THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

The definitions and interpretations commencing on page 10 of this Circular apply to the entire Circular, including this cover.

Action required

1. This entire Circular is important and should be read with particular attention to the section entitled "Action required by Shareholders", which commences on page 4.
2. If you are in any doubt as to what action to take, you should consult your Broker, CSDP, banker, accountant, attorney or other professional advisor immediately.
3. If you have disposed of all your TMG Shares, please forward this Circular and the attached notices, form of proxy in respect of the Scheme Meeting and General Meeting *(yellow)*, form of election *(grey)*, form of surrender and transfer *(blue)* and application for electronic participation at the Scheme Meeting and the General Meeting *(white)* to the purchaser to whom, or the Broker, CSDP, banker or other agent through whom, the disposal was effected.

TMG and Blackstar do not accept responsibility, and will not be held liable, for any action of, or omission by, any CSDP or Broker including, without limitation, any failure on the part of the CSDP or Broker of any beneficial owner of TMG Shares to notify such beneficial owner of the Scheme set out in this Circular or the notices of Shareholder Meetings contained herein.

TIMES MEDIA GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2008/009392/06)
Share code: TMG ISIN: ZAE000169272
("**TMG**" or "**the Company**")

BLACKSTAR GROUP SE
(Incorporated in Malta, company number SE4)
(Registered as an external company with limited liability in the Republic of South Africa under registration number 2011/008274/10)
LSE Ticker: BLCK
JSE share code: BCK ISIN: MT0000620113
("**Blackstar**")

COMBINED CIRCULAR TO TMG SHAREHOLDERS

relating to:

the scheme of arrangement in terms of section 114(1) of the Companies Act, proposed by the TMG Board between TMG and Scheme Participants, in terms of which, if implemented, Blackstar will acquire all of the Scheme Shares from Scheme Participants for the Scheme Consideration, on the basis that:

– Scheme Participants electing to receive cash will receive the Cash Consideration of R22.00 for each Scheme Share disposed of in terms of the Scheme (the aggregate Cash Considerations being subject to a Maximum Cash Consideration of R500 million);
– Scheme Participants electing to receive Blackstar Shares will receive 1.44885 Scheme Consideration Shares for each Scheme Share disposed of in terms of the Scheme, such Scheme Consideration Shares to be created and issued at a price of R16.91 per share pursuant to the Scheme, which is equivalent to R24.50 for each Scheme Share; and
– a dividend of 30 cents per TMG Share is paid by TMG to the holders of TMG Shares on the Scheme Consideration Record Date;

and incorporating:

– a report prepared by the Independent Expert in terms of sections 114(2) and 114(3) of the Companies Act;
– extracts of section 115 of the Companies Act dealing with the approval requirements for the Scheme and section 164 of the Companies Act dealing with Dissenting Shareholders' Appraisal Rights;
– the Notice of Scheme Meeting;
– the Notice of General Meeting;
– an application for electronic participation at the Scheme Meeting and the General Meeting *(white)*;
– a form of proxy in respect of the Scheme Meeting and the General Meeting *(yellow)* for use by Certificated and "own name" Dematerialised Shareholders;
– a form of election *(grey)* for use by Certificated Shareholders; and
– a form of surrender and transfer in respect of the Scheme *(blue)* for use by Certificated Shareholders.

Corporate advisor and sponsor to TMG

PSG CAPITAL

Corporate advisor and transaction sponsor to Blackstar

ONE CAPITAL

Independent Expert to TMG

pwc

Attorneys to Blackstar in relation to the Scheme

ENSafrica

Attorneys to TMG in relation to the Scheme

WEBBER WENTZEL

in alliance with > Linklaters

Independent Reporting Accountants to Blackstar and TMG

Deloitte.

Mandated Lead Arrangers in respect of the Acquisition Finance

RAND MERCHANT BANK

A division of FirstRand Bank Limited

Mandated Lead Arrangers in respect of the Acquisition Finance

Standard Bank

Attorneys to the Mandated Lead Arrangers

BAKER & McKENZIE

This Circular is only available in English. Copies of this Circular may be obtained during normal business hours from the registered office of TMG, the registered office of Blackstar, the offices of PSG Capital Proprietary Limited and the Transfer Secretaries at their respective addresses set out in the "Corporate Information and Advisors" section of this Circular, and on the websites www.timesmedia.co.za and www.blackstar.eu, from the date of issue hereof until the date of the Shareholder Meetings.

Date of issue: 27 February 2015

IMPORTANT LEGAL NOTES

The definitions and interpretations commencing on page 10 of this Circular apply to this section on Important Legal Notes.

FORWARD-LOOKING STATEMENTS

This Circular contains statements about TMG and Blackstar that are or may be forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. These forward-looking statements are not based on historical facts, but rather reflect current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipate", "intend", "foresee", "forecast", "likely", "should", "planned", "may", "estimated", "potential" or similar words and phrases.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. TMG and Blackstar caution that forward-looking statements are not guarantees of future performance. Actual results, financial and operating conditions, liquidity and the developments within the industries in which TMG and Blackstar operate may differ materially from those made in, or suggested by, the forward-looking statements contained in this Circular.

All these forward-looking statements are based on estimates and assumptions, as regards TMG, made by TMG or, as regards Blackstar, made by Blackstar, as communicated in publicly available documents by the respective companies, all of which estimates and assumptions, although TMG and Blackstar believe them to be reasonable, are inherently uncertain. Such estimates, assumptions or statements may not eventuate. Factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in those statements or assumptions include other matters not yet known to TMG or Blackstar or not currently considered material by TMG or Blackstar.

Shareholders should keep in mind that any forward-looking statement made in this Circular or elsewhere is applicable only at the date on which such forward-looking statement is made. New factors that could cause the business of either TMG or Blackstar not to develop as expected may emerge from time to time and it is not possible to predict all of them. Further, the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement is not known. TMG and Blackstar have no duty to, and do not intend to, update or revise the forward-looking statements contained in this Circular after the date of this Circular, except as may be required by law.

FOREIGN SHAREHOLDERS

This Circular has been prepared for the purposes of complying with the laws of South Africa and is subject to applicable laws and regulations, including but not limited to the Companies Act and the Companies Regulations and the information disclosed may not be the same as that which would have been disclosed if this Circular had been prepared in accordance with the laws and regulations of any jurisdiction outside of South Africa. The Scheme contemplated in this Circular is also governed by the laws of South Africa and is subject to any applicable laws and regulations, including but not limited to the Companies Act and the Companies Regulations.

The release, publication or distribution of this Circular in certain jurisdictions other than South Africa may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than South Africa should inform themselves about, and observe, any applicable requirements. Any failure to comply with the applicable requirements may constitute a violation of the securities laws of any such jurisdiction. It is the responsibility of the non-resident shareholder to satisfy himself or herself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Scheme, including the obtaining of any governmental, exchange control or other consents or the making of any filings which may be required, the compliance with other necessary formalities, the payment of any transfers or other taxes or other requisite payments due to such jurisdiction.

This Circular is not intended to, and does not constitute, or form part of, an offer to sell or an invitation to purchase or subscribe for any securities or a solicitation of any vote or approval in any jurisdiction in which such an invitation, offer or solicitation would be unlawful. This Circular does not constitute a prospectus or a prospectus equivalent document. Shareholders are advised to read this Circular, which contains the full terms and conditions of the Scheme, with care. Any decision to approve the Scheme or any other response to the proposals should be made only on the basis of the information in this Circular.

Any Shareholder who is in doubt as to his position, including, without limitation, his tax status, should consult an appropriate independent professional advisor in the relevant jurisdiction without delay.

CORPORATE INFORMATION AND ADVISORS

The definitions and interpretations commencing on page 10 of this Circular apply, *mutatis mutandis,* to this Corporate Information and Advisors section.

Directors of TMG

KD Dlamini *(Chairman)**#
AD Bonamour *(Chief executive officer)*
W Marshall-Smith *(Financial director)*
JHW Hawinkels *#
HK Mehta *#
R Naidoo *#
M Nhlanhla *#

**Non-executive # Independent*

TMG company secretary and registered office

JR Matisonn
4 Biermann Avenue
Rosebank
Johannesburg, 2196
(PO Box 1746, Saxonwold, 2132)

Corporate advisor and sponsor to TMG

PSG Capital
(Registration number 2006/015817/07)
1st Floor, Ou Kollege
35 Kerk Street
Stellenbosch, 7599
(PO Box 7403, Stellenbosch, 7599)

and at

1st Floor, Building 8
Inanda Greens Business Park
54 Wierda Road West
Wierda Valley
Sandton, 2196
(PO Box 650957, Benmore, 2010)

Independent Expert to TMG

PricewaterhouseCoopers Corporate Finance Proprietary Limited
(Registration number 1970/003711/07)
2 Eglin Road
Sunninghill, 2157
(Private Bag X36, Sunninghill, 2157)

Attorneys to TMG in relation to the Scheme

Webber Wentzel
10 Fricker Road
Illovo Boulevard
Johannesburg, 2196
(PO Box 61771, Marshalltown, 2107)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

Directors of Blackstar

JB Mills *(Chairman)* *
AD Bonamour *
M Ernzer *#
RT Wight *#

**Non-executive # Independent*

Corporate advisor and transaction sponsor to Blackstar

One Capital Advisory Proprietary Limited
(Registration number 2009/021943/06)
17 Fricker Road
Illovo Boulevard
Johannesburg, 2196
(PO Box 784573, Sandton, 2146)

Independent Reporting Accountants to TMG and Blackstar

Deloitte & Touche
Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead, Sandton, 2196
(Private Bag X6, Gallo Manor, 2052)

Attorneys to Blackstar in relation to the Scheme

Edward Nathan Sonnenbergs Incorporated
150 West Street
Sandton
Johannesburg, 2196
(PO Box 783347, Sandton, 2146)

AIM NOMAD to Blackstar

Liberum Capital Limited
Ropemaker Place, Level 12
25 Ropemaker Street
London EC2Y 9LY
United Kingdom

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ACTION REQUIRED BY SHAREHOLDERS

The definitions and interpretations commencing on page 10 of the Circular apply to this section below.

This Circular is important and requires your immediate attention. The action you need to take, is set out below. If you are in any doubt as to what action to take, you should consult your Broker, CSDP, banker, accountant, attorney or other advisor. If you have disposed of all of your TMG Shares, this Circular should be handed to the purchaser to whom, or the Broker, CSDP or other agent through whom, the disposal was effected.

The Scheme Meeting of Shareholders will be held at 10:00 on Monday, 30 March 2015 at TMG's offices at 4 Biermann Avenue, Rosebank, Johannesburg, Gauteng, or any other adjourned or postponed date and time determined in accordance with the provisions of sections 64(4) or 64(11)(a)(i) of the Companies Act, as read with the JSE Listings Requirements, to consider and, if deemed fit, to pass the Scheme Special Resolution required to approve the Scheme, in terms of which Blackstar will acquire all the issued TMG Shares (save for: (i) the Treasury Shares and (ii) TMG Shares held by the Blackstar Group and by Dissenting Shareholders who do not withdraw their respective demands made in terms of sections 164(5) to 164(8) of the Companies Act or allow any offers by the Company to them in terms of section 164(11) of the Companies Act to lapse). A notice convening such Scheme Meeting is attached to, and forms part of, this Circular.

In addition, the General Meeting of Shareholders will be held on Monday, 30 March 2015 at 11:00 or as soon as reasonably possible after the conclusion of the Scheme Meeting or any other adjourned or postponed date and time determined in accordance with the provisions of sections 64(4) or 64(11)(a)(i) of the Companies Act, as read with the JSE Listings Requirements, whichever is the earlier, at the same location as the Scheme Meeting, to consider and, if deemed fit, approve the Transaction Shareholders' Resolutions. A notice convening such General Meeting is attached to, and forms part of, this Circular.

1. **FORM OF ELECTION**

1.1 All Shareholders (whether they are Certificated or Dematerialised Shareholders) are requested to indicate what portion of their Scheme Consideration they want to have settled in cash (as opposed to being settled through new Blackstar Shares). In this regard:

1.1.1 Shareholders who have not Dematerialised their Shares should complete the attached form of election (*grey*) in accordance with its instructions, and return it to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61763, Marshalltown, 2107), to be received by no later than 12:00 on the Scheme Consideration Record Date;

1.1.2 Dematerialised Shareholders should instruct their CSDP or Broker of the election they wish to make and instruct their CSDP or Broker to advise the Transfer Secretaries of such election by no later than 12:00 on the Scheme Consideration Record Date.

1.2 Scheme Participants who do not make an election by 12:00 on the Scheme Consideration Record Date will be deemed to have elected that their Scheme Consideration be settled entirely in cash, subject to the Maximum Cash Consideration and the provisions of paragraph 1.3.

1.3 If the aggregate value of the Cash Elections exceeds the Maximum Cash Consideration of R500 million, every Scheme Participant who made a Cash Election will have its Cash Election reduced *pro rata* in accordance with the value of its Cash Election relative to the aggregate value of all Cash Elections made by Scheme Participants. If a Scheme Participant's Cash Election is reduced, the number of Scheme Shares to be acquired from that Scheme Participant by way of the Share Consideration will increase accordingly.

2. **IF YOU HAVE DEMATERIALISED YOUR SHARES AND DO NOT HAVE "OWN NAME" REGISTRATION**

2.1 **Voting at the Shareholder Meetings**

2.1.1 If your Dematerialised Shares are not recorded in your own name in the electronic sub-register of TMG, you should notify your duly appointed CSDP or Broker, as the case may be, in the manner and subject to the cut-off time stipulated in the custody agreement governing your relationship with your CSDP or Broker, and furnish them with your instructions as regards voting your TMG Shares at the Shareholder Meetings.

2.1.2 If your CSDP or Broker does not obtain instructions from you, your CSDP or Broker will be obliged to act in accordance with the instructions contained in the custody agreement concluded between you and your CSDP or Broker.

2.1.3 If you have not been contacted, it would be advisable for you to contact your CSDP or Broker immediately and furnish your CSDP or Broker with your instructions.

2.1.4 You must not complete the attached form of proxy (*yellow*).

2.2 **Attendance and representation at the Shareholder Meetings**

2.2.1 In accordance with the mandate between you and your CSDP or Broker, you must advise your CSDP or Broker if you wish to:

2.2.1.1 attend, speak or vote or abstain from voting at the Shareholder Meetings; and/or

2.2.1.2 send a proxy to represent you at the Shareholder Meetings.

2.2.2 Your CSDP or Broker will then issue the necessary letter of representation to you for you or your proxy to attend the Shareholder Meetings. You will not be permitted to attend, speak or vote at the Shareholder Meetings, nor send a proxy to represent you at the Shareholder Meetings without the necessary letter of representation being issued to you, and your CSDP or Broker may then vote on your behalf or abstain from voting at the Shareholder Meetings in accordance with the mandate between you and your CSDP or Broker.

2.3 **Election**

You must not complete the form of election (*grey*) and should instruct your CSDP or Broker of the election you wish to make and instruct your CSDP or Broker to advise the Transfer Secretaries of such election by no later than 12:00 on the Scheme Consideration Record Date.

2.4 **Surrender of Documents of Title**

You must not complete the form of surrender and transfer (*blue*).

3. **IF YOU HAVE NOT DEMATERIALISED YOUR SHARES OR IF YOU HAVE DEMATERIALISED SHARES WITH "OWN NAME" REGISTRATION**

3.1 **Voting, attendance and representation at the Shareholder Meetings**

3.1.1 You may attend, speak and vote (or abstain from voting) at the Shareholder Meetings in person.

3.1.2 Alternatively, you may appoint a proxy to represent you at the Shareholder Meetings by completing the attached form of proxy (*yellow*) in accordance with the instructions therein and returning it to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by no later than 10:00 on Thursday, 26 March 2015 (or no later than 48 hours before any adjournment of the Shareholder Meeting, excluding Saturdays, Sundays and official public holidays). Any form of proxy not handed to the Transfer Secretaries by this time may be handed to the chairman of the Shareholder Meeting at any time before the proxy exercises any rights of the Shareholder at the Shareholder Meeting.

3.2 **Election**

3.2.1 Certificated Shareholders should complete the attached form of election (*grey*) in accordance with its instructions, and return it to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61763, Marshalltown, 2107), to be received by no later than 12:00 on the Scheme Consideration Record Date.

3.2.2 Dematerialised Shareholders with "own name" registration should not complete the form of election and should instruct their CSDP or Broker of the election they wish to make and instruct their CSDP or Broker to advise the Transfer Secretaries of such election by no later than 12:00 on the Scheme Consideration Record Date.

3.3 **Surrender of Documents of Title (this applies only to Certificated Shareholders and not to Dematerialised Shareholders with "own name" registration)**

3.3.1 You are required to complete the attached form of surrender and transfer (*blue*) in accordance with its instructions, and return it, together with the relevant Documents of Title, to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61763, Marshalltown, 2107), to be received by no later than 12:00 on the Scheme Consideration Record Date.

3.3.2 Documents of Title held by Certificated Shareholders in respect of their Shares will cease to be of any value, and shall not be good for delivery, with effect from the Operative Date, other than for surrender in terms of the Scheme and/or the Appraisal Rights.

3.3.3 If you wish to surrender your Documents of Title in anticipation of the Scheme becoming operative you should complete the form of surrender and transfer (*blue*) in accordance with its instructions and return it, together with your Documents of Title, to the Transfer Secretaries at Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61763, Marshalltown, 2107) and it should be noted that you will not be able to Dematerialise or deal in your Shares between the date of surrender of your Documents of Title and the Operative Date or, if the Scheme does not become operative, the date on which your Documents of Title are returned to you.

3.3.4 Should you:

3.3.4.1 be a Dissenting Shareholder who subsequently becomes a Scheme Participant pursuant to paragraph 9.1 of this Circular, you will still need to surrender your Documents of Title, together with a completed form of surrender and transfer (*blue*), to the Transfer Secretaries and the Scheme Consideration will only be credited or posted to you (as the case may be) on the date set out in paragraph 9.1 of this Circular; and

3.3.4.2 fail to surrender your Documents of Title and completed form of surrender and transfer (*blue*) to the Transfer Secretaries within three years after the Operative Date or, if you are a Dissenting Shareholder who subsequently becomes a Scheme Participant pursuant to paragraph 9.1 of this Circular, within three years after the date on which you subsequently became a Scheme Participant, the Scheme Consideration Shares due to you will be disposed of at the ruling market price and the disposal consideration together with the Cash Consideration (as applicable), less the costs incurred in disposing of the Scheme Consideration Shares, will be paid to the benefit of the Guardian's Fund of the Master of the High Court. In this regard such Scheme Participants irrevocably authorise and appoint TMG and/or Blackstar, *in rem suam*, with full power of substitution, to act as agent in the name, place and stead of such Scheme Participants to dispose of the Scheme Consideration Shares and to pay the proceeds and/or the Cash Consideration (as applicable) to the benefit of the Guardian's Fund of the Master of the High Court in the aforesaid manner.

3.3.5 Documents of Title surrendered prior to 12:00 on the Scheme Consideration Record Date in anticipation of the Scheme being implemented will be held in trust by the Transfer Secretaries, at the risk of the Certificated Shareholder, pending the Scheme being implemented.

3.3.6 Should the Scheme not be implemented, any Documents of Title surrendered and held by the Transfer Secretaries will be returned to you by the Transfer Secretaries, at your own risk, by registered post within five Business Days from the date of receipt of the Documents of Title or the date on which it becomes known that the Scheme will not be implemented, whichever is the later.

3.4 **"Own-name" Dematerialised Shareholders**

You must not complete the attached form of surrender and transfer (*blue*).

4. **SETTLEMENT OF THE SCHEME CONSIDERATION**

Shareholders are referred to paragraph 6 of the Circular which deals with the settlement of the Scheme Consideration, including the timing thereof.

5. **DISSENTING SHAREHOLDERS' APPRAISAL RIGHTS**

5.1 At any time before the Scheme Special Resolution approving the Scheme in terms of section 114 and section 115 of the Companies Act is to be voted on at the Scheme Meeting, a Dissenting Shareholder may give the Company written notice objecting to the Scheme Special Resolution.

5.2 Within 10 Business Days after the Company has adopted the Scheme Special Resolution approving the Scheme, the Company must send a notice that the Scheme Special Resolution has been adopted to each Dissenting Shareholder who gave the Company written notice of objection and who has neither withdrawn that notice nor voted in favour of the Scheme Special Resolution.

5.3 A Dissenting Shareholder who has given the Company written notice objecting to the Scheme Special Resolution, who has voted against the Scheme Special Resolution and has complied with all of the procedural requirements set out in section 164 of the Companies Act may, if the Scheme Special Resolution has been adopted, demand in writing within:

5.3.1 20 Business Days after receipt of the notice from the Company referred to in paragraph 5.2 above; or

5.3.2 if the Dissenting Shareholder does not receive the notice from the Company referred to in paragraph 5.2 above, 20 Business Days after learning that the Scheme Special Resolution has been adopted,

that the Company pay the Dissenting Shareholder the fair value (in terms of and subject to the requirements set out in section 164 of the Companies Act) for all the Shares in the Company held by that Dissenting Shareholder. The wording of section 164 of the Companies Act is included in **Annexure 9** to this Circular.

If you wish to Dematerialise your Shares, please contact your CSDP or Broker. Shareholders should note that it will take approximately one to ten Business Days to Dematerialise their Shares through their CSDP or Broker (depending on volume). Shareholders who do not have a CSDP or Broker can contact Computershare directly on (011) 370 5000 to dematerialise their Shares.

No Dematerialisation or rematerialisation of Shares may take place from the Business Day following the Scheme LDT.

You do not need to Dematerialise your TMG Shares to receive the Scheme Consideration.

Shareholders are advised to consult their professional advisors about their personal tax liability regarding the Scheme.

TMG and Blackstar do not accept responsibility and will not be held liable for any failure on the part of the CSDP or Broker of a Dematerialised Shareholder to notify such Shareholder of the Shareholder Meetings or any business to be conducted thereat.

IMPORTANT DATES AND TIMES

The definitions and interpretations commencing on page 10 of this Circular shall apply to this section.

	2015
Record date for Shareholders to be recorded in the Register in order to receive this Circular	Friday, 20 February
Circular posted to Shareholders and notices convening the Scheme Meeting and the General Meeting released on SENS on	Friday, 27 February
Notice of Scheme Meeting and notice of General Meeting published in the South African press on	Monday, 2 March
Last day to trade in order to be able to vote at the Scheme Meeting and the General Meeting, on	Friday, 13 March
Scheme Voting Record Date being 17:00 on	Friday, 20 March
Record date for Shareholders to be recorded in the Register in order to be eligible to attend, speak and vote at the General Meeting, being 17:00 on	Friday, 20 March
Proxy forms to be lodged at the Transfer Secretaries preferably by 10:00 on	Thursday, 26 March
Last date and time for Dissenting Shareholders to give notice to TMG objecting, in terms of section 164(3) of the Companies Act, to the Scheme Special Resolution for purposes of their Appraisal Rights, by 10:00 on	Monday, 30 March
Proxy forms not lodged with the Transfer Secretaries to be handed to the chairman of the Scheme Meeting before the proxy exercises the rights of the Shareholder at the relevant Shareholder Meeting on	Monday, 30 March
Scheme Meeting to be held at 10:00 on	Monday, 30 March
General Meeting to be held at 11:00 or as soon as reasonably possible after the conclusion of the Scheme Meeting, whichever is the earlier, on	Monday, 30 March
Results of the Scheme Meeting and the General Meeting released on SENS on	Monday, 30 March
Results of the Scheme Meeting and the General Meeting published in the South African press on	Tuesday, 31 March
If the Scheme is approved by Shareholders at the Scheme Meeting:	
Last date for Shareholders who voted against the Scheme to require TMG to seek court approval for the Scheme in terms of section 115(3)(a) of the Companies Act (where applicable) on	Wednesday, 8 April
Last date for Shareholders who voted against the Scheme to apply to court for leave to apply for a review of the Scheme in terms of section 115(3)(b) of the Companies Act on	Wednesday, 15 April
Last date for TMG to send objecting Shareholders notices of the adoption of the Scheme Special Resolution, in accordance with section 164(4) of the Companies Act, on	
Action	
The following dates assume that neither court approvals nor the review of the Scheme is required and will be confirmed in the finalisation announcement if the Scheme becomes unconditional:	
Finalisation Date expected to be on	Friday, 17 April

	2015
Finalisation Date announcement expected to be released on SENS on	Friday, 17 April
Finalisation Date announcement expected to be published in the South African press on	Monday, 20 April
Scheme LDT expected on	Thursday, 30 April
Last day to trade in order for Shareholders to qualify for the Pre-acquisition Dividend	Thursday, 30 April
Suspension of listing of TMG Shares at the commencement of trade on the JSE expected on	Monday, 4 May
Listing on the JSE of maximum number of Blackstar Shares that could be issued as Share Consideration (assumes no Cash Elections made), at the commencement of trade on	Monday, 4 May
TMG Shares to commence trading *ex* entitlement to Scheme Consideration and ex Pre-acquisition Dividend on	Monday, 4 May
Scheme Consideration Record Date to be recorded in the Register in order to receive the Scheme Consideration expected to be on or about	Friday, 8 May
Record date to be recorded in the Register in order to receive the Pre-acquisition Dividend expected to be on or about	Friday, 8 May
Operative Date of the Scheme expected to be on	Monday, 11 May
Settlement of the Scheme Consideration expected to occur on	Monday, 11 May
Settlement of the Pre-acquisition Dividend expected to occur on	Monday, 11 May
Adjustment of number of Blackstar Shares listed on the JSE, based on actual number of Scheme Consideration Shares issued, expected at the commencement of trade on	Monday, 11 May
Termination of listing of TMG Shares on the JSE at the commencement of trade on the JSE expected on	Tuesday, 12 May

Notes:

1. The above dates and times are subject to such changes as may be agreed to by TMG and Blackstar and approved by the JSE and/or the Takeover Panel, if required.
2. Shareholders who wish to exercise their Appraisal Rights are referred to **Annexure 9** to this Circular for purposes of determining the relevant timing for the exercise of their Appraisal Rights.
3. If the Scheme Meeting is adjourned or postponed, forms of proxy submitted for the initial Scheme Meeting will remain valid in respect of any adjournment or postponement of the Scheme Meeting.
4. If the General Meeting is adjourned or postponed, forms of proxy submitted for the initial General Meeting will remain valid in respect of any adjournment or postponement of the General Meeting.
5. Although the salient dates and times are stated to be subject to change, such statement may not be regarded as consent or dispensation for any change to time periods which may be required in terms of the Companies Regulations, where applicable, and any such consents or dispensations must be specifically applied for and granted.
6. All times referred to in this Circular are references to South African time.

DEFINITIONS AND INTERPRETATIONS

In this Circular, unless the context indicates a contrary intention, a word or an expression which denotes any gender includes the other genders, a natural person includes a juristic person and *vice versa*, the singular includes the plural and *vice versa* and the following words and expressions bear the meanings assigned to them below:

"Acquisition Finance"	the finance to be raised by Blackstar in order to fund the Cash Consideration and the Tiso Consideration;
"AIM"	the Alternative Investment Market of the LSE;
"Alternative Proposal"	any *bona fide* proposal or offer regarding any merger, amalgamation, share exchange, business combination, take-over bid, scheme of arrangement, sale or other disposition of all or the majority of the assets of the TMG Group, recapitalisation, reorganisation, liquidation or any similar transaction, or series of transactions, which, if implemented, would mean a person/s or entity/ies (other than Blackstar and/or BCIL), would directly or indirectly: i. acquire or agree to acquire all or a greater part of the assets, business or undertaking of any TMG Group Company; or ii. acquire or agree to acquire the "prescribed percentage" or more of the shares in any TMG Group Company as contemplated in section 123(1) of the Companies Act (as read with the Companies Regulations), which "prescribed percentage" is, for the avoidance of doubt, currently 35%;
"AltX"	the Alternative Exchange of the JSE;
"Appraisal Rights"	the rights afforded to Shareholders in terms of section 164 of the Companies Act, as set out in **Annexure 9** to this Circular;
"Assignment Agreement"	the written assignment agreement entered into between Blackstar and BCIL on or about 13 February 2015 in terms of which Blackstar shall cede, delegate and assign its rights and obligations in respect of the Scheme to BCIL, save for the obligation to allot and issue Scheme Consideration Shares to the Scheme Participants in discharge of the Share Consideration, a copy of which is available for inspection by Shareholders, as indicated in paragraph 35 of this Circular;
"Auditors"	the auditors to be agreed to between the Parties in writing, and failing agreement within five Business Days of request, a senior partner (who shall have at least 15 years' experience) in one of the top four auditing practices in South Africa, appointed by the chairperson for the time being of the South African Institute of Chartered Accountants;
"BCIL"	Blackstar (Cyprus) Investors Limited (company number HE177097), a public company incorporated in accordance with the laws of Cyprus and a wholly-owned Subsidiary of Blackstar;
"Blackstar"	Blackstar Group SE (company number SE4) (with its tax residence and principal establishment in Malta), a Societas Europaea, with its registered office in Malta and which is currently governed by the SE Regulation (Council of the European Union Regulation No 2157/2001 of 8 October 2001 on the Statute for a European Company) and the applicable Malta laws and regulations, which is further registered as an external company in South Africa under registration number 2011/008274/10 and which is listed on AltX and on AIM;

"Blackstar Board" or "Blackstar Directors"	the directors of Blackstar as at the Last Practicable Date, whose names are set out on page 20 of this Circular;
"Blackstar Break Fee"	Blackstar Break Fee, as defined in paragraph 8.2.1 of this Circular;
"Blackstar Group"	collectively: i. Blackstar; ii. its Holding Companies from time to time, if any; iii. any company, body corporate, entity or other undertaking which is a Subsidiary of Blackstar, from time to time; or iv. any joint venture of Blackstar or any entity in which any member of the Blackstar Group holds at least 20% of the direct or indirect equity interest and/or voting rights from time to time;
"Blackstar Group Company"	any company or other entity in the Blackstar Group;
"Blackstar Shares"	fully paid-up ordinary shares with a nominal value of €0.76 each in the share capital of Blackstar;
"Broker"	any person registered as a "*broking member (equities)*" in terms of the Rules of the JSE and in accordance with the provisions of the Financial Markets Act;
"Business Day"	a day which is not a Saturday, Sunday or official public holiday in South Africa;
"Cash Consideration"	the amount of R22.00 in consideration for each Scheme Share acquired by Blackstar from Scheme Participants under the Scheme, subject to the Maximum Cash Consideration;
"Cash Election"	Cash Election, as defined in paragraph 4.3 of the Circular;
"Cash Guarantee"	the cash guarantee described in paragraph 4.7 of the Circular;
"cents"	South African cents;
"Certificated"	in relation to a share of a company, such share as evidenced by a Document of Title;
"Circular"	this circular to Shareholders, dated 27 February 2015, together with the annexures hereto, and including the Notice of Scheme Meeting, the Notice of General Meeting, the form of proxy (*yellow*) in relation to the Scheme Meeting and the General Meeting, the application for electronic participation at the Scheme Meeting and the General Meeting (*white*), the form of election (*grey*) and the form of surrender and transfer (*blue*);
"Common Monetary Area"	South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland;
"Companies Act"	the Companies Act, No. 71 of 2008, as amended from time to time;
"Companies Regulations"	the Companies Regulations, 2011, promulgated under the Companies Act, as amended from time to time;
"Competition Authorities"	the Competition Commission established pursuant to Chapter 4, Part A of the Competition Act or the Competition Tribunal established pursuant to Chapter 4, Part B of the Competition Act or the Competition Appeal Court established pursuant to Chapter 4, Part C of the Competition Act, as the case may be, and any other competition authority as may be determined by Norton Incorporated in respect of the relevant African jurisdictions and any other competition authority as may be agreed between the Parties, in writing;
"Competition Act"	the Competition Act, No. 89 of 1998, as amended from time to time;

"CSDP"	Central Securities Depository Participant, as defined in the Financial Markets Act;
"Dematerialise" or "Dematerialised" or "Dematerialisation"	the process by which Certificated shares are converted into an electronic format as Dematerialised shares and recorded in a company's uncertificated securities register administered by a CSDP;
"Dissenting Shareholder"	a Shareholder who validly exercises its Appraisal Rights in respect of its shareholding in TMG in accordance with the provisions of section 164 of the Companies Act in terms of which it demands that TMG pays it the fair value of all the TMG Shares held by it;
"Document of Title"	share certificates, certified transfer deeds, balance receipts or any other physical documents of title pertaining to the Shares in question acceptable to the TMG Board;
"EBITDA"	consolidated earnings before interest, tax, depreciation and amortisation, calculated in accordance with the accounting policies of TMG as at 30 June 2014, and which shall not take into account exceptional, non-recurring and unusual items;
"Effective Date"	the third Business Day after the date upon which the last of the Scheme Conditions is fulfilled or waived, as the case may be;
"EOI"	the non-binding expression of interest from Blackstar to acquire the Scheme Shares by way of the Scheme, as referred to in the EOI Announcement;
"EOI Announcement"	EOI Announcement, as defined in paragraph 1.1 of the Circular;
"Exchange Control Regulations"	the Exchange Control Regulations, 1961, as amended from time to time, issued in terms of section 9 of the Currency and Exchanges Act, No. 9 of 1933, as amended from time to time;
"Exclusivity Period"	the period commencing on the signature date of the Implementation Agreement, being 4 February 2015 and terminating on the earlier of: i. the Operative Date; ii. the Long Stop Date; iii. the date upon which the Scheme fails whether due to non-fulfilment of the Scheme Conditions or otherwise; and iv. the date upon which the Implementation Agreement is terminated for any reason whatsoever in accordance with its terms, both dates inclusive;
"Finalisation Date"	the date on which all the Scheme Conditions shall have been fulfilled or waived, as the case may be;
"Financial Markets Act"	the Financial Markets Act, No. 19 of 2012, as amended from time to time;
"Financing"	the debt financing incurred or intended to be incurred by Blackstar (or any one of the other Blackstar Group Companies), the proceeds of which will be used to pay for a portion of the Scheme Consideration;
"Financing Security Arrangements"	the security arrangements to be entered into by Blackstar (or any one of the other Blackstar Group Companies), as may be required ahead of (or pursuant to) the Financing;
"Firm Intention Announcement"	Firm Intention Announcement, as defined in paragraph 1.2 of the Circular;

"Firm Intention Letter"	the letter from Blackstar to TMG dated 16 February 2015, communicating a firm intention to make an Offer and implement the Scheme and indicating that Blackstar is ready, able and willing to proceed with the Offer, as contemplated in Regulation 101(1) of the Companies Regulations;
"Foreign Shareholder"	a Shareholder who is a non-resident of South Africa, as contemplated in the Exchange Control Regulations;
"General Meeting"	the general meeting of Shareholders to be held on Monday, 30 March 2015 at 11:00 or as soon as reasonably possible after the conclusion of the Scheme Meeting, whichever is the earlier, or any other adjourned or postponed date and time determined in accordance with the provisions of sections 64(4) or 64(11)(a)(i) of the Companies Act, as read with the JSE Listings Requirements, to be held at the same location as the Scheme Meeting, to consider and, if deemed fit, approve the Transaction Shareholders' Resolutions;
"Holding Company" and "Subsidiary"	bear the meanings assigned to them in the Companies Act, provided that such terms shall for the purposes of this Circular be deemed to include any company or person with separate legal personality registered and/or incorporated outside of South Africa which would otherwise be considered to be holding companies or subsidiary companies under the Companies Act but for the fact that they are foreign companies;
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board or its successor body;
"Implementation Agreement"	the agreement entered into between Blackstar, BCIL and TMG on or about 4 February 2015 in respect of the Scheme, setting out the terms under which TMG will propose the Scheme to Shareholders, a copy of which is available for inspection by Shareholders, as indicated in paragraph 35 of this Circular;
"Independent Board"	collectively, KD Dlamini, JHW Hawinkels, R Naidoo and MM Nhlanhla, being the TMG Directors that the Company has indicated are independent directors in relation to the Scheme for purposes of the Companies Regulations;
"Independent Expert"	PricewaterhouseCoopers Corporate Finance Proprietary Limited, (Registration number 1970/003711/07), a private company incorporated under the laws of South Africa;
"Independent Expert Report"	the report prepared by the Independent Expert in respect of the Scheme, in accordance with the provisions of the Companies Act, including section 114 of the Companies Act, as read with the Companies Regulations, a copy of which is annexed hereto at **Annexure 1**;
"Independent Reporting Accountant"	Deloitte & Touche, whose details appear in the "Corporate information and advisors" section of this Circular;

"Insolvency Event"	any of the following events having occurred in relation to Blackstar, BCIL, TMG and/or Times Media Proprietary Limited: i. it is dissolved or de-registered; or ii. an order or declaration is made, or a resolution is passed, for the administration, custodianship, bankruptcy, liquidation, business rescue, winding-up, judicial management, receivership, supervision, trusteeship, de-registration or dissolution (and, in each case, whether provisional or final) of it, its assets or its estate or an order or declaration is made, or a resolution is passed, to authorise the commencement of any business rescue proceeding in respect of it, its assets or its estate; or iii. it convenes any meeting to consider the passing of a resolution for the administration, custodianship, bankruptcy, liquidation, business rescue, winding-up, judicial management, receivership, supervision, trusteeship, de-registration or dissolution (and, in each case, whether provisional or final) of it, its assets or its estate or to authorise the commencement of any business rescue proceeding in respect of it, its assets or its estate; or iv. it seeks or requests the appointment of an administrator, liquidator (whether provisional or final), business rescue practitioner, conservator, receiver, trustee, judicial manager, judicial receiver, administrative receiver, compulsory manager, custodian or other similar official for it or for all or substantially all its assets or estate; or v. it has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; or vi. it is unable (or admits inability) to pay its debts generally as they fall due or is (or admits to being) otherwise insolvent (but excluding for this purpose any technical insolvency) or stops, suspends or threatens to stop or suspend payment of all or a material part of its indebtedness or proposes or seeks to make or makes a general assignment or any arrangement, compromise or composition with or for the benefit of its creditors or any class of its creditors or a moratorium is agreed or declared in respect of or affecting all or a material part of its indebtedness; or vii. it takes or proposes to its creditors any proceeding for, or seeks to make or makes, a general readjustment, rescheduling or deferral of its indebtedness (or any part thereof which it would otherwise be unable to pay when due); or viii. any receiver, administrative receiver, judicial receiver, judicial manager, administrator, compulsory manager, judicial custodian, trustee in bankruptcy, liquidator (whether provisional or final), business rescue practitioner or the like is appointed in respect of it, its estate or any material part of its assets; or ix. it causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs i. to iii above;
"JIBAR"	in relation to an interest period, the Johannesburg Interbank Agreed Rate offered by local and foreign banks in South Africa for that period;
"JSE"	the JSE Limited (Registration number 2005/022939/06), a public company incorporated under the laws of South Africa and licenced to operate as an exchange under the Financial Markets Act or the exchange it operates, as the context requires;
"JSE Listings Requirements"	the Listings Requirements of the JSE, as amended from time to time;

"KTH"	Kagiso Tiso Holdings Proprietary Limited (Registration number 2011/000848/07), a private company incorporated under the laws of South Africa;
"Last Practicable Date"	the last practicable date prior to the finalisation of this Circular, being 20 February 2015;
"Lenders"	the parties providing the Cash Guarantee, being FirstRand Bank Limited (acting through its Rand Merchant Bank division) and The Standard Bank of South Africa Limited;
"Long Stop Date"	31 August 2015;
"LSE"	the London Stock Exchange;
"Management Accounts"	the latest available consolidated management accounts of the TMG Group from time to time prepared using the same accounting principles, policies, practices, formulae, methods and bases as were used in the preparation of the annual financial statements of the TMG Group for the year ended 30 June 2014;
"Material Adverse Change"	any fact, circumstance or event (or combination of any facts, circumstances or events) which results in: i. the consolidated net assets of the TMG Group taken as a whole diminishing by more than 10% when compared to the consolidated net assets of the TMG Group as at 30 June 2014, as appears *ex facie* the Management Accounts; ii. the EBITDA of the TMG Group diminishing by more than 15% from the EBITDA for the same period in the previous financial year, as appears *ex facie* the Management Accounts; iii. an Insolvency Event; and/or iv. the Lenders informing Blackstar or BCIL that the Cash Guarantee is no longer capable of being exercised by the Takeover Panel in accordance with its terms;
"Maximum Cash Consideration"	the maximum aggregate amount of the Cash Consideration available to Scheme Participants under the Scheme, amounting to R500 million;
"NAV"	net asset value;
"NAVPS"	net asset value per share;
"Notice of General Meeting"	the notice of the General Meeting of Shareholders forming part of this Circular;
"Notice of Scheme Meeting"	the notice of the Scheme Meeting of Shareholders forming part of this Circular;
"Offer"	bears the meaning ascribed to that term in section 117(1)(f) of the Companies Act;
"Offeror"	bears the meaning ascribed to that term in Regulation 81 of the Companies Regulations;
"Operative Date"	the earliest Business Day after the Effective Date upon which the Scheme is capable of being implemented in accordance with the JSE Listings Requirements and any other applicable law, being the first Business Day immediately following the Scheme Consideration Record Date, which Operative Date is expected to occur on Monday, 11 May 2015;
"Option Holders"	the holders of Options;
"Options"	options, issued pursuant to the TMG Incentive Plan, to acquire Shares, whether vested or not;

"Parties"	the parties to the Implementation Agreement, being Blackstar, BCIL and TMG;
"PIC"	Public Investment Corporation SOC Limited (Registration number 2005/009094/06), a state-owned company incorporated under the laws of South Africa;
"Pre-acquisition Dividend"	Pre-acquisition Dividend, as defined in paragraph 4.5 of the Circular;
"Proposed Transaction"	collectively, the Scheme and the Tiso Transaction;
"PSG Capital"	PSG Capital Proprietary Limited (Registration number 2006/015817/07), a private company incorporated under the laws of South Africa;
"Rand" or "R"	South African Rand, being the official currency of South Africa;
"Register"	the securities register of TMG (including the relevant sub-registers of the CSDP (as contemplated in the Financial Markets Act) administering the sub-registers of TMG) and including, for the avoidance of doubt, the Certificated securities register of TMG;
"Scheme"	the scheme of arrangement in terms of section 114(1) of the Companies Act, proposed by the TMG Board between TMG and the Scheme Participants, in terms of which Blackstar or BCIL will, if the Scheme becomes operative, acquire all Scheme Shares held by Scheme Participants for the Scheme Consideration, on the terms set out in this Circular;
"Scheme Conditions"	the conditions precedent to which the Scheme is subject, as set out in paragraph 5 of this Circular;
"Scheme Consideration"	collectively, the Share Consideration and the Cash Consideration;
"Scheme Consideration Record Date"	the latest time and date for holders of TMG Shares to be registered as such in the Register in order to receive the Scheme Consideration, being 17:00 on Friday, 8 May 2015;
"Scheme Consideration Shares"	the Blackstar Shares to be issued by Blackstar as the Share Consideration in terms of the Scheme, with a maximum (subject to rounding) of 123 722 561 Scheme Consideration Shares to be delivered to Scheme Participants in consideration for their Scheme Shares (the number of Scheme Consideration Shares to be issued being subject to the Cash Elections made by Scheme Participants);
"Scheme LDT"	the last day to trade Shares in order to be registered in the Register on the Scheme Consideration Record Date, which is expected to be at 17:00 on Thursday, 30 April 2015;
"Scheme Meeting"	the general meeting of Shareholders to be held at 10:00 on Monday, 30 March 2015 at TMG's offices at 4 Biermann Avenue, Rosebank, Johannesburg, Gauteng, to consider and, if deemed fit, approve Scheme Special Resolution;
"Scheme Participants"	all Shareholders, except: i. Dissenting Shareholders who have not, whether voluntarily or pursuant to a final order of the Court, withdrawn their demand made in terms of sections 164(5) to (8) of the Companies Act, or allowed any offers made to them in terms of section 164(11) of the Companies Act to lapse; ii. BCIL; iii. Blackstar; iv. any other member of Blackstar Group; and v. Times Media Proprietary Limited, being the holders of the Treasury Shares;

"Scheme Shares"	all Shares held by Scheme Participants on the Scheme Consideration Record Date and excluding, for the avoidance of doubt, all Treasury Shares;
"Scheme Special Resolution"	means the special resolution by Shareholders, as contemplated in section 115(2) of the Companies Act, required for the approval of the Scheme, as detailed in the Notice of Scheme Meeting;
"Scheme Voting Record Date"	the last time and date for Shareholders to be recorded in the Register in order to be eligible to attend, speak and vote at the Scheme Meeting (or any adjournment thereof), being 17:00 on Friday, 20 March 2015;
"SENS"	the Stock Exchange News Service of the JSE;
"Share Consideration"	1.44885 Scheme Consideration Shares in consideration for each Scheme Share acquired by Blackstar from Scheme Participants under the Scheme, such Scheme Consideration Shares to be created and issued at a price of R16.91 per share;
"Shareholder Meetings"	collectively, the General Meeting and the Scheme Meeting, or either of them as the context may indicate;
"South Africa"	the Republic of South Africa;
"Superior Proposal"	an Alternative Proposal (not resulting from a breach by TMG, any TMG Group Company or a TMG Representative of any of the obligations under the exclusivity and non-solicitation covenants in the Implementation Agreement) received by TMG, which the TMG Board determines in good faith and in the exercise of its fiduciary or statutory duties (having taken written advice from its external advisors): i. is capable of being valued and implemented, taking into account all aspects of the Alternative Proposal, including its conditions precedent; and ii. would, if completed substantially in accordance with its terms, be more favourable to Shareholders than the Scheme, taking into account all the terms and conditions of the Alternative Proposal;
"Takeover Panel"	the Takeover Regulation Panel established in terms of section 196 of the Companies Act;
"TIH"	Tiso Investment Holdings (RF) Proprietary Limited (Registration number 2000/027686/07), a private company incorporated under the laws of South Africa, whose shareholders and directors are listed in paragraph 12.4 of the Circular;
"Tiso"	collectively, TIH and Tiso Foundation;
"Tiso Blackstar"	Tiso Blackstar Group SE, the new name of Blackstar following implementation of the Proposed Transaction;
"Tiso Consideration"	the consideration under the Tiso Transaction, amounting in aggregate to R2.06 billion, comprising, no more than R500 million in cash and 93 million new Blackstar Shares issued at a price of R16.91 per share (being Blackstar's intrinsic NAVPS as at 30 June 2014);
"Tiso Foundation"	The Tiso Foundation Charitable Trust (Master's reference number IT 2962/02), a trust established in South Africa;
"Tiso Transaction"	the proposed sale by Tiso of their collective 22.9% equity interest in KTH to Blackstar, on the terms set out in the Tiso Transaction Agreement, as referred to in paragraph 12 of the Circular;

"Tiso Transaction Agreement"	the written agreement concluded on or about 5 December 2014 between Blackstar, BCIL, Tiso Foundation and TIH, setting out the terms of the Tiso Transaction, a copy of which is available for inspection in terms of paragraph 35 of this Circular;
"TMG" or "the Company"	Times Media Group Limited (Registration number 2008/009392/06), a public company incorporated under the laws of South Africa and listed on the Main Board of the JSE;
"TMG Board" or "TMG Directors"	the directors of TMG as at the Last Practicable Date, whose names are set out on page 20 of this Circular;
"TMG Break Fee"	TMG Break Fee, as defined in paragraph 8.1.1 of this Circular;
"TMG Group"	TMG and any company, body corporate or other undertaking which is a Subsidiary of TMG and any joint venture controlled by TMG from time to time;
"TMG Group Company"	any company, body corporate or other undertaking in the TMG Group;
"TMG Incentive Plan"	the Times Media Group Management Incentive Plan adopted by TMG pursuant to the approval thereof by a resolution of the Shareholders passed at a general meeting of TMG held on 27 March 2013;
"TMG Incentive Plan Arrangement"	the arrangement entered into between TMG and the Option Holders, pursuant to which all Option Holders have agreed, in writing, during January and February 2015, subject to the implementation of the Scheme, to cancel their Options in accordance with the provisions of the TMG Incentive Plan;
"TMG Representatives"	in relation to each TMG Group Company, its directors, officers, employees, advisors, agents or representatives;
"TMG Shareholders" or "Shareholders"	the registered holders of Shares recorded in the Register at the relevant time;
"TMG Shares" or "Shares"	ordinary shares in the share capital of TMG, having no par value;
"Transaction Board Resolutions"	the relevant resolutions which are to be passed by the TMG Board, to the extent required, including resolutions of the TMG Board as envisaged in section 44(3) and/or 45(3) of the Companies Act, to the extent required, authorising any financial assistance within the contemplation of section 44 and/or 45 of the Companies Act which may be required as contemplated in the Implementation Agreement including without limitation in respect of the Financing Security Arrangements, the granting of the Warranties and the payment of the TMG Break Fee, to the extent applicable, and confirming that it is satisfied that: i. immediately after providing such financial assistance, TMG will satisfy the solvency and liquidity test in terms of section 44(3)(b) and/or section 45(3)(b) of the Companies Act, as read with section 4 of the Companies Act; and ii. the terms under which such financial assistance is proposed to be given are fair and reasonable to TMG in terms of section 44(3)(b) and/or 45(3)(b) of the Companies Act; and iii. pursuant to section 44(4) and/or 45(4) of the Companies Act that any conditions or restrictions respecting the granting of financial assistance set out in TMG's memorandum of incorporation, have been satisfied, and such other resolutions and on such other terms and conditions as may be agreed between TMG and Blackstar as necessary or desirable for the purposes of implementing the Proposed Transaction;

"Transaction Shareholders' Resolutions"	the relevant resolutions which shall be proposed to be passed by the Shareholders at the General Meeting, to the extent required, including: i. insofar as it may be required, a special resolution of the Shareholders as envisaged in sections 44(3)(a) and/or 45(3)(a) to approve the granting of any financial assistance within the contemplation of sections 44 and/or 45 of the Companies Act which may be required as contemplated in the Implementation Agreement, including without limitation in respect of the Financing Security Arrangements, the granting of the Warranties and the payment of the TMG Break Fee, to the extent applicable; and ii. such other resolutions and on such other terms and conditions as may be agreed between TMG and Blackstar as necessary or desirable for the purposes of implementing the Proposed Transaction, in addition to the Scheme Special Resolution, such resolutions being set out in the Notice of General Meeting;
"Transfer Secretaries" or "Computershare"	Computershare Investor Services Proprietary Limited (Registration number 2004/003647/07), a private company incorporated under the company laws of South Africa;
"Treasury Shares"	all treasury shares of TMG, with 606 733 TMG Shares being held by TMG's wholly-owned Subsidiary, Times Media Proprietary Limited, as at the Last Practicable Date;
"VWAP"	volume weighted average price; and
"Warranties"	the warranties, and undertakings given and representations made by TMG to Blackstar in the Implementation Agreement.

TIMES MEDIA GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2008/009392/06)
Share code: TMG ISIN: ZAE000169272
("**TMG**" or "**the Company**")

BLACKSTAR GROUP SE
(Incorporated in Malta, company number SE4)
(Registered as an external company with limited liability in the Republic of South Africa under registration number 2011/008274/10)
LSE Ticker: BLCK
JSE share code: BCK ISIN: MT0000620113
("**Blackstar**")

Directors of TMG
KD Dlamini *(Chairman)* *#
AD Bonamour *(Chief executive officer)*
W Marshall-Smith *(Financial director)*
JHW Hawinkels *#
H K Mehta *#
R Naidoo *#
MM Nhlanhla *#

*Non-executive # Independent

Directors of Blackstar
JB Mills *(Chairman)* *
AD Bonamour *
M Ernzer *#
RT Wight *#

COMBINED CIRCULAR TO SHAREHOLDERS

1. INTRODUCTION

1.1 Shareholders are referred to the joint announcement by TMG, Blackstar and Tiso on SENS on Monday, 8 December 2014 and in the press on Tuesday, 9 December 2014, advising Shareholders that TMG had received the non-binding EOI from Blackstar to acquire the entire issued ordinary share capital of TMG not already held by the Blackstar Group by way of a scheme of arrangement and informing Shareholders of the proposed Tiso Transaction concluded by Blackstar and matters ancillary thereto ("**EOI Announcement**").

1.2 Shareholders are further referred to the joint firm intention announcement by TMG and Blackstar on SENS on 18 February 2015 and in the press on 19 February 2015, advising Shareholders of the firm intention of Blackstar to make an offer to acquire all the Scheme Shares by way of the Scheme in terms of section 114 of the Companies Act ("**Firm Intention Announcement**").

1.3 In accordance with the Companies Regulations, the TMG Board has appointed the Independent Board to evaluate the Scheme. The Independent Board has appointed the Independent Expert to provide the Independent Board with external advice in respect of the Scheme, in the form of a fair and reasonable opinion, in order for the Independent Board to form an opinion on the Scheme Consideration for the benefit of Shareholders. The report of the Independent Expert appears in **Annexure 1** to this Circular, while the opinion of the Independent Board on the Scheme is detailed in paragraph 27 below.

2. PURPOSE OF THIS CIRCULAR

The purpose of this Circular is to:

2.1 provide Shareholders with information regarding the Scheme, including information regarding TMG, Blackstar and the Tiso Transaction;

2.2 provide Shareholders with the Independent Expert's report in respect of the Scheme, prepared in terms of section 114(3) of the Companies Act;

2.3 advise Shareholders of the Independent Board's opinion in respect of the Scheme (as supported by the Independent Expert's report); and

2.4 convene the Scheme Meeting and the General Meeting to consider and, if deemed fit, approve the Scheme Special Resolution and the Transaction Shareholders' Resolutions, as set out in, respectively, the Notice of Scheme Meeting and the Notice of General Meeting.

3. RATIONALE FOR THE SCHEME, INFORMATION ON TMG, BLACKSTAR AND TISO

3.1 Current media landscape

3.1.1 TMG exists in a mature industry where expansion opportunities are limited and, with the introduction of digital media, a major portion of TMG's business, being print media, is subject to a declining market.

3.1.2 TMG is well positioned within this market and holds significant market share. Market conditions do not favour new entrants and TMG is therefore expected to generate good, consistent cash flows in the short to medium term.

3.1.3 Should TMG remain in this position with future investment opportunities being limited to low margin industries with lower barriers to entry, TMG is likely to experience a steady decline in profitability and TMG Shareholder value may ultimately be eroded.

3.2 Rationale of the Scheme

3.2.1 As indicated in paragraph 12.3.7 below and in clause 2.3 of the Implementation Agreement, the Scheme and the Tiso Transaction are interconditional. Should Shareholders approve the Scheme and should the Scheme become unconditional and be implemented, then to the extent that Shareholders receive Blackstar Shares in terms of the Share Consideration, those Blackstar Shares will be held in Blackstar (to be renamed Tiso Blackstar), as enlarged by the Scheme and by the Tiso Transaction.

3.2.2 As mentioned above, in the face of digital media and the decline of print media, TMG currently has limited scope for future investment and therefore limited opportunity to optimise shareholder returns. However, should the Scheme be implemented, then, as a Subsidiary of Tiso Blackstar, TMG's future cash flows may be utilised to support Tiso Blackstar's broader strategy allowing for potential reinvestment in other value yielding sectors.

3.2.3 Further to the ultimate strategic direction and value path of Tiso Blackstar, shorter term value enhancements for TMG Shareholders are expected to include, *inter alia*:

3.2.3.1 improved liquidity in Tiso Blackstar shares (versus TMG Shares) resulting from the increased number of shares in issue and shareholders, the proposed migration to the main board of the JSE and the Specialist Fund Market of the LSE (as referred to in paragraph 13.1) and a reconfigured shareholder base;

3.2.3.2 upon completion of the Scheme, Tiso Blackstar is expected to have a NAV in excess of R4.6 billion and, by implication, a similarly enlarged market capitalisation. This is expected to enhance Tiso Blackstar's market visibility and potentially improve the marketability of Tiso Blackstar shares;

3.2.3.3 increased black economic empowerment ownership levels;

3.2.3.4 portfolio and head office costs will be spread over a larger base reducing their effect on the share price; and

3.2.3.5 recognition of a control premium in relation to TMG, which is currently entrenched and inaccessible in TMG's existing structure.

3.2.4 The implementation of the Proposed Transaction is believed to represent an attractive value proposition for all Shareholders.

3.3 **Blackstar**

3.3.1 Blackstar was established in 2005 to participate in African listed and unlisted investment opportunities with the underlying themes of strategic market position, strong cash flows and the capability to extend the reach of its South African base into the African continent.

3.3.2 Blackstar's dual-listed structure provides it with the capability to place its scrip across multiple jurisdictions and enhances its access to foreign investment. This provides Blackstar with additional versatility with regards to capital structuring, raising and acquisition funding.

3.3.3 Blackstar's total NAV as at 30 June 2014 was in excess of R1.3 billion, representing an intrinsic NAV per Blackstar Share of R16.91, with Blackstar's interest in TMG representing approximately 65% of Blackstar's total NAV. TMG is a flagship investment for Blackstar and Blackstar is well acquainted with TMG's operations. Blackstar is well placed to manage TMG's future growth to extract further value in the face of challenging market conditions for the benefit of Tiso Blackstar's shareholders, including those Scheme Participants which elect to receive Blackstar Shares under the Scheme.

3.3.4 In addition to its investment in TMG, Blackstar's portfolio also includes an investment in a strategic grouping of steel assets with an intrinsic NAV of approximately R374 million and other diversified investments. A group structure diagram showing Blackstar's various investments, appears in **Annexure 11** to this Circular.

3.3.5 Blackstar has achieved an internal rate of return of 30.1% in South African Rand in respect of its investments over the eight and a half year period ended 30 June 2014 and continues to extract value in a pro-active manner and a hands-on approach to investment management.

3.4 **Disclosure by Blackstar**

In the interests of good governance and transparency, Blackstar makes the following disclosure to the Shareholders:

3.4.1 The Financial Services Board registered an investigation in terms of section 84 of the Financial Markets Act relating to a possible contravention of section 78 (Insider trading) of the Financial Markets Act in relation to the share transactions in TMG during February/March 2014, *inter alia*, by BCIL.

3.4.2 Whilst the investigation is ongoing, on the facts presented, the advisors to BCIL (being Arnold Subel SC, as senior counsel and ENSAfrica, as advising attorneys) do not believe that there is a case to meet or that there is any merit to the complaint.

3.5 **KTH**

3.5.1 TIH is a co-founder of KTH, one of South Africa's leading privately held investment companies and was established in 2001. TIH is jointly owned and managed by co-founders Mr Nkululeko Sowazi and Mr David Adomakoh. In July 2011, TIH agreed to merge its investment holding company with Kagiso Trust Investments Proprietary Limited to form KTH. Mr Sowazi is Chairman of KTH and Mr Adomakoh is Chairman of the KTH Investment and Valuation Committee. In addition to their roles at TIH and KTH, both Mr Adomakoh and Mr Sowazi hold positions on the boards of directors of a variety of listed and unlisted companies.

3.5.2 The KTH investment portfolio has an aggregate NAV approaching R10 billion, comprising quality blue chip companies principally in South Africa and, increasingly, other parts of the continent. These include investments in the resources, financial services, media, property and infrastructure sectors. Larger investments include Kagiso Media, MMI Holdings, Exxaro, Actom and Fidelity Bank in Ghana. A diagram showing KTH's various investments, appears in **Annexure 12** to this Circular.

4. THE SCHEME

4.1 Overview of the Scheme

4.1.1 In terms of section 114(1) of the Companies Act, the TMG Board proposes the Scheme as set out in this Circular between the Company and the Scheme Participants. The Scheme will constitute an "affected transaction" as defined in section 117(1)(c) of the Companies Act and will be regulated by the Companies Act, the Companies Regulations and the Takeover Panel.

4.1.2 As at the Last Practicable Date, Blackstar (directly and through BCIL) held 41 076 782 TMG Shares, equal to approximately 32.5% of TMG's issued share capital (as adjusted to account for the Treasury Shares). Should the Scheme be implemented, Blackstar or BCIL will acquire the remaining 67.5% of the TMG's issued Shares held by Scheme Participants, whereupon TMG will become a wholly-owned Subsidiary of the Blackstar Group, in consideration for which Scheme Participants will receive the Scheme Consideration, comprising the Cash Consideration and/or the Share Consideration, on the basis set out herein.

4.1.3 If the Scheme takes effect and becomes operative:

4.1.3.1 the Scheme Participants (whether they voted in favour of the Scheme or not, or failed to vote) shall be deemed to have disposed of their Scheme Shares, free of encumbrances, to Blackstar or BCIL on the Operative Date in exchange for the Scheme Consideration and Blackstar or BCIL shall be deemed to have acquired registered and beneficial ownership of all the Scheme Shares as of the Operative Date;

4.1.3.2 the disposal and transfer by each Scheme Participant of the Scheme Shares held by such Scheme Participant to Blackstar or BCIL and the acquisition of ownership of these Scheme Shares by Blackstar or BCIL pursuant to the provisions of the Scheme, shall be effected on the Operative Date;

4.1.3.3 each Scheme Participant shall be deemed to have transferred to Blackstar or BCIL, on the Operative Date, all of the Scheme Shares held by such Scheme Participant, without any further act or instrument being required; and

4.1.3.4 Scheme Participants shall be entitled to receive the Scheme Consideration, subject to the remaining provisions of this Circular.

4.1.4 Each Scheme Participant irrevocably and *in rem suam* authorises TMG, as attorney and agent, with power of substitution, to cause the Scheme Shares disposed of by the Scheme Participant in terms of the Scheme to be transferred to, and registered in the name of, Blackstar (or of BCIL) on or at any time after the Operative Date, and to do all such things and take all such steps (including the signing of any transfer form) as TMG in its discretion considers necessary in order to effect that transfer and registration.

4.1.5 The Scheme Consideration shall be settled, in full, in accordance with the terms of the Scheme without regard to any *lien*, right of set-off, counterclaim or other analogous right to which Blackstar may otherwise be, or claim to be, entitled against any Scheme Participant.

4.1.6 TMG, as principal, shall procure that Blackstar and BCIL complies with its obligations under the Scheme, and TMG alone shall have the right to enforce those obligations (if necessary) against Blackstar and/or BCIL.

4.1.7 The rights of the Scheme Participants to receive the Scheme Consideration will be rights enforceable by Scheme Participants against TMG only. Scheme Participants will be entitled to require TMG to enforce its rights in terms of the Scheme against Blackstar and/or BCIL.

4.1.8 Blackstar, BCIL and TMG agreed that, upon the Scheme becoming operative, they will give effect to the terms and conditions of the Scheme and will take all actions and sign all necessary documents to give effect to the Scheme.

4.1.9 In terms of the Assignment Agreement, Blackstar has ceded, delegated and assigned its rights and obligations under the Scheme to BCIL, save for the obligation to allot and issue the Scheme Consideration Shares to the relevant Scheme Participants. Accordingly, in terms of the Assignment Agreement, BCIL has been assigned the rights and obligations to acquire the Scheme Shares under the Scheme.

4.1.10 Pursuant to the Assignment Agreement upon the implementation of the Scheme, Blackstar will allot and issue the Blackstar Shares to the Scheme Participants which elected to receive or are allocated such Blackstar Shares as full or part consideration for the acquisition of their Scheme Shares and BCIL will make payment of the Cash Consideration to the Scheme Participants entitled to receive cash for the acquisition of their Scheme Shares.

4.1.11 It is intended that the TMG Shares currently held by Blackstar will, upon the implementation of the Scheme, be transferred directly to and registered in the name of BCIL. Accordingly, once the Scheme has been implemented, and after the transfer of TMG Shares contemplated in this paragraph has taken place, BCIL shall become the sole shareholder of TMG.

4.1.12 The Scheme shall be governed by the laws of South Africa. Every Scheme Participant shall be deemed to have irrevocably submitted to the non-exclusive jurisdiction of the courts of South Africa in relation to all matters arising out of or in connection with the Scheme.

4.2 **Scheme Consideration**

4.2.1 The Scheme Consideration will comprise the Cash Consideration and the Share Consideration. The Maximum Cash Consideration that Blackstar shall make available, in aggregate, is R500 million, which equates to approximately 24.6% of the Scheme Consideration. The remaining portion of the Scheme Consideration shall be settled by the issue of new Blackstar Shares in respect of the Share Consideration.

4.2.2 Should the Scheme be implemented:

4.2.2.1 Scheme Participants electing to receive cash will receive the Cash Consideration of R22.00 for each Scheme Share disposed of in terms of the Scheme (the aggregate Cash Considerations being subject to the Maximum Cash Consideration); and

4.2.2.2 Scheme Participants electing to receive Scheme Consideration Shares will receive the Share Consideration of 1.44885 new Blackstar Shares for each Scheme Share disposed of in terms of the Scheme, such Scheme Consideration Shares to be created and issued at a price of R16.91 per share pursuant to the Scheme, which is equivalent to R24.50 for each Scheme Share.

No fraction of a Scheme Consideration Share will be issued and any fraction of a Scheme Consideration Share to which any Scheme Participant is entitled in terms of the Scheme will, if it comprises 0.5 or more of a Scheme Consideration Share, be rounded up, otherwise it will be rounded down, to the nearest whole Scheme Consideration Share, as set out in the table of entitlements provided in **Annexure 10**.

4.3 **Cash Election**

4.3.1 Scheme Participants are requested to indicate what portion of their Scheme Consideration they want to have settled in cash ("**Cash Election**") (as opposed to being settled through new Blackstar Shares). In this regard:

4.3.1.1 Certificated Shareholders who have not Dematerialised their Shares should complete the attached form of election (*grey*) in accordance with its instructions, and return it to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61763, Marshalltown, 2107), to be received by no later than 12:00 on the Scheme Consideration Record Date;

4.3.1.2 Dematerialised Shareholders should instruct their CSDP or Broker of the election they wish to make and instruct their CSDP or Broker to advise the Transfer Secretaries of such election by no later than 12:00 on the Scheme Consideration Record Date.

