—**	**65**	Trade and other payables	**4**	**—**	**4**
2,702	**—**	**2,702**	Assessed losses	**150**	**—**	**150**
2,722	**(49)**	**2,771**		**154**	**(3)**	**151**
—	**(6)**	**6**	Set-off of assets and liabilities	**—**	**—**	**—**
2,722	**(55)**	**2,777**	Deferred tax assets/(liabilities) per statement of financial position	**154**	**(3)**	**151**

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

13. Equipment

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
2,234	**2,253**	Cost	**125**	128
(870)	**(1,064)**	Accumulated depreciation	**(59)**	(50)
1,364	**1,189**	Carrying amount	**66**	78
1,168	**1,364**	Carrying amount at the beginning of the year	**78**	85
599	**32**	Additions	**2**	40
(167)	**—**	Disposals	**—**	(11)
(236)	**(207)**	Depreciation	**(12)**	(16)
—	**—**	Currency exchange losses during the year	**(2)**	(20)
1,364	**1,189**	Carrying amount at the end of the year	**66**	78

14. Financial assets at fair value through profit and loss

2013 R'000	2014 R'000		2014 £'000	2013 £'000
191,320	**131,809**	**Financial assets held for trading**	**7,322**	10,976
23,565	**43,447**	Listed equity securities	**2,413**	1,352
167,755	**88,362**	Unlisted investments	**4,909**	9,624
989,152	**1,335,830**	**Financial assets designated at fair value through profit and loss**	**74,210**	56,745
312,014	**468,218**	Net investments in subsidiaries	**26,011**	17,899
677,138	**867,612**	Net investments in associates	**48,199**	38,846
1,180,472	**1,467,639**	Total financial assets at fair value through profit and loss	**81,532**	67,721
		Financial assets held for trading comprise the following investments:		
23,565	**43,447**	**Listed equity securities**	**2,413**	1,352
23,042	**22,634**	Ordinary shares in Shoprite Holdings Limited ("Shoprite")	**1,257**	1,322
—	**20,813**	Ordinary shares in Cadiz Holdings Limited ("Cadiz")	**1,156**	—
523	**—**	Other investments in ordinary shares	**—**	30
167,755	**88,362**	**Unlisted investments**	**4,909**	9,624
58,415	**5,318**	Investments in unlisted hedge funds	**296**	3,351
109,340	**80,000**	Ordinary shares in Robor Proprietary Limited ("Robor")	**4,444**	6,273
—	**3,044**	Other unlisted investments	**169**	—
191,320	**131,809**	Total financial assets held for trading	**7,322**	10,976
		Net changes in fair value of financial assets		
(28,348)	**29,554**	**Financial assets held for trading**	**1,655**	(1,878)
143,086	**1,227**	Realised gains	**69**	9,476
(171,434)	**28,327**	Unrealised gains/(losses)	**1,586**	(11,354)
161,390	**175,110**	**Financial assets designated at fair value through profit and loss**	**9,807**	10,689
(60,551)	**56,911**	Realised gains/(losses)	**3,187**	(4,010)
221,941	**118,199**	Unrealised gains	**6,620**	14,699
133,042	**204,664**	Net gains on financial assets at fair value through profit and loss	**11,462**	8,811

Refer note 15 and 16 for further details of net investments in subsidiaries and net investments in associates designated at fair value through profit and loss.

15. Net investments in subsidiaries

15.1 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 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 2014	2013
South Africa	Hedge fund	Blackstar Special Opportunities Fund ("BSOF")^^	**16.7%**	56.6%
South Africa	General Partner	Blackstar GP Proprietary Limited ("Blackstar GP")#	**100.0%**	100.0%
South Africa	Industrial steel company	Consolidated Steel Industries Proprietary Limited ("CSI"), (previously Stalcor Proprietary Limited ("Stalcor"))^^	**100.0%**	50.1%
South Africa	Steel roofing and cladding company	Global Roofing Solutions Proprietary Limited ("GRS")^	**100.0%**	100.0%
South Africa	Steel roofing and cladding company	Helm Engineering Proprietary Limited ("Helm")##	**100.0%**	100.0%
Namibia	Steel roofing and cladding company	Country Roofing Solutions Proprietary Limited ("Country Roofing") (formerly Starbuck Island Investments Proprietary Limited ("Starbuck"))##	**100.0%**	100.0%
South Africa	Investment company	New Bond Capital Limited ("NBC")^^	**100.0%**	100.0%
South Africa	Investment property company	CCPA Properties Proprietary Limited ("CCPA")^	**100.0%**	50.1%
South Africa	Investment property company	Blackstar Real Estate Proprietary Limited ("BRE")^^	**100.0%**	100.0%
South Africa	Investment property company	Fantastic Investments 379 Proprietary Limited ("Fantastic")**	**100.0%**	79.0%
South Africa	Investment property company	Firefly Investments 223 Proprietary Limited ("Firefly")**	**70.0%**	70.0%
South Africa	Investment property company	Wonderdeals 38 Proprietary Limited ("Wonderdeals")**	**85.9%**	85.9%
Namibia	Investment property company	Domel Investments Proprietary Limited ("Domel")**	**100.0%**	100.0%

Subsidiary of Blackstar Group SE
^ Subsidiary of Consolidated Steel Industries Proprietary Limited
^^ Subsidiary of Blackstar (Cyprus) Investors Limited
** Subsidiary of Blackstar Real Estate Proprietary Limited
Subsidiary of Global Roofing Solutions Proprietary Limited

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.

15. Net investments in subsidiaries (continued)

15.1 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 (continued)

Net investments in subsidiaries included in note 14 comprises the following investments:

2013 R'000	2014 R'000		2014 £'000	2013 £'000
180,000	—	Net investment in GRS	—	10,327
129,770	—	Equity share investment	—	7,445
50,230	—	Interest-free loan to GRS with no fixed terms of repayment. Monthly repayments were made by GRS of R1.25 million per month	—	2,882
32,000	**357,000**	Net investment in CSI (previously Stalcor)	**19,832**	1,836
—	**97,500**	Equity share investment	**5,416**	—
32,000	**259,500**	Interest-free loan to CSI with no fixed terms of repayment. Monthly repayments are made by CSI, currently these amount to R2 million per month	**14,416**	1,836
		Investment in BSOF		
63,222	**43,696**	Equity share investment	**2,427**	3,627
		Investment in NBC		
3,600	**2,198**	Equity share investment	**122**	206
33,192	**65,324**	Net investment in BRE and the property subsidiaries	**3,630**	1,903
28,417	**39,539**	Equity share investments in BRE and the property subsidiaries	**2,197**	1,630
2,641	**20,722**	Interest-free loans to BRE and the property subsidiaries	**1,151**	152
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
4,535	**5,063**	Preference shares held in property subsidiary bearing interest at South African Prime Rate plus 200 basis points and repayable on demand	**282**	259
(14,398)	—	Loan from BRE bearing interest at South African Prime Rate with no fixed terms of repayment	—	(826)
312,014	**468,218**		**26,011**	17,899

Changes in net investments in subsidiaries designated at fair value through profit and loss

CSI – In June 2014, the process of restructuring the Group's steel investments, Stalcor and GRS, commenced. This included Blackstar acquiring the remaining shares in Stalcor that it did not already own and immediately thereafter disposing of its 100% equity interest and claims in GRS to Stalcor at their combined fair value of R225.0 million (£12.6 million). The GRS proceeds have resulted in an increase in the Stalcor shareholder loan to R259.5 million (£14.4 million) as at year end. Both the GRS and Stalcor investments are reflected within the net investment in CSI and thus there is no separately disclosed investment in GRS as at 31 December 2014. The final step in the restructure process was for Stalcor to acquire the GRS operations from the legal entity GRS. This was effective 1 January 2015. The merger of the two businesses has already resulted in improved efficiencies and increased profitability. As part of the restructure, Stalcor has been renamed Consolidated Steel Industries Proprietary Limited ("CSI").

CCPA – Blackstar's interest in CSI's wholly owned subsidiary CCPA increased from 50.1% to 100% as a result of the acquisition of the remaining shares in CSI that it did not already own.

15. Net investments in subsidiaries (continued)

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

Changes in net investments in subsidiaries designated at fair value through profit and loss (continued)

BSOF – in terms of the definition of control within 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. Blackstar's investment was diluted from 56.6% to 16.7% during the year, primarily as a result of additional funds being invested in BSOF by third party investors.

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 off and onshore.

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 15 for equity loans and note 17 for working capital loans. Blackstar has no contractual commitments and may provide further financial or any other support to its unconsolidated subsidiaries should they require it and the Group 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**	**2014**	**Carrying Value £'000**	**Original loan amount prior to fair value adjustments £'000**
259,500	**259,500**	Loan to CSI (previously Stalcor)	**14,416**	**14,416**
20,722	**20,722**	Loan to BRE	**1,151**	**1,151**
38,402	**24,408**	Loans to and preference shares in BRE and the property subsidiaries	**1,356**	**2,133**

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 CSI (previously 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

15. Net investments in subsidiaries (continued)

15.2 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 2014	2013
Cyprus	Investment company	Blackstar (Cyprus) Investors Limited ("Blackstar Cyprus")#	**100.0%**	100.0%
South Africa	Investment advisory company	Blackstar Group Proprietary Limited ("Blackstar SA")#	**100.0%**	100.0%
South Africa	Fund manager	Blackstar Fund Managers Proprietary Limited ("BFM")#**	**66.0%**	56.0%

Subsidiary of Blackstar Group SE
** During the current financial year, Blackstar acquired further shares in the fund manager BFM (refer to note 25)

16. Net investments in associates

As Blackstar meets the definition of an Investment Entity, interests in associates are not 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 2014	2013
South Africa	Media	Times Media Group Limited ("TMG")#	**32.5%**	25.2%
South Africa	Stock broker	Navigare Securities Proprietary Limited ("Navigare")	**25.0%**	25.0%

In the first quarter of 2014, Blackstar increased its stake in TMG from 25.2% to 32.5% which was funded by external debt

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

2013 R'000	2014 R'000		2014 £'000	2013 £'000
		Investment in TMG		
672,138	**862,612**	Equity shares in TMG	**47,921**	38,559
5,000	**5,000**	Net investment in Navigare	**278**	287
3,820	**4,050**	Equity shares in Navigare	**225**	219
1,180	**950**	Loan to Navigare which is interest-free with no fixed terms of repayment	**53**	68
677,138	**867,612**		**48,199**	38,846

17. 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:

2013 R'000	2014 R'000		2014 £'000	2013 £'000
8,174	**7,888**	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	**438**	469
8,174	**7,888**		**438**	469

18. Trade and other receivables

2013 R'000	2014 R'000		2014 £'000	2013 £'000
206	**750**	Management and fee income receivables	**42**	12
921	**1,070**	Prepayments, deposits and accrued income	**59**	53
2,938	**103**	Other receivables	**6**	168
4,065	**1,923**		**107**	233

19. Cash and cash equivalents

2013 R'000	2014 R'000		2014 £'000	2013 £'000
122,893	**63,020**	Deposits and cash at bank	**3,501**	7,050
(4)	**—**	Bank overdrafts	**—**	—
122,889	**63,020**	Cash and cash equivalents per the statement of cash flows	**3,501**	7,050

Cash and cash equivalents held by South African subsidiaries of R2,426,000, £135,000 (2013: R6,281,000, £360,000) 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 and Blackstar Cyprus) amounted to R60,594,000, £3,366,000 (2013: R116,608,000, £6,690,000) at year end.

