Blackstar Group SE
Interim Report 2012

Contents

Highlights

- Acquisition of 28% in Mvelaphanda Group Limited for R470.0 million (£37.4 million);
- Disposal of half of Blackstar's investment in Litha Healthcare Group Limited for R200.6 million (£15.7 million), generating a return of 4.6 times money in South African Rand and 5.1 times money in Pounds Sterling;
- Significant progress in unlocking value in Mvelaphanda Group Limited;
- Completion of the migration to Malta;
- Blackstar now well positioned to pursue new opportunities.

Directors' statement

Introduction

The interim period under review has been a busy and successful period for Blackstar Group SE ("Blackstar" or "the Company" or "the Group") and encompassed the acquisition of a significant stake in Mvelaphanda Group Limited ("MVG"), the completion of the disposal of half of Blackstar's stake in Litha Healthcare Group Limited ('Litha") and the completion of the migration to Malta.

The six month period under review has seen a remarkable shift in our business as the MVG and Litha transactions changed the balance of our investment portfolio. I am confident the portfolio now represents a solid and attractive platform for future growth, which I believe is reflected in the fact that new long term shareholders (mainly South African based) have bought into Blackstar.

A significant part of the first six months of the year was spent unlocking value in MVG, one of Blackstar's largest investments to date, and considerable progress has been made in this regard. The MVG Board appointed Blackstar to manage the administration of MVG and implement its strategy of unlocking value for the benefit of shareholders. To this end Blackstar plays a management role within MVG. Blackstar structured and arranged MVG's offer to acquire the entire issued ordinary share capital of Avusa Limited ("Avusa") that it did not already beneficially own. Post completion of this transaction, which is expected on 25 September 2012, Blackstar will play an active role in the turnaround of Avusa and will hold approximately 11% of the equity. Avusa will be renamed Times Media Group Limited ("TMG") and will offer investors a leveraged return.

Following the disposal of Litha, Blackstar was able to reduce its debt facility from Investec Bank Limited ("Investec") from R320.0 million (£25.9 million) to R140.5 million (£11.0 million) in July 2012.

Investment and Market Review

MVG

In January 2012, Blackstar acquired 28% of MVG (representing 38.8% of the current gross intrinsic asset value) for a total cash consideration of R470.0 million (£37.4 million), equivalent to R3.20 per MVG share, and has become the largest single investor in MVG.

To fund this acquisition, Blackstar used R150.0 million (£12.0 million) of its own cash resources and R320.0 million (£25.9 million) from a debt facility provided by Investec for the purpose of this transaction.

Andrew Bonamour and William Marshall-Smith were appointed to the MVG Board and assumed the roles of Interim Chief Executive Officer and Interim Financial Director respectively with a view of unbundling and further realising the value of MVG's remaining investment portfolio in the most efficient manner.

Since Blackstar's involvement, MVG has disposed of its remaining investments in Life Healthcare Group Limited and Mvelaserve Limited for a total cash consideration of R421.8 million (£32.9 million).

MVG also announced its offer to acquire, through its wholly owned subsidiary Times Media Group Limited ("TMG", previously Richtrau No 229 (Pty) Limited), the entire issued ordinary share capital of Avusa that it did not already beneficially own, as well as its intention thereafter to unbundle all its shares in TMG to its shareholders. At the general meeting of Avusa shareholders, the ordinary and special resolutions were successfully passed to approve the offer. All conditions of the transaction have been fulfilled and the transaction becomes operative on 25 September 2012.

Post the conclusion of the transaction and the unbundling of TMG, Blackstar will have direct exposure to Avusa through TMG and will hold approximately 11% of TMG directly. Blackstar representatives will be appointed to the TMG board, and as promoter, Blackstar has agreed to be locked in for a minimum of three years and will play an executive role in TMG. This transaction provides Blackstar with the unique opportunity to be invested in one of South Africa's leading media entertainment companies and to partner with a new CEO and a strong management team in pursuing an encouraging growth strategy.

The remaining focus in MVG is the disposal of its investment in Absa Group Limited, which represents 61% of MVG's intrinsic net asset value, as well as its stake in Group Five Limited. The realisation of these investments are currently in advanced stages.

MVG has convened a general meeting in October 2012 to obtain shareholder approval to change its name to New Bond Capital Limited. This will avoid any confusion with other companies who are independent of MVG but also incorporate the name Mvela.

Litha

Blackstar completed the disposal of half of its interest in Litha for a cash consideration of R200.6 million (£15.7 million) generating 4.6 times return on investment in South African Rand and 5.1 times return in Pounds Sterling, which equates to a 32% IRR and 35% IRR respectively over the 5 year holding period.

The disposal proceeds were applied against the Investec debt facility that was taken out in January 2012. Blackstar now holds 13.4% of Litha (representing 21.9% of Blackstar's current gross intrinsic asset value).

Litha's acquisition of Pharmaplan (Pty) Limited ("Pharmaplan") was concluded during the current reporting period and is effective 1 July 2012. Subsequent to this transaction, Litha now has appropriate scale in all three of its divisions, namely pharmaceuticals, vaccines and medical devices. I believe the Pharmaplan acquisition will be a company changing event for Litha. We are excited about the prospects for Litha and we hope to play an active role in assisting management in achieving their goals.