4.3.2 Scheme Participants who do not make an election by 12:00 on the Scheme Consideration Record Date will be deemed to have elected that their Scheme Consideration be settled entirely in cash, subject to the provisions of paragraph 4.3.3.

4.3.3 If the aggregate value of the Cash Elections exceeds the Maximum Cash Consideration of R500 million, every Scheme Participant who made a Cash Election will have its Cash Election reduced *pro rata* in accordance with the value of its Cash Election relative to the aggregate value of all Cash Elections by Scheme Participants. If a Scheme Participant's Cash Election is reduced, the number of Scheme Shares to be acquired from that Scheme Participant by way of the Share Consideration will increase accordingly.

4.3.4 The total quantum of the Scheme Consideration and number of new Blackstar Shares to be issued pursuant to the Scheme will be dependent on the quantum of the Cash Elections. The expected minimum and maximum number of new Blackstar Shares to be issued pursuant to the Scheme is, respectively, 90 794 152 Blackstar Shares (assuming the Maximum Cash Consideration is paid) and 123 722 561 Blackstar Shares (assuming no Cash Consideration is paid).

4.4 **Value of Scheme Consideration**

4.4.1 The Cash Consideration of R22.00 per Scheme Share represents a premium of 10.9% to the 30 trading day VWAP of a TMG Share as at 20 November 2014 (being the last trading day immediately before the EOI Announcement) of R19.83 ("**30 Day VWAP**").

4.4.2 Where a Scheme Share is acquired by Blackstar for the Share Consideration, the relevant Scheme Participant will receive an amount equivalent in value to R24.50 (representing a premium of 23.6% to the 30 Day VWAP) per Scheme Share, with each new Blackstar Share being allocated a value of R16.91 per share, which is equal to Blackstar's intrinsic NAVPS as at 30 June 2014 and the issue price of the new Blackstar Shares to be issued to Tiso under the Tiso Transaction (see paragraph 12 below). This results in each Scheme Share being equivalent to 1.44885 new Blackstar Shares in terms of the Scheme.

4.5 **Pre-acquisition Dividend**

4.5.1 TMG will declare a final pre-acquisition dividend of 30 cents per TMG Share immediately upon the Scheme becoming unconditional, but before Blackstar or BCIL acquires the Scheme Shares ("**Pre-acquisition Dividend**"). This will result in a 30 cents per Scheme Share increase in a Scheme Participant's return from the Scheme, thereby increasing the aggregate value received by a Scheme Participant to:

4.5.1.1 R22.30 per Scheme Share (representing a premium of 12.5% to the 30 Day VWAP) acquired for cash, comprising the Scheme Consideration of R22.00 per Scheme Share and the Pre-acquisition Dividend of 30 cents per Scheme Share; and

4.5.1.2 R24.80 per Scheme Share (representing a premium of 25.1% to the 30 Day VWAP) acquired for new Blackstar Shares, comprising 1.44885 new Blackstar Shares issued at R16.91 per share and the Pre-acquisition Dividend of 30 cents per TMG Share.

4.6 **Sufficient securities**

4.6.1 Should the Scheme be implemented and assuming there are no Dissenting Shareholders, a maximum (subject to rounding) of 123 722 561 Scheme Consideration Shares will be issued to Scheme Participants in consideration for all the Scheme Shares held by them.

4.6.2 Upon fulfilment of the Scheme Condition set out in paragraph 5.1.5.5.1 below, Blackstar shall have sufficient authorised but unissued share capital available from which to issue the abovementioned maximum of 123 722 561 Scheme Consideration Shares.

4.7 **Cash Guarantee**

Blackstar has furnished an irrevocable and unconditional guarantee for the Maximum Cash Consideration of R500 million from FirstRand Bank Limited (acting through its Rand Merchant Bank division) and The Standard Bank of South Africa Limited in favour of the Scheme Participants, for the purpose of fully satisfying the Cash Consideration, which Cash Guarantee is in a form acceptable to the Takeover Panel and which complies with Regulations 111(4) and 111(5) of the Companies Regulations.

5. **SCHEME CONDITIONS**

5.1 The implementation of the Scheme is subject to the fulfilment or waiver, as the case may be, of the following Scheme Conditions:

5.1.1 by not later than 23:59 on the 40th Business Day after the date of posting of the Circular (or such alternative date as may be agreed between the Parties in writing):

5.1.1.1 the Independent Board has not withdrawn its recommendation that the Shareholders vote in favour of the Transaction Shareholders' Resolutions and the Scheme Special Resolution;

5.1.1.2 the Independent Expert has not notified the Independent Board, in writing, that it has made an error in the Independent Expert Report which error justifies the withdrawal of the Independent Board's recommendation;

5.1.1.3 the Scheme Special Resolution has been passed, at the Scheme Meeting, by the requisite majority of Shareholders entitled to vote on the Scheme, approving the Scheme in terms of section 115(2)(a) of the Companies Act and: (i) to the extent required in terms of section 115(3)(a) of the Companies Act, the implementation of the Scheme Special Resolution is approved by the Court and (ii) if applicable, TMG has not elected to treat the Scheme Special Resolution as a nullity in terms of section 115(5) of the Companies Act;

5.1.1.4 the TMG Board has passed the Transaction Board Resolutions and the Transaction Shareholders' Resolutions have been passed by the requisite majority of Shareholders at the General Meeting;

5.1.1.5 if the Scheme Special Resolution has been passed at the Scheme Meeting by the requisite majority of Shareholders entitled to vote on the Scheme and any person who voted against the Scheme Special Resolution applies to Court within 10 Business Days after the vote for a review of the Scheme in accordance with the requirements of section 115(3)(b) of the Companies Act: (i) no leave is granted by the Court to such person to apply to Court for a review of the Scheme in accordance with the requirements of section 115(6) of the Companies Act or (ii) if leave is granted by the Court to apply to Court for a review of the Scheme in accordance with the requirements of section 115(6) of the Companies Act, the Court has not set aside the Scheme Special Resolution in terms of section 115(7) of the Companies Act;

5.1.2 within the time period prescribed in section 164(7) of the Companies Act, Shareholders have not exercised Appraisal Rights, by giving valid demands in accordance with the requirements of sections 164(5) to 164(8) of the Companies Act, in respect of more than 5% of all the Scheme Shares;

5.1.3 by not later than the date upon which the Scheme Special Resolution is voted upon by the Scheme Participants at the Scheme Meeting, the Implementation Agreement has not been terminated (and no Party has instituted steps to terminate it);

5.1.4 by not later than 23:59 on the Long Stop Date, the Scheme has been unconditionally approved by the Competition Authorities or conditionally approved on terms and conditions which Blackstar (and, insofar as the South African Competition Authorities are concerned, the Lenders) confirms in writing (within five Business Days of receipt of such conditional approval but in any event by not later than 23:59 on the Long Stop Date) to be acceptable to it/them, acting reasonably;

5.1.5 by not later than 23:59 on the first Business Day following the day on which the last of the Scheme Conditions (excluding the Scheme Conditions in this paragraph 5.1.5 and in paragraph 5.1.6) is fulfilled or waived, as the case may be:

5.1.5.1 a Material Adverse Change has not occurred as at such date (provided that if there is a dispute as to whether a Material Adverse Change has occurred or not the Auditors, acting as an expert and not as an arbitrator, have delivered their finding that a Material Adverse Change has in fact not occurred);

5.1.5.2 no Warranty has been breached as at such date and the TMG Board have confirmed in writing, after having consulted with relevant executive directors and/or relevant senior members of management of TMG, that to the best of their knowledge and belief, no Warranty has been breached as at such date;

5.1.5.3 subject to the provisions of section 46 of the Companies Act, as read with section 4 of the Companies Act, the TMG Board approves and declares the Pre-acquisition Dividend to the Shareholders recorded in the Register as at the Scheme Consideration Record Date, which dividend shall be an amount of 30 cents per Share;

5.1.5.4 the Blackstar Shares are no longer suspended from trading on the exchange/s upon which they are listed, in accordance with the rules and requirements of the relevant exchange/s; and

5.1.5.5 the Tiso Transaction Agreement has become unconditional in accordance with its terms and conditions, save for any condition relating to the implementation of the Scheme, which for the avoidance of doubt is subject to a number of suspensive conditions, including the following resolutions of shareholders of Blackstar as are required under applicable laws and the Listings Requirements of the JSE and the LSE, to give effect to and implement the Scheme, have been passed at the duly convened and held shareholders' meeting of Blackstar:

5.1.5.5.1 a shareholders' resolution in order to:

5.1.5.5.1.1 increase the authorised and issued share capital of Blackstar so that sufficient Blackstar Shares are created for, *inter alia,* the issue of Blackstar Shares to Scheme Participants who elect to receive their Scheme Consideration in Blackstar Shares; and

5.1.5.5.1.2 make the requisite amendments to the memorandum and articles of association of Blackstar accordingly; and

5.1.5.5.2 an ordinary resolution to authorise the Blackstar Board to allot and issue, *inter alia*, Blackstar Shares to the Scheme Participants who elect to receive their Scheme Consideration in Blackstar Shares; and

5.1.6 by not later than 23:59 on the third Business Day following the day on which the last of the Scheme Conditions (excluding the Scheme Condition in this paragraph 5.1.6) is fulfilled or waived, as the case may be (or such alternative date as may be agreed between the Parties in writing) the Takeover Panel has issued a compliance certificate in respect of the Scheme in terms of section 119(4)(b) of the Companies Act, provided that if such compliance certificate is issued conditionally or on terms, this Scheme Condition shall not be regarded as having been fulfilled unless the Party which is or Parties which are affected by such conditions or terms and the Lenders, confirm/s in writing (by not later than the said date and time) that such conditions and terms are acceptable to it/them, acting reasonably.

5.2 The Parties shall use their reasonable commercial endeavours and the Parties will co-operate in good faith to procure the fulfilment of the Scheme Conditions set out in paragraph 5.1 which are within their control to fulfil as soon as reasonably possible after the signature date of the Implementation Agreement, but in any event by not later than the dates specified in paragraph 5.1.

5.3 The Scheme Conditions set out in:

5.3.1 paragraphs 5.1.1.1, 5.1.1.2, 5.1.1.4, 5.1.2, 5.1.4, 5.1.5.2 and 5.1.5.3 have been inserted for the benefit of Blackstar, which will be entitled to waive fulfilment of the said Scheme Conditions (but, in respect of the Conditions set out in clauses 5.1.1.4, 5.1.2, 5.1.4 insofar as they relate to the South African Competition Authorities, 5.1.5.2 and 5.1.5.3, only after having obtained the consent of the Lenders), in whole or in part, on written notice to TMG prior to the expiry of the relevant time period set out in paragraph 5.1;

5.3.2 paragraph 5.1.3 has been inserted for the benefit of the Parties, who will be entitled to waive fulfilment of the said Scheme Condition (but only after having obtained the consent of the Lenders), in whole or in part, by agreement in writing between them prior to the expiry of the relevant time period set out in paragraph 5.1;

5.3.3 paragraph 5.1.5.1 is capable of being waived by Blackstar in whole or in part, on written notice to TMG prior to the expiry of the relevant time period set out in paragraph 5.1, provided that the Lenders have also provided their written consent to Blackstar to waive such Scheme Condition; and

5.3.4 paragraphs 5.1.1.3, 5.1.1.5, 5.1.5.4, 5.1.5.5 and 5.1.6 are not capable of being waived.

5.4 Unless all the Scheme Conditions set out in paragraph 5.1 have been fulfilled or waived, as the case may be, by not later than the relevant dates for fulfilment thereof set out in paragraph 5.1 (or such later date or dates as may be agreed in writing or waiver between the Parties before the aforesaid date or dates), the Scheme will never become of any force or effect and the status *quo ante* will be restored as near as may be possible and none of the Parties will have any claim against the others in terms hereof or arising from the failure of the Scheme Conditions set out in paragraph 5.1, save for any claims arising from a breach of paragraph 5.2.

5.5 Notwithstanding the provisions of this paragraph 5 to the contrary, Blackstar is entitled, on one occasion only, to extend the date of fulfilment of all the Scheme Conditions by a period of no longer than four weeks, by written notice to the relevant Parties.

6. SETTLEMENT OF THE SCHEME CONSIDERATION

Shareholders are referred to the section entitled "Action required by Shareholders", commencing on page 4 of the Circular, for information regarding the action to be taken by them in order to obtain the Scheme Consideration.

6.1 If you have Dematerialised your Shares and do not have "own name" registration

If the Scheme becomes operative you will have your account held at your CSDP or Broker credited with the Scheme Consideration Shares and/or Cash Consideration (as applicable) and debited with the TMG Shares on the Operative Date or, if you are a Dissenting Shareholder who subsequently becomes a Scheme Participant pursuant to paragraph 9.1 below, on the date set out in that paragraph.

6.2 If you hold your Shares in Certificated form

6.2.1 In order to comply with recent legislative changes, the Scheme Consideration Shares may only be issued in Dematerialised form. In this regard, should the Scheme become operative:

6.2.1.1 <u>Certificated Shareholders who wish to receive the Share Consideration in Dematerialised form and who already have an account with a Broker or CSDP</u>, will have their accounts at their Brokers or CSDPs credited with the Scheme Consideration (provided that they have surrendered their Documents of Title to the Transfer Secretaries on or before 12:00 on the Scheme Consideration Record Date);

6.2.1.2 Certificated Shareholders who wish to receive the Share Consideration in Dematerialised form, but who do not have an account with a Broker or CSDP, will be issued with statements of allocation and will be required to appoint a Broker or CSDP so that Dematerialised Scheme Consideration Shares can be made available to them following implementation of the Scheme (such Shareholders will be required to provide the statement of allocation to their Broker or CSDP as proof of their holdings);

6.2.1.3 Certificated Shareholders who do not wish to hold their Scheme Consideration Shares in Dematerialised form and prefer to hold their Scheme Consideration Shares in Certificated form, will be afforded the option to "withdraw" their Dematerialised Scheme Consideration Shares and replace these with a physical Document of Title,

and Certificated Shareholders should indicate which of the above applies, when completing the form of surrender and transfer (*blue*). Should a Certificated Shareholder contemplated in paragraph 6.2.1.1 above, fail to provide the necessary Broker and CSDP account details and other information requested in the form of surrender and transfer (*blue*), it will not be possible to credit such Shareholder's account at its Broker or CSDP with the Scheme Consideration due to it, and such Shareholder will instead be issued with a statement of allocation.

6.2.2 Should the Scheme become operative and you have surrendered your Documents of Title to the Transfer Secretaries at Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61763, Marshalltown, 2107) on or before 12:00 on the Scheme Consideration Record Date, then:

6.2.2.1 should you be a Shareholder contemplated in paragraph 6.2.1.1 above, the Scheme Consideration Shares and/or Cash Consideration (as applicable) will be credited to your Broker or CSDP account on the Operative Date; or

6.2.2.2 should you be a Shareholder contemplated in paragraph 6.2.1.2 above, the statement of allocation in respect of your Scheme Consideration Shares and/or a cheque in respect of the Cash Consideration due to you (as applicable) will be posted to you, at your risk, on the Operative Date; or

6.2.2.3 should you be a Shareholder contemplated in paragraph 6.2.1.3 above, the share certificate for your Scheme Consideration Shares and/or a cheque in respect of the Cash Consideration due to you (as applicable) will be posted to you, at your risk, on the Operative Date.

6.2.3 Should the Scheme become operative and you surrender your Documents of Title after 12:00 on the Scheme Consideration Record Date, then:

6.2.3.1 should you be a Shareholder contemplated in paragraph 6.2.1.1 or paragraph 6.2.1.2 above, the statement of allocation in respect of your Scheme Consideration Shares and/or a cheque in respect of the Cash Consideration due to you (as applicable) will be posted to you, at your risk; or

6.2.3.2 should you be a Shareholder contemplated in paragraph 6.2.1.3 above, the share certificate for your Scheme Consideration Shares and/or a cheque in respect of the Cash Consideration due to you (as applicable) will be posted to you, at your risk,

within five Business Days of receipt of your Documents of Title and duly completed form of surrender and transfer (*blue*).

6.2.4 Scheme Participants who wish to "withdraw" their Dematerialised Scheme Consideration Shares as provided for above and whose registered addresses in the Register are outside of the Common Monetary Area, or whose TMG Share certificates are restrictively endorsed in terms of the Exchange Control Regulations, should refer to paragraph 10.2 below.

6.3 **If you are an "own-name" Dematerialised Shareholder**

6.3.1 If you are an "own-name" registered Dematerialised Shareholder who is, or is deemed (pursuant to paragraph 9 of this Circular) to be, a Scheme Participant, you will have your account held at your CSDP or Broker credited with the Scheme Consideration Shares and/or Cash Consideration (as applicable) and debited with the TMG Shares you are transferring to Blackstar or BCIL on the Operative Date or, if you are a Dissenting Shareholder who subsequently becomes a Scheme Participant pursuant to paragraph 9 of this Circular, on the date set out in paragraph 9.1 of this Circular.

6.4 TMG or its agents will administer and effect settlement of the Scheme Consideration to Scheme Participants.

7. EXCLUSIVITY AND NON-SOLICITATION COVENANT

7.1 In terms of the Implementation Agreement, TMG undertakes to Blackstar and BCIL that it shall not, and shall procure that no other member of the TMG Group, nor any authorised TMG Representative, shall, directly or indirectly during the Exclusivity Period:

7.1.1 solicit, invite or initiate any expression of interest, enquiry, proposal or offer regarding any Alternative Proposal;

7.1.2 participate in any negotiations regarding any Alternative Proposal, unless the Alternative Proposal has not come about due to a breach of paragraph 7.1.1 above and the TMG Board, acting in good faith and in the exercise of its fiduciary duties, believes that it will constitute a Superior Proposal (the TMG Board will be entitled to engage with the other party in order to determine if the Alternative Proposal constitutes a Superior Proposal); or

7.1.3 agree to, approve or recommend an Alternative Proposal, unless the Alternative Proposal has not come about due to a breach of paragraph 7.1.1 above and it constitutes a Superior Proposal,

provided that TMG shall only be entitled to furnish non-public information (including, for the avoidance of doubt, any information to the extent that the potential Offeror has requested and is required to be provided with such information under Regulation 92 of the Companies Regulations or a similar provision of any other applicable law) to any person in response to a *bona fide* Alternative Proposal that is submitted by such person after the Signature Date and which is not withdrawn, if:

7.1.4 TMG and the potential Offeror have entered into a confidentiality and non-disclosure agreement; and

7.1.5 the TMG Board (or any properly appointed sub-committee thereof) concludes, acting in good faith, that such action is required in order for the TMG Board to comply with its fiduciary obligations under applicable law or their obligations under the Companies Act.

7.2 During the Exclusivity Period, TMG shall not, in respect of any Alternative Proposal, enter into any agreement or undertaking to give effect to the Alternative Proposal ("**Alternative Proposal Agreement**"), unless:

7.2.1 such Alternative Proposal has not come about as a result of a breach of paragraph 7.1.1 above;

7.2.2 such Alternative Proposal has been received by TMG prior to voting having taken place on the Scheme at the Scheme Meeting;

7.2.3 such Alternative Proposal constitutes a Superior Proposal; and

7.2.4 Blackstar is given the right to match the terms and conditions of the Alternative Proposal or otherwise amend its Offer within the period set out in paragraph 7.4 below, such that, after such revision, Blackstar's Offer would, if completed substantially in accordance with its terms, in the opinion of the Independent Expert, in terms of a supplementary report to be issued by it, and the Independent Board, be equally or more favourable to Shareholders than the Alternative Proposal, taking into account all the terms and conditions of the Alternative Proposal, and Blackstar fails to do so.

7.3 TMG shall be obliged to notify Blackstar in writing immediately (within two Business Days) upon receiving an Alternative Proposal.

7.4 If TMG announces a Superior Proposal, Blackstar will have 20 Business Days from the date on which the Superior Proposal is announced to revise its Offer such that, after such revision, Blackstar's Offer would, if completed substantially in accordance with its terms, in the opinion of the Independent Expert, in terms of a supplementary report to be issued by it, and the Independent Board, be equally or more favourable (as will be expressed in a statement by the Independent Board) to Shareholders than the Superior Proposal, taking into account all the terms and conditions of the Superior Proposal, in which event TMG shall not be entitled to propose the Alternative Proposal Agreement to its Shareholders.

7.5 Any material modification to or development of any Alternative Proposal (which will include any modification relating to the price or value of any Alternative Proposal) or any incomplete or non-binding proposal or expression of interest becoming complete, capable of acceptance (whether or not subject to conditions or binding) will be taken to constitute a new Alternative Proposal in respect of which TMG must comply with its obligations set out in this paragraph 7.

7.6 If the TMG Board requests or proposes a postponement or adjournment of any of the Shareholder Meetings for any purpose whatsoever without the prior consent of Blackstar, which consent may not be unreasonably withheld (it shall be reasonable for Blackstar to withhold its consent to any adjournment related to the TMG Board or Shareholders considering an Alternative Proposal, unless it is a Superior Proposal, in which case it shall not be reasonable), such request or proposal shall constitute a breach by TMG of the Implementation Agreement. The TMG Board shall be obliged, if so requested by Blackstar in writing, to propose to adjourn any or both of the Shareholder Meetings for the purpose of allowing Blackstar the opportunity to exercise its rights set out in this paragraph 7, and in particular, paragraph 7.4.

8. BREAK FEES

8.1 TMG Break Fee

8.1.1 In terms of the Implementation Agreement, TMG undertakes that, if demanded in writing by Blackstar pursuant to one or more events contemplated in this paragraph 8.1.1, TMG shall pay Blackstar a break fee equal to R15 million ("**TMG Break Fee**") if:

8.1.1.1 the Independent Board withdraws its recommendation that the Shareholders vote in favour of the Scheme and the Scheme Condition set out in paragraph 5.1.1.1 above is not fulfilled, for reasons other than receipt by the Independent Board of a Superior Proposal;

8.1.1.2 the Independent Board recommends an Alternative Proposal;

8.1.1.3 TMG elects to implement an Alternative Proposal which is not a Superior Proposal;

8.1.1.4 TMG breaches any:

8.1.1.4.1 material provision or material undertaking of the Implementation Agreement which (i) is not capable of being remedied or (ii) if capable of remedy, fails to remedy that breach within five Business Days of written notice requiring the breach to be remedied; or

8.1.1.4.2 Warranty, which breach causes or brings about a Material Adverse Change (provided that if there is a dispute as to whether a Material Adverse Change has occurred or not, the Auditors, acting as an expert and not as an arbitrator, have delivered their finding that a Material Adverse Change has in fact occurred);

8.1.1.5 Blackstar terminates the Implementation Agreement on the basis that TMG has breached any of its obligations under the Implementation Agreement, which is material in the context of the Scheme and, if capable of remedy, that TMG has failed to remedy such breach within five Business Days of written notice requiring such breach to be remedied,

provided that if the Scheme is implemented in accordance with its terms notwithstanding the occurrence of one or more of the events contemplated in this paragraph 8.1, TMG shall not be obliged to pay Blackstar the break fee contemplated in this paragraph 8.1. The amount of the TMG Break Fee is less than 1% of the Scheme Consideration.

8.2 **Blackstar Break Fee**

8.2.1 In terms of the Implementation Agreement, Blackstar undertakes that, if demanded in writing by TMG pursuant to one or more events contemplated in this paragraph 8.2.1, Blackstar shall pay to TMG a break fee equal to R15 million ("**Blackstar Break Fee**") if Blackstar breaches any material provision or material undertaking of the Implementation Agreement, including failing to implement the Scheme by refusing or failing to take the necessary procedural steps to attempt to implement the Scheme in terms of the Companies Act and the Implementation Agreement, and, if capable of remedy, has failed to remedy such breach within five Business Days after such breach was brought to its attention by TMG in writing, provided that the Scheme is not subsequently implemented following such breach and provided further that no Blackstar Break Fee shall be payable by Blackstar in any other case whatsoever including in circumstances where:

8.2.1.1 TMG or the TMG Board formally approves or recommends and/or enters into an agreement to effect an Alternative Proposal;

8.2.1.2 TMG breaches any material provision or material undertaking of the Implementation Agreement and, if capable of remedy, has failed to remedy such breach within five Business Days of written notice requiring the breach to be remedied;

8.2.1.3 an Alternative Proposal is announced and the transaction contemplated in that Alternative Proposal is completed; and/or

8.2.1.4 Blackstar elects to terminate the Implementation Agreement on the basis of one of the permitted grounds under the Implementation Agreement,

provided that if the Scheme is implemented in accordance with its terms notwithstanding the occurrence of one or more of the events contemplated in this paragraph 8.2, Blackstar shall not be obliged to pay TMG the break fee contemplated in this paragraph 8.2. The amount of the Blackstar Break Fee is less than 1% of the Scheme Consideration.

9. DISSENTING SHAREHOLDERS

9.1 Any Dissenting Shareholder that withdraws its demand made in terms of sections 164(5) to 164(8) of the Companies Act, either voluntarily or pursuant to an order of Court, or that allows an offer by the Company in terms of section 164(11) of the Companies Act to lapse without exercising its rights in terms of section 164(14) of the Companies Act, shall, if that Dissenting Shareholder withdrew its demand or allowed the offer to lapse:

9.1.1 on or prior to the Scheme LDT, be deemed to be a Scheme Participant and be subject to the provisions of the Scheme; and

9.1.2 after the Scheme LDT, be deemed to have been a Scheme Participant as at the Operative Date of the Scheme, provided that settlement of the Scheme Consideration due to such Dissenting Shareholder shall take place on the later of (i) the Operative Date, (ii) the date which is five Business Days after that Dissenting Shareholder so withdrew its demand or allowed the Company's offer to lapse, as the case may be, and (iii), if applicable, the date which is five Business Days after that Dissenting Shareholder shall have surrendered its Documents of Title and completed form of surrender and transfer (*blue*) to the Transfer Secretaries.

9.2 The wording of section 164 of the Companies Act (which sets out the Appraisal Rights) is included in Annexure 9 to this Circular.

10. FOREIGN SHAREHOLDERS AND EXCHANGE CONTROL REGULATIONS

10.1 **Annexure 8** to this Circular contains a summary of the Exchange Control Regulations as they apply to Scheme Participants. Scheme Participants who are not resident in, or who have a registered address outside of South Africa, must satisfy themselves as to the full observance of the laws of any relevant territory concerning the receipt of the Scheme Consideration, including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territory.

10.2 In the case of the Scheme Participants who wish to "withdraw" their Dematerialised Scheme Consideration Shares as provided for above and whose registered addresses in the Register are outside of the Common Monetary Area, or where the relevant TMG Share certificates are restrictively endorsed in terms of the Exchange Control Regulations, the following will apply:

10.2.1 for non-residents who are emigrants, the replacement Documents of Title will be sent to the Scheme Participant's authorised dealer in foreign exchange in South Africa controlling their blocked assets; and

10.2.2 for all other non-residents, the replacement Documents of Title will be restrictively endorsed "non-resident" in terms of the Exchange Control Regulations.

11. TMG INCENTIVE PLAN ARRANGEMENT

11.1 In terms of the Implementation Agreement, it was a pre-condition to the provision of the Firm Intention Letter that all Option Holders enter into the TMG Incentive Plan Arrangement. In this regard, it is confirmed that the TMG Incentive Plan Arrangement was concluded with all Option Holders during January and February 2015.

11.2 Under the TMG Incentive Plan Arrangement, Options Holders have agreed, subject to the implementation of the Scheme, to cancel their Options in accordance with the provisions of the TMG Incentive Plan, on the terms and conditions agreed between TMG and the Option Holders embodied in the TMG Incentive Plan Arrangement.

11.3 Given that Option Holders have elected to cancel their Options in accordance with the provisions of the TMG Incentive Plan, no offer will be made by Blackstar to Option Holders.

12. TISO TRANSACTION

12.1 Introduction

As indicated in the EOI Announcement and the Firm Intention Announcement, Blackstar recently concluded the Tiso Transaction Agreement, with a view to acquiring Tiso's 22.9% equity interest in KTH. Given the impact of the Tiso Transaction on Blackstar, and as the Offer to Scheme Participants under the Scheme also includes Blackstar Shares, further information on the Tiso Transaction and its impact on Blackstar are provided below.

12.2 **Overview of the Tiso Transaction**

12.2.1 Should the Tiso Transaction become unconditional and be implemented, Tiso shall reverse into Blackstar its equity interest in KTH for the Tiso Consideration amounting, in aggregate, to R2.06 billion, comprising, no more than R500 million in cash and 93 million new Blackstar Shares issued at a price of R16.91 per share, being Blackstar's intrinsic NAVPS as at 30 June 2014. Accordingly, the Tiso Transaction does not result in a dilution of Blackstar's intrinsic NAVPS and provides Tiso with a significant interest in Blackstar, expected to be approximately 31% after the Scheme, depending on the quantum of the Cash Elections.

12.2.2 As a result of KTH being an investment holding company, the profits attributable to its shares are not considered an appropriate measure of their value and the NAV attributable to the KTH shares to be acquired by Blackstar amounts to R2.06 billion as at 30 June 2014.

12.2.3 The creation of Tiso Blackstar is expected to result in:

12.2.3.1 a dual listed Africa-focused diversified investment company of scale;

12.2.3.2 the consolidation of complementary skills, expertise and networks of the combined management teams of Tiso and Blackstar;

12.2.3.3 a company positioned to further develop a strategic and mutually beneficial relationship with KTH through co-investment and other business development opportunities; and

12.2.3.4 the pursuit of a growth strategy supported by solid, cash producing assets.

12.3 **Conditions to the Tiso Transaction**

Implementation of the Tiso Transaction remains conditional upon the fulfilment or waiver, as the case may be, *inter alia*, of the following conditions precedent by no later than 30 April 2015 (or such later date, prior to 31 August 2015, agreed to by Blackstar, BCIL, Tiso Foundation and TIH in writing):

12.3.1 the procurement by Blackstar of the Acquisition Finance;

12.3.2 obtaining all necessary regulatory approvals and clearances for the implementation of the Tiso Transaction by the JSE and the South African Reserve Bank;

12.3.3 the KTH shareholders waiving any pre-emptive rights they may have over the Tiso's KTH shares and approving the encumbrance of those shares by Blackstar for purposes of the Acquisition Finance;

12.3.4 TIH procuring the necessary approvals from its financiers to transfer its KTH shares to Blackstar;

12.3.5 approval by the shareholders of Blackstar and TIH as well as the trustees of the Tiso Foundation of all resolutions required for the implementation of the Tiso Transaction and the Scheme pursuant to those laws, regulations and other statutory documents relevant to them;

12.3.6 Blackstar procuring confirmation by an independent expert that the issue of the new Blackstar Shares under the Tiso Transaction has occurred at fair value; and

12.3.7 the Scheme being proposed and becoming unconditional in accordance with its terms, save for any condition pertaining to the Tiso Transaction becoming unconditional.

12.4 **Information on TIH**

TIH has as its shareholders Mr Nkululeko Sowazi and Mr David Adomakoh (each holding approximately 50% of TIH's issued share capital) and Messrs Sowazi and Adomakoh are the only directors of TIH.

13. **FOLLOWING IMPLEMENTATION OF THE PROPOSED TRANSACTION**

13.1 Following implementation of the Proposed Transaction, Blackstar, as enlarged by the Tiso Transaction and the Scheme, will change its name to Tiso Blackstar Group SE and intends, subject to eligibility and approval of the related regulatory documentation, to migrate its listing to the main board of the JSE (where it is currently listed on the AltX) and the Specialist Fund Market of the LSE (where it is currently listed on AIM). Implementation of the Scheme will result in the delisting of TMG's Shares from the JSE. Whereas the implementation of the Proposed Transaction will result in a reverse-takeover of Blackstar for purposes of the JSE Listings Requirements. **Blackstar will need to satisfy the JSE that it continues to meet the listing criteria of the JSE post implementation.**

13.2 Following the implementation of the Scheme, Blackstar executives that fulfil managerial roles within TMG, will continue to fulfil the same managerial roles within TMG, and accordingly TMG's management structure will remain unchanged. This will ensure continuity of management and a continuation of the strategy initiated by the Blackstar executives at TMG.

13.3 Tiso Blackstar SA's Chief Executive Officer will be Mr Andrew Bonamour, Blackstar's founder. Mr Bonamour will be joined by Mr Nkululeko Sowazi and Mr David Adomakoh who, pursuant to the Tiso Transaction Agreement, will assume active roles in Tiso Blackstar's management through key Chairmanship roles within the Tiso Blackstar Group of companies. Mr Adomakoh will become non-executive Chairman of Tiso Blackstar and Mr Sowazi will serve as a non-executive director of Tiso Blackstar and become Chairman of Tiso Blackstar South Africa (Tiso Blackstar's primary advisory entity). Tiso Blackstar SA's senior management, comprising Messrs Bonamour, Adomakoh and Sowazi, shall be supported by the Tiso Blackstar's existing team of investment professionals.

14. **FINANCING**

14.1 The total funding required to satisfy the Maximum Cash Consideration for the Scheme is R500 000 000. Blackstar has furnished the irrevocable and unconditional Cash Guarantee from the Lenders for the purpose of fully satisfying the Maximum Cash Consideration, which is in a form acceptable to the Takeover Panel and which complies with regulation 111(4) and 111(5) of the Companies Regulations. The irrevocable unconditional Cash Guarantee has been provided to the Takeover Panel for the sole purpose of fully satisfying the consideration payable under the Cash Consideration. Blackstar and BCIL has entered into a bridge facility agreement with the Lenders for purposes of fully satisfying the Maximum Cash Consideration, the material terms of which are set out below:

Facility	**Amount (R'm)**	**Interest Rate**
Bridge loan	500	Prime rate plus 2%
Total	**500**	

14.2 As security for the bridge facility Blackstar and BCIL have ceded *in securitatem debiti* and pledged to the Lenders, jointly and severally, its rights, title and interest in and to all:

14.2.1 the TMG Shares and claims against TMG held by it;

14.2.2 of the shares held by it in, and all of its claims against, Stalcor Proprietary Limited;

14.2.3 of its bank accounts and the amounts standing to the credit thereof from time to time; and

14.2.4 disposal proceeds received by it pursuant to a disposal of any of its assets.

14.3 The loan is repayable in full by no later than the close of business on the Operative Date. Blackstar confirms that upon fulfilment or waiver, as the case may be, of the last of the Scheme Conditions, it shall have sufficient authorised and unissued Blackstar Shares available to it to fully satisfy the requirements of the Share Consideration. It is a condition to the Scheme that Blackstar obtains the approvals necessary for the creation and issue of sufficient Blackstar Shares for purposes of settling the Share Consideration.

14.4 On the Scheme Operative Date, BCIL will draw-down term debt facilities in an amount of approximately R1.05 billion for purposes of settling the bridge facility and the cash portion of the Tiso Transaction purchase consideration.

14.5 These term debt facilities will comprise:

14.5.1 an amount of R550 million borrowed pursuant to a senior secured loan facility required to be settled in full over 36 months from the advance date. This facility will incur interest on outstanding amounts at a rate equivalent to three-month JIBAR plus 5% compounded and payable quarterly in arrears;

14.5.2 an amount of R400 million borrowed pursuant to a senior secured sculpted amortising loan facility, repayable over a 60 month term. This facility will incur interest on outstanding amounts at a rate equivalent to three-month JIBAR plus 3% compounded and payable quarterly in arrears; and

14.5.3 an amount of R100 million borrowed pursuant to a senior secured loan facility required to be settled in full after 60 months from the advance date. This facility will incur interest on outstanding amounts at three-month JIBAR plus 3.4% compounded and payable quarterly in arrears.

14.6 The term debt facilities described above will be guaranteed by and secured with the assets of Blackstar, BCIL, TMG and Times Media Proprietary Limited.

15. VOLUNTARY SUMMARY OF THE EFFECTS ON INTRINSIC NAV FOR BLACKSTAR AND SCHEME PARTICIPANTS

15.1 Blackstar is an Investment Entity as defined under IFRS (specifically IFRS 10 Consolidated Financial Statements) and as such does not consolidate or equity account certain of its interests in subsidiaries and associates, but rather classifies these as investments held at fair value through profit and loss which are measured at fair value. On initial recognition of the investments in TMG and KTH, Blackstar must comply with IFRS 13 Fair Value Measurement 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. In compliance with IFRS, Blackstar will initially measure its investment in TMG and KTH at the fair value of the consideration paid on that date ("**Initial Fair Value**"), being the aggregated value of the cash paid and the new Blackstar Shares issued by Blackstar and valued using the last traded share price of Blackstar Shares before being suspended of R11.85. This differs from the value of these investments as calculated utilising the issue price of R16.91 (being Blackstar's intrinsic NAVPS as at 30 June 2014), the price which was utilised by all parties concerned in determining the number of new Blackstar Shares to be issued in exchange for the investments acquired in KTH and TMG. Immediately after recognising the investments in KTH and TMG at Initial Fair Value, Blackstar will, in accordance with IFRS, revalue these investments with reference to the issue price per new Blackstar Share of R16.91 ("**Subsequent Fair Value**").

15.2 The *pro forma* financial effects (presented in **Annexures 4 and 6**) account for the KTH shares and Scheme Shares acquired through the Proposed Transaction at Initial Fair Value and not Subsequent Fair Value. Accordingly, as additional information, the tables below have been prepared to provide Shareholders with the intrinsic fair value financial effect of the Proposed Transaction on Blackstar's intrinsic NAV per share ("**INAVPS**"), assuming that Blackstar's investments in KTH and TMG are measured at Subsequent Fair Value.

15.3 As there is still some uncertainty of the impact on Blackstar due to the ability for Scheme Participants to elect cash and/or new Blackstar Shares as payment for their Scheme Shares, the tables below present two distinct scenarios. The first scenario and table assumes that Scheme Participants are paid the Maximum Cash Consideration under the Scheme of R500 million. The second scenario and table assumes that Scheme Participants elect to only receive new Blackstar Shares under the Scheme.

15.4 The information included in this paragraph 15 is the responsibility of the Blackstar Directors and has been prepared for illustrative purposes only to provide information about how the Proposed Transaction may affect the financial position of Blackstar and TMG Shareholders.

Blackstar	**Before the Proposed Transaction**	**After the Proposed Transaction using Subsequent Fair Value**	**% Change**
Scenario 1: Maximum Cash Elections			
INAVPS (cents)	1 691	1 726	2%
Scenario 2: No Cash Elections			
INAVPS (cents)	1 691	1 722	2%

Notes:

1. The figures included in the "*Before the Proposed Transaction*" column have been extracted, without adjustment, from Blackstar's INAVPS calculation as at 30 June 2014, as published in Blackstar's interim results announcement for the six months ended 30 June 2014.
2. For purposes of determining the figures included in the "*After the Proposed Transaction using Subsequent Fair Value*" column, the same assumptions used in the preparation of the *pro forma* financial effects were applied, save for the Subsequent Fair Value being used instead of Initial Fair Value for Blackstar's interests in KTH and TMG.
3. The NAV attributed to Blackstar's interests in KTH and TMG for purposes of calculating Subsequent Fair Value is:
   a. in scenario 1 – R2.54 billion and R2.06 billion for the TMG and KTH interests, respectively; and
   b. in scenario 2 – R3.1 billion and R2.06 billion for the TMG and KTH interests, respectively.

Scheme Participant	**TMG Shares before the Proposed Transaction**	**Blackstar Shares after the Proposed Transaction using Subsequent Fair Value**	**% Change**
Number of ordinary shares	1	1.44885	
Scenario 1: Maximum Cash Elections			
INAVPS for number of ordinary shares reflected above (cents)	1 208	2 501	107%
Scenario 2: No Cash Elections			
INAVPS for number of ordinary shares reflected above (cents)	1 208	2 495	107%

Notes:

1. The figures included in the "*TMG Shares before the Proposed Transaction*" column have been extracted, without adjustment, from the published audited consolidated annual financial statements of TMG for the year ended 30 June 2014.
2. Scheme Participants who receive the Share Consideration will receive 1.44885 New Blackstar Shares per Scheme Share. Accordingly, the figures included in the "*Blackstar Shares after the Proposed Transaction using Subsequent Fair Value*" column have been prepared with reference to the Blackstar's INAVPS after the Proposed Transaction (refer to the "*After the Proposed Transaction using Subsequent Fair Value*" column in the table illustrating the effect of the Transactions on INAVPS for Blackstar shareholders), as calculated per New Blackstar Shares for each scenario and applying an exchange ratio of 1.44885.

16. INTERESTS OF BLACKSTAR AND BLACKSTAR DIRECTORS IN TMG SECURITIES

16.1 As at the Last Practicable Date, Blackstar and BCIL held 41 076 782 TMG Shares, equal to 32.5% of the issued TMG Shares (as adjusted to account for the Treasury Shares).

16.2 Neither Blackstar nor BCIL dealt in TMG Shares during the six month period prior to 18 February 2015 or during the period from that date up to the Last Practicable Date.

16.3 As at the Last Practicable Date, no Blackstar Director and no director of BCIL had any beneficial interest in TMG Shares, other than as set out below:

Blackstar Director	Direct	Indirect	% of TMG issued share capital [(1)]
AD Bonamour	0	5 237	0.004%
Total	**0**	**5 237**	**0.004%**

Note:
(1) Excluding Treasury Shares

16.4 The Blackstar Directors had no dealings in TMG Shares during the six-month period prior to 18 February 2015 and the period from that date up to the Last Practicable Date.

17. INTERESTS OF BLACKSTAR DIRECTORS IN BLACKSTAR SECURITIES

17.1 As at the Last Practicable Date, the following Blackstar Directors held a beneficial interest in Blackstar Shares:

Blackstar Director	Direct	Indirect	% of Blackstar issued share capital [(1)]
JB Mills	0	761 328	0.9%
AD Bonamour	646 480	7 846 261	10.5%
Total	**646 480**	**8 607 589**	**11.4%**

Note:
(1) Excluding Treasury Shares

17.2 Save as set out below, the Blackstar Directors had no dealings in Blackstar Shares during the six-month period prior to 18 February 2015 and the period from that date up to the Last Practicable Date:

17.2.1 On 26 September 2014 Mr AD Bonamour received 299 561 Blackstar Shares of €0.76 each at a price of R13.35 per share as part of Blackstar's long-term share incentive scheme.

18. INTERESTS OF TMG AND TMG DIRECTORS IN BLACKSTAR SECURITIES

18.1 As at the Last Practicable Date, TMG held no direct or indirect interest in Blackstar. TMG had no dealings in Blackstar Shares during the six-month period prior to 18 February 2015 and the period from that date up to the Last Practicable Date.

18.2 As at the Last Practicable Date, no TMG Director had any beneficial interest in Blackstar Shares, other than as set out below:

TMG Director	Direct	Indirect	% of Blackstar issued share capital [(1)]
AD Bonamour	646 480	7 846 261	10.5%
W Marshall-Smith	728 926	4 940 000	7.0%
Total	**1 375 406**	**12 786 261**	**17.5%**

Note:
(1) Excluding Treasury Shares

18.3 Save as set out below, the TMG Directors had no dealings in Blackstar Shares during the six month period prior to 18 February 2015 and the period from that date up to the Last Practicable Date:

18.3.1 As part of the Blackstar long-term share incentive scheme, Mr A D Bonamour received 299 561 Blackstar Shares (as noted in paragraph 17.2.1 above) and Mr W Marshall-Smith received 231 090 ordinary Blackstar shares.

19. INTERESTS OF TMG DIRECTORS IN TMG SECURITIES

19.1 As at the Last Practicable Date, the following TMG Directors held a beneficial interest in TMG Shares:

TMG Director	Direct	Indirect	% of TMG issued share capital (1)
AD Bonamour	0	5 237	0.004%
HK Mehta	0	4 050 298	3.187%
Total	**0**	**4 055 535**	**3.191%**

Note:
(1) Excluding Treasury Shares

19.2 The TMG Directors had no dealings in TMG Shares during the six month period prior to 18 February 2015 and the period from that date up to the Last Practicable Date.

20. SUPPORT

20.1 As at the Last Practicable Date, the following TMG Shareholders have provided letters of support to vote in favour of all TMG Shareholder resolutions necessary to approve and implement the Scheme:

TMG Shareholder	Number of TMG Shares held	TMG Shares held as % of the Scheme Shares (3)
PIC (1)	22 121 093	25.90%
Kagiso Asset Management Proprietary Limited (2)	20 032 976	23.46%
Coronation Asset Management Proprietary Limited (2)	18 212 127	21.33%
The Mehta Family Trusts (4)	11 750 399	13.76%
Total	**72 116 595**	**84.45%**

Note:

1. There have been no dealings in TMG Shares by the PIC during the six-month period prior to 18 February 2015 and the period from that date up to the Last Practicable Date.
2. Includes shares held by these Shareholders on behalf of their clients.
3. Excluding Treasury Shares.
4. The HKM Family Trust, The BKM Family Trust, The YKM Family Trust and Meena Harishkumar Mehta Trust are all directly or indirectly controlled by the Mehta family and accordingly their shareholdings in TMG have been aggregated.

20.2 Taking into account the 41 076 782 TMG Shares already held by Blackstar (directly and via BCIL), the above Shareholders hold approximately 84.45% of the remaining TMG Shares in issue (net of Treasury Shares), as at the Last Practicable Date.

20.3 As far as can be ascertained, the following TMG Shareholders, who have provided the above letters of support, held Blackstar Shares on the Last Practicable Date:

Blackstar Shareholder	Number of Blackstar Shares held	Blackstar Shares held as % of Blackstar's issued share capital [(1)]
Kagiso Asset Management Proprietary Limited [(2)]	**5 571 448**	**6.85%**

Note:

[(1)] Excluding treasury shares.

[(2)] Includes shares held on behalf of clients.

21. REMUNERATION OF TMG DIRECTORS

The remuneration of the TMG Directors will not be affected by the Scheme or the Tiso Transaction.

22. AGREEMENTS IN RELATION TO THE SCHEME

22.1 Save for the Firm Intention Letter, the Implementation Agreement and the letters of support referred to in paragraph 20 of this Circular, no agreements have been entered into between Blackstar, Blackstar Directors (or persons who were directors of Blackstar in the past 12 months) and/or Blackstar shareholders (or persons who were Blackstar shareholders in the past 12 months) and any of TMG, the TMG Directors (or persons who were directors of TMG in the past 12 months) or Shareholders (or persons who were Shareholders in the past 12 months) in relation to the Scheme.

22.2 Blackstar confirms that it or BCIL is the ultimate prospective purchaser of the Scheme Shares and is acting alone and not in concert with any party. However, in terms of Regulation 84 of the Companies Regulations a presumption automatically exists that Blackstar Directors are acting in concert with Blackstar in respect of the Scheme. Accordingly, Mr AD Bonamour (whose shareholding in TMG on the Last Practicable Date is detailed in paragraph 16 above) and any other Blackstar Directors who hold TMG Shares on the Scheme Voting Record Date, will not be able to vote such Shares on the Scheme Special Resolution at the Scheme Meeting.

23. FINANCIAL INFORMATION OF TMG AND BLACKSTAR

23.1 Historical financial information of Blackstar

23.1.1 Extracts of the published interim financial information of Blackstar for the six month period ended 30 June 2014 are annexed hereto as **Annexure 2A**.

23.1.2 Extracts of the published audited historical financial information of Blackstar for the financial years ended 31 December 2012 and 31 December 2013 are annexed hereto as **Annexure 2B**, while extracts of the published audited historical financial information of Blackstar for the financial year ended 31 December 2011 are annexed hereto as **Annexure 2C**.

23.1.3 Blackstar early adopted IFRS10, IFRS 12 and the revised version of IAS 27, including all amendments relating to Investment Entities for the year ended 31 December 2013. The adoption of these changes in accounting policies has resulted in Blackstar treating certain of its net investments in subsidiaries and associates as investments held at fair value through profit and loss. Subsidiaries which provide services that relate only to the Company's own investment activities continue to be consolidated. Blackstar adopted this change in accounting policy for the financial year ended 31 December 2013 and the 31 December 2012 comparative results were restated accordingly.

23.1.4 Blackstar's annual financial information for the financial years ended 31 December 2012 and 2013, appearing in **Annexure 2B** is presented under the new accounting policy, while Blackstar's annual financial information for the financial year ended 31 December 2011, appearing in **Annexure 2C**, is presented under the previous accounting policy.

23.2 **Historical financial information of TMG**

23.2.1 Extracts of the published audited historical financial information of TMG for the financial years ended 30 June 2013 and 30 June 2014 are annexed hereto as **Annexure 3A,** while extracts of the published audited historical financial information of TMG for the financial years ended 30 June 2012 and 30 June 2013 are annexed hereto as **Annexure 3B** as well as the revised versions of IAS 27 and 28.

23.2.2 TMG adopted IFRS 10, 11 and 12 as well as the revised versions of IAS 27 and 28 in its 2014 financial statements and 2013 comparatives set out in **Annexure 3A**.

23.2.3 The 2012 and 2013 financial statements set out in **Annexure 3B** were prepared under the previous accounting policies that were in force before IFRS 10, 11 and 12 and the revised versions of IAS 27 and 28 were adopted.

23.2.4 In addition, further assets were identified as discontinued in the financial statements set out in **Annexure 3A** as compared to the assets identified as discontinued in the financial statements set out in **Annexure 3B**.

23.3 ***Pro forma* financial information of Blackstar and TMG**

23.3.1 The *pro forma* financial effects of the Scheme on Blackstar are annexed hereto at **Annexure 4**, while the Independent Reporting Accountants' report thereon is annexed hereto as **Annexure 5**.

23.3.2 The *pro forma* financial effects of the Scheme on TMG are annexed hereto at **Annexure 6**, while the Independent Reporting Accountants' report thereon is annexed hereto as **Annexure 7**.

23.3.3 The abovementioned *pro forma* financial effects of the Scheme on Blackstar and on TMG are presented in accordance with the JSE Listings Requirements, the Guide on *Pro Forma* Financial Information issued by SAICA, ISAE 3420 and the measurement and recognition requirements of IFRS.

24. INTENTIONS REGARDING THE TMG BOARD

Should the Scheme be implemented, TMG will become a Subsidiary of BCIL, and ultimately Blackstar, (and will become a part of the Blackstar Group), following which the future size and composition of the TMG Board will be considered.

25. TMG DIRECTORS' SERVICE CONTRACTS

Messrs A D Bonamour and W Marshall-Smith have permanent employment contracts with Times Media Proprietary Limited, a wholly-owned Subsidiary of TMG, which include standard termination and other provisions for contracts of this nature and appropriate restraint of trade provisions. Both executive directors have renewed their employment contracts for a period of three years with effect from 1 October 2013.

26. OTHER SERVICE CONTRACTS

No service contracts have been entered into or amended within the six month period prior to 18 February 2015.

27. **THE VIEWS OF THE INDEPENDENT BOARD ON THE SCHEME**

27.1 In accordance with the Companies Regulations, the TMG Board has appointed the Independent Board comprising KD Dlamini, JHW Hawinkels, R Naidoo and MM Nhlanhla. The Independent Board has appointed the Independent Expert to compile a report on the Scheme. The Blackstar Board has provided all relevant information on Blackstar requested by the Independent Expert in order to compile the report. The TMG Board has provided all relevant information on TMG requested by the Independent Expert in order to compile the report.

27.2 The Independent Board, after due consideration of the Independent Expert Report, has determined that it will place reliance on the valuation performed by the Independent Expert for the purposes of reaching its own opinion regarding the Scheme and the Scheme Consideration as contemplated in Companies Regulation 110(3)(b). The Independent Board has formed a view of the range of the swap ratio of Blackstar Shares for TMG Shares and of the Cash Consideration, which accords with the range contained in the Independent Expert's report, in considering its opinion and recommendation. The Independent Board is not aware of any factors which are difficult to quantify or are unquantifiable (as contemplated in Companies Regulation 110(6)) and has not taken any such factors into account, in forming its opinion.

27.3 The Independent Board, taking into account the report of the Independent Expert, has considered the terms and conditions of the Scheme and the members of the Independent Board are unanimously of the opinion that the terms and conditions thereof are fair and reasonable to Shareholders and, accordingly, recommend that Shareholders vote in favour of the Scheme at the Scheme Meeting and the Transaction Shareholders' Resolutions at the General Meeting.

27.4 The Independent Board has made the Independent Expert Report available to the Blackstar Directors. In accordance with Companies Regulation 106(6)(b), the Blackstar Directors have placed reliance on the valuation performed by the Independent Expert and are also unanimously of the opinion that the terms and conditions of the Scheme are fair and reasonable to Shareholders.

27.5 As at the Last Practicable Date, the TMG Board has not received any Offers, other than the Offer by Blackstar.

28. **THE INDEPENDENT EXPERT REPORT**

28.1 The Independent Expert Report prepared in accordance with section 114(3) of the Companies Act and regulation 90 of the Companies Regulations is provided in **Annexure 1** to this Circular.

28.2 Having considered the terms and conditions of the Scheme and based on the conditions set out in the Independent Expert Report, the Independent Expert has concluded that the terms and conditions of the Scheme are both fair and reasonable to Shareholders, as each of these terms is defined in the Companies Regulations.

29. **INTENDED ACTION OF TMG DIRECTORS**

All the TMG Directors who own TMG Shares and are eligible to vote in their own beneficial capacity intend to vote in favour of the Scheme at the Scheme Meeting and in favour of the Transaction Shareholder Resolutions at the General Meeting.

30. TAX IMPLICATIONS FOR SHAREHOLDERS

30.1 The tax position of a Shareholder under the Scheme is dependent on such Shareholder's individual circumstances, including but not limited to whether such Shareholder holds its Shares as capital assets or as trading stock, whether the Shares are held by a Collective Investment Scheme or Pension Fund and on the tax jurisdiction in which the Shareholder is resident or domiciled and the relevant double tax agreements in force between South Africa and the country in which the Shareholder is resident or domiciled. It is recommended that Shareholders seek appropriate independent advice in this regard and neither TMG, nor the Blackstar Group, nor their respective advisors make any representation in this regard.

30.2 Shareholders are further advised that Blackstar is a foreign company and certain taxation exemptions and/or relief ordinarily available to Shareholders pursuant to a transaction of this nature may not be available to Shareholders pursuant to the Scheme. Accordingly, Shareholders are recommended to seek appropriate independent advice in this regard.

31. RESTRICTED JURISDICTIONS

31.1 To the extent that the distribution of this Circular in certain jurisdictions outside of South Africa may be restricted or prohibited by the laws of such foreign jurisdiction then this Circular is deemed to have been provided for information purposes only and neither the TMG Board nor the Blackstar Board accepts any responsibility for any failure by Shareholders to inform themselves about, and to observe, any applicable legal requirements in any relevant foreign jurisdiction.

31.2 Shareholders who are in doubt as to their position should consult their professional advisors.

32. INDEPENDENT BOARD RESPONSIBILITY STATEMENT

The Independent Board accepts responsibility for the information contained in this Circular which relates to TMG and confirms that, to the best of its knowledge and belief, such information which relates to TMG is true and the Circular does not omit anything likely to affect the importance of such information.

33. BLACKSTAR RESPONSIBILITY STATEMENT

The Blackstar Board accepts responsibility for the information contained in this Circular which relates to Blackstar and BCIL and confirms that, to the best of its knowledge and belief, such information which relates to Blackstar and BCIL is true and the Circular does not omit anything likely to affect the importance of such information.

34. ADVISORS' CONSENTS

The parties referred to in the "Corporate Information and Advisors" section of this Circular, have consented in writing to act in the capacities stated and to the inclusion of their names and, where applicable, reports, in this Circular in the form and context in which they appear and have not withdrawn their consent prior to the publication of this Circular.

35. **DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents, or copies thereof, will be available for inspection by Shareholders at TMG's registered office and at Blackstar's registered office from the date of posting of this Circular until the Operative Date:

35.1 the Assignment Agreement;

35.2 the Implementation Agreement;

35.3 the Tiso Transaction Agreement;

35.4 the interim financial information of Blackstar for the six month period ended 30 June 2014;

35.5 the audited annual financial statements of Blackstar for the three financial years ended 31 December 2011, 31 December 2012 and 31 December 2013;

35.6 the audited annual financial statements of TMG for the three financial years ended 30 June 2012, 30 June 2013 and 30 June 2014;

35.7 the reports of the Independent Reporting Accountants, as reproduced at Annexures 5 and 7 to this Circular;

35.8 the consent letter of the Independent Reporting Account and all other consent letters referred to in paragraph 34 of this Circular;

35.9 letters of support received by Blackstar from the TMG Shareholders listed in paragraph 20, including the undertaking from the PIC in this regard;

35.10 a signed copy of this Circular;

35.11 the signed report of the Independent Expert;

35.12 the approval letter of the Takeover Panel;

35.13 the memorandum of incorporation of TMG;

35.14 memorandum and articles of association of Blackstar; and

35.15 the Cash Guarantee.

Signed at Sandton on 25 February 2015 on behalf of the TMG Board

KD Dlamini
Chairman

Signed at Malta on 25 February 2015 on behalf of the Blackstar Board

JB Mills
Chairman

REPORT OF THE INDEPENDENT EXPERT REGARDING THE SCHEME

23 February 2015

The Directors
Times Media Group Limited
4 Biermann Avenue
Rosebank
Johannesburg
2196

Dear Directors

FAIR AND REASONABLE OPINION ON THE OFFER BY BLACKSTAR GROUP SE TO THE ORDINARY SHAREHOLDERS OF TIMES MEDIA GROUP LIMITED

1. **INTRODUCTION**

Shareholders of Times Media Group Limited ("TMG" or the "Company") and Blackstar Group SE ("Blackstar") were advised in a joint announcement on SENS dated 8 December 2014 that TMG had received a non-binding expression of interest ("EOI") from Blackstar, through its wholly owned subsidiary Blackstar (Cyprus) Investors Limited ("BCIL"), to acquire the entire ordinary issued share capital of the Company that it does not already own by way of a scheme of arrangement (the "Scheme") in terms of section 114 of the Companies Act, No 71 of 2008 ("the Act"). The Scheme is to be proposed by the TMG board of directors ("the Board") to the TMG Shareholders in terms of which, should the Scheme become operative, Blackstar will acquire the shares ("Scheme Shares") held by all TMG Shareholders other than the dissenting shareholders, BCIL, Blackstar and any other member of the Blackstar group ("the Scheme Participants").

In addition to the Scheme, Blackstar also proposed to acquire from Tiso Investment Holdings (RF) Proprietary Limited ("TIH") and the Tiso Foundation Charitable Trust ("Tiso Foundation") (collectively "Tiso") a 22.9% equity interest in Kagiso Tiso Holdings Proprietary Limited ("KTH") (the "Tiso Transaction").

Shareholders of TMG and Blackstar were advised in a joint firm intention announcement dated 18 February 2015 that Blackstar has made a firm intention offer to acquire all the Scheme Shares by way of the Scheme in terms of section 114 of the Act.

The scheme consideration payable by Blackstar to Scheme Participants will be settled as either R22.00 in cash for every Scheme Share held, limited to a maximum of R500 million, or Scheme Participants may elect to receive all, or part of the consideration in the form of Blackstar ordinary shares in the ratio of 1.44885 new Blackstar shares per Scheme Share held by them.

TMG will declare a final pre-acquisition dividend of R0.30 per Scheme Share immediately upon the Scheme becoming unconditional, but before Blackstar acquires the Scheme Shares.

The Scheme is classified as an affected transaction in terms of the Act. In terms of the Act and sections 90 and 110 of the Companies Regulations, 2011 ("the Companies Regulations"), the independent sub-committee of the Board (the "Independent Board") is required to obtain a fair and reasonable opinion on the Scheme from an independent expert and include this opinion in the circular to TMG Shareholders.

The Board requested PricewaterhouseCoopers Corporate Finance Proprietary Limited ("PwC") to act as independent expert in terms of the Act and Companies Regulations and to provide an opinion as to whether the terms and conditions of the Scheme are fair and reasonable as far as TMG Shareholders are concerned.

This opinion and the results of our work will be used by the Board solely to satisfy the requirements of the Act and the Companies Regulations.

2. DEFINITION OF FAIR AND REASONABLE

Market value is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

A transaction would generally be considered fair from the perspective of a seller if the consideration payable by the purchaser to the seller is equal to, or greater than the market value of the assets being sold. Fairness is primarily based on quantitative issues. The Scheme will be considered fair if the purchase consideration is considered to be equal to or greater than the market value of the Scheme Shares.

The assessment of reasonableness is generally based on qualitative issues surrounding the particular transaction. Even though the consideration may differ from the market value of the ordinary shares subject to the transaction, a transaction may still be fair and reasonable after considering other significant qualitative factors.

This fairness opinion does not purport to cater for individual shareholders' positions but rather the rights and interests of the general body of shareholders subject to the Scheme. A shareholder's decision regarding fairness of the terms of the Scheme may be influenced by his or her particular circumstances (for example taxation and the price paid for the shares). Should a shareholder be in doubt, he or she should consult an independent expert as to the merits of the transaction, considering his/her personal circumstances.

3. VALUATION APPROACH

In considering the Scheme, PwC performed independent valuations of TMG and Blackstar. The valuations of TMG and Blackstar were performed by valuing the existing businesses of TMG and Blackstar as going concerns under current management and business plans.

For the purposes of our valuations we used the income approach (discounted cash flow) valuation as our primary approach to value the operating divisions in TMG and the operating companies in Blackstar. In addition, we considered the market approach (based on financial data for comparable publicly traded companies) as an alternative valuation approach to support the results of our income approach analysis.

The valuation of TMG was performed on a sum-of-the-parts basis, with separate income approach valuations performed for the Media, Broadcasting & Content and Retail Solutions divisions. We performed a consolidated market approach valuation of TMG and performed a review of TMG's trading history. We performed market approach and net asset valuations for various TMG associate and subsidiary companies.

We performed separate income approach and market approach valuations of Blackstar's key operating investments Consolidated Steel Industries Proprietary Limited ("CSI") and Robor Proprietary Limited ("Robor"). We performed net asset approach valuations of Blackstar's real estate, listed and unlisted investments and performed a sum-of-parts valuation in order to comment on the share alternative.

The key valuation assumptions considered in our income approach included forecast growth rates, cost of capital rates, perpetuity growth rates, forecast profitability margins, capital expenditure and working capital forecasts and selected analyst forecasts pertaining to the outlook for the sectors in which the various companies and divisions operate.

4. SOURCES OF INFORMATION

In the course of our valuation analysis, we relied upon financial and other information, including prospective financial information, obtained from TMG and Blackstar management and from various public, financial, and industry sources. Our conclusion is dependent on such information being complete and accurate in all material respects.

The principal sources of information used in performing our valuation of TMG included:

- Audited annual financial statements of TMG for the financial years ended 30 June 2012 to 30 June 2014;
- Unaudited results of TMG for the six months ended 31 December 2012, 31 December 2013 and the five months ended 30 November 2014;

- Divisional results of TMG for the financial years ended 30 June 2013, 30 June 2014 and the five months ended 30 November 2014;
- Financial projections for TMG and its main operating divisions (Media, Broadcasting & Content and Retail Solutions) for the years ending 30 June 2015 to 30 June 2019;
- Selected publicly available information relating to the industries in which TMG and their subsidiaries operate obtained from TMG management and public sources;
- Discussions with TMG management at group and operating division/subsidiary levels;
- Extracts from the TMG board packs and supporting presentations for the year ended 30 June 2014; and
- Selected available analyst reports for TMG.

The principal sources of information used in performing our valuation of Blackstar included:

- Audited annual financial statements of Blackstar for the financial years ended 31 December 2011 to 31 December 2013;
- Unaudited results of Blackstar for the six months ended 30 June 2012, 30 June 2013 and 30 June 2014;
- Unaudited results of Blackstar for the year ended 31 December 2014;
- Financial projections for Blackstar and its main operating subsidiaries (CSI and Robor) for the years ending 31 December 2015 to 31 December 2019 and 30 September 2015 to 30 September 2019 respectively;
- Transaction documentation relating to the Tiso Transaction provided by Blackstar management;
- Selected publicly available information relating to the industries in which Blackstar and their subsidiaries operate obtained from Blackstar management and public sources;
- Discussions with Blackstar management; and
- Extracts from the Blackstar board packs and supporting presentations for the year ended 31 December 2014.

Other sources of information used in performing our valuations of TMG and Blackstar included:

- Draft TMG Scheme Circular dated 20 February 2015;
- Blackstar EOI letter dated 27 November 2014;
- Blackstar Firm Intention Letter dated 16 February 2015;
- For our macroeconomic, comparable company and industry research we used the following sources:
  - IHS Global Insight, Nedbank, Business Monitor International, Investec, Bureau for Economic Research, Absa Capital, International Monetary Fund;
  - Bloomberg for market sector beta information relating to the comparable companies used in our cost of capital calculation;
  - Capital IQ for financial data on market comparables;
  - McGregor BFA for TMG Share trading history; and
  - the PwC Valuation Methodology Survey, 2012 Edition for information on various valuation assumptions.

Where practicable, we have corroborated the reasonableness of the information provided to us for the purpose of supporting our opinion, whether in writing or obtained through discussions with TMG and Blackstar management.

Our procedures and enquiries did not constitute an audit in terms of the International Standards on Auditing. Accordingly, we cannot express any opinion on the financial data or other information used in arriving at our opinion.

5. **PROCEDURES**

Our procedures included considering the relevant information included on the terms and conditions of the Scheme, as described in the EOI, the draft Scheme circular to TMG Shareholders and the Blackstar Firm Intention Letter.

We performed an independent sum-of-the-parts valuation of TMG. In performing an independent valuation of TMG, the procedures we performed comprised the following:

- We considered the prevailing economic and market conditions in the industries in which TMG and its subsidiaries operate as appropriate;
- We considered publicly available trading data and share prices for TMG on the JSE;
- We held discussions with TMG management on information and assumptions pertaining to TMG that were made available by TMG management;
- We reviewed TMG and the financial results covering four years up to the date of valuation;
- We considered divisional financial and operating projections including revenues, operating margins (e.g. earnings before interest and taxes), and working capital investments, based on TMG's historical operating results, expectations and management representations. These projections formed the basis of our income approach (discounted cash flow) valuations of each of the operating divisions within the TMG group;
- We performed an income approach analysis where we capitalised the value of head office costs at TMG corporate level;
- We obtained and considered financial data for publicly traded companies engaged in the same or similar lines of business to develop appropriate valuation multiples and operating comparisons to apply to TMG on a consolidated basis;
- We considered appropriate valuation discounts/premiums to the results of our valuation analysis as deemed applicable; and
- We analysed other facts and data considered pertinent to this valuation to arrive at a conclusion of value.