No cash and cash equivalents have been pledged as security at 31 December 2014 (2013: nil).

20. Other financial liabilities

2013 R'000	2014 R'000		2014 £'000	2013 £'000
201	**15**	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	**1**	12
201	**15**		**1**	12

21. Borrowings

2013 R'000	2014 R'000		2014 £'000	2013 £'000
		Secured		
—	**72,673**	Facility which bears interest at the 3 month Johannesburg Interbank Accepted Rate ("JIBAR") plus 370 basis points. Interest is compounded and settled quarterly, with a bullet payment of the capital in April 2017	**4,037**	—
—	**72,673**		**4,037**	—

For the secured facility, Blackstar has ceded *in securitatem debiti* and has pledged to Rand Merchant Bank Limited "RMB", all of the Company's rights, titles and interests to:

- all equity instruments of CSI (refer note 15) and TMG (refer note 16);
- all claims that the Company has, of whatsoever nature, against CSI and TMG; and
- all disposal proceeds received by the Company pursuant to a disposal of any of its assets.

22. Trade and other payables

2013 R'000	2014 R'000		2014 £'000	2013 £'000
12,700	**19,473**	Salary related accruals	**1,082**	729
2,190	**3,064**	Other payables and accrued expenses	**170**	125
14,890	**22,537**		**1,252**	854

23. Share capital and reserves

23.1 Share capital

2013 R'000	2014 R'000		2014 £'000	2013 £'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	**574,672**	82,088,500 ordinary shares of €0.76 each	**55,347**	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 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**
Repurchase of own shares	—	(1,735,000)	(1,735,000)
Issue of treasury shares	—	2,584,453	2,584,453
Balance as at 31 December 2014	**82,088,500**	**(791,558)**	**81,296,942**

There were no movements of share capital in the current year. In the prior year, the consolidation and sub-division of Blackstar's share capital approved at the 2012 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.

During the current year Blackstar repurchased 1,735,000 (2013: 8,027,949) ordinary shares on the open market. Treasury share issues include 542,318 issued to a third party as part settlement for the acquisition of a property by BRE, and the balance comprises shares awarded as part of the Shareholder approved long term Management Incentive Scheme (refer note 33). All of the treasury shares held at year end amounting to 791,558 shares have been set aside for issue as an award by the long term Management Incentive Scheme (2013: 1,186,246 of the1,641,011 treasury shares held were set aside). The long term Management Incentive Scheme award includes 1,596,908 shares awarded in December 2014 and an additional discretionary award of 205,221 shares which occurred in the first quarter of 2015. In 2015 the Company will therefore issue 1,010,571 new shares in addition to the 791,558 treasury shares in order to settle this obligation. Refer note 33 for further details on the long term Management Incentive Scheme.

23.2 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.

23. Share capital and reserves (continued)

23.2 Reserves (continued)

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.

24. Cash absorbed by operations

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
184,498	**145,988**	Profit for the period	**8,176**	12,218
(222)	**(137)**	Add back taxation	**(8)**	(15)
184,276	**145,851**	Profit before taxation	**8,168**	12,203
		Adjustments for non cash items:		
(5)	**—**	Profit on disposal of equipment	**—**	—
236	**207**	Depreciation of equipment	**12**	16
—	**(937)**	Foreign exchange gains on goodwill not denominated in Rands	**(51)**	—
(138,019)	**(203,812)**	Fair value adjustments on investments held at fair value through profit and loss	**(11,414)**	(9,110)
(96,827)	**(32,681)**	Dividends and interest accrued from loans and investments	**(1,831)**	(6,412)
(3,156)	**(1,458)**	Finance income	**(82)**	(209)
3,364	**8,724**	Finance costs	**489**	223
20,287	**32,730**	Long term Management Incentive Scheme Award - equity settled share based payment expense	**1,833**	1,344
		Changes in working capital:		
301	**2,142**	Decrease/(increase) in trade and other receivables	**118**	(37)
12,049	**7,647**	Increase in trade and other accounts payable	**430**	954
(16)	**(186)**	Decrease in lease accrual	**(11)**	(1)
(440,135)	**(242,492)**	Additions to investments	**(13,580)**	(29,151)
293,450	**167,774**	Proceeds on disposal of investments and repayments of loans to investment companies	**9,795**	19,452
(164,195)	**(116,491)**		**(6,124)**	(10,728)

25. Acquisition and disposals of consolidated 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.

25.1 Acquisitions

Acquisition of further interest in the hedge fund management business BFM

In June 2014 Blackstar acquired a further 10.0% stake in the hedge fund management business BFM for R150,000 (£8,400), bringing its investment in the company to 66.0%.

In 2013, Blackstar acquired a further 6.0% stake in the hedge fund management business BFM for R105,000 (£8,000), bringing its investment in the company to 56%.

BFM is responsible for the management of the BSOF and has been consolidated within these Group financial statements.

25. Acquisition and disposals of consolidated subsidiaries (continued)

25.2 Disposals

Winding down and strike off of Blackstar Gibraltar

During 2013 new legislation was released in Gibraltar, which affected the subsidiary Blackstar 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 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.

25.3 Net cash outflows on acquisition of subsidiaries

2013 R'000	2014 R'000		2014 £'000	2013 £'000
(105)	**(150)**	Consideration paid for additional shares in BFM	**(8)**	(8)

26. Financial instruments and financial risk management

26.1 Categories of financial assets

2013 R'000	2014 R'000		2014 £'000	2013 £'000
		Financial assets		
1,180,472	**1,467,639**	**Financial assets at fair value through profit and loss**	**81,532**	67,721
312,014	**468,218**	Net investments in subsidiaries (refer note 15)	**26,011**	17,899
677,138	**867,612**	Net investments in associates (refer note 16)	**48,199**	38,846
191,320	**131,809**	Financial assets held for trading (refer note 14)	**7,322**	10,976
135,132	**72,831**	**Loans and receivables**	**4,046**	7,752
8,174	**7,888**	Investments classified as loans and receivables (refer note 17)	**438**	469
4,065	**1,923**	Trade and other receivables (refer note 18)	**107**	233
122,893	**63,020**	Cash and cash equivalents (refer note 19)	**3,501**	7,050
1,315,604	**1,540,470**		**85,578**	75,473
		Financial liabilities		
(15,095)	**(95,225)**	**Financial liabilities measured at amortised cost**	**(5,290)**	(866)
(201)	**(15)**	Other financial liabilities (refer note 20)	**(1)**	(12)
—	**(72,673)**	Borrowings (refer note 21)	**(4,037)**	—
(14,890)	**(22,537)**	Trade and other payables (refer note 22)	**(1,252)**	(854)
(4)	**—**	Bank overdrafts (refer note 19)	**—**	—
(15,095)	**(95,225)**		**(5,290)**	(866)

26.2 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.

26. Financial instruments and financial risk management (continued)

26.2 Financial risk management overview (continued)

Where Blackstar holds a controlling, or a 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 certain information provided within the note is analysed by segment as referred to in the segmental report (refer note 36). This note presents information about the Group's exposure to each of the aforementioned risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

26.3 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 for trade receivables, investments classified as loans and receivables and cash and cash equivalents are provided in note 26.1.

26.3.1 Trade and other receivables

Refer note 18 Trade and other receivables.

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 2014 or 2013 as the Group is satisfied that all amounts are recoverable.

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.

26. Financial instruments and financial risk management (continued)

26.3 Credit risk (continued)

26.3.2 Investments

Refer note 14 Financial assets at fair value through profit and loss and note 17 Investments classified as loans and receivables. Provided below are the total investments analysed by segment.

2013 R'000	2014 R'000		2014 £'000	2013 £'000
8,174	**7,888**	**Investments classified as loans and receivables**	**438**	469
8,174	**7,888**	Investments	**438**	469
1,180,472	**1,467,639**	**Investments at fair value through profit and loss**	**81,532**	67,721
1,025,644	**1,353,301**	Investments	**75,179**	58,840
121,636	**49,014**	Funds	**2,723**	6,978
33,192	**65,324**	Property	**3,630**	1,903
1,188,646	**1,475,527**	**Total Investments**	**81,970**	68,190

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 15. As described in note 21, the Group's investments in CSI and TMG have been pledged as collateral for borrowings drawn in the current year.

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 (a "Mandate") which governs the products, asset classes and various exposure limits that can be taken by the fund. Limits are detailed as a percentage of NAV and these limits are monitored internally, by the prime broker and by the risk management third party service. The SA Alpha Blackstar Special Opportunity Fund ("BFM US Fund") is 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 the 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.

26. Financial instruments and financial risk management (continued)

26.3 Credit risk (continued)

26.3.2 Investments (continued)

Credit risk exposure on investments

2013 Exposure %	2013 Exposure R'000	**2014 Exposure %**	**2014 Exposure R'000**		**2014 Exposure %**	**2014 Exposure £'000**	2013 Exposure %	2013 Exposure £'000
56%	672,661	**59%**	**862,612**	Media	**59%**	**47,921**	56%	38,589
28%	329,514	**30%**	**444,888**	Industrial (Steel)	**30%**	**24,714**	28%	18,905
3%	33,192	**4%**	**65,324**	Property	**4%**	**3,630**	3%	1,903
10%	121,637	**3%**	**49,014**	Hedge funds	**3%**	**2,723**	10%	6,978
1%	8,600	**2%**	**31,055**	Financial	**2%**	**1,725**	1%	493
2%	23,042	**2%**	**22,634**	Retail	**2%**	**1,257**	2%	1,322
100%	1,188,646	**100%**	**1,475,527**		**100%**	**81,970**	100%	68,190

26.3.3 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 nil (2013:R4,000, £222) and cash and cash equivalents amounted to R63,020,000, £3,501,000 (2013:R122,893,000 £7,050,000). Of the carrying value of cash and cash equivalents an amount of R27,191,000, £1,510,000, 43% was held in AAA rated money market funds and the balance with BBB+ or lower rated financial institutions. In 2013, of the carrying value of cash and cash equivalents an amount of R74,624,000, £4,281,000, 61% was held in AAA rated money market funds 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-ratings agencies.

26.3.4 Guarantees

Refer note 31 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 31.

26.4 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 in the following ways:

- Business continuity liquidity risk is mitigated by holding no less than R3.0 million (£0.2 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.

26. Financial instruments and financial risk management (continued)

26.4 Liquidity risk (continued)

26.4.1 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 assets and 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.