Profitability for the six months ended 30 June 2012 has been reduced as a result of a delayed government tender in the medical devices division as well as transaction costs relating to the Pharmaplan acquisition. Despite this, the pharmaceutical and vaccine divisions have performed well and Litha has produced a good set of results. Litha's share price has increased from R2.85 at 31 December 2011 to R3.50 at 30 June 2012.

Steel Investments

Following the successful restructuring of its steel interests (representing 19.9% of Blackstar's current gross intrinsic asset value), Global Roofing Solutions (Pty) Limited ("GRS"), the largest steel roofing and cladding company in South Africa, is performing well and in line with budget.

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

Stalcor and Robor (Pty) Limited continue to be negatively affected by the weak steel market and general trading conditions. These investments are however well managed and management continues to tightly monitor stock levels and cash flows as well as investigating strategic initiatives for the businesses. Both of these companies should hopefully benefit from the South African Government's proposed infrastructure spend.

Other

The remainder of the portfolio fared well in the first half of 2012. The most significant of these being the services derivative investment (representing 11.4% of the current gross intrinsic asset value), has performed particularly well increasing in value by R13.8 million to R125.9 million (£9.8 million) at 30 June 2012. This investment is expected to be realised by the end of October 2012 and the proceeds will be applied against the Investec debt facility.

Blackstar continues to work with Shoprite Holdings Limited ("Shoprite") in order to resolve the shareholder element of the dispute that exists between Shoprite and its transfer secretary in Zambia in respect of the shares that Blackstar holds in Shoprite's secondary listing in Lusaka, Zambia. Blackstar hopes to resolve this matter in the coming months.

During the interim period under review Blackstar completed the acquisition, through Blackstar Real Estate (Pty) Limited, of a commercial property in Midrand, Gauteng, South Africa. The property is now occupied by Litha under a 12 year lease. The Group continues to explore property opportunities in the South African real estate sector, where rental obligations can be reasonably assessed and understood and the resultant returns on equity can be enhanced by leverage.

Financial Review

The income statement separately reports profit generated by continuing and discontinued operations. Discontinued operations include the following: the results of the associate Litha until June 2012, being the date on which Blackstar disposed of half of its Litha shares and it ceased to be treated as an associate; the results of Stalcor's Baldwins division (which was sold to Robor), and two of Stalcor's branches (which were closed); and the results of Ferro Industrial Products (Pty) Limited ("Ferro") which was disposed of effective June 2011. Comparatives have been restated to separately disclose these discontinued operations.

The operating profit before net investments of £0.4 million for the six months ended 30 June 2012 therefore comprises the results of the remaining trading businesses, GRS and Stalcor, as well as the share of profits of the remaining associates (excluding Litha). The trading businesses have successfully managed to decrease administrative and sales and distribution costs by £2.2 million when compared to the same comparative period ending 30 June 2011. In addition to this, no impairments arose on the goodwill and intangible assets and as a result the operating profit has increased by £1.1 million when compared to the comparative reporting period.

Net gains on investments amounted to £12.5 million for the current reporting period. This mainly includes unrealised fair value gains recognised on the investment in MVG of £2.2 million, £1.0 million on the fair valuing of the services derivative investment and a £9.2 million gain recognised when the remaining investment in Litha was transferred from the investment in associate category to investments at fair value through profit and loss and fair valued to its closing share price at 30 June 2012.

Fee income generated from investments of £0.7 million covers operating costs of £1.0 million, thus resulting in net corporate office running costs of £0.3 million.

The profit after tax from continuing operations for the six months ended 30 June 2012 amounted to £10.7 million.

A profit of £8.0 million was generated by discontinued operations and comprises equity accounted earnings of Litha amounting to £5.5 million to date of disposal of 50% of the Litha investment, and a net gain of £2.5 million recognised on disposal of the investment.

The Group reported a profit attributable to equity holders of the parent of £18.8 million, and basic and diluted earnings of 22.9 pence per share and headline earnings of 14.6 pence per share.

Total equity attributable to equity holders has increased by £35.1 million from £67.5 million at 31 December 2011 to £102.6 million at 30 June 2012. This is mainly as a result of an increase in retained earnings of £31.9 million which includes £15.4 million recognised on disposal of 50% of Stalcor to non controlling shareholders and £18.8 million profit attributable to equity holders of the parent.

Investments at fair value through profit and loss increased from £14.1 million to £73.4 million and mainly comprises Blackstar's remaining interest in Litha at a fair value of £19.9 million, £8.5 million services derivative investment and the investment in MVG of £39.0 million. Blackstar's 28% interest in MVG provides the Group with significant influence, however the investment has not been equity accounted as an associate but rather included in investments at fair value through profit and loss, as it is held as part of the Group's investment portfolio at fair value.

Investments in associates declined by £16.3 million during the current reporting period as a result of the part disposal of Litha and the remaining interest being transferred to investments at fair value through profit and loss.