In order to comment on the swap ratio of 1.44885 new Blackstar shares per Scheme Share held, we performed an independent sum-of-parts valuation of Blackstar.

The valuation of Blackstar was divided into two parts. The first stage of the Blackstar valuation was to consider the current value of Blackstar prior to the implementation of the Scheme. The procedures we performed comprised the following:

- We considered the prevailing economic and market conditions in the industries in which Blackstar and its subsidiaries operate as appropriate;
- We considered publicly available trading data and share prices for Blackstar on the JSE and London Stock Exchange;
- We held discussions with Blackstar management on information and assumptions pertaining to Blackstar that were made available by Blackstar management;
- We reviewed Blackstar and the financial results covering four years up to the date of valuation;
- We considered the value of the 32.5% interest in TMG currently held by Blackstar, based on the valuation of TMG completed earlier;
- We considered financial and operating projections including revenues, operating margins (e.g. earnings before interest and taxes), and working capital investments (CSI and Robor), based on historical operating results, expectations and management representations. These projections formed the basis of our income approach (discounted cash flow) valuations for Consolidated Steel Industries and Robor;
- We obtained and considered financial data for publicly traded companies engaged in the same or similar lines of business as Consolidated Steel Industries and Robor to develop appropriate valuation multiples and operating comparisons;
- We considered the valuation of Blackstar's real estate companies with reference to independent property valuation reports and supporting financial statements provided by Blackstar management;
- We considered the valuation of Blackstar's listed and unlisted investments with reference to listed share prices and supporting financial information provided by Blackstar management;
- We considered and applied appropriate valuation discounts/premiums to the results of our valuation analysis as deemed applicable; and
- We analysed other facts and data considered pertinent to this valuation to arrive at a conclusion of value.

One of the terms of the Tiso Transaction is the successful implementation of the Scheme. Similarly, the finance to be raised for purposes of funding the cash portion of the Scheme consideration and the Tiso consideration is conditional upon the successful implementation of the Tiso Transaction and the Scheme. Accordingly, the Tiso Transaction and the Scheme are inter-conditional.

As a result, the second stage of the Blackstar valuation was to consider the value of the revised Blackstar group subsequent to the implementation of the Scheme. The procedures we performed comprised the following:

- We considered the value of the remaining 67.5% shareholding in TMG acquired by Blackstar, as well as the acquisition debt raised to finance the Scheme shares.
- We considered the valuation of the 22.9% interest in KTH to be acquired from Tiso with reference to valuation information made available to Blackstar as part of the transaction process and information on KTH available from public sources. It should be noted that we have not had access to KTH management and as a result have not performed a detailed sum-of-parts valuation of KTH;
- We considered the acquisition debt raised to finance the cash portion of the Tiso Transaction; and
- We considered the additional new Blackstar shares to be issued in respect of the Tiso Transaction and the Scheme.

6. **ASSUMPTIONS**

Our opinion is based on the following key assumptions:

- Current economic, regulatory and market conditions will not change materially;
- TMG and Blackstar are not involved in any other material legal proceedings other than those conducted in the ordinary course of business;
- TMG and Blackstar have no material outstanding disputes with the South African Revenue Service;
- The anticipated settlement liability relating to the TMG management incentive scheme;
- There are no undisclosed contingencies that could affect the values of TMG and Blackstar;
- The Scheme will not give rise to any undisclosed tax liabilities;
- For the purposes of this engagement, we assumed TMG's and Blackstar's existing businesses to be ongoing under current business plans and management; and
- Representations made by TMG and Blackstar management during the course of forming this opinion.

7. **OPINION**

Our opinion is based on the current economic, market, regulatory and other conditions and the information made available to us by TMG and Blackstar management up to 18 February 2015. Accordingly, subsequent developments may affect this opinion, which we are under no obligation to update, revise or re-affirm. Based on the results of our procedures performed, our detailed valuation work and other considerations, we concluded that:

- The market value of a TMG ordinary share is between R22.54 and R25.05 per share on a marketable controlling basis as at 31 December 2014. The most likely value is R23.80, which approximates the midpoint of our value range; and
- The market value of a new Blackstar share is between R16.44 and R18.16 per share on a marketable, controlling basis as at 31 December 2014. The most likely value is R17.30, which approximates the midpoint of our value range.

Based on our review of the EOI letter and the draft Scheme circular, we consider that the consideration payable by Blackstar is likely to be a combination of cash and new Blackstar shares. As a result, in deriving our valuation conclusion we have compared the combined value of TMG that the Scheme Participants are selling to the combined consideration that the Scheme Participants would receive from Blackstar.

Based on the results of our procedures performed, our detailed valuation work and other considerations, we are of the opinion that the consideration due from Blackstar in cash and shares falls within the range of values calculated for the TMG interest acquired.

In considering the valuation ranges listed above shareholders should take particular notice of the following factors:

- The actual market value achieved in a specific transaction may be higher or lower than our estimate of the market value range depending upon the circumstances of the transaction (for example strategic considerations of the purchaser), the nature of the business (for example the purchaser's perception of potential synergies); and

- The above market value range represents a standalone valuation of TMG and Blackstar under current management, strategies and business plans.

Based on the results of our procedures performed, our detailed valuation work and other considerations, subject to the foregoing assumptions, we are of the opinion that the Scheme is fair and reasonable to the ordinary shareholders of TMG.

8. **INDEPENDENCE**

We confirm that PwC holds no shares in TMG or Blackstar directly or indirectly. We have no interest, direct or indirect, beneficial or non-beneficial, in TMG or Blackstar or in the outcome of the Scheme.

Furthermore, we confirm that our professional fees of R1,500,000 (excluding VAT), payable in cash, are not contingent on the outcome of the Scheme.

9. **DIRECTORS' INTERESTS**

In accordance with section 114 (3) (e) of the Act, we confirm that directors' interests in TMG are as follows:

Name of Director	Direct Beneficial Interest (Number of TMG Shares)	Indirect Beneficial Interest (Number of TMG Shares)
AD Bonamour	**0**	**5,237**
HK Mehta	**0**	**4,050,298**

We noted and considered the disclosure of the directors' interests in TMG as contained in the draft Scheme circular. These interests were not regarded as material and hence no opinion was expressed in terms of section 114 (3) (f) of the Act on the effect of the arrangement on the interests of the directors.

10. **LIMITING CONDITIONS**

Budgets/projections/forecasts relate to future events and are based on assumptions, which may not remain valid for the whole of the relevant period. Consequently this information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely actual results will correspond to those projected/forecast by the management of TMG and Blackstar. In addition, we have not considered the accounting impact of the implementation of the Scheme on the results of Blackstar and TMG.

This letter and opinion is provided in terms of the Act. It does not constitute a recommendation to any shareholder of TMG on any matter relating to the Scheme, nor as to the acceptance of the Scheme or a recommendation on the share alternative provided in the Scheme. Therefore, it should not be relied upon for any other purpose. We assume no responsibility to anyone if this letter and opinion are used or relied upon for anything other than its intended purpose.

The valuation of companies and businesses is not a precise science, and conclusions arrived at in many cases will necessarily be subjective and dependent on the exercise of individual judgement. Further, whilst we consider our opinion to be defensible based on the information available to us others may have a different view and arrive at a different conclusion.

The wording of sections 115 and 164 of the Act is included in Annexure 9 of the Circular, to which this opinion is annexed, and is incorporated herein for purposes of section 114(3)(g) of the Act.

Yours sincerely

Jan Groenewald
Director

EXTRACTS OF PUBLISHED INTERIM FINANCIAL INFORMATION OF BLACKSTAR FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014

The consolidated statements of financial position, statements of comprehensive income, statements of changes in equity, cash flow statements and notes of Blackstar for the six month period ended 30 June 2014, have been extracted and compiled from the unaudited consolidated interim financial statements of Blackstar, which are available on Blackstar's website.

The preparation of this **Annexure 2A** is the responsibility of the Blackstar Directors.

Condensed consolidated statement of financial position for the six months ended 30 June 2014

Audited 31 December 2013 £'000	*Restated Unaudited 30 June 2013 £'000	**Unaudited 30 June 2014 £'000**		**Unaudited 30 June 2014 R'000**	*Restated Unaudited 30 June 2013 R'000	Audited 31 December 2013 R'000
			Assets			
51	58	**48**	Goodwill	**875**	875	875
87	120	**39**	Deferred tax assets	**710**	1,810	1,524
78	90	**70**	Equipment	**1,280**	1,355	1,364
67,721	72,547	**77,580**	Financial assets at fair value through profit and loss	**1,410,091**	1,092,307	1,180,472
17,899	17,932	**20,141**	Net investments in subsidiaries	**366,081**	269,989	312,014
38,846	29,459	**49,542**	Net investments in associates	**900,474**	443,557	677,138
10,976	25,156	**7,897**	Financial assets held for trading	**143,536**	378,761	191,320
469	102	**1,727**	Investments classified as loans and receivables	**31,381**	1,540	8,174
12	10	**9**	Current tax assets	**160**	156	188
233	391	**73**	Trade and other receivables	**1,339**	5,877	4,065
7,050	6,571	**3,266**	Cash and cash equivalents	**59,356**	98,938	122,893
75,701	79,889	**82,812**	**Total assets**	**1,505,192**	1,202,858	1,319,555
			Liabilities			
(3)	–	**(10)**	Deferred tax liabilities	**(183)**	–	(60)
(12)	(15)	**(9)**	Other financial liabilities	**(167)**	(225)	(201)
–	(6)	**(7,076)**	Borrowings	**(128,606)**	(83)	–
(28)	(64)	**(38)**	Current tax liabilities	**(684)**	(967)	(469)
(854)	(693)	**(856)**	Trade and other payables	**(15,550)**	(10,370)	(14,890)
–	–	**–**	Bank overdrafts	**–**	–	(4)
(897)	(778)	**(7,989)**	**Total liabilities**	**(145,190)**	(11,645)	(15,624)
74,804	79,111	**74,823**	**Total net assets**	**1,360,002**	1,191,213	1,303,931
			Equity			
55,347	55,347	**55,347**	Share capital	**574,672**	574,672	574,672
1,930	1,944	**1,932**	Share premium	**21,506**	21,677	21,468
4,599	4,599	**4,599**	Capital redemption reserve	**52,173**	52,173	52,173
(1,248)	(1,532)	**(1,634)**	Treasury shares reserve	**(25,738)**	(18,166)	(18,848)
(26,331)	(13,059)	**(29,457)**	Foreign currency translation reserve	**–**	–	–
40,485	31,815	**44,041**	Retained earnings	**737,476**	560,904	674,101
74,782	79,114	**74,828**	**Total equity attributable to equity holders**	**1,360,089**	1,191,260	1,303,566
22	(3)	**(5)**	Non-controlling interests	**(87)**	(47)	365
74,804	79,111	**74,823**	**Total equity**	**1,360,002**	1,191,213	1,303,931
93	98	**94**	**Net asset value per share (in cents/pence)**	**1,702**	1,479	1,620
80,447	80,534	**79,894**	**Actual number of shares in issue (net of treasury shares, in thousands)**	**79,894**	80,534	80,447

*Comparatives have been restated for changes in the accounting policy – refer to note 2.

Condensed consolidated statement of comprehensive income for the six months ended 30 June 2014

Audited 31 December 2013 £'000	*Restated Unaudited 30 June 2013 £'000	**Unaudited 30 June 2014 £'000**		**Unaudited 30 June 2014 R'000**	*Restated Unaudited 30 June 2013 R'000	Audited 31 December 2013 R'000
17,287	7,552	**6,506**	Income	**116,074**	107,377	261,025
(5,070)	(2,826)	**(1,929)**	Operating expenses	**(34,425)**	(40,174)	(76,541)
12,217	4,726	**4,577**	**Operating profit**	**81,649**	67,203	184,484
(14)	58	**(191)**	Net finance income/(costs)	**(3,415)**	821	(208)
209	69	**40**	Finance income	**713**	980	3,156
(223)	(11)	**(231)**	Finance costs	**(4,128)**	(159)	(3,364)
12,203	4,784	**4,386**	**Profit before taxation**	**78,234**	68,024	184,276
15	71	**(77)**	Taxation	**(1,370)**	1,005	222
12,218	4,855	**4,309**	**Profit for the period**	**76,864**	69,029	184,498
			Other comprehensive income/(loss) – items that may subsequently be reclassified to profit and loss:			
(20,297)	(7,023)	**(3,126)**	Currency translation differences on the translation of Rand denominated Group entities	**–**	–	–
1,425	–	**–**	Release of foreign currency translation reserve	**–**	–	–
(18,872)	(7,023)	**(3,126)**	**Total other comprehensive income/(loss) recognised directly in equity**	**–**	–	–
(6,654)	(2,168)	**1,183**	**Total comprehensive income/(loss) for the period**	**76,864**	69,029	184,498
			Profit for the period attributable to:			
12,175	4,839	**4,337**	Equity holders of the parent	**77,341**	68,800	183,857
43	16	**(28)**	Non-controlling interests	**(477)**	229	641
12,218	4,855	**4,309**		**76,864**	69,029	184,498
			Total comprehensive income/(loss) attributable to:			
(6,697)	(2,186)	**1,211**	Equity holders of the parent	**77,341**	68,800	183,857
43	18	**(28)**	Non-controlling interests	**(477)**	229	641
(6,654)	(2,168)	**1,183**		**76,864**	69,029	184,498
15.32	6.20	**5.38**	**Basic and diluted earnings per ordinary share attributable to equity holders (in cents/pence)**	**95.91**	88.19	231.34

*Comparatives have been restated for changes in the accounting policy – refer to note 2.

Condensed consolidated statement of changes in equity for the six months ended 30 June 2014

	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	–	(2,082)	23,236	83,074	2,023	85,097
Change in accounting policies *	–	–	–	–	(3,952)	4,293	341	(2,045)	(1,704)
Balance as at 1 Januarys 2013 (*restated)	**55,347**	**1,974**	**4,599**	**–**	**(6,034)**	**27,529**	**83,415**	**(22)**	**83,393**
Total comprehensive income/(loss) for the period	–	–	–	–	(7,025)	4,839	(2,186)	18	(2,168)
Income for the period	–	–	–	–	–	4,839	4,839	16	4,855
Other comprehensive income/(loss) for the period	–	–	–	–	(7,025)	–	(7,025)	2	(7,023)
Purchase of treasury shares	–	–	–	(5,628)	–	–	(5,628)	–	(5,628)
Effect of share split and consolidation	–	–	–	(166)	–	–	(166)	–	(166)
Treasury shares issued to acquire New Bond Capital Limited	–	(30)	–	4,262	–	–	4,232	–	4,232
Reduction in non-controlling interests arising on acquisition of further shares in Blackstar Fund Managers (Pty) Limited	–	–	–	–	–	(9)	(9)	1	(8)
Equity settled share-based payment	–	–	–	–	–	464	464	–	464
Dividend paid	–	–	–	–	–	(1,008)	(1,008)	–	(1,008)
Balance as at 30 June 2013 (*restated)	**55,347**	**1,944**	**4,599**	**(1,532)**	**(13,059)**	**31,815**	**79,114**	**(3)**	**79,111**
Total comprehensive income/(loss) for the period	–	–	–	–	(13,272)	8,761	(4,511)	25	(4,486)
Income for the period	–	–	–	–	–	7,336	7,336	27	7,363
Other comprehensive income/(loss) for the period	–	–	–	–	(13,272)	1,425	(11,847)	(2)	(11,849)
Purchase of treasury shares	–	–	–	(327)	–	–	(327)	–	(327)
Equity settled share-based payment	–	–	–	–	–	880	880	–	880
Treasury shares issued during the year as part of the long-term Management Incentive Scheme	–	(14)	–	611	–	(597)	–	–	–
Dividend paid	–	–	–	–	–	(374)	(374)	–	(374)
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 period	–	–	–	–	(3,126)	4,337	1,211	(28)	1,183
Income/(loss) for the period	–	–	–	–	–	4,337	4,337	(28)	4,309
Other comprehensive loss for the period	–	–	–	–	(3,126)	–	(3,126)	–	(3,126)
Purchase of treasury shares	–	–	–	(1,149)	–	–	(1,149)	–	(1,149)
Reduction in non-controlling interests arising on acquisition of further shares in Blackstar Fund Managers (Pty) Limited	–	–	–	–	–	(10)	(10)	1	(9)
Equity settled share-based payment	–	–	–	–	–	621	621	–	621
Treasury shares issued during the year as part of the long-term Management Incentive Scheme	–	2	–	763	–	(765)	–	–	–
Dividend paid	–	–	–	–	–	(627)	(627)	–	(627)
Balance as at 30 June 2014	**55,347**	**1,932**	**4,599**	**(1,634)**	**(29,457)**	**44,041**	**74,828**	**(5)**	**74,823**

*Comparatives have been restated for changes in the accounting policy – refer to note 2.

Condensed consolidated statement of changes in equity for the six months ended 30 June 2014

	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	–	495,288	1,144,257	27,861	1,172,118
Change in accounting policies *	–	–	–	–	4,668	4,668	(28,155)	(23,487)
Balance as at 1 January 2013 (*restated)	**574,671**	**22,125**	**52,173**	**–**	**499,956**	**1,148,925**	**(294)**	**1,148,631**
Total comprehensive income for the period	–	–	–	–	68,800	68,800	229	69,029
Income for the period	–	–	–	–	68,800	68,800	229	69,029
Other comprehensive income for the period	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	(80,014)	–	(80,014)	–	(80,014)
Effect of share split and consolidation	1	(1)	–	(2,499)	–	(2,499)	–	(2,499)
Treasury shares issued to acquire New Bond Capital Limited	–	(447)	–	64,347	–	63,900	–	63,900
Reduction in non-controlling interests arising on acquisition of further shares in Blackstar Fund Managers (Pty) Limited	–	–	–	–	(123)	(123)	18	(105)
Equity settled share-based payment	–	–	–	–	6,600	6,600	–	6,600
Dividend paid	–	–	–	–	(14,329)	(14,329)	–	(14,329)
Balance as at 30 June 2013 (*restated)	**574,672**	**21,677**	**52,173**	**(18,166)**	**560,904**	**1,191,260**	**(47)**	**1,191,213**
Total comprehensive income for the period	–	–	–	–	115,057	115,057	412	115,469
Income for the period	–	–	–	–	115,057	115,057	412	115,469
Other comprehensive income for the period	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	(9,896)	–	(9,896)	–	(9,896)
Equity settled share-based payment	–	–	–	–	13,687	13,687	–	13,687
Treasury shares issued during the year as part of the long-term Management Incentive Scheme	–	(209)	–	9,214	(9,005)	–	–	–
Dividend paid	–	–	–	–	(6,542)	(6,542)	–	(6,542)
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 period	–	–	–	–	77,341	77,341	(477)	76,864
Income/(loss) for the period	–	–	–	–	77,341	77,341	(477)	76,864
Other comprehensive income for the period	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	(20,514)	–	(20,514)	–	(20,514)
Reduction in non-controlling interests arising on acquisition of further shares in Blackstar Fund Managers (Pty) Limited	–	–	–	–	(176)	(176)	25	(151)
Equity settled share-based payment	–	–	–	–	11,068	11,068	–	11,068
Treasury shares issued during the year as part of the long-term Management Incentive Scheme	–	38	–	13,624	(13,662)	–	–	–
Dividend paid	–	–	–	–	(11,196)	(11,196)	–	(11,196)
Balance as at 30 June 2014	**574,672**	**21,506**	**52,173**	**(25,738)**	**737,476**	**1,360,089**	**(87)**	**1,360,002**

*Comparatives have been restated for changes in the accounting policy – refer to note 2.

Condensed consolidated statement of cash flows for the six months ended 30 June 2014

Audited 31 December 2013 £'000	*Restated Unaudited 30 June 2013 £'000	**Unaudited 30 June 2014 £'000**		**Unaudited 30 June 2014 R'000**	*Restated Unaudited 30 June 2013 R'000	Audited 31 December 2013 R'000
(6,731)	(10,146)	**(8,980)**	**Cash absorbed by operating activities**	**(160,257)**	(144,264)	(103,859)
(37)	(43)	**(9)**	**Cash absorbed by investing activities**	**(171)**	(599)	(532)
(7,511)	(6,815)	**5,430**	**Cash generated/(absorbed) by financing activities**	**96,895**	(96,886)	(113,407)
(14,279)	(17,004)	**(3,559)**	**Net decrease in cash and cash equivalents**	**(63,533)**	(241,749)	(217,798)
24,735	24,735	**7,050**	Cash and cash equivalents at the beginning of the period	**122,889**	340,687	340,687
(3,406)	(1,160)	**(225)**	Exchange losses on cash and cash equivalents	**–**	–	–
7,050	6,571	**3,266**	**Cash and cash equivalents at the end of the period**	**59,356**	98,938	122,889

*Comparatives have been restated for changes in the accounting policy – refer to note 2.

Notes to the condensed unaudited interim financial statements for the six months ended 30 June 2014

1. BASIS OF PREPARATION

These condensed financial statements of the Group are prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRSs") published by the International Accounting Standards Board ("IASB") as endorsed for use by the European Union. They are prepared on the going-concern principle, using the historical-cost basis and the accounting policies which are expected to be applied in the preparation of the Group's annual financial statements for the year ending 31 December 2014. The Group has chosen not to adopt IAS 34 Interim Financial Statements in preparing the consolidated interim financial statements.

The accounting policies and methods of computation are consistent with those applied in the annual financial statements for the year ended 31 December 2013.

The financial information in this half-yearly report is unaudited and does not constitute statutory accounts for the purposes of the Maltese Companies Act, 1985. The half-yearly report should be read in conjunction with the Group's statutory accounts for the year ended 31 December 2013, which are prepared under IFRS and upon which an unqualified auditors' report was given. The statutory accounts as at 31 December 2013 are available from the Company's website, www.blackstar.eu, or by writing to the Company Secretary.

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

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies and methods of computation are consistent with those applied in the annual financial statements for the year ended 31 December 2013. For the financial year ended 31 December 2013, the Group adopted the following new and revised accounting standards for the first time:

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

Of the above standards, only IFRS 10 (including the investment entities amendments) made a significant impact to the financial performance and position of the Group as its adoption required the restatement of results previously presented. IFRS 10 includes an exception from consolidation for entities, which meet the definition of an investment entity, and requires such entities to recognise all investments at fair value through profit and loss. The adoption of IFRS 10 has resulted in the Group treating certain investments in subsidiaries and associates as investments held at fair value through profit and loss. Subsidiaries which provide services that relate only to the Company's own investment activities are continued to be consolidated.

Under the transitional provisions of IFRS 10, this change in accounting policies was required to be accounted for retrospectively and thus the comparative figures for the six months ended 30 June 2013 have been restated.

A summary of the impact of these changes on the consolidated statement of financial position as at 30 June 2013, and the impact on the consolidated statement of comprehensive income for the six months ended 30 June 2013 are shown below. Further detail is provided within the notes to the Group's consolidated financial statements for the year ended 31 December 2013 which are available on the Company website www.blackstar.eu

Impact on the consolidated statement of financial position

Increase/(decrease) to net assets:

Unaudited 30 June 2013 £'000		Unaudited 30 June 2013 R'000
(25,369)	Total assets	(381,959)
28,120	Total liabilities	423,410
2,751	Total net assets	41,451
2,751	Total equity	41,451

Impact on the consolidated statement of comprehensive income

Increase/(decrease) to profits:

Unaudited 30 June 2013 £'000		Unaudited 30 June 2013 R'000
4,779	Operating profit	65,677
641	Net finance costs	9,094
(696)	Share of profit from associate	(9,571)
4,724	Profit before taxation	65,200
(98)	Taxation	(1,738)
4,626	Profit from continuing operations	63,462
22	Profit from discontinued operations, net of taxation	315
4,648	Profit for the period	63,777
	Profit for the period attributable to:	
4,987	Equity holders of the parent	68,528
(339)	Non-controlling interests	(4,751)
4,648		63,777
6.39	Basic earnings per ordinary share attributable to equity holders (in cents/pence)	87.84

3. BASIC AND DILUTED EARNINGS AND HEADLINE EARNINGS PER SHARE

Audited 31 December 2013 £'000	*Restated Unaudited 30 June 2013 £'000	**Unaudited 30 June 2014 £'000**		**Unaudited 30 June 2014 R'000**	*Restated Unaudited 30 June 2013 R'000	Audited 31 December 2013 R'000
12,175	4,839	**4,337**	Net profit for the period attributable to equity holders of the parent	**77,341**	68,800	183,857
–	–	**–**	Headline earning adjustments	**–**	–	–
12,175	4,839	**4,337**	Headline earnings	**77,341**	68,800	183,857
79,476	78,012	**80,636**	Weighted average number of shares (net of treasury shares, in thousands)	**80,636**	78,012	79,476
15.32	6.20	**5.38**	**Basic and diluted earnings per ordinary share attributable to equity holders (in cents/pence)**	**95.91**	88.19	231.34
15.32	6.20	**5.38**	**Basic and diluted headline earnings per ordinary share attributable to equity holders (in cents/pence) ^**	**95.91**	88.19	231.34

*Comparatives have been restated for changes in the accounting policy – refer to note 2.

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

EXTRACTS OF PUBLISHED AUDITED HISTORICAL FINANCIAL INFORMATION OF BLACKSTAR FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2012 AND 2013

The consolidated statements of financial position, statements of comprehensive income, statements of changes in equity, cash flow statements and notes of Blackstar for the financial years ended 31 December 2012 and 2013, have been extracted and compiled from the audited consolidated annual financial statements of Blackstar, which are available on Blackstar's website.

The preparation of this **Annexure 2B** is the responsibility of the Blackstar Directors. The historical financial information of Blackstar has previously been audited by BDO Malta and reported on without qualification for all of the aforementioned financial periods.

Consolidated statement of comprehensive income
for the year ended 31 December 2013

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

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

The notes on pages 66 to 127 form part of the consolidated financial statements.

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

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

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

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

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

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

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

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

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

The notes on pages 66 to 127 form part of the consolidated financial statements

Consolidated statement of financial position as at 31 December 2013

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

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

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

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

The notes on pages 66 to 127 form part of the consolidated financial statements.

Andrew Bonamour
Non-executive Director

John Mills
Non-executive Director

Consolidated statement of cash flows for the year ended 31 December 2013

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

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

The notes on pages pages 66 to 127 form part of the consolidated financial statements.

1. ACCOUNTING POLICIES

1.1 Basis of preparation

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

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

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

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

1.2 Basis of consolidation

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

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

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

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

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

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

1. **ACCOUNTING POLICIES (CONTINUED)**

1.2 **Basis of consolidation (continued)**

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

1.3 **Non-controlling interests**

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

1.4 **Goodwill**

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

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

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

1.5 **Equipment**

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

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

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 Company.
  - *Investments in subsidiaries* – In accordance with the Investment Entities exception under IFRS 10 Consolidated Financial Statements, the Company does not consolidate certain subsidiaries in the Group financial statements. Investments in these subsidiaries are accounted for as a financial instrument at fair value through profit and loss. The exception is applicable for annual periods beginning on or after 1 January 2014, but early adoption is permitted and the Company has early adopted this exception.

1. **ACCOUNTING POLICIES (CONTINUED)**

1.7 **Financial instruments (continued)**

- *Loans and receivables payable by subsidiaries designated at fair value through profit and loss* – Shareholder loans to subsidiaries which are considered to be equity loans (and ordinarily would be accounted for as loans and receivables) have been designated at fair value through profit and loss. On assessment of the fair value of the net investment in subsidiary, these equity loans are incorporated into the valuation assessment and any decline in fair value is first allocated to the carrying amount of the equity investment and then to the loan to the subsidiary.
- *Investments in associates* – In accordance with the options available under IAS 28 Investments in Associates and Joint Ventures, the Company does not account for its investment in associates in the Group financial statements using the equity method. Instead the Company has elected to measure its investments in these entities at fair value through profit and loss.

Loans and receivables

Investments classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. The Company includes in this category loans to subsidiaries which are identified as working capital loans, usually short-term in nature.

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

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

Other financial liabilities

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

Recognition

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

Initial measurement

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

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

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

Subsequent measurement

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

1. ACCOUNTING POLICIES (CONTINUED)

1.7 Financial instruments (continued)

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

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

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

Derecognition

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

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

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

1.8 Offsetting of financial instruments

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

1.9 Impairment of non-financial assets

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

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

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

1. **ACCOUNTING POLICIES (CONTINUED)**

1.9 **Impairment of non-financial assets (continued)**

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

1.10 **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.

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

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

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

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

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

1. **ACCOUNTING POLICIES (CONTINUED)**

1.15 **Fee income and performance fee income**

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

1.16 **Finance income and finance costs**

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

1.17 **Share-based payments**

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

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

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

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

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

1.18 **Tax**

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

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

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:

1. ACCOUNTING POLICIES (CONTINUED)

1.18 Tax (continued)

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

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

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

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

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

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

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

1.19 Foreign currencies

Functional and presentation currency

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

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

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

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

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

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

Translation of financial statement of entities into the presentation currencies

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

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

1. **ACCOUNTING POLICIES (CONTINUED)**

1.19 **Foreign currencies (continued)**

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

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

1.20 **Operating segments**

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

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

1.21 **Significant judgements and areas of estimation**

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

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

Judgements

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

Assessment as an investment entity

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

The criteria which define an investment entity are as follows:

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

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

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

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

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

1. **ACCOUNTING POLICIES (CONTINUED)**

1.21 **Significant judgements and areas of estimation (continued)**

Estimates and key assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Company based its assumptions and estimations on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Fair value of financial instruments

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

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

2. **DETERMINATION OF FAIR VALUES**

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

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

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

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

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

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

Unlisted equity investments have been valued as follows:

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

2. **DETERMINATION OF FAIR VALUES (CONTINUED)**

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

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

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

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

3. **NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED**

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

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

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

IFRS 9

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

IAS 32 (Amendments)

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

IAS 36 (Amendments)

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

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

4. **CHANGES IN ACCOUNTING POLICIES**

New and amended standards and interpretations

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

- IAS 1 Presentation of Financial Statements (revised)
- IFRS 10 Consolidated Financial Statements (early adoption)

4. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

IFRS 10 Consolidated Financial Statements and Investment Entities Amendments

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

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

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

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

4. **CHANGES IN ACCOUNTING POLICIES (CONTINUED)**

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

Impact on the consolidated statement of financial position

Increase/(decrease) to net assets:

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

4. **CHANGES IN ACCOUNTING POLICIES (CONTINUED)**

Impact on the consolidated statement of comprehensive income
Increase/(decrease) to profit:

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

5. **INCOME**

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

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

6. OPERATING EXPENSES

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

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

7. OPERATING PROFIT

7.1 Operating profit

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

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

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

7. **OPERATING PROFIT (CONTINUED)**

7.2 Auditor's remuneration for the Company and its subsidiaries

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

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

8. **EMPLOYEES**

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

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

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

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

9. **NET FINANCE COSTS**

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

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

10. TAXATION

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

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

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

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

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

11. EARNINGS PER SHARE

11.1 Basic and diluted earnings per share

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

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

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

11. **EARNINGS PER SHARE (CONTINUED)**

11.2 Basic and diluted headline earnings per share ^

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

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

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

12. **GOODWILL**

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

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

12.1 Impairment testing of goodwill

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

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

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

Impairment testing of goodwill arising on acquisition of BFM

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

13. DEFERRED TAXATION

13.1 Movement in net deferred taxation

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

13.2 Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

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

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

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

14. EQUIPMENT

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

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

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

*Restated 2012 £'000	**2013 £'000**		**2013 R'000**	*Restated 2012 R'000
40,438	**10,976**	**Financial assets held for trading**	**191,320**	556,981
36,017	**1,352**	Listed equity securities	**23,565**	496,093
–	**3,351**	Equity investments in unlisted hedge funds	**58,415**	–
4,421	**6,273**	Unlisted equity securities	**109,340**	60,888
17,619	**56,745**	**Financial assets designated at fair value through profit and loss**	**989,152**	242,683
17,244	**17,899**	Net investments in subsidiaries	**312,014**	237,519
375	**38,846**	Net investments in associates	**677,138**	5,164
58,057	**67,721**	Total financial assets at fair value through profit and loss	**1,180,472**	799,664

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

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS (CONTINUED)

*Restated 2012 £'000	2013 £'000		2013 R'000	*Restated 2012 R'000
		Net changes in the fair value of financial assets		
6,660	**(1,878)**	**Financial assets held for trading**	**(28,348)**	86,685
5,177	**9,476**	Realised gains	**143,086**	67,383
(2,514)	**(13,300)**	Unrealised losses on disposals recognised in prior years	**(200,812)**	(32,717)
3,997	**1,946**	Unrealised gains	**29,378**	52,019
(11,257)	**10,689**	**Financial assets designated at fair value through profit and loss**	**161,390**	(146,511)
(2,481)	**(4,010)**	Realised losses	**(60,551)**	(32,279)
(9,300)	**–**	Unrealised losses on disposals recognised in prior years	**–**	(121,036)
524	**14,699**	Unrealised gains	**221,941**	6,804
(4,597)	**8,811**	Net gains/(losses) on financial assets at fair value through profit and loss	**133,042**	(59,826)

Financial assets held for trading comprise the following investments:

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

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

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

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

16. NET INVESTMENTS IN SUBSIDIARIES

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

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

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

Subsidiary of Blackstar Group SE

^ Subsidiary of Stalcor (Pty) Limited

^^ Subsidiary of Blackstar (Cyprus) Investors Limited

** Subsidiary of Blackstar Real Estate (Pty) Limited

Subsidiary of Global Roofing Solutions (Pty) Limited

$ In the prior year Domel was wholly owned by GRS

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

@ In the prior year, BRE held 25% of the shares in Fantastic and thus the investment was classified as an associate, refer to note 17

16. **NET INVESTMENTS IN SUBSIDIARIES (CONTINUED)**

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

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

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

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

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

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

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

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

16. **NET INVESTMENTS IN SUBSIDIARIES (CONTINUED)**

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

Restrictions

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

Support

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

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

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

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

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

16.2 Investments in subsidiaries which are consolidated

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

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

Subsidiary of Blackstar Group SE.

^ During the last quarter of 2013, Blackstar Gibraltar was closed and deregistered.

**During the current financial year, Blackstar acquired further shares in the fund manager BFM (refer to note 26).

17. **NET INVESTMENTS IN ASSOCIATES**

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

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

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

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

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

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

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

18. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

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

*Restated 2012 £'000	**2013 £'000**		**2013 R'000**	*Restated 2012 R'000
–	**469**	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	**8,174**	–
363	**–**	Short-term working capital loan provided to Stalcor. The loan bore interest at the South African Prime Rate and was repaid during 2013	**–**	5,000
363	**469**		**8,174**	5,000

*Comparatives have been restated for changes in the accounting policy – refer to note 4.

19. TRADE AND OTHER RECEIVABLES

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

*Comparatives have been restated for changes in the accounting policy – refer to note 4.

20. CASH AND CASH EQUIVALENTS

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

*Comparatives have been restated for changes in the accounting policy – refer to note 4.

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

21. OTHER FINANCIAL LIABILITIES

*Restated 2012 £'000	**2013 £'000**		**2013 R'000**	*Restated 2012 R'000
16	**12**	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	**201**	217
16	**12**		**201**	217

*Comparatives have been restated for changes in the accounting policy – refer to note 4.

22. BORROWINGS

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

*Comparatives have been restated for changes in the accounting policy – refer to note 4.

23. TRADE AND OTHER PAYABLES

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

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

24. SHARE CAPITAL AND RESERVES

24.1 Share capital

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

24. **SHARE CAPITAL AND RESERVES (CONTINUED)**

24.1 Share capital (continued)

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

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

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

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

24.2 Reserves

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

Share premium

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

Capital redemption reserve

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

Treasury shares reserve

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

Foreign currency translation reserve

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

Retained earnings

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

25. CASH ABSORBED BY OPERATIONS

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

26. ACQUISITION AND DISPOSALS OF SUBSIDIARIES

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

26.1 Acquisitions made during the current year

Acquisition of further interest in the hedge fund management business BFM

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

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

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

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

26. ACQUISITION AND DISPOSALS OF SUBSIDIARIES (CONTINUED)

26.2 Disposals made during the current year

Winding down and strike off of Blackstar Gibraltar

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

26.3 Acquisitions made during the prior year

Initial acquisition of hedge fund management business BFM

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

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

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

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

26.4 Net cash outflow on acquisition of subsidiaries

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

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

27.1 Categories of financial assets

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

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

27.2 Financial risk management overview

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

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

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

Where Blackstar holds a controlling, or 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 the information provided within the note is analysed by segment as referred to in the segmental information (refer to note 37). 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.

27. **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

27.3 Credit risk

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

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

27.3.1 Trade and other receivables

Refer note 19 Trade and other receivables.

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

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

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

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

27.3.2 Investments

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

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

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

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

27.3.2 Investments (continued)

Investments within the Investment segment

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

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

Investments within the Fund segment

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

Investments within the Property segment

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

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

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

27.3.2 Investments (continued)

Credit exposure on investments

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

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

27. **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

27.3.3 Cash and cash equivalents

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

27.3.4 Guarantees

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

27.4 Liquidity risk

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

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

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

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

a) Business continuity liquidity risk is mitigated by holding no less than R3million as a capital adequacy requirement as
per the category 2A hedge fund regulations;

b) Market liquidity risk is mitigated by position size management relative to the underlying securities liquidity profile held
by the fund; and

c) Investor liquidity is mitigated by a 30-day notice period for withdrawals and no more than 20% of the fund may be withdrawn within a calendar month.

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

27.4.1 Contractual maturities of non-derivative financial assets and liabilities

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

			Undiscounted contractual cash flows				
As at 31 December 2013	**Carrying amount £'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 investment in subsidiaries (refer to note 16)	17,899	17,899	–	–	–	–	17,899
Net investment in associates (refer to note 17)	38,846	38,846	–	–	–	–	38,846
Financial assets held for trading (refer to note 15)	10,976	10,976	–	–	–	–	10,976
Investments classified as loans and receivables (refer to note 18)	469	469	29	34	406	–	–
Trade and other receivables (refer to note 19)	233	233	233	–	–	–	–
Cash and cash equivalents (refer to note 20)	7,050	7,050	7,050	–	–	–	–
Total financial assets	**75,473**	**75,473**	**7,312**	**34**	**406**	**–**	**67,721**
Other financial liabilities (refer to note 21)	(12)	(12)	–	(6)	(6)	–	–
Trade and other payables (refer to note 23)	(854)	(854)	(854)	–	–	–	–
Bank overdrafts (refer to note 20)	–	–	–	–	–	–	–
Total financial liabilities	**(866)**	**(866)**	**(854)**	**(6)**	**(6)**	**–**	**–**

			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 investment in subsidiaries (refer to note 16)	312,014	312,014	–	–	–	–	312,014
Net investment in associates (refer to note 17)	677,138	677,138	–	–	–	–	677,138
Financial assets held for trading (refer to note 15)	191,320	191,320	–	–	–	–	191,320
Investments classified as loans and receivables (refer to note 18)	8,174	8,174	500	600	7,074	–	–
Trade and other receivables (refer to note 19)	4,065	4,065	4,065	–	–	–	–
Cash and cash equivalents (refer to note 20)	122,893	122,893	122,893	–	–	–	–
Total financial assets	**1,315,604**	**1,315,604**	**127,458**	**600**	**7,074**	**–**	**1,180,472**
Other financial liabilities (refer to note 21)	(201)	(201)	–	(104)	(97)	–	–
Trade and other payables (refer to note 23)	(14,890)	(14,890)	(14,890)	–	–	–	–
Bank overdrafts (refer to note 20)	(4)	(4)	(4)	–	–	–	–
Total financial liabilities	**(15,095)**	**(15,095)**	**(14,894)**	**(104)**	**(97)**	**–**	**–**

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

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

			Undiscounted contractual cash flows				
As at 31 December 2012 (*Restated)	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 investment in subsidiaries (refer to note 16)	17,244	17,244	–	–	–	–	17,244
Net investment in associates (refer to note 17)	375	375	–	–	–	–	375
Financial assets held for trading (refer to note 15)	40,438	40,438	–	20,172	–	–	20,266
Investments classified as loans and receivables (refer to note 18)	363	363	363	–	–	–	–
Trade and other receivables (refer to note 19)	317	317	317	–	–	–	–
Cash and cash equivalents (refer to note 20)	24,743	24,743	24,743	–	–	–	–
Total financial assets	83,480	83,480	25,423	20,172	–	–	37,885
Other financial liabilities (refer to note 21)	(16)	(16)	–	(8)	(8)	–	–
Borrowings (refer to note 22)	(9)	(9)	–	(9)	–	–	–
Trade and other payables (refer to note 23)	(206)	(206)	(206)	–	–	–	–
Bank overdrafts (refer to note 20)	(8)	(8)	(8)	–	–	–	–
Total financial liabilities	(239)	(239)	(214)	(17)	(8)	–	–

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

			Undiscounted contractual cash flows				
As at 31 December 2012 (*Restated)	Carrying a mount 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 investment in subsidiaries (refer to note 16)	237,519	237,519	–	–	–	–	237,519
Net investment in associates (refer to note 17)	5,164	5,164	–	–	–	–	5,164
Financial assets held for trading (refer to note 15)	556,981	556,981	–	277,845	–	–	279,136
Investments classified as loans and receivables (refer to note 18)	5,000	5,000	5,000	–	–	–	–
Trade and other receivables (refer to note 19)	4,366	4,366	4,366	–	–	–	–
Cash and cash equivalents (refer to note 20)	340,803	340,803	340,803	–	–	–	–
Total financial assets	1,149,833	1,149,833	350,169	277,845	–	–	521,819
Other financial liabilities (refer to note 21)	(217)	(217)	–	(104)	(113)	–	–
Borrowings (refer to note 22)	(127)	(127)	–	(127)	–	–	–
Trade and other payables (refer to note 23)	(2,841)	(2,841)	(2,841)	–	–	–	–
Bank overdrafts (refer to note 20)	(116)	(116)	(116)	–	–	–	–
Total financial liabilities	(3,301)	(3,301)	(2,957)	(231)	(113)	–	–

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

27.4.2 Undrawn Facilities

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

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

27.5 Market risk

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

27.5.1 Currency risk

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

Investment segment

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

Fund segment

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

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

Property segment

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

Non-segmental entities

The non-segmental entites 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 and payables and cash) which differ to the Group's presentational and functional currencies being Rands and Pounds Sterling. As with the investment segment, the Board of Directors meet on a quarterly basis to review the non-segmental entites and consequently monitor currency risk on an ongoing basis. To mitigate this risk, the Group may hedge its currency exposure from time to time.

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

27.5.1 Currency risk (continued)

Exposure to currency risk

As at 31 December 2013

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

As at 31 December 2013

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

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

27.5.1 Currency risk (continued)

Exposure to currency risk

2012 (*Restated)

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

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

27.5.1 Currency risk (continued)

Exposure to currency risk

2012 (*Restated)

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

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

27. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

27.5.1 Currency risk (continued)

Sensitivity analysis for exposure to foreign currency risk

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

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

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

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

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

The following significant exchange rates applied during the year:

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

27.5.2 Interest rate risk

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

27. **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

27.5.2 Interest rate risk (continued)

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

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

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

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

Investments

The Group's exposure to interest rates on investments is detailed in note 16 Net investment in subsidiaries, note 17 Investment in associates and note 18 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 ongoing 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 ongoing basis. The variable rates are influenced by movements in the South African Prime borrowing rates. The Group had no outstanding borrowings at year-end.

27. **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**
27.5.2 Interest rate risk (continued)

Cash and cash equivalents

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

Sensitivity analyses

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

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

27.5.3 Market price risk

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

Investment segments

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 ongoing basis.

Fund segments

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

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

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

Sensitivity analysis

The Group is mainly invested in equities on the Johannesburg Stock Exchange. 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 £4,689,000, R81,734,000,(2012: £3,758,000, R51,763,000). 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 £4,689,000, R81,734,000 (2012: £3,758,000, R51,763,000). The sensitivity analyses does not take into account the hedges that have been put in place by the hedge funds which ultimately limit the sensitivities of the Group's investments in the hedge funds to changes in market risk.

28. FAIR VALUE OF ASSETS

28.1 Fair value hierarchy

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

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Recurring fair value measurement of assets and liabilities

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

28. **FAIR VALUE OF ASSETS (CONTINUED)**

28.1 Fair value hierarchy (continued)

Recurring fair value measurements of assets and liabilities (continued)

Total £'000	Level 3 £'000	Level 2 £'000	Level 1 £'000	*Restated 2012	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
				Financial assets				
17,244	15,681	–	1,563	Net investment in subsidiaries	21,540	–	215,979	237,519
11,254	11,254	–	–	Investment in GRS	–	–	155,000	155,000
2,323	2,323	–	–	Investment in Stalcor	–	–	32,000	32,000
1,563	–	–	1,563	Investment in BSOF	21,540	–	–	21,540
2,104	2,104	–	–	Investment in BRE and the property subsidiaries	–	–	28,979	28,979
375	375	–	–	Net investment in associates	–	–	5,164	5,164
–	–	–	–	Investment in TMG	–	–	–	–
363	363	–	–	Investment in Navigare	–	–	5,000	5,000
12	12	–	–	Investment in BRE associate Fantastic	–	–	164	164
40,438	–	4,421	36,017	Financial assets held for trading	496,093	60,888	–	556,981
36,017	–	–	36,017	Listed equity securities	496,093	–	–	493,093
4,421	–	4,421	–	Unlisted equity securities	–	60,888	–	60,888
58,057	16,056	4,421	37,580		517,633	60,888	221,143	799,664

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

28. **FAIR VALUE OF ASSETS (CONTINUED)**

28.2.1 Level 1

Listed investments in subsidiaries, associates and equity securities

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

28.2.2 Level 2

Investment in unlisted equity securities

The Group has invested in privately held companies which are not quoted in an active market. The Group uses a market based earnings valuation for the position in these privately held companies. The earnings multiple for the comparable market companies range between 5 to15. The Group classifies the fair value of these investments as Level 2.

28.2.3 Level 3

Investment in Stalcor, GRS and Navigare

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

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

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

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 on a non-recurring basis. The Group classifies the fair value of these investments as Level 3.

Valuation process for Level 3 valuations

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

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

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

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

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

28. FAIR VALUE OF ASSETS (CONTINUED)

28.2.3 Level 3 (continued)

Quantitative information of significant unobservable inputs – Level 3

Description	Fair value 2013 £'000	*Restated 2012 £'000	Fair value 2013 R000	*Restated 2012 R'000	Valuation technique	Unobservable input	Range (weighted average)
Investment in GRS	**10,327**	11,254	**180,000**	155,000	Discounted cash flows	WACC Perpetual growth	10%-20% 3%-5%
Investment in Stalcor	**1,836**	2,323	**32,000**	32,000	Adjusted NAV	#	#
Investment in NBC	**206**	–	**3,600**	–	Adjusted NAV	#	#
Investment in Navigare	**287**	363	**5,000**	5,000	Discounted cash flows	WACC Perpetual growth	20%-30% 3%-5%
Investment in BRE and the property subsidiaries and associates	**1,903**	2,116	**33,192**	29,143	Yield on profit before interest and tax per year	Estimated operating profit before interest and tax per year Yield Occupancy rate	£68,000 to £165,000 (R800,000 to R2,500,000) 9% to 15% 45% to 100%
Total	**14,559**	16,056	**253,792**	221,143			

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

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

Investment in GRS, Stalcor and Navigare

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

28. FAIR VALUE OF ASSETS (CONTINUED)

28.2.3 Level 3 (continued)

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

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

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

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

28. **FAIR VALUE OF ASSETS (CONTINUED)**

28.2.3 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 £'000	Investment in Stalcor £'000	Investment in NBC^ £'000	Investment in Navigare £'000	Investment BRE and the property subsidiaries and associates £'000	2013	Investment in GRS R'000	Investment in Stalcor R'000	Investment in NBC^ R'000	Investment in Navigare R'000	Investment BRE and the property subsidiaries and associates R'000
11,254	**2,323**	**–**	**363**	**2,116**	Balance as at 1 January 2013	**155,000**	**32,000**	**–**	**5,000**	**29,143**
931	**–**	**238**	**6**	**735**	Total gains and losses in profit and loss	**14,050**	**–**	**3,600**	**98**	**11,102**
–	**–**	**–**	**–**	**134**	Interest and dividends accrued	**–**	**–**	**–**	**–**	**2,026**
1,258	**–**	**–**	**–**	**–**	Additions	**19,000**	**–**	**–**	**–**	**–**
(533)	**–**	**–**	**(6)**	**(601)**	Disposals/equity loan repayments	**(8,050)**	**–**	**–**	**(98)**	**(9,079)**
(2,583)	**(487)**	**(32)**	**(76)**	**(481)**	Exchange gains/(losses)	**–**	**–**	**–**	**–**	**–**
10,327	**1,836**	**206**	**287**	**1,903**	**Balance as at 31 December 2013**	**180,000**	**32,000**	**3,600**	**5,000**	**33,192**

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

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

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

29. CAPITAL MANAGEMENT

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

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

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

The Company finances its portfolio of investments out of its own capital resources and utilises third-party debt funding as appropriate on a limited basis. In addition, investee companies may themselves have gearing, which is ring-fenced within the 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 8,027,949 ordinary shares in the ordinary market and a further 213,541 ordinary shares as part of the share split and consolidation. Treasury shares were issued as part of the long-term Management Incentive Scheme approved by shareholders at the last Annual General meeting and also to effect the NBC acquisition (refer to note 24 for further details on movements in treasury shares). No shares were bought back during the prior year.

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

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

30. OPERATING LEASE COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

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

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

31. **CAPITAL COMMITMENTS**

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

32. **CONTINGENCIES AND GUARANTEES**

32.1 Guarantees

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

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

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

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

32.2 Contingent liabilities and contingent assets

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

33. DIRECTORS' REMUNERATION

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

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

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

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

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

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

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

33. DIRECTORS' REMUNERATION (CONTINUED)

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

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

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

The Group is not considered to have any key management personnel as defined by IAS 24 Related Party Disclosures, in addition to its Directors.

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

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

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

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

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

34. BLACKSTAR LONG-TERM MANAGEMENT INCENTIVE SCHEME

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

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

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

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

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

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

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

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

The cash award is equal to 50% of the Incentive Pool which is calculated based on growth in intrinsic Net Asset Value and with no reference to Blackstar's share price. Therefore, the cash award does not meet the definition of a cash-settled share-based payment in accordance with IFRS 2 Share-Based Payments.

34. **BLACKSTAR LONG-TERM MANAGEMENT INCENTIVE SCHEME (CONTINUED)**

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

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

Cash award under the Scheme

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

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

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

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

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

35. RELATED PARTIES

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

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

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

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

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

35. RELATED PARTIES (CONTINUED)

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

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

Included under the category BRE and the property subsidiaries in note 15 and 16

35. **RELATED PARTIES (CONTINUED)**

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

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

Included under the category BRE and the property subsidiaries in note 15 and 16

^ Not an associate in the prior year and thus information excluded for the 2012 financial year

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

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

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

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

36. **POST-BALANCE SHEET EVENTS**

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

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

The Property division acquired a new property, situated in a good office and retail node of Cape Town, for an amount of £1.6 million, R27.7 million. The property, which comprises 1 600m^2 of office space, already has a triple net lease for the next five years and the transfer is expected to be completed in the third quarter of 2014. Blackstar has paid a deposit of £0.2 million, R2.7 million and the balance of the purchase price will be financed through third party debt.

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

37. **SEGMENTAL INFORMATION**

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

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

The segments have been further explained as follows:

Investments

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

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

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

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

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

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

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

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

37. **SEGMENTAL INFORMATION (CONTINUED)**

Funds

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

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

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

Property

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

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

Segmental operating profit:

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

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

37. SEGMENTAL INFORMATION (CONTINUED)

Segmental assets

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

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

All Group revenues are derived in southern Africa and all of the Group's assets that are expected to be recovered more than 12 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.

EXTRACTS OF PUBLISHED AUDITED HISTORICAL FINANCIAL INFORMATION OF BLACKSTAR FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

The consolidated statements of financial position, statements of comprehensive income, statements of changes in equity, cash flow statements and notes of Blackstar for the financial year ended 31 December 2011, have been extracted and compiled from the audited consolidated annual financial statements of Blackstar, which are available on Blackstar's website.

The preparation of this **Annexure 2C** is the responsibility of the Blackstar Directors. The historical financial information of Blackstar has previously been audited by BDO Malta and reported on without qualification for all of the aforementioned financial periods.

Consolidated statement of income
for the year ended 31 December 2011

*As restated 2011 £'000		Notes	2011 R'000
91,058	Revenue	5	1,058,912
(78,887)	Cost of sales		(917,372)
12,171	**Gross profit**		141,540
1,176	Other income	6	91,369
(29,384)	Operating expenses	7	(351,502)
(16,037)	**Operating profit/(loss)**	8	(118,593)
(1,541)	Net finance costs	10	(17,912)
191	Finance income		2,220
(1,732)	Finance costs		(20,132)
43	Share of profit from associate	18	495
(17,535)	**Profit/(loss) before taxation**		(136,010)
(421)	Taxation	11	(4,935)
(17,956)	**Profit/(loss) from continuing operations**		(140,945)
	Discontinuing operations		
10,739	Profit from discontinued operations, net of taxation	12	115,151
(7,217)	**Profit/(loss) for the year**		(25,794)
	Profit/(loss) for the period attributable to:		
(7,584)	Equity holders of the parent		(29,832)
367	Non-controlling interests		4,038
(7,217)			(25,794)
(9.62)	**Basic and diluted earnings/(losses) per ordinary share attributable to equity holders (in cents/pence)**	13	(37.86)
(22.65)	**Basic and diluted earnings/(losses) per ordinary share attributable to equity holders from continuing operations (in cents/pence)**	13	(177.29)

*Refer to note 4

The notes on pages 136 to 203 form part of the consolidated financial statements.

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

2011 £'000		2011 R'000
(7,217)	**Loss for the year**	(25,794)
	Other comprehensive loss:	
(9,075)	Currency translation differences on translation of Rand denominated Group entities	–
(1,261)	Release of foreign currency translation reserve on disposal of associate/subsidiary	–
(10,336)	**Net comprehensive loss recognised directly in equity**	–
(17,553)	**Total comprehensive loss for the year**	(25,794)
	Attributable to:	
(18,095)	Equity holders of the parent	(29,832)
542	Non-controlling interests	4,038
(17,553)		(25,794)

The notes on pages 136 to 203 form part of the consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2011

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares reserve £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Attributable to equity holders £'000	Non-controlling interests £'000	Total equity £'000
Balance as at 31 December 2010	50,130	–	2,893	–	22,569	14,604	90,196	(2,474)	87,722
Total comprehensive income/(loss) for the period	–	–	–	–	(7,584)	(10,511)	(18,095)	542	(17,553)
Income/(loss) for the period	–	–	–	–	(7,584)	–	(7,584)	367	(7,217)
Other comprehensive income/(loss) for the period	–	–	–	–	–	(10,511)	(10,511)	175	(10,336)
Capital raising	6,923	1,974	–	–	–	–	8,897	–	8,897
Buy-back of ordinary shares	–	–	–	(2,272)	–	–	(2,272)	–	(2,272)
Arising on reclassification of investment, now a subsidiary (refer to note 33)	–	–	–	–	–	–	–	6	6
Reduction in non-controlling interests arising on subsidiary share buy-back of shares from non-controlling shareholders (refer to note 36)	–	–	–	–	(4,577)	–	(4,577)	4,577	–
Reduction in non-controlling interests arising on acquisition of additional interests in subsidiary (refer to note 36)	–	–	–	–	(415)	–	(415)	415	–
Arising on disposal of subsidiary (refer to note 36)	–	–	–	–	–	–	–	(3,126)	(3,126)
Release of foreign currency translation reserve on disposal of investments	–	–	–	–	815	(815)	–	–	–
Dividend paid	–	–	–	–	(6,217)	–	(6,217)	–	(6,217)
Balance as at 31 December 2011	57,053	1,974	2,893	(2,272)	4,591	3,278	67,517	(60)	67,457

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

A special dividend of 6.5 pence, 80.53 South African cents, per ordinary share was paid on 2 December 2011.
The notes on pages 136 to 203 form part of the consolidated financial statement.

Consolidated statement of changes in equity for the year ended 31 December 2011

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

Consolidated statement of financial position
as at 31 December 2011

2011 £'000		Notes	2011 R'000
	Non-current assets		
7,563	Property, plant and equipment	14	94,872
7,018	Investment properties	15	88,050
2,884	Goodwill	16	36,178
2,947	Intangible assets	17	36,972
16,437	Investments in associates	18	206,234
144	Investments classified as loans and receivables	19	1,799
3,687	Investments at fair value through profit and loss	20	46,260
–	Other financial assets	21	–
92	Deferred tax assets	28	1,157
40,772			511,522
	Current assets		
2,042	Investments classified as loans and receivables	19	25,628
10,398	Investments at fair value through profit and loss	20	130,457
2	Other financial assets	21	23
24	Current tax assets		310
11,540	Trade and other receivables	22	144,797
10,042	Inventories	23	125,997
20,334	Cash and cash equivalents	24	255,124
54,382			682,336
95,154	**Total assets**		1,193,858
	Non-current liabilities		
(7,077)	Borrowings	25	(88,792)
(785)	Other financial liabilities	26	(9,844)
(199)	Provisions	27	(2,490)
(1,499)	Deferred tax liabilities	28	(18,802)
(9,560)			(119,928)
	Current liabilities		
(602)	Borrowings	25	(7,549)
(6,308)	Other financial liabilities	26	(79,150)
(93)	Provisions	27	(1,168)
(85)	Current tax liabilities		(1,069)
(11,044)	Trade and other payables	29	(138,569)
(5)	Bank overdrafts	24	(65)
(18,137)			(227,570)
(27,697)	**Total liabilities**		(347,498)
67,457	**Total net assets**		846,360

2011 £'000		Notes	2011 R'000
	Equity		
57,053	Share capital	30	596,879
1,974	Share premium	30	22,125
2,893	Capital redemption reserve	30	29,965
(2,272)	Treasury shares reserve	30	(29,452)
3,278	Foreign currency translation reserve	30	–
4,591	Retained earnings	30	227,597
67,517	**Total equity attributable to equity holders**		847,114
(60)	Non-controlling interest		(754)
67,457	**Total equity**		846,360
79	**Net asset value per share (in cents/pence)**	31	993

The notes on page 135 to 203 form part of the consolidated financial statements.

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

Andrew Bonamour
Director

John Mills
Director

Consolidated statement of cash flows
for the year ended 31 December 2011

2011 £'000		Notes	2011 R'000
	Cash flow from operating activities		
2,013	Cash generated/(absorbed) by operations	32	71,614
310	Interest received		3,503
(1,627)	Interest paid		(16,504)
230	Dividends received		2,670
(1,431)	Taxation paid		(15,981)
(505)	**Cash generated/(absorbed) by operating activities**		45,302
	Cash flow from investing activities		
(1,164)	Purchase of property, plant and equipment		(13,297)
(5,018)	Purchase of investment property		(58,350)
(1,883)	Additions to investments classified as loans and receivables		(21,683)
(2,965)	Purchase of investments at fair value through profit or loss		(34,042)
2	Acquisition of subsidiaries, net of cash acquired	33	23
446	Proceeds from disposal of property, plant and equipment		5,186
3,080	Proceeds from disposal of investments		37,268
23,006	Disposal of discontinued operations, net of cash disposed	12	272,476
15,504	**Cash generated by investing activities**		187,581
	Cash flow from financing activities		
4,728	Proceeds from borrowings		54,980
(2,181)	Repayment of borrowings		(24,163)
(16,804)	Movement in other financial liabilities (including short-term funding facilities)		(197,582)
(2,272)	Buy-back of ordinary shares		(29,452)
8,897	Capital raising		99,737
(6,217)	Dividends paid to equity holders of the parent		(80,175)
(13,849)	**Cash absorbed by financing activities**		(176,655)
1,150	**Net increase in cash and cash equivalents**		56,228
19,195	Cash and cash equivalents at beginning of year		198,831
(16)	Exchange losses on cash and cash equivalents		–
20,329	**Cash and cash equivalents at the end of the year**	24	255,059

The notes on pages 136 to 203 form part of the consolidated financial statements.

1. ACCOUNTING POLICIES

1.1 Basis of preparation

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

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

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

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

1.2 Basis of consolidation

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

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

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

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

1.3 Goodwill

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

1. **ACCOUNTING POLICIES (CONTINUED)**

1.3 **Goodwill (continued)**

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

1.4 **Property, plant and equipment**

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

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

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

Residual values and useful lives are reassessed annually.

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

The estimated useful lives are as follows:

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

Land is not depreciated.

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

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

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

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

1.5 **Investment properties**

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

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

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

1. **ACCOUNTING POLICIES (CONTINUED)**

1.6 **Intangible assets**

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

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

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

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

1.7 **Leases**

1.7.1 **Operating leases**

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

1.7.2 **Finance leases**

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

1.8 **Impairment**

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

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

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

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. **ACCOUNTING POLICIES (CONTINUED)**

1.9 **Inventories (continued)**

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

1.10 **Associates**

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

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

1.11 **Financial instruments**

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

1.11.1 **Financial assets**

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

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

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

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

1. **ACCOUNTING POLICIES (CONTINUED)**

1.11 **Financial instruments (continued)**

1.11.1 **Financial assets (continued)**

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

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

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

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

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

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

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

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

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

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

1.11.2 **Financial liabilities and equity instruments issued by the Group**

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

1. **ACCOUNTING POLICIES (CONTINUED)**

1.11 **Financial instruments (continued)**

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

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

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

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

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

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

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

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

1.12 **Derivative financial instruments**

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

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to the fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedging relationship.

The Group designates certain derivatives as either hedges of the fair value of recognised assets and liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations.

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

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

1.13 **Provisions and contingent liabilities**

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

1. **ACCOUNTING POLICIES (CONTINUED)**

1.13 **Provisions and contingent liabilities (continued)**

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

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

1.14 **Employee benefits**

1.14.1 **Short-term employee benefits**

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

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

1.14.2 **Retirement benefits**

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

1.15 **Revenue and investment income**

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

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

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

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

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

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

1.16 **Finance income and finance costs**

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

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

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

1. **ACCOUNTING POLICIES (CONTINUED)**

1.17 **Tax**

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

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

a) the initial recognition of goodwill; or

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

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

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

a) the parent is able to control the timing of the reversal of the temporary difference; and

b) it is probable that the temporary difference will not reverse in the foreseeable future.

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

a) is not a business combination; and

b) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

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

1.18 **Translation of foreign currencies**

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

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

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

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

1. **ACCOUNTING POLICIES (CONTINUED)**

1.19 **Foreign operations**

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

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

1.20 **Operating segments**

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

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

1.21 **Significant judgements and areas of estimation**

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

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

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

1.21.1 **Investments**

(Refer to note 18 and 19).

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

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

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

1.21.2 **Asset lives and residual values**

(Refer to note 14).

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

1. ACCOUNTING POLICIES (CONTINUED)

1.21 Significant judgements and areas of estimation (continued)

1.21.3 Impairment of assets

(Refer to note 14, 15 and 16).

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

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

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

2. DETERMINATION OF FAIR VALUES

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

2.1 Determination of fair values arising on business combinations

2.1.1 Property, plant and equipment

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

2.1.2 Investment properties

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

2.1.3 Intangible assets

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

2.1.4 Inventories

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

2. DETERMINATION OF FAIR VALUES (CONTINUED)

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

2.1.5 Trade and other receivables

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

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

2.2.1 Investments

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

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

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

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

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

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

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

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

2.2.2 Derivatives

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

2.2.3 Non-derivative financial liabilities

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

3. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

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

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

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

IFRS 9

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

IAS 32 and IFRS 7 (Amendments)

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

IFRS 7 (Amendments)

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

IAS 12 (Amendments)

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

3. **NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (CONTINUED)**

IAS 1 (Amendments)

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

IAS 27 (Amendments)

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

IAS 28 (Amendments)

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

IFRS 10 (New)

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

IFRS 11 (New)

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

IFRS 12 (New)

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

IFRS 13 (New)

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

4. **COMPARATIVE FIGURES**

4.1 **Adoption of a secondary presentational currency**

In light of the fact that more than 50% of Blackstar's shareholders are now South African, the decision was taken to add the South African Rand as an additional presentational currency (Blackstar's functional currency is the Rand). Blackstar's financial report is therefore published in both Pounds and Rands.

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

4. COMPARATIVE FIGURES (CONTINUED)

4.1 Adoption of a secondary presentational currency (continued)

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

	Closing rate at 31 December 2010
GBP/ZAR	10.3584

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

Condensed consolidated statement of financial position as at 31 December 2010

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

4.2 Presentation of the statement of income

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

4. **COMPARATIVE FIGURES (CONTINUED)**

4.3 **Restatement of comparative information for discontinued operations**

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

5. **REVENUE**

2011 £'000		2011 R'000
90,439	Sale of goods	1,051,718
619	Rendering of services	7,194
91,058		1,058,912

6. **OTHER INCOME**

*As restated 2011 £'000		2011 R'000
632	Net gains on investments (refer to note 6.1)	394
866	Fees, dividends and interest from loans and receivables (refer to note 6.2)	10,090
313	Rental income from investment properties	3,645
48	Net profit on sale of property, plant and equipment	555
1	Insurance claims and legal fees recovered	7
–	Fair value adjustment to investment properties	–
233	Other sundry income	2,841
(1,318)	Net foreign exchange (losses)/gains	69,173
401	Sale of scrap and bad debt recoveries	4,664
1,176		91,369

*Refer to note 4.