As at 31 December 2014	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 15)	468,218	468,218	—	—	—	—	468,218
Net investments in associates (refer note 16)	867,612	867,612	—	—	—	—	867,612
Financial assets held for trading (refer note 14)	131,809	131,809	—	—	—	—	131,809
Investments classified as loans and receivables (refer note 17)	7,888	7,888	—	—	—	—	7,888
Trade and other receivables (refer note 18)	1,923	1,923	1,923	—	—	—	—
Cash and cash equivalents (refer note 19)	63,020	63,020	63,020	—	—	—	—
Total financial assets	1,540,470	1,540,470	64,943	—	—	—	1,475,527
Other financial liabilities (refer note 20)	(15)	(15)	(15)	—	—	—	—
Borrowings (refer note 21)	(72,673)	(89,281)	(3,541)	(3,599)	(82,141)	—	—
Trade and other payables (refer note 22)	(22,537)	(22,537)	(22,537)	—	—	—	—
Total financial liabilities	(95,225)	(111,833)	(26,093)	(3,599)	(82,141)	—	—

As at 31 December 2014	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 15)	26,011	26,011	—	—	—	—	26,011
Net investments in associates (refer note 16)	48,199	48,199	—	—	—	—	48,199
Financial assets held for trading (refer note 14)	7,322	7,322	—	—	—	—	7,322
Investments classified as loans and receivables (refer note 17)	438	438	—	—	—	—	438
Trade and other receivables (refer note 18)	107	107	107	—	—	—	—
Cash and cash equivalents (refer note 19)	3,501	3,501	3,501	—	—	—	—
Total financial assets	85,578	85,578	3,608	—	—	—	81,970
Other financial liabilities (refer note 20)	(1)	(1)	(1)	—	—	—	—
Borrowings (refer note 21)	(4,037)	(5,000)	(198)	(202)	(4,600)	—	—
Trade and other payables (refer note 22)	(1,252)	(1,252)	(1,252)	—	—	—	—
Total financial liabilities	(5,290)	(6,253)	(1,451)	(202)	(4,600)	—	—

26. Financial instruments and financial risk management (continued)

26.4 Liquidity risk (continued)

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

			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 15)	312,014	312,014	—	—	—	—	312,014
Net investments in associates (refer note 16)	677,138	677,138	—	—	—	—	677,138
Financial assets held for trading (refer note 14)	191,320	191,320	—	—	—	—	191,320
Investments classified as loans and receivables (refer note 17)	8,174	8,174	500	600	7,074	—	—
Trade and other receivables (refer note 18)	4,065	4,065	4,065	—	—	—	—
Cash and cash equivalents (refer note 19)	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 20)	(201)	(201)	—	(104)	(97)	—	—
Trade and other payables (refer note 22)	(14,890)	(14,890)	(14,890)	—	—	—	—
Bank overdrafts (refer note 19)	(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 15)	17,899	17,899	—	—	—	—	17,899
Net investments in associates (refer note 16)	38,846	38,846	—	—	—	—	38,846
Financial assets held for trading (refer note 14)	10,976	10,976	—	—	—	—	10,976
Investments classified as loans and receivables (refer note 17)	469	469	29	34	406	—	—
Trade and other receivables (refer note 18)	233	233	233	—	—	—	—
Cash and cash equivalents (refer note 19)	7,050	7,050	7,050	—	—	—	—
Total financial assets	75,473	75,473	7,312	34	406	—	67,721
Other financial liabilities (refer note 20)	(12)	(12)	—	(6)	(6)	—	—
Trade and other payables (refer note 22)	(854)	(854)	(854)	—	—	—	—
Bank overdrafts (refer note 19)	—	—	—	—	—	—	—
Total financial liabilities	(866)	(866)	(854)	(6)	(6)	—	—

26. Financial instruments and financial risk management (continued)

26.4 Liquidity risk (continued)

26.4.2 Undrawn Facilities

2013 R'000	2014 R'000		2014 £'000	2013 £'000
		Unsecured bank overdraft facility, reviewed annually and payable on call		
1,000	**1,000**	Fully unutilised	**56**	57
		Secured facility (refer note 21)		
—	**72,673**	Utilised	**4,037**	—
—	**127,327**	Unutilised	**7,073**	—
—	**200,000**		**11,110**	—

26.5 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.

26.5.1 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 value of these assets is exposed to currency risk giving rise to gains or losses on translation into Pounds 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. BFM US Fund is a US Dollar based fund. 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. Both funds trade 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 and expense streams are based in Namibian Dollars. There is also very little volatility between the Namibian Dollar and the Rand which reduces the currency risk on the translation of the valuation of Domel from Namibian Dollars to Rands.

Non-segmental entities

The non-segmental entities are not invested in any activities that are exposed to currency risk. However, similarly to the Investments segment, the non-segmental entities carry monetary assets and liabilities (namely trade and other receivables, 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 entities 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.

26. Financial instruments and financial risk management (continued)

26.5 Market risk (continued)

26.5.1 Currency risk (continued)

Exposure to currency risk

As at 31 December 2014 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 15)	468,218	—	—	—	—	468,218
Net investments in associates (refer note 16)	867,612	—	—	—	—	867,612
Financial assets held for trading (refer note 14)	103,857	—	5,318	—	22,634	131,809
Investments classified as loans and receivables (refer note 17)	7,888	—	—	—	—	7,888
Trade and other receivables (refer note 18)	1,890	—	—	33	—	1,923
Cash and cash equivalents (refer note 19)	18,469	30,759	13,639	153	—	63,020
Total financial assets	1,467,934	30,759	18,957	186	22,634	1,540,470
Financial liabilities						
Other financial liabilities (refer note 20)	(15)	—	—	—	—	(15)
Borrowings (refer note 21)	(72,673)	—	—	—	—	(72,673)
Trade and other payables (refer note 22)	(21,135)	(879)	—	(523)	—	(22,537)
Total financial liabilities	(93,823)	(879)	—	(523)	—	(95,225)

As at 31 December 2014 Functional and 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 15)	26,011	—	—	—	—	26,011
Net investments in associates (refer note 16)	48,199	—	—	—	—	48,199
Financial assets held for trading (refer note 14)	5,769	—	296	—	1,257	7,322
Investments classified as loans and receivables (refer note 17)	438	—	—	—	—	438
Trade and other receivables (refer note 18)	105	—	—	2	—	107
Cash and cash equivalents (refer note 19)	1,026	1,709	758	8	—	3,501
Total financial assets	81,548	1,709	1,054	10	1,257	85,578
Financial liabilities						
Other financial liabilities (refer note 20)	(1)	—	—	—	—	(1)
Borrowings (refer note 21)	(4,037)	—	—	—	—	(4,037)
Trade and other payables (refer note 22)	(1,174)	(49)	—	(29)	—	(1,252)
Total financial liabilities	(5,212)	(49)	—	(29)	—	(5,290)

26. Financial instruments and financial risk management (continued)

26.5 Market risk (continued)

26.5.1 Currency risk (continued)

Exposure to currency risk (continued)

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 15)	312,014	—	—	—	—	312,014
Net investments in associates (refer note 16)	677,138	—	—	—	—	677,138
Financial assets held for trading (refer note 14)	109,864	—	58,414	—	23,042	191,320
Investments classified as loans and receivables (refer note 17)	8,174	—	—	—	—	8,174
Trade and other receivables (refer note 18)	3,308	227	315	215	—	4,065
Cash and cash equivalents (refer note 19)	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 20)	(201)	—	—	—	—	(201)
Trade and other payables (refer note 22)	(13,159)	(957)	(359)	(415)	—	(14,890)
Bank overdrafts (refer note 19)	—	(4)	—	—	—	(4)
Total financial liabilities	(13,360)	(961)	(359)	(415)	—	(15,095)

As at 31 December 2013 Functional and 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 15)	17,899	—	—	—	—	17,899
Net investments in associates (refer note 16)	38,846	—	—	—	—	38,846
Financial assets held for trading (refer note 14)	6,303	—	3,351	—	1,322	10,976
Investments classified as loans and receivables (refer note 17)	469	—	—	—	—	469
Trade and other receivables (refer note 18)	190	13	18	12	—	233
Cash and cash equivalents (refer note 19)	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 20)	(12)	—	—	—	—	(12)
Trade and other payables (refer note 22)	(754)	(55)	(21)	(24)	—	(854)
Bank overdrafts (refer note 19)	—	—	—	—	—	—
Total financial liabilities	(766)	(55)	(21)	(24)	—	(866)

Sensitivity analysis for exposure to foreign current risk

The following table demonstrates in Rands, the impact on net financial assets if the Rands 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**	
2013 R'000	**2014 R'000**	**Currency exposed to:**	**2014 R'000**	2013 R'000
(6,591)	**(2,988)**	Pounds Sterling	**2,988**	6,591
(7,083)	**(1,896)**	US Dollar	**1,896**	7,083
(115)	**34**	Euro	**(34)**	115
(2,304)	**(2,263)**	Zambian Kwatcha	**2,263**	2,304

26. Financial instruments and financial risk management (continued)

26.5 Market risk (continued)

26.5.1 Currency risk (continued)

Sensitivity analysis for exposure to foreign current risk (continued)

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	
2013 £'000	**2014 £'000**	**Currency exposed to:**	**2014 £'000**	2013 £'000
6,538	**7,634**	South African Rands	**(7,634)**	(6,538)
406	**105**	US Dollar	**(105)**	(406)
7	**(2)**	Euro	**2**	(7)
132	**126**	Zambian Kwatcha	**(126)**	(132)

The following significant exchange rates applied during the year:

	2014	2013
South African Rands/Pounds Sterling		
Average Rate	**17.857**	15.099
Closing Rate	**18.001**	17.431

26.5.2 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.

26. Financial instruments and financial risk management (continued)

26.5 Market risk (continued)

26.5.2 Interest rate risk (continued)

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

2013 R'000	2014 R'000		2014 £'000	2013 £'000
		Non-interest bearing instruments		
		Financial assets		
99,489	**287,703**	Net investments in subsidiaries^ (refer note 15)	**16,199**	5,708
99,489	**287,703**		**16,199**	5,708
		Variable rate instruments		
		Financial assets		
1,707	**19,554**	Net investments in subsidiaries^ (refer note 15)	**1,086**	98
8,174	**7,888**	Investments classified as loans and receivables (refer note 17)	**438**	469
122,893	**63,020**	Cash and cash equivalents (refer note 19)	**3,501**	7,050
		Financial liabilities		
—	**(72,673)**	Borrowings (refer note 21)	**(4,037)**	—
(4)	**—**	Bank overdrafts (refer note 19)	**—**	—
132,770	**17,789**		**988**	7,617
		Fixed rate instruments		
		Financial assets		
10,148	**11,367**	Net investments in subsidiaries^ (refer note 15)	**631**	582
10,148	**11,367**		**631**	582

^ 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 15 Net investments in subsidiaries, note 16 Net investments in associates and note 17 Investments classified as loans and receivables. Interest rate risk in respect of investments falling within the Investment's 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. Refer note 21 for further details of the borrowings in place 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.

26. Financial instruments and financial risk management (continued)

26.5 Market risk (continued)

26.5.2 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 an increase of R905,000, £91,000 (2013: R1,328,000, £76,000) in the reported net asset value of the Group. A 1% increase in the South African Prime Rate effective from the beginning of the year, on the same basis, would have resulted in a decrease of R905,000, £91,000 (2013: R1,328,000, £76,000) in the reported net asset value of the Group.

26.5.3 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 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

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
		Financial assets		
63,222	**43,696**	Net investments in subsidiaries (refer note 15)	**2,427**	3,627
672,138	**862,612**	Net investments in associates (refer note 16)	**47,921**	38,559
81,980	**48,765**	Financial assets held for trading (refer note 14)	**2,709**	4,703
817,340	**955,073**		**53,057**	46,889

Sensitivity analysis

The Group is mainly invested in equities on the JSE. However, with the advent of the investment 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 R95,507,000 £5,306,000 (2013: R81,734,000 £4,689,000). 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 R95,507,000 £5,306,000 (2013: R81,734,000 £4,689,000). 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.