6.1 **Net gains on investments**

2011 £'000		2011 R'000
(160)	Net losses on investments classified as loans and receivables	–
(1,811)	Net losses on investments held at fair value through profit and loss	(12,782)
174	Net gains on trading financial instruments at fair value through profit and loss	2,020
2,429	Gains on derivatives in hedge relationships	11,156
632	Net gains on investments	394

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

2011 £'000		2011 R'000
230	Dividends from investments at fair value through profit and loss	2,670
187	Interest income from unimpaired investments classified as loans and receivables	2,173
449	Fee income	5,247
866		10,090

7. OPERATING EXPENSES

*As restated 2011 £'000		2011 R'000
1,551	Sales and distribution costs	18,043
27,833	Administrative expenses	333,459
2,840	Depreciation and amortisation	32,743
11,382	Impairment of goodwill	141,619
861	Impairment of intangible assets	9,869
202	Impairment of property, plant and equipment	2,345
–	Impairment of investment property	–
9,999	Other administrative expenses	117,243
175	Direct operating expenses relating to investment property	2,033
2,374	Exceptional, non recurring costs #	27,607
29,384		351,502

*Refer to note 4.

Exceptional non recurring costs included costs incurred on the secondary listing on the Altx; conversion of the company to a Societas Europaea and transfer to Malta; and deal costs arising on the aborted offer to acquire the entire share capital of New Bond Capital Limited ("NBC").

8. OPERATING PROFIT/(LOSS)

Loss from operations has been arrived at after charging the following for both continuing and discontinuing operations.

2011 £'000		2011 R'000
	Auditor's remuneration	
	Paid to Group auditors and their associates	
65	Audit fees of the Group and Company annual accounts	756
–	Other services pursuant to legislation	–
34	Other assurance services	395
158	Paid to associates of BDO Malta for audit of Subsidiaries	1,837
257		2,988
	Staff costs	
11,458	Wages and salaries	133,239
119	Social security costs	1,387
1,559	Pension costs	18,124
13,136		152,750
	Impairment losses arising on financial assets:	
771	Trade receivables (raised via provision for impairment)	8,954
–	Investments	–
771		8,954

8. **OPERATING PROFIT/(LOSS) (CONTINUED)**

2011 £'000		2011 R'000
	Property, plant and equipment:	
2,252	Depreciation	26,025
202	Impairment	2,345
2,454		28,370
	Intangible assets:	
588	Amortisation	6,718
861	Impairment	9,869
1,449		16,587
	Investment property	
–	Fair value adjustments to investment properties	–
–	Impairment of investment property	–
175	Direct operating expenses relating to investment property	2,033
11,382	Impairment of goodwill	141,619
(222)	Write up of inventory to net realisable value	(2,582)
	Foreign exchange losses/(gains) on forward exchange contracts	
76	Realised	883
(44)	Unrealised	(512)
32		371
2,505	Operating lease expense	29,129

9. **EMPLOYEES**

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

	2011
Managerial	67
Administrative	152
Operational	801
	1,020

The number of employees has declined as a result of Stalcor (Pty) Limited ("Stalcom") disposing of the Baldwins division as well as branch closures in 2011 (refer to note 12).

10. **NET FINANCE COSTS**

2011 £'000		2011 R'000
191	Finance income	2,220
186	Interest income on bank balances	2,159
5	Interest income on trade and other receivables	61
(1,732)	Finance costs	(20,132)
(13)	Interest expense on bank overdrafts	(148)
(541)	Interest expense and finance costs on borrowings from banks	(6,289)
(8)	Interest expense on non-controlling shareholder loans	(93)
(51)	Interest expense on capitalised financial leases and instalment sale agreements	(591)
(462)	Interest expense on inventory financing facilities	(5,370)
(612)	Interest expense on debtors invoice discounting facilities	(7,119)
(45)	Interest expense on other financial liabilities and trade and other payables	(522)
(1,541)		(17,912)

11. **TAXATION**

2011 £'000		2011 R'000
760	Current taxation	8,838
614	Current year	7,151
146	Prior years under provision	1,687
(367)	Deferred taxation	(4,234)
(367)	Current year	(4,234)
–	Prior years under provision	–
28	Net wealth tax and secondary tax on companies	331
421		4,935

11. **TAXATION (CONTINUED)**

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

2011 £'000		2011 R'000
(6,375)	Loss before taxation	(4,216)
(2,902)	Add back share of profits of associates	(33,744)
(9,277)	Loss before taxation and share of profit from associates	(37,960)
(2,672)	Tax at standard rate of corporate tax in Luxembourg	(10,932)
3,695	Differing foreign tax rates	3,942
788	Income and expenses not subject to tax	15,445
(1,143)	Tax losses utilised	(937)
146	Over provision from prior-years	1,687
28	Net wealth tax and secondary tax on companies	331
842	Current tax charge for the year for both continuing and discontinuing operations	9,536

12. **DISCONTINUED OPERATIONS**

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

- In 2011, the steel business, Stalcor (Pty) Limited ("Stalcor"), was restructured resulting in the sale of the Baldwins division and closure of two branches; and
- In 2011, the subsidiary Ferro Industrial Products (Pty) Limited ("Ferro") was sold effective June 2011.

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

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

2011 £'000		2011 R'000
2,859	Shares of profits of associate	33,249
2,188	Exceptional gain on dilution of interest in associate	22,476
–	Gain on disposal of discontinued operations, net of taxation	–
5,047	**Profit for the year**	55,725
	Profit for the year attributable to:	
5,047	Equity holders of the parent	55,725
–	Non-controlling interests	–
5,047		55,725

12.1 **Sale of Baldwins division and branch closures**

During the period, Stalcor comprised of two main operating divisions, namely Baldwins and Stalcor. Due to overall poor performance of Stalcor, the decision was taken to restructure the steel business. As a result of this decision, the loss making Baldwins division was sold to Robor (Pty) Limited ("Robor") effective 1 June 2011, Stalcor's head office function was restructured and two of its coastal branches were closed. During the current year, further residual costs were incurred by this discontinued operation.

12. DISCONTINUED OPERATIONS (CONTINUED)

12.1 Sale of Baldwins division and branch closures (continued)

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

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

12. DISCONTINUED OPERATIONS (CONTINUED)

12.1 Sale of Baldwins division and branch closures (continued)

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

12.2 Sale of Ferro

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

12. DISCONTINUED OPERATIONS (CONTINUED)

12.2 Sale of Ferro (continued)

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

Year to 31 December 2011 £'000		Year to 31 December 2011 R'000
	Cash flows generated by discontinued operation	
1,447	Cash generated from operating activities	16,827
(496)	Cash absorbed from investing activities	(5,768)
(687)	Cash absorbed from financing activities	(7,989)
264	Effect on cash flows	3,070

12. DISCONTINUED OPERATIONS (CONTINUED)

12.2 Sale of Ferro (continued)

Year to 31 December 2011 £'000		Year to 31 December 2011 R'000
	Effect of disposal on the financial position of the Group	
	The net assets disposed of were as follows:	
6,980	Property, plant and equipment	75,965
3,878	Goodwill, net of impairment	42,209
7,051	Intangible assets	76,738
5,178	Inventories	56,361
5,203	Trade and other receivables	56,629
3,127	Cash and cash equivalents	34,028
(10,449)	Borrowings	(113,719)
(10)	Other financial liabilities	(114)
(2,048)	Deferred tax liabilities	(22,292)
(75)	Current tax liabilities	(813)
(4,834)	Trade and other payables	(52,618)
14,001	Net assets and liabilities	152,374
(3,126)	Minorities share of net assets and liabilities	(34,020)
	Consideration received	
15,902	Cash received for shares	185,432
5,027	Gain on disposal of discontinued operation	67,078
1,261	Release of foreign currency tranlsation reserve relating to subsidiary	–
–	Related tax expense	–
6,288	Gain on disposal of discontinued operation, net of taxation	67,078
15,902	Consideration received, satisfied in cash	185,432
(3,127)	Cash and cash equivalents disposed of	(34,028)
12,775	Net cash inflow on disposal of discontinued operation	151,404

12. DISCONTINUED OPERATIONS (CONTINUED)

12.3 Summary of all discontinued operations

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

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

*Refer to note 4.

12. DISCONTINUED OPERATIONS (CONTINUED)

12.3 Summary of all discontinued operations (continued)

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

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

13. EARNINGS PER SHARE

13.1 Basic and diluted losses per share

*As restated Year to 31 December 2011 £'000		Year to 31 December 2011 R'000
(17,848)	Net loss attributable to equity holders of the parent from continuing operations	(139,698)
10,264	Net profit attributable to equity holders of the parent from discontinued operations	109,866
(7,584)	Total net loss attributable to equity holders of the parent	(29,832)
78,797	Weighted average number of shares in issue (thousands)	78,797
(9.62)	Basic and diluted losses per ordinary share attributable to equity holders (in cents/pence)	(37.86)
(22.65)	Basic and diluted losses per ordinary share attributable to equity holders from continuing operations (in cents/pence)	(177,29)

*Refer to note 4

13.2 Basic and diluted headline losses per shares^

*As restated Year to 31 December 2011 £'000		Year to 31 December 2011 R'000
(7,584)	Profit/(loss) for the period attributable to equity holders of the parent	(29,832)
	Adjusted for:	
(2,188)	Exceptional gain on dilution of interest in associate	(22,476)
(7,861)	Gain on disposal of discontinued operation	(85,373)
861	Impairment of intangible assets	9,869
11,382	Impairment of goodwill	141,619
202	Impairment of property, plant and equipment	2,345
–	Impairment of investment properties	–
(248)	Non-headline items included in equity accounted profits of associates	(2,885)
(91)	Profit on disposal of property, plant and equipment	(1,055)
(272)	Total tax effects of adjustments	(3,121)
15	Total non-controlling interests' effects of adjustments	183
(5,784)	Headline (losses)/earnings	9,274
(7.34)	**Basic and diluted headline earnings/(losses) per ordinary share attributable to equity holders (in cents/pence)**	11.77

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

*Refer to note 4

14. **PROPERTY, PLANT AND EQUIPMENT**

2011 £'000		2011 R'000
11,550	Cost	139,203
2,060	Land and buildings	25,963
7,122	Plant and machinery	85,174
539	Vehicles	6,362
1,089	Office furniture, fixtures and equipment	12,912
740	Capital work in progress	8,792
(3,987)	Accumulated depreciation	(44,331)
(56)	Land and buildings	(713)
(2,849)	Plant and machinery	(31,209)
(208)	Vehicles	(2,212)
(874)	Office furniture, fixtures and equipment	(10,197)
–	Capital work in progress	–
7,563	Carrying amount	94,872

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

During the year ended 31 December 2011 an impairment of £202,000, R2,345,000 on office equipment belonging to Stalcor was recognised.

15. INVESTMENT PROPERTIES

2011 £'000		2011 R'000
7,018	Cost on valuation	88,050
–	Accumulated impairment losses	–
7,018	Carrying amount	88,050
–	Carrying amount at the beginning of the year	–
5,018	Additions	58,350
–	Transfer from property plant and equipment	–
–	Fair value adjustments *	–
–	Impairments *	–
2,554	Arising on reclassification of investment, now a subsidiary	29,700
(554)	Currency exchange losses during the year	–
7,018	Carrying amount at the end of the year	88,050

*The properties were valued by independent valuators at the end of the current financial year and fair value adjustments (and an impairment) were recognised.

Investment properties comprises three properties:

- ERF 192 – 195 situated in Richmond, Pietermaritzburg, at a fair value of £2,395,000, R30,050,000. The property earns rentals from various tenants within the commercial building.
- ERF 204 situated in Randjespark, Extension 36 Township, Midrand, at a fair value of £4,623,000, R58,000,000. The property is leased to a company within the Litha group for a 12-year period with rentals escalating at 8% per annum.

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

16. GOODWILL

2011 £'000		2011 R'000
20,483	Cost	256,996
(17,599)	Accumulated impairment losses	(220,818)
2,884	Carrying amount	36,178
18,835	Carrying amount at the beginning of the year	202,448
(3,878)	On disposal of business	(42,209)
(1,945)	Impairment arising on goodwill in respect of Stalcor and GRS	(23,214)
(9,437)	Impairment arising on goodwill in respect of internalisation of investment advisory arrangements	(118,405)
(691)	Currency exchange (losses)/gains during the year	17,558
2,884	Carrying amount at the end of the year	36,178

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

2011 £'000		2011 R'000
1,945	Blackstar Group (Pty) Limited ("Blackstar SA") and internalisation of investment advisory arrangements (net of impairment)	24,406
939	Arising on acquisitions made by GRS	11,772
2,884	Carrying amount at the end of the year	36,178

16. GOODWILL (CONTINUED)

16.1 Impairment testing

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

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

16. **GOODWILL (CONTINUED)**

16.1 **Impairment testing**

Impairment testing for Investment activities segment

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

The internalisation gave rise to goodwill of £14,882,000, R161,507,000. The recoverable amount has been determined using a discounted cash flow model using the the net asset value of the Group at the end of the year, a growth rate of 0.7% and a weighted average cost of capital of 15.0%. In 2011, the recoverable amount was less than the carrying amount and an impairment of £9,437,000, R118,405,000 was recognised.

Impairment testing for Industrial chemicals and Industrial metals segments

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

A weighted average cost of capital of 20.0% was used to determine the recoverable amounts for each cash-generating units within the Industrial metals segment and was determined using a South African Government Bond risk free rate, appropriate risk premiums, Betas of industry comparable companies, South African debt rates and tax rates and the debt ratios of industry comparable companies.

An impairment loss of £1,945,000, R23,214,000 was recognised at 31 December 2011 as the carrying amount of goodwill for CGU's 4 and 5 within the Industrial metals segment exceeded their recoverable amounts. These cash-generating units manufacture steel roofing and cladding. These units were negatively impacted by difficult market conditions including a decline in demand and weaker prices. This resulted in a lower recoverable amount for these particular cash-generating units and the recognition of an impairment of goodwill.

17. **INTANGIBLE ASSETS**

2011 £'000		2011 R'000
4,954	Cost	62,152
4,144	Marketing related intangibles (brands)	51,992
810	Customer related intangibles	10,160
(2,007)	Accumulated amortisation and impairments	(25,180)
(1,197)	Marketing related intangibles (brands)	(15,020)
(810)	Customer related intangibles	(10,160)
2,947	Carrying amount	36,972

17. INTANGIBLE ASSETS (CONTINUED)

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

17. **INTANGIBLE ASSETS (CONTINUED)**

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

GRS has experienced difficult trading conditions which has negatively impacted its profitability and resulted in intangible assets within the Industrial metals segment being impaired by an amount of £861,000, R9,869,000 during the current financial year. The total impairment expense arose as the recoverable amounts of the cash-generating units to which these intangible assets were allocated were less than their carrying values and subsequent to impairment of the goodwill, this deficit was allocated to the intangible assets within each cash-generating unit (refer to note 16 for details of the impairment testing performed on the individual cash-generating units within the Industrial metals segment).

There are no individually material intangible assets requiring separate disclosure.

18. **INVESTMENTS IN ASSOCIATES**

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

*Incorporated in South Africa

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

31 December 2011 £'000		31 December 2011 R'000
117,273	Total assets	1,471,411
(75,695)	Total liabilities	(949,729)
41,578	Net assets	521,682
16,437	Group's share of associates	206,234

31 December 2011* £'000		31 December 2011 R'000
1,903	Total revenue	22,131
170	Total profit for the period	1,979
43	Group's share of associates	495

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

31 December 2011 £'000		31 December 2011 R'000
	Continuing operations	
43	Share of profits of associate	495
5,047	**Discontinued operations**	55,725
2,859	Share of profits of associate	33,249
2,188	Exceptional gain on dilution of interest in associate	22,476
–	Gain on disposal of associate, net of taxation	–
5,090		56,220

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

19. INVESTMENTS CLASSIFIED AS LOANS AND RECEIVABLES

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

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

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

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

Investments classified as loans and receivables comprise the following:

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

Refer to note 34 Financial instruments for further disclosure.

20. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS

2011 £'000		2011 R'000
12,601	Fair value at the beginning of the year	130,524
7,798	Additions during the year at cost *	88,142
–	Additions arising on creation of the Blackstar Special Opportunities Fund ("BSOF")	–
(3,791)	Disposals during the year at cost	(49,907)
1,249	Unrealised gains on disposals recognised in prior years	16,576
(744)	Unrealised losses during the year	(5,880)
(329)	Other movements ^	(3,827)
–	Exchange gains recognised in profit and loss on investments denominated in a foreign currency	1,089
(2,699)	Currency exchange losses during the year	–
14,085	Fair value at the end of the year	176,717

*Additions in the year include Robor shares with a fair value of £4,512,000, R50,374,000 received on disposal of the Baldwins operation (refer to note 12).

^ Movements in the year represent balances that are transferred out of the investments at fair value through profit and loss classification as a result of the investment now being considered a subsidiary and thus has been consolidated (refer to note 36).

2011 £'000		2011 R'000
3,687	Non–current portion	46,260
10,398	Current portion	130,457
14,085		176,717

Analysis of gains/(losses) on investments

2011 £'000		2011 R'000
2,095	Proceeds on disposals during the year	25,340
(3,791)	Investments at cost	(49,907)
(1,696)	Realised losses on disposals based on historical cost	(24,567)
1,249	Add unrealised (gains)/losses on disposals recognised in prior-years	16,576
(447)	Realised losses recognised in profit and loss on disposals based on carrying value at prior year balance sheet date	(7,991)
(620)	Realised exchange gains on disposal of investments released directly to retained earnings	–
–	Exchange gains recognised in profit and loss on investments denominated in a foreign currency	1,089
(744)	Unrealised gains/(losses) during the year	(5,880)
(1,811)	Net gains/(losses) on investments	(12,782)

20. INVESTMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS (CONTINUED)

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

2011 £'000		2011 R'000
7,672	Derivative investment in a services company, which gives the Group exposure to a minority interest in the underlying services company	96,258
3,507	Ordinary shares in Robor (Pty) Limited	44,000
291	Investment in FBDC Investor Offshore Holdings L.P.	3,650
2,615	Other listed shares, funds and fixed income securities	32,809
14,085	Fair value at the end of the year	176,717

Refer to note 34 Financial instruments for further disclosure.

21. OTHER FINANCIAL ASSETS

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

Refer to note 34 Financial instruments for further disclosure.

22. TRADE AND OTHER RECEIVABLES

2011 £'000		2011 R'000
12,053	Trade receivables	151,232
(874)	Impairment allowance	(10,970)
11,179		140,262
190	Prepayments and accrued income	2,388
171	Other receivables	2,147
11,540		144,797

For details of trade receivables pledged as security refer to note 25 Borrowings and note 26 Other financial liabilities. Refer to note 34 Financial instruments for further disclosure.

23. INVENTORIES

2011 £'000		2011 R'000
5,867	Finished goods	73,613
190	Work in progress	2,380
3,985	Raw materials	50,004
10,042		125,997

23. **INVENTORIES (CONTINUED)**

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

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

24. **CASH AND CASH EQUIVALENTS**

2011 £'000		2011 R'000
20,334	Deposits and cash at bank	255,124
(5)	Overdrafts	(65)
20,329	Cash and cash equivalents per the cash flow statement	255,059

Cash and cash equivalents held by South African subsidiaries of £3,549,000,R44,532,000, are ring-fenced and are not available to other entities within the Group. Transfers of cash are subject to South African exchange control regulations. Cash and cash equivalents held at the centre (comprising Blackstar Group SE, Blackstar (Cyprus) Investors Limited ("Blackstar Cyprus") and Blackstar (Gibraltar) Limited ("Blackstar Gibraltar") amounted to £16,779,315, R210,527,000 at year-end.

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

25. **BORROWINGS**

Borrowings comprise the following:

2011 £'000		2011 R'000
	Unsecured	
76	Loan which bears interest at a fixed rate of 10% per annum and is repayable in monthy instalment ending in 2013	950
454	Loans to property companies from non-controlling shareholders. One of the loans bears interest at South African Prime rate plus 200 basis points whilst the remaining loans are interest free. The loans have no fixed terms of repayment	5,701
399	Loan which bears no interest and is repayable on demand	5,000
125	Cumulative redeemable preference shares in subsidiary (property company) held by a non-controlling shareholder. Dividends are payable at the South African Prime rate plus 200 basis points nominal annual compounded monthly and the shares are redeemable on date of sale of the property or earlier at the discretion of the issuer	1,573
	Secured	
6,625	Mortgage loans taken out by property companies. The loans bear interest at fixed rates ranging between 8% and 12.37% repayable in fixed monthly instalments escalating by between 7% and 10% per annum within the final instalment due in 2022 *	83,117
–	Loan to finance acquisition of investment in the New Bond Capital Limited (previously Mvelaphanda Group Limited). The loan bears interest at the South African Prime rate plus15 basis points nominal annual compounded semi-annually in arrears, with a bullet payment of the capital in January 2014	–
7,679		96,341

*The following security has been provided for BRE's mortgage loan: unconditional, irrevocable guarantees from Blackstar Group SE for the full obligations of BRE and for the full rental obligations of Stalcor; shareholder loans in BRE have been subordinated in favour of the lender (the bank); first covering mortgage bonds are registered over the properties (included in property, plant and equipment) in favour of the lender for an aggregate amount of £1.0 million, R14.4 million plus costs; cession of rental income in respect of any lease agreement concluded or to be concluded in respect of the properties; and cession of all insurance policies over the mortgaged properties. For the remaining mortgage loans the properties with a carrying value of £7.0 million, R88.1 million included in investment properties have been provided as security and the shareholders of the respective property companies who took out the mortgage loans have stood surety for the outstanding debt.

2011 £'000		2011 R'000
7,077	Non-current portion	88,792
602	Current portion	7,549
7,679		96,341

26. OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise the following:

2011 £'000		2011 R'000
6,087	Debtors invoicing discounting facilities. The one facility bears interest at South African Prime rate plus 275 basis points and the other facility bears interest at South Africa Prime Rate. Interest is repayable monthly in arrears and capital is repayable on a rolling unspecified period	76,370
643	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	8,071
363	Asset finance loan, which bears interest at a fixed rate of 10% per annum and is repayable in monthly instalments ending in 2013 ^	4,551
	Derivatives effective as hedging instruments carried at fair value	
–	Forward exchange contracts ("FECs")	2
7,093		88,994

^ Assets with a carrying value of £0.4 million, R5.9 million, included in property, plant and equipment have been provided as security.

2011 £'000		2011 R'000
785	Non-current portion	9,844
6,308	Current portion	79,150
7,093		88,994

Refer to note 34 Financial instruments for further disclosure.

27. PROVISIONS

2011 £'000		2011 R'000
199	Non-current portion	2,490
93	Current portion	1,168
292		3,658

Provisions comprise the following:

Provision for rectification

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

Provision for redundancies

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

Provision for onerous contracts

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

Provision for contingent consideration

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

27. PROVISIONS (CONTINUED)

Total £'000	Provision for contingent consideration £'000	Provision for onerous contracts £'000	Provision for redundancies £'000	Provision for rectification £'000		Provision for rectification R'000	Provision for redundancies R'000	Provision for onerous contracts R'000	Provision for contingent consideration R'000	Total R'000
485	111	233	55	86	Balance at 31 December 2010	891	572	2,411	1,153	5,027
172	–	59	–	113	Created	1,318	–	687	–	2,005
(290)	(43)	(166)	(49)	(32)	Utilised	(370)	(572)	(1,930)	(502)	(3,374)
(75)	(16)	(33)	(6)	(20)	Currency exchange losses	–	–	–	–	–
292	**52**	**93**	**–**	**147**	**Balance at 31 December 2011**	**1,839**	**–**	**1.168**	**651**	**3,658**

28. DEFERRED TAXATION

28.1 Movement in net deferred taxation

2011 £'000		2011 R'000
(4,608)	Net deferred tax liability at the beginning of the year	(47,733)
367	Recognised in income statement for continuing operations	4,234
–	Underprovision for prior-year	–
312	Recognised in income statement under net profit/loss from discontinued operations	3,562
–	On acquisition of business	–
2,048	On disposal of businesses	22,292
474	Currency exchange gains during the year	–
(1,407)	Net deferred tax liability at the end of the year	(17,645)

28.2 Recognised deferred tax assets and liabilities

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

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

28.3 Unrecognised deferred tax assets

Blackstar Group SE has unutilised cumulative losses and capitalised expenses of £12,159,0000, R152,558,000, that are deductible for tax purposes. Deferred tax assets have not been recognised due to the degree of uncertainty over both the amount and utilisation of the underlying tax losses and deductions.

The Group's subsidiary Stalcor has tax losses of £12,301,000, R154,343,000, on which a deferred tax asset has not been recognised as it is not probable that future taxable profit will be available against which these tax losses can be utilised. The tax losses do not expire.

29. TRADE AND OTHER PAYABLES

2011 £'000		2011 R'000
7,734	Trade payables	97,034
657	Salary related accruals	8,242
2,653	Other payables and accrued expenses	33,293
11,044		138,569

Refer to note 34 Financial instruments for further disclosure.

30. SHARE CAPITAL AND RESERVES

2011 £'000		2011 R'000
	Authorised	
100,500	150,000,000 ordinary shares of € 0.76 each	1,553,754
	Issued and fully paid	
57,053	85,288,422 ordinary shares of € 0.76 each	596,879
Number of shares	**Movement of the ordinary shares of € 0.76 each for the year**	Number of shares
74,821,193	Total number of shares in issue at the beginning of the year	74,821,193
10,467,229	Issue of new shares	10,467,229
–	Treasury shares cancelled	–
85,288,422	**Total number of shares in issue at the end of the year**	85,288,422

Share capital

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

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

Share premium

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

Capital redemption revenue

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

Shares held in treasury

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

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 Pound.

Retained earnings

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

31. NET ASSET VALUE PER SHARE

2011 £'000		2011 R'000
67,517	Total net assets attributable to equity holders	847,114
85,288	Number of shares in issue (thousands)	85,288
79	Net asset value per share (cents/pence)	993

32. CASH GENERATED/(ABSORBED) BY OPERATIONS

2011 £'000		2011 R'000
(7,217)	Loss for the year	(25,794)
	Taxation	
421	Continuing operations	4,935
421	Discontinued operations	4,601
(6,375)	Loss before taxation	(16,258)
	Adjustments for:	
(91)	Profit on disposal property, plant and equipment	(1,055)
2,454	Depreciation and impairment of property, plant and equipment	28,370
–	Impairment of investment properties	–
–	Fair value adjustment to investment properties	–
1,449	Amortisation and impairment of intangible assets	16,587
11,382	Impairment of goodwill	141,619
691	Foreign exchange gains on goodwill not denominated in Rands	(17,558)
–	Foreign exchange gains on investments not denominated in Rands	(1,089)
(509)	Unrealised gains on investments	(10,696)
2,480	Realised losses on disposal of investments	24,567
(417)	Dividends and interest from loans and investments	(4,843)
(6,600)	Gain on disposal of discontinued operations (refer to note 12)	(85,373)
(1,261)	Release of foreign currency translation reserve on on part disposal of associate/disposal of a subsidiary (refer to note 12)	–
(271)	Finance income	(3,120)
3,081	Finance costs	35,525
(2,902)	Share of profit of associates	(33,744)
(2,188)	Exceptional gain on dilution of interest in associate	(22,476)
(118)	Decrease in provisions	(1,368)
	Changes in working capital	
4,295	Decrease in trade and other receivables	59,831
(2,158)	Increase in inventory	(24,771)
1,006	Increase in trade and other payables	9,943
(1,940)	Decrease in lease accrual	(22,562)
5	Movement in other financial liabilities in respect of FECs and derivatives in hedging relationships	85
2,013		71,614

33. ACQUISITION OF SUBSIDIARIES

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

33.1 Acquisition made during the reporting year

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

During the year, BRE's interest in Wonderdeals 38 (Pty) Limited ("Wonderdeals") was reviewed and it was determined on analysis of the shareholders and review of the appointment of directors to the Board of the company, that BRE now had a controlling interest in Wonderdeals. The investment was therefore transferred out of the category investments at fair value through profit and loss to investments in subsidiary companies. Wonderdeals has been consolidated during the current financial year.

33. PROVISIONS (CONTINUED)

33.1 Acquisition made during the reporting year (continued)

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

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

Fair value on acquisition £'000	Fair value adjustments £'000	Book value £'000	2011	Book value R'000	Fair value adjustments R'000	Fair value on acquisition R'000
13	–	13	Property, plant and equipment	150	–	150
2,554	296	2,258	Investment properties	26,258	3,442	29,700
3	–	3	Investments classified as loans and receivables	34	–	34
66	–	66	Trade and other receivables	765	–	765
2	–	2	Cash and cash equivalents	23	–	23
(2,549)	–	(2,549)	Borrowings	(29,641)	–	(29,641)
(74)	–	(74)	Trade and other payables	(854)	–	(854)
15	296	(281)	Total net identifiable assets	(3,265)	3,442	177
(6)			Non-controlling interest's proportionate share of the acquiree's identifiable net liabilities			(75)
9			Total net identifiable liabilities at fair value attributable to equity holders of the parent			102
223			Loan payable by Wonderdeals, assumed as part of the acquisition			2,598
232			Transfer of initial cost from investments at fair value through profit and loss			2,700
–			Goodwill arising on acquisition			–

33. **PROVISIONS (CONTINUED)**

33.2 **Net cash inflow/(outflow) on acquisition of subsidiaries**

2011 £'000		2011 R'000
	Net cash and cash equivalents acquired	
2	Wonderdeals	23
2	Net cash inflow on acquisition of subsidiaries	23

34. **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT**

34.1 **Categories of financial instruments**

2011 £'000		2011 R'000
	Financial assets	
14,087	**Financial assets at fair value through profit and loss**	176,740
14,085	Investments at fair value through profit and loss (refer to note 20)	176,717
2	FECs in designated hedge accounting relationships (refer to note 21)	23
34,573	**Loans and receivables**	433,783
2,186	Investments classified as loans and receivables (refer to note 19)	27,427
12,053	Trade receivables (refer to note 22)	151,232
20,334	Cash and cash equivalents (refer to note 24)	255,124
48,660		610,523
	Financial liabilities	
	Financial liabilities at fair value through profit and Loss	
–	FECs in designated hedge accounting relationships (refer to note 26)	(2)
(21,868)	**Financial liabilities measured at amortised cost**	(274,361)
(7,679)	Borrowings (refer to note 25)	(96,341)
(6,450)	Other financial liabilities at amortised cost excluding lease accrual (refer to note 26)	(80,921)
(7,734)	Trade payables (refer to note 29)	(97,034)
(5)	Bank overdrafts (refer to note 24)	(65)
(21,868)		(274,363)

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

34.2 Financial risk management overview

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

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

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

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

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

The information provided below for each financial risk has been collated for disclosure based on the way in which the business is managed and what is believed to be useful information for shareholders. This note presents information about the Group's exposure to each of the afore-mentioned risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. IFRS 7 requires certain information to be disclosed by class of instrument. The classes of instruments for the Company and its subsidiaries are its operating segments being Industrial metals (Stalcor and GRS), Investment activities (which includes Blackstar SA, and the Group's minority investments), Property investments (which includes BRE and its subsidiaries). and Baldwins was included in Industrial metals up to date of sale being 1 June 2011, and Ferro was included in the Industrial chemicals segment up to date of sale being July 2011. On disposal of Ferro the Industrial chemicals segment is no longer required.

34.3 Credit risk

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

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained. The carrying values, net of impairment allowances, amount to £11,179,000, R140,262,000, for trade receivables (refer to note 22), £2,186,000, R27,427,000 for investments classified as loans and receivables (refer to note 19) £20,334,000, R255,124,000 for cash and cash equivalents (refer to note 24).

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

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

34. **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

34.3 **Credit risk (continued)**

34.3.1 **Trade receivables**

Refer to note 22 Trade and other receivables.

Trade receivables by class

2011 £'000		2011 R'000
12,053	Gross trade receivables	151,232
12,037	Industrial metals	151,033
16	Investment activities	199
–	Property investments	–
(874)	Impairment allowance	(10,970)
(874)	Industrial metals	(10,970)
–	Investment activities	–
–	Property investments	–
11,179	Net trade receivables	140,262
11,163	Industrial metals	140,063
16	Investment activities	199
–	Property investments	–
11,179		140,262

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

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

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

Both Stalcor and GRS have significant credit risk exposure to a single customer. These customers contributed 5% and 2% respectively to Group revenue. Amounts due by these two customers and included in the Group trade receivables as at 31 December 2011 amounted to £0.7 million, R9.7 million. No impairments were raised for these debtors.

34. **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

34.3 **Credit risk (continued)**

34.3.1 **Trade receivables (continued)**

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

Each segment is responsible for determining the impairment allowance in respect of trade receivables. The average credit periods depend on the type of industry in which they operate as well as the credit worthiness of their customers. The majority of the customers are given credit terms ranging from cash on delivery to 90 days from statement. The largest impairment raised for a specific trade receivable was obtained for each reporting operation and calculated as a percentage of the Group's total impairment allowance at year-end. It was determined that there were significant impairment allowances raised for two of Stalcor's customers for a total amount of £0.4 million, R5.0 million which represents 46% of the total impairment allowance raised by the group. The total outstanding amount owing by these two debtors at 31 December 2011 was £0.5 million, R5.7 million.

Movement in impairment allowance in respect of trade receivables

2011 £'000		2011 R'000
652	Balance at the beginning of the year	6,752
771	Allowance raised during the year	8,954
21	Industrial chemicals	237
750	Industrial metals	8,717
	Allowance reversed during the year	
–	Industrial metals	–
	On disposal of business	
(240)	Industrial chemicals	(2,612)
	Impairment written off against trade receivables	
(183)	Industrial metals	(2,124)
(126)	Currency exchange gains during the year	–
874	Balance at the end of the year	10,970

34. **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

34.3 **Credit risk (continued)**

34.3.2 **Trade receivables (continued)**

Ageing of trade receivables

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

34. **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

34.3 **Credit risk (continued)**

34.3.3 **Trade receivables (continued)**

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

Collateral held on past due amounts

As previously mentioned, the Industrial metals segment has a policy of taking out credit insurance for its debtors to limit exposure to credit risk. At year-end, the Industrial metals segment had taken out credit insurance cover for net trade receivables which were past due with carrying amounts of £3,493,000, R43,827,000. The Industrial metals segment also has collateral in the form of surety for past due trade receivables (net of impairment allowance) amounting to £510,000, R6,398,000. An accurate fair value cannot be attached to personal surety. In addition to this, security in the form of a pledge of assets for past due trade receivables (net of impairment allowance) amounting to £426,000, R5,342,000. is also held by the Industrial metals segment.

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

34.3.4 **Investments**

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

Investments within the Investment activities segment

An integral part of the Group's credit risk management process is the approval of all investment and financing transactions by the Board of Directors. The Group manages its credit risk by setting acceptable exposure limits for companies and industry segments. The Group provides financing to companies in which it has invested or to special purpose vehicles established to acquire an equity interest in portfolio companies. This financing is provided on the strength of the underlying companies in which the Group has invested.

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

Investments within the Investment activities and Industrial metals segment

2011 Exposure Percentage	Exposure £'000		2011 Exposure R'000	Exposure Percentage
47	7,672	Support Services	96,258	47
22	3,507	Industrial (Steel)	44,000	22
16	2,649	Real Estate	32,809	16
15	2,437	Other	31,003	15
0	6	Media	74	0
100	16,271		204,144	100

For investments classified as loans and receivables, the Group has obtained security in the form of guarantees and in some cases the pledges of shares owned by the borrower.

For investments held at fair value through profit and loss, no such securities are held by the Group.

34. **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

34.3 **Credit risk (continued)**

34.3.5 **Cash and cash equivalents**

Any excess cash and cash equivalents are held in current accounts, money market funds, and term deposits. At year-end, overdrafts amounted to £5,000, R65,000 and cash and cash equivalents amounted to £20,334,000, R255,124,000. Refer to note 25 and 26 for details of cash and cash equivalents provided as securities for borrowings and other financial liabilities respectively. The value of cash and cash equivalents amounting to £20,334,000, R255,124,000, 67% was held in AAA rated money market funds, 17% with an A rated financial institution and the balance with BBB+ or lower rated financial institutions. The credit risk on cash and cash equivalents is limited because the high credit ratings assigned to the funds and financial institutions by international credit-rating agencies.

34.3.6 **Guarantees**

Refer to note 39 Contingents for further details of guarantees issued by the Group. The Group's maximum exposure to credit risk, without taking into account collateral or any other credit enhancements held, in respect of guarantees would be equal to the amounts disclosed in note 39.

34.4 **Liquidity risk**

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

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

Cash inflows from trade receivables amounting to £12,053,000, R151,232,000, are to be utilised to meet cash outflows on financial liabilities. Cash inflows arising from trade receivables balances are expected within six months or less. In addition the segments have undrawn facilities at their disposal to further reduce liquidity risk (refer to note 34.4.2).

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

BRE's management are involved in managing the property subsidiaries liquidity and cash flows.

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

34.4 Liquidity risk (continued)

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

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

Undiscounted contractual cash flows										Undiscounted contractual cash flows				
More than 5 years £'000	2 – 5 years £'000	1 -2 years £'000	6 – 12 months £'000	6 months or less £'000	Total £'000	Carrying amount £'000	2011	Carrying amount R'000	Total R'000	6 months or less R'000	6 – 12 months R'000	1 -2 years R'000	2 – 5 years R'000	More than 5 years R'000
							Borrowings (refer to note 25)							
–	399	24	24	607	1,054	1,054	Unsecured borrowings	13,224	13,224	7,624	300	300	5,000	–
5,078	3,197	910	430	814	10,429	6,625	Secured borrowings	83,117	130,866	10,213	5,398	11,424	40,113	63,718
5,078	3,596	934	454	1,421	11,483	7,679		96,341	144,090	17,837	5,698	11,724	45,113	63,718
							Other financial liabilities (refer to note 26)							
–	–	–	1,400	4,687	6,087	6,087	Debtors' invoice discounting facility	76,370	76,370	58,807	17,563	–	–	–
–	–	197	93	93	383	363	Asset finance loan	4,551	4,814	1,172	1,172	2,470	–	–
–	–	197	1,493	4,780	6,470	6,450		80,921	81,184	59,979	18,735	2,470	–	–
–	–	–	–	7,734	7,734	7,734	Trade and other payables (refer to note 29)	97,034	97,034	97,034	–	–	–	–
–	–	–	–	(5)	(5)	(5)	Bank overdrafts	(65)	(65)	(65)	–	–	–	–

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

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

34.4 Liquidity risk (continued)

34.4.2 Undrawn facilities and securities provided

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

2011 £'000		2011 R'000
	Unsecured bank overdraft facility, reviewed annually and payable on call	
80	Unutilised	1,000
80		1,000
	Secured bank overdraft facility, reviewed annually and payable on call	
3,989	Unutilised	50,000
3,989		50,000

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

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

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

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

34.5 Market risk

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

34.5.1 Currency risk

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

Investment activities

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

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

Industrial metals, and Industrial chemicals

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

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

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

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

34.5 Credit risk (continued)

34.5.1 Currency risk (continued)

Exposure to currency risk

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

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

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

34.5 Credit risk (continued)

34.5.1 Currency risk (continued)

Sensitivity analyses

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

	2011
South African Rands/Pounds sterling	
Opening rate	10.358
Closing rate	12.546

34.5.2 Interest rate risk

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

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

2011 £'000		2011 R'000
	Fixed rate instruments	
	Financial assets	
–	Investments classified as loans and receivables (refer to note 19)	–
	Financial liabilities	
(6,701)	Borrowings (refer to note 25)	(84,067)
(363)	Other financial liabilities excluding lease accruals and derivatives (refer to note 26)	(4,551)
(7,064)		(88,618)
	Variable rate instruments	
	Financial assets	
2,186	Investments classified as loans and receivables (refer to note 19)	27,427
20,334	Cash and cash equivalents (refer to note 24)	255,124
	Financial liabilities	
(978)	Borrowings (refer to note 25)	(12,274)
(6,087)	Other financial liabilities excluding lease accruals and derivatives (refer to note 25)	(76,370)
(5)	Overdrafts (refer to note 24)	(65)
15,450		193,842

34. **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

34.5 **Credit risk (continued)**

34.5.2 **Interest rate risk (continued)**

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

2011 £'000		2011 R'000
378	Total interest income on financial assets (including interest income on investments classified as loans and receivables in note 6 and interest income on cash and receivables in note 10)	4,393
(1,732)	Total interest expense on financial liabilities in note 10	(20,132)
(1,354)		(15,739)

Investments

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

Borrowings and other financial liabilities

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

Cash and cash equivalents

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

Sensitivity analyses

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

A 1% decrease in the South African Prime rate effective from the beginning of the year, all other variables held constant, would have resulted in an increase of £104,000, R1,305,000 in the reported net asset value of the Group. A 1% increase in the South African Prime rate effective from the beginning of the year, on the same basis, would have resulted in a decrease of £104,000, R1,305,000 in the reported net asset value of the Group.

34.5.3 **Market price risk**

Investments which fall under the Investment activities segment

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

34. **FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)**

34.5 **Credit risk (continued)**

34.5.3 **Market price risk (continued)**

Assuming that the investment portfolio is directly correlated to the FTSE/JSE Africa All Share Index, an increase of 10% in the FTSE/JSE Africa All Share Index at the reporting date, all other variables held constant, would have resulted in an increase of £1,248,000, R15,659,000 in the reported net asset value of the Group. A decrease of 10% in the FTSE/JSE Africa All Share Index at the reporting date, on the same basis, would have resulted in a decrease of £1,269,000, R15,922,000 in the reported net asset value of the Group.

34.6 **Fair values**

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

34.6.1 **Fair value of financial instruments carried at amortised cost**

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

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

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

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

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

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

34. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

34.6 Fair values (continued)

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

Investments at fair value through profit and loss

Investments at fair value through profit and loss include unlisted shares which are measured at fair value (refer to note 20). Details of the valuation methodologies utilised to calculate fair values have been provided in note 2 to the consolidated financial statements.

Derivative financial assets

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

34.7 Hedge accounting

During the financial year, Blackstar entered into an agreement to dispose of the shares (held by Blackstar Group SE) and claims (held by Blackstar Gibraltar) in its subsidiary Ferro for a total consideration of £18.2 million, R200.0 million. On behalf of the Group, Blackstar Group SE entered into a forward exchange contract to sell the proceeds in exchange for Sterling on the date the proceeds were received. A gain of £2.4 million, R11.2 million was recognised on the FEC and is included in note 5 Net gains on investments. The profit on disposal of the interest in Ferro is included in profit from discontinued operations (refer to note 12).

35. 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 £8.9 million, R100 million. The capital includes share capital, share premium and all distributable and non-distributable reserves, and is managed in accordance with its investment strategy.

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

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

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

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

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

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

36. SUBSIDIARY COMPANIES

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

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

Subsidiary of GRS

*Subsidiary of BRE

^ Subsidiary of Blackstar (Cyprus) Investors Limited

37. OPERATING LEASE COMMITMENTS

Non-cancellable operating lease rentals are payable as follows:

2011 £'000		2011 R'000
4,755	Land and buildings	59,661
1,370	Less than one year	17,185
1,888	Due between one and five years	23,693
1,497	More than five years	18,783
1,037	Equipment and vehicles	13,020
516	Less than one year	6,478
521	Due between one and five years	6,542
–	More than five years	–
5,792		72,681

38. CAPITAL COMMITMENTS

At year-end, non-contracted capital expenditure of £627,000, R7,865,000 on property, plant and equipment had been approved at year-end.

39. CONTINGENCIES AND GUARANTEES

Guarantees

Blackstar Group SE has provided suretyship, by binding itself jointly and severally as surety for and co-principal debtor in solidium with GRS to and in favour of two of GRS's suppliers for amounts not exceeding £4.0 million, R50 million and USD2 million (£1.45 million).

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

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

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

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

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

Contingent liabilities and contingent assets

There are no contingent liabilities or assets to report as at 31 December 2011.

40. DIRECTORS' REMUNERATION

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

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

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

The highest paid director earned fees of £785,000, R9,131,000.

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.

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

41. **RELATED PARTIES**

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

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

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

– Blackstar Group SE held a loan with Navigare amounting to £109,000 (R1,368,000), included within investments classified as loans and receivables.
– BRE held a loan with Fantastic amounting to £31,000 (R390,000), included within investments classified as loans and receivables.
– Firefly held a loan with Litha Medical (Pty) Limited ("Litha Medical"), a subsidiary of Litha, amounting to £233,000 (R2,923,00), included within borrowings.
– Firefly issued 30 preference shares amounting to £125,000 (R1,573,000), to Litha Medical, included within borrowings.

John Mills is deemed to be a related party, as in addition to being a Director, funds associated with John Mills are interested in 0.89% of the issued share capital of the Company. In addition, John is a Director of Maitland Luxembourg S.A. ("Maitland"). Maitland provided a variety of services to the Company, on a commercial, arm's-length basis. In 2011, fees to Maitland for advisory and administrative services amounted to £395,000 (R4,593,000). At the balance sheet date £163,000 (R2,045,000) was owing to Maitland.

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

Charles Taberer was appointed as a director during the prior financial year. During 2010, a loan amounting to £564,000, R5,842,000 was provided by Blackstar Gibraltar to Tanmac Trading (Pty) Limited in which Charles Taberer has an indirect exposure. The terms and conditions of the loan were considered to be at arm's-length. The loan was repaid in the current year and Blackstar Gibraltar earned interest of £38,500, R483,000 on the loan during 2011.

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

42. **EVENTS AFTER THE REPORTING PERIOD**

Transfer to Malta

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

Investment in Mvelaphanda Group Limited

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

42. **EVENTS AFTER THE REPORTING PERIOD (CONTINUED)**

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

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

Disposal of investment in Litha

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

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

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

43. **SEGMENTAL INFORMATION**

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

The operating segments have been identified as follows:

Industrial metals segment includes the subsidiaries Stalcor, GRS and its subsidiaries. Stalcor is a processor, distributor and stockist of carbon steel,stainless steel and aluminium in the form of high quality sheet, plate and coil as well as structural and other long product profiles. GRS is a steel roofing and cladding company;

Healthcare segment includes the associate Litha–a diversified healthcare business.

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

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

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

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

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

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

43. SEGMENTAL INFORMATION (CONTINUED)

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

43.1 Information about reportable segments

As restated* 31 December 2011 £'000		31 December 2011 R'000
	Revenue	
	As reported by segment:	
18,194	Industrial chemicals	202,720
122,563	Total revenue reported by segments	1,423,857
140,757	Consolidated total reported by the Group	1,626,577
(49,699)	Less reported by discontinued operations	(567,665)
(18,194)	Industrial chemicals	(202,720)
(31,505)	Industrial metals	(364,945)
91,058	Consolidated total from continuing operations reported by the Group	1,058,912
	EBITDA	
	As reported by segment:	
3,559	Industrial chemicals	26,480
1,445	Industrial metals	16,897
2,129	Investment activities	134,268
401	Property investments	4,666
5,047	Healthcare	55,725
12,581	Total EBITDA reported by segments	238,036
(6,332)	Less EBITDA reported by discontinued operations	(56,176)
(3,559)	Industrial chemicals	(26,480)
2,274	Industrial metals	26,029
(5,047)	Healthcare	(55,725)
6,249	Total EBITDA reported by continuing segments	181,860
(4,584)	Consolidation adjustments	(85,775)
(3,587)	Inter-group transactions and consolidation of subsidiaries	(82,039)
(63)	Equity account associates	(4,809)
(934)	Other	1,073
1,665	Consolidated total reported by the Group for continuing operations	96,085
(2,840)	Depreciation and amortisation	(32,743)
(12,445)	Impairment of goodwill and intangible assets	(153,833)
-	Fair value adjustment on investment property	–
(2,374)	Other	(27,607)
(1,541)	Finance income and finance costs	(17,912)
(17,535)	Loss before taxation reported by the Group	(136,010)

*Refer to note 4.

43. SEGMENTAL INFORMATION (CONTINUED)

43.1 Information about reportable segments (continued)

As restated* 31 December 2011 £'000		31 December 2011 R'000
	Share of profit of associates	
5,047	Healthcare	55,725
43	Investment activities	495
5,090	Total profit of associates	56,220
	Less share of profit of associate reported as a discontinued operation	
(5,047)	Healthcare	(55,725)
43	Consolidated total reported by the Group for continuing segments	495

31 December 2011 £'000		31 December 2011 R'000
	Total assets	
	As reported by segment:	
30,624	Industrial metals	384,230
86,699	Investment activities	1,087,165
9,657	Property investments	121,153
126,980	Total assets reported by segments	1,592,548
	Consolidation adjustments	
(8,526)	Inter-group transactions	(106,906)
(6,871)	On acquisition fair value adjustments and consolidation of subsidiaries	(85,657)
(16,429)	Equity account associates	(206,127)
95,154	Consolidated total reported by the Group	1,193,858
	Investments in associates	
16,327	Healthcare	204,854
110	Investment activities	1,380
16,437	Consolidated total reported by the Group	206,234
	Total liabilities	
	As reported by segment:	
(28,533)	Industrial metals	(358,002)
(1,388)	Investment activities	(38,875)
(9,426)	Property investments	(96,752)
(39,347)	Total liabilities reported by segments	(493,629)
	Consolidation adjustments	
8,526	Inter-group transactions	106,906
3,124	On acquisition fair value adjustments and consolidation of subsidiaries	39,225
(27,697)	Consolidated total reported by the Group	(347,498)

*Refer to note 4.

43. SEGMENTAL INFORMATION (CONTINUED)

43.1 Information about reportable segments (continued)

*As restated 31 December 2011 £'000		31 December 2011 R'000
	Additions to non-current assets	
	As reported by segment:	
496	Industrial chemicals	5,527
925	Industrial metals	17,915
12,058	Investment activities	104,868
7,089	Property investments	88,880
20,568		217,190

*Refer to note 4

43.2 Geographical information

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

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

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

43.3 Major customers

As has been disclosed in note 34.3, the Group does not rely on any one major customer (i.e. revenues from any one single customer do not exceed 10% of the Group's total revenue).

43.4 Analysis of revenue by product

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

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

EXTRACTS OF PUBLISHED AUDITED HISTORICAL FINANCIAL INFORMATION OF TMG FOR THE FINANCIAL YEARS ENDED 30 JUNE 2013 AND 2014

The consolidated statements of financial position, statements of comprehensive income, statements of changes in equity, cash flow statements and notes of TMG for the financial years ended 30 June 2013 and 30 June 2014, have been extracted and compiled from the audited consolidated annual financial statements of TMG, which are available on TMG's website.

The preparation of this **Annexure 3A** is the responsibility of the TMG Directors. The historical financial information of TMG has previously been audited by Deloitte & Touche and reported on without qualification for all of the aforementioned financial periods.

Statement of profit or loss and other comprehensive income
for the year ended 30 June 2014

	Notes	2014 Rm	2013 Rm
CONTINUING OPERATIONS			
Revenue	3	**3 995**	3 831
Cost of sales		**(2 951)**	(2 728)
Gross profit		**1 044**	1 103
Operating expenses		**(772)**	(878)
Operating costs	4	**(644)**	(766)
Depreciation	6	**(74)**	(80)
Amortisation	7	**(33)**	(32)
Share-based payments	41	**(21)**	–
Profit from operations before exceptional items		**272**	225
Exceptional items	8	**87**	(198)
Profit from operations		**359**	27
Net finance (costs) income		**(36)**	(71)
Finance income	9	**18**	19
Finance costs including interest paid on cash flow hedges	10	**(54)**	(90)
Share of profits (losses) of associates and joint ventures (net of income tax)		**9**	(26)
Profit (loss) before taxation		**332**	(70)
Taxation (expense) credit	11	**(107)**	18
Profit (loss) from continuing operations		**225**	(52)
DISCONTINUED OPERATIONS			
Profit from discontinued operations	12	**172**	62
(Loss) profit after taxation before profit on disposals		**(32)**	15
Profit on disposals (net of capital gains tax)		**204**	47
Profit for the year		**397**	10
Other comprehensive (loss) income			
Items that may be reclassified subsequently to profit or loss			
Change in fair value of cash flow hedges (net of income tax)		**(7)**	7
Exchange differences on translation of foreign operations		**(4)**	–
Other comprehensive (loss) income for the year (net of income tax)		**(11)**	7
Total comprehensive income for the year		**386**	17
Profit (loss) attributable to:			
Owners of the Company		**400**	3
Profit (loss) from continuing operations		**228**	(54)
Profit from discontinued operations		**172**	57
Non-controlling interest		**(3)**	7
(Loss) profit from continuing operations		**(3)**	2
Profit from discontinued operations		**–**	5
Profit for the year		**397**	10

Statement of profit or loss and other comprehensive income (continued)
for the year ended 30 June 2014

	Notes	2014 Rm	2013 Rm
Total comprehensive income (loss) attributable to:			
Owners of the Company		**389**	10
Profit (loss) from continuing operations		**223**	(45)
Profit from discontinued operations		**166**	55
Non-controlling interest		**(3)**	7
(Loss) profit from continuing operations		**(3)**	2
Profit from discontinued operations		**–**	5
Total comprehensive income for the year		**386**	17
Earnings (loss) per ordinary share from continuing operations (cents)	13		
Basic		**180**	(52)
Diluted		**178**	(52)
Earnings per ordinary share from discontinued operations (cents)	13		
Basic		**135**	41
Diluted		**134**	41
Earnings (loss) per ordinary share from continuing and discontinued operations (cents)	13		
Basic		**315**	(11)
Diluted		**312**	(11)
Number of ordinary shares in issue (000)			
At the beginning of the year		**127 077**	52 013
At the end of the year		**127 077**	127 077
Weighted average for the year		**126 982**	141 230
Weighted average for the year (diluted)		**128 127**	141 230

Statement of financial position
as at 30 June 2014

	Notes	**2014 Rm**	2013 Rm
ASSETS			
Non-current assets		**1 669**	1 431
Property, plant and equipment	14	**380**	392
Goodwill	15	**455**	491
Other intangible assets	16	**366**	340
Interests in associates and joint ventures	18	**376**	22
Investments	19	**2**	13
Long-term receivable	20	**8**	–
Cash flow hedges	25	**–**	10
Deferred taxation assets	27	**82**	163
Current assets		**1 249**	1 292
Inventories	21	**249**	230
Trade and other receivables	22	**935**	943
Taxation prepaid		**18**	16
Bank balances, deposits and cash		**47**	103
Non-current assets classified as held for sale		**203**	893
Total assets		**3 121**	3 616
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company		**1 528**	1 162
Stated capital	23	**1 724**	1 724
Other reserves	24	**(1 135)**	(1 133)
Accumulated profits (loss)		**939**	571
Non-controlling interest		–	46
Total equity		**1 528**	1 208
Non-current liabilities		**514**	1 019
Long-term borrowings	25	**366**	690
Post-retirement benefits liabilities	26	**85**	264
Operating leases equalisation liabilities		**24**	18
Deferred taxation liabilities	27	**39**	47
Current liabilities		**1 047**	972
Trade and other payables	28	**905**	785
Provisions	29	**33**	18
Post-retirement benefits liabilities	26	**9**	10
Taxation liabilities		**9**	16
Bank overdrafts and other short-term borrowings	25	**91**	143
Liabilities directly associated with non-current assets classified as held for sale		**32**	417
Total equity and liabilities		**3 121**	3 616

Statement of cash flows
for the year ended 30 June 2014

	Notes	**2014 Rm**	2013 Rm
OPERATING ACTIVITIES			
Net cash flows from operations before working capital changes		**416**	340
Working capital changes		**57**	174
Net cash flows from operations	31	**473**	514
Net finance costs including interest paid on cash flow hedges		**(33)**	(69)
Taxation paid		**(113)**	(69)
Net cash flows from operating activities		**327**	376
INVESTING ACTIVITIES			
Income from investments	32	**5**	5
Acquisition of property, plant and equipment			
– to maintain operations	33	**(167)**	(129)
Proceeds on disposal of property, plant and equipment	14	**83**	13
Acquisition of other intangible assets		**(11)**	(21)
Proceeds on disposal of other intangible assets		**15**	–
Acquisition of investments		**(15)**	(14)
Disposal of investments		**15**	–
Acquisition of subsidiaries and businesses	34	**(107)**	(11)
Disposal of subsidiaries and businesses	34	**575**	20
Acquisition of minority interests in subsidiaries		**–**	(2)
Acquisition of investments in associates and joint ventures		**(365)**	–
Disposal of investment in associate		**12**	13
Costs related to acquisitions and disposals		**(46)**	–
Net decrease in long-term receivables and loans		**5**	10
Net cash flows from investing activities		**(1)**	(116)
FINANCING ACTIVITIES			
Net (decrease) increase in borrowings		**(302)**	423
Dividends paid by subsidiaries to non-controlling interests		**(8)**	(18)
Dividends paid		**(32)**	–
Purchase of Avusa shares		–	(1 130)
Effect of accounting for implementation of TMG scheme of arrangement		–	173
Net cash flows from financing activities		**(342)**	(552)
Net decrease in cash and cash equivalents		**(16)**	(292)
Cash and cash equivalents at the beginning of the year		**59**	354
Foreign operations translation adjustment		**(3)**	(3)
Cash and cash equivalents at the end of the year	35	**40**	59

Statement of changes in equity
for the year ended 30 June 2014

	Stated capital Rm	Other reserves Rm	Accumu-lated profits Rm	Owners' interest Rm	Non-control-ling interest Rm	Total equity Rm
Balance at 30 June 2012	704	856	568	2 128	79	2 207
Profit attributable to owners of the Company	–	–	3	3	7	10
Change in fair value of cash flow hedges (net of income tax)	–	7	–	7	–	7
Shares issued	1 020	–	–	1 020	–	1 020
Effect of reverse acquisition accounting	–	(1 978)	–	(1 978)	–	(1 978)
Effect of acquisitions and disposals of non-controlling interests	–	(2)	–	(2)	(22)	(24)
Equity-settled share incentive plans	–	(16)	–	(16)	–	(16)
Dividends paid by subsidiaries to non-controlling interests	–	–	–	–	(18)	(18)
Balance at 30 June 2013	**1 724**	**(1 133)**	**571**	**1 162**	**46**	**1 208**
Profit attributable to owners of the Company	–	–	400	400	(3)	397
Change in fair value of cash flow hedges (net of income tax)	–	(7)	–	(7)	–	(7)
Exchange differences on translation of foreign operations	–	(4)	–	(4)	–	(4)
Effect of acquisitions and disposals of non-controlling interests	–	–	–	–	(35)	(35)
Equity-settled share incentive plans	–	21	–	21	–	21
Treasury shares	–	(12)	–	(12)	–	(12)
Dividends paid	–	–	(32)	(32)	–	(32)
Dividends paid by subsidiaries to non-controlling interests	–	–	–	–	(8)	(8)
Balance at 30 June 2014	**1 724**	**(1 135)**	**939**	**1 528**	**–**	**1 528**
Notes	23	24				

1. PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

These annual financial statements are presented in South African rands since that is the functional currency of the Company and the presentation currency for the Group. The Company is incorporated and domiciled in South Africa.

These financial statements have been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited's Listings Requirements and the requirements of the South African Companies Act (as amended). The accounting policies are compliant with IFRS, and their application is consistent, in all material respects, with those detailed in TMG's 2013 integrated annual report, apart from the adoption, from 1 July 2013 up to the reporting date, of those new and amended IFRS standards and interpretations with effective dates for the Company of 1 July 2013 up to the reporting date, and those amendments included in the International Accounting Standards Board's annual improvements project where such amendments were effective for the Company from 1 July 2013 up to the reporting date. The adoption of the new and amended IFRS standards and interpretations, and improvements project amendments, has not had a material effect on the Company's financial results.

On 25 September 2012, TMG acquired the entire issued ordinary share capital of Avusa via a scheme of arrangement. The application of IFRS, in particular IFRS 3: Business Combinations, results in Avusa (the legal acquiree) being recognised as the acquirer for accounting purposes, and in the transaction being accounted for as a reverse acquisition. Accordingly, the consolidated Group financial statements are prepared as a continuation of the financial statements of Avusa (the legal subsidiary and accounting acquirer), with one adjustment, which is the retroactive adjustment of Avusa's legal capital to reflect TMG's legal capital. The calculation of earnings per ordinary share for the year ended 30 June 2013 is described in note 13 hereunder.

In compliance with IFRS 5: Non-current Assets Held for Sale and Discontinued Operations, the relevant comparative financial information has been re-presented.

The following new and amended IFRS standards that were in issue but not yet effective at TMG's year-end date of 30 June 2014, will be adopted by TMG as they become effective for TMG:

- Amended standards relevant and effective for TMG on 1 July 2014:

  IAS19 *Employee Benefits*
  – Amendments to the requirements regarding contributions from employees or third parties that are linked to service

  IAS 32 *Financial Instruments: Presentation*
  – Amendments requiring entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure

  IAS 36 *Impairment of Assets*
  – Amendments to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal

1. **PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

- Amended standards relevant and effective for TMG on 1 July 2016:

  IAS 16 *Property, Plant and Equipment*
  - Amendments establishing the principle for the basis of depreciation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets

  IAS 27 *Separate Financial Statements*
  - Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements

  IAS 28 *Investments in Associates and Joint Ventures*
  - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture

  IAS 38 *Intangible Assets*
  - Amendments establishing the principle for the basis of amortisation as being the expected pattern of consumption of the future economic benefits of an asset. Clarifying that revenue is generally presumed to be an inappropriate basis for measuring the consumption of economic benefits in such assets

  IFRS 10 *Consolidated Financial Statements*
  - Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture

  IFRS 11 *Joint Arrangements*
  - New guidance on accounting for the acquisition of an interest in a joint operation that constitutes a business

- New standard relevant and effective for TMG on 1 July 2017:

  IFRS 15 *Revenue from Contracts with Customers*
  - Requires entities to 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 new standard also requires enhanced disclosures about revenue

- New and amended standards relevant and effective for TMG on 1 July 2018:

  IFRS 7 *Financial Instruments: Disclosures*
  - Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9

  IFRS 9 *Financial Instruments*
  - Finalised version of IFRS 9 that replaces IAS 39.

In addition, the International Accounting Standards Board's annual improvements project includes amendments to various standards. Certain of these amendments are effective for TMG on 1 July 2014, with others being effective in subsequent periods.

The adoption of the abovementioned standards and improvements is not expected to have a material effect on TMG's financial results, but may impact disclosure in the financial statements.

2. **SIGNIFICANT ACCOUNTING POLICIES**

Basis of consolidation

TMG carries its investments in subsidiaries, associates and joint ventures at cost less accumulated impairment losses.

The consolidated Group annual financial statements incorporate the financial statements of TMG and the entities it controls. Control is achieved where TMG is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The results of subsidiaries acquired or disposed of during the year are included in the Group statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions and balances are eliminated on consolidation.

The non-controlling interest in the net assets of consolidated subsidiaries is identified separately from the Group's equity therein. The non-controlling interest consists of the amount of the interest at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

Losses applicable to the non-controlling interest in excess of the non-controlling interest's share of the subsidiary's equity are attributed to the non-controlling interest, even if this results in the non-controlling interest having a negative balance.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the sum of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. Costs directly attributable to the business combination are recognised immediately in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities which meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) which are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which assets are recognised and measured at fair value less costs to sell.

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

The non-controlling interest in the acquiree is measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Where non-controlling interests are acquired subsequent to initial acquisition, the excess of the cost over carrying value is recognised as equity.

Interests in joint ventures and associates

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

The results and assets and liabilities of joint ventures and associates are incorporated in these annual financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5. Under the equity method, investments are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the investment, less any impairment in the value of individual investments. Losses in excess of the Group's interest in the investment (which includes any long-term interests which, in substance, form part of the Group's net investment in the joint venture or associate) are not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture or associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Where the Group transacts with a joint venture or associate, profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture or associate.

Goodwill

The accounting for goodwill arising on the acquisition of subsidiaries, joint ventures and associates is described above. Goodwill is not amortised.

For the purpose of impairment testing, goodwill is allocated to each of the Group's 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 its carrying amount, 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. An impairment loss recognised for goodwill is not reversed in a subsequent reporting period.

On disposal of subsidiaries, joint ventures and associates, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are not depreciated.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for goods and services provided in the normal course of business, net of discounts and sales-related taxes.

The sale of goods is recognised when the goods are delivered and title has passed. The rendering of services is recognised as the service is provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Revenue from royalties is recognised on an accrual basis in terms of the relevant royalty agreement.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease, or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy regarding the capitalisation of borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease, or on another basis if more representative of the time pattern of the user's benefit. Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease, or on another basis if more representative of the term pattern of the user's benefit.

Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of these Group annual financial statements, the results and financial position of each entity are expressed in South African rands, which is the functional currency of the Company, and the presentation currency for the Group.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates ruling at the reporting date. Non-monetary items carried at fair value which are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items which are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to mitigate its exposure to certain foreign exchange risks, the Group enters into forward exchange contracts.

For the purpose of presenting these Group annual financial statements, the assets and liabilities of the Group's foreign operations are expressed in South African rands using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified as equity and transferred to the Group's foreign currency translation reserve. This includes exchange differences arising on loans extended from one entity to another within the same group, as these loans are regarded as part of the net investment in a foreign operation if settlement of the loans is neither planned nor likely to occur in the foreseeable future. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Borrowing costs capitalised

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense as they fall due.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at three-year intervals by independent actuaries.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Post-retirement benefits

The Group's post-retirement benefits are valued by independent actuaries, with gains and losses recognised in profit or loss.

Taxation

Income taxation expense represents the sum of the taxation currently payable and deferred taxation.

The taxation currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxation bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the taxation rates that are expected to apply in the period when the liability is settled or the asset realised.

Deferred taxation assets and liabilities are set off against each other when there is a legally enforceable right to set off current tax assets against current tax liabilities when they relate to income taxes levied by the same taxation authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of property (other than land), plant and equipment to their estimated residual values over their estimated useful lives.

Leasehold improvements and assets held under finance leases are depreciated to their estimated residual values over their estimated useful lives or, where shorter, the term of the relevant lease.

Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their own estimated useful lives.

Useful lives, residual values and methods of depreciation are reviewed annually.

The following life spans were used during the year to depreciate property, plant and equipment to estimated residual values:

Plant, furniture and equipment	3 – 20 years
Leasehold improvements	3 – 10 years
Buildings	15 – 50 years
Vehicles	3 – 5 years
Capitalised leased assets	3 – 5 years

The gain or loss arising on the disposal or scrapping of an item of property, plant and equipment is recognised immediately in profit or loss.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Intangible assets other than goodwill

Intangible assets other than goodwill are recognised initially at cost if acquired separately, and at fair value if acquired as part of a business combination. If assessed as having an indefinite useful life, the intangible asset is not amortised, but is tested for impairment annually and impaired if required. If assessed as having a finite useful life, it is amortised over its estimated useful life, and tested for impairment if there is an indication of an impairment.

Publishing rights and titles acquired are capitalised as intangible assets, and are presumed to have an indefinite life unless there are indications of a shorter life. Publishing rights and titles are assessed annually regarding estimated economic useful life and impairment. Where events and circumstances no longer support an indefinite useful life assessment, the asset is impaired or the life assessment is changed from indefinite to finite, with the change being accounted for as a change in accounting estimate. Costs to develop publishing titles internally are recognised in profit or loss.

Trade names acquired are capitalised as intangible assets, and are presumed to have an indefinite life unless there are indications of a shorter life. Trade names are assessed annually regarding estimated economic useful life and impairment. Where events and circumstances no longer support an indefinite useful life assessment, the asset is impaired or the life assessment is changed from indefinite to finite, with the change being accounted for as a change in accounting estimate.

The following life spans were used during the year to amortise intangible assets assessed as having finite useful lives:

Patents and trademarks	10 – 20 years
Licences	3 – 5 years
Publishing rights and titles	10 – 15 years
Computer software	3 – 5 years
Customer relationships	6 – 10 years

Impairment of tangible and intangible assets other than goodwill

At each reporting date, the carrying amounts of tangible and intangible assets other than goodwill are reviewed to determine whether there is any indication that those assets have suffered an impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment.

Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows 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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but with the increased carrying amount not exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Write-downs to net realisable value are recognised in profit or loss.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are recognised initially at fair value, and are subsequently present-valued where the effect of discounting is material. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate.

Music, film and video contract advances

Music contract advances are recognised in profit or loss on payment or release of the product, whichever is the earlier. Film and video contract advances are recognised in profit or loss at the time that the releaser has the right to release the product.

Investments

Investments, including those in subsidiaries, are recognised and derecognised on a trade date basis where the purchase or sale of the investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are recognised at fair value.

An impairment loss is recognised in profit or loss when there is objective evidence that the investment is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the investment's cost would have been had the impairment not been recognised.

Investments classified as financial assets are measured at subsequent reporting dates at fair value, with gains and losses arising from changes in fair value being recognised in profit or loss. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value. Cash and cash equivalents are recognised initially at fair value, with any changes in fair value being recognised in profit or loss.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Bank borrowings

Bank overdrafts are measured at fair value. Interest-bearing bank loans are measured at amortised cost using the effective interest method.

Trade payables

Trade payables are measured at fair value.

Forward exchange contracts

Forward exchange contracts are recognised initially at fair value at the contract date, and are re-measured to fair value at subsequent reporting dates, with gains and losses arising from changes in fair value being recognised in profit or loss.

Cash flow hedges

Changes in the fair value of derivative hedging instruments designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On initial designation of the hedge, the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transactions, together with the methods that will be used to assess the effectiveness of the hedging relationships, are formally documented. Assessments are made at the inception of the hedge relationships, as well as on an ongoing basis, as to whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedges are designated, and as to whether the actual results of each hedge are within a range of 80% – 125%.

If the hedging instruments no longer meet the criteria for hedge accounting, expire, are sold, terminated, unwound or exercised, hedge accounting is discontinued prospectively, and any cumulative gain or loss previously recognised in equity is transferred to profit or loss.

Provisions

Provisions are recognised when there is a present obligation as a result of a past event, and it is probable that the obligation will need to be settled. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, and are present-valued where the effect of discounting is material.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of the incentives that will eventually vest, and is adjusted for the effect of non-market vesting conditions.

Judgements made

In applying the Group's accounting policies, the following judgements have been made:

Deferred taxation assets

Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available in future against which the deferred taxation assets can be utilised. The future availability of taxable profits is based on management's judgements regarding future business plans.

Asset lives and residual values

Property (other than land), plant and equipment and significant components thereof are depreciated to their residual values over their estimated useful lives. Methods of depreciation, residual values and estimated useful lives are reviewed annually, based on management's judgement of relevant factors and conditions.

Impairment of tangible and intangible assets

At each reporting date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication of an impairment. If any such indication exists, the recoverable amount of the asset is then estimated to determine the extent of any impairment.

Irrespective of whether there is any indication of impairment, intangible assets with indefinite useful lives and intangible assets not yet available for use are also tested annually for impairment by comparing their carrying amounts with their recoverable amounts.

Goodwill acquired in a business combination is also tested annually for impairment.

In its impairment testing, management takes into account various considerations, including future cash flows expected to be generated by the assets under review.

Purchase price allocation relating to business combinations

Judgement is exercised to determine the purchase price allocation arising from business combinations.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Sources of estimation uncertainty

Valuation of post-retirement benefits

The actuarial valuations of post-retirement benefits are based on estimations including discount rates, healthcare cost inflation rates and subsidy amounts. The Group's post-retirement benefits are valued by independent actuaries.

Valuation of share-based payments

The valuation models used to value share-based payments include estimates as to expected incentive lives, volatilities, vestings, dividend yields and risk-free interest rates. The Group's share-based payments plans are valued by independent actuaries.

	2014 Rm	2013 Rm
3. REVENUE		
CONTINUING OPERATIONS		
Goods sold	**3 146**	3 312
Services rendered	**849**	519
	3 995	3 831
4. OPERATING COSTS		
CONTINUING OPERATIONS		
Operating costs are stated after charging (crediting):		
Operating lease charges	**82**	78
– land and buildings	**72**	68
– equipment and vehicles	**10**	10
Net foreign exchange (profits) losses		
– realised	**(1)**	2
Retirement benefit plans contributions	**77**	78
– defined contribution plans	**76**	77
– defined benefit plan	**1**	1
Staff costs (including retirement benefit plan contributions)	**1 237**	1 194

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

CONTINUING OPERATIONS

5.1 Business segments

	Media Rm	Broad-casting and Content Rm	Retail Solutions Rm	Entertain-ment Rm	Books Rm	Sub-total Rm	Elimi-nations Rm	Sub-total Rm	Corporate Rm	Share-based payments Rm	Total Rm
2014											
Revenue	1 917	421	1 657	–	–	3 995	–	3 995	–	–	3 995
Inter-segment revenue*	41	28	123	–	–	192	(192)	–	–	–	–
	1 958	449	1 780	–	–	4 187	(192)	3 995	–	–	3 995
Profit (loss) from operations before exceptional items	162	27	133	–	–	322	–	322	(29)	(21)	272
Depreciation	17	5	52	–	–	74	–	74	–	–	74
Amortisation	5	8	20	–	–	33	–	33	–	–	33
Exceptional items	(21)	(4)	(33)	–	–	(58)	–	(58)	145	–	87
Capital expenditure											
Property, plant and equipment	14	10	60	–	–	84	–	84	4	–	88
Intangible assets	2	3	3	–	–	8	–	8	–	–	8

5. **BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)**

CONTINUING OPERATIONS (CONTINUED)

5.1 **Business segments (continued)**

	Media Rm	Broad-casting and Content Rm	Retail Solutions Rm	Entertain-ment Rm	Books Rm	Sub-total Rm	Elimi-nations Rm	Sub-total Rm	Corporate Rm	Share-based payments Rm	Total Rm
2013											
Revenue	1 835	325	1 671	–	–	3 831	–	3 831	–	–	3 831
Inter-segment revenue*	284	41	245	–	–	570	(570)	–	–	–	–
	2 119	366	1 916	–	–	4 401	(570)	3 831	–	–	3 831
Profit (loss) from operations before exceptional items	156	1	108	–	–	265	–	265	(40)	–	225
Depreciation	18	3	59	–	–	80	–	80	–	–	80
Amortisation	4	6	22	–	–	32	–	32	–	–	32
Exceptional items	(9)	(19)	(54)	(77)	–	(159)	–	(159)	(39)	–	(198)
Capital expenditure											
Property, plant and equipment	25	8	65	13	17	128	–	128	1	–	129
Intangible assets	11	8	2	–	–	21	–	21	–	–	21

- TMG's operating segments are components that engage in business activities from which they earn revenues and incur expenses, whose operating results are regularly reviewed by TMG's chief operating decision maker to make decisions about resources to be allocated to the segments and to assess their performance, and for which discrete financial information is available. In addition, each operating segment is headed up by a segment manager who is directly accountable to, and who maintains regular contact with, the chief operating decision maker to discuss operating activities, financial results, forecasts and plans of the operating segment.
- The accounting policies of the reportable segments are the same as the Group's accounting policies.
- The products and services from which each reportable segment derive their revenues are set out in the segmental structure on page 5 of TMG's 2014 integrated annual report.
- Operational changes during the year, including management changes and acquisitions and disposals, have resulted in changes in reportable segments. The relevant comparative financial information has been re-presented accordingly. Details of the operating entities that make up the business segments are set out in the segmental structure on page 5 of TMG's 2014 integrated annual report.

** Charged on arm's length terms*

5. **BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)**

5.2 **Geographical segments**

The Group's continuing operations are all South African based while the discontinued operations are arranged into two geographical segments, namely South Africa and International. International operations comprise the United Kingdom, Australia and New Zealand.

	2014 Rm	2013 Rm
Revenue		
CONTINUING OPERATIONS		
South Africa	**3 995**	3 831

	Segment assets		Capital expenditure on property, plant, equipment and intangible assets	
	2014 Rm	2013 Rm	**2014** Rm	2013 Rm
Assets excluding goodwill	**2 463**	2 232	**178**	150
South Africa	**2 463**	2 232	**178**	149
International	**–**	–	**–**	1
Goodwill	**455**	491		
	2 918	2 723	**178**	150

6. **DEPRECIATION**

	2014	2013
CONTINUING OPERATIONS		
Plant, furniture and equipment	**68**	74
Leasehold improvements	**3**	3
Buildings	**1**	1
Vehicles	**2**	2
	74	80

7. **AMORTISATION**

	2014	2013
CONTINUING OPERATIONS		
Patents and trademarks	**1**	–
Licences	**5**	2
Publishing rights and titles	**1**	1
Computer software	**7**	9
Contracts and customer relationships	**19**	20
	33	32

	2014 Rm	2013 Rm
8. EXCEPTIONAL ITEMS		
CONTINUING OPERATIONS		
Media	**(21)**	(9)
– Impairment of community newspaper title	**(1)**	–
– Revaluation of investment	–	2
– Post-retirement medical aid provisioning	–	(14)
– Gain on acquisition of BDFM Group	–	24
– Retrenchment costs	**(20)**	(21)
Broadcasting and Content	**(4)**	(19)
– Gain on acquisition of Rise FM	**3**	–
– Gain on disposal of Ponte advertising site	**10**	–
– Impairment of goodwill	**(16)**	(13)
– Retrenchment costs	**(1)**	(6)
Retail Solutions	**(33)**	(54)
– Profit on sale of Universal Web assets	**8**	–
– Costs related to closure of Universal Web	**(6)**	–
– Gain on acquisition of Ferroprint	**4**	–
– Impairment of intangible assets	–	(27)
– Impairment of Uniprint plant	–	(10)
– Legacy balances and legal matters	**(15)**	–
– Retrenchment costs	**(24)**	(17)
Entertainment	–	(77)
– Legacy balances and legal matters	–	(7)
– Profit on disposal of property	–	2
– Impairment of customised SAP system	–	(16)
– Impairment of gaming stock	–	(14)
– Losses on non-renewal of licence	–	(21)
– Increased stock provisioning	–	(12)
– Write-off of development costs of new business channels	–	(9)
Corporate	**145**	(39)
– Revaluation of listed investments	**1**	–
– Post-retirement medical aid	**149**	–
– Costs related to acquisitions	**(4)**	–
– Retirement fund surplus	–	9
– Scheme of arrangement transaction costs	–	(62)
– Credit arising on cancellation of Avusa share incentive plans	–	14
– Retrenchment costs	**(1)**	–
	87	(198)

	2014 Rm	2013 Rm
9. **FINANCE INCOME**		
CONTINUING OPERATIONS		
Interest received		
Bank deposits	**7**	18
Cash flow hedges	**10**	–
Other	**1**	1
	18	19

	2014 Rm	2013 Rm
10. **FINANCE COSTS**		
CONTINUING OPERATIONS		
Interest paid		
Borrowings	**43**	73
Loan-raising fee (amortised) (see note 25)	**2**	1
Cash flow hedges	**2**	10
Finance leases	**6**	4
Other	**1**	–
Suppliers	–	2
	54	90

	2014 Rm	2013 Rm
11. **TAXATION**		
CONTINUING OPERATIONS		
Current taxation	**70**	39
South African normal taxation		
– current year	**68**	41
– prior year under (over) provision	**2**	(2)
Deferred taxation (see note 27)	**37**	(57)
Current year	**37**	(58)
Prior year under provision	–	1
	107	(18)

	%	%
Tax rate reconciliation		
Taxation at the standard rate	**28**	(28)
Tax effect of non-deductible expenses	**4**	16
Capital profits	**–**	(9)
Utilisation of tax losses not previously recognised	**–**	(18)
Deferred tax assets not raised on estimated assessable losses	**1**	3
Share of (profits) losses of associates	**(1)**	10
	32	(26)

11. **TAXATION (COTINUED)**

- South African normal taxation is calculated at 28% (2013: 28%) of the estimated taxable income for the year. The closing balance on deferred taxation is calculated at 28% (2013: 28%).
- Taxation of foreign subsidiaries is calculated at the rates prevailing in their respective jurisdictions.
- The Group's estimated assessable losses available for the reduction of future taxable income, and not taken into account in the computation of the deferred taxation assets, amounted to R13 million (2013: R8 million).
- The Company has no available credits in respect of secondary tax on companies.

12. **DISCONTINUED OPERATIONS**

The following assets comprise TMG's discontinued operations:

Media

- Industria property
- Port Elizabeth property
- I-Net Bridge (disposed of on 15 November 2013)
- East London properties (disposed of on 10 October 2013)

Broadcasting and Content

- Boo Media (disposed of on 1 May 2014)
- Interactive Junction Holdings

Retail Solutions

- Bedfordview property

Books

- Map Studio (disposed of on 30 June 2014)
- Van Schaik Bookstore (disposed of on 2 December 2013)
- Exclusive Books (disposed of on 1 December 2013)
- New Holland Publishing (Random House Struik disposed of on 25 November 2013, Mega Digital disposed of on 1 November 2013 and Struik Christian Media disposed of on 29 July 2013)
- MapIT (disposed of on 31 May 2013)

Entertainment

- Nu Metro Cinemas including Popcorn Cinema Advertising Sales (disposed of on 28 November 2013)
- 40% interest in Warner Music Gallo Africa (disposed of on 31 July 2013)
- Monte Cinemas (disposed of on 28 June 2013)
- 50% stake in Three Groups Cinemas (Suncoast Cinema) (disposed of on 31 May 2013)

12. **DISCONTINUED OPERATIONS (CONTINUED)**

	2014 Rm	2013 Rm
Revenue	**920**	2 182
Cost of sales	**(479)**	(1 185)
Gross profit	**441**	997
Operating expenses	**(430)**	(901)
Operating costs	**(402)**	(838)
Depreciation	**(20)**	(51)
Amortisation	**(8)**	(12)
Profit from operations before exceptional items	**11**	96
Exceptional items	**(11)**	(66)
Profit from operations	**–**	30
Net finance income	**1**	1
Finance income	**2**	5
Finance costs	**(1)**	(4)
Share of (losses) profits of associates (net of income tax)	**(12)**	2
(Loss) profit before taxation	**(11)**	33
Taxation	**(21)**	(18)
(Loss) profit after taxation before profit on disposals	**(32)**	15
Profit on disposals (net of capital gains tax)	**204**	47
Profit on disposal of properties	**8**	–
Profit on disposal of I-Net Bridge	**85**	–
Loss on disposal of Boo Media	**(3)**	–
Loss on disposal of Map Studio	**(1)**	–
Profit on disposal of Van Schaik Bookstore	**116**	–
Profit on disposal of Exclusive Books	**63**	–
Loss on disposal of Random House Struik	**(7)**	–
Loss on disposal of Struik Christian Media	**(1)**	–
Loss on disposal of Nu Metro Cinemas and Popcorn Cinema Advertising Sales	**(18)**	–
Loss on disposal of Warner Music Gallo Africa	**(1)**	–
(Loss) profit on disposal of MapIT	**(1)**	32
Profit on disposal of Monte Cinemas	**–**	11
Profit on disposal of Three Groups Cinemas (Suncoast Cinema)	**–**	9
Capital gains tax	**(36)**	(5)
Profit from discontinued operations	**172**	62

12. DISCONTINUED OPERATIONS (CONTINUED)

	2014 Rm	2013 Rm
Segmental revenue from external customers		
Media	**54**	116
Broadcasting and Content	**75**	68
Books	**654**	1 584
Entertainment	**137**	414
	920	2 182
Segmental profit (loss) from operations before exceptional items		
Media	**(1)**	6
Broadcasting and Content	**(1)**	3
Books	**12**	90
Entertainment	**1**	(3)
	11	96
Segmental exceptional items		
Broadcasting and Content		
– Goodwill impairment	**–**	(20)
Books	**(12)**	(31)
– Impairment of Exclusives.co.za	**(1)**	(15)
– Increased provisioning of stock and debtors	**(1)**	(13)
– Retrenchment costs	**(3)**	(3)
– Early termination of lease	**(4)**	–
– Impairment of carrying value of business	**(3)**	–
Entertainment	**1**	(15)
– Final dividend from Monte Cinemas	**1**	–
– Impairment of property, plant and equipment	**–**	(6)
– Onerous leases	**–**	(7)
– Retrenchment costs	**–**	(2)
	(11)	(66)
Assets and liabilities of discontinued operations classified as held for sale		
Non-current assets	**92**	259
Current assets	**111**	634
Non-current liabilities	**6**	32
Current liabilities	**26**	385
Cash flow information		
Net cash flows from operations	**11**	156
Taxation paid	**1**	(5)
Net cash flows from operating activities	**12**	151
Net cash flows from investing activities	**(62)**	7
Net cash flows from financing activities	**44**	(13)
Foreign operations translation adjustment	**(3)**	(3)
Cash flows from discontinued operations	**(9)**	142

13. **EARNINGS PER ORDINARY SHARE**

The calculation of basic earnings and headline earnings per ordinary share for the year ended 30 June 2014 is based on earnings of R400 million and headline earnings of R210 million, respectively, and on a weighted average of 126 981 955 ordinary shares in issue.

The calculation of diluted earnings and diluted headline earnings per ordinary share for the year ended 30 June 2014 is based on earnings of R400 million and headline earnings of R210 million, respectively, and on a weighted average of 128 126 827 diluted ordinary shares in issue. The additional diluted ordinary shares arise as a result of equity-settled share incentives in issue.

The earnings and headline earnings for the year ended 30 June 2013 include a comparative interest charge of R19 million from the beginning of that year to the reverse acquisition date of 25 September 2012 in respect of the R1,15 billion term loans raised. The weighted average number of ordinary shares in issue during the year ended 30 June 2013 is calculated on the basis of the number of ordinary shares in issue from the beginning of the year to the acquisition date, being the weighted average number of ordinary shares of Avusa (the accounting acquirer) in issue during that period, multiplied by the share exchange ratio in terms of the acquisition, and the weighted average number of ordinary shares in issue from the acquisition date to the end of the year, being the weighted average number of ordinary shares of TMG (the legal acquirer) in issue during that year.

The calculation of basic and diluted earnings and headline earnings per ordinary share for the year ended 30 June 2013 is based on a loss of R16 million and headline earnings of R24 million, respectively, and on a weighted average of 141 230 227 ordinary shares in issue.

	2014		2013	
	Gross Rm	**Net of tax Rm**	Gross Rm	Net of tax Rm
Reconciliation between earnings and headline earnings				
CONTINUING OPERATIONS				
Earnings (loss)	**–**	**228**	–	(54)
(Profit) loss on disposal of property, plant and equipment	**(6)**	**8**	3	2
(Profit) loss on disposal of intangible assets	**(10)**	**(6)**	2	2
Impairment of plant and equipment	**–**	**–**	10	7
Impairment of intangible assets	**1**	**1**	42	30
Impairment of goodwill	**16**	**16**	13	13
Impairment of loan	**–**	**–**	25	25
Revaluation of investments	**(1)**	**–**	(3)	(3)
Profits on disposal of listed investments	**(1)**	**(1)**	–	–
Gain on acquisition of Rise FM and Ferroprint (2013: BDFM Group)	**(7)**	**(7)**	(24)	(24)
Attributable to non-controlling interest	**–**	**–**	–	–
Headline earnings (loss)		**239**		(2)
Earnings (loss) per ordinary share from continuing operations (cents)				
Basic		**180**		(52)
Diluted		**178**		(52)
Headline earnings (loss) per ordinary share from continuing operations (cents)				
Basic		**188**		(15)
Diluted		**187**		(15)

13. **EARNINGS PER ORDINARY SHARE (CONTINUED)**

	2014		2013	
	Gross Rm	**Net of tax Rm**	Gross Rm	Net of tax Rm
DISCONTINUED OPERATIONS				
Earnings	**–**	**172**	–	57
Profit on disposal of interests in I-Net Bridge, Boo Media, Map Studio, Van Schaik Bookstore, Exclusive Books, Random House Struik, Struik Christian Media, Mega Digital, Nu Metro Cinemas and Popcorn Cinema Advertising Sales, Warner Music Gallo Africa and MapIT (2013: MapIT, Monte Cinemas and Suncoast Cinema)	**(232)**	**(198)**	(52)	(47)
Loss on disposal of property, plant and equipment	**2**	**1**	1	1
Profit on disposal of properties	**(8)**	**(7)**	–	–
Impairment of carrying value of business	**3**	**3**	–	–
Impairment of plant and equipment	**–**	**–**	6	4
Impairment of intangible assets	**–**	**–**	15	10
Impairment of goodwill	**–**	**–**	20	20
Attributable to non-controlling interest	**–**	**–**	–	–
Headline (loss) earnings		**(29)**		45
Earnings per ordinary share from discontinued operations (cents)				
Basic		**135**		41
Diluted		**134**		41
Headline (loss) earnings per ordinary share from discontinued operations (cents)				
Basic		**(23)**		32
Diluted		**(23)**		32
TOTAL OF CONTINUING AND DISCONTINUED OPERATIONS				
Earnings (loss) per ordinary share (cents)				
Basic		**315**		(11)
Diluted		**312**		(11)
Headline earnings per ordinary share (cents)				
Basic		**165**		17
Diluted		**164**		17

	Plant, furniture and equipment Rm	Leasehold Improvements Rm	Freehold land and buildings Rm	Vehicles Rm	Capitalised leased assets Rm	Total Rm
14. **PROPERTY, PLANT AND EQUIPMENT**						
COST						
Balance at 30 June 2012	1 533	37	42	22	1	1 635
Additions at cost	122	4	1	2	–	129
Acquisition of subsidiaries	14	2	–	–	–	16
Disposal of subsidiaries	(34)	–	–	–	–	(34)
Other disposals	(193)	(7)	(1)	(4)	–	(205)
Assets written off	–	(4)	–	–	–	(4)
Foreign exchange differences	3	–	–	–	–	3
Transfer to other intangible assets	(6)	–	–	–	–	(6)
Classified as held for sale	(448)	(11)	(8)	(5)	(1)	(473)
Balance at 30 June 2013	**991**	**21**	**34**	**15**	**–**	**1 061**
Classified as held for sale	(10)	–	(14)	–	–	(24)
Additions at cost	78	10	–	–	–	88
Acquisition of subsidiaries and businesses	82	1	–	2	–	85
Other disposals	(213)	(2)	(2)	(1)	–	(218)
Balance at 30 June 2014	**928**	**30**	**18**	**16**	**–**	**992**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Balance at 30 June 2012	988	25	13	15	1	1 042
Charge for the year						
– Continuing operations	74	3	1	2	–	80
– Discontinued operations	49	1	–	1	–	51
Acquisition of subsidiaries	11	1	–	–	–	12
Disposal of subsidiaries	(18)	–	–	–	–	(18)
Other disposals	(179)	(7)	–	(3)	–	(189)
Impairments	18	–	–	–	–	18
Assets written off–	–	(3)	–	–	–	(3)
Foreign exchange differences	2	–	–	–	–	2
Classified as held for sale	(313)	(4)	(3)	(5)	(1)	(326)
Balance at 30 June 2013	**632**	**16**	**11**	**10**	**–**	**669**

14. **PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Plant, furniture and equipment Rm	Leasehold Improve-ments Rm	Freehold land and buildings Rm	Vehicles Rm	Capitalised leased assets Rm	Total Rm
Classified as held for sale	(8)	–	(4)	–	–	(12)
Charge for the year	68	3	1	2	–	74
Acquisition of subsidiaries and businesses	36	–	–	1	–	37
Other disposals	(152)	(1)	(2)	(1)	–	(156)
Balance at 30 June 2014	**576**	**18**	**6**	**12**	**–**	**612**
CARRYING AMOUNT						
At 30 June 2013	359	5	23	5	–	392
At 30 June 2014	**352**	**12**	**12**	**4**	**–**	**380**
PROFIT (LOSS) ON DISPOSALS						
For the year ended 30 June 2013						
Proceeds	9	–	3	1	–	13
Net book value of disposals	14	–	1	1	–	16
(Loss) profit on disposals	(5)	–	2	–	–	(3)
For the year ended 30 June 2014						
Proceeds	67	1	–	–	–	68
Net book value of disposals	61	1	–	–	–	62
Profit on disposals	**6**	**–**	**–**	**–**	**–**	**6**

- Registers containing details of the freehold land and buildings are available for inspection at the registered office of the Company
- Property, plant and equipment with a net book value of R107 million (2013: R54 million) was encumbered as reflected in note 25.

	2014 Rm	2013 Rm
15. **GOODWILL**		
COST		
Balance at beginning of the year	**559**	570
Recognised on acquisition and disposal of subsidiaries	**41**	1
Classified as held for sale	**(81)**	(12)
Balance at end of the year	**519**	559
ACCUMULATED IMPAIRMENT		
Balance at beginning of the year	**68**	36
Impairment	**16**	33
Classified as held for sale	**(20)**	(1)
Balance at end of the year	**64**	68
CARRYING AMOUNT		
At beginning of the year	**491**	534
At end of the year	**455**	491

The carrying amount of goodwill includes the following significant items:

- R313 million (2013: R313 million) on acquisition of Retail Solutions.
- R41 million (2013: R nil) on acquisition of Bates Printing.
- R40 million (2013: R40 million) on acquisition of the final 40% stake in Compact Disc Technologies.
- R10 million (2013: R25 million) on acquisition of Airport Media.
- R20 million (2013: R20 million) on acquisition of New Africa Publications (Sowetan).

The carrying amounts of goodwill in respect of other cash-generating units are not significant in comparison with the Group's total carrying amount of goodwill.

Cash flows used in impairment testing of goodwill were projected using five-year periods and estimated future growth rates discounted by the Group's weighted average cost of capital.

	Patents and trade-marks Rm	Licences Rm	Publishing rights and titles Rm	Computer software Rm	Contracts and customer relation-ships Rm	Trade names Rm	Total Rm
16. **OTHER INTANGIBLE ASSETS**							
COST							
Balance at 30 June 2012	67	32	80	206	210	166	761
Additions at cost	3	2	3	13	–	–	21
Disposals	–	–	(2)	(5)	–	–	(7)
Assets written off	–	–	–	(23)	–	–	(23)
Acquisition of subsidiaries	5	12	30	5	–	–	52
Disposal of subsidiaries	–	–	–	(17)	–	–	(17)
Foreign exchange differences	1	–	1	2	–	–	4
Transfer from property, plant and equipment	–	–	–	6	–	–	6
Classified as held for sale	(37)	–	(47)	(102)	(1)	–	(187)
Balance at 30 June 2013	**39**	**46**	**65**	**85**	**209**	**166**	**610**
Classified as held for sale	–	–	–	(17)	–	–	(17)
Additions at cost	–	3	–	5	–	–	8
Disposals	–	–	–	(1)	(12)	–	(13)
Acquisition of subsidiaries	–	43	–	–	22	–	65
Balance at 30 June 2014	**39**	**92**	**65**	**72**	**219**	**166**	**653**
ACCUMULATED AMORTISATION AND IMPAIRMENT							
Balance at 30 June 2012	65	29	60	132	45	–	331
Charge for the year							
– Continuing operations	–	2	1	9	20	–	32
– Discontinued operations	–	–	1	11	–	–	12
Impairments	–	–	–	(8)	–	–	(8)
Assets written off	–	–	–	13	27	–	40
Disposals	–	–	(1)	(5)	–	–	(6)
Acquisition of subsidiaries	5	9	–	2	–	–	16
Disposal of subsidiaries	–	–	–	(17)	–	–	(17)

16. **OTHER INTANGIBLE ASSETS (CONTINUED)**

	Patents and trade-marks Rm	Licences Rm	Publishing rights and titles Rm	Computer software Rm	Contracts and customer relation-ships Rm	Trade names Rm	Total Rm
Foreign exchange differences	1	–	1	1	–	–	3
Classified as held for sale	(35)	–	(16)	(81)	(1)	–	(133)
Balance at 30 June 2013	**36**	**40**	**46**	**57**	**91**	**–**	**270**
Classified as held for sale	–	–	–	(5)	(5)	–	(10)
Charge for the year	1	5	1	7	19	–	33
Impairments	–	–	1	–	–	–	1
Disposals	–	–	–	(1)	(7)	–	(8)
Acquisition of subsidiaries	–	–	–	–	1	–	1
Balance at 30 June 2014	**37**	**45**	**48**	**58**	**99**	–	**287**
CARRYING AMOUNT							
At 30 June 2013	3	6	19	28	118	166	340
At 30 June 2014	**2**	**47**	**17**	**14**	**120**	**166**	**366**
PROFIT (LOSS) ON DISPOSALS							
For the year ended 30 June 2013							
Proceeds	–	–	–	–	–	–	–
Net book value of disposals	–	–	1	–	–	–	1
Loss on disposals	–	–	(1)	–	–	–	(1)
For the year ended 30 June 2014							
Proceeds	**–**	**–**	**–**	**–**	**15**	**–**	**15**
Net book value of disposals	**–**	**–**	**–**	**–**	**5**	**–**	**5**
Profit on disposals	**–**	**–**	**–**	**–**	**10**	**–**	**10**

Trade names and certain publishing rights and titles have no foreseeable limit to the period over which they are expected to be available for use. Accordingly, they are assessed as having indefinite useful lives, and are not amortised. Their carrying values are detailed above. The trademarks have been hypothecated in favour of the security SPV as detailed in note 25.

	2014 Rm	2013 Rm

17. INTERESTS IN SUBSIDIARIES

Interests in subsidiaries are eliminated on consolidation.

18. INTERESTS IN ASSOCIATES AND JOINT VENTURES

	2014 Rm	2013 Rm
	376	22
Unlisted shares at cost less amount written off	**366**	10
Amounts owing	**4**	10
Share of post-acquisition reserves	**6**	2
Directors' valuation	**376**	22

Further information regarding interests in associates and joint ventures is set out in note 42.

19. INVESTMENTS

	2014 Rm	2013 Rm
	2	13
Seardel Investment Corporation Limited	**2**	–
African Media Entertainment Limited	**–**	13

These listed investments are classified as financial assets and are carried at fair value. Fair value is determined by reference to the price quoted on the JSE Limited.

20. LONG-TERM RECEIVABLE

	2014 Rm	2013 Rm
Nu Metro Cinemas purchase price receivable on 28 November 2015	**8**	–

The Nu Metro Cinemas (including Popcorn Cinema Advertising Sales) sale price includes R10 million payable by the purchaser on 28 November 2015. This receivable has been discounted at TMG's weighted average cost of capital.

21. INVENTORIES

	2014 Rm	2013 Rm
Merchandise	**130**	111
Work in progress	**24**	22
Raw materials	**94**	96
Consumable stores and maintenance spares	**1**	1
	249	230
Inventory write-offs expensed	**10**	44
Inventories recognised as an expense in cost of sales	**645**	685

	2014 Rm	2013 Rm

22. TRADE AND OTHER RECEIVABLES

	2014 Rm	2013 Rm
Trade receivables	**774**	736
Gross	**800**	769
Allowances for doubtful receivables	**(26)**	(33)
Sundry receivables	**106**	146
Prepayments	**55**	61
	935	943
Movement in allowances for doubtful receivables		
Balance at beginning of the year	**33**	45
Provided during the year	**8**	12
Utilised during the year	**(1)**	(6)
Reversed during the year	**(14)**	(12)
Classified as held for sale	–	(6)
Balance at end of the year	**26**	33

The directors consider that the carrying amount of trade and other receivables approximates their fair value. Trade receivables have been pledged in favour of the security SPV as detailed in note 25. Credit risk relating to trade receivables is detailed in note 30.

23. STATED CAPITAL

Authorised share capital

500 000 000 (2013: 500 000 000) ordinary no par value shares

	2014 Rm	2013 Rm
Issued and fully paid-up share capital		
127 077 145 (2013: 127 077 145) ordinary no par value shares	**1 724**	1 724

Shares held as treasury shares by Times Media Proprietary Limited, a wholly-owned subsidiary of TMG:

- 29 966 shares purchased at R15,59 per share in terms of TMG's April 2013 odd-lot offer.
- 576 767 shares purchased at an average price of R21,43 per share in the market during the year ended 30 June 2014.

24. OTHER RESERVES

	2014 Rm	2013 Rm
Foreign currency translation reserve	**(5)**	(1)
Equity-settled share incentives reserve	**17**	(4)
Excess of cost of non-controlling interest over carrying value on acquisition	**(24)**	(24)
Treasury shares held by subsidiary	**(12)**	–
Fair value of cash flow hedges	**–**	7
Effect of reverse acquisition accounting	**(1 111)**	(1 111)
	(1 135)	(1 133)

	2014 Rm	2013 Rm
25. BORROWINGS		
Unsecured		
• **Bank overdrafts**	**43**	87
Bank overdrafts bear interest at rates related to prime.		
• **Asset financing**	**20**	–
The asset financing bears interest at 7,4% per annum.		
• **Various borrowings**	**3**	3
The loans are interest-free with no fixed terms of repayment.		
Total unsecured borrowings	**66**	90
Secured		
• **Term funding loans**	**292**	698
R1,15 billion was borrowed on 25 September 2012, R575 million by way of a six-year amortising loan, and R575 million by way of a six-year bullet loan. The amortising loan pays interest at JIBAR + 3%, and the bullet loan at JIBAR +3,5%.		
Security over the loans includes a guarantee by a security SPV and indemnity by the Group in favour of the security SPV, cross-guarantees provided by wholly-owned Group companies, the cession and pledge of shares in wholly-owned subsidiaries, and the cession, pledge and hypothecation by Times Media Proprietary Limited of its bank accounts, book debts and trademarks.		
Loan covenants, including net debt to EBITDA, debt service cover and interest cover were complied with, and no defaults have occurred.		
The loan-raising fee is amortised over the period of the loan. The amortised amount is included in finance costs. (see note 10).		
R858 million (2013: R452 million) of the six-year loans was repaid by 30 June 2014.		
These loans require the prior consent of the lenders, FirstRand Bank, Nedbank and The Standard Bank of South Africa, for TMG to acquire and dispose of businesses, and to make distributions to shareholders.		
In order to hedge against the risk of interest rate fluctuations on this JIBAR-linked loan funding, interest rate swap agreements were entered into. The swaps were accounted for as cash flow hedges and were fully unwound during the year.		
• **Vehicle and asset financing**	**99**	44
The vehicle and asset financing has interest rates varying from 7% to 9% per annum, and repayment terms ranging from three to five years. The underlying assets provide the security.		
• **Finance leases**	**–**	1
Interest rates vary from 6,5% to 15,0%. The leases are repayable within three to five years and are secured by the underlying assets.		
Total secured borrowings	**391**	743
Total borrowings	**457**	833

	2014	2013

25. **BORROWINGS (CONTINUED)**

	Rm	Rm
Maturities of the above borrowings:		
– Within one year	**91**	143
– In the second to fifth years inclusive	**366**	304
– After five years	–	386
Total borrowings	**457**	833
Amount due within one year shown under current liabilities	**91**	143
Total long-term borrowings	**366**	690
Assets encumbered		
Property, plant and equipment (see note 14)	**107**	54

In terms of its memorandum of incorporation, the Company's borrowing powers are unrestricted.

26. POST-RETIREMENT BENEFITS LIABILITIES

Certain Group operations have unfunded obligations to provide post-retirement medical aid benefits to certain pensioners and employees on retirement. An obligation in respect of post-retirement medical aid benefits no longer forms part of the conditions of employment for new employees. The quantum of the post-retirement medical aid obligation is valued by independent actuaries. As noted in the directors' report, proceedings have been instituted by a number of former executive employees in relation to claims for increases to port-retirement medical aid subsidies. These proceedings are being defended.

	2014	2013
Principal actuarial assumptions		
Discount rate	**8,5% p.a.**	8,0% p.a.
Healthcare cost inflation rate	**8,4% p.a.**	7,9% p.a.
Number of members		
In-service	**76**	305
Pensioners	**388**	383
	464	688

	Rm	Rm
Post-retirement benefits liabilities at beginning of the year	**274**	242
Current service costs	**6**	7
Interest costs	**21**	27
Expected employer benefit payments	**(10)**	(15)
	291	261
Actuarial gain	**(100)**	(3)
Settlement of liabilities	**(97)**	–
Acquisition of remaining 50% interest in BDFM Group	**–**	16
Post-retirement benefits liabilities at end of the year	**94**	274
Payable within one year	**(9)**	(10)
Non-current liabilities	**85**	264
The present value of the unfunded obligation is fully provided.		
The effect of a one percentage point movement in the assumed healthcare cost trend rate on:		
Aggregate of current service costs and interest costs		
-1%	**–**	(2)
+1%	**–**	1
Accumulated post-retirement benefits liabilities		
-1%	**(2)**	(16)
+1%	**2**	9
R96 million of the 2014 actuarial gain arises on valuation as a result of the subsidy amount assumption being capped at the 2013 level.		
Contributions expected to be paid in the next financial year	**10**	10

27. **DEFERRED TAXATION**

	Balance at 30 June 2013 Rm	Classified as held for sale Rm	Credit (charge) to income Rm	Charge to equity Rm	Acquisition (disposal) of subsi-diaries (net) Rm	**Balance at 30 June 2014 Rm**
Taxation effect of:						
Post-retirement benefits liabilities	77	–	(51)	–	–	**26**
Accounting provisions	69	(1)	(5)	–	(23)	**40**
Assessable losses	41	–	(20)	–	–	**21**
Operating leases equalisation liabilities	14	–	1	–	(2)	**13**
Excess taxation allowance over amortisation charge	3	–	1	–	(1)	**3**
Share-based payments liabilities	1	–	6	–	–	**7**
Cash flow hedges	(3)	–	–	3	–	–
Pension fund surplus	(15)	–	15	–	–	–
Purchase price allocation on acquisition of subsidiaries	(26)	–	5	–	(17)	**(38)**
Excess taxation allowance over depreciation charge	(45)	–	11	–	5	**(29)**
	116	(1)	(37)	3	(38)	**43**
Reconciled as follows:						
Deferred taxation assets	163					**82**
Deferred taxation liabilities	(47)					**(39)**
	116					**43**

Deferred taxation assets have been raised on assessable income tax losses of R75 million (2013: R146 million) where future taxable profits are expected.

	2014 Rm	2013 Rm
28. **TRADE AND OTHER PAYABLES**		
Trade payables	**901**	782
Current portion of operating leases equalisation liabilities	**4**	3
	905	785

The directors consider that the carrying amounts of trade and other payables approximate their fair value.

29. PROVISIONS

	Balance at 30 June 2013 Rm	Provided during the year Rm	Utilised during the year Rm	Reversed during the year Rm	**Balance at 30 June 2014 Rm**
Overage	16	23	(6)	–	**33**
Onerous leases	2	–	–	(2)	–
	18	23	(6)	(2)	**33**

- **Overage**
  The provision represents royalties payable by Times Media Films to studio houses. The provision is based on royalty percentages, and the amount finally paid is dependent on the performance of the films.
- **Onerous leases**
  The provision was in respect of sub-economic leases, based on discounted future rental costs.

30. FINANCIAL INSTRUMENTS

Capital risk management

The Group defines total capital as "total equity" plus "long-term borrowings" as reflected in the statement of financial position.

The Group's objectives of capital management are to safeguard the Group's ability to continue as a going concern so as to provide returns to shareholders and other benefits to other stakeholders.

The Group may issue or repurchase shares, return capital to shareholders, pay dividends, raise or repay debt and buy or sell assets in order to maintain or change the capital structure.

Capital is monitored using the gearing ratio.

Significant accounting policies

Details of significant accounting policies, including recognition criteria and the basis of measurement in respect of each category of financial asset, financial liability and equity instrument are disclosed in note 2.

Financial risk management

The Group does not trade in financial instruments, including derivative financial instruments, for speculative purposes. The Group is, however, still exposed in the normal course of its operations to financial risks. In order to minimise these risks, the Group may enter into transactions that make use of financial instruments. The Group's risk management process uses formally documented policies and frameworks, including limits and reporting structures, to control and monitor financial risk.

Categories of financial instruments

	Loans and receivables Rm
Financial assets	
2014	
Trade and sundry receivables*	**877**
Bank balances, deposits and cash	**47**
	924
2013	
Trade and sundry receivables*	873
Bank balances, deposits and cash payables	103
	976

30. **FINANCIAL INSTRUMENTS (CONTINUED)**

	Loans and payables Rm
Financial liabilities	
2014	
Vehicle and asset financing	**119**
Other interest-bearing borrowings	**335**
Interest-free borrowings	**3**
Trade and other payables*	**888**
	1 345
2013	
Vehicle and asset financing	45
Other interest-bearing borrowings	785
Interest-free borrowings	3
Trade and other payables*	770
	1 603

* Excludes taxes

Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted prices (unadjusted) in active markets for identical instruments.

Level 2: Valuation techniques based on observable inputs, either directly (ie. as prices) or indirectly (ie. derived from prices).

Level 3: Valuation techniques using significant unobservable inputs (ie. market data).

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy at which the fair value measurement is categorised.

No transfers were made between the hierarchy levels during the reporting period. No change in the valuation techniques applied occurred from the prior reporting period.

	2014 Rm	2013 Rm
Level 1		
Investments	**2**	13
Level 2		
Financial assets		
Cash flow hedges	**–**	10
Loans to associates and joint ventures	**4**	10
Trade and sundry receivables*	**877**	873
Financial liabilities		
Vehicle and asset financing	**119**	45
Other interest-bearing borrowings	**335**	785
Interest-free borrowings	**3**	3
Trade and other payables*	**888**	770

*Excludes taxes

30. **FINANCIAL INSTRUMENTS (CONTINUED)**

Liquidity risk

Liquidity risk is the risk of being unable to meet a financial commitment. The Group manages its liquidity risk by holding cash balances and by maintaining banking facilities. In addition, actual and budgeted cash flows are prepared and reviewed.

The following table details the contractual maturity for non-derivative financial liabilities. The table has been compiled based on the undiscounted cash flows of financial liabilities based on the earliest date for the repayment of the liability. The cash flows include both principal and interest payments.

	Average interest rate (%)	Less than 1 year Rm	1 – 2 years Rm	2 – 5 years Rm	After 5 years Rm	Total Rm
2014						
Vehicle and asset financing	**7,9**	**25**	**28**	**66**	**–**	**119**
Other interest-bearing borrowings	**8,8**	**63**	**26**	**246**	**–**	**335**
Interest-free borrowings		**3**	**–**	**–**	**–**	**3**
Trade and other payables *		**888**	**–**	**–**	**–**	**888**
		979	**54**	**312**	**–**	**1 345**
2013						
Vehicle and asset financing	7,2	12	33	–	–	45
Other interest-bearing borrowings	8,4	128	51	220	386	785
Interest-free borrowings		3	–	–	–	3
Trade and other payables *		770	–	–	–	770
		913	84	220	386	1 603

* Excludes taxes

At 30 June 2014, the Group had R250 million (2013: R250 million) of bank overdraft facilities.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss. The Group deals with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Use is made of independent credit rating agencies, publicly available financial information and internal trading records to rate customers and potential customers. Exposures to and credit ratings of counterparties are regularly monitored. The aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets represents the maximum exposure to credit risk. Collateral is taken and credit insurance is purchased where practical.

30. **FINANCIAL INSTRUMENTS (CONTINUED)**
Credit risk (continued)

	2014 Rm	2013 Rm
Trade and sundry receivables *	**877**	873
Bank balances, deposits and cash	**47**	103
	924	976

* Excludes taxes

Trade receivables

Trade receivables comprise a large number of customers spread across all divisions. Credit risk is limited due to the large customer base. Operational management evaluates the creditworthiness of customers before credit facilities are granted, and thereafter on a regular basis. Each business unit establishes an allowance for doubtful receivables that represents an estimate of potential losses in respect of amounts owed by trade debtors. Credit terms vary between the divisions but the majority of customers are given terms between 30 and 60 days.

Ageing of trade receivables (gross)		
Current	**400**	355
30 days	**226**	263
60 days	**70**	61
90 days	**31**	30
120 days	**73**	60
	800	769
Ageing of allowance for doubtful receivables		
Current	**–**	–
30 days	**–**	–
60 days	**–**	1
90 days	**1**	6
120 days	**25**	26
	26	33
Ageing of trade receivables (net)		
Current	**400**	355
30 days	**226**	263
60 days	**70**	60
90 days	**30**	24
120 days	**48**	34
	774	736
Ageing of trade receivables past due		
Current	**–**	–
30 days	**3**	2
60 days	**53**	49
90 days	**29**	26
120 days	**68**	55
	153	132

30. **FINANCIAL INSTRUMENTS (CONTINUED)**
Credit risk (continued)

	2014 Rm	2013 Rm
Ageing of trade receivables past due net of allowance for doubtful receivables		
Current	**–**	–
30 days	**3**	2
60 days	**53**	48
90 days	**28**	20
120 days	**43**	29
	127	99
Ageing of trade receivables neither past due nor impaired		
Current	**400**	355
30 days	**223**	261
60 days	**17**	12
90 days	**2**	4
120 days	**5**	5
	647	637
Debtors' days	**61**	57
Segmental analysis of trade receivables (net)		
Media	**275**	290
Broadcasting and Content	**51**	51
Retail Solutions	**448**	395
	774	736
Segmental analysis of trade receivables neither past due nor impaired		
Media	**264**	270
Broadcasting and Content	**46**	49
Retail Solutions	**337**	318
	647	637

- The Retail Solutions division's trade receivables include the Associated Music Distributors debtors' book, which includes the factored trade receivables of the home entertainment and music businesses.
- The trade receivables that are past due, but not impaired, represent receivables where there has been no significant change in credit quality and the amounts are still considered recoverable.

Market risk

The Group's activities expose it to the market risks of changes in foreign currency exchange rates, interest rates and investment values.

Foreign currency risk

The Group operates in a global business environment and therefore enters into transactions in currencies other than functional currencies. Exposure to the risk of fluctuating foreign currency exchange rates is reduced by the Group's policy to use forward exchange contracts where practical. The Group does not enter into derivative contracts for speculative purposes.

30. **FINANCIAL INSTRUMENTS (CONTINUED)**

Market risk (continued)

At the year-end, the Group had contracted the following amounts under outstanding forward exchange contracts:

	Foreign amounts		Rand contract amounts		Rand fair value amounts	
	2014	2013	**2014**	2013	**2014**	2013
	m	m	**Rm**	Rm	**Rm**	Rm
Foreign exchange contracts – receivable						
At year end, there were no foreign exchange contracts receivable.						
Foreign exchange contracts – payable						
US dollar	**0,3**	3,7	**3**	37	**3**	35
British pound	**–**	0,6	**–**	9	**–**	10
Euro	**0,1**	0,5	**2**	6	**2**	6
Singapore dollar	**–**	0,2	**–**	2	**–**	2
			5	54	**5**	53

At year-end, there were no material foreign currency-denominated assets or liabilities not covered by forward exchange contracts. Accordingly, there was no material sensitivity at year-end to exchange rate fluctuations.

Year end closing exchange rates to the South African rand	**2014**	2013
US dollar	**10,63**	9,93
British pound	**18,18**	15,08
Euro	**14,55**	12,92
Australian dollar	**10,01**	9,05
New Zealand dollar	**9,30**	7,66
Ghanaian cedi	**3,16**	–
Kenyan shilling	**0,12**	–

Interest rate risk

The Group is exposed to interest rate risk as funds are borrowed at both fixed and floating interest rates. The exposures to interest rates are detailed in the liquidity risk section of this note. As disclosed in the borrowings note (note 25), the Group used forward interest rate contracts to manage this risk.

The sensitivity analysis below was prepared based on the exposure to interest rates at year-end. For floating rate liabilities, the analysis was prepared assuming the amount of unhedged liability outstanding at year-end was outstanding for the whole year. A 100 basis point increase or decrease represents a reasonably possible change in interest rates.

	100 basis point change in interest rates	
	Increase	**Decrease**
	Rm	**Rm**
2014		
(Loss) profit	**(5)**	**5**
2013		
(Loss) profit	(8)	8

	2014 Rm	2013 Rm
31. RECONCILIATION OF PROFIT (LOSS) BEFORE TAXATION TO NET CASH FLOWS FROM OPERATIONS		
Profit (loss) before taxation	**321**	(37)
Adjusted for:		
Share of losses of associates	**3**	24
Finance income	**(20)**	(24)
Finance costs	**55**	94
Depreciation	**94**	131
Amortisation	**41**	44
Impairment of goodwill	**16**	33
Impairment of property, plant and equipment	**–**	16
Impairment of intangible assets	**2**	58
(Profit) loss on disposal of property, plant and equipment	**(12)**	3
(Profit) loss on disposal of intangible assets	**(10)**	1
(Decrease) increase in post-retirement benefits liabilities	**(149)**	15
Employer portion of pension fund surplus	**46**	(9)
Scheme of arrangement transaction costs	**–**	(12)
Share incentive plans	**21**	(2)
Operating leases equalisation liabilities	**5**	4
Other non-cash items	**3**	1
Net cash flows from operations before working capital changes	**416**	340
Working capital changes	**57**	174
(Increase) decrease in inventories	**(4)**	27
Decrease (increase) in trade and other receivables	**30**	(26)
Increase in trade and other payables	**31**	173
Net cash flows from operations	**473**	514
32. INCOME FROM INVESTMENTS		
Cash dividends received from associates	**5**	5
33. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT		
Additions:		
– to maintain operations	**88**	129
– to expand operations	**–**	–
Total additions (see note 14)	**88**	129

34. ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND BUSINESSES

Acquisition of subsidiaries and businesses

2014

- Typesetting and Repro Services on 1 August 2013 (100%)
- Bates Printing on 1 November 2013 (100%)
- Rise FM on 3 December 2013 (65%)
- Vuma 103 FM on 30 January 2014 (60%)
- Ferroprint on 1 June 2014 (100%)

2013

- BDFM Publishers Proprietary Limited on 25 June 2013 (50%)

	2014 Rm	2013 Rm
Net assets acquired		
Property, plant and equipment	**48**	4

34. **ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND BUSINESSES (CONTINUED)**

	2014 Rm	2013 Rm
Intangible assets	**107**	36
Non-current assets	**–**	15
Bank balances, deposits and cash	**9**	9
Long-term borrowings	**(4)**	(1)
Non-current liabilities	**(21)**	(16)
Net current liabilities	**(16)**	(3)
Total net assets acquired	**123**	44
Gain arising on acquisition	**(7)**	(24)
Total consideration	**116**	20
Settled by:		
Cash	**(116)**	(20)
Net cash outflow arising on acquisition		
Cash consideration paid	**(116)**	(20)
Net bank balances, deposits and cash acquired	**9**	9
	(107)	(11)

Disposal of subsidiaries and businesses

2014

- Struik Christian Media on 29 July 2013 (100%)
- Mega Digital on 1 November 2013 (51%)
- I-Net Bridge on 15 November 2013 (100%)
- Random House Struik on 25 November 2013 (50,1%)
- Nu Metro Cinemas business (including Popcorn Cinema Advertising Sales) on 28 November 2013 (100%)
- Exclusive Books on 1 December 2013 (100%)
- Van Schaik Bookstore on 2 December 2013 (100%)
- Boo Media on 1 May 2014 (51%)
- Map Studio on 30 June 2014 (100%)

2013

- MapIT on 31 May 2013 (51%)
- Monte Cinemas on 28 June 2013 (51%)

Net assets disposed

	2014 Rm	2013 Rm
Property, plant and equipment	**(192)**	(16)
Non-current assets	**(53)**	(1)
Bank balances, deposits and cash	**(66)**	(17)
Net current assets	**(218)**	(2)
Long-term borrowings	**44**	–
Non-current liabilities	**17**	–
Total net assets disposed	**(468)**	(36)
Non-controlling interests	**38**	22
	(430)	(14)

34. **ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND BUSINESSES (CONTINUED)**

	2014 Rm	2013 Rm
Settled by:		
Cash	**641**	37
Purchase price receivable	**23**	20*
	664	57
Net cash inflow arising on disposals		
Cash consideration received	**641**	37
Net bank balances, deposits and cash disposed	**(66)**	(17)
	575	20

* Cash received 1 July 2013

35. **CASH AND CASH EQUIVALENTS**

	2014 Rm	2013 Rm
Bank balances, deposits and cash	**83**	170
– Continuing	**47**	103
– Discontinued	**36**	67
Bank overdrafts	**(43)**	(111)
– Continuing	**(43)**	(87)
– Discontinued	**–**	(24)
	40	59

Bank balances, deposits and cash have original maturities of three months or less. The carrying amounts of these assets approximate their fair values.

	2014 Rm	2013 Rm
Bank overdrafts comprise:		
South African rand	**43**	111
Foreign currencies	**–**	–
	43	111

36. **CONTINGENT LIABILITIES**

	2014 Rm	2013 Rm
Claims which may result from pending litigation	**–**	–

Details of material litigation are set out in the directors' report on page 58 of TMG's 2014 integrated annual report.

37. **CAPITAL EXPENDITURE COMMITMENTS**

	2014 Rm	2013 Rm
Contracted but not provided for	**3**	14
Authorised but not yet contracted for	**–**	–
	3	14

38. **LEASE COMMITMENTS**

Outstanding commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:

	2014 Rm	2013 Rm
Within one year	**98**	210
In the second to fifth years inclusive	**330**	559
After five years	**132**	231
	560	1 000

- Lease payments recognised in profit or loss are reflected in note 4.
- The lease commitments detailed above do not include turnover rent to the extent that turnover rent exceeds base rent.

39. **RETIREMENT BENEFIT PLANS**

The Group has retirement benefit plans covering substantially all employees. Eligible employees are members of either defined contribution or defined benefit plans administered by the Group, or are members of funds associated with industry or employee organisations.

The South African retirement benefit plans are governed by the Pension Funds Act, 1956. The assets of the plans are held separately from those of the Group, in funds under the control of trustees. The cost charged to profit or loss represents contributions payable to the plans at rates specified in the rules of each plan.

Defined contribution plans

The defined contribution plans are designed to provide a lump sum on retirement or a combination of a lump sum and a pension. The benefits are dependent on the investment performance of the plans. Both employees and Group companies contribute to the plans on a fixed contribution basis. Apart from contributions paid, the Group has no further obligations in respect of these plans.

Defined benefit plan

The Group's defined benefit retirement plans are the Times Media Group Limited Pension Fund which had only 12 in-service members at 30 June 2014 (2013: 13 in-service members) and the Johnnic Entertainment Pension Fund which is in liquidation.

40. **RELATED PARTY TRANSACTIONS**

- Transactions between subsidiaries have been eliminated on consolidation.
- Transactions between the Group and its associates and joint ventures were concluded at arm's length.
- There were no transactions between the Company and its subsidiaries apart from inter-group loans.

	2014 Rm	2013 Rm
41. **SHARE-BASED PAYMENTS**		
CONTINUING OPERATIONS		
Charge to profit or loss in respect of equity-settled share incentives	**21**	–

Further detail regarding share-based payments is set out in the remuneration committee report on pages 48 and 49 of TMG's 2014 integrated annual report.

42. **INTERESTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES**

Subsidiaries

The consolidated Group annual financial statements incorporate the financial statements of TMG and the entities it controls. Control is achieved where TMG has the power to govern the financial and operating policies of an entity so as to obtain economic benefits from the entity's activities. The power to govern has been determined by a shareholding in excess of 50%. It is Group operating policy that cash transfers are made only where all shareholders are in agreement.

The following profits (losses) arose on the disposal of subsidiaries:

	2014 Rm	2013 Rm
I-Net Bridge	**85**	–
Boo Media	**(3)**	–
Mega Digital	**–**	–
Random House Struik	**(6)**	–
MapIT	**(1)**	29
Monte Cinemas	**1**	10

These profits and losses are recognised in "Profit on disposals (net of capital gains tax)" in the statement of profit or loss and other comprehensive income.

42. **INTERESTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)**

Joint ventures

The Group has joint ventures whereby the Group and other parties undertake economic activities that are subject to joint control, which is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control. Joint control has been determined by each party having a 50% shareholding in the joint venture. It is Group operating policy that cash transfers are made only where all shareholders are in agreement.

The Group does not have any joint operations in terms of which it has rights to the assets and obligations for the liabilities of the joint operation.

During the year under review, the Group had no material joint ventures. TMG accounts for its interests in joint ventures using the equity method.

Summarised financial information for the Group's joint ventures is set out below:

	2014 Rm	2013 Rm
Share of profits from continuing operations (net of income tax)	**2**	–
Share of profits from discontinued operations (net of income tax)	**–**	–
Share of other comprehensive income	**–**	–
Share of total comprehensive income	**2**	–

Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the strategic financial and operating policy decisions of the investee. Significant influence has been determined by shareholdings of 20% or more, but less than 50%.

During the year under review, the following associates were material to the Group's reporting:

Multimedia Group

- TMG acquired its 32,26% interest in Multimedia Group, a Ghanaian radio and television group, on 12 September 2013.

Radio Africa

- TMG acquired its 49% interest in Radio Africa, a Kenyan radio and television group, on 30 June 2014.

Summarised financial information for TMG's two material associates is set out below:

	Multimedia Group 2014 Rm	Radio Africa 2014 Rm
Non-current assets	30	27
Current assets	49	193
Non-current liabilities	–	(101)
Current liabilities	(45)	(87)
Net assets	34	32
Revenue	115	–
Profit from continuing operations	19	–
Profit from discontinued operations (net of income tax)	–	–
Other comprehensive income	–	–
Total comprehensive income	19	–

42. **INTERESTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES (CONTINUED)**

	Multimedia Group 2014 Rm	Radio Africa 2014 Rm
In addition to the above summarised financial information, the following detail is provided:		
Cash and cash equivalents	–	2
Current financial liabilities (excluding trade and other payables and provisions)	–	–
Non-current financial liabilities (excluding trade and other payables and provisions)	–	(101)
Interest income	3	–
Tax (expense) credit	–	–

The above financial information comprises the translated amounts included in the IFRS financial statements of the associates (and not TMG's share thereof).

Summarised financial information for the Group's associates that are individually immaterial is set out below:

	2014 Rm	2013 Rm
Share of profits (losses) from continuing operations (net of income tax)	**1**	(26)
Share of (losses) profits from discontinued operations (net of income tax)	**(12)**	2
Share of other comprehensive income	**–**	–
Share of total comprehensive loss	**(11)**	(24)

EXTRACTS OF PUBLISHED AUDITED HISTORICAL FINANCIAL INFORMATION OF TMG FOR THE FINANCIAL YEAR ENDED 30 JUNE 2013 AND PUBLISHED REVIEWED HISTORICAL FINANCIAL INFORMATION OF TMG FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

The consolidated statements of financial position, statements of comprehensive income, statements of changes in equity, cash flow statements and notes of TMG for the financial years ended 30 June 2012 and 30 June 2013, have been extracted and compiled from the audited consolidated annual financial statements of TMG for the year ended 30 June 2013 and reviewed consolidated annual financial statement of TMG for the year ended 30 June 2012, which are available on TMG's website.

The preparation of this **Annexure 3B** is the responsibility of the TMG Directors. The historical financial information of TMG was for the year ended 30 June 2013 previously been audited by Deloitte & Touche and the historical financial information of the year ended 30 June 2012 was reviewed by Deloitte & Touche and reported on without qualification for all of the aforementioned financial periods.

Statement of profit or loss and other comprehensive income
for the year ended 30 June 2013

	Notes	**Audited 2013 Rm**	Reviewed 2012 Rm
CONTINUING OPERATIONS			
Revenue	3	**3 899**	3 949
Cost of sales		**(2 756)**	(2 809)
Gross profit		**1 143**	1 140
Operating expenses		**(918)**	(953)
Operating costs	4	**(802)**	(829)
Depreciation	6	**(82)**	(78)
Amortisation	7	**(34)**	(40)
Share-based payments	41	**–**	(6)
Profit from operations before exceptional items		**225**	187
Exceptional items	8	**(219)**	(15)
Profit from operations		**6**	172
Net finance (costs) income		**(70)**	(16)
Finance income	9	**20**	22
Finance costs including interest paid on cash flow hedges	10	**(90)**	(38)
Share of losses of associates (net of income tax)		**(26)**	(1)
(Loss) profit before taxation		**(90)**	155
Taxation	11	**17**	(67)
Income tax credit (expense)		**17**	(56)
Secondary tax on companies expense		**–**	(11)
(Loss) profit from continuing operations		**(73)**	88
DISCONTINUED OPERATIONS			
Profit from discontinued operations	12	**83**	81
Profit after taxation before profit on disposals		**36**	81
Profit on disposals (net of capital gains tax)		**47**	–
Profit for the 12 months		**10**	169
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Change in fair value of cash flow hedges (net of income tax)		**7**	–
Exchange differences on translation of foreign operations		**–**	4
Other comprehensive income for the 12 months (net of income tax)		**7**	4
Total comprehensive income for the 12 months		**17**	173
Profit attributable to:			
Owners of the company		**3**	158
(Loss) profit from continuing operations		**(76)**	86
Profit from discontinued operations		**79**	72
Non-controlling interest		**7**	11
Profit from continuing operations		**3**	2
Profit from discontinued operations		**4**	9
Profit for the twelve months		**10**	169
Total comprehensive income attributable to:			
Owners of the company		**10**	162
(Loss) profit from continuing operations		**(67)**	88
Profit from discontinued operations		**77**	74
Non-controlling interest		**7**	11
Profit from continuing operations		**3**	2
Profit from discontinued operations		**4**	9
Total comprehensive income for the twelve months		**17**	173

Statement of profit or loss and other comprehensive income (continued)
for the year ended 30 June 2013

	Notes	**Audited 2013 Rm**	Reviewed 2012 Rm
(Loss) earnings per ordinary share from continuing operations (cents)	13		
Basic		**(67)**	5
Diluted		**(67)**	5
Earnings per ordinary share from discontinued operations (cents)	13		
Basic		**56**	39
Diluted		**56**	39
(Loss) earnings per ordinary share from continuing and discontinued operations (cents)	13		
Basic		**(11)**	44
Diluted		**(11)**	44
Number of ordinary shares in issue ('000)			
At beginning of the year		**52 014**	52 014
At end of the year		**127 077**	52 014
Weighted average for the year		**141 230**	182 932
Weighted average for the year (diluted)		**141 230**	182 961

Statement of financial position
as at 30 June 2013

	Notes	Audited 2013 Rm	Reviewed 2012 Rm
ASSETS			
Non-current assets		**1 431**	1 801
Property, plant and equipment	14	**392**	593
Goodwill	15	**491**	534
Other intangible assets	16	**340**	430
Interests in associates	18	**22**	85
Investment	19	**13**	–
Cash flow hedges	24	**10**	–
Deferred taxation assets	26	**163**	159
Current assets		**1 292**	2 138
Inventories	20	**230**	622
Trade and other receivables	21	**943**	1 088
Taxation prepaid		**16**	35
Bank balances, deposits and cash		**103**	393
Non-current assets classified as held for sale		**893**	–
Total assets		**3 616**	3 939
EQUITY AND LIABILITIES			
Equity attributable to owners of the company		**1 162**	2 128
Stated capital	22	**1 724**	704
Other reserves	23	**(1 133)**	856
Accumulated profits		**571**	568
Non-controlling interest		**46**	79
Total equity		**1 208**	2 207
Non-current liabilities		**1 019**	664
Long-term borrowings	24	**690**	285
Post-retirement benefits liabilities	25	**264**	233
Operating leases equalisation liabilities		**18**	38
Deferred taxation liabilities	26	**47**	108
Current liabilities		**972**	1 068
Trade and other payables	27	**786**	921
Provisions	28	**27**	24
Taxation liabilities		**16**	24
Bank overdrafts and other short-term borrowings	24	**143**	99
Liabilities directly associated with non-current assets classified as held for sale		**417**	–
Total equity and liabilities		**3 616**	3 939

Statement of cash flows
for the year ended 30 June 2013

	Notes	**Audited 2013 Rm**	Reviewed 2012 Rm
OPERATING ACTIVITIES			
Net cash flows from operations before working capital changes		**340**	428
Working capital changes		**174**	(36)
Net cash flows from operations	30	**514**	392
Net finance (costs) income including interest paid on cash flow hedges		**(69)**	(10)
Taxation paid		**(69)**	(123)
Net cash flows from operating activities		**376**	259
INVESTING ACTIVITIES			
Income from investments	31	**5**	3
Acquisition of property, plant and equipment	32	**(129)**	(164)
– to maintain operations		**(129)**	(162)
– to expand operations		**–**	(2)
Proceeds on disposal of property, plant and equipment	14	**13**	43
Acquisition of other intangible assets		**(21)**	(25)
Acquisition of investments		**(14)**	–
Acquisition of subsidiary	33	**(11)**	–
Disposal of subsidiaries	33	**20**	–
Acquisition of minority interests in subsidiaries		**(2)**	(20)
Disposal of investment in associate		**13**	–
Net decrease (increase) in long-term receivables and loans		**10**	(16)
Net cash flows from investing activities		**(116)**	(179)
FINANCING ACTIVITIES			
Purchase of Avusa shares		**(1 130)**	–
Effect of accounting for implementation of TMG scheme of arrangement		**173**	17
Net increase (decrease) in borrowings		**423**	(6)
Dividends paid by subsidiaries to non-controlling interests		**(18)**	(46)
Dividend paid		**–**	(105)
Issue of shares		**–**	–
Net cash flows from financing activities		**(552)**	(140)
Net (decrease) increase in cash and cash equivalents		**(292)**	(60)
Cash and cash equivalents at beginning of the year		**354**	417
Foreign operations translation adjustment		**(3)**	(3)
Cash and cash equivalents at end of the year	34	**59**	354

Statement of changes in equity
for the year ended 30 June 2013

	Stated capital Rm	Other reserves Rm	Accumulated profits Rm	Owners' interest Rm	Non-controlling interest Rm	Total Equity Rm
Balance at 30 June 2011	1 571	(11)	515	2 075	120	2 195
Profit attributable to owners of the Company	–	–	158	158	11	169
Exchange differences on translation of foreign operations	–	4	–	4	–	4
Effect of reverse acquisition accounting	(867)	867	–	–	–	–
Effect of acquisitions and disposals of non-controlling interests	–	(21)	–	(21)	(6)	(27)
Equity-settled share incentive plans	–	(4)	–	(4)	–	(4)
Disposal of call options over Avusa shares	–	21	–	21	–	21
Dividends paid by subsidiaries to non-controlling interests	–	–	–	–	(46)	(46)
Dividend paid	–	–	(105)	(105)	–	(105)
Balance at 30 June 2012 (reviewed)	**704**	**856**	**568**	**2 128**	**79**	**2 207**
Profit attributable to owners of the Company	–	–	3	3	7	10
Change in fair value of cash flow hedges (net of income tax)	–	7	–	7	–	7
Shares issued	1 020	–	–	1 020	–	1 020
Effect of reverse acquisition accounting	–	(1 978)	–	(1 978)	–	(1 978)
Effect of acquisitions and disposals of non-controlling interests	–	(2)	–	(2)	(22)	(24)
Equity-settled share incentive plans	–	(16)	–	(16)	–	(16)
Dividends paid by subsidiaries to non-controlling interests	–	–	–	–	(18)	(18)
Balance at 30 June 2013 (audited)	**1 724**	**(1 133)**	**571**	**1 162**	**46**	**1 208**
Notes	22	23				

Notes to the annual financial statements
for the year ended 30 June 2013

1. **PRESENTATION OF ANNUAL FINANCIAL STATEMENTS**

These annual financial statements are presented in South African rands since that is the functional currency of the Company and the presentation currency for the Group. The Company is incorporated and domiciled in South Africa.