27. Fair value of assets

27.1 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

Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000	2014	Total £'000	Level 3 £'000	Level 2 £'000	Level 1 £'000
				Financial assets				
43,696	**—**	**424,522**	**468,218**	Investment in subsidiaries	**26,011**	**23,584**	**—**	**2,427**
—	**—**	**357,000**	**357,000**	Investment in CSI (previously Stalcor)	**19,832**	**19,832**	**—**	**—**
43,696	**—**	**—**	**43,696**	Investment in BSOF	**2,427**	**—**	**—**	**2,427**
—	**—**	**2,198**	**2,198**	Investment in NBC	**122**	**122**	**—**	**—**
—	**—**	**65,324**	**65,324**	Investment in BRE and the property subsidiaries	**3,630**	**3,630**	**—**	**—**
862,612	**—**	**5,000**	**867,612**	Investment in associates	**48,199**	**278**	**—**	**47,921**
862,612	**—**	**—**	**862,612**	Investment in TMG	**47,921**	**—**	**—**	**47,921**
—	**—**	**5,000**	**5,000**	Investment in Navigare	**278**	**278**	**—**	**—**
48,765	**83,044**	**—**	**131,809**	Financial assets held for trading	**7,322**	**—**	**4,613**	**2,709**
43,447	**—**	**—**	**43,447**	Listed equity securities	**2,413**	**—**	**—**	**2,413**
5,318	**83,044**	**—**	**88,362**	Unlisted investments	**4,909**	**—**	**4,613**	**296**
955,073	**83,044**	**429,522**	**1,467,639**		**81,532**	**23,862**	**4,613**	**53,057**

Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000	2013	Total £'000	Level 3 £'000	Level 2 £'000	Level 1 £'000
				Financial assets				
63,222	—	248,792	312,014	Investment in subsidiaries	17,899	14,272	—	3,627
—	—	180,000	180,000	Investment in GRS	10,327	10,327	—	—
—	—	32,000	32,000	Investment in CSI (previously 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	—	—
672,138	—	5,000	677,138	Investment in associates	38,846	287	—	38,559
672,138	—	—	672,138	Investment in TMG	38,559	—	—	38,559
—	—	5,000	5,000	Investment in Navigare	287	287	—	—
81,980	109,340	—	191,320	Financial assets held for trading	10,976	—	6,273	4,703
23,565	—	—	23,565	Listed equity securities	1,352	—	—	1,352
58,415	109,340	—	167,755	Unlisted investments	9,624	—	6,273	3,351
817,340	109,340	253,792	1,180,472		67,721	14,559	6,273	46,889

27. Fair value of assets (continued)

27.2 Valuation techniques

27.2.1 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.

27.2.2 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 valuation technique for the position in these privately held companies. The Group classifies the fair value of these investments as Level 2.

27.2.3 Level 3

Investment in CSI (previously Stalcor and now incorporating 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 amount ("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.

During the year, Stalcor acquired GRS from Blackstar and was renamed CSI. A discounted cash flow model has therefore been prepared based on the combined Stalcor and GRS operations now known as CSI. In the prior year, they were valued separately with GRS valued using a discounted cash flow model and Stalcor based on the NAV of Stalcor adjusted for various industry factors ("Adjusted NAV").

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

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.

27. Fair value of assets (continued)

27.2 Valuation techniques (continued)

27.2.3 Level 3 (continued)

Valuation process for Level 3 valuations (continued)

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

	Fair value		Fair value					
Description	**2014 R'000**	2013 R'000	**2014 £'000**	2013 £'000	**Valuation technique**	**Unobservable input**	**Range (weighted average)**	**Range (weighted average)**
Investment in CSI	**357,000**	*	**19,832**	*	Discounted cash flows	WACC	10%-20%	10%-20%
						Perpetual growth	3%-5%	3%-5%
Investment in GRS	*	180,000	*	10,327	Discounted cash flows	WACC	10%-20%	10%-20%
						Perpetual growth	3%-5%	3%-5%
Investment in Stalcor	*	32,000	*	1,836	Adjusted NAV	#	#	#
Investment in NBC	**2,198**	3,600	**122**	206	Adjusted NAV	#	#	#
Investment in Navigare	**5,000**	5,000	**278**	287	Discounted cash flows	WACC	20%-30%	20%-30%
						Perpetual growth	3%-5%	3%-5%
Investment in BRE and the property subsidiaries	**65,324**	33,192	**3,630**	1,903	Yield on profit before interest and tax	Estimated operating profit before interest and tax per year	R240,000 to R5,500,000	£13,000 to £306,000
						Yield	9% to 15%	9% to 15%
						Occupancy rate	45% to 100%	45% to 100%
Total	**429,522**	253,792	**23,862**	14,559				

\# CSI 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.

* Post restructuring of GRS and Stalcor in 2014, the operations of Stalcor and GRS (now known as CSI) are combined and one valuation is performed. In 2013, Stalcor and GRS were valued separately.

27. Fair value of assets (continued)

27.2 Valuation techniques (continued)

27.2.3 Level 3 (continued)

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

			Effect on fair value increase/(decrease)			
Description	**Input**	**Sensitivity used**	**2014 R'000**	2013 R'000	**2014 £'000**	2013 £'000
Investment in CSI	WACC	1%	**25,000**	*	**1,389**	*
	Perpetual growth	1%	**18,000**	*	**1,000**	*
Investment in GRS	WACC	1%	*****	(15,289)	*****	(877)
	Perpetual growth	1%	*****	15,095	*****	866
Investment in Stalcor	#	#	**#**	#	**#**	#
Investment in NBC	#	#	**#**	#	**#**	#
Investment in Navigare	WACC	1%	**(77)**	(77)	**(4)**	(4)
	Perpetual growth	1%	**58**	58	**3**	3
Investment in BRE and the property subsidiaries	Estimated rental per annum per property	R 1,000,000 or £ 100,000	**4,596**	6,266	**456**	542
	Yield	1%	**(2,877)**	(2,200)	**(159)**	(110)
	Occupancy rate	5%	**3,274**	1,880	**182**	108

\# CSI and NBC utilise an adjusted NAV for the purposes of its valuation. There is no unobservable data that is used barring the information in the NAV value.

* Post restructuring of GRS and Stalcor in 2014, the operations of Stalcor and GRS (now known as CSI) are combined and one valuation is performed. In 2013, Stalcor and GRS were valued separately.

Investment in CSI (previously Stalcor and now incorporating GRS) 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.

27. Fair value of assets (continued)

27.2 Valuation techniques (continued)

27.2.3 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 CSI (previously Stalcor) R'000	Investment in NBC R'000	Investment in Navigare R'000	Investment in BRE and the property subsidiaries R'000		Investment in BRE and the property subsidiaries £'000	Investment in Navigare £'000	Investment in NBC £'000	Investment in CSI (previously Stalcor) £'000	Investment in GRS £'000
					2014					
180,000	**32,000**	**3,600**	**5,000**	**33,192**	Balance as at 1 January 2014	**1,903**	**287**	**206**	**1,836**	**10,327**
54,500	**110,500**	**(1,402)**	**231**	**8,054**	Total gains and losses in profit and loss	**451**	**13**	**(79)**	**6,188**	**3,052**
—	**—**	**—**	**—**	**548**	Interest and dividends accrued	**31**	**—**	**—**	**—**	**—**
—	**—**	**—**	**—**	**23,530**	Additions	**1,318**	**—**	**—**	**—**	**—**
(225,000)	**225,000**	**—**	**—**	**—**	Disposal of equity stake and claims in GRS to CSI (previously Stalcor)	**—**	**—**	**—**	**12,600**	**(12,600)**
(9,500)	**(10,500)**	**—**	**(231)**	**—**	Disposals or repayments of equity loans	**—**	**(13)**	**—**	**(588)**	**(532)**
—	**—**	**—**	**—**	**—**	Exchange losses	**(73)**	**(9)**	**(5)**	**(204)**	**(247)**
—	**357,000**	**2,198**	**5,000**	**65,324**	**Balance as at 31 December 2014**	**3,630**	**278**	**122**	**19,832**	**—**
					2013					
155,000	32,000	—	5,000	29,143	Balance as at 1 January 2013	2,116	363	—	2,323	11,254
14,050	—	3,600	98	11,102	Total gains and losses in profit and loss	735	6	238	—	931
—	—	—	—	2,026	Interest and dividends accrued	134	—	—	—	—
19,000	—	—	—	—	Additions	—	—	—	—	1,258
(8,050)	—	—	(98)	(9,079)	Disposals/equity loan repayments	(601)	(6)	—	—	(533)
—	—	—	—	—	Exchange losses	(481)	(76)	(32)	(487)	(2,583)
180,000	32,000	3,600	5,000	33,192	Balance as at 31 December 2013	1,903	287	206	1,836	10,327

28. 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 the Group's 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.

28. Capital management (continued)

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

From time to time the Company acquires its own ordinary shares in the market. Such buy-backs depend on market prices and available cash resources and reserves. During the current financial year, the Company bought back a total of 1,735,000 (2013: 8,027,949) ordinary shares in the ordinary market. Treasury shares were issued as part of the Shareholder approved long term Management Incentive Scheme and also to effect the BRE property acquisition (refer note 23 for further details on movements in treasury shares).

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 Group has externally imposed capital requirements as set out in note 26.4, which took effect in the current year and have been complied with since their introduction. There have been no other changes in the capital that it manages.

29. Operating lease commitments

Non-cancellable operating lease rentals are payable as follows:

2013 R'000	**2014 R'000**		**2014 £'000**	2013 £'000
(1,355)	**(15)**	Land and buildings	**—**	(77)
(947)	**30**	Less than one year	**2**	(54)
(408)	**(45)**	Due between one and five years	**(2)**	(23)
—	**—**	More than five years	**—**	—
(363)	**(28)**	Equipment	**(2)**	(21)
(75)	**1**	Less than one year	**—**	(4)
(288)	**(29)**	Due between one and five years	**(2)**	(17)
—	**—**	More than five years	**—**	—
(1,718)	**(43)**		**(2)**	(98)

30. Capital commitments

As at year end, management of consolidated Group companies had not committed to any contracted capital expenditure (2013: nil) nor any non contracted capital expenditure (2013: nil).

31. Contingencies and guarantees

31.1 Guarantees

Blackstar Group SE has provided guarantees to banks in respect of mortgage bonds taken out by BRE to acquire properties for the amount of R82,684,000 (£4,593,000).

Blackstar Group SE has provided guarantees to a bank in respect of financing provided to CSI for the amount of R20,000,000 (£1,111,000).

Blackstar Group SE together with Blackstar Cyprus has a written cession in securitatem debiti and pledge agreement with RMB which operates as a security cession in respect of the facility held by Blackstar (refer note 21).

31. Contingencies and guarantees (continued)

31.1 Guarantees (continued)

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

31.2 Contingent liabilities and contingent assets

There are no contingent liabilities or assets to report as at 31 December 2014 (2013: nil).

32. Directors' fees

	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**		**Non-executive Directors fees £'000**	**Salary £'000**	**Other benefits £'000**	**Total £'000**
				2014				
664	**—**	**—**	**664**	John Broadhurst Mills	**37**	**—**	**—**	**37**
2,647	**553***	**1,659**	**435**	Andrew David Bonamour^	**24**	**93**	**31***	**148**
536	**—**	**—**	**536**	Marcel Ernzer	**30**	**—**	**—**	**30**
222	**—**	**—**	**222**	Richard Thomson Wight	**12**	**—**	**—**	**12**
4,069	**553**	**1,659**	**1,857**		**103**	**93**	**31**	**227**
				2013				
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:

Long term Management Incentive Scheme Award R'000	Andrew David Bonamour^	Long term Management Incentive Scheme Award £'000
21,565	**2014**	**1,208**
14,601	2013	967

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

^ 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 term 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. Of the direct salary cost incurred in 2013 by the subsidiary for Andrew Bonamour, 42.5% was recovered from TMG

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 the Maitland Luxembourg S.A. ("Maitland").