On 25 September 2012, TMG acquired the entire issued ordinary share capital of Avusa via a scheme of arrangement. The application of International Financial Reporting Standards (IFRS), in particular IFRS 3 Business Combinations, results in Avusa (the legal acquiree) being recognised as the acquirer for accounting purposes, and in the transaction being accounted for as a reverse acquisition. Accordingly, these consolidated Group annual financial statements for the twelve months ended 30 June 2013, prepared following the reverse acquisition, are issued in the name of TMG (the legal parent and accounting acquiree), but are prepared as a continuation of the financial statements of Avusa (the legal subsidiary and accounting acquirer), with one adjustment, which is the retroactive adjustment of Avusa's legal capital to reflect TMG's legal capital. The comparative financial information presented in these consolidated Group annual financial statements has also been retroactively adjusted to reflect TMG's legal capital. The calculation of earnings per share is described in note 13 hereunder.

Consequent upon the acquisition, TMG expanded its adopted accounting policies to incorporate those accounting policies of Avusa that were not accounting policies of TMG. Accordingly, TMG's accounting policies now include Avusa's accounting policies as set out in Avusa's 2012 integrated annual report.

These financial statements have been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of IFRS, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited's Listings Requirements and the requirements of the South African Companies Act (as amended). The accounting policies are compliant with IFRS, and their application is consistent, in all material respects, with those detailed in Avusa's 2012 integrated annual report, including the adoption, from 1 April 2012 up to the reporting date, of those new and amended IFRS statements and interpretations with effective dates for the Company of 1 April 2012 up to the reporting date, and including those amendments included in the International Accounting Standards Board's annual improvements project where such amendments were effective for the Company from 1 April 2012 up to the reporting date. The adoption of the new and amended IFRS statements and interpretations, and improvements project amendments, has not had a material effect on the Company's financial results.

The comparative financial information, having not previously been presented, has been reviewed by our auditors, Deloitte & Touche, as required by the JSE Limited. Their review was conducted in accordance with International Standards on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

The following new and amended statements of generally accepted accounting practice which were in issue but not yet effective at TMG's year-end date of 30 June 2013, will be adopted by TMG as they become effective for TMG:

- New and amended statements effective for TMG on 1 July 2013:

IFRS 7 *Financial Instruments: Disclosures:*

– Amendments requiring entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure

IFRS 10 *Consolidated Financial Statements*

– Builds on existing consolidation principles determining whether an entity is included in the consolidated financial statements of the parent company

1. **PRESENTATION OF ANNUAL FINANCIAL STATEMENTS (CONTINUED)**

IFRS 11 *Joint Arrangements*

- Deals with the accounting for joint arrangements, and requires a single method for accounting for interests in jointly-controlled entities

IFRS 12 *Disclosure of Interests in Other Entities*

- Disclosure requirements for all forms of interests in other entities, including joint arrangements, associates and special purpose vehicles

IFRS13 *Fair Value Measurement*

- New guidance on fair value measurements and disclosure requirements

IAS19 *Employee Benefits*

- Amendments to the accounting for current and future obligations resulting from the provision of defined benefit plans

IAS 27 *Separate Financial Statements*

- Consequential amendments resulting from the issue of IFRS 10, 11 and 12

IAS 28 *Investments in Associates and Joint Ventures*

- Consequential amendments from changes to IAS 27 and the issue of IFRS 10, 11 and 12

• Amended statement effective for TMG on 1 July 2014:

IAS 32 *Financial Instruments: Presentation*

- Amendments requiring entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure

• New statement effective for TMG on 1 July 2015:

IFRS 9 *Financial Instruments*

- New standard that forms the first part of a three-part project to replace IAS 39

In addition, the International Accounting Standards Board's annual improvements project includes amendments to various statements. Certain of these amendments are effective for TMG on 1 July 2013, with others being effective in subsequent periods.

The adoption of the abovementioned statements and improvements is not expected to have a material effect on TMG's financial results, but may impact disclosure in the financial statements.

2. **SIGNIFICANT ACCOUNTING POLICIES**

Basis of consolidation

TMG carries its investments in subsidiaries, associates and joint ventures at cost less accumulated impairment losses.

The consolidated Group annual financial statements incorporate the financial statements of TMG and the entities it controls. Control is achieved where TMG has the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Group statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions and balances are eliminated on consolidation.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The non-controlling interest in the net assets of consolidated subsidiaries is identified separately from the Group's equity therein. The non-controlling interest consists of the amount of the interest at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination.

Losses applicable to the non-controlling interest in excess of the non-controlling interest's share of the subsidiary's equity are attributed to the non-controlling interest, even if this results in the non-controlling interest having a negative balance.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the sum of the fair values, at the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued in exchange for control of the acquiree. Costs directly attributable to the business combination are recognised immediately in profit or loss. The acquiree's identifiable assets, liabilities and contingent liabilities which meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) which are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which assets are recognised and measured at fair value less costs to sell.

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

The non-controlling interest in the acquiree is measured at the non-controlling interest's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Where non-controlling interests are acquired subsequent to initial acquisition, the excess of the cost over carrying value is recognised as equity.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly-controlled assets and liabilities is recognised in the financial statements of the relevant entity and classified according to its nature. Liabilities and expenses incurred directly in respect of interests in jointly-controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly-controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to or from the Group and their amount can be measured reliably.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly-controlled entities. The Group reports its interests in jointly-controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5.

The Group's share of the assets, liabilities, income and expenses of jointly-controlled entities is combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly-controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Where the Group transacts with its jointly-controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Interests in associates

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

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The results and assets and liabilities of associates are incorporated in these annual financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests which, in substance, form part of the Group's net investment in the associate) are not recognised.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Goodwill

The accounting for goodwill arising on the acquisition of subsidiaries, joint ventures and associates is described above. Goodwill is not amortised.

For the purpose of impairment testing, goodwill is allocated to each of the Group's 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 its carrying amount, 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. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of subsidiaries, joint ventures and associates, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. The condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition.

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are not depreciated.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts received and receivable for goods and services provided in the normal course of business, net of discounts and sales-related taxes.

The sale of goods is recognised when the goods are delivered and title has passed. The rendering of services is recognised as the service is provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Revenue from royalties is recognised on an accrual basis in terms of the relevant royalty agreement.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy regarding the capitalisation of borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease, or on another basis if more representative of the time pattern of the user's benefit. Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease, or on another basis if more representative of the term pattern of the user's benefit.

Foreign currencies

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of these Group annual financial statements, the results and financial position of each entity are expressed in South African rands, which is the functional currency of the Company, and the presentation currency for the Group.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates ruling at the reporting date. Non-monetary items carried at fair value which are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items which are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to mitigate its exposure to certain foreign exchange risks, the Group enters into forward exchange contracts.

For the purpose of presenting these Group annual financial statements, the assets and liabilities of the Group's foreign operations are expressed in South African rands using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified as equity and transferred to the Group's foreign currency translation reserve. This includes exchange differences arising on loans extended from one entity to another within the same group, as these loans are regarded as part of the net investment in a foreign operation if settlement of the loans is neither planned nor likely to occur in the foreseeable future. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Borrowing costs capitalised

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense as they fall due.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at three-year intervals by independent actuaries.

Post-retirement benefits

The Group's post-retirement benefits are valued annually by independent actuaries, with gains and losses recognised in profit or loss.

Taxation

Income taxation expense represents the sum of the taxation currently payable and deferred taxation.

The taxation currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding taxation bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred taxation assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the taxation rates which are expected to apply in the period when the liability is settled or the asset realised.

Deferred taxation assets and liabilities are set off against each other when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and when the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of property (other than land), plant and equipment to their estimated residual values over their estimated useful lives.

Leasehold improvements and assets held under finance leases are depreciated to their estimated residual values over their estimated useful lives or, where shorter, the term of the relevant lease.

Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their own estimated useful lives.

Useful lives, residual values and methods of depreciation are reviewed annually.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The following life spans were used during the year to depreciate property, plant and equipment to estimated residual values:

Plant, furniture and equipment	3 – 20 years
Leasehold improvements	3 – 10 years
Buildings	15 – 50 years
Vehicles	3 – 5 years
Capitalised leased assets	3 – 5 years

The gain or loss arising on the disposal or scrapping of an item of property, plant and equipment is recognised immediately in profit or loss.

Intangible assets other than goodwill

Intangible assets other than goodwill are recognised initially at cost if acquired separately, and at fair value if acquired as part of a business combination. If assessed as having an indefinite useful life, the intangible asset is not amortised, but is tested for impairment annually and impaired if required. If assessed as having a finite useful life, it is amortised over its estimated useful life, and tested for impairment if there is an indication that an impairment is required.

Publishing rights and titles acquired are capitalised as intangible assets, and are presumed to have an indefinite life unless there are indications of a shorter life. Publishing rights and titles are assessed annually regarding estimated economic useful life and impairment. Where events and circumstances no longer support an indefinite useful life assessment, the asset is impaired or the life assessment is changed from indefinite to finite, with the change being accounted for as a change in accounting estimate. Costs to develop publishing titles internally are recognised in profit or loss.

The following life spans were used during the year to amortise intangible assets assessed as having finite useful lives:

Patents and trademarks	10 – 20 years
Licences	3 – 5 years
Publishing rights and titles	10 – 15 years
Computer software	3 – 5 years
Customer relationships	6 – 10 years

Impairment of tangible and intangible assets other than goodwill

At each reporting date, the carrying amounts of tangible and intangible assets other than goodwill are reviewed to determine whether there is any indication that those assets have suffered an impairment. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment.

Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but with the increased carrying amount not exceeding the carrying amount which would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads which have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Write-downs to net realisable value are recognised in profit or loss.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are recognised initially at fair value, and are subsequently present-valued where the effect of discounting is material. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate.

Music, film and video contract advances

Music contract advances are recognised in profit or loss on payment or release of the product, whichever is the earlier. Film and video contract advances are recognised in profit or loss at the time that the releaser has the right to release the product.

Investments

Investments, including those in subsidiaries, are recognised and derecognised on a trade date basis where the purchase or sale of the investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are recognised at fair value.

An impairment loss is recognised in profit or loss when there is objective evidence that the investment is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the investment's cost would have been had the impairment not been recognised.

Investments classified as financial assets are measured at subsequent reporting dates at fair value, with gains and losses arising from changes in fair value being recognised in profit or loss. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short-term highly liquid investments which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are recognised initially at fair value, with any changes in fair value being recognised in profit or loss.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Bank borrowings

Bank overdrafts are measured at fair value. Interest-bearing bank loans are measured at amortised cost using the effective interest method.

Trade payables

Trade payables are measured at fair value.

Forward exchange contracts

Forward exchange contracts are recognised initially at fair value at the contract date, and are remeasured to fair value at subsequent reporting dates, with gains and losses arising from changes in fair value being recognised in profit or loss.

Cash flow hedges

Changes in the fair value of derivative hedging instruments designated as cash flow hedges are recognised in other comprehensive income to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

On initial designation of the hedge, the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transactions, together with the methods that will be used to assess the effectiveness of the hedging relationships are formally documented. Assessments are made at the inception of the hedge relationships, as well as on an ongoing basis, as to whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedges are designated, and as to whether the actual results of each hedge are within a range of 80% – 125%.

If the hedging instruments no longer meet the criteria for hedge accounting, expire, are sold, terminated, unwound or exercised, the hedge accounting is discontinued prospectively, and any cumulative gain or loss previously recognised in equity is transferred to profit or loss.

Provisions

Provisions are recognised when there is a present obligation as a result of a past event, and it is probable that the obligation will need to be settled. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date, and are present-valued where the effect of discounting is material.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of the incentives that will eventually vest, and is adjusted for the effect of non-market vesting conditions.

Judgements made

In applying the Group's accounting policies, the following judgements have been made:

<u>Deferred taxation assets</u>

Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available in future against which the deferred taxation assets can be utilised. The future availability of taxable profits is based on management's judgements regarding future business plans.

<u>Asset lives and residual values</u>

Property (other than land), plant and equipment and significant components thereof are depreciated to their residual values over their estimated useful lives. Methods of depreciation, residual values and estimated useful lives are reviewed annually, based on management's judgement of relevant factors and conditions.

<u>Impairment of tangible and intangible assets</u>

At each reporting date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is then estimated in order to determine the extent of any impairment.

Irrespective of whether there is any indication of impairment, intangible assets with indefinite useful lives and intangible assets not yet available for use are also tested annually for impairment by comparing their carrying amounts with their recoverable amounts.

Goodwill acquired in a business combination is also tested annually for impairment.

In its impairment testing, management takes into account various considerations, including future cash flows expected to be generated by the assets under review.

<u>Purchase price allocation relating to business combinations</u>

Judgement is exercised to determine the purchase price allocation arising from business combinations.

Sources of estimation uncertainty

<u>Valuation of post-retirement benefits</u>

The actuarial valuations of post-retirement benefits are based on estimations, including discount rates and healthcare cost inflation rates. The Group's post-retirement benefits are valued annually by independent actuaries.

2. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Valuation of share-based payments

The valuation models used to value share-based payments include estimates as to expected incentive lives, volatilities, vestings, dividend yields and risk-free interest rates. The Group's share-based payments plans are valued annually by independent actuaries.

	Audited 2013 Rm	Reviewed 2012 Rm
3. **REVENUE**		
CONTINUING OPERATIONS		
Goods sold	**3 337**	3 381
Services rendered	**562**	568
	3 899	3 949
4. **OPERATING COSTS**		
CONTINUING OPERATIONS		
Operating costs are stated after charging (crediting):		
Auditor's remuneration – Group auditor	**4**	5
– audit fees	**4**	5
– fees for other services	**–**	–
Auditors' remuneration – other auditors	**1**	3
– audit fees	**1**	2
– fees for other services	**–**	1
Operating lease charges	**83**	85
– land and buildings	**73**	75
– equipment and vehicles	**10**	10
Net foreign exchange losses (profits)		
– realised	**2**	(1)
– unrealised	**–**	2
Post-retirement benefits charge	**13**	14
Retirement benefit plans contributions	**78**	73
– defined contribution plans	**77**	72
– defined benefit plans (see note 38)	**1**	1
Staff costs (includes retirement benefit plan contributions)	**1 225**	1 203

5. **BUSINESS AND GEOGRAPHICAL SEGMENTS CONTINUING OPERATIONS**

5.1 Business segments

	Media Rm	BDFM Rm	Retail Solutions Rm	Books Rm	Entertainment Rm	Subtotal Rm	Eliminations Rm	Subtotal Rm	Corporate Rm	Share based payments Rm	Total Rm
Audited											
2013											
Revenue	**1 804**	**173**	**1 274**	**–**	**648**	**3 899**	**–**	**3 899**	**–**	**–**	**3 899**
Inter-segment revenue*	**379**	**4**	**182**	**–**	**103**	**668**	**(668)**	**–**	**–**	**–**	**–**
	2 183	**177**	**1 456**	**–**	**751**	**4 567**	**(668)**	**3 899**	**–**	**–**	**3 899**
Profit (loss) from operations before exceptional items	**171**	**(7)**	**132**	**–**	**(31)**	**265**	**–**	**265**	**(40)**	**–**	**225**
Depreciation	**20**	**1**	**48**	**–**	**13**	**82**	**–**	**82**	**–**	**–**	**82**
Amortisation	**8**	**2**	**21**	**–**	**3**	**34**	**–**	**34**	**–**	**–**	**34**
Exceptional items	**(53)**	**14**	**(45)**	**–**	**(96)**	**(180)**	**–**	**(180)**	**(53)**	**14**	**(219)**
Capital expenditure											
Property, plant and equipment	**27**	**1**	**64**	**17**	**19**	**128**	**–**	**128**	**1**	**–**	**129**
Intangible assets	**14**	**2**	**2**	**–**	**3**	**21**	**–**	**21**	**–**	**–**	**21**
Segment assets	**727**	**107**	**1 372**	**–**	**473**	**2 679**	**–**	**2 679**	**44**	**–**	**2 723**
Segment liabilities	**470**	**118**	**300**	**–**	**430**	**1 318**	**–**	**1 318**	**673**	**–**	**1 991**
Reviewed											
2012											
Revenue	1 780	188	1 281	–	700	3 949	–	3 949	–	–	3 949
Inter-segment revenue*	351	2	120	–	122	595	(595)	–	–	–	–
	2 131	190	1 401	–	822	4 544	(595)	3 949	–	–	3 949
Profit (loss) from operations before exceptional items	108	(8)	159	–	(35)	224	–	224	(31)	(6)	187
Depreciation	22	1	40	–	15	78	–	78	–	–	78
Amortisation	8	2	24	–	6	40	–	40	–	–	40
Exceptional items	14	–	3	–	(6)	11	–	11	(26)	–	(15)
Capital expenditure											
Property, plant and equipment	31	2	65	42	24	164	–	164	–	–	164
Intangible assets	14	2	3	2	4	25	–	25	–	–	25
Segment assets	900	25	1 234	759	828	3 746	–	3 746	193	–	3 939
Segment liabilities	340	52	344	256	686	1 678	–	1 678	54	–	1 732

* Charged on arm's-length terms

5. **BUSINESS AND GEOGRAPHICAL SEGMENTS (CONTINUED)**

5.2 Geographical segments

The Group's continuing operations are all based in South African based while the discontinued operations are arranged into two geographical segments, namely South Africa and International. International operations are located in Botswana, Namibia, Australia, New Zealand and the United Kingdom.

	Audited 2013 Rm	Reviewed 2012 Rm
Revenue		
CONTINUING OPERATIONS		
South Africa	**3 899**	3 949

	Segment assets		**Capital expenditure on property, plant, equipment and intangible assets**	
	Audited 2013 Rm	Reviewed 2012 Rm	**Audited 2013 Rm**	Reviewed 2012 Rm
Assets excluding goodwill				
	2 232	3 405	**150**	189
South Africa	**2 232**	3 294	**149**	188
International	**–**	111	**1**	1
Goodwill	**491**	534		
	2 723	3 939	**150**	189

	Audited 2013 Rm	Reviewed 2012 Rm
6. **DEPRECIATION**		
CONTINUING OPERATIONS		
Plant, furniture and equipment	**76**	71
Leasehold improvements	**3**	4
Buildings	**1**	1
Vehicles	**2**	2
	82	78
7. **AMORTISATION**		
CONTINUING OPERATIONS		
Patents and trademarks	**–**	1
Licences	**2**	1
Publishing rights and titles	**1**	–
Computer software	**11**	14
Contracts and customer relationships	**20**	24
	34	40

	Audited 2013 Rm	Reviewed 2012 Rm
8. **EXCEPTIONAL ITEMS**		
CONTINUING OPERATIONS		
Media	**(53)**	14
– Revaluation of investment	**2**	–
– Post-retirement medical aid provisioning	**(14)**	–
– Retrenchment costs	**(8)**	(8)
– Impairment of goodwill	**(33)**	(4)
– Pension fund surplus	**–**	25
– Profit on disposal of property	**–**	1
BDFM	**14**	–
– Gain on acquisition of BDFM Group	**24**	–
– Retrenchment costs	**(10)**	–
Retail Solutions	**(45)**	3
– Impairment of intangible assets	**(27)**	–
– Impairment of Uniprint plant	**(10)**	–
– Retrenchment costs	**(8)**	–
– Profit on disposal of business	**–**	3
Entertainment	**(96)**	(6)
– Profit on disposal of property	**2**	–
– Impairment of customised SAP system	**(16)**	–
– Impairment of gaming stock	**(14)**	–
– Losses on non-renewal of licence	**(21)**	–
– Increased stock provisioning	**(12)**	–
– Retrenchment costs	**(19)**	(5)
– Write-off of development costs of new business channels	**(9)**	–
– Legacy legal matters	**(7)**	–
– Impairment of goodwill	**–**	(1)
Corporate	**(53)**	(26)
– Retirement fund surplus	**9**	4
– Scheme of arrangement transaction costs	**(62)**	–
– Costs related to Capitau expression of interest	**–**	(5)
– Former CEO settlement	**–**	(25)
Credit arising on cancellation of Avusa share incentive plans	**14**	–
	(219)	(15)

Retrenchment costs incurred by support services, including human resources, marketing, secretarial, IT and facilities, are reallocated to the divisions and are included in the retrenchment costs as set out above.

	Audited 2013 Rm	Reviewed 2012 Rm
9. **FINANCE INCOME**		
CONTINUING OPERATIONS		
Interest received	**20**	22
Bank deposits	**18**	19
Associates	**1**	2
Other	**1**	1

	Audited 2013 Rm	Reviewed 2012 Rm
10. **FINANCE COSTS**		
CONTINUING OPERATIONS		
Interest paid		
Borrowings	**73**	30
Loan-raising fee (amortised) (see note 24)	**1**	–
Interest on cash flow hedges	**10**	–
Obligations under finance leases	**4**	4
Suppliers	**2**	4
	90	38

	Audited 2013 Rm	Reviewed 2012 Rm
11. **TAXATION**		
CONTINUING OPERATIONS		
Current taxation	**40**	90
South African normal taxation		
– current year	**42**	83
– prior year under (over) provision	**(2)**	(4)
Secondary tax on companies	**–**	11
Deferred taxation (see note 26)	**(57)**	(23)
Current year	**(58)**	(21)
Prior year under (over) provision	**1**	(2)
	(17)	67
	%	%
Tax rate reconciliation		
Taxation at the standard rate	**(28)**	28
Tax effect of non-deductible expenses	**42**	10
Tax allowances	**–**	(2)
Capital profits	**(11)**	–
Non-taxable income	**–**	(1)
Utilisation of tax losses not previously recognised	**(16)**	–
Deferred tax assets not raised on estimated assessable losses	**2**	1
Share of losses of associates	**(8)**	–
	(19)	36
Secondary tax on companies	**–**	7
	(19)	43

- South African normal taxation is calculated at 28% (2012: 28%) of the estimated taxable income for the year. The closing balance on deferred taxation is calculated at 28% (2012: 28%).
- Taxation of foreign subsidiaries is calculated at the rates prevailing in their respective jurisdictions.
- The Group's estimated assessable losses available for the reduction of future taxable income, and not taken into account in the computation of the deferred taxation assets, amounted to R8 million (2012: R46 million).
- The Company has no available credits in respect of secondary tax on companies.

12. **DISCONTINUED OPERATIONS**

The following assets have been accounted for as discontinued operations in these financial results:

Media

- I-Net Bridge
- East London and Port Elizabeth properties

Books

- Exclusive Books and Van Schaik Bookstore
- New Holland Publishing
- MapIT (sold 31 May 2013)

Entertainment

- Nu Metro Cinemas
- 50% stake in Suncoast Cinema that was previously equity-accounted (sold 31 May 2013)
- Monte Cinemas (sold 28 June 2013)
- 40% interest in Warner Music Gallo Africa (sold 31 July 2013)

	Audited 2013 Rm	Reviewed 2012 Rm
Revenue	**2 114**	2 022
Cost of sales	**(1 157)**	(1 073)
Gross profit	**957**	949
Operating expenses	**(861)**	(868)
Operating costs	**(802)**	(802)
Depreciation	**(49)**	(49)
Amortisation	**(10)**	(17)
Profit from operations before exceptional items	**96**	81
Exceptional items	**(45)**	21
Profit from operations	**51**	102
Net finance income	**–**	5
Finance income	**4**	8
Finance costs	**(4)**	(3)
Share of profits of associates (net of income tax)	**2**	3
Profit before taxation	**53**	110
Taxation	**(17)**	(29)
Income tax expense	**(17)**	(24)
Secondary tax on companies expense	**–**	(5)
Profit after taxation before profits on disposals	**36**	81
Profit on disposals (net of capital gains tax)	**47**	–
Profit on disposal of 51% share in MapIT	**32**	–
Profit on sale of 50% interest in Three Groups Cinemas (Suncoast Cinema)	**9**	–
Profit on disposal of 51% share in Monte Cinemas	**11**	–
Capital gains tax	**(5)**	–
Profit from discontinued operations	**83**	81

12. DISCONTINUED OPERATIONS (CONTINUED)

	Audited 2013 Rm	Reviewed 2012 Rm
Segmental revenue from external customers		
Media	**116**	108
Books	**1 584**	1 516
Entertainment	**414**	398
	2 114	2 022
Segmental profit (loss) from operations before exceptional items		
Media	**7**	8
Books	**92**	80
Entertainment	**(3)**	(7)
	96	81
Segmental exceptional items		
Books	**(31)**	21
– Impairment of Exclusives.co.za	**(15)**	–
– Increased provisioning of certain stock and debtors	**(13)**	–
– Retrenchment costs	**(3)**	(5)
– Profit on sale of properties	**–**	27
– Impairment of goodwill	**–**	(1)
Entertainment	**(14)**	–
– Impairment of property, plant and equipment	**(6)**	–
– Onerous leases	**(7)**	–
– Retrenchment costs	**(1)**	–
	(45)	21
Assets and liabilities of discontinued operations classified as held for sale		
Non-current assets	**259**	
Current assets	**634**	
Non-current liabilities	**32**	
Current liabilities	**385**	
Cash flow information		
Net cash flows from operations	**156**	
Taxation paid	**(5)**	
Net cash flows from operating activities	**151**	
Net cash flows from investing activities	**7**	
Net cash flows from financing activities	**(13)**	
Foreign operations translation adjustment	**(3)**	
Cash flows from discontinued operations	**142**	

13. **EARNINGS PER ORDINARY SHARE**

The earnings and headline earnings for the period in which the reverse acquisition occurred include a comparative interest charge of R19 million from the beginning of the period to the acquisition date in respect of the R1,15 billion term loans raised. The weighted average number of ordinary shares in issue during the period in which the reverse acquisition occurred has been calculated on the basis of the number of ordinary shares in issue from the beginning of the period to the acquisition date being the weighted average number of ordinary shares of Avusa (the accounting acquirer) in issue during that period, multiplied by the share exchange ratio in terms of the acquisition, and the weighted average number of ordinary shares in issue from the acquisition date to the end of the period being the weighted average number of ordinary shares of TMG (the legal acquirer) in issue during that period.

The earnings and headline earnings for the comparative period include a comparative interest charge of R77 million in respect of the R1,15 billion term loans raised. The earnings and headline earnings per ordinary share for the comparative period have been calculated by dividing Avusa's profit or loss attributable to ordinary shareholders (inclusive of the abovementioned comparative interest charge) by Avusa's historical weighted average number of ordinary shares in issue, multiplied by the share exchange ratio in terms of the acquisition.

Accordingly, the calculation of basic earnings and headline earnings per ordinary share is based on a loss of R16 million (2012: R81 million earnings) and headline earnings of R24 million (2012: R61 million) respectively, and on a weighted average of 141 230 227 (2012: 182 931 508) ordinary shares in issue.

Similarly, the calculation of diluted earnings and headline earnings per ordinary share is based on a loss of R16 million (2012: R81 million earnings) and headline earnings of R24 million (2012: R61 million) respectively, and on a weighted average of 141 230 227 (2012: 182 961 392) diluted ordinary shares in issue. The additional diluted ordinary shares arise as a result of equity-settled share incentives that were in issue.

	Audited 2013		Reviewed 2012	
	Gross Rm	**Net of tax Rm**	Gross Rm	Net of tax Rm
CONTINUING OPERATIONS				
Reconciliation between earnings and headline earnings				
(Loss) earnings		**(76)**		86
Loss (profit) on disposal of property, plant and equipment	**3**	**2**	(1)	(1)
Loss on disposal of intangible assets	**2**	**2**	–	–
Impairment of plant and equipment	**10**	**7**	–	–
Impairment of intangible assets	**42**	**30**	–	–
Impairment of goodwill	**33**	**33**	5	5
Impairment of loan	**25**	**25**	–	–
Revaluation of investment	**(3)**	**(3)**	–	–
Gain on acquisition of BDFM Group	**(24)**	**(24)**	–	–
Profit on disposal of business	**–**	**–**	(3)	(3)
Attributable to non-controlling interest	**–**	**–**	–	–
Headline (loss) earnings		**(4)**		87
(Loss) earnings per ordinary share from continuing operations (cents)				
Basic		**(67)**		5
Diluted		**(67)**		5

	Audited 2013		Reviewed 2012	
	Gross Rm	**Net of tax Rm**	Gross Rm	Net of tax Rm
13. **EARNINGS PER ORDINARY SHARE (CONTINUED)**				
Headline (loss) earnings per ordinary share from continuing operations (cents)				
Basic		**(16)**		5
Diluted		**(16)**		5
DISCONTINUED OPERATIONS				
Reconciliation between earnings and headline earnings				
Earnings		**79**		72
Profit on disposal of interests in MapIT, Suncoast Cinema and Monte Cinemas	**(52)**	**(47)**	–	–
Loss (profit) on disposal of property, plant and equipment	**1**	**1**	(24)	(22)
Impairment of plant and equipment	**6**	**4**	–	–
Impairment of intangible assets	**15**	**10**	–	–
Impairment of goodwill	**–**	**–**	1	1
Attributable to non-controlling interest	**–**	**–**	–	–
Headline earnings		**47**		51
Earnings per ordinary share from discontinued operations (cents)				
Basic		**56**		39
Diluted		**56**		39
Headline earnings per ordinary share from discontinued operations (cents)				
Basic		**33**		28
Diluted		**33**		28
TOTAL OF CONTINUING AND DISCONTINUED OPERATIONS				
(Loss) earnings per ordinary share (cents)				
Basic		**(11)**		44
Diluted		**(11)**		44
Headline earnings per ordinary share (cents)				
Basic		**17**		33
Diluted		**17**		33

	Plant, furniture and equipment Rm	Leasehold Improvements Rm	Freehold land and buildings Rm	Vehicles Rm	Capitalised leased assets Rm	Total Rm
14. **PROPERTY, PLANT AND EQUIPMENT**						
COST						
Balance at 30 June 2011	1 444	33	42	22	1	1 542
Additions at cost	141	8	11	4	–	164
Disposals	(50)	(4)	(11)	(4)	–	(69)
Transfer to other intangible assets	(2)	–	–	–	–	(2)
Balance at 30 June 2012 (reviewed)	1 533	37	42	22	1	1 635
Additions at cost	122	4	1	2	–	129
Acquisition of subsidiaries	14	2	–	–	–	16
Disposal of subsidiaries	(34)	–	–	–	–	(34)
Other disposals	(193)	(7)	(1)	(4)	–	(205)
Assets written off	–	(4)	–	–	–	(4)
Foreign exchange differences	3	–	–	–	–	3
Transfer to other intangible assets	(6)	–	–	–	–	(6)
Classified as held for sale	(448)	(11)	(8)	(5)	(1)	(473)
Balance at 30 June 2013 (audited)	**991**	**21**	**34**	**15**	**–**	**1 061**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
Balance at 30 June 2011	914	25	12	15	1	967
Charge for the year						
• Continuing operations	71	4	1	2	–	78
• Discontinued operations	48	–	–	1	–	49
Other disposals	(45)	(4)	–	(3)	–	(52)
Balance at 30 June 2012 (reviewed)	988	25	13	15	1	1 042
Charge for the year						
• Continuing operations	76	3	1	2	–	82
• Discontinued operations	47	1	–	1	–	49
Acquisition of subsidiaries	11	1	–	–	–	12
Disposal of subsidiaries	(18)	–	–	–	–	(18)
Other disposals	(179)	(7)	–	(3)	–	(189)
Impairments	18	–	–	–	–	18
Assets written off	–	(3)	–	–	–	(3)
Foreign exchange differences	2	–	–	–	–	2
Classified as held for sale	(313)	(4)	(3)	(5)	(1)	(326)
Balance at 30 June 2013 (audited)	**632**	**16**	**11**	**10**	**–**	**669**
CARRYING AMOUNT						
At 30 June 2012 (reviewed)	545	12	29	7	–	593
At 30 June 2013 (audited)	**359**	**5**	**23**	**5**	**–**	**392**

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plant, furniture and equipment Rm	Leasehold Improvements Rm	Freehold land and buildings Rm	Vehicles Rm	Capitalised leased assets Rm	Total Rm
PROFIT (LOSS) ON DISPOSALS						
For the year ended 30 June 2012						
Proceeds	2	–	40	1	–	43
Net book value of disposals	5	–	11	1	–	17
Profit (loss) on disposals (reviewed)	(3)	–	29	–	–	26
For the year ended 30 June 2013						
Proceeds	9	–	3	1	–	13
Net book value of disposals	14	–	1	1	–	16
(Loss) profit on disposals (audited)	(5)	–	2	–	–	(3)

- Registers containing details of the freehold land and buildings are available for inspection at the registered office of the Company

- Property, plant and equipment with a net book value of R54 million (2012: R182 million) was encumbered as reflected in note 24.

	Audited 2013 Rm	Reviewed 2012 Rm
15. GOODWILL		
COST		
Balance at beginning of the year	**570**	567
Recognised on acquisition of subsidiary	**1**	3
Classified as held for sale	**(12)**	–
Balance at end of the year	**559**	570
ACCUMULATED IMPAIRMENT		
Balance at beginning of the year	**36**	30
Impairment	**33**	6
Classified as held for sale	**(1)**	–
Balance at end of the year	**68**	36
CARRYING AMOUNT		
At beginning of the year	**534**	537
At end of the year	**491**	534

The carrying amount of goodwill includes the following major items:

- R313 million (2012: R313 million) on acquisition of Retail Solutions.
- R61 million (2012: R81 million) on acquisition of final 40% stake in Interactive Junction Holdings.
- R40 million (2012: R40 million) on acquisition of final 40% stake in Compact Disc Technologies.
- R25 million (2012: R38 million) on acquisition of Airport Media.
- R20 million (2012: R20 million) on acquisition of New Africa Publications (*Sowetan*).

- The carrying amounts of goodwill in respect of other cash-generating units are not significant in comparison with the Group's total carrying amount of Goodwill.
- Cash flows used in impairment testing of goodwill were projected using five-year periods and estimated future growth rates discounted by the Group's weighted average cost of capital.

	Patents and trademarks Rm	Licences Rm	Publishing rights and titles Rm	Computer software Rm	Contracts and customer relationships Rm	Trade names Rm	Total Rm
16. **OTHER INTANGIBLE ASSETS**							
COST							
Balance at 30 June 2011	66	30	79	187	210	166	738
Additions at cost	1	2	1	21	–	–	25
Disposals	–	–	(1)	(5)	–	–	(6)
Foreign exchange differences	–	–	1	1	–	–	2
Transfer from property, plant and equipment	–	–	–	2	–	–	2
Balance at 30 June 2012 (reviewed)	67	32	80	206	210	166	761
Additions at cost	3	2	3	13	–	–	21
Disposals	–	–	(2)	(5)	–	–	(7)
Assets written off	–	–	–	(23)	–	–	(23)
Acquisition of subsidiaries	5	12	30	5	–	–	52
Disposal of subsidiaries	–	–	–	(17)	–	–	(17)
Foreign exchange differences	1	–	1	2	–	–	4
Transfer from property, plant and equipment	–	–	–	6	–	–	6
Classified as held for sale	(37)	–	(47)	(102)	(1)	–	(187)
Balance at 30 June 2013 (audited)	**39**	**46**	**65**	**85**	**209**	**166**	**610**
ACCUMULATED AMORTISATION AND IMPAIRMENT							
Balance at 30 June 2011	64	28	59	105	21	–	277
Charge for the year							
– Continuing operations	1	1	–	14	24	–	40
– Discontinued operations	–	–	1	16	–	–	17
Disposals	–	–	(1)	(4)	–	–	(5)
Foreign exchange differences	–	–	1	1	–	–	2
Balance at 30 June 2012 (reviewed)	65	29	60	132	45	–	331

	Patents and trademarks Rm	Licences Rm	Publishing rights and titles Rm	Computer software Rm	Contracts and customer relationships Rm	Trade names Rm	Total Rm
16. **OTHER INTANGIBLE ASSETS (CONTINUED)**							
Charge for the year							
–Continuing operations	–	2	1	11	20	–	34
– Discontinued operations	–	–	1	9	–	–	10
Impairments	–	–	–	(8)	–	–	(8)
Assets written off	–	–	–	13	27	–	40
Disposals	–	–	(1)	(5)	–	–	(6)
Acquisition of subsidiaries	5	9	–	2	–	–	16
Disposal of subsidiaries	–	–	–	(17)	–	–	(17)
Foreign exchange differences	1	–	1	1	–	–	3
Classified as held for sale	(35)	–	(16)	(81)	(1)	–	(133)
Balance at 30 June 2013 (audited)	**36**	**40**	**46**	**57**	**91**	**–**	**270**
CARRYING AMOUNT							
At 30 June 2012 (reviewed)	2	3	20	74	165	166	430
At 30 June 2013 (audited)	**3**	**6**	**19**	**28**	**118**	**166**	**340**
LOSS ON DISPOSALS							
For the year ended 30 June 2012							
Proceeds	–	–	–	–	–	–	–
Net book value of disposals	–	–	–	1	–	–	1
Loss on disposals (reviewed)	–	–	–	(1)	–	–	(1)
For the year ended 30 June 2013							
Proceeds	–	–	–	–	–	–	–
Net book value of disposals	–	–	1	–	–	–	1
Loss on disposals (audited)	–	–	**(1)**	–	–	–	**(1)**

- Trade names and certain publishing rights and titles have no foreseeable limit to the period over which they are expected to be available for use. Accordingly, they are assessed as having indefinite useful lives, and are not amortised. Their carrying values are detailed above.

	Audited 2013 Rm	Reviewed 2012 Rm
17. **INTERESTS IN SUBSIDIARIES**		
Interests in subsidiaries are eliminated on consolidation		
18. **INTERESTS IN ASSOCIATES**		
	22	85
Unlisted shares at cost less amount written off	**10**	10
Owing by associates	**10**	49
Share of post-acquisition reserves	**2**	26
Directors' valuation of interests in associates	**22**	85
Details of the Group's interests in associates are set out in Annexures 1 and 2.		
19. **INVESTMENT**		
African Media Entertainment Limited	**13**	–
This listed investment, which comprises 178 950 shares in African Media Entertainment Limited, is classified as a financial asset and is carried at fair value. Fair value is determined by reference to the price quoted on the JSE Limited.		
20. **INVENTORIES**		
Merchandise	**111**	508
Work in progress	**22**	31
Raw materials	**96**	82
Consumable stores and maintenance spares	**1**	1
	230	622
Inventory write-offs expensed	**44**	37
Inventories recognised as an expense in cost of sales	**685**	728
21. **TRADE AND OTHER RECEIVABLES**		
Trade receivables	**736**	806
Gross	**769**	851
Allowances for doubtful receivables	**(33)**	(45)
Sundry receivables	**146**	201
Prepayments	**61**	81
	943	1 088
Movement in allowances for doubtful receivables:		
Balance at beginning of the year	**45**	48
Provided during the year	**12**	10
Utilised during the year	**(6)**	(7)
Reversed during the year	**(12)**	(6)
Classified as held for sale	**(6)**	–
Balance at end of the year	**33**	45
The directors consider that the carrying amount of trade and other receivables approximates their fair value.		

	Audited 2013 Rm	Reviewed 2012 Rm
22. **STATED CAPITAL**		
Authorised share capital		
500 000 000 (2012: 500 000 000) ordinary no par value shares		
Issued and fully paid-up share capital		
127 077 145 (2012: 52 013 862) ordinary no par value shares	**1 724**	704
Less: 29 966 (2012: Nil) shares held by subsidiary	**–**	–
127 047 179 (2012: 52 013 862) ordinary no par value shares (net of shares held by subsidiary)	**1 724**	704
On 19 April 2013, Times Media Proprietary Limited, a wholly-owned subsidiary of TMG, purchased 29 966 shares at R15,59 per share in terms of TMG's odd-lot offer. The shares are held as treasury shares.		
23. **OTHER RESERVES**		
Foreign currency translation reserve	**(1)**	(1)
Equity-settled share incentives reserve	**(4)**	12
Excess of cost of non-controlling interest over carrying value on acquisition	**(24)**	(22)
Fair value of cash flow hedges	**7**	–
Effect of reverse acquisition accounting	**(1 111)**	867
	(1 133)	856
24. **BORROWINGS**		
Unsecured		
Bank overdrafts	**87**	39
Bank overdrafts bear interest at rates related to prime.		
Various borrowings	**3**	4
The loans are interest-free with no fixed terms of repayment.		
Total unsecured borrowings	**90**	43

	Audited 2013 Rm	Reviewed 2012 Rm
24. **BORROWINGS (CONTINUED)**		
Secured		
Term funding loans	**698**	–
R1,15 billion was borrowed on 25 September 2012, R575 million by way of a six-year amortising loan, and R575 million by way of a six-year bullet loan. The amortising loan pays interest at JIBAR + 3%, and the bullet loan at JIBAR +3,5%.		
Security over the loans includes a guarantee by a security SPV and indemnity by the Group in favour of the security SPV, cross-guarantees provided by wholly-owned Group companies, the cession and pledge of shares in wholly-owned subsidiaries, and the cession, pledge and hypothecation by Times Media Proprietary Limited of its bank accounts, book debts and trademarks.		
Loan covenants, including net debt to EBITDA, debt service cover and interest cover were complied with, and no defaults have occurred.		
The loan-raising fee is amortised over the period of the loan. The amortised amount is included in finance costs. (See note 9).		
R452 million of the six-year loans was repaid by 30 June 2013.		
These loans require the prior consent of the lenders, FirstRand Bank, Nedbank and The Standard Bank of South Africa, for TMG to acquire and dispose of businesses, and to make distributions to shareholders.		
In order to hedge against the risk of interest rate fluctuations on this JIBAR-linked loan funding, interest rate swap agreements were entered into. The swaps are accounted for as cash flow hedges with a R10 million (2012: R nil) fair value at year-end.		
• **Three-year revolving credit loan**	**–**	230
The interest rate was set at JIBAR + 2,65%, was secured by the cession of trade receivables and was repayable by October 2013. The loan was repaid in full on 25 September 2012.		
• **Revolving credit facility**	**–**	18
The loan to New Holland Publishers (UK) bears interest at 3,05% and has a maturity date of 8 October 2013.		
• **Hire purchase agreements**	**44**	90
The agreements have interest rates varying from prime to prime less 1,5%, and repayment terms ranging from three to five years. The underlying assets provide the security.		
• **Finance leases**	**1**	3
Interest rates vary from 6,5% to 15,0%. The leases are repayable within three to five years and are secured by the underlying assets.		
Total secured borrowings	**743**	341
Total borrowings	**833**	384
Maturities of the above borrowings:		
– Within one year	**143**	99
– In the second to fifth years inclusive	**304**	285
– After five years	**386**	–
Total borrowings	**833**	384
Amount due within one year shown under current liabilities	**143**	99
Total long-term borrowings	**690**	285
Assets encumbered		
Property, plant and equipment (see note 14)	**54**	182
In terms of its articles of association, the Company's borrowing powers are unrestricted.		

25. POST-RETIREMENT BENEFITS LIABILITIES

Certain Group operations have unfunded obligations to provide post-retirement medical aid benefits to certain pensioners and employees on retirement. An obligation in respect of post-retirement medical aid benefits no longer forms part of the conditions of employment for new employees. The quantum of the post-retirement medical aid obligation is determined on an annual basis by independent actuaries.

	Audited 2013	Reviewed 2012
Principal actuarial assumptions		
Discount rate	**8,00% p.a.**	8,25% p.a.
Healthcare cost inflation rate	**7,90% p.a.**	7,50% p.a.
Number of members		
In-service	**305**	362
Pensioners	**383**	437
	688	799
	Rm	Rm
Post-retirement benefits liabilities at beginning of the year	**242**	214
Current service costs	**7**	5
Interest costs	**27**	19
Expected employer benefit payments	**(15)**	(10)
	261	228
Actuarial loss	**(3)**	14
Acquisition of remaining 50% interest in BDFM Group	**16**	–
Post-retirement benefits liabilities at end of the year	**274**	242
Payable within one year	**(10)**	(10)
Non-current liabilities	**264**	232
The present value of the unfunded obligation is fully provided.		
The effect of a one percentage point movement in the assumed healthcare cost trend rate on:		
Aggregate of current service costs and interest costs		
-1%	**(2)**	(1)
+1%	**1**	2
Accumulated post-retirement benefits liabilities		
-1%	**(16)**	(11)
+1%	**9**	8
Experience adjustments arising on plan liabilities	**(3)**	14
Contributions expected to be paid in next financial year	**10**	11

26. DEFERRED TAXATION

	Reviewed balance at 30 June 2012 Rm	Credit (charge) to income Rm	Charge to equity Rm	Acquisition (disposal) of subsidiaries (net) Rm	Classified as held for sale Rm	Audited balance at 30 June 2013 Rm
Taxation effect of:						
Post-retirement benefits liabilities	68	5	–	4	–	**77**
Accounting provisions	38	30	–	4	(3)	**69**
Assessable losses	42	13	–	6	(20)	**41**
Operating leases equalisation liabilities	12	2	–	–	–	**14**
Excess taxation allowance over amortisation charge	(1)	4	–	–	–	**3**
Share-based payments liabilities	6	(5)	–	–	–	**1**
Cash flow hedges	–	–	(3)	–	–	**(3)**
Pension fund surplus	(17)	2	–	–	–	**(15)**
Purchase price allocation on acquisition of subsidiaries	(42)	13	–	–	3	**(26)**
Excess taxation allowance over depreciation charge	(55)	11	–	(1)	–	**(45)**
	51	75	(3)	13	(20)	**116**
Reconciled as follows:						
Deferred taxation assets	159					**163**
Deferred taxation liabilities	(108)					**(47)**

Deferred taxation assets have been raised on assessable losses where future taxable profits are expected.

	Audited 2013 Rm	Reviewed 2012 Rm
27. TRADE AND OTHER PAYABLES		
Trade payables	**773**	905
Share-based payments liabilities	**–**	1
Current portion of operating leases equalisation liabilities	**3**	5
Current portion of post-retirement benefits liabilities	**10**	10
	786	921

The directors consider that the carrying amounts of trade and other payables approximate their fair value.

28. **PROVISIONS**

	Reviewed balance at 30 June 2012 Rm	Provided during the year Rm	Utilised during the year Rm	Reversed during the year Rm	Classified as held for sale Rm	Audited balance at 30 June 2013 Rm
Overage	9	43	(36)	–	–	**16**
Turnover rent	4	4	(3)	(1)	(4)	**–**
Onerous leases	3	9	(1)	–	(9)	**2**
Audit fees	8	13	(9)	–	(3)	**9**
	24	69	(49)	(1)	(16)	**27**

- **Overage**
  The provision represents royalties payable by Nu Metro Films to studio houses. The provision is based on royalty percentages, and the amount finally paid is dependent on the performance of the films.
- **Turnover rent**
  The provision is in respect of certain sites at Exclusive Books, Van Schaik Bookstore and Nu Metro Cinemas, and represents the excess of “turnover rent” over “base rent” payable to landlords.
- **Onerous leases**
  The provision is in respect of sub-economic leases, based on discounted future rental costs.

29. **FINANCIAL INSTRUMENTS**

Capital risk management

The Group defines total capital as “total equity” plus “long-term borrowings” as reflected in the statement of financial position.

The Group’s objectives of capital management are to safeguard the Group’s ability to continue as a going concern so as to provide returns to shareholders and other benefits to other stakeholders.

The Group may issue or repurchase shares, return capital to shareholders, pay dividends, raise or repay debt and buy or sell assets in order to maintain or change the capital structure.

Capital is monitored using the gearing ratio.

Significant accounting policies

Details of significant accounting policies, including recognition criteria and the basis of measurement in respect of each category of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Financial risk management

The Group does not trade in financial instruments, including derivative financial instruments, for speculative purposes. The Group is, however, still exposed in the normal course of their operations to financial risks. In order to minimise these risks, the Group may enter into transactions that make use of financial instruments. The Group’s risk management process uses formally documented policies and frameworks, including limits and reporting structures, to control and monitor financial risk.

Categories of financial instruments

	Loans and receivables Rm
Financial assets	
2013 (audited)	
Trade and sundry receivables*	**873**
Bank balances, deposits and cash	**103**
	976
2012 (reviewed)	
Trade and sundry receivables*	998
Bank balances, deposits and cash	393
	1 391

*Excludes taxes

29. FINANCIAL INSTRUMENTS (CONTINUED)

	Loans and payables Rm
Financial liabilities	
2013 (audited)	
Obligations due under hire purchase agreements and finance leases	**45**
Other interest-bearing borrowings	**785**
Interest-free borrowings	**3**
Trade and other payables*	**761**
	1 594
2012 (reviewed)	
Obligations due under hire purchase agreements and finance leases	93
Other interest-bearing borrowings	287
Interest-free borrowings	4
Trade and other payables*	894
	1 278

*Excludes taxes

Valuation of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical instruments
- **Level 2:** Valuation techniques based on observable inputs, either directly (ie. as prices) or indirectly (ie. derived from prices)
- **Level 3:** Valuation techniques using significant unobservable inputs (ie. market data).

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy at which the fair value measurement is categorised.
No transfers were made between the hierarchy levels during the reporting period. No change in the valuation techniques applied occurred from the prior reporting period.

	Rm
2013 (audited)	
Investment classified as financial asset – Level 1	13
Cash flow hedges – Level 2	10
There were no investments or cash flow hedges at 30 June 2012	

Liquidity risk

Liquidity risk is the risk of being unable to meet a financial commitment. The Group manages its liquidity risk by holding cash balances and by maintaining banking facilities. In addition, actual and budgeted cash flows are prepared and reviewed.

29. FINANCIAL INSTRUMENTS (CONTINUED)

The following table details the contractual maturity for non-derivative financial liabilities. The table has been compiled based on the undiscounted cash flows of financial liabilities based on the earliest date for the repayment of the liability. The cash flows include both principal and interest payments.

	Average interest rate (%)	Less than 1 year Rm	1 – 2 years Rm	2 – 5 years Rm	After 5 years Rm	Total Rm
2013 (audited)						
Obligations due under hire purchase agreements and finance leases	**7,2**	**12**	**33**	**–**	**–**	**45**
Other interest-bearing borrowings	**8,4**	**128**	**51**	**220**	**386**	**785**
Interest-free borrowings		**3**	**–**	**–**	**–**	**3**
Trade and other payables*		**761**	**–**	**–**	**–**	**761**
		904	**84**	**220**	**386**	**1 594**
2012 (reviewed)						
Obligations due under hire purchase agreements and finance leases	7,7	60	17	16	–	93
Other interest-bearing borrowings	8,2	39	248	–	–	287
Interest-free borrowings		4	–	–	–	4
Trade and other payables*		894	–	–	–	894
		997	265	16	–	1 278

*Excludes taxes

At 30 June 2013, the Group had R250 million (2012: R250 million) of bank overdraft facilities.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss. The Group deals with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. Use is made of independent credit rating agencies, publicly available financial information and internal trading records to rate customers and potential customers. Exposures to and credit ratings of counterparties are regularly monitored. The aggregate value of transactions concluded is spread amongst approved counterparties.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The carrying amount of financial assets represents the maximum exposure to credit risk. Collateral is taken and credit insurance is purchased where practical.

	Audited 2013 Rm	Reviewed 2012 Rm
Trade and sundry receivables*	**873**	998
Bank balances, deposits and cash	**103**	393
	976	1 391

* Excludes taxes

29. **FINANCIAL INSTRUMENTS (CONTINUED)**

Trade receivables

Trade receivables comprise a large number of customers spread across all divisions. Credit risk is limited due to the large customer base. Operational management evaluates the creditworthiness of customers before credit facilities are granted, and thereafter on a regular basis. Each business unit establishes an allowance for doubtful receivables which represents an estimate of potential losses in respect of amounts owed by trade debtors. Credit terms vary between the divisions but the majority of customers are given terms between 30 and 60 days.

	Audited 2013 Rm	Reviewed 2012 Rm
Ageing of trade receivables (gross)		
Current	**355**	376
30 days	**263**	275
60 days	**61**	86
90 days	**30**	41
120 days	**60**	73
	769	851
Ageing of allowance for doubtful receivables		
Current	**–**	–
30 days	**–**	–
60 days	**1**	6
90 days	**6**	4
120 days	**26**	35
	33	45
Ageing of trade receivables (net)		
Current	**355**	376
30 days	**263**	275
60 days	**60**	80
90 days	**24**	37
120 days	**34**	38
	736	806
Ageing of trade receivables past due		
Current	**–**	–
30 days	**2**	2
60 days	**49**	33
90 days	**26**	35
120 days	**55**	66
	132	136
Ageing of trade receivables past due net of allowance for doubtful receivables		
Current	**–**	–
30 days	**2**	2
60 days	**48**	27
90 days	**20**	31
120 days	**29**	31
	99	91

29. FINANCIAL INSTRUMENTS (CONTINUED)

	Audited 2013 Rm	Reviewed 2012 Rm
Ageing of trade receivables neither past due nor impaired		
Current	**355**	376
30 days	**261**	273
60 days	**12**	53
90 days	**4**	6
120 days	**5**	7
	637	715
Debtors days	**57**	43
Segmental analysis of trade receivables (net)		
Media	**263**	248
BDFM	**48**	29
Retail Solutions	**257**	224
Books	–	114
Entertainment	**168**	191
	736	806
Segmental analysis of trade receivables neither past due nor impaired		
Media	**241**	220
BDFM	**47**	27
Retail Solutions	**222**	222
Books	–	98
Entertainment	**127**	148
	637	715

The Entertainment division's trade receivables include the Associated Music Distributors debtors' book, which includes the factored trade receivables of the home entertainment and music businesses.

Market risk

The Group's activities expose it to the market risks of changes in foreign currency exchange rates, interest rates and investment values.

Foreign currency risk

The Group operates in a global business environment and therefore enters into transactions in currencies other than functional currencies. Exposure to the risk of fluctuating foreign currency exchange rates is reduced by the Group's policy to use forward exchange contracts where practical. The Group does not enter into derivative contracts for speculative purposes.

29. FINANCIAL INSTRUMENTS (CONTINUED)

At the year-end, the Group had contracted the following amounts under outstanding forward exchange contracts:

	Foreign amounts		Rand contract amounts		Rand fair value amounts	
	Audited 2013 m	Reviewed 2012 m	**Audited 2013 Rm**	Reviewed 2012 Rm	**Audited 2013 Rm**	Reviewed 2012 Rm
Foreign exchange contracts – receivable						
At year-end there were no foreign exchange contracts receivable.						
Foreign exchange contracts – payable						
US dollar	**3,7**	3,0	**37**	23	**35**	23
British pound	**0,6**	0,9	**9**	12	**10**	12
Euro	**0,5**	0,4	**6**	4	**6**	4
Singapore dollar	**0,2**	0,8	**2**	5	**2**	5
			54	44	**53**	44

At year-end, there were no material foreign currency-denominated assets or liabilities not covered by forward exchange contracts. Accordingly, there was no material sensitivity at year-end to exchange rate fluctuations.

Year-end closing exchange rates to the South African rand	**Audited 2013**	Reviewed 2012
US dollar	**9,93**	8,14
British pound	**15,08**	12,80
Euro	**12,92**	10,33
Australian dollar	**9,05**	8,35
New Zealand dollar	**7,66**	6,55
Botswana pula	**1,16**	1,07

Interest rate risk

The Group is exposed to interest rate risk as funds are borrowed at both fixed and floating interest rates. The exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk section of this note. As disclosed in the borrowings note (note 24), the Group used forward interest rate contracts to manage this risk.

The sensitivity analysis below was prepared based on the exposure to interest rates at year-end. For floating rate liabilities, the analysis was prepared assuming the amount of unhedged liability outstanding at year-end was outstanding for the whole year. A 100 basis point increase or decrease represents a reasonably possible change in interest rates.

	100 basis point change in interest rates	
	Increase Rm	Decrease Rm
2013 (audited)		
(Loss) profit	**(8)**	**8**
2012 (reviewed)		
(Loss) profit	**(4)**	**4**

	Audited 2013 RM	Reviewed 2012 Rm
30. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH FLOWS FROM OPERATIONS		
(Loss) profit before taxation	**(37)**	265
Adjusted for:		
Share of losses (profits) of associates	**24**	(2)
Finance income	**(24)**	(30)
Finance costs	**94**	41
Depreciation	**131**	127
Amortisation	**44**	57
Impairment of goodwill	**33**	6
Impairment of property, plant and equipment	**16**	–
Impairment of intangible assets	**58**	–
Loss (profit) on disposal of property, plant and equipment	**3**	(26)
Loss on disposal of intangible assets	**1**	1
Increase in post-retirement benefits liabilities	**15**	27
Employer portion of pension fund surplus	**(9)**	(29)
Scheme of arrangement transaction costs	**(12)**	–
Share incentive plans	**(2)**	(8)
Operating leases equalisation liabilities	**4**	(1)
Other non-cash items	**1**	–
Net cash flows from operations before working capital changes	**340**	428
Working capital changes	**174**	(36)
Decrease (increase) in inventories	**27**	(37)
(Increase) decrease in trade and other receivables	**(26)**	61
Increase (decrease) in trade and other payables	**173**	(60)
Net cash flows from operations	**514**	392
31. INCOME FROM INVESTMENTS		
Cash dividends received from associates	**5**	3
32. ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT		
Additions:		
• to maintain operations	**129**	162
• to expand operations	**–**	2
Total additions (see note 14)	**129**	164
33. ACQUISITION AND DISPOSAL OF SUBSIDIARIES		
Acquisition of subsidiary		
2013		
• BDFM Publishers Proprietary Limited on 25 June 2013 (50%)		
Net assets acquired		
Property, plant and equipment	**4**	–
Intangible assets	**36**	–
Non-current assets	**15**	–
Bank balances, deposits and cash	**9**	–
Long-term borrowings	**(1)**	–
Non-current liabilities	**(16)**	–
Net current liabilities	**(3)**	–
Total net assets acquired	**44**	–
Gain arising on acquisition	**(24)**	–
Total consideration	**20**	–
Settled by:		
Cash	**(20)**	–
Net cash outflow arising on acquisition		
Cash consideration paid	**(20)**	–
Net bank balances, deposits and cash acquired	**9**	–
	(11)	–

	Audited 2013 Rm	Reviewed 2012 Rm
33. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (CONTINUED)		
Disposal of subsidiaries		
2013		
• Map Integration Technologies Proprietary Limited on 31 May 2013 (51%)		
• Monte Cinemas Proprietary Limited on 28 June 2013 (51%)		
Net assets disposed		
Property, plant and equipment	**(16)**	–
Non-current assets	**(1)**	–
Bank balances, deposits and cash	**(17)**	–
Net current assets	**(2)**	–
Total net assets disposed	**(36)**	–
Non-controlling interests	**22**	–
	(14)	–
Settled by:		
Cash	**37**	–
Purchase price receivable*	**20**	–
	57	–
Net cash inflow arising on disposals		
Cash consideration received	**37**	–
Net bank balances, deposits and cash disposed	**(17)**	–
	20	–

* Cash received 1 July 2013

	Audited 2013 Rm	Reviewed 2012 Rm
34. CASH AND CASH EQUIVALENTS		
Bank balances, deposits and cash	**170**	393
Continuing	**103**	393
Discontinued	**67**	–
Bank overdrafts (see note 24)	**(111)**	(39)
Continuing	**(87)**	(39)
Discontinued	**(24)**	–
	59	354

Bank balances, deposits and cash have original maturities of three months or less. The carrying amounts of these assets approximate their fair values.

	Audited 2013 Rm	Reviewed 2012 Rm
Bank overdrafts comprise:		
South African rand	**111**	39
Foreign currencies	**–**	–
	111	39
35. CONTINGENT LIABILITIES		
Claims which may result from pending litigation:	**–**	1
36. CAPITAL EXPENDITURE COMMITMENTS		
Contracted but not provided for	**14**	2
Authorised but not yet contracted for:	**–**	1
	14	3

	Audited 2013 Rm	Reviewed 2012 Rm
37. LEASE COMMITMENTS		
Outstanding commitments for future minimum lease payments under non-cancellable operating leases fall due as follows:		
Within one year	**210**	193
In the second to fifth years inclusive	**559**	492
After five years	**231**	252
	1 000	937

- Lease payments recognised in profit or loss are reflected in note 4.
- The lease commitments detailed above do not include turnover rent to the extent that turnover rent exceeds base rent.

38. RETIREMENT BENEFIT PLANS

The Group has retirement benefit plans covering substantially all employees. Eligible employees are members of either defined contribution or defined benefit plans administered by the Group, or are members of funds associated with industry or employee organisations.

The South African retirement benefit plans are governed by the Pension Funds Act, 1956. The assets of the plans are held separately from those of the Group, in funds under the control of trustees. The cost charged to profit or loss represents contributions payable to the plans at rates specified in the rules of each plan (see note 4).

Defined contribution plans

The defined contribution plans are designed to provide a lump sum on retirement or a combination of a lump sum and a pension. The benefits are dependent on the investment performance of the plans. Both employees and Group companies contribute to the plans on a fixed contribution basis. Apart from contributions paid, the Group has no further obligations in respect of these plans.

The Times Media Group Limited Pension Fund, although it is principally a defined contribution plan, includes an element of defined benefit. Details relating to the fund's defined benefit membership are presented below. Valuations are done at three-year intervals. The last valuation was performed as at 30 June 2010 utilising the following principal actuarial assumptions:

Discount rate	5,0% p.a.
Expected return on plan assets	9,2% p.a.
Future salary increase	6,5% p.a.
Future pension increase	4,5% p.a.
The membership of the fund was:	
In-service defined benefit members	21
The financial condition of the defined benefit element of the fund was:	
	Rm
Fair value of plan assets	21
Fail value of plan liabilities	(21)
Fair value of plan surplus	–

The amounts recognised in income are as follows (see note 4):

	Audited 2013 Rm	Reviewed 2012 Rm
Current service cost of in-service defined benefit members	**1**	1

Defined benefit plan

The Group's only defined benefit retirement plan, the Johnnic Entertainment Pension Fund, is in liquidation, with the employer's surplus account, which stood at R46 million at year-end (2012: R37 million) recognised as an asset.

39. **RELATED PARTY TRANSACTIONS**

- Transactions between the Company and its subsidiaries have been eliminated on consolidation.
- Transactions between the Group and its associates were concluded at arm's-length.

	Audited 2013 %	Reviewed 2012 %
40. **JOINT VENTURES**		
With the acquisition on 25 June 2013 of the remaining 50% of BDFM Publishers Proprietary Limited, BDFM Publishers Proprietary Limited, African Business Channel Proprietary Limited and I-Net Bridge Proprietary Limited are recognised as subsidiaries and no longer as joint ventures.		
BDFM Publishers Proprietary Limited	**–**	50,0
African Business Channel Proprietary Limited	**–**	50,0
I-Net Bridge Proprietary Limited	**–**	83,3
The following amounts are included in the Group's financial statements as a result of proportionate consolidation of the joint ventures:	**Rm**	Rm
Revenue	**–**	296
Profit from operations	**–**	5
Non-current assets	**–**	62
Current assets	**–**	118
Non-current liabilities	**–**	(18)
Current liabilities	**–**	(65)
Cash and cash equivalents	**–**	55
41. **SHARE-BASED PAYMENTS**		
During the year, the following were credited (charged) to profit or loss	**–**	(6)
Cash-settled incentives	**–**	1
Equity-settled incentives	**–**	(7)

Group interests in associates
as at 30 June 2013
Annexure 1

Associate	Principal activity	Country of incorporation	Financial year-end	Effective interest Audited 2013 %	Effective interest Reviewed 2012 %	Cost less amount written off Audited 2013 Rm	Cost less amount written off Reviewed 2012 Rm	Loans Audited 2013 Rm	Loans Reviewed 2012 Rm	Share of post-acquisition reserves Audited 2013 Rm	Share of post-acquisition reserves Reviewed 2012 Rm	Total Audited 2013 Rm	Total Reviewed 2012 Rm
Unlisted Continuing						**10**	10	**10**	46	**2**	3	**22**	59
Allied Media Distributors Proprietary Limited	Distribution of publications	South Africa	December	**30,0**	30,0	**–**	–	**–**	–	**3**	3	**3**	3
Allied Publishing Limited	Distribution of publications	South Africa	December	**50,0**	50,0	**–**	–	**–**	–	**–**	–	**–**	–
Banner News Agency Proprietary Limited	Property investment holding	South Africa	December	**28,6**	28,6	**–**	–	**–**	–	**–**	–	**–**	–
Media Host Proprietary Limited	Digital content management	South Africa	February	**25,0**	25,0	**3**	3	**–**	–	**(1)**	–	**2**	3
P A Group Media Proprietary Limited	Property advertising	South Africa	August	**39,9**	39,9	**7**	7	**10**	10	**–**	–	**17**	17
The Newspaper Printing Company	Printing	South Africa	December	**35,0**	35,0	**–**	–	**–**	36	**–**	–	**–**	36
Discontinued						**–**	–	**–**	3	**–**	23	**–**	26
Airport Bookshop Proprietary Limited	Book retail	South Africa	June	**40,0**	40,0	**–**	–	**–**	3	**–**	3	**–**	6
Three Groups Cinemas Proprietary Limited*	Cinemas	South Africa	March	**–**	50,0	**–**	–	**–**	–	**–**	6	**–**	6
Warner Music Gallo Africa Proprietary Limited	Music	South Africa	March	**40,0**	40,0	**–**	–	**–**	–	**–**	14	**–**	14
						10	10	**10**	49	**2**	26	**22**	85

* Sold on 31 May 2013

Annexure 2

GROUP ATTRIBUTABLE INTERESTS IN ASSOCIATE

	Audited 2013 Rm	Reviewed 2012 Rm
STATEMENT OF FINANCIAL POSITION		
ASSETS AND LIABILITIES		
Tangible and intangible assets	**32**	33
Current assets	**46**	98
Total assets	**78**	131
Long-term borrowings	**30**	30
Current liabilities	**36**	65
Total liabilities	**66**	95
Attributable net asset value	**12**	36
Indebtedness	**10**	49
Carrying value	**22**	85
STATEMENT OF COMPREHENSIVE INCOME		
Revenue	**36**	70
Profit before taxation	**–**	8
Taxation	**–**	(3)
Profit for the year	**–**	5

PRO FORMA FINANCIAL INFORMATION OF BLACKSTAR

PRO FORMA FINANCIAL INFORMATION OF BLACKSTAR

The *pro forma* financial information has been prepared for illustrative purposes only and because of its nature, may not fairly present Blackstar's financial position, changes in equity, and results of operations or cash flows after the Scheme.

The *pro forma* financial effects are presented in accordance with the JSE Listings Requirements, the Guide on *Pro forma* Financial Information issued by SAICA, ISAE 3420 and the measurement and recognition requirements of IFRS.

The *pro forma* financial information of Blackstar is based on the unaudited interim results for the six months ended 30 June 2014 plus the unaudited results for the six months ended 31 December 2013, to obtain a 12 month comparative period, for the statement of comprehensive income, and the unaudited interim results for the six months ended 30 June 2014 for the statement of financial position, which have been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the audited financial statements of Blackstar for the year ended 31 December 2013. The TMG financial information is based on the audited financial statements for the year ended 30 June 2014 which have been prepared in accordance with IFRS.

The accounting for the acquisition of the remaining interest not already owned by Blackstar is in accordance with IFRS 10: Consolidated Financial Statements, IFRS 12: Disclosure of Interest in Other Entities, IFRS 13: Fair Value Measurement and International Accounting Standard 27: Separate Financial Instruments (revised).

It has been assumed that the Scheme was effective at 1 July 2013, being the beginning of Blackstar's financial period for the purposes of the *pro forma* statement of comprehensive income and on 30 June 2014 for the purposes of the *pro forma* statement of financial position. The *pro forma* statement of comprehensive income and *pro forma* statement of financial position have been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the audited financial statements of Blackstar for the year ended 31 December 2013.

As there is still some uncertainty of the impact on Blackstar due to the ability for TMG Shareholders to elect the Cash Consideration and/or Share Consideration for their TMG Shares, the tables below present two distinct scenarios. The first scenario and table assumes that TMG Shareholders elect the maximum Cash Consideration under the Scheme of R500 million. The second scenario and table assumes that TMG Shareholders elect the maximum Share Consideration under the Scheme.

The Directors of Blackstar are responsible for the compilation, contents and preparation of the *pro forma* financial information contained in this Circular and for the financial information from which it has been prepared. *Pro forma* financial information of Blackstar should be read in conjunction with the limited assurance report of the Independent Reporting Accountants which is included in **Annexure 5** to this Circular.

Assuming maximum Cash Consideration election by TMG Shareholders

***PRO FORMA* CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF BLACKSTAR**

	Blackstar	*Pro forma* adjustments to Blackstar financial results	Adjusted Blackstar prior to the scheme	*Pro forma* financial effects of the scheme				Blackstar *Pro forma* After the Scheme
	'b	c	d	'e1	'e2	'e3	'e4	'f
Notes and assumptions	Blackstar Unaudited at 30 June 2014 R'000	Receipt of final dividend declared by TMG for year ending 30 June 2014 R'000	Adjusted Blackstar Unaudited at 30 June 2014 R'000	Blackstar acquires 22.9% interest in KTH for the Tiso Consideration R'000	Senior debt raised to finance KTH acquisition and General Banking Facility obtained R'000	Blackstar acquires remaining 67.5% interest in TMG for the Scheme Consideration R'000	Scheme transaction costs and Pre-acquisition Dividend from TMG R'000	*Pro forma* at 30 June 2014 R'000
Assets								
Goodwill	875	–	875	–	–	–	–	875
Deferred tax assets	710	–	710	–	–	–	–	710
Equipment	1,280	–	1,280	–	–	–	–	1,280
Financial assets at fair value through profit and loss								
Net investments in subsidiaries	366,081	–	366,081	–	–	2,082,292	–	2,448,373
Net investments in associates	900,474	–	900,474	1,585,639	–	(895,474)	–	1,590,639
Financial assets held for trading	143,536	–	143,536	–	–	–	–	143,536
Investments classified as loans and receivables	31,381	–	31,381	–	–	–	–	31,381
Current tax assets	160	–	160	–	–	–	–	160
Trade and other receivables	1,339	–	1,339	–	–	–	–	1,339
Cash and cash equivalents	59,356	14,042	73,398	(485,582)	600,000	–	(162,090)	25,726
Total assets	1,505,192	14,042	1,519,234	1,100,057	600,000	1,186,818	(162,090)	4,244,019
Liabilities								
Deferred tax liabilities	(183)	–	(183)	–	–	–	–	(183)
Other financial liabilities	(167)	–	(167)	–	–	–	–	(167)
Borrowings	(128,606)	–	(128,606)	–	(600,000)	–	128,606	(600,000)
Current tax liabilities	(684)	–	(684)	–	–	–	–	(684)
Trade and other payables	(15,550)	–	(15,550)	–	–	–	–	(15,550)
Total liabilities	(145,190)	–	(145,190)	–	(600,000)	–	128,606	(616,584)
Total net assets	1,360,002	14,042	1,374,044	1,100,057	–	1,186,818	(33,484)	3,627,435
Equity								
Share capital	574,672	–	574,672	1,026,527	–	1,003,995	–	2,605,194
Share premium	21,506	–	21,506	73,530	–	71,916	–	166,952
Capital redemption reserve	52,173	–	52,173	–	–	–	–	52,173
Treasury shares reserve	(25,738)	–	(25,738)	–	–	–	–	(25,738)
Retained earnings	737,476	14,042	751,518	–	–	110,907	(33,484)	828,941
Total equity attributable to equity holders	1,360,089	14,042	1,374,131	1,100,057	–	1,186,818	(33,484)	3,627,522
Non-controlling interests	(87)	–	(87)	–	–	–	–	(87)
Total equity	1,360,002	14,042	1,374,044	1,100,057	–	1,186,818	(33,484)	3,627,435

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF BLACKSTAR

	Blackstar	*Pro forma* adjustments to Blackstar financial results	Adjusted Blackstar prior to the scheme	*Pro forma* financial effects of the scheme				Blackstar *Pro forma* After the Scheme
	'b	c	d	'e1	'e2	'e3	'e4	'f
Notes and assumptions	Blackstar Unaudited at 30 June 2014 R'000	Receipt of final dividend declared by TMG for year ending 30 June 2014 R'000	Adjusted Blackstar Unaudited at 30 June 2014 R'000	Blackstar acquires 22.9% interest in KTH for the Tiso Consideration R'000	Senior debt raised to finance KTH acquisition and General Banking Facility obtained R'000	Blackstar acquires remaining 67.5% interest in TMG for the Scheme Consideration R'000	Scheme transaction costs and Pre-acquisition Dividend from TMG R'000	*Pro forma* at 30 June 2014 R'000
Net asset value per share (in cents)	1,702	18	1,720	637	–	450	(13)	1,377
Tangible net asset value per share (in cents)	1,701	18	1,719	637	–	450	(13)	1,376
Basic and diluted weighted average number of shares in issue (net of treasury shares, in thousands)	79,894	79,894	79,894	172,726	172,726	263,520	263,520	263,520

Notes and assumptions:

a) The *pro forma* statement of financial position is based on the assumption that the Scheme had become operative on 30 June 2014.

b) The Blackstar financial information is reflected in Blackstar's functional and presentational currency, Rands, and has been extracted without adjustment, from the published unaudited consolidated interim financial statements of Blackstar for the six months ended 30 June 2014.

c) The Blackstar *pro forma* statement of financial position includes adjustments for material events subsequent to 30 June 2014 being:

- The receipt of the 35 cents dividend declared by TMG for the year ended 30 June 2014 and paid in October 2014 resulting in Blackstar receiving R14.0 million, nett of Dividends Withholding Tax of R0.3 million.

d) This column provides a total, in Rands, of Blackstar's financial information incorporating the Blackstar specific *pro forma* adjustment as detailed in note c above.

The *pro forma* statement of financial position includes the following *pro forma* adjustments as a result of the Scheme:

e) 'e1 The effect of the Tiso Transaction, whereby Blackstar will acquire the KTH Interest from Tiso for the Tiso Consideration;

Notes and assumptions	Per *pro formas* Blackstar suspended share price of R11.85 utilised to determine Consideration paid 1	Per agreements Blackstar NAV of R16.91 utilised to determine Consideration paid 2
Tiso Consideration (KTH)		
Number of Blackstar shares to be issued in terms of the Tiso Share Consideration	92,831,798	92,831,798
Blackstar share price utilised to determine Share Consideration (Rands)	11.85	16.91
	R'000	**R'000**
Tiso Share Consideration	1,100,057	1,569,786
Tiso Cash Consideration	485,582	485,582
Tiso Consideration	**1,585,639**	**2,055,368**

1. Blackstar is an Investment Entity as defined under IFRS (specifically IFRS 10 Consolidated Financial Statements) and as such does not consolidate or equity account certain of its interests in subsidiaries and associates but rather classifies these as investments held at fair value through profit and loss which are measured at fair value. On initial recognition of the investments in TMG and KTH, Blackstar must comply with IFRS 13 Fair Value Measurement 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. Thus in order to comply with IFRS, Blackstar has initially measured its investment in TMG and KTH at the fair value of the consideration received on that date, being the last traded share price of Blackstar Shares before being suspended of R11.85. This differs from the issue price of R16.91 (being Blackstar's intrinsic NAVPS as at 30 June 2014) which was utilised by all parties concerned in determining the number of Blackstar shares to be issued in exchange for the investments acquired in KTH and TMG.
2. For purposes of the Circular, the Tiso consideration and Scheme Consideration for TMG have been determined using the specified Blackstar issue price of R16.91 (being Blackstar's intrinsic NAVPS as at 30 June 2014) which is considered to be the transaction value.

'e2 Raising of third-party debt funding of R600 million on 1 July 2013 to settle the cash payable for the KTH Interest of R485.6 million, related one-off costs of R45.5 million and additional finance of R50.0 million for the purpose of funding future working capital, if required;

'e3 i) The effect of the Scheme, whereby Blackstar acquires the ordinary shares of TMG that it does not already own for the Scheme Consideration, based on the assumption that the maximum amount of cash of R500 million is paid and the remaining portion is settled by the Share Consideration of R1,075.9 million, and the elimination of the Pre-acquisition Dividend from TMG of R500 million;

Notes and assumptions	Per *pro formas* Blackstar suspended share price of R11.85 utilised to determine Consideration paid 1	Per agreements Blackstar NAV of R16.91 utilised to determine Consideration paid 2
Scheme Consideration (TMG)		
Number of Blackstar shares to be issued in terms of the Share Consideration	90,794,152	90,794,152
Blackstar share price utilised to determine Share Consideration (Rands)	11.85	16.91
	R'000	**R'000**
Share Consideration	1,075,911	1,535,329
Cash Consideration	500,000	500,000
Scheme Consideration	1,575,911	2,035,329

1. Blackstar is an Investment Entity as defined under IFRS (specifically IFRS 10 Consolidated Financial Statements) and as such does not consolidate or equity account certain of its interests in subsidiaries and associates but rather classifies these as investments held at fair value through profit and loss which are measured at fair value. On initial recognition of the investments in TMG and KTH, Blackstar must comply with IFRS 13 Fair Value Measurement 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. Thus in order to comply with IFRS, Blackstar has initially measured its investment in TMG and KTH at the fair value of the consideration received on that date, being the last traded share price of Blackstar Shares before being suspended of R11.85. This differs from the issue price of R16.91 (being Blackstar's intrinsic NAVPS as at 30 June 2014) which was utilised by all parties concerned in determining the number of Blackstar shares to be issued in exchange for the investments acquired in KTH and TMG.
2. For purposes of the Circular, the Tiso consideration and Scheme Consideration for TMG have been determined using the specified Blackstar issue price of R16.91 (being Blackstar's intrinsic NAVPS as at 30 June 2014) which is considered to be the transaction value.
   ii) The transfer of the existing 32.5% investment in TMG from net investments in associates at its fair value of R895.5 million (as stated in Blackstar's annual report for 30 June 2014), to net investments in subsidiaries,
   iii) The revaluation of Blackstar's existing 32.5% interest in TMG to a fair value of R110.9 million being R24.50 per TMG;
   iv) The total value of Blackstar's investment in TMG amounting to R2,082.3 million is made up of the following:
      - Blackstar's current 32.5% interest in TMG at a fair value of R1,006.4 million;
      - The Scheme Consideration of R1,575.9 million; and
      - The elimination of the Pre-acquisition Dividend from TMG of R500 million.

e4 i) The payment of the Pre-acquisition Dividend of 30 cents per TMG Share after the Scheme becomes operative but before it is implemented resulting in Blackstar receiving a dividend of R12.0 million, net of Dividends Tax of R0.3 million;

ii) The settlement of one-off related expenses of R45.5 million arising as a result of the Tiso Transaction and the Scheme;

iii) The settlement of the existing Blackstar debt of R128.6 million on the assumption that the debt is settled on implementation of the Scheme by utilising the new debt referred to in e2 above;

iv) The settlement of one-off related expenses of R45.5 million less the TMG Pre-acquisition Dividend of R12.0 million results in a nett change to retained earnings of R33.5 million.

f) This column provides a total, in Rands, of Blackstar's financial information incorporating the Blackstar specific *pro forma* adjustment as detailed in note c and the *pro forma* adjustments arising due to the Tiso Transaction and the Scheme as detailed in note e above.

g) Other than as stated above, there are no other post-balance sheet date events requiring adjustments to the *pro forma* financial information.

Assuming maximum Cash Consideration election by TMG Shareholders

***PRO FORMA* CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF BLACKSTAR**

					BLACKSTAR	PRO FORMA ADJUSTMENTS TO BLACKSTAR FINANCIAL RESULTS	ADJUSTED BLACKSTAR PRIOR TO THE SCHEME	*PRO FORMA* FINANCIAL EFFECTS OF THE SCHEME				BLACKSTAR *PRO FORMA* AFTER THE SCHEME
Notes and assumptions	'b1	'b2	'b3	'b4	'b5	c	d	'e1	'e2	'e3	'e4	'f
	Blackstar Audited 12 months to 31 December 2013 R'000	Blackstar Unaudited six months to 30 June 2013 R'000	Blackstar Unaudited six months to 31 December 2013 R'000	Blackstar Unaudited six months to 30 June 2014 R'000	Blackstar Unaudited 12 months to 30 June 2014 R'000	Receipt of final dividend declared by TMG for year ending 30 June 2014 R'000	Adjusted Blackstar Unaudited at 30 June 2014 R'000	Blackstar acquires 22.9% interest in KTH for the Tiso Consideration R'000	Senior debt raised to finance KTH acquisition and General Banking Facility obtained R'000	Blackstar acquires remaining 67.5% interest in TMG for the Scheme Consideration R'000	Scheme transaction costs and Pre-acquisition Dividend from TMG R'000	*Pro forma* at 30 June 2014 R'000
Income	261,025	107,377	153,648	116,074	269,722	14,377	284,099	–	–	110,907	89,147	484,153
Operating expenses	(76,541)	(40,174)	(36,367)	(34,425)	(70,792)	–	(70,792)	–	–	–	(45,520)	(116,312)
Operating profit	184,484	67,203	117,281	81,649	198,930	14,377	213,307	–	–	110,907	43,627	367,841
Net finance (costs)/income	(208)	821	(1,029)	(3,415)	(4,444)	–	(4,444)	–	(61,799)	–	4,128	(62,115)
Finance income	3,156	980	2,176	713	2,889	–	2,889	–	–	–	–	2,889
Finance costs	(3,364)	(159)	(3,205)	(4,128)	(7,333)	–	(7,333)	–	(61,799)	–	4,128	(65,004)
Profit/(Loss) before taxation	184,276	68,024	116,252	78,234	194,486	14,377	208,863	–	(61,799)	110,907	47,755	305,726
Taxation	222	1,005	(783)	(1,370)	(2,153)	(335)	(2,488)	–	–	–	(287)	(2,775)
Profit/(Loss) for the period	184,498	69,029	115,469	76,864	192,333	14,042	206,375	–	(61,799)	110,907	47,468	302,951
Profit/(Loss) for the period attributable to:												
Equity holders of the parent	183,857	68,800	115,057	77,341	192,398	14,042	206,440	–	(61,799)	110,907	47,468	303,016
Non-controlling interests	641	229	412	(477)	(65)	–	(65)	–	–	–	–	(65)
	184,498	69,029	115,469	76,864	192,333	14,042	206,375	–	(61,799)	110,907	47,468	302,951
Basic and diluted earnings/(losses) per ordinary share attributable to equity holders (in cents)	228.54	85.20	143.02	96.80	240.82	17.58	258.39	–	(35.78)	42.09	18.01	114.99
Basic and diluted headline earnings/(losses) per ordinary share attributable to equity holders (in cents) *	228.54	85.20	143.02	96.80	240.82	17.58	258.39	–	(35.78)	42.09	18.01	114.99
Basic and diluted weighted average number of shares in issue (net of treasury shares, in thousands)	80,447	80,747	80,447	79,894	79,894	79,894	79,894	172,726	172,726	263,520	263,520	263,520

**Pro forma* adjustments are non-adjusting items for HEPS purposes

Notes and assumptions:

a) The *pro forma* statement of comprehensive income is based on the assumption that the Scheme had become operative on 1 July 2013.

b) The Blackstar financial information is reflected in Blackstar's functional and presentational currency, Rands, and has been extracted without adjustment, from the following published results of Blackstar:

’b1 Audited consolidated financial statements for the 12 months ended 31 December 2013;

’b2 Unaudited consolidated interim financial statements for the six months ended 30 June 2013;

’b3 Unaudited consolidated six months ended 31 December 2013 by deducting b2 from b1 above;

’b4 Unaudited consolidated interim financial statements for the six months ended 30 June 2014; and

’b5 Unaudited consolidated financial statements for the 12 months ended 30 June 2014 by adding b3 to b4 above, to obtain a 12-month comparative period.

c) The Blackstar *pro forma* statement of comprehensive income includes adjustments for material events subsequent to 30 June 2014 for:

- The receipt of the 35 cents dividend declared by TMG for the year ended 30 June 2014 and paid in October 2014 resulting in Blackstar receiving R14.0 million, nett of Dividends Withholding Tax of R0.3 million.

d) This column provides a total, in Rands, of Blackstar's financial information incorporating the Blackstar specific *pro forma* adjustment as detailed in note c above.

e) The *pro forma* statement of comprehensive income includes the following *pro forma* adjustments as a result of the Scheme:

’e1 The effect of the Tiso Transaction, whereby Blackstar will acquire the KTH Interest from Tiso for the Tiso Consideration;

Notes and assumptions	**Per *pro formas* Blackstar suspended share price of R11.85 utilised to determine Consideration paid 1**	**Per agreements Blackstar NAV of R16.91 utilised to determine Consideration paid 2**
Tiso Consideration (KTH)		
Number of Blackstar shares to be issued in terms of the Tiso Share Consideration	92,831,798	92,831,798
Blackstar share price utilised to determine Share Consideration (Rands)	11.85	16.91
	R'000	**R'000**
Tiso Share Consideration	1,100,057	1,569,786
Tiso Cash Consideration	485,582	485,582
Tiso Consideration	**1,585,639**	**2,055,368**

1. Blackstar is an Investment Entity as defined under IFRS (specifically IFRS 10 Consolidated Financial Statements) and as such does not consolidate or equity account certain of its interests in subsidiaries and associates but rather classifies these as investments held at fair value through profit and loss which are measured at fair value. On initial recognition of the investments in TMG and KTH, Blackstar must comply with IFRS 13 Fair Value Measurement 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. Thus in order to comply with IFRS, Blackstar has initially measured its investment in TMG and KTH at the fair value of the consideration received on that date, being the last traded share price of Blackstar Shares before being suspended of R11.85. This differs from the issue price of R16.91 (being Blackstar's intrinsic NAVPS as at 30 June 2014) which was utilised by all parties concerned in determining the number of Blackstar shares to be issued in exchange for the investments acquired in KTH and TMG.
2. For purposes of the Circular, the Tiso consideration and Scheme Consideration for TMG have been determined using the specified Blackstar issue price of R16.91 (being Blackstar's intrinsic NAVPS as at 30 June 2014) which is considered to be the transaction value.

’e2 Raising of third-party debt funding of R600 million on 1 July 2013 to settle the cash payable for the KTH Interest of R485.6 million, one-off related costs of R45.5 million, additional finance of R50.0 million or the purposes of funding future workingcapital, if required and the effect of interest arising on the debt over the 12-month period of R61.8 million, interest charge which is of a continuing nature;

’e3 i) The effect of the Scheme, whereby Blackstar acquires the ordinary shares of TMG that it does not already own for the Scheme Consideration, based on the assumption that the maximum amount of cash of R500 million is paid and the remaining portion is settled by the Share Consideration of R1,075.9 million, and the elimination of the acquisition dividend from TMG of R500 million;

Notes and assumptions	Per *pro formas* Blackstar suspended share price of R11.85 utilised to determine Consideration paid 1	Per agreements Blackstar NAV of R16.91 utilised to determine Consideration paid 2
Scheme Consideration (TMG)		
Number of Blackstar shares to be issued in terms of the Share Consideration	90,794,152	90,794,152
Blackstar share price utilised to determine Share Consideration (Rands)	11.85	16.91
	R'000	**R'000**
Share Consideration	1,075,911	1,535,329
Cash Consideration	500,000	500,000
Scheme Consideration	**1,575,911**	**2,035,329**

1. Blackstar is an Investment Entity as defined under IFRS (specifically IFRS 10 Consolidated Financial Statements) and as such does not consolidate or equity account certain of its interests in subsidiaries and associates but rather classifies these as investments held at fair value through profit and loss which are measured at fair value. On initial recognition of the investments in TMG and KTH, Blackstar must comply with IFRS 13 Fair Value Measurement 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. Thus in order to comply with IFRS, Blackstar has initially measured its investment in TMG and KTH at the fair value of the consideration received on that date, being the last traded share price of Blackstar Shares before being suspended of R11.85. This differs from the issue price of R16.91 (being Blackstar's intrinsic NAVPS as at 30 June 2014) which was utilised by all parties concerned in determining the number of Blackstar shares to be issued in exchange for the investments acquired in KTH and TMG.
2. For purposes of the Circular, the Tiso consideration and Scheme Consideration for TMG has been determined using the specified Blackstar issue price of R16.91 (being Blackstar's intrinsic NAVPS as at 30 June 2014) which is considered to be the transaction value.

ii) The revaluation of Blackstar's current 32.5% interest in TMG to a fair value of R24.50 per TMG Share resulting in a fair value gain of R110.9 million being recognised as income;

'e4 i) The payment of the Pre-acquisition Dividend of 30 cents per TMG Share after the Scheme becomes operative but before it is implemented resulting in Blackstar receiving a total dividend of R12.0 million, net of Dividends Tax of R0.3 million which is reflected within the taxation line;

ii) The reversal of the interest expense and related finance charges of R4.1 million arising on the existing Blackstar debt on the assumption that the debt is settled on implementation of the Scheme by utilising the new debt referred to in e2 above. Finance charges are of a continuing nature;

iii) The settlement of once-off related expenses of R45.5 million arising as a result of the Tiso Transaction and the Scheme;

iv) The recognition of the dividends declared of R51.2 million by TMG for the interim period ended 31 December 2013 of 25 cents per share which was paid in April 2014, and for the year ended 30 June 2014 of 35 cents per share which was paid in October 2014, arising on the remaining 67.5% not already owned by Blackstar on the assumption that Blackstar held all of the shares in TMG as at 1 July 2013;

v) The recognition of the dividends declared of R25.6 million by KTH for the interim period ended 31 December 2013 of R60 per share which was paid in April 2014, and for the year ended 30 June 2014 of R60 per share which was paid in October 2014, arising on the assumption that Blackstar held the 22.9% interest in KTH as at 1 July 2013;

vi) Income of R89.1 million comprises the following:

- Gross Pre-acquisition Dividend of 30 cents per TMG Share amounting to R12.3 million;
- Dividends declared by TMG for the interim period ended 31 December 2013 and for the year ended 30 June 2014 totalling R51.2 million; and
- Dividends declared by KTH for the interim period ended 31 December 2013 and for the year ended 30 June 2014 totalling R25.6 million.

f) This column provides a total, in Rands, of Blackstar's financial information incorporating the Blackstar specific *pro forma* adjustment as detailed in note c and the *pro forma* adjustments arising due to the Tiso Transaction and the Scheme as detailed in note e above.

Assuming maximum Share Consideration election by TMG Shareholders

***PRO FORMA* CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF BLACKSTAR**

	Blackstar	*Pro forma* adjustments to Blackstar financial results	Adjusted Blackstar prior to the scheme	*Pro forma* financial effects of the scheme				Blackstar *pro forma* after the scheme
	'b	c	d	'e1	'e2	'e3	'e4	'f
Notes and assumptions	Blackstar Unaudited at 30 June 2014 R'000	Receipt of final dividend declared by TMG for year ending 30 June 2014 R'000	Adjusted Blackstar Unaudited at 30 June 2014 R'000	Blackstar acquires 22.9% interest in KTH for the Tiso Consideration R'000	Senior debt raised to finance KTH acquisition and General Banking Facility obtained R'000	Blackstar acquires remaining 67.5% interest in TMG for the Scheme Consideration R'000	Scheme transaction costs and Pre-acquisition Dividend from TMG R'000	*Pro forma* at 30 June 2014 R'000
Assets								
Goodwill	875	–	875	–	–	–	–	875
Deferred tax assets	710	–	710	–	–	–	–	710
Equipment	1,280	–	1,280	–	–	–	–	1,280
Financial assets at fair value through profit and loss								
Net investments in subsidiaries	366,081	–	366,081	–	–	2,472,494	–	2,838,575
Net investments in associates	900,474	–	900,474	1,585,639	–	(895,474)	–	1,590,639
Financial assets held for trading	143,536	–	143,536	–	–	–	–	143,536
Investments classified as loans and receivables	31,381	–	31,381	–	–	–	–	31,381
Current tax assets	160	–	160	–	–	–	–	160
Trade and other receivables	1,339	–	1,339	–	–	–	–	1,339
Cash and cash equivalents	59,356	14,042	73,398	(485,582)	600,000	–	(162,090)	25,726
Total assets	1,505,192	14,042	1,519,234	1,100,057	600,000	1,577,020	(162,090)	4,634,221
Liabilities								
Deferred tax liabilities	(183)	–	(183)	–	–	–	–	(183)
Other financial liabilities	(167)	–	(167)	–	–	–	–	(167)
Borrowings	(128,606)	–	(128,606)	–	(600,000)	–	128,606	(600,000)
Current tax liabilities	(684)	–	(684)	–	–	–	–	(684)
Trade and other payables	(15,550)	–	(15,550)	–	–	–	–	(15,550)
Total liabilities	(145,190)	–	(145,190)	–	(600,000)	–	128,606	(616,584)
Total net assets	1,360,002	14,042	1,374,044	1,100,057	–	1,577,020	(33,484)	4,017,637
Equity								
Share capital	574,672	–	574,672	1,026,527	–	1,368,115	–	2,969,314
Share premium	21,506	–	21,506	73,530	–	97,998	–	193,034
Capital redemption reserve	52,173	–	52,173	–	–	–	–	52,173
Treasury shares reserve	(25,738)	–	(25,738)	–	–	–	–	(25,738)
Retained earnings	737,476	14,042	751,518	–	–	110,907	(33,484)	828,941
Total equity attributable to equity holders	1,360,089	14,042	1,374,131	1,100,057	–	1,577,020	(33,484)	4,017,724
Non-controlling interests	(87)	–	(87)	–	–	–	–	(87)
Total equity	1,360,002	14,042	1,374,044	1,100,057	–	1,577,020	(33,484)	4,017,637
Net asset value per share (in cents)	1,702	18	1,720	637	–	532	(11)	1,355
Tangible net asset value per share (in cents)	1,701	18	1,719	637	–	532	(11)	1,355
Actual number of shares in issue (net of treasury shares, in thousands)	79,894	79,894	79,894	172,726	172,726	296,448	296,448	296,448

Notes and assumptions:

a) The *pro forma* statement of financial position is based on the assumption that the Scheme had become operative on 30 June 2014.

b) The Blackstar financial information is reflected in Blackstar's functional and presentational currency, Rands, and has been extracted without adjustment, from the published unaudited consolidated interim financial statements of Blackstar for the six months ended 30 June 2014.

c) The Blackstar *pro forma* statement of financial position includes adjustments for material events subsequent to 30 June 2014 for:

- The receipt of the 35 cents dividend declared by TMG for the year ended 30 June 2014 and paid in October 2014 resulting in Blackstar receiving R14.0 million, net of Dividends Tax of R0.3 million.

d) This column provides a total, in Rands, of Blackstar's financial information incorporating the Blackstar specific *pro forma* adjustment as detailed in note c above.

e) The *pro forma* statement of financial position includes the following *pro forma* adjustments as a result of the Scheme:

'e1 The effect of the Tiso Transaction, whereby Blackstar will acquire the KTH Interest from Tiso for the Tiso Consideration;

Notes and assumptions	**Per *pro formas* Blackstar suspended share price of R11.85 utilised to determine Consideration paid 1**	**Per agreements Blackstar NAV of R16.91 utilised to determine Consideration paid 2**
Tiso Consideration (KTH)		
Number of Blackstar shares to be issued in terms of the Tiso Share Consideration	92,831,798	92,831,798
Blackstar share price utilised to determine Share Consideration (Rands)	11.85	16.91
	R'000	**R'000**
Tiso Share Consideration	1,100,057	1,569,786
Tiso Cash Consideration	485,582	485,582
Tiso Consideration	1,585,639	2,055,368

1. Blackstar is an Investment Entity as defined under IFRS (specifically IFRS 10 Consolidated Financial Statements) and as such does not consolidate or equity account certain of its interests in subsidiaries and associates but rather classifies these as investments held at fair value through profit and loss which are measured at fair value. On initial recognition of the investments in TMG and KTH, Blackstar must comply with IFRS 13 Fair Value Measurement 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. Thus in order to comply with IFRS Blackstar has initially measured its investment in TMG and KTH at the fair value of the consideration received on that date, being the last traded share price of Blackstar Shares before being suspended of R11.85. This differs from the issue price of R16.91 (being Blackstar's intrinsic NAVPS as at 30 June 2014) which was utilised by all parties concerned in determining the number of Blackstar shares to be issued in exchange for the investments acquired in KTH and TMG.
2. For purposes of the Circular, the Tiso consideration and Scheme Consideration for TMG have been determined using the specified Blackstar issue price of R16.91 (being Blackstar's intrinsic NAVPS as at 30 June 2014) which is considered to be the transaction value.

'e2 Raising of third party debt funding of R600 million on 1 July 2013 to settle the cash payable for the KTH Interest of R485.6 million, once-off related costs of R45.5 million and additional finance of R50.0 million for the purposes of funding future working capital, if required;

'e3 i) The effect of the Scheme, whereby Blackstar acquires the ordinary shares of TMG that it does not already own, for the Scheme Consideration, based on the assumption that the maximum amount of shares will be issued of 123,722,561 and settled by the Share Consideration of R1,466.1 million;

Notes and assumptions	Per *pro formas* Blackstar suspended share price of R11.85 utilised to determine Consideration paid 1	Per agreements Blackstar NAV of R16.91 utilised to determine Consideration paid 2
Scheme Consideration (TMG)		
Number of Blackstar shares to be issued in terms of the Share Consideration	123,722,561	123,722,561
Blackstar share price utilised to determine Share Consideration (Rands)	11.85	16.91
	R'000	**R'000**
Share Consideration	1,466,112	2,092,149
Cash Consideration	–	–
Scheme Consideration	**1,466,112**	**2,092,149**

1. Blackstar is an Investment Entity as defined under IFRS (specifically IFRS 10 Consolidated Financial Statements) and as such does not consolidate or equity account certain of its interests in subsidiaries and associates but rather classifies these as investments held at fair value through profit and loss which are measured at fair value. On initial recognition of the investments in TMG and KTH, Blackstar must comply with IFRS 13 Fair Value Measurement 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. Thus in order to comply with IFRS Blackstar has initially measured its investment in TMG and KTH at the fair value of the consideration received on that date, being the last traded share price of Blackstar Shares before being suspended of R11.85. This differs from the issue price of R16.91 (being Blackstar's intrinsic NAVPS as at 30 June 2014) which was utilised by all parties concerned in determining the number of Blackstar shares to be issued in exchange for the investments acquired in KTH and TMG.
2. For purposes of the Circular, the Tiso consideration and Scheme Consideration for TMG have been determined using the specified Blackstar issue price of R16.91 (being Blackstar's intrinsic NAVPS as at 30 June 2014) which is considered to be the transaction value.

ii) The transfer of the existing 32.5% investment in TMG from net investments in associates at its fair value of R895.5 million (as stated in Blackstar's annual report for 30 June 2014), to net investments in subsidiaries,

iii) The revaluation of Blackstar's existing 32.5% interest in TMG to a fair value of R110.9 million being R24.50 per TMG;

iv) The total value of Blackstar's investment in TMG amounting to R2,472.5 million is made up of the following:

- Blackstar's current 32.5% interest in TMG at a fair value of R1,006.4 million; and
- The Scheme Consideration of R1,466.1 million.

'e4 i) The payment of the Pre-acquisition Dividend of 30 cents per TMG Share after the Scheme becomes operative but before it is implemented resulting in Blackstar receiving a total dividend of R12.0 million, net of Dividends Tax of R0.3 million;

ii) The settlement of the existing Blackstar debt of R128.6 million on the assumption that the debt is settled on implementation of the Scheme by utilising the new debt referred to in e2 above;

iii) The settlement of once-off related expenses of R45.5 million arising as a result of the Tiso Transaction and the Scheme;

iv) The settlement of once-off related expenses of R45.5 million less the TMG Pre-acquisition Dividend of R12.0 million results in a nett change to retained earnings of R33.5 million.

f) This column provides a total, in Rands, of Blackstar's financial information incorporating the Blackstar specific *pro forma* adjustment as detailed in note c and the *pro forma* adjustments arising due to the Tiso Transaction and the Scheme as detailed in note e above.

g) Other than as stated above, there are no other post balance sheet date events requiring adjustments to the *pro forma* financial information.

Assuming maximum Share Consideration election by TMG Shareholders

PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF BLACKSTAR

					Blackstar	*PRO FORMA* ADJUST-MENTS TO BLACKSTAR FINANCIAL RESULTS	ADJUSTED BLACKSTAR PRIOR TO THE SCHEME	*PRO FORMA* FINANCIAL EFFECTS OF THE SCHEME				BLACKSTAR *PRO FORMA* AFTER THE SCHEME
Notes and assumptions	’b1	’b2	’b3	’b4	’b5	c	d	’e1	’e2	’e3	’e4	’f
	Blackstar Audited 12 months to 31 December 2013 R’000	Blackstar Unaudited six months to 30 June 2013 R’000	Blackstar Unaudited six months to 31 December 2013 R’000	Blackstar Unaudited six months to 30 June 2014 R’000	Blackstar Unaudited 12 months to 30 June 2014 R’000	Receipt of final dividend declared by TMG for year ending 30 June 2014 R’000	Adjusted Blackstar Unaudited at 30 June 2014 R’000	Blackstar acquires 22.9% interest in KTH for the Tiso Consideration R’000	Senior debt raised to finance KTH acquisition and General Banking Facility obtained R’000	Blackstar acquires remaining 67.5% interest in TMG for the Scheme Consideration R’000	Scheme transaction costs and Pre-acquisition dividend from TMG R’000	*Pro forma* at 30 June 2014 R’000
Income	261,025	107,377	153,648	116,074	269,722	14,377	284,099	–	–	110,907	89,147	484,153
Operating expenses	(76,541)	(40,174)	(36,367)	(34,425)	(70,792)	–	(70,792)	–	–	–	(45,520)	(116,312)
Operating profit	184,484	67,203	117,281	81,649	198,930	14,377	213,307	–	–	110,907	43,627	367,841
Net finance (costs)/income	(208)	821	(1,029)	(3,415)	(4,444)	–	(4,444)	–	(61,799)	–	4,128	(62,115)
Finance income	3,156	980	2,176	713	2,889	–	2,889	–	–	–	–	2,889
Finance costs	(3,364)	(159)	(3,205)	(4,128)	(7,333)	–	(7,333)	–	(61,799)	–	4,128	(65,004)
Profit/(Loss) before taxation	184,276	68,024	116,252	78,234	194,486	14,377	208,863	–	(61,799)	110,907	47,755	305,726
Taxation	222	1,005	(783)	(1,370)	(2,153)	(335)	(2,488)	–	–	–	(287)	(2,775)
Profit/(Loss) for the period	184,498	69,029	115,469	76,864	192,333	14,042	206,375	–	(61,799)	110,907	47,468	302,951
Profit/(Loss) for the period attributable to:												
Equity holders of the parent	183,857	68,800	115,057	77,341	192,398	14,042	206,440	–	(61,799)	110,907	47,468	303,016
Non-controlling interests	641	229	412	(477)	(65)	–	(65)	–	–	–	–	(65)
	184,498	69,029	115,469	76,864	192,333	14,042	206,375	–	(61,799)	110,907	47,468	302,951
Basic and diluted earnings/(losses) per ordinary share attributable to equity holders (in cents)	228.54	85.20	143.02	96.80	240.82	17.58	258.39	–	(35.78)	37.41	16.01	102.22
Basic and diluted headline earnings/(losses) per ordinary share attributable to equity holders (in cents)*	228.54	85.20	143.02	96.80	240.82	17.58	258.39	–	(35.78)	37.41	16.01	102.22
Actual number of shares in issue (net of treasury shares, in thousands)	80,447	80,747	80,447	79,894	79,894	79,894	79,894	172,726	172,726	296,448	296,448	296,448

**Pro forma* adjustments are non-adjusting items for HEPS purposes

Notes and assumptions:

a) The *pro forma* statement of comprehensive income is based on the assumption that the Scheme had become operative on 1 July 2013.

b) The Blackstar financial information is reflected in Blackstar's functional and presentational currency, Rands, and has been extracted without adjustment, from the following published results of Blackstar:

'b1 Audited consolidated financial statements for the 12 months ended 31 December 2013;

'b2 Unaudited consolidated interim financial statements for the six months ended 30 June 2013;

'b3 Unaudited consolidated six months ended 31 December 2013 by deducting b2 from b1 above;

'b4 Unaudited consolidated interim financial statements for the six months ended 30 June 2014; and

'b5 Unaudited consolidated financial statements for the 12 months ended 30 June 2014 by adding b3 to b4 above, to obtain a 12-month comparative period.

c) The Blackstar *pro forma* statement of comprehensive income includes adjustments for material events subsequent to 30 June 2014 for:

- The receipt of the 35 cents dividend declared by TMG for the year ended 30 June 2014 and paid in October 2014 resulting in Blackstar receiving R14.0 million, net of Dividends Tax of R0.3 million.

d) This column provides a total, in Rands, of Blackstar's financial information incorporating the Blackstar specific *pro forma* adjustment as detailed in note c above.

e) The *pro forma* statement of comprehensive income includes the following *pro forma* adjustments as a result of the Scheme:

e1 The effect of the Tiso Transaction, whereby Blackstar will acquire the KTH Interest from Tiso for the Tiso Consideration;

Notes and assumptions	**Per *pro formas* Blackstar suspended share price of R11.85 utilised to determine Consideration paid 1**	**Per agreements Blackstar NAV of R16.91 utilised to determine Consideration paid 2**
Tiso Consideration (KTH)		
Number of Blackstar shares to be issued in terms of the Tiso Share Consideration	92,831,798	92,831,798
Blackstar share price utilised to determine Share Consideration (Rands)	11.85	16.91
	R'000	**R'000**
Tiso Share Consideration	1,100,057	1,569,786
Tiso Cash Consideration	485,582	485,582
Tiso Consideration	**1,585,639**	**2,055,368**

1. Blackstar is an Investment Entity as defined under IFRS (specifically IFRS 10 Consolidated Financial Statements) and as such does not consolidate or equity account certain of its interests in subsidiaries and associates but rather classifies these as investments held at fair value through profit and loss which are measured at fair value. On initial recognition of the investments in TMG and KTH, Blackstar must comply with IFRS 13 Fair Value Measurement 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. Thus in order to comply with IFRS, Blackstar has initially measured its investment in TMG and KTH at the fair value of the consideration received on that date, being the last traded share price of Blackstar Shares before being suspended of R11.85. This differs from the issue price of R16.91 (being Blackstar's intrinsic NAVPS as at 30 June 2014) which was utilised by all parties concerned in determining the number of Blackstar shares to be issued in exchange for the investments acquired in KTH and TMG.
2. For purposes of the Circular, the Tiso consideration and Scheme Consideration for TMG have been determined using the specified Blackstar issue price of R16.91 (being Blackstar's intrinsic NAVPS as at 30 June 2014) which is considered to be the transaction value.

'e2 Raising of third party debt funding of R600 million on 1 July 2013 to settle the cash payable for the KTH Interest of R485.6 million, related costs of R45.5 million, additional finance of R50.0 million for the purposes of funding future working capital, if requiredand the effect of interest arising on the debt over the twelve month period of R61.8 million, the interest charge of which is of a continuing nature;

'e3 i) The effect of the Scheme, whereby Blackstar acquires the ordinary shares of TMG that it does not already own for the Scheme Consideration, based on the assumption that the maximum amount of shares will be issued of 123,722,561 and settled by the Share Consideration of R1,466 million;

Notes and assumptions	Per *pro formas* Blackstar suspended share price of R11.85 utilised to determine Consideration paid 1	Per agreements Blackstar NAV of R16.91 utilised to determine Consideration paid 2
Scheme Consideration (TMG)		
Number of Blackstar shares to be issued in terms of the Share Consideration	123,722,561	123,722,561
Blackstar share price utilised to determine Share Consideration (Rands)	11.85	16.91
	R'000	**R'000**
Share Consideration	1,466,112	2,092,149
Cash Consideration	–	–
Scheme Consideration	**1,466,112**	**2,092,149**

1. Blackstar is an Investment Entity as defined under IFRS (specifically IFRS 10 Consolidated Financial Statements) and as such does not consolidate or equity account certain of its interests in subsidiaries and associates but rather classifies these as investments held at fair value through profit and loss which are measured at fair value. On initial recognition of the investments in TMG and KTH, Blackstar must comply with IFRS 13 Fair Value Measurement 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. Thus in order to comply with IFRS, Blackstar has initially measured its investment in TMG and KTH at the fair value of the consideration received on that date, being the last traded share price of Blackstar Shares before being suspended of R11.85. This differs from the issue price of R16.91 (being Blackstar's intrinsic NAVPS as at 30 June 2014) which was utilised by all parties concerned in determining the number of Blackstar shares to be issued in exchange for the investments acquired in KTH and TMG.
2. For purposes of the Circular, the Tiso consideration and Scheme Consideration for TMG have been determined using the specified Blackstar issue price of R16.91 (being Blackstar's intrinsic NAVPS as at 30 June 2014) which is considered to be the transaction value.

   ii) The revaluation of Blackstar's current 32.5% interest in TMG to a fair value of R24.50 per TMG Share resulting in a fair value gain of R110.9 million being recognised as income;

   iii) The total value of Blackstar's investment in TMG totals R2,472.5 million made up as follows:

   - Blackstar's current 32.5% interest of R1,006.4 million; and
   - The Scheme Consideration of R1,466.1 million

'e4 i) The payment of the Pre-acquisition Dividend of 30 cents per TMG Share after the Scheme becomes operative but before it is implemented resulting in Blackstar receiving a total dividend of R12.0 million, net of Dividends Tax of R0.3 million which is reflected within the taxation line;

ii) The reversal of the interest expense and related finance charges of R4.1 million arising on the existing Blackstar debt on the assumption that the debt is settled on implementation of the Scheme by utilising the new debt referred to in e2 above. Finance charges are of a continuing nature;

iii) The settlement of one-off related expenses of R45.5 million arising as a result of the Tiso Transaction and the Scheme;

iv) The recognition of the dividends declared of R51.2 million by TMG for the interim period ended 31 December 2013 of 25 cents per share which was paid in April 2014, and for the year ended 30 June 2014 of 35 cents per share which was paid in October 2014, arising on the remaining 67.5% not already owned by Blackstar on the assumption that Blackstar held all of the shares in TMG as at 1 July 2013;

v) The recognition of the dividends declared of R25.6 million by KTH for the interim period ended 31 December 2013 of R60 per share which was paid in April 2014, and for the year ended 30 June 2014 of R60 per share which was paid in October 2014, arising on the assumption that Blackstar held the 22.9% interest in KTH as at 1 July 2013;

vi) Income of R89.1 million comprises the following:

- Gross Pre-acquisition Dividend of 30 cents per TMG Share amounting to R12.3 million;
- Dividends declared by TMG for the interim period ended 31 December 2013 and for the year ended 30 June 2014 totalling R51.2 million; and
- Dividends declared by KTH for the interim period ended 31 December 2013 and for the year ended 30 June 2014 totalling R25,6 million.

f) This column provides a total, in Rands, of Blackstar's financial information incorporating the Blackstar specific *pro forma* adjustment as detailed in note c and the *pro forma* adjustments arising due to the Tiso Transaction and the Scheme as detailed in note e above.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF BLACKSTAR

"23 February 2015
The Board of Directors
Blackstar Group SE
3rd Floor
Avantech Building
St Julian's Road
San Gwann
SGN 2805 Malta

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of Blackstar Group SE by the directors. The *pro forma* financial information, as set out in Annexure 4 of the combined circular to Times Media Group shareholders to be dated on or about 27 February 2015 ("the Circular"), consists of the *pro forma* statement of financial position, the *pro forma* statement of comprehensive income and related notes. The *pro forma* financial information is required to be presented in terms of the Fundamental Transactions and Takeover Regulations published in terms of the Companies Act 71 of 2008, as amended, ("the Regulations") and has been compiled in accordance with the SAICA Guide on *Pro forma* Financial Information, Revised and Issued September 2014 ("the SAICA Guide") and on the basis of the applicable criteria specified in the JSE Limited ("JSE") Listings Requirements.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the scheme of arrangement, as described in the circular, on the company's financial position as at 30 June 2014, and the company's financial performance for the period then ended, as if the transactions had taken place at 30 June 2014 for purposes of the *pro forma* statement of financial position and at 1 July 2013 for purposes of the *pro forma* statement of comprehensive income. As part of this process, information about the company's financial position and performance has been extracted by the directors from the company's financial information for the year ended 30 June 2014.

Directors' Responsibility for the *Pro forma* Financial Information

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the SAICA Guide, the JSE Listings Requirements and described in Annexure 4 of the circular.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the SAICA Guide and JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Circular* which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the SAICA Guide and JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

As the purpose of *pro forma* financial information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in **Annexure 4** of the circular.

Consent

This report on the *pro forma* financial information is included solely for the information of the Blackstar shareholders. We consent to the inclusion of our report on the *pro forma* financial information, and the references thereto, in the form and context in which they appear in the circular.

Deloitte & Touche
Registered Auditor
Per: J A R Welch
Partner

Building 1 and 2, Deloitte Place
The Woodlands, Woodlands Drive
Woodmead, Sandton

PRO FORMA FINANCIAL INFORMATION OF TMG

PRO FORMA FINANCIAL INFORMATION OF TMG

The table below sets out the *pro forma* financial effects of the Scheme for a TMG Shareholder. The Blackstar financial information is based on the Blackstar unaudited results for the six months ended 30 June 2014 plus the unaudited results for the six months ended 31 December 2013, to obtain a 12 month comparative period, which have been prepared using accounting policies that comply with IFRS and that are consistent with those applied in the audited financial statements of Blackstar for the year ended 31 December 2013. The TMG financial information is based on the audited financial statements for the year ended 30 June 2014 which have been prepared in accordance with IFRS. The accounting for the acquisition of the remaining interest not already owned by Blackstar is in accordance with IFRS 10: Consolidated Financial Statements, IFRS 12: Disclosure of Interest in Other Entities, IFRS 13: Fair Value Measurement and International Accounting Standard 27: Separate Financial Instruments (revised).

The *pro forma* financial effects are presented in accordance with the Listings Requirements, the Guide on *Pro forma* Financial Information issued by SAICA, ISAE 3420 and the measurement and recognition requirements of IFRS.

The *pro forma* financial information has been prepared for illustrative purposes only, in order to provide information about the impact of the Scheme on TMG Shareholders had the Scheme occurred on 1 July 2013 for statement of comprehensive income purposes and on 30 June 2014 for statement of financial position purposes. Because of its nature, the *pro forma* financial information may not give a fair reflection of the change in the financial position, changes in equity, results of operations or cash flows after the Scheme. The accounting policies applied in quantifying *pro forma* adjustments are consistent with Blackstar's accounting policies at 30 June 2014.

The reporting accountants' report relating to the *pro forma* financial information is included in **Annexure 7** to this Circular. The *pro forma* financial information of TMG is the responsibility of the TMG Directors.

For the purposes of earnings and headline earnings per share, it was assumed that the Scheme became operative on 1 July 2013 and for the purposes of the net asset value and net tangible asset value per share, it was assumed that the Scheme became operative on 30 June 2014. The *pro forma* financial effects are presented in a manner consistent with the basis on which the historical financial information has been prepared and in terms of Blackstar's accounting policies.

The *pro forma* financial effects on TMG Shareholders have been calculated in respect of 1 (one) TMG Share held before implementation of the Scheme and 1.44885 Blackstar shares held after implementation of the Scheme.

As there is still some uncertainty of the impact on Blackstar due to the ability for TMG Shareholders to elect the Cash Consideration and/or Share Consideration for their TMG Shares, the tables below present two distinct scenarios. The first scenario and table assumes that TMG Shareholders elect the maximum Cash Consideration under the Scheme of R500 million. The second scenario and table assumes that TMG Shareholders elect the maximum Share Consideration under the Scheme.

The *pro forma* financial effects set out below should be read in conjunction with the *pro forma* financial information of Blackstar and the Independent Reporting Accountants' report thereon, as annexed hereto at **Annexure 4** and **Annexure 7**.

Assuming maximum Cash Consideration election by TMG Shareholders
***PRO FORMA* FINANCIAL INFORMATION OF TMG**

	TMG Shares before the Scheme	Blackstar Shares after the Scheme	Change %
Notes and assumptions	a)	b)	
Number of ordinary shares	1	1.44885	
Earnings for number of ordinary shares reflected above (cents)			
Basic and diluted earnings	315	167	47
Basic and diluted headline earnings	312	167	47
Net asset value for number of ordinary shares reflected above (cents)	1,208	1,994	(65)
Net tangible asset value for number of ordinary shares reflected above (cents)	559	1,994	(257)

Notes and assumptions:

a) The financial information in the "TMG Shares before the Scheme" column is based on financial information extracted, without adjustment, from TMG's published audited financial statements for the year ended 30 June 2014.

b) The financial information in the "Blackstar shares after the Scheme" column is based on financial information extracted from Blackstar's published unaudited consolidated interim results for the six months ended 30 June 2014 plus Blackstar's audited consolidated results for the financial year ended 31 December 2013 less Blackstar's published unaudited consolidated interim results for the six months ended 30 June 2013, to obtain a 12 month comparative period, adjusted for the effects of the Scheme, which includes, *inter alia*, once off transaction costs of R45.5 million which have been expensed in Blackstar's *pro forma* income statement, acquiring the remaining interest in TMG, acquiring a 22.9% interest in KTH and the issuing of a total of 183,625,950 Blackstar Shares in settlement of the Scheme Consideration (this adjustment will have a continuing effect on Blackstar's financial results). For further details refer to **Annexure 4** *pro forma* financial information of Blackstar.

c) 126,470,412 TMG Shares were in issue (nett of 606,733 treasury shares) before the implementation of the Scheme and 263,519,720 Blackstar Shares are in issue (nett of 2,194,730 treasury shares) after the implementation of the Scheme.

Assuming maximum Share Consideration election by TMG Shareholders
***PRO FORMA* FINANCIAL INFORMATION OF TMG**

	TMG Shares before the Scheme	Blackstar Shares after the Scheme	Change %
Notes and assumptions	a)	b)	
Number of ordinary shares	1	1.44885	
Earnings for number of ordinary shares reflected above (cents)			
Basic and diluted earnings	315	148	53
Basic and diluted headline earnings	312	148	53
Net asset value for number of ordinary shares reflected above (cents)	1,208	1,964	(63)
Net tangible asset value for number of ordinary shares reflected above (cents)	559	1,963	(251)

Notes and assumptions:

a) The financial information in the "TMG Shares before the Scheme" column is based on financial information extracted, without adjustment, from TMG's published audited financial statements for the year ended 30 June 2014.

b) The financial information in the "Blackstar shares after the Scheme" column is based on financial information extracted from Blackstar's published unaudited consolidated interim results for the six months ended 30 June 2014 plus Blackstar's audited consolidated results for the financial year ended 31 December 2013 less Blackstar's published unaudited consolidated interim results for the six months ended 30 June 2013, to obtain a 12 month comparative period, adjusted for the effects of the Scheme, which includes, *inter alia*, once off transaction costs of R45.5 million which have been expensed in Blackstar's *pro forma* income statement, acquiring the remaining interest in TMG, acquiring a 22.9% interest in KTH and the issuing of a total of 216,554,359 Blackstar Shares in settlement of the Scheme Consideration (this adjustment will have a continuing effect on Blackstar's financial results). For further details refer to **Annexure 4** *pro forma* financial information of Blackstar.

c) 126,470,412 TMG Shares were in issue (nett of 606,733 treasury shares) before the implementation of the Scheme and 296,448,129 Blackstar Shares are in issue (nett of 2,194,730 treasury shares) after the implementation of the Scheme.

INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF TMG

"23 February 2015
The Independent Board of Directors
Times Media Group Limited
4 Biermann Avenue
Rosebank
2196

Dear Sirs

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF *PRO FORMA* FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

We have completed our assurance engagement to report on the compilation of *pro forma* financial information of Times Media Group Limited by the directors. The *pro forma* financial information, as set out in Annexure 6 of the combined circular to Times Media Group shareholders to be dated on or about 27 February 2015 ("the circular"), consists of the *pro forma* earnings per share and headline earnings per share, the *pro forma* net asset value per share and related notes. The *pro forma* financial information is required to be presented in terms of the Fundamental Transactions and Takeover Regulations published in terms of the Companies Act 71 of 2008, as amended, ("the Regulations") and has been compiled in accordance with the SAICA Guide on *Pro forma* Financial Information, Revised and Issued September 2014 ("the SAICA Guide") and on the basis of the applicable criteria specified in the JSE Limited ("JSE") Listings Requirements.

The *pro forma* financial information has been compiled by the directors to illustrate the impact of the scheme of arrangement, as described in the circular, on the company's net asset value per share as at 30 June 2014, and the company's earnings per share and headline earnings per share for the period then ended, as if the transactions had taken place at 30 June 2014 for purposes of the *pro forma* net asset value per share, and at 1 July 2013 for purposes of the *pro forma* earnings per share and headline earnings per share. As part of this process, information about the company's financial position and performance has been extracted by the directors from the company's financial information for the year ended 30 June 2014.

Directors' Responsibility for the *Pro forma* Financial Information

The directors are responsible for compiling the *pro forma* financial information on the basis of the applicable criteria specified in the SAICA Guide, the JSE Listings Requirements and described in Annexure 6 of the circular.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion about whether the *pro forma* financial information has been compiled, in all material respects, by the directors on the basis specified in the SAICA Guide and JSE Listings Requirements based on our procedures performed. We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro forma Financial Information Included in a Circular* which is applicable to an engagement of this nature. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the *pro forma* financial information has been compiled, in all material respects, on the basis specified in the SAICA Guide and JSE Listings Requirements.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the *pro forma* financial information.

As the purpose of *pro forma* financial information included in a circular is solely to illustrate the impact of a significant corporate action or event on unadjusted financial information of the entity as if the corporate action or event had occurred or had been undertaken at an earlier date selected for purposes of the illustration, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

A reasonable assurance engagement to report on whether the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used in the compilation of the *pro forma* financial information provides a reasonable basis for presenting the significant effects directly attributable to the corporate action or event, and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to those criteria; and
- The *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Our procedures selected depend on our judgement, having regard to our understanding of the nature of the company, the corporate action or event in respect of which the *pro forma* financial information has been compiled, and other relevant engagement circumstances.

Our engagement also involves evaluating the overall presentation of the *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria specified by the JSE Listings Requirements and described in Annexure 6 of the circular.

Consent

This report on the *pro forma* financial information is included solely for the information of the TMG Shareholders. We consent to the inclusion of our report on the *pro forma* financial information, and the references thereto, in the form and context in which they appear in the circular.

Deloitte & Touche
Registered Auditor
Per: J A R Welch
Partner

Building 1 and 2, Deloitte Place
The Woodlands, Woodlands Drive
Woodmead, Sandton

National Executive: *LL Bam Chief Executive *AE Swiegers Chief Operating Officer *GM Pinnock Audit DL Kennedy Risk Advisory *NB Kader Tax TP Pillay Consulting *K Black Clients & Industries *JK Mazzocco Talent & Transformation *MJ Jarvis Finance *M Jordan Strategy S Gwala Managed Services

*TJ Brown Chairman of the Board *MJ Comber Deputy Chairman of the Board.

A full list of partners and directors is available on request

* Partner and Registered Auditor

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited"

FOREIGN SHAREHOLDERS AND EXCHANGE CONTROL REGULATIONS

1. **FOREIGN SHAREHOLDERS**

1.1 The Scheme may be affected by the laws of the relevant jurisdiction of a Foreign Shareholder. A Foreign Shareholder should acquaint itself about and observe any applicable legal requirements of such jurisdiction in relation to all aspects of this Circular that may affect it. It is the responsibility of each Foreign Shareholder to satisfy itself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection with the Scheme, including the obtaining of any governmental, exchange control or other consents, the making of any filings which may be required, the compliance with other necessary formalities and the payment of any taxes or other requisite payments due in such jurisdiction.

1.2 The Scheme is governed by the laws of South Africa and is subject to any applicable laws and regulations, including the Exchange Control Regulations.

1.3 Any Shareholder who is in doubt as to its position, including, without limitation, its tax status, should consult an appropriate independent professional advisor in the relevant jurisdiction without delay.

2. **EXCHANGE CONTROL REGULATIONS**

The following is a summary of the Exchange Control Regulations. It is intended as a guide only and is not a comprehensive statement of the Exchange Control Regulations which apply to Scheme Participants. Scheme Participants who have any queries regarding the Exchange Control Regulations should contact their own professional advisors without delay.

2.1 **Residents of the Common Monetary Area**

In the case of Scheme Participants whose registered addresses in the Register are within the Common Monetary Area and whose Documents of Title are not restrictively endorsed in terms of the Exchange Control Regulations, the Scheme Consideration will be settled in the manner detailed in paragraph 6 of the Circular.

2.2 **Emigrants from the Common Monetary Area**

2.2.1 The Scheme Consideration is not freely transferable from South Africa and must be dealt with in terms of the Exchange Control Regulations.

2.2.2 The Scheme Consideration due to a Scheme Participant who is an emigrant from South Africa, whose registered address is outside the Common Monetary Area and whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, will be deposited in a blocked account with the authorised dealer in foreign exchange in South Africa controlling the Scheme Participant's blocked assets in accordance with his instructions, against delivery of the relevant documents of title.

2.2.3 In terms of a recent relaxation to the exchange control rulings, emigrants may externalise the Scheme Consideration by making application to the Financial Surveillance Department of the South African Reserve Bank via the requisite authorised dealer channel. Previously, a 10% levy would have been payable on externalisation. This is however no longer the position and the Scheme Consideration may, on application, be externalised free of the levy.

2.2.4 The authorised dealer releasing the relevant documents of title in terms of the Scheme must countersign the form of surrender and transfer (*blue*) thereby indicating that the Scheme Consideration will be placed directly in its control.

2.2.5 The attached form of surrender and transfer (*blue*) makes provision for the details of the authorised dealer concerned to be provided.

2.3 **All other non-residents of the Common Monetary Area**

2.3.1 The Scheme Consideration due to an own-name Scheme Participant who is a non-resident of South Africa and who has never resided in the Common Monetary Area, whose registered address is outside the Common Monetary Area and whose Documents of Title have been restrictively endorsed under the Exchange Control Regulations, will be deposited with the authorised dealer in foreign exchange in South Africa nominated by such Scheme Participant. It will be incumbent on the Scheme Participant concerned to instruct the nominated authorised dealer as to the disposal of the Scheme Consideration against delivery of the relevant documents of title.

2.3.2 The form of surrender and transfer (*blue*) attached to this Circular makes provision for the nomination required in terms of paragraph 2.3.1 above. If the information regarding the authorised dealer is not given in terms of paragraph 2.3.1 above, the Scheme Consideration will be held in trust by Blackstar for the Scheme Participants concerned pending receipt of the necessary information or instruction.

WORDING OF SECTION 115 AND SECTION 164 OF THE COMPANIES ACT

"Section 115: Required approval for transactions contemplated in Part A

1. Despite section 65, and any provision of a company's Memorandum of Incorporation, or any resolution adopted by its board or holders of its securities, to the contrary, a company may not dispose of, or give effect to an agreement or series of agreements to dispose of, all or the greater part of its assets or undertaking, implement an amalgamation or a merger, or implement a scheme of arrangement, unless:
   a) the disposal, amalgamation or merger, or scheme of arrangement:
      i) has been approved in terms of this section; or
      ii) is pursuant to or contemplated in an approved business rescue plan for that company, in terms of Chapter 6; and
   b) to the extent that Parts B and C of this Chapter and the Takeover Regulations, apply to a company that proposes to:
      i) dispose of all or the greater part of its assets or undertaking;
      ii) amalgamate or merge with another company; or
      iii) implement a scheme of arrangement,

      the Panel has issued a compliance certificate in respect of the transaction, in terms of section 119 (4)*(b),* or exempted the transaction in terms of section 119(6).