No Directors of Blackstar Group SE held any share options and no options were granted or exercised during the year (2013:nil).

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

33. Blackstar long term Management Incentive Scheme

Prior to 2013, 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 2012 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.

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 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.

33. Blackstar long term Management Incentive Scheme (continued)

The cash award is equal to 50% of the Incentive Pool which is calculated based on growth in Intrinsic NAV 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.

Shares issued under the Scheme

2014	Share price on date of issue R	Shares issued Number	Total equity settled share based payment expense recognised in profit and loss R'000	£'000
30 June 2014 award	**13.35**	**855,890**	**11,426**	**640**
31 December 2014 award	**11.85**	**1,596,908**	**18,923**	**1,060**
31 December 2013 optional award^	**11.60**	**205,221**	**2,381**	**133**
		2,658,019	**32,730**	**1,833**

^ During March 2014, the Board approved an additional discretionary award of 205,221 shares to Participants for the year ended 31 December 2013. These shares were issued out of the treasury shares held by Blackstar in March 2014. Discretionary share awards are only recognised once approved by the Board of Directors

Cash award under the Scheme

2014	Total cost of the cash recognised award in profit and loss R'000	£'000
30 June 2014 award	**8,686**	**486**
31 December 2014 award	**18,924**	**1,060**
	27,610	**1,546**

Shares issued under the Scheme

2013	Share price on date of issue R	Shares issued Number	Total equity settled share based payment expense recognised in profit and loss R'000	£'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

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

33. Blackstar long term Management Incentive Scheme (continued)

Cash award under the Scheme (continued)

All shares issued during both the current and prior financial year 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.

The award of 1,596,908 shares at 31 December 2014 was only settled subsequent to year end through the issue of the remaining 791,558 shares held in treasury and the balance through the issue of new shares to Participants. Thus the remaining treasury shares and share capital reserves will only be adjusted on the actual issue of the shares in 2015 at which point an R18,923,000, £1,060,000 debit entry to retained earnings will be raised.

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

34. 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 associates, and equity investments in subsidiaries and associates are reflected at fair value in the table below. Notes 14, 15 and 16 can be referred to for further details.

Working capital loans to subsidiaries are reflected at amortised cost (refer note 17).

2014	CSI R'000	CCPA R'000	GRS R'000	BRE R'000	Firefly R'000	Domel R'000	Wonderdeals R'000	Fantastic R'000	TMG R'000	Navigare R'000
Monitoring fees earned	412	—	500	—	—	—	—	—	—	214
Guarantee fees earned	113	—	—	—	—	—	—	—	—	—
Interest income/ (cost) on loans	—	734	—	(861)	1,109	—	—	—	—	—
Dividend received	—	—	—	—	—	—	—	—	24,646	—
Dividend income on preference shares issued	—	—	—	—	529	—	—	—	—	—
Accounting fees earned	—	—	—	364	118	120	51	25	—	—
	525	734	500	(497)	1,756	120	51	25	24,646	214

2014	CSI £'000	CCPA £'000	GRS £'000	BRE £'000	Firefly £'000	Domel £'000	Wonderdeals £'000	Fantastic £'000	TMG £'000	Navigare £'000
Monitoring fees earned	23	—	28	—	—	—	—	—	—	12
Guarantee fees earned	6	—	—	—	—	—	—	—	—	—
Interest income/ (cost) on loans	—	41	—	(48)	62	—	—	—	—	—
Dividend received	—	—	—	—	—	—	—	—	1,380	—
Dividend income on preference shares issued	—	—	—	—	30	—	—	—	—	—
Accounting fees earned	—	—	—	20	7	7	3	1	—	—
	29	41	28	(28)	99	7	3	1	1,380	12

34. Related parties (continued)

2013	CSI R'000	CCPA R'000	GRS R'000	BSOF R'000	BRE R'000	Firefly R'000	Domel R'000	Wonderdeals R'000	Fantastic R'000	NBC R'000	TMG R'000	Navigare R'000
Monitoring fees earned	405	—	257	—	—	—	—	—	—	1,500	—	180
Guarantee fees earned	54	—	278	—	—	—	—	—	—	—	—	—
Interest income on loans	—	281	—	—	633	948	—	—	—	—	—	—
Dividend received	—	—	—	—	—	—	8,550	—	—	87,460	—	—
Dividend income on preference shares issued	—	—	—	—	—	450	—	—	—	—	—	—
Directors' fees earned	—	—	—	—	—	—	—	—	—	150	2,408	—
Performance and management fees earned from BFM	—	—	—	5,765	—	—	—	—	—	—	—	—
Accounting fees earned	—	—	—	—	108	112	—	48	24	—	—	—
	459	281	535	5,765	741	1,510	8,550	48	24	89,110	2,408	180

2013	CSI £'000	CCPA £'000	GRS £'000	BSOF £'000	BRE £'000	Firefly £'000	Domel £'000	Wonderdeals £'000	Fantastic £'000	NBC £'000	TMG £'000	Navigare £'000
Monitoring fees earned	27	—	17	—	—	—	—	—	—	99	—	12
Guarantee fees earned	4	—	18	—	—	—	—	—	—	—	—	—
Interest income on loans	—	19	—	—	42	63	—	—	—	—	—	—
Dividend received	—	—	—	—	—	—	566	—	—	5,792	—	—
Dividend income on preference shares issued	—	—	—	—	—	30	—	—	—	—	—	—
Directors' fees earned	—	—	—	—	—	—	—	—	—	10	159	—
Performance and management fees earned from BFM	—	—	—	382	—	—	—	—	—	—	—	—
Accounting fees earned	—	—	—	—	7	7	—	3	2	—	—	—
	31	19	35	382	49	100	566	3	2	5,901	159	12

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 Luxembourg"). Maitland Malta Limited ("Maitland Malta"), an entity related to Maitland Luxembourg, have provided services to the Company, on a commercial, arm's length basis including sub-letting of office space and administrative services. In 2014 total fees paid to Maitland Malta amounted to R265,000, £15,000 (2013: R923,000, £61,000). At balance sheet date there were no amounts owing to Maitland (2013: R50,000, £3,000).

Further to the amounts above, BSOF has provided Maitland Group South Africa Limited, an entity related to Maitland Luxembourg, a fee of R313,000, £17,000 (2013: R54,000, £3,000) for the administration of BSOF and at year end there was no amount outstanding (2013: 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 10.4% (2013: 9.5%) of the issued share capital of the Company as at 31 December 2014. Andrew Bonamour has an interest in 56 Church Street Proprietary Limited ("56 Church Street"). Blackstar SA rents office space from 56 Church Street and paid a market related rental of R181,000, £10,000 during the year (2013: nil).

Details of Directors' remuneration are provided in note 32 to the consolidated financial statements. There are no other related parties transactions to disclose.

35. Post balance sheet events

35.1 Proposed transaction

On 8 December 2014, the Company announced a proposed transaction involving two inter-conditional acquisitions (as detailed below). At the same time it announced its intention to make an application to the London Stock Exchange for its shares to be admitted to the Specialist Funds Market ("SFM") (with its admission to trading on AIM to be cancelled) and for the transfer of its listing from the AltX market of the JSE to the Main Board of the JSE. The Company's shares are currently suspended on AIM and the AltX market. The proposed transaction required shareholder approval and the publication of a Prospectus.

35. Post balance sheet events (continued)

35.1 Proposed transaction (continued)

Blackstar is proposing two inter-conditional acquisitions:

1. the acquisition of the remaining issued share capital not already owned by Blackstar in TMG, a South African incorporated media company listed on the Main Board of the JSE, in which Blackstar currently has a 32.5% interest. This is to be effected by way of a South African scheme of arrangement to be settled with a combination of new Blackstar ordinary shares ("BLK Shares") and cash (the "TMG Scheme"); and

2. the acquisition of a 22.9% interest in Kagiso Tiso Holdings Proprietary Limited ("KTH") for a combination of BLK Shares and cash (the "Tiso Transaction"). KTH is a private investment company with an African focus.

Each acquisition would constitute a reverse takeover pursuant to AIM Rule 14 which triggered the suspension in Blackstar's shares. A circular to Blackstar shareholders providing further information on the proposed transaction was published on 26 February 2015 which convened an EGM for Monday 23 March 2015. Blackstar shareholders were asked to vote on a number of resolutions in order to allow the acquisitions to complete. On 23 March 2015, Blackstar shareholders voted in favour of both inter-conditional acquisitions and the TMG Scheme Meeting and General Meeting were held on 30 March 2015 with all resolutions passed by the requisite majority of TMG shareholders. The implementation of the acquisition of TMG and the 22.9% stake in KTH remains subject to the fulfilment (or waiver where applicable) of the outstanding conditions and terms envisaged as detailed in both the TMG Scheme Circular and Blackstar Circular. Should the outstanding conditions not be fulfilled or waived and the acquisitions not able to complete, the Company will then request that the suspension of its shares be lifted and trading will resume on AIM and AltX.

Overview of the TMG Scheme

The announcement of 8 December 2014 stated that the Company and the directors of TMG had agreed the terms of a recommended cash and share offer pursuant to which the Company or Blackstar Cyprus would acquire the shares it did not already own ("Scheme Shares") for a cash consideration of R22.00 (£1.24) or 1.44885 BLK Shares per Scheme Share (which would value a TMG share at R24.50 (£1.38)). The aggregate cash consideration offered to the holders of Scheme Shares is limited to a maximum amount of R500 million (£28 million) with the remaining portion being settled by the issue of BLK Shares. The total consideration payable in terms of the TMG Scheme is expected to be approximately R2 billion (£113 million). The actual number of BLK Shares to be issued will depend on the amount of cash elected to be received by the holders of Scheme Shares. In the event that the maximum cash consideration is paid, 90,794,152 BLK Shares will be issued, or if no cash consideration is paid, 123,722,561 BLK Shares will be issued.

TMG shareholders holding in excess of 80% of the Scheme Shares provided Blackstar with letters of firm support to vote in favour of the TMG Scheme. The TMG Scheme documentation was published on 27 February 2015 and the Extraordinary General Meeting for TMG shareholders was convened for 30 March 2015. All resolutions were passed by the requisite majority.

The TMG Scheme is subject to various conditions precedent, including, *inter-alia*, the approval of the Scheme by 75% of the holders of Scheme Shares.

Overview of the Tiso Transaction

In the same announcement, the Company also stated that it had agreed with Tiso Investment Holdings Proprietary Limited (RF) ("TIH") and the Tiso Foundation Charitable Trust ("Tiso Foundation"), together ("Tiso"), the terms of an acquisition pursuant to which the Company or Blackstar Cyprus, will acquire the 22.9% interest in KTH. This is for a total purchase price of approximately R2.06 billion (£116 million) comprising no more than R500 million (£28 million) and 92,831,798 BLK Shares.

The Tiso Transaction is conditional upon, *inter-alia*, the successful Implementation of the TMG Scheme by no later than 31 August 2015.

35. Post balance sheet events (continued)

35.1 Proposed transaction (continued)

Overview of the Tiso Transaction (continued)

KTH was formed from the merger of Tiso Group Proprietary Limited ("Tiso Group") with Kagiso Trust Investments Proprietary Limited ("KTI") in July 2011. Tiso Group is the investment holding company of TIH which was established in 2001 and is jointly owned and managed by co-founders David Adomakoh and Nkululeko Sowazi. It is proposed that both co-founders will join the Board of the enlarged group.

The KTH investment portfolio currently has an aggregate NAV in excess of approximately R9 billion (£507 million), comprising established companies principally in South Africa, and increasingly, other parts of the African continent. These include investments in the media, resources, infrastructure, power and financial services sectors and include a mix of both listed and private investments.

The enlarged group

Immediately upon completion of the proposed transaction the enlarged group will change its name to Tiso Blackstar Group SE ("TBG").

35.2 Bataung Capital Advisors Proprietary Limited ("Bataung")

Subsequent to year end, Blackstar bought a 49% interest in Bataung for R1.0 million (£0.06 million). Bataung is a global investment management company who manages investment portfolios for institutional and retail clients. Bataung manages $45 million across three capital markets portfolios.

35.3 Treasury shares

Refer to note 33 for details of treasury share issues which occurred subsequent to year end.

36. 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 segments have been further explained as follows:

Investments

The Investments segment includes investments in the steel sector, namely, CSI (previously Stalcor) (which includes the Stalcor and GRS operations), Robor and their respective subsidiaries.

Blackstar increased its shareholding in CSI to 100% effective 30 June 2014 (2013: 50.1%) and immediately thereafter Blackstar disposed of its 100% shareholding in GRS to Stalcor effective 30 June 2014. Blackstar accounts for CSI (including both Stalcor and GRS) as an investment in a subsidiary designated at fair value through profit and loss (refer note 15).

CSI is a processor, distributor and stockist of carbon steel, stainless steel and aluminium in the form of high quality sheet, plate and coil as well as structural and other long product profiles. GRS is a steel roofing and cladding company.

Robor is a manufacturer and supplier of welded steel tube and pipe and cold formed steel profiles. Blackstar holds a 19.4% (2013: 11.1%) interest in Robor and accounts for this investment as an investment at fair value through profit and loss (refer note 14).

36. Segmental information (continued)

Investments (continued)

Also included in the Investments segment is TMG. Listed on the JSE, TMG is a media and entertainment company that informs, educates and entertains. Blackstar has increased its shareholding in TMG from 25.2% at the end of the 2013 period to 32.5% at the end of 2014. Blackstar accounts for TMG as an investment in an associate designated at fair value through profit and loss (refer note 16).

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 (refer note 15). NBC is currently in the process of being wound down and deregistered.

The Investment segment also includes the investment held by Blackstar in Navigare. Navigare is a boutique institutional trading firm. Blackstar holds a 25.0% (2013: 25.0%) interest in Navigare and accounts for Navigare as an investment in an associate designated at fair value through profit and loss (refer note 16).

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 14).

Funds

The Funds segment consists of the investments in BSOF, BGOF (up to date of closure in May 2014) 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.

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 industry 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 accounting policies.

36. Segmental information (continued)

Segmental operating profit

31 December 2013 R'000	31 December 2014 R'000		31 December 2014 £'000	31 December 2013 £'000
186,539	**132,570**	**Investments**	**7,424**	12,354
90,758	**128,597**	Net gains on financial assets at fair value through profit and loss	**7,202**	6,011
93,966	**632**	Dividend income	**35**	6,223
483	**1,745**	Interest income	**98**	32
1,332	**1,596**	Fee income	**89**	88
24,441	**(1,982)**	**Funds**	**(111)**	1,619
17,726	**(4,694)**	Net gains/(losses) on financial assets at fair value through profit and loss	**(263)**	1,174
6,715	**2,712**	Fee income and performance fee income	**152**	445
27,286	**9,338**	**Property**	**523**	1,806
24,558	**8,054**	Net gains on financial assets at fair value through profit and loss	**451**	1,626
2,377	**548**	Interest income	**31**	157
351	**736**	Fee income	**41**	23
(53,782)	**13,191**	**Non-segmental entities**	**739**	(3,562)
184,484	**153,117**	**Operating profit reported by the Group**	**8,575**	12,217

Segmental assets

31 December 2013 R'000	31 December 2014 R'000		31 December 2014 £'000	31 December 2013 £'000
1,033,818	**1,361,189**	Investments	**75,617**	59,309
121,636	**49,014**	Funds	**2,723**	6,978
33,192	**65,324**	Property	**3,630**	1,903
130,909	**69,939**	Non-segmental entities	**3,886**	7,511
1,319,555	**1,545,466**	**Total assets reported by the Group**	**85,856**	75,701

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 2014

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance as at 31 December 2012	**55,347**	**1,974**	**4,599**	**—**	**(15,311)**	**36,256**	**82,865**
Total comprehensive income/(loss) for the year	—	—	—	—	(18,784)	12,368	(6,416)
Income for the year	—	—	—	—	—	12,368	12,368
Other comprehensive loss for the year	—	—	—	—	(18,784)	—	(18,784)
Purchase of treasury shares	—	—	—	(5,955)	—	—	(5,955)
Effect of share split and consolidation	—	—	—	(166)	—	—	(166)
Treasury shares issued to acquire NBC	—	(30)	—	4,262	—	—	4,232
Equity settled share based payment	—	—	—	—	—	1,344	1,344
Treasury shares issued during the year as part of the long term Management Incentive Scheme	—	(14)	—	611	—	(597)	—
Dividend 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**
Total comprehensive income/(loss) for the year	—	—	—	—	(2,426)	8,357	5,931
Income for the year	—	—	—	—	—	8,357	8,357
Other comprehensive loss for the year	—	—	—	—	(2,426)	—	(2,426)
Purchase of treasury shares	—	—	—	(1,147)	—	—	(1,147)
Treasury shares issued for property acquisition	—	14	—	357	—	—	371
Equity settled share based payment	—	—	—	—	—	1,833	1,833
Treasury shares issued during the year as part of the long term Management Incentive Scheme	—	80	—	1,325	—	(1,405)	—
Dividend paid	—	—	—	—	—	(1,034)	(1,034)
Balance as at 31 December 2014	**55,347**	**2,024**	**4,599**	**(713)**	**(36,521)**	**55,740**	**80,476**

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

A 2013 final dividend of 14 South African cents, 0.80 pence, per ordinary share was paid on 30 May 2014.

A 2014 interim dividend of 9 South African cents, 0.49 pence per ordinary share was paid on 10 November 2014.

A 2014 final dividend of 14 South African cents, 0.77 pence, per ordinary share, has been proposed, to be paid on 8 June 2015.

The notes on pages 76 to 83 form part of the Company financial statements.

Company statement of financial position
as at 31 December 2014

	Notes	31 December 2014 £'000	31 December 2013 £'000
Assets			
Financial assets at fair value through profit and loss	3	**77,494**	70,719
Net investments in subsidiaries	4	**54,876**	44,325
Net investments in associates	5	**22,618**	23,357
Financial assets held for trading	3	**—**	3,037
Investment classified as loans and receivables	6	**438**	469
Trade and other receivables	7	**2,599**	329
Cash and cash equivalents	8	**1,093**	4,641
Total assets		**81,624**	76,158
Liabilities			
Current tax liability		**—**	(29)
Trade and other payables	9	**(1,148)**	(1,607)
Total liabilities		**(1,148)**	(1,636)
Total net assets		**80,476**	74,522
Equity			
Share capital	10	**55,347**	55,347
Share premium	10	**2,024**	1,930
Capital redemption reserve	10	**4,599**	4,599
Treasury shares reserve	10	**(713)**	(1,248)
Foreign currency translation reserve	10	**(36,521)**	(34,095)
Retained earnings	10	**55,740**	47,989
Total equity attributable to equity holders		**80,476**	74,522

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 2014 was 0.78 (2013: 0.83) and 14.04 (2013: 14.57) respectively.

The notes on pages 76 to 83 form part of the Company financial statements.

The Company financial statements were approved by the Board and authorised for issue on 24 April 2015.

John Mills
Non-executive Director

Andrew Bonamour
Non-executive Director

Company statement of cash flows
for the year ended 31 December 2014

	Notes	31 December 2014 £'000	31 December 2013 £'000
Cash flow from operating activities			
Cash absorbed by operations	11	**(1,941)**	(6,874)
Dividend and interest income received		**712**	24
Interest received		**48**	158
Interest paid		**—**	(11)
Taxation (paid)/refunded		**(67)**	3
Cash absorbed by operating activities		**(1,248)**	(6,700)
Cash flow from investing activities			
Purchase of equipment		**—**	(1)
Cash absorbed by investing activities		**—**	(1)
Cash flow from financing activities			
Movement in borrowings		**—**	(8)
Acquisition of Blackstar shares as a result of the share split and consolidation		**—**	(166)
Purchase of treasury shares		**(1,147)**	(5,955)
Dividends paid to equity holders of the parent		**(1,034)**	(1,382)
Cash absorbed by financing activities		**(2,181)**	(7,511)
Net decrease in cash and cash equivalents		**(3,429)**	(14,212)
Cash and cash equivalents at the beginning of the year		**4,641**	21,657
Exchange losses on cash and cash equivalents		**(119)**	(2,804)
Cash and cash equivalents at the end of the year	8	**1,093**	4,641

The notes on pages 76 to 83 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 26 to the consolidated financial statements.

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 financial assets at fair value through profit and loss and measured at fair value. As a result of this, the Company does not account for its investments in subsidiaries at cost less provision for impairment but rather carries these investments at fair value. Investments in associates are also classified as financial assets 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 £8,357,000 (2013: £12,368,000) for the Company.

3. Financial assets at fair value through profit and loss

	2014 £'000	2013 £'000
Financial assets held for trading	**—**	3,037
Unlisted investments – investment in unlisted hedge fund	**—**	3,037
Financial assets designated at fair value through profit and loss	**77,494**	67,682
Net investments in subsidiaries	**54,876**	44,325
Net investments in associates	**22,618**	23,357
Total financial assets at fair value through profit and loss	**77,494**	70,719

4. 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 2014	2013
Subsidiaries not consolidated in the Group consolidated financial statements:				
South Africa	Hedge fund	Blackstar Special Opportunities Fund ("BSOF") ^^	**16.7%**	56.6%
South Africa	General Partner	Blackstar GP Proprietary Limited ("Blackstar GP") #	**100.0%**	100.0%
South Africa	Industrial steel company	Consolidated Steel Industries Proprietary Limited ("CSI") (previously Stalcor Proprietary Limited ("Stalcor")) ^^	**100.0%**	50.1%
South Africa	Steel roofing and cladding company	Global Roofing Solutions Proprietary Limited ("GRS") ^	**100.0%**	100.0%
South Africa	Steel roofing and cladding company	Helm Engineering Proprietary Limited ("Helm") ##	**100.0%**	100.0%
Namibia	Steel roofing and cladding company	Country Roofing Solutions Proprietary Limited ("Country Roofing") (formerly Starbuck Island Investments Proprietary Limited ("Starbuck")) ##	**100.0%**	100.0%
South Africa	Investment company	New Bond Capital Limited ("NBC") ^^	**100.0%**	100.0%
South Africa	Investment property company	CCPA Properties Proprietary Limited ("CCPA") ^	**100.0%**	50.1%
South Africa	Investment property company	Blackstar Real Estate Proprietary Limited ("BRE") ^^	**100.0%**	100.0%
South Africa	Investment property company	Fantastic Investments 379 Proprietary Limited ("Fantastic") **	**100.0%**	79.0%
South Africa	Investment property company	Firefly Investments 223 Proprietary Limited ("Firefly") **	**70.0%**	70.0%
South Africa	Investment property company	Wonderdeals 38 Proprietary Limited ("Wonderdeals") **	**85.9%**	85.9%
Namibia	Investment property company	Domel Investments Proprietary 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%
South Africa	Investment advisory company	Blackstar Group Proprietary Limited ("Blackstar SA") #	**100.0%**	100.0%
South Africa	Fund Manager	Blackstar Fund Managers Proprietary Limited ("BFM") *** #	**66.0%**	56.0%