2. A proposed transaction contemplated in subsection (1) must be approved :
   a) by a special resolution adopted by persons entitled to exercise voting rights on such a matter, at a meeting called for that purpose and at which sufficient persons are present to exercise, in aggregate, at least 25% of all of the voting rights that are entitled to be exercised on that matter, or any higher percentage as may be required by the company's Memorandum of Incorporation, as contemplated in section 64(2); and
   b) by a special resolution, also adopted in the manner required by paragraph *(a)*, by the shareholders of the company's holding company if any, if:
      i) the holding company is a company or an external company;
      ii) the proposed transaction concerns a disposal of all or the greater part of the assets or undertaking of the subsidiary; and
      iii) having regard to the consolidated financial statements of the holding company, the disposal by the subsidiary constitutes a disposal of all or the greater part of the assets or undertaking of the holding company; and
   c) by the court, to the extent required in the circumstances and manner contemplated in subsections (3) to (6).

3. Despite a resolution having been adopted as contemplated in subsections (2)(a) and *(b)*, a company may not proceed to implement that resolution without the approval of a court if:
   a) the resolution was opposed by at least 15% of the voting rights that were exercised on that resolution and, within five business days after the vote, any person who voted against the resolution requires the company to seek court approval; or
   b) the court, on an application within 10 business days after the vote by any person who voted against the resolution, grants that person leave, in terms of subsection (6), to apply to a court for a review of the transaction in accordance with subsection (7).

4. For the purposes of subsections (2) and (3), any voting rights controlled by an acquiring party, a person related to an acquiring party, or a person acting in concert with either of them, must not be included in calculating the percentage of voting rights:

   a) required to be present, or actually present, in determining whether the applicable quorum requirements are satisfied; or

   b) required to be voted in support of a resolution, or actually voted in support of the resolution.

4A In subsection (4), 'act in concert' has the meaning set out in section 117(1)*(b)*.

5. If a resolution requires approval by a court as contemplated in terms of subsection (3)*(a)*, the company must either:

   a) within 10 business days after the vote, apply to the court for approval, and bear the costs of that application; or

   b) treat the resolution as a nullity.

6. On an application contemplated in subsection (3)*(b)*, the court may grant leave only if it is satisfied that the applicant:

   a) is acting in good faith;

   b) appears prepared and able to sustain the proceedings; and

   c) has alleged facts which, if proved, would support an order in terms of subsection (7).

7. On reviewing a resolution that is the subject of an application in terms of subsection (5)*(a)*, or after granting leave in terms of subsection (6), the court may set aside the resolution only if:

   a) the resolution is manifestly unfair to any class of holders of the company's securities; or

   b) the vote was materially tainted by conflict of interest, inadequate disclosure, failure to comply with the Act, the Memorandum of Incorporation or any applicable rules of the company, or other significant and material procedural irregularity.

8. The holder of any voting rights in a company is entitled to seek relief in terms of section 164 if that person:

   a) notified the company in advance of the intention to oppose a special resolution contemplated in this section; and

   b) was present at the meeting and voted against that special resolution.

9. If a transaction contemplated in this Part has been approved, any person to whom assets are, or an undertaking is, to be transferred, may apply to a court for an order to effect:

   a) the transfer of the whole or any part of the undertaking, assets and liabilities of a company contemplated in that transaction;

   b) the allotment and appropriation of any shares or similar interests to be allotted or appropriated as a consequence of the transaction;

   c) the transfer of shares from one person to another;

   d) the dissolution, without winding-up, of a company, as contemplated in the transaction;

   e) incidental, consequential and supplemental matters that are necessary for the effectiveness and completion of the transaction; or

   f) any other relief that may be necessary or appropriate to give effect to, and properly implement, the amalgamation or merger.

Section 164: Dissenting shareholders appraisal rights

1. This section does not apply in any circumstances relating to a transaction, agreement or offer pursuant to a business rescue plan that was approved by shareholders of a company, in terms of section 152.

2. If a company has given notice to shareholders of a meeting to consider adopting a resolution to:
   a) amend its Memorandum of Incorporation by altering the preferences, rights, limitations or other terms of any class of its shares in any manner materially adverse to the rights or interests of holders of that class of shares, as contemplated in section 37(8); or
   b) enter into a transaction contemplated in section 112, 113, or 114,

   that notice must include a statement informing shareholders of their rights under this section.

3. At any time before a resolution referred to in subsection (2) is to be voted on, a dissenting shareholder may give the company a written notice objecting to the resolution.

4. Within 10 business days after a company has adopted a resolution contemplated in this section, the company must send a notice that the resolution has been adopted to each shareholder who:
   a) gave the company a written notice of objection in terms of subsection (3); and
   b) has neither:
      i) withdrawn that notice; or
      ii) voted in support of the resolution.

5. A shareholder may demand that the company pay the shareholder the fair value for all of the shares of the company held by that person if:
   a) the shareholder:
      i) sent the company a notice of objection, subject to subsection (6); and
      ii) in the case of an amendment to the company's Memorandum of Incorporation, holds shares of a class that is materially and adversely affected by the amendment;
   b) the company has adopted the resolution contemplated in subsection (2); and
   c) the shareholder:
      i) voted against that resolution; and
      ii) has complied with all of the procedural requirements of this section.

6. The requirement of subsection (5)*(a)*(i) does not apply if the company failed to give notice of the meeting, or failed to include in that notice a statement of the shareholders rights under this section.

7. A shareholder who satisfies the requirements of subsection (5) may make a demand contemplated in that subsection by delivering a written notice to the company within:
   a) 20 business days after receiving a notice under subsection (4); or
   b) if the shareholder does not receive a notice under subsection (4), within 20 business days after learning that the resolution has been adopted.

8. A demand delivered in terms of subsections (5) to (7) must also be delivered to the Panel, and must state:
   a) the shareholder's name and address;
   b) the number and class of shares in respect of which the shareholder seeks payment; and
   c) a demand for payment of the fair value of those shares.

9. A shareholder who has sent a demand in terms of subsections (5) to (8) has no further rights in respect of those shares, other than to be paid their fair value, unless:
   a) the shareholder withdraws that demand before the company makes an offer under subsection (11), or allows an offer made by the company to lapse, as contemplated in subsection (12)*(b)*;
   b) the company fails to make an offer in accordance with subsection (11) and the shareholder withdraws the demand; or
   c) the company, by a subsequent special resolution, revokes the adopted resolution that gave rise to the shareholder's rights under this section.

10. If any of the events contemplated in subsection (9) occur, all of the shareholder's rights in respect of the shares are reinstated without interruption.

11. Within five business days after the later of:
   a) the day on which the action approved by the resolution is effective;
   b) the last day for the receipt of demands in terms of subsection (7)*(a)*; or
   c) the day the company received a demand as contemplated in subsection (7)*(b)*, if applicable, the company must send to each shareholder who has sent such a demand a written offer to pay an amount considered by the company's directors to be the fair value of the relevant shares, subject to subsection (16), accompanied by a statement showing how that value was determined.

12. Every offer made under subsection (11):
   a) in respect of shares of the same class or series must be on the same terms; and
   b) lapses if it has not been accepted within 30 business days after it was made.

13. If a shareholder accepts an offer made under subsection (12):
   a) the shareholder must either in the case of:
      i) shares evidenced by certificates, tender the relevant share certificates to the company or the company's transfer agent; or
      ii) uncertificated shares, take the steps required in terms of section 53 to direct the transfer of those shares to the company or the company's transfer agent; and
   b) the company must pay that shareholder the agreed amount within 10 business days after the shareholder accepted the offer and:
      i) tendered the share certificates; or
      ii) directed the transfer to the company of uncertificated shares.

14. A shareholder who has made a demand in terms of subsections (5) to (8) may apply to a court to determine a fair value in respect of the shares that were the subject of that demand, and an order requiring the company to pay the shareholder the fair value so determined, if the company has:
   a) failed to make an offer under subsection (11); or
   b) made an offer that the shareholder considers to be inadequate, and that offer has not lapsed.

15. On an application to the court under subsection (14):
   a) all dissenting shareholders who have not accepted an offer from the company as at the date of the application must be joined as parties and are bound by the decision of the court;
   b) the company must notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to participate in the court proceedings; and
   c) the court:

i) may determine whether any other person is a dissenting shareholder who should be joined as a party;

ii) must determine a fair value in respect of the shares of all dissenting shareholders, subject to subsection (16);

iii) in its discretion may:

aa) appoint one or more appraisers to assist it in determining the fair value in respect of the shares; or

bb) allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective, until the date of payment;

iv) may make an appropriate order of costs, having regard to any offer made by the company, and the final determination of the fair value by the court; and

v) must make an order requiring:

aa) the dissenting shareholders to either withdraw their respective demands or to comply with subsection (13)*(a)*; and

bb) the company to pay the fair value in respect of their shares to each dissenting shareholder who complies with subsection (13)*(a)*, subject to any conditions the court considers necessary to ensure that the company fulfils its obligations under this section.

15A. At any time before the court has made an order contemplated in subsection (15)*(c)*(v), a dissenting shareholder may accept the offer made by the company in terms of subsection (11), in which case:

a) that shareholder must comply with the requirements of subsection 13*(a)*; and

b) the company must comply with the requirements of subsection 13*(b)*.

16. The fair value in respect of any shares must be determined as at the date on which, and time immediately before, the company adopted the resolution that gave rise to a shareholder's rights under this section.

17. If there are reasonable grounds to believe that compliance by a company with subsection (13)*(b)*, or with a court order in terms of subsection (15)*(c)*(v)(bb), would result in the company being unable to pays its debts as they fall due and payable for the ensuing 12 months:

a) the company may apply to a court for an order varying the company's obligations in terms of the relevant subsection; and

b) the court may make an order that:

i) is just and equitable, having regard to the financial circumstances of the company; and

ii) ensures that the person to whom the company owes money in terms of this section is paid at the earliest possible date compatible with the company satisfying its other financial obligations as they fall due and payable.

18. If the resolution that gave rise to a shareholder's rights under this section authorised the company to amalgamate or merge with one or more other companies, such that the company whose shares are the subject of a demand in terms of this section has ceased to exist, the obligations of that company under this section are obligations of the successor to that company resulting from the amalgamation or merger.

19. For greater certainty, the making of a demand, tendering of shares and payment by a company to a shareholder in terms of this section do not constitute a distribution by the company, or an acquisition of its shares by the company within the meaning of section 48, and therefore are not subject to:

a) the provisions of that section; or

b) the application by the company of the solvency and liquidity test set out in section 4.

20. Except to the extent:

a) expressly provided in this section; or

b) that the Panel rules otherwise in a particular case, a payment by a company to a shareholder in terms of this section does not obligate any person to make a comparable offer under section 125 to any other person."

TABLE OF ENTITLEMENTS

The following table sets out the number of Blackstar Shares to which Scheme Participants will be entitled, should the Scheme be implemented, in respect of Scheme Shares disposed of for Blackstar shares.

The column headed "*No. of Scheme Shares held before the Scheme and disposed of for Blackstar Shares*" refers to the number of Scheme Shares held by a Scheme Participant and acquired by Blackstar for the Share Consideration and does not apply to those Scheme Shares being acquired by Blackstar from a Scheme Participant for the Cash Consideration.

Scheme Participants electing to receive:

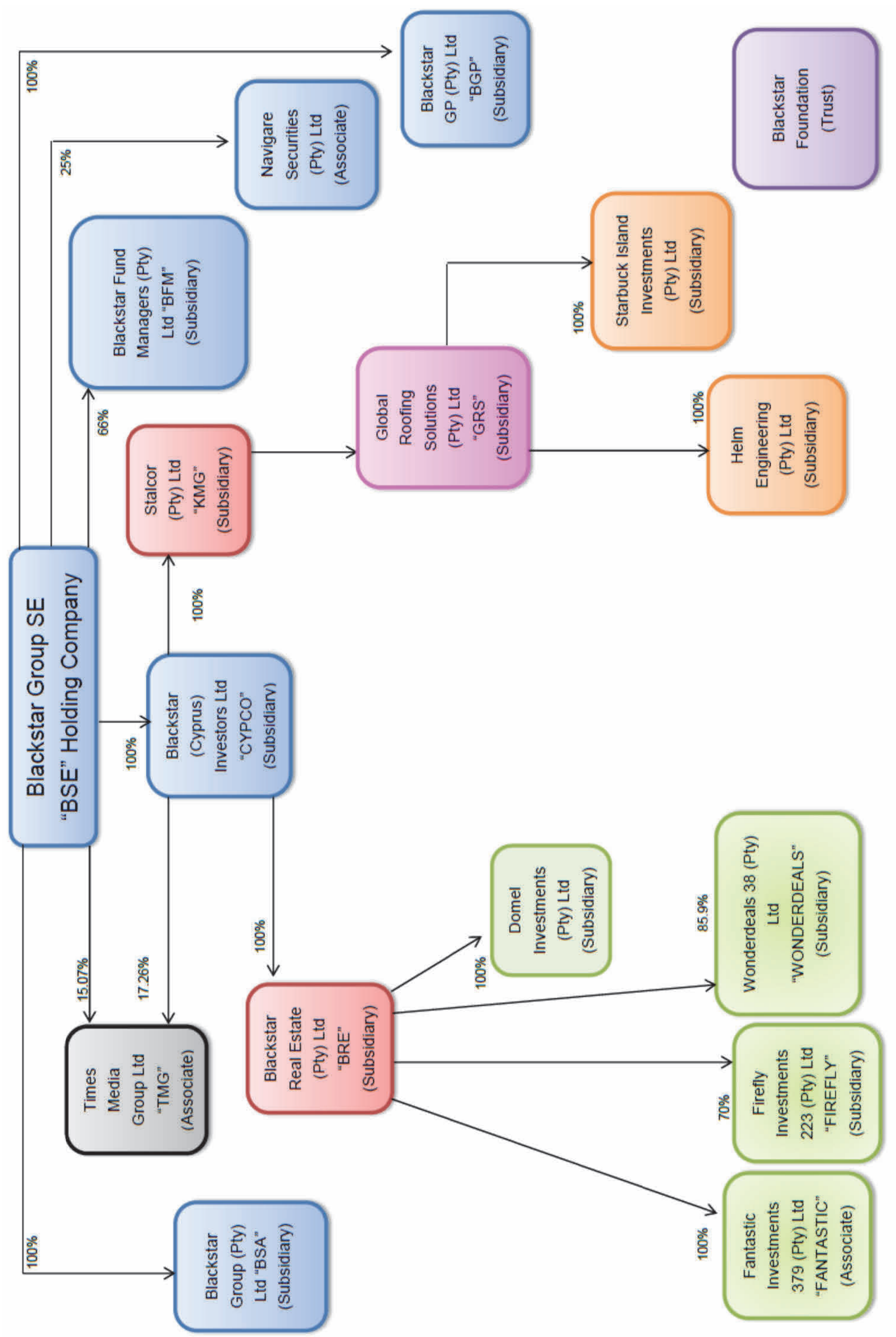
- cash will receive the Cash Consideration of R22.00 for each Scheme Share disposed of in terms of the Scheme; and
- Blackstar Shares will receive 1.44885 new Blackstar Shares for each Scheme Share disposed of in terms of the Scheme, such Scheme Consideration to be created and issued at a price of R16.91 per share pursuant to the Scheme.

Scheme Participants who do not make an election by 12:00 on the Scheme Consideration Record Date will be deemed to have elected that their Scheme Consideration be settled entirely in cash.

Should the aggregate value of the Cash Elections exceeds the Maximum Cash Consideration of R500 million, every Scheme Participant who made a Cash Election will have its Cash Election reduced *pro rata* in accordance with the value of its Cash Election relative to the aggregate value of all Cash Elections by Scheme Participants. If a Scheme Participant's Cash Election is reduced, the number of Scheme Shares to be acquired from that Scheme Participant by way of the Share Consideration will increase accordingly.

No. of Scheme Shares held before the Scheme and disposed of for Blackstar Shares	Blackstar Share entitlement	No. of Scheme Shares held before the Scheme and disposed of for Blackstar Shares	Blackstar Share entitlement	No. of Scheme Shares held before the Scheme and disposed of for Blackstar Shares	Blackstar Share entitlement
1	1	41	59	81	117
2	3	42	61	82	119
3	4	43	62	83	120
4	6	44	64	84	122
5	7	45	65	85	123
6	9	46	67	86	125
7	10	47	68	87	126
8	12	48	70	88	127
9	13	49	71	89	129
10	14	50	72	90	130
11	16	51	74	91	132
12	17	52	75	92	133
13	19	53	77	93	135
14	20	54	78	94	136
15	22	55	80	95	138
16	23	56	81	96	139
17	25	57	83	97	141
18	26	58	84	98	142
19	28	59	85	99	143
20	29	60	87	100	145
21	30	61	88	125	181
22	32	62	90	150	217
23	33	63	91	175	254
24	35	64	93	200	290
25	36	65	94	1 000	1 449
26	38	66	96	5 000	7 244
27	39	67	97	10 000	14 489
28	41	68	99	20 000	28 977
29	42	69	100	50 000	72 443
30	43	70	101	100 000	144 885
31	45	71	103	200 000	289 770
32	46	72	104	300 000	434 655
33	48	73	106	400 000	579 540
34	49	74	107	500 000	724 425
35	51	75	109	1 000 000	1 448 850
36	52	76	110	2 000 000	2 897 700
37	54	77	112	3 000 000	4 346 550
38	55	78	113	4 000 000	5 795 400
39	57	79	114	5 000 000	7 244 250
40	58	80	116	10 000 000	14 488 500

BLACKSTAR GROUP STRUCTURE



KTH GROUP STRUCTURE

* Indicates wholly-owned subsidiaries

TIMES MEDIA GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2008/009392/06)
Share code: TMG ISIN: ZAE000169272
("**TMG**" or "**the Company**")

NOTICE OF SCHEME MEETING OF SHAREHOLDERS

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Action required

If you are in any doubt as to what action you should take arising from this notice, please consult your broker, CSDP, banker, accountant, attorney or other professional advisor immediately.

If you have disposed of all of your TMG Shares, please forward this notice to the purchaser of such TMG Shares or to the broker, CSDP, banker, accountant, attorney or other agent through whom the disposal of your TMG Shares was effected.

TMG does not accept any responsibility and will not be held liable for any failure on the part of the broker or CSDP of any holder of Dematerialised TMG Shares to notify such Shareholder of this notice and the Scheme Meeting.

NOTICE IS HEREBY GIVEN that a Scheme Meeting of Shareholders will be held at 10:00 on Monday, 30 March 2015 at TMG's offices at 4 Biermann Avenue, Rosebank, Johannesburg, Gauteng, or any other adjourned or postponed date and time determined in accordance with the provisions of sections 64(4) or 64(11)(a)(i) of the Companies Act, as read with the JSE Listings Requirements.

Purpose

The purpose of the Scheme Meeting of Shareholders is to consider and, if deemed fit, to approve, with or without modification, the resolutions set out in this Notice of Scheme Meeting.

Notes:

– *The definitions and interpretations commencing on page 10 of the circular to which this notice of Scheme Meeting is attached ("**the Circular**"), apply mutatis mutandis to this notice and to the resolutions set out below.*

– *For Special Resolution Number 1 to be approved by Shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution.*

– *For Ordinary Resolution Number 1 to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution.*

– *Quorum requirement for Special Resolution Number 1 to be adopted: sufficient persons being present to exercise, in aggregate, at least 25% of all voting rights that are entitled to be exercised on the special resolution and at least three Shareholders are present at the meeting.*

– *Quorum requirement for Ordinary Resolution Number 1 to be adopted: sufficient persons being present to exercise, in aggregate, at least 25% of all voting rights that are entitled to be exercised on the ordinary resolution and at least three Shareholders are present at the meeting.*

– *The voting rights otherwise exercisable by Blackstar, BCIL, any other Blackstar Group Company, and Times Media Proprietary Limited in their capacity as Shareholders, shall not be taken into account for any purposes in respect of Special Resolution Number 1 (i.e. as to whether or not a quorum is present to vote on Special Resolution Number 1 or whether or not the required number of voting rights have been exercised in support of Special Resolution Number 1).*

– *In terms of Regulation 84 of the Companies Regulations, a presumption exists that (i) Blackstar Directors are acting in concert with Blackstar in respect of the Scheme and (ii) the directors of BCIL are acting in concert with BCIL in respect of the Scheme. Accordingly, the voting rights otherwise exercisable by any Blackstar Directors and any directors of BCIL who hold TMG Shares on the Scheme Voting Record Date, shall not be taken into account for any purposes in respect of Special Resolution Number 1 (i.e. as to whether or not a quorum is present to vote on Special Resolution Number 1 or whether or not the required number of voting rights have been exercised in support of Special Resolution Number 1).*

1. **SPECIAL RESOLUTION NUMBER 1 – Approval of the Scheme in terms of sections 114 and 115 of the Companies Act**

   RESOLVED THAT, as a special resolution in terms of section 115(2)(a) of the Companies Act, the Scheme proposed by the TMG Board between the Company and its Shareholders, be and is hereby **APPROVED** on the terms set out in the Circular, with the Scheme constituting a scheme of arrangement under section 114(1) of the Companies Act, in terms of which Blackstar (or BCIL, insofar as the Assignment Agreement is implemented in accordance with its terms) will, if the Scheme becomes operative, acquire, for the Scheme Consideration, all the issued TMG Shares held by the Scheme Participants.

   Reason and effect

   The reason for Special Resolution Number 1 is the need to obtain the approval from TMG Shareholders of the Scheme, as required in terms of sections 114 and 115 of the Companies Act, and the effect of Special Resolution Number 1, if approved, will be the obtaining of the relevant approval required in terms of sections 114 and 115 of the Companies Act. Shareholders are referred to the contents of the Circular for more information relating to the reasons for and effect of the Scheme.

2. **ORDINARY RESOLUTION NUMBER 1 – General Authority**

   RESOLVED THAT, subject to the passing of Special Resolution Number 1, set out in this notice of Scheme Meeting, any director of the Company or the company secretary, all with the power of substitution, be and is hereby expressly authorised and empowered for and on behalf of the Company to sign all documents and to do all such things and take all such actions as may be necessary and/or required to give effect to the abovementioned special resolution, including without limitation being authorised to make, amend and sign all and any such necessary documents, letters, applications, announcements and affidavits as may be required for purposes of and in connection with the resolutions and giving effect to them.

   Reason and effect

   Ordinary Resolution Number 1 grants authority to any director of the Company or the company secretary to carry out, execute all documents and do all such things as he/she may in his/her discretion consider necessary or appropriate in connection with and to implement and give effect to Special Resolution Number 1 above.

RECORD DATES

The record date on which Shareholders must be recorded as such in the Register of Shareholders of the Company for the purposes of receiving this notice of the Scheme Meeting is Friday, 20 February 2015.

The record date on which Shareholders must be recorded as such in the Register of Shareholders of the Company for the purposes of being entitled to attend, participate and vote at the Scheme Meeting is Friday, 20 March 2015.

The last day to trade in TMG Shares for the purpose of being entitled to attend, participate and vote at the Scheme Meeting is Friday, 13 March 2015.

VOTING AND PROXIES

Section 63(1) of the Companies Act requires that meeting participants provide satisfactory identification. Accordingly, meeting participants will be required to present proof of identification to the reasonable satisfaction of the chairman of the Scheme Meeting of Shareholders and must accordingly bring their original valid (or a certified copy thereof) identity document, passport or driver's licence to the Scheme Meeting. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the Transfer Secretaries for guidance.

Shareholders who have not dematerialised their TMG Shares or who have dematerialised their shares with "own-name" registration are entitled:

- to attend, participate and vote at the Scheme Meeting in person; or alternatively
- at any time, to appoint any individual, including an individual who is not a Shareholder of the Company, as a proxy to participate in, speak at and vote at (or abstain from voting thereat), the Scheme Meeting on behalf of the Shareholder by completing the form of proxy (*yellow*) which is attached to this notice and delivering it to the Transfer Secretaries, as contemplated below.

For the avoidance of doubt:

- forms of proxy must only be completed by Shareholders who have dematerialised their TMG Shares with "own-name" registration or who have not dematerialised their TMG Shares;
- Shareholders who have dematerialised their TMG Shares, other than those Shareholders who have dematerialised their TMG Shares with "own-name" registration, who are unable to attend the Scheme Meeting but wish to be represented thereat, must **not** complete the attached form of proxy, but must instead, contact their CSDP or broker (as the case may be) in the manner and time stipulated in the agreement entered into by such Shareholder and the CSDP or broker (as the case may be) to furnish the CSDP or broker (as the case may be) with their voting instructions and in the event that such Shareholders wish to attend the Scheme Meeting, to obtain the necessary letter of representation from their CSDP or broker (as the case may be).

Completion of a form of proxy will not preclude such Shareholder from attending and voting (in preference to that Shareholder's proxy) at the Scheme Meeting.

Duly completed forms of proxy and the authority (if any) under which it is signed must reach the Transfer Secretaries at their address given below so as to be received by them preferably by no later than 10:00 on Thursday, 26 March 2015 (or no later than 48 hours before any adjournment of such Scheme Meeting, excluding Saturdays, Sundays and official public holidays). Any form of proxy not handed to the Transfer Secretaries by this time may be handed to the chairman of the Scheme Meeting at any time before the proxy exercises any rights of the Shareholder at the Scheme Meeting.

ELECTRONIC PARTICIPATION

Shareholders or their duly appointed proxies will be given the right, as authorised in the memorandum of incorporation of the Company and in accordance with the provisions of the Companies Act, to participate by way of electronic communication at the Scheme Meeting by way of dialling into telephone conference facilities.

Shareholders or their duly appointed proxies who wish to participate by way of electronic communication must apply to the Transfer Secretaries by completing and submitting the application form, which is attached to the Circular to which this notice is annexed, and enclosing the documents referred to in the application form, to the Transfer Secretaries at their stated address, to be received by them by no later than 12:00 on Wednesday, 25 March 2015.

By no later than close of business on Friday, 27 March 2015, Shareholders or their duly appointed proxies will be advised by email, telephone call or text message of the relevant telephone number and access code to allow them to dial in and participate electronically in the Scheme Meeting.

Shareholders, or their proxies, may not vote electronically. If they wish to vote at the Scheme Meeting, such parties must complete and deliver the proxy form attached to this notice (and must comply with the notes and instructions contained above and in the proxy form in this regard) or contact their CSDP or broker (as the case may be) if they wish to have their vote counted and are not able to attend the meeting in person and vote in person.

Shareholders and their proxies must take note that the cost of the electronic communication facilities will be for the account of the Company although the cost of the Shareholder's telephone call will be for their own expense.

APPRAISAL RIGHTS FOR DISSENTING SHAREHOLDERS

In terms of section 164 of the Companies Act, at any time before Special Resolution Number 1 as set out in this notice is voted on, a Dissenting Shareholder may give the Company a written notice objecting to Special Resolution Number 1.

Within 10 Business Days after the Company has adopted Special Resolution Number 1, the Company must send a notice that Special Resolution Number 1 has been adopted to each Shareholder who:

- gave the Company a written notice of objection as contemplated above;
- has not withdrawn that notice; and
- has voted against Special Resolution Number 1.

A Shareholder may, within 20 Business Days after receiving the Company's aforementioned notice of the adoption of Special Resolution Number 1, demand that the Company pay the Shareholder the fair value for all of the TMG Shares held by that person if:

- the Shareholder has sent the Company a notice of objection;
- the Company has adopted Special Resolution Number 1; and
- the Shareholder voted against Special Resolution Number 1 and has complied with all of the procedural requirements of section 164 of the Companies Act.

The wording of sections 115 and 164 of the Companies Act is set out in **Annexure 9** to the Circular.

SIGNED AT SANDTON ON 25 FEBRUARY 2015 ON BEHALF OF THE TMG BOARD

KD DLAMINI
Chairman

Company secretary and registered office
JR Matisonn
4 Biermann Avenue
Rosebank
Johannesburg, 2196
(PO Box 1746, Saxonwold, 2132)

Transfer Secretaries
Computershare Investor Services Proprietary Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

TIMES MEDIA GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2008/009392/06)
Share code: TMG ISIN: ZAE000169272
("**TMG**" or "**the Company**")

NOTICE OF GENERAL MEETING OF SHAREHOLDERS

THIS NOTICE IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Action required

If you are in any doubt as to what action you should take arising from this notice, please consult your broker, CSDP, banker, accountant, attorney or other professional advisor immediately.

If you have disposed of all of your TMG Shares, please forward this notice to the purchaser of such TMG Shares or to the broker, CSDP, banker, accountant, attorney or other agent through whom the disposal of your TMG Shares was effected.

TMG does not accept any responsibility and will not be held liable for any failure on the part of the broker or CSDP of any holder of dematerialised TMG Shares to notify such shareholder of this notice and the General Meeting.

NOTICE IS HEREBY GIVEN that a General Meeting of Shareholders will be held at TMG's offices at 4 Biermann Avenue, Rosebank, Johannesburg, Gauteng on Monday, 30 March 2015 at 11:00 or as soon as reasonably possible after conclusion of the Scheme Meeting of Shareholders, whichever is the earlier, to be held on the same date at 10:00 at the same venue, or any other adjourned or postponed date and time determined in accordance with the provisions of sections 64(4) or 64(11)(a)(i) of the Companies Act, as read with the JSE Listings Requirements.

Purpose

The purpose of the General Meeting of Shareholders is to consider and, if deemed fit, to approve, with or without modification, the resolutions set out in this notice of General Meeting.

Notes:

- *The definitions and interpretations commencing on page 10 of the circular to which this notice of General Meeting is attached ("**the Circular"**), apply mutatis mutandis to this notice and to the resolutions set out below.*
- *For a special resolution to be approved by Shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution. For an ordinary resolution to be approved by Shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution.*
- *Quorum requirement for the General Meeting to commence and the resolutions contemplated herein to be considered: sufficient persons being present to exercise, in aggregate, at least 25% of all voting rights that are entitled to be exercised on the resolutions and at least three Shareholders are present at the meeting.*

1. **SPECIAL RESOLUTION NUMBER 1 – AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE IN TERMS OF SECTION 45 OF THE COMPANIES ACT**

   Resolved that:

   The TMG Board may, subject to compliance with the requirements of the Company's memorandum of incorporation and the requirements of the Companies Act (including but not limited to the TMG Board being satisfied that immediately after providing the financial assistance, the Company will satisfy the solvency and liquidity test (as contemplated in section 4 of the Companies Act) and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company), authorise the Company to provide any and all direct or indirect financial assistance, (whether by way of loan, guarantee, the provision of security or otherwise) as envisaged in section 45 of the Companies Act:

1.1 which is contemplated in (or arises from or in connection with) the Implementation Agreement, including, without limitation, the Company:

1.1.1 making representations and giving the warranties, embodied in the Implementation Agreement;

1.1.2 making payment of the TMG Break Fee, insofar as it may be required to be paid in accordance with the terms and conditions of the Implementation Agreement;

1.1.3 engaging in, performing and/or giving effect to any action/s or procedure/s as may be necessary for the implementation of the restructuring of the Company's existing financing arrangements, as envisaged in clause 17 of the Implementation Agreement; and

1.1.4 giving effect to any other act/s or performing any such activity/ies as may be construed to be 'financial assistance' as envisaged in section 45 of the Companies Act; and

1.2 as a general approval, which approval will be in place for a period of two years from the date of adoption of this Special Resolution Number 1, to or for the benefit of any existing or future related or inter-related (as defined in section 2 of the Companies Act) company or corporation of the Company, on the terms and conditions that the TMG Board may determine,

subject to the provisions of section 45 of the Companies Act.

Reason and effect

The reason for Special Resolution Number 1 is to obtain the mandatory approval from the TMG Shareholders, and to provide a general authority to the TMG Board, to enable the Company to provide any direct or indirect financial assistance (whether by way of loan, guarantee, the provision of security or otherwise) contemplated in the Implementation Agreement (to the extent that it is construed to be financial assistance for the purposes of section 45 of the Companies Act) or otherwise to one or more related or inter-related companies or corporations (as such term is defined in section 2 of the Companies Act) in accordance with the provisions of section 45 of the Companies Act. The effect of Special Resolution Number 1, if approved, is that the Company will have the necessary authority to provide financial assistance, as envisaged in section 45 of the Companies Act, provided that the TMG Board will not approve a resolution to authorise such financial assistance unless the TMG Board is satisfied that:

1.1 immediately after providing such financial assistance, the Company would satisfy the solvency and liquidity tests as contemplated in section 4 of the Companies Act;

1.2 the terms under which such financial assistance is proposed to be given in terms of section 45 of the Companies Act are fair and reasonable to the Company; and

1.3 it has ensured that any conditions and restrictions respecting the granting of financial assistance set out in the Company's memorandum of incorporation have been satisfied.

The authority from the TMG Shareholders in this Special Resolution Number 1 will allow the Company to give effect to the provision by the Company of any financial assistance contemplated in the Implementation Agreement (to the extent that such assistance constitutes financial assistance for the purposes of section 45 of the Companies Act) or otherwise to any related or inter-related company or corporation of the Company, on the terms and conditions that the TMG Board may determine.

2. **SPECIAL RESOLUTION NUMBER 2 – AUTHORITY TO PROVIDE FINANCIAL ASSISTANCE IN TERMS OF SECTION 44 OF THE COMPANIES ACT**

Resolved that:

The TMG Board may, subject to compliance with the requirements of the Company's memorandum of incorporation and the requirements of the Companies Act (including but not limited to the TMG Board being satisfied that immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test (as contemplated in section 4 of the Companies Act) and that the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company), authorise the Company to provide any and all direct or indirect financial assistance, (whether by way of loan, guarantee, the provision of security or otherwise), as envisaged in section 44 of the Companies Act:

2.1 which is contemplated in (or arises from or in connection with) the Implementation Agreement, including without limitation, by way of the Company –

2.1.1 making representations and giving the warranties embodied in the Implementation Agreement;

2.1.2 making payment of the TMG Break Fee, insofar as it may be required to be paid in accordance with the terms and conditions of the Implementation Agreement;

2.1.3 engaging in, performing and/or giving effect to any action/s or procedure/s as may be necessary for the implementation of the restructuring of the Company's existing financing arrangements, as envisaged in clause 17 of the Implementation Agreement; and

2.1.4 giving effect to any other act/s or performing any such activity/ies as may be construed to be 'financial assistance' as envisaged in section 44 of the Companies Act; and

2.2 as a general approval, which approval will be in place for a period of two years from the date of adoption of this Special Resolution Number 2, to or for the benefit of any existing or future related or inter-related (as defined in section 2 of the Companies Act) company or corporation of the Company, on the terms and conditions that the TMG Board may determine,

subject to the provisions of section 44 of the Companies Act.

Reason and effect

The reason for Special Resolution Number 2 is to obtain the mandatory approvals from the TMG Shareholders, and to provide a general authority to the TMG Board, to enable the Company to provide any direct or indirect financial assistance (whether by way of loan, guarantee, the provision of security or otherwise) contemplated in the Implementation Agreement (to the extent that it is construed to be financial assistance for the purposes of section 44 of the Companies Act) or otherwise to any person/s for the purpose of or in connection with the subscription of any TMG Shares, option, or any securities issued or to be issued by the Company or a related or inter-related company (as such term is defined in section 2 of the Companies Act) or for the purchase of any securities of the Company or a related or inter-related company in accordance with the provisions of section 44 of the Companies Act. The effect of Special Resolution Number 2, if approved, is that the Company will have the necessary authority to provide financial assistance, as envisaged in section 44 of the Companies Act, provided that the TMG Board will not approve a resolution to authorise such financial assistance unless the TMG Board is satisfied that:

1.1 immediately after providing such financial assistance, the Company would satisfy the solvency and liquidity tests as contemplated in section 4 of the Companies Act;

1.2 the terms under which such financial assistance is proposed to be given in terms of section 44 of the Companies Act are fair and reasonable to the Company; and

1.3 it has ensured that any conditions and restrictions respecting the granting of financial assistance set out in the Company's memorandum of incorporation have been satisfied.

The authority from the TMG Shareholders in this Special Resolution Number 2 will allow the Company to give effect to the provision by the Company of any financial assistance contemplated in the Implementation Agreement (to the extent that such assistance constitutes financial assistance for the purposes of section 44 of the Companies Act) or otherwise to any related or inter-related company or corporation of the Company, on the terms and conditions that the TMG Board may determine.

3. **ORDINARY RESOLUTION NUMBER 1 – GENERAL AUTHORITY**

Resolved that:

Subject to the passing of Special Resolutions Number 1 and 2 set out in this notice of General Meeting, any director of the Company or the company secretary, all with the power of substitution, be and is hereby expressly authorised and empowered for and on behalf of the Company to sign all documents and to do all such things and take all such actions as may be necessary and/or required to give effect to the abovementioned special resolutions, including without limitation being authorised to make, amend and sign all and any such necessary documents, letters, applications, announcements and affidavits as may be required for purposes of and in connection with the resolutions and giving effect to them, including any Companies and Intellectual Property Commission forms that may be required and any such things and actions as may already have been performed or taken are hereby ratified.

Reason and effect

Ordinary Resolution Number 1 grants authority to any director of the Company or the company secretary to carry out, execute all documents and do all such things as he/she may in his/her discretion consider necessary or appropriate in connection with and to implement and give effect to the ordinary and special resolutions above.

RECORD DATES

The record date on which Shareholders must be recorded as such in the Register of Shareholders of the Company for the purposes of receiving this notice of the General Meeting is Friday, 20 February 2015.

The record date on which Shareholders must be recorded as such in the register of Shareholders of the Company for the purposes of being entitled to attend, participate and vote at the General Meeting is Friday, 20 March 2015.

The last day to trade in TMG Shares for the purpose of being entitled to attend, participate and vote at the General Meeting is Friday, 13 March 2015.

VOTING AND PROXIES

Section 63(1) of the Companies Act requires that meeting participants provide satisfactory identification. Accordingly, meeting participants will be required to present proof of identification to the reasonable satisfaction of the chairman of the General Meeting of Shareholders and must accordingly bring their original valid (or a certified copy thereof) identity document, passport or driver's licence to the General Meeting of Shareholders. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the Transfer Secretaries for guidance.

Shareholders who have not dematerialised their TMG Shares or who have dematerialised their shares with "own-name" registration are entitled:

- to attend, participate and vote at the General Meeting in person; or alternatively
- at any time, to appoint any individual, including an individual who is not a Shareholder of the Company, as a proxy to participate in, speak at and vote at (or abstain from voting thereat), the General Meeting on behalf of the Shareholder by completing the form of proxy (*yellow*) which is attached to this notice and delivering it to the Transfer Secretaries, as contemplated below.

For the avoidance of doubt:

- forms of proxy must only be completed by Shareholders who have dematerialised their TMG Shares with "own-name" registration or who have not dematerialised their TMG Shares;
- Shareholders who have dematerialised their TMG Shares, other than those Shareholders who have dematerialised their TMG Shares with "own-name" registration, who are unable to attend the General Meeting but wish to be represented thereat, must **not** complete the attached form of proxy, but must instead, contact their CSDP or broker (as the case may be) in the manner and time stipulated in the agreement entered into by such Shareholder and the CSDP or broker (as the case may be) to furnish the CSDP or broker (as the case may be) with their voting instructions and in the event that such Shareholders wish to attend the General Meeting, to obtain the necessary letter of representation from their CSDP or broker (as the case may be).

Completion of a form of proxy will not preclude such Shareholder from attending and voting (in preference to that Shareholder's proxy) at the General Meeting.

Duly completed forms of proxy and the authority (if any) under which it is signed must reach the Transfer Secretaries at the address given below so as to be received by them preferably by not later than 10:00 on Thursday, 26 March 2015 (or no later than 48 hours before any adjournment of the General Meeting, excluding Saturdays, Sundays and official public holidays). Any form of proxy not handed to the Transfer Secretaries by this time may be handed to the chairman of the General Meeting at any time before the proxy exercises any rights of the Shareholder at the General Meeting.

ELECTRONIC PARTICIPATION

Shareholders or their duly appointed proxies will be given the right, as authorised in the memorandum of incorporation of the Company and in accordance with the provisions of the Companies Act, to participate by way of electronic communication at the General Meeting by way of dialling into telephone conference facilities.

Shareholders or their duly appointed proxies who wish to participate by way of electronic communication must apply to the Transfer Secretaries by completing and submitting the application form, which is attached to the Circular to which this notice is annexed, and enclosing the documents referred to in the application form, to the Transfer Secretaries at their stated address, to be received by them by no later than 12:00 on Wednesday, 25 March 2015.

By no later than close of business on Friday, 27 March 2015, Shareholders or their duly appointed proxies will be advised by email, telephone call or text message of the relevant telephone number and access code to allow them to dial in and participate electronically in the General Meeting.

Shareholders, or their proxies, may not vote electronically. If they wish to vote at the General Meeting, such parties must complete and deliver the proxy form attached to this notice (and must comply with the notes and instructions contained above and in the proxy form in this regard) or contact their CSDP or broker (as the case may be) if they wish to have their vote counted and are not able to attend the meeting in person and vote in person.

Shareholders and their proxies must take note that the cost of the electronic communication facilities will be for the account of the Company although the cost of the Shareholder's telephone call will be for their own expense.

SIGNED AT SANDTON ON 25 FEBRUARY 2015 ON BEHALF OF THE TMG BOARD

KD DLAMINI

Chairman

Company secretary and registered office
JR Matisonn
4 Biermann Avenue
Rosebank
Johannesburg, 2196
(PO Box 1746, Saxonwold, 2132)

Transfer Secretaries
Computershare Investor Services Proprietary Limited
Ground Floor
70 Marshall Street
Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

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TIMES MEDIA GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2008/009392/06)
Share code: TMG ISIN: ZAE000169272
("**TMG**" or "**the Company**")

APPLICATION FOR ELECTRONIC PARTICIPATION AT THE SCHEME MEETING AND THE GENERAL MEETING

*The definitions and interpretations commencing on page 10 of the circular to which this application for electronic participation is attached ("**the Circular**") apply mutatis mutandis to this application for electronic participation.*

Instructions

Shareholders, or their proxies will be given the right, as authorised in the memorandum of incorporation of the Company and provided for in the Companies Act, to participate by way of electronic communication at the Scheme Meeting and the General Meeting. Shareholders or their duly appointed proxies who wish to participate by way of electronic communication must apply to the Transfer Secretaries by completing this application form and by delivering it to the Transfer Secretaries at Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), as soon as possible but in any event, by no later than 12:00 on Wednesday, 25 March 2015.

Please note

Shareholders, or their proxies, may not vote electronically and must use the proxy form attached for this purpose or contact their CSDP or broker (as the case may be) if they wish to have their vote counted and are not able to attend the Scheme Meeting and the General Meeting in person and vote in person.

By no later than close of business on Friday, 27 March 2015, Shareholders or their duly appointed proxies will be advised by email, telephone call or text message of the relevant telephone number and access code to allow them to dial in and participate electronically in the Scheme Meeting and the General Meeting.

The Company will bear the cost of establishing the electronic communication whilst the cost of the Shareholder (or his/her/its proxy) dialling in will be for his/her/its own account.

By signature of this form, the Shareholder or his/her/its proxy indemnifies and holds the Company harmless against any loss, injury, damage, penalty or claim arising in any way from the use of the telecommunication lines to participate in the Scheme Meeting or the General Meeting or any interruption in the ability of the Shareholder or proxy to participate in the Scheme Meeting or the General Meeting via electronic communication, whether or not the problem is caused by any act or omission on the part of the Shareholder, proxy or anyone else, including without limitation the Company and its employees.

Information required for participation by electronic communication at the Scheme Meeting and the General Meeting

Full names of Shareholder or authorised representative
(for company or other legal entity): ______________________________

Identity number or registration number of individual/entity: ______________________________

Email address: ______________________________

Cell phone number: ______________________________

Telephone number including dialling codes: ______________________________

Name of CSDP or broker if shares are Dematerialised: ______________________________

CSDP or broker contact number: ______________________________

Documents required to be attached to this application form

1. In order to participate at the Scheme Meeting and/or the General Meeting, Shareholders who have not Dematerialised their Shares or who hold their shares in "own-name" registration are to appoint a proxy, which proxy may only participate at such Shareholder Meeting provided that a duly completed proxy form has been submitted in accordance with the instructions on that form, and as envisaged in the Notice of Scheme Meeting and/or Notice of General Meeting (as the case may be) a copy of which proxy form is also to be attached to this application.
2. Documentary evidence establishing the authority of the named person, including any person acting in a representative capacity, who is to participate in the Scheme Meeting and/or General Meeting, must be attached to this application.
3. A CSDP or broker registered in the Company's sub-register participating on behalf of the beneficial owner of Shares are requested to identify the beneficial owner on whose behalf they are acting and to attach a copy of the instructions from such owner.
4. Holders of Dematerialised Shares (other than "own-name" Dematerialised Shareholders) must request their broker or CSDP to issue them with the necessary authority to attend. The authorisation must be attached to this application.
5. A certified copy of the valid identity document/passport/driver's licence of the person attending the Scheme Meeting and/or General Meeting by electronic participation, including any person acting in a representative capacity, must be attached to this application.

Signed at ____ on ____________________________________ 2015

Signature: ____

Assisted by (where applicable): ____

Applications to participate by electronic communication will only be considered if this form is completed in full, signed by the Shareholder, proxy or representative and delivered to the Transfer Secretaries as aforesaid. The Company may in its sole discretion accept any incomplete forms.

TIMES MEDIA GROUP LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2008/009392/06)
Share code: TMG ISIN: ZAE000169272
("**TMG**" or "**the Company**")

FORM OF PROXY IN RESPECT OF THE SCHEME MEETING AND THE GENERAL MEETING

*The definitions and interpretations commencing on page 10 of the circular to which this form of proxy is attached ("**the Circular**") apply mutatis mutandis to this form of proxy.*

For use by the holders of Certificated Shares and/or Dematerialised Shares held through a CSDP or Broker who have selected own name registration, registered as such at 17:00 on Friday, 20 March 2015, at:

- **the Scheme Meeting of Shareholders to be held at 10:00 on Monday, 30 March 2015 at TMG's offices at 4 Biermann Avenue, Rosebank, Johannesburg, Gauteng or any postponement or adjournment thereof; and**
- **the General Meeting of Shareholders to be held on Monday, 30 March 2015 at 11:00 or as soon as reasonably possible after conclusion of the Scheme Meeting, whichever is the earlier, at the same location as the Scheme Meeting, or any postponement or adjournment thereof,**

the Scheme Meeting and the General Meeting being hereafter referred to as the "Shareholder Meetings".

Holders of Dematerialised Shares who have not selected own name registration must inform their CSDP or Broker timeously of their intention to attend and vote at the Shareholder Meetings or be represented by proxy thereat in order for the CSDP or Broker to issue them with the necessary letter of representation to do so or provide the CSDP or Broker timeously with their voting instruction should they not wish to attend the Shareholder Meetings in order for the CSDP or Broker to vote in accordance with their instructions at the Shareholders Meetings.

I/We (Please PRINT names in full)

of (address)

Telephone number Cellphone number

e-mail address

being the holder(s) of ________________________________ TMG Shares

do hereby appoint (see notes 1 and 2):

1. or failing him/her,

2. or failing him/her,

3. the Chairman of the Shareholder Meetings

as my/our proxy to attend, speak and vote for me/us at the Scheme Meeting (or any adjournment thereof) and at the General Meeting (or any adjournment thereof) for purposes of considering and, if deemed fit, passing, with or without modification, the special and ordinary resolutions to be proposed at such meetings and at each adjournment of such meetings and to vote for and/or against the special and ordinary resolutions and/or abstain from voting in respect of the shares registered in my/our name(s), in accordance with the following instruction (see notes):

		Number of Shares		
No.	**Resolutions at Scheme Meeting**	**For**	**Against**	**Abstain**
1.	**Special Resolution Number 1** Approval of Scheme in terms of sections 114 and 115 of the Companies Act			
2.	**Ordinary Resolution Number 1** General authority			

		Number of Shares		
No.	**Resolutions at General Meeting**	**For**	**Against**	**Abstain**
1.	**Special Resolution Number 1** – Authority to provide financial assistance in terms of section 45 of the Companies Act			
2.	**Special Resolution Number 2** – Authority to provide financial assistance in terms of section 44 of the Companies Act			
3.	**Ordinary Resolution Number 1** – General authority			

*One vote per TMG Share held by Shareholders. Shareholders must insert the relevant number of votes they wish to vote in the appropriate box provided or "X" should they wish to vote all TMG Shares held by them.

Signed at: On 2015

Signature

Capacity of signatory (where applicable)

Note: Authority of signatory to be attached – see notes 8 and 9.

Assisted by me (where applicable)

Full name

Capacity

Signature

SUMMARY OF RIGHTS CONTAINED IN SECTION 58 OF THE COMPANIES ACT

In terms of section 58 of the Companies Act:

- A shareholder of a company may, at any time and in accordance with the provisions of section 58 of the Companies Act, appoint any individual (including an individual who is not a Shareholder) as a proxy to participate in, and speak and vote at, a shareholders' meeting on behalf of such shareholder.
- A shareholder may not appoint two or more persons concurrently as proxies in respect of the same voting rights, but may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
- Irrespective of the form of instrument used to appoint a proxy, the appointment of a proxy is suspended at any time and to the extent that the relevant shareholder chooses to act directly and in person in the exercise of any of such shareholder's rights as a shareholder.
- Any appointment by a shareholder of a proxy is revocable, unless the form of instrument used to appoint such proxy states otherwise.
- If an appointment of a proxy is revocable, a shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the relevant company.
- A proxy appointed by a shareholder is entitled to exercise, or abstain from exercising, any voting right of such shareholder without direction, except to the extent that the relevant company's memorandum of incorporation, or the instrument appointing the proxy, provides otherwise.
- If the instrument appointing a proxy or proxies has been delivered by a shareholder to a company, then, for so long as that appointment remains in effect, any notice that is required in terms of the Companies Act or such company's memorandum of incorporation to be delivered to a shareholder must be delivered by such company to:
  - the relevant shareholder; or
  - the proxy or proxies, if the relevant shareholder has: (i) directed such company to do so, in writing and (ii) paid any reasonable fee charged by such company for doing so.

Notes:

1. Each Shareholder is entitled to appoint 1 (one) (or more) proxies (none of whom need be a Shareholder) to attend, speak and vote in place of that Shareholder at the Shareholder Meetings.
2. A Shareholder may insert the name of a proxy or the names of two alternative proxies of the Shareholder's choice in the space/s provided with or without deleting "the Chairman of the Shareholder Meetings" but the Shareholder must initial any such deletion. The person whose name stands first on the form of proxy and who is present at the applicable Shareholder Meeting will be entitled to act as proxy to the exclusion of those whose names follow at such Shareholder Meeting.
3. A Shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by the Shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise and direct the chairman of the Shareholder Meetings, if such chairman is the authorised proxy, to vote in favour of the Scheme at the Scheme Meeting and in favour of the Transaction Shareholders' Resolutions at the General Meeting, or any other proxy to vote or abstain from voting at the applicable Shareholder Meeting as he/she deems fit, in respect of all the Shareholder's votes exercisable at that meeting.
4. Duly completed forms of proxy and the authority (if any) under which it is signed must reach the Transfer Secretaries at Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by not later than 10:00 on Thursday, 26 March 2015 (or by no later than 48 hours before any adjournment of the Scheme Meeting, excluding Saturdays, Sundays and official public holidays) or, alternatively, such forms of proxy may be handed to the chairman of the Shareholder Meetings immediately prior to the commencement of the Scheme Meeting.
5. The completion and lodging of this form of proxy will not preclude the relevant Shareholder from attending the Scheme Meeting or the General Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such Shareholder wish to do so.
6. The chairman of the Shareholder Meetings may accept or reject any form of proxy not completed and/or received in accordance with these notes or with the memorandum of incorporation of TMG.
7. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy, unless previously recorded by TMG.
9. Where this form of proxy is signed under power of attorney, such power of attorney must accompany this form of proxy, unless it has been registered by TMG or waived by the chairman of the Shareholder Meetings.
10. Where TMG Shares are held jointly, all joint holders are required to sign this form of proxy.
11. A minor Shareholder must be assisted by his/her parent/guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by TMG.
12. This form of proxy shall be valid at any resumption of an adjourned meeting to which it relates although this form of proxy shall not be used at the resumption of an adjourned meeting if it could not have been used at the Shareholder Meeting from which it was adjourned for any reason other than it was not lodged timeously for the meeting from which the adjournment took place. This form of proxy shall in addition to the authority conferred by the Companies Act except insofar as it provides otherwise, be deemed to confer the power generally to act at the Shareholder Meetings in question, subject to any specific direction contained in this form of proxy as to the manner of voting.
13. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or mental disorder of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the TMG Share in respect of which the proxy is given, provided that no notification in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by TMG before the commencement of the meeting or adjourned meeting at which the proxy is used.
14. Any proxy appointed pursuant to this form of proxy may not delegate her or his authority to act on behalf of the relevant Shareholder.
15. In terms of section 58 of the Companies Act, unless revoked, an appointment of a proxy pursuant to this form of proxy remains valid only until the end of the Shareholder Meeting to which it relates or any adjournment of such Shareholder Meeting.

TIMES MEDIA GROUP LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 2008/009392/06)
Share code: TMG ISIN: ZAE000169272
("**TMG**" or "**the Company**")

FORM OF ELECTION FOR USE BY CERTIFICATED SHAREHOLDERS

*The definitions and interpretations commencing on page 10 of the circular to which this form of election is attached (**"the Circular"**), apply mutatis mutandis to this form of election.*

This form should be read in conjunction with the Circular.

Instructions:

1. All Scheme Participants are requested to indicate what portion of their Scheme Consideration they want to have settled in cash (as opposed to being settled through new Blackstar Shares) ("**Cash Election**").
2. This form of election should only be completed by Certificated Shareholders, who should return it to the Transfer Secretaries, Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61763, Marshalltown, 2107), to be received by no later than 12:00 on the Scheme Consideration Record Date.
3. Dematerialised Shareholders should not complete this form of election and should instead instruct their CSDP or Broker of the election they wish to make and instruct their CSDP or Broker to advise the Transfer Secretaries of such election by no later than 12:00 on the Scheme Consideration Record Date.
4. Scheme Participants who do not make an election by 12:00 on the Scheme Consideration Record Date will be deemed to have elected that their Scheme Consideration be settled entirely in cash, subject to the Maximum Cash Consideration.
5. A separate form of election is required for each Scheme Participant.
6. Scheme Participants must complete this form in BLOCK CAPITALS.
7. Persons who have acquired Shares in TMG after the date of the issue of the Circular to which this form of election is attached, can obtain electronic copies of the form election and the Circular from the Transfer Secretaries, Computershare Investor Services Proprietary Limited.

Please note

Scheme Participants electing to receive:

- cash, will receive the Cash Consideration of R22.00 for each Scheme Share disposed of in terms of the Scheme; and
- Scheme Consideration Shares, will receive 1.44885 new Blackstar Shares for each Scheme Share disposed of in terms of the Scheme, such Scheme Consideration to be created and issued at a price of R16.91 per share pursuant to the Scheme, which is equivalent to R24.50 for each Scheme Share.

If the aggregate value of the Cash Elections exceeds the Maximum Cash Consideration of R500 million, every Scheme Participant who made a Cash Election will have its Cash Election reduced *pro rata* in accordance with the value of its Cash Election relative to the aggregate value of all Cash Elections by Scheme Participants. If a Scheme Participant's Cash Election is reduced, the number of Scheme Shares to be acquired from that Scheme Participant by way of the Share Consideration will increase accordingly.

Please also read notes overleaf.

To: The Transfer Secretaries

Hand deliveries to:	**Postal deliveries to:**
Computershare Investor Services (Pty) Ltd Ground Floor 70 Marshall Street Johannesburg, 2001	**Computershare Investor Services (Pty) Ltd** PO Box 61763 Marshalltown 2107

Dear Sirs

CASH ELECTION

I/We (Please PRINT names in full)

of (address)

being the holder(s) of ____________________ TMG Shares

HEREBY ELECT to receive the Cash Consideration in respect of ____________TMG Shares held by me/us and **ELECT** the Scheme Consideration Shares in respect of the remaining TMG Shares (if any) held by me/us, subject to offsetting elections by other Scheme Participants and subject to the provisions of the Circular in this regard.

Signed at: on 2015

Signature

Capacity of signatory (where applicable)

Note: Authority of signatory to be attached – see notes 4 and 5.

Assisted by me (where applicable)

Full name

Capacity

Signature

Notes:

1. Completed forms of election and the authority (if any) under which they are signed must be lodged with or posted to the Transfer Secretaries at Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61763, Marshalltown, 2107), to be received by them by no later than 12:00 on the Scheme Consideration Record Date. Scheme Participants who fail to do so, will be deemed to have elected that their Scheme Consideration be settled entirely in cash.
2. The Company Secretary may accept or reject any form of election not completed and/or received in accordance with these notes or the Circular.
3. Any alteration or correction made to this form of election must be initialled by the signatory/ies.
4. Documentary evidence establishing the authority of a person signing this form of election in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of election, unless previously recorded by TMG.
5. Where this form of election is signed under power of attorney, such power of attorney must accompany this form of election, unless it has been registered by TMG.
6. Where TMG Shares are held jointly, all joint holders are required to sign this form of election.
7. A minor Scheme Participant must be assisted by his/her parent/guardian, unless the relevant documents establishing his/her legal capacity are produced or have been registered by TMG.
8. A Scheme Participant's election in terms of this Cash Election shall be irrevocable.

TIMES MEDIA GROUP LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2008/009392/06)
Share code: TMG ISIN: ZAE000169272
("**TMG**" or "**the Company**")

FORM OF SURRENDER AND TRANSFER FOR USE BY CERTIFICATED SHAREHOLDERS ONLY

*The definitions and interpretations commencing on page 10 of the circular to which this form of surrender and transfer is attached (**"the Circular"**), apply mutatis mutandis to this form of surrender and transfer.*

This form is for use only by Shareholders holding their Shares in Certificated form and should not be completed by Shareholders holding their Shares in Dematerialised form. Any reference in this form to "Shareholders" is to Certificated Shareholders.

This form should be read in conjunction with the Circular.

Instructions:

1. A separate form of surrender and transfer is required for each Shareholder.
2. Shareholders must complete this form in BLOCK CAPITALS.
3. Part A must be completed by all Shareholders who return this form and **relates to the surrender of Documents of Title**.
4. Part B must be completed by Shareholders **who are emigrants from or non-residents of** the Common Monetary Area.
5. Part C must be completed by all Shareholders who return this form and **relates to the settlement of the Scheme Consideration**.
6. Persons who have acquired Shares in TMG after the date of the issue of the Circular to which this form of surrender and transfer is attached, can obtain copies of the form of surrender and transfer and the Circular from Computershare Investor Services Proprietary Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107).

Please also read notes overleaf.

To: The Transfer Secretaries

Hand deliveries to:	Postal deliveries to:
Computershare Investor Services (Pty) Ltd Ground Floor 70 Marshall Street Johannesburg, 2001	**Computershare Investor Services (Pty) Ltd** PO Box 61763 Marshalltown 2107

Dear Sirs

PART A –SURRENDER OF DOCUMENTS OF TITLE

ALL SHAREHOLDERS WHO RETURN THIS FORM MUST PLEASE COMPLETE PART A

Shareholders who wish to anticipate the Scheme becoming operative and expedite settlement of the Scheme Consideration, should complete Part A and return this form to the Transfer Secretaries together with their Document(s) of Title to be received by no later 12:00 on the Scheme Consideration Record Date.

Should the Scheme not become operative, any Documents of Title surrendered to the Transfer Secretaries will be returned to such shareholders by the Transfer Secretaries, at such shareholders' own risk, by registered post within five Business Days from the date of receipt of the Documents of Title or the date on which it becomes known that the Scheme will not become operative, whichever is the later.

Surname or Name of corporate body

First names (in full)

Title (Mr, Mrs, Miss, Ms, etc.)

Address to which the Scheme Consideration should be sent (if different from registered address)

Postal code

Country

Telephone (   )

Cellular telephone number

Email address

Fax number (   )

Please note:

In order to comply with the requirements of the Financial Intelligence Centre Act, 2001, the Transfer Secretaries will be unable to record any change of address mandated unless the following documentation is received from the relevant Shareholder:

- an original certified copy of your identity document;
- an original certified copy of a document issued by the South African Revenue Services to verify your tax number (if you do not have a tax number, please confirm this in writing and have the letter signed by a Commissioner of Oaths); and
- an original or an original certified copy of a service bill to verify your physical address.

I/WE HEREBY SURRENDER THE ENCLOSED SHARE CERTIFICATE/S, CERTIFIED TRANSFER DEED/S AND/OR OTHER DOCUMENTS OF TITLE, DETAILS OF WHICH HAVE BEEN COMPLETED BELOW, IN RESPECT OF MY/OUR HOLDING OF TMG SHARES AND AUTHORISE THE TRANSFER SECRETARIES, CONDITIONAL UPON THE SCHEME BECOMING OPERATIVE, TO REGISTER THE TRANSFER OF THESE TMG SHARES INTO BLACKSTAR'S NAME (OR THE NAME OF BCIL).

Name of registered holder (separate form for each holder)	Certificate number(s) (in numerical order)	Number of TMG Shares covered by each certificate
	Total	

Signature of Shareholder	Stamp and address of agent lodging this form
Assisted by me (if applicable)	
State full name and capacity	
Date 2015	
Telephone number (Home) ( )	
Telephone number (Work) ( )	
Cell phone number ( )	

Signatories may be called upon for evidence of their authority or capacity to sign this form.

PART B

1. **TO BE COMPLETED ONLY BY SHAREHOLDERS WHO ARE EMIGRANTS FROM THE COMMON MONETARY AREA.**

   The Scheme Consideration will be forwarded to the authorised dealer nominated below for its control and credited to the emigrant's blocked account. Accordingly, a non-resident who is an emigrant from South Africa must provide the following information:

   Name and address of authorised dealer in South Africa or substitute instruction

   Account number

2. **TO BE COMPLETED ONLY BY ALL OTHER NON-RESIDENT SHAREHOLDERS WHO WISH TO PROVIDE A SUBSTITUTE ADDRESS.**

   The Scheme Consideration will be posted to the registered address of the non-resident concerned, unless written instructions to the contrary are received and a substitute address provided below:

   Substitute address

3. **IF NO NOMINATION IS MADE IN TERMS OF 1 ABOVE, THE SCHEME CONSIDERATION WILL BE HELD IN TRUST BY THE TRANSFER SECRETARIES.**

PART C – SETTLEMENT OF SCHEME CONSIDERATION

In order to comply with recent legislative changes, the Scheme Consideration Shares may only be issued in Dematerialised form.

All Shareholders should kindly complete the section below, dealing with the settlement of the Scheme Consideration, in the event that the Scheme becomes operative.

1. ☐ Please tick this box if you have an account with a Broker or CSDP and wish such account to be credited with the Scheme Consideration Shares and/or Cash Consideration (as applicable), and insert the details of such account below:

Name of account holder: ______________________________

Name of Broker: ______________________________

Name of CSDP: ______________________________

Account number of Broker: ______________________________

Account number of CSDP: ______________________________

Telephone number of Broker/CSDP: ______________________________

SCA number of Broker/CSDP: ______________________________

Please note: The information provided above must be stamped and signed by your CSDP or broker.

Please note: Should the account details provided by you above be incorrect or incomplete, it will not be possible to credit such account with the Scheme Consideration Shares and/or Cash Consideration (as applicable), in which case you will be issued with a statement of allocation, confirming the number of Scheme Consideration Shares due to you. The statement of allocation and/or a cheque for the Cash Consideration (as applicable) will be posted to you at your risk.

2. ☐ Please tick this box if you do not have an account with a Broker or CSDP, but wish to receive the Scheme Consideration Shares in Dematerialised form and not in certificated form. It will be necessary for you to appoint a Broker or CSDP before the Scheme Consideration Shares can be credited to your Broker or CSDP account. In the meantime, you will be issued with a statement of allocation, confirming the number of Scheme Consideration Shares due to you. The statement of allocation and a cheque for the Cash Consideration (as applicable) will be posted to you at your risk.

3. ☐ Please tick this box if you do NOT wish to receive the Scheme Consideration Shares in Dematerialised form and instead wish to "withdraw" the Dematerialised Scheme Consideration Shares due to you and replace these with a physical Document of Title (share certificate). The Document of Title (share certificate) for the Scheme Consideration Shares and a cheque for the Cash Consideration (as applicable) will be posted to you at your risk.

Notes:

1. Emigrants from the Common Monetary Area must complete Part B.
2. All other non-residents of the Common Monetary Area must complete Part B if they wish the Scheme Consideration to be sent to an address other than their address in the Register.
3. If Part B is not properly completed, the Scheme Consideration (in the case of emigrants) will be held in trust by the Transfer Secretaries pending receipt of the necessary nomination or instruction.
4. Shareholders will not receive the Scheme Consideration unless and until Documents of Title in respect of the relevant TMG Shares have been surrendered to the Transfer Secretaries.
5. If a Shareholder produces evidence to the satisfaction of TMG and Blackstar that Documents of Title in respect of TMG Shares have been lost or destroyed, TMG may waive the surrender of such Documents of Title against delivery of a duly executed indemnity in a form and on terms and conditions approved by TMG and Blackstar, or may in their discretion waive such indemnity.
6. Persons who have acquired TMG Shares after the date of posting of the Circular to which this form of surrender and transfer is attached, can obtain copies of the form of surrender and transfer and the Circular from the Transfer Secretaries at Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107).
7. No receipts will be issued for documents lodged, unless specifically requested. In compliance with the requirements of the JSE, lodging agents are requested to prepare special transaction receipts. Signatories may be called upon for evidence of their authority or capacity to sign this form.
8. Any alteration to this form of surrender and transfer must be signed in full and should not be merely initialled.
9. If this form of surrender and transfer is signed under a power of attorney, then such power of attorney, or a notarially certified copy hereof, must be sent with this form for noting (unless it has already been noted by TMG or the Transfer Secretaries).
10. Where the Shareholder is a company or a close corporation, unless it has already been registered with TMG or the Transfer Secretaries, a certified copy of the directors' or members' resolution authorising the signing of this form of surrender and transfer must be submitted if so requested by TMG.
11. Where TMG Shares are held jointly, all joint holders are required to sign this form of surrender and transfer.