\# Subsidiary of Blackstar Group SE
^ Subsidiary of Consolidated Steel Industries Proprietary Limited
^^ Subsidiary of Blackstar (Cyprus) Investors Limited
** Subsidiary of Blackstar Real Estate Proprietary Limited
\## Subsidiary of Global Roofing Solutions Proprietary Limited
*** During the current financial year, Blackstar acquired further shares in the fund manager BFM (refer note 25 of the consolidated financial statements)

4. Net investments in subsidiaries (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 as at fair value through profit and loss. On assessment of the fair value of the net investments in subsidiaries, 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 3 comprises the following investments at fair value:

	2014 £'000	2013 £'000
Net investments in subsidiaries where equity held by the Company:		
Net investment in GRS	—	10,327
Equity share investment	—	7,445
Interest-free loan to GRS with no fixed terms of repayment. Monthly repayments were made by GRS of R1.25 million per month	—	2,882
Investment in Blackstar Cyprus	**39,246**	32,243
Equity share investment	**35,888**	28,775
Preference shares	**3,358**	3,468
Investment in BFM	**63**	57
Equity share investment	**63**	57
Net investments in subsidiaries where equity held by Blackstar Cyprus:		
Net investment in CSI	**14,416**	1,836
Interest-free loan to CSI with no fixed terms of repayment. Monthly repayments are made by CSI, currently these amount to R2 million per month	**14,416**	1,836
Net investment in BRE	**1,151**	(826)
Interest free loan to BRE	**1,151**	—
Loan from BRE bearing interest at South African Prime Rate with no fixed terms of repayment	—	(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
	54,876	44,325

Changes in net investments in subsidiaries designated at fair value through profit and loss

CSI – In June 2014, the process of restructuring the Group's steel investments, Stalcor and GRS, commenced. This included Blackstar acquiring the remaining shares in Stalcor that it did not already own and immediately thereafter disposing of its 100% equity interest and claims in GRS to Stalcor at their combined fair value of R225.0 million (£12.6 million). The GRS proceeds have resulted in an increase in the Stalcor shareholder loan to R259.5 million (£14.4 million) as at year end. Both the GRS and Stalcor investments are reflected within the net investment in CSI and thus there is no separately disclosed investment in GRS as at December 2014. The final step in the restructure process was for Stalcor to acquire the GRS operations from the legal entity GRS. This was effective 1 January 2015. The merger of the two businesses has already resulted in improved efficiencies and increased profitability. As part of the restructure, Stalcor has been renamed Consolidated Steel Industries Proprietary Limited ("CSI").

CCPA – Blackstar's interest in CSI's wholly owned subsidiary CCPA increased from 50.1% to 100% as a result of the acquisition of the remaining shares in CSI that it did not already own.

4. Net investments in subsidiaries (continued)

Changes in net investments in subsidiaries designated at fair value through profit and loss (continued)

BSOF – in terms of the definition of control within 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. Blackstar's investment was diluted from 56.6% to 16.7% during the year, primarily as a result of additional funds being invested in BSOF by third party investors.

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 off and onshore.

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 4 for equity loans and note 6 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 Group has 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 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 2014 £'000	**Original loan amount prior to fair value adjustments 2014 £'000**	Carrying value 2013 £'000	Original loan amount prior to fair value adjustments 2013 £'000
Loan to CSI	**14,416**	**14,416**	1,836	2,582
Loan to BRE	**1,151**	**1,151**	—	—
Loan to GRS	**—**	**—**	2,882	2,882
Loan from BRE	**—**	**—**	(826)	(826)
Loan to Firefly	**—**	**—**	688	688

5. 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 2014**	**Proportion of ownership rights 2013**
South Africa	Media	Times Media Group Limited ("TMG")^	**32.5%**	25.2%
South Africa	Stock broker	Navigare Securities Proprietary Limited ("Navigare")	**25.0%**	25.0%

^ As at 31 December 2014, the Company holds a 15.1% (2013: 15.1%) interest in TMG, whilst Blackstar Cyprus holds a further 17.4% (2013: 10.1%) resulting in a Group shareholding in TMG of 32.5% (2013: 25.2%). Since the Company controls Blackstar Cyprus, TMG is deemed to qualify as an associate of the Company

5. Net investments in associates (continued)

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

	2014 £'000	2013 £'000
Investment in TMG	**22,340**	23,070
Equity shares in TMG	**22,340**	23,070
Net investment in Navigare	**278**	287
Equity shares in Navigare	**225**	219
Loan to Navigare which is interest-free with no fixed terms of repayment	**53**	68
	22,618	23,357

6. 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:

	2014 £'000	2013 £'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	**438**	469
	438	469

7. Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables due by subsidiary companies	**—**	23
Trade receivables due by external parties	**2**	2
Total trade receivables net of impairment allowance	**2**	25
Other receivables due by subsidiary companies	**2,592**	281
Prepayments and accrued income	**5**	23
	2,599	329

8. Cash and cash equivalents

	2014 £'000	2013 £'000
Deposits and cash at bank	**1,093**	4,641
Cash and cash equivalents per the statement of cash flows	**1,093**	4,641

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

9. Trade and other payables

	2014 £'000	2013 £'000
Trade payables due to external parties	**(31)**	(11)
Payable due under the long term Management Incentive Scheme	**(1,051)**	(647)
Other payables due to subsidiary companies	**(5)**	(887)
Accrued expenses	**(61)**	(47)
Other payables	**—**	(15)
	(1,148)	(1,607)

10. Share capital and reserves

Details of share capital and reserves are set out in note 23 to the consolidated financial statements.

11. Cash absorbed by operations

	2014 £'000	2013 £'000
Profit for the period	**8,357**	12,368
Add back taxation	**44**	6
Profit before taxation	**8,401**	12,374
Adjustments for non cash items:		
Fair value adjustments on investments held at fair value through profit and loss	**(11,915)**	(9,580)
Dividends and interest accrued from loans and investments	**(703)**	(79)
Finance income	**(48)**	(158)
Finance costs	**—**	11
Long term Management Incentive Scheme Award - equity settled share based payment expense	**1,833**	1,344
Changes in working capital:		
Decrease in trade and other receivables	**40**	178
Increase in trade and other accounts payable	**454**	442
Additions to investments	**(14,476)**	(14,358)
Proceeds on disposal of investments and repayments of loans to investment companies	**14,473**	2,952
	(1,941)	(6,874)

12. Financial instruments

The Company is exposed to one or more of the following risks from its use of financial instruments: credit risk; liquidity risk; and market risk (which 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 26 to the consolidated financial statements. The following information relates specifically to the Company.

12.1 Financial instruments by category

	2014 £'000	2013 £'000
Financial assets		
Financial assets at fair value through profit and loss		
Investments at fair value through profit and loss	**77,494**	70,719
Loans and receivables	**4,130**	5,439
Investments classified as loans and receivables	**438**	469
Trade and other receivables	**2,599**	329
Cash and cash equivalents	**1,093**	4,641
	81,624	76,158
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade and other payables	**(1,148)**	(1,607)
	(1,148)	(1,607)

12. Financial instruments (continued)

12.2 Credit risk

At the 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 12.1 above). The Company's maximum exposure to credit risk on equity loans is set out in note 4. The credit quality of financial instruments that are not past due or impaired is considered to be good.

12.3 Liquidity risk

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

12.4 Market risk

12.4.1 Currency risk

A 10% strengthening of the Rand against Pounds Sterling at the balance sheet date, all other variables held constant, would have resulted in an estimated increase of £7,314,000 (2013: £6,775,000) 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 £7,314,000 (2013: £6,775,000) in the reported net asset value of the Company.

12.4.2 Interest rate risk

A 1% increase in the South African Prime Rate, all other variables held constant, would have resulted in an estimated increase of £49,000 (2013: £38,000) 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 £49,000 (2013: £38,000), in the reported net asset value of the Company.

12.4.3 Market price risk

Assuming that the investment portfolio is directly correlated to the FTSE/JSE Africa All Share Index, an increase of 10% in the FTSE/JSE Africa All Share Index at the balance sheet date, all other variables held constant, would have resulted in an estimated increase of £2,234,000 (2013: £2,611,000) 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 £2,234,000 (2013: £2,611,000) in the reported net asset value of the Company.

12.5 Fair value

12.5.1 Fair value of financial instruments carried at amortised cost

The fair values 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.

12. Financial instruments (continued)

12.5 Fair value (continued)

12.5.2 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 27 of the consolidated financial statements) based on the degree to which the fair value is observable:

2014	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Investments at fair value through profit and loss (refer note 3)	**22,340**	**—**	**55,154**	**77,494**

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

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 27 in the consolidated financial statements for further information on the determination of the fair value of the other investments.

13. Related parties

Details of related parties are set out in note 34 to the consolidated financial statements. In addition to this, the subsidiaries and associates (set out in note 4 and 5 respectively to the Company financial statements) are related parties to the Company.

The Company pays an advisory fee, paid quarterly in advance, to Blackstar SA. The advisory fee for the year ended 31 December 2014 amounted to £0.5 million (2013: £1.0 million). Blackstar SA may incur expenses on behalf of the Company and vice versa. These amounts are invoiced and reimbursed on a monthly basis.

14. Long term Management Incentive Scheme

Details of the long term Management Incentive Scheme are set out in note 33 to the consolidated financial statements.

15. Capital under management

Information related to capital under management is set out in note 28 to the consolidated financial statements.

16. Contingencies and guarantees

Information relating to contingencies and guarantees is set out in note 31 to the consolidated financial statements.

17. Post balance sheet events

Information relating to post balance sheet events is set out in note 35 to the consolidated financial statements.

Company information

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

Registered Office
Blackstar Group SE
3rd Floor Avantech Building
St Julian's Road San Gwann
SGN 2805 Malta
Tel: +356 2137 3360
E-mail: info@blackstar.eu
Website: www.blackstar.eu

Nominated Adviser and Broker
(United Kingdom)
ZAI Corporate Finance Limited
1 Hobhouse Court
Suffolk Street
London
SW1Y 4HH

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
AIM of the London Stock Exchange

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 Proprietary 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 Proprietary Limited
13th Floor Rennie House
19 Ameshoff Street
Braamfontein
2000

NOTICE OF ANNUAL GENERAL MEETING 2015

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)
3rd Floor
Avantech Building
St Julian's Road
San Gwann
SGN 2805
Malta
(the "Company")

24 April 2015

Dear Shareholder,

Notice of Annual General Meeting to be held on Tuesday, 9 June 2015
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 3rd Floor, Avantech Building, St Julian's Road, San Gwann, SGN 2805 Malta on Tuesday, 9 June 2015 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; and
- Part 3: A Proxy Form (for use by registered shareholders only); and
- Part 4: A Form of Direction (for use by holders of Despository Interests 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 page 85 of this document. The following information provides additional background information to the resolutions proposed which are not ordinary business.

Resolution 6 – General authority to allot shares
This resolution will extend the general authority of the directors to allot shares until the Company's next AGM or, if earlier, 30 September 2016. The authority will be in respect of shares with an aggregate nominal value of €75,912,202, representing one third of the estimated Enlarged Share Capital on the assumption that the maximum Share Consideration is paid for the TMG Scheme Shares.

Resolution 7 – Authority to allot shares for cash free from pre-emption rights
This resolution will dis-apply shareholders' statutory pre-emption rights in relation to the Company's allotment for cash of its own shares pursuant to Resolution 6 or in relation to the Company's sale of its own shares held in treasury, and shall expire when the Board no longer remains authorised to issue Equity Securities (as defined in the Articles). The dis-application will permit the Board to allot shares for cash pursuant to Resolution 6 or to sell treasury shares, without first offering them to all existing Shareholders pursuant to their statutory pre-emption rights under article 88 of the Companies Act (Cap. 386 of the Laws of Malta). Any such allotments or sales must be limited to shares with an aggregate nominal value not exceeding €11,386,830, representing 5% of the estimated Enlarged Share Capital on the assumption that the maximum Share Consideration is paid for TMG Scheme Shares resulting in an Enlarged Share Capital of 299,653,430 Ordinary Shares.

Resolution 8 – 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 Enlarged Share Capital which is a maximum of 29,965,343 Shares on the assumption that the maximum Share Consideration is paid for TMG Scheme Shares resulting in an Enlarged Share Capital of 299,653,430 Ordinary Shares.

PART 2 – NOTICE OF ANNUAL GENERAL MEETING

BLACKSTAR GROUP SE

(registered in Malta with registered number SE 4)
3rd 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 3rd Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on Tuesday, 9 June 2015 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 2014 and to the consolidated accounts for the Company and its subsidiaries (the "Group") for the year ended 31 December 2014.

2. To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2014.

3. To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2014.

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

5. To appoint BDO Malta CPA as the Company's independent auditor for the financial year ending 31 December 2015 and to authorise the directors to determine their terms of engagement inclusive of remuneration.

Ordinary Resolution which Constitutes Special Business

6. **Directors' Authority to Allot and Issue Shares**
   That, in substitution for all previous authorisations currently in force other than the authority given to the Board of Directors ("Board") at the Company's extraordinary general meeting on 23 March 2015 to allot and issue Equity Securities (as defined in the Articles) in the Company up to an aggregate nominal amount of €164,581,313 in connection with the Company's acquisition by the Company of all the ordinary shares in Times Media Group Limited not already owned by it and its subsidiaries, and a 22.9% equity interest in Kagiso Tiso Holdings Proprietary Limited (the "Acquisitions"), and in accordance with Article 4.1 of the Articles, the 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 €75,912,202. The amount of €75,912,202, represents one third of the estimated Enlarged Share Capital on the assumption that the maximum Share Consideration is paid for the TMG Scheme Shares. This authority will be valid for a period expiring (unless previously revoked, varied or renewed) on 30 September 2016 or, if sooner, the annual general meeting to be held in 2016, 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 CONSTITUTE SPECIAL BUSINESS

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

Purpose:

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

(a) issues of shares for cash, and

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

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

Proposal:

That in substitution for any previous authorisations currently in force but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities and that, subject to the passing of resolution 6 (Directors' Authority to Allot and Issue Shares), and pursuant to Article 88(7) of the Companies Act and in accordance with Article 4.4 of the Articles, 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 €11,386,830. The amount of €11,386,830 represents 5% of the estimated Enlarged Share Capital on the assumption that the maximum Share Consideration is paid for TMG Scheme Shares resulting in an Enlarged Share Capital of 299,653,430 Ordinary Shares.

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.

8. **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:

8.1 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:

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

8.1.2 the maximum aggregate number of Ordinary Shares to be acquired is 29,965,343 shares representing a maximum aggregate nominal value of Ordinary Shares of 10% of the Enlarged Share Capital on the assumption that the maximum Share Consideration is paid for TMG Scheme Shares resulting in an Enlarged Share Capital of 299,653,430 Ordinary Shares;

8.1.3 the maximum price which may be paid for each Ordinary Share shall be 5% 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);

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

8.1.5 all conditions and limitations imposed by the Companies Act are adhered to including the condition that the nominal value of the Ordinary Shares to be acquired by the Company, including any shares previously acquired by the Company and held by it, shall not exceed 50% of the issued share capital of the Company.

8.2 This authority (unless previously revoked, varied or renewed) shall expire on 30 September 2016 or, if sooner, at the end of the annual general meeting of the Company to be held in 2016 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 6 are ordinary resolutions. Resolutions 7 to 8 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

Leanna Isaac
Company Secretary

24 April 2015

Notes:

1. This notice of Annual General Meeting is being mailed to the Members on the Register of Members of the Company. Members registered on the Register of Members as at Friday, 5 June 2015 (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 Friday, 5 June 2015. 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 3rd 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 Friday, 5 June 2015 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 Friday, 5 June 2015 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 Friday, 5 June 2015 at 09h00 (BST), so as to enable the Form of Proxy to be forwarded on your behalf to the Company no later than Friday, 5 June 2015 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 Friday, 5 June 2015 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 Friday, 5 June 2015. 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 Friday, 5 June 2015.
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 10 pence 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 which he/she represents, and (b) submitted to the Company Secretary in accordance with the procedures set out at note 3 above.

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, 2015 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.

13. Definitions:

"Acquisitions"	collectively, the Tiso Transaction and the acquisition of the ordinary shares in TMG not already owned by the Company by way of the Scheme
"Admission"	admission of the Enlarged Share Capital to trading on the London Stock Exchange
"BCIL"	Blackstar (Cyprus) Investors Limited (company number HE 177097), a limited liability company incorporated in accordance with the laws of the Republic of Cyprus and a wholly-owned subsidiary of Blackstar
"Enlarged Share Capital"	the issued share capital of the Company upon Admission, comprising the Existing Shares and the New Shares
"Existing Shares"	the existing ordinary shares of €0.76 each in the issued share capital of the Company at the date of this notice
"KTH"	Kagiso Tiso Holdings Proprietary Limited (Registration Number 2011/000848/07), a private company incorporated in accordance with the laws of South Africa
"New Shares"	new ordinary shares of €0.76 each to be created and issued by Blackstar in connection with the Acquisitions
"Scheme"	the scheme of arrangement, proposed by the TMG Independent Board, pursuant to which Blackstar and/or BCIL proposes to acquire the Scheme Shares for the Scheme Consideration
"Scheme Consideration"	the aggregate value of the consideration to be paid pursuant to the Scheme to Scheme Participants based on R22.00 (£1.24) in cash or 1.44885 New Shares for each Scheme Share
"Scheme Participants"	the holders of Scheme Shares as at the Scheme Record Date who can participate in the Scheme
"Scheme Record Date"	the date upon which the holders of Scheme Shares qualify and are recorded for participation in the Scheme
"Scheme Shares" or **"TMG Shares"**	the 85,393,630 ordinary shares of no par value each, in the share capital of TMG (not already owned by BCIL and/or the Company, and excluding 606,733 treasury shares held by TMG subsidiaries) which Blackstar or BCIL proposes to acquire through the Scheme

"TIH"	Tiso Investment Holdings Proprietary Limited (RF) (Registration Number 2000/027686/07), a private company incorporated in accordance with the laws of South Africa
"Tiso"	TIH and Tiso Foundation (collectively)
"Tiso Foundation"	the trustees for the time being of The Tiso Foundation Charitable Trust (Master's Reference Number IT 2962/02), a trust registered in accordance with the laws of South Africa
"Tiso Transaction"	the proposed acquisition of the KTH Interest by BCIL in exchange for the Tiso Transaction Consideration
"Tiso Transaction Consideration"	the consideration to be paid to Tiso for the KTH Interest comprising approximately 93 million New Shares and no more than R500 million (£28 million)
"TMG"	Times Media Group Limited (Registration No. 2008/009392/06), a public company incorporated in accordance with the laws of South Africa, the ordinary shares of which are currently listed on the JSE Main Board and held as follows: approximately 32.5% (excluding treasury shares) by Blackstar and/or BCIL and the balance by the public. Incorporates Times Media Group Limited and its subsidiaries
"TMG Independent Board"	the members of the TMG board of directors who are not also members of the Blackstar Board who have recommended the Scheme to the holders of Scheme Shares

Form of Proxy

BLACKSTAR GROUP SE

(registered in Malta with registered number SE4)

3rd Floor, Avantech Building, St Julian's Road, San Gwann, SGN 2805, Malta (the "Company")

FORM OF PROXY

For use by registered shareholders at the Annual General Meeting to be held in 3rd Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on Tuesday, 9 June 2015 at 10h00 (CEST).

Please read the Notice of Annual General Meeting (attached as Part 2 of this document) and the explanatory notes below before completing this form.

HOLDERS OF DEPOSITORY INTERESTS SHOULD COMPLETE THE FORM OF DIRECTION IN PART 4 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 Tuesday, 9 June 2015 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**
Ordinary Resolutions 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 2014 and to the consolidated accounts for the Group for the year ended 31 December 2014.		
2 To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2014.		
3 To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2014.		
4 To re-elect Richard Wight as a director of the Company.		
5 To appoint the Company's independent auditor and to authorise the directors to determine their remuneration.		
6 (a) To grant the Directors of the Company authority to issue and allot shares in accordance with the terms of the Acquisitions; and (b) to grant the Directors of the Company certainty to issue and allot shares in respect of a maximum aggregate nominal amount of €75,912,202, in addition to those issued pursuant to the Acquisitions.		
Extraordinary Resolutions 7 To dis-apply statutory pre-emption rights on the issue of shares and sale of treasury shares by the Company, up to an aggregate nominal amount of €11,386,830.		
8 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 2015

Form of Proxy continued

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 3rd 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 Friday, 5 June 2015 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 Friday, 5 June 2015 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 Friday, 5 June 2015 at 09h00 (BST) as to enable the Form of Proxy to be forwarded on your behalf to the Company no later than Friday, 5 June 2015 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 Friday, 5 June 2015 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 Thursday, 4 June 2015. 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 Thursday, 4 June 2015.

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)

3rd 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 3rd Floor, Avantech Building, St. Julian's Road, San Gwann, SGN 2805, Malta on Tuesday, 9 June 2015 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 24 April 2015.

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 2015 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**
Ordinary Resolutions 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 2014 and to the consolidated accounts for the Group for the year ended 31 December 2014.		
2 To adopt the Company's audited stand-alone annual accounts for the financial year ended 31 December 2014.		
3 To adopt the Group's audited consolidated annual accounts for the financial year ended 31 December 2014.		
4 To re-elect Richard Wight as a director of the Company.		
5 To appoint the Company's independent auditor and to authorise the directors to determine their remuneration.		
6 (a) To grant the Directors of the Company authority to issue and allot shares in accordance with the terms of the Acquisitions; and (b) to grant the Directors of the Company certainty to issue and allot shares in respect of a maximum aggregate nominal amount of €75,912,202, in addition to those issued pursuant to the Acquisitions.		
Extraordinary Resolutions 7 To dis-apply statutory pre-emption rights on the issue of shares and sale of treasury shares by the Company, up to an aggregate nominal amount of €11,386,830.		
8 To authorise the Company to purchase its own shares.		

Signature .... Date 2015

Form of Direction continued

Notes:

1. To be effective, this Form of Direction and the power of attorney or other authority (if any) under which it is signed, or a notarially or otherwise certified copy of such power or authority, must be deposited at Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than Thursday, 4 June 2015 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 Friday, 5 June 2015.
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 Tuesday, 2 June 2015 at 09h00 (GMT) or seven days before the time appointed for holding any adjourned meeting.

Blackstar Group SE
3rd Floor Avantech Building
St Julian's Road San Gwann
SGN 2805 Malta
www.blackstar.eu