Borrowings and other financial liabilities amounted to £41.7 million compared to £14.8 million at 31 December 2011 and includes the borrowings of £26.5 million at 30 June 2012 which was raised to finance the acquisition of the interest in MVG.

In June 2011, Ferro was presented as a disposal group held for sale and its assets and liabilities were therefore separately disclosed on the face of the balance sheet. Ferro was sold effective July 2011.

Cash and cash equivalents declined by £16.0 million during the current reporting period. Significant cash flow movements during the period included a cash outflow of £39.7 million on additions to investments less inflows of £26.6 million on debt raised to finance the investment in MVG.

Dividends

As the Company is currently working towards reducing its debt facility with Investec, the Board has resolved not to declare a dividend.

Migration to Malta

In May 2012, the Company completed the transfer of its registered office from the United Kingdom to Malta and its tax residency from Luxembourg to Malta.

The move to Malta is starting to deliver improved efficiencies and will significantly reduce the administrative and legal costs which arise from being present in two jurisdictions.

Post Balance Sheet Events

The unbundling of MVG's investment in TMG to its shareholders will be concluded in September 2012 and will result in Blackstar holding a direct stake in TMG (previously the Avusa business) thereby providing the Group with direct exposure to one of South Africa's leading media entertainment companies.

There were no other post balance sheet events to report.

Current Trading and Outlook

The first half of 2012 has been successful for Blackstar. The Group will continue to focus its attention on unlocking further value from its current portfolio of investments. Blackstar is now well positioned to pursue a range of interesting, new, net asset value ("NAV") enhancing opportunities.

More than 50% of Blackstar's shareholders are now South African based and the JSE listing is beginning to reflect the desired benefits we envisaged when we embarked on the secondary listing in August 2011. Blackstar's South African share continued to trade above its listing price subsequent to the declaration of a special dividend in November 2011, which is indicative of the confidence that investors have in the Blackstar Group to provide consistent returns. Going forward, Blackstar will publish its results in both Pounds Sterling and South African Rands. Blackstar is currently trading in line with its peer group in South Africa and the Board is confident that the current investments offer investors a solid platform for growth and further opportunities.

I recommend that shareholders refer to Annexure A, which provides a breakdown of Blackstar's most recent intrinsic NAV as at 31 August 2012. I believe this is a useful tool in identifying the true inherent value of each investment held.

Andrew Bonamour
Malta
14 September 2012

Annexure A

Intrinsic NAV as at 31 August 2012

	Unaudited £'000	Unaudited R'000
Mvelaphanda Group Limited	36,012	479,476
Litha Healthcare Group Limited	20,338	270,789
Global Roofing Solutions (Pty) Limited	11,642	155,000
Services derivative	10,605	141,198
Robor (Pty) Limited	3,830	51,000
Stalcor (Pty) Limited	3,004	40,000
Blackstar Real Estate (Pty) Limited	2,067	27,525
Other listed	1,980	26,359
Other unlisted	549	7,314
Net debt	(7,900)	(105,189)
Intrinsic NAV	**82,127**	**1,093,472**
Intrinsic NAV per share (in Sterling/Rands)	1.00	13.32
Ordinary share price on 31 August 2012	0.725	9.80
Ordinary share price discount to NAV (in Sterling/Rands)	28%	26%
See through NAV per share (in Sterling/Rands)	1.05	13.97

Notes

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

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

3 The investment in Blackstar Real Estate (Pty) Limited is carried at cost, being the capital invested plus accrued interest, where applicable.

4 The Group's investment in Mvelaphanda Group Limited trades at a discount to its NAV. The see through NAV has been presented, which is the NAV as reported above, adjusted for the estimated discount.

5 All amounts have been translated using the closing exchange rates at 31 August 2012.

6 Net debt represents debt less cash at the centre, excluding subsidiaries and comprises Investec debt less cash resources.

7 Other listed mainly comprises the investment in Shoprite Holdings Limited.

8 Other unlisted mainly comprises the investment in Navigare Securities (Pty) Limited.

Consolidated income statement

for the six months ended 30 June 2012

	Notes	Unaudited Six months to 30 June 2012 £'000	As restated* Unaudited Six months to 30 June 2011 £'000	As restated* Unaudited Year to 31 December 2011 £'000
Continuing operations				
Revenue		**39,441**	49,303	91,058
Cost of sales		**(33,974)**	(42,450)	(78,887)
Gross profit		**5,467**	6,853	12,171
Sales and distribution costs		**(769)**	(1,226)	(1,551)
Administrative expenses – Trading businesses				
Administrative expenses		**(4,619)**	(6,401)	(9,885)
Impairment of goodwill		**–**	(768)	(1,945)
Impairment of intangible assets		**–**	(286)	(861)
		(4,619)	(7,455)	(12,691)
Other income – Trading businesses		**299**	356	497
Share of profits of associates	8	**16**	6	43
Operating profit/(loss) before net investment income/(loss)		**394**	(1,466)	(1,531)
Net investment income/(loss)				
Net gains/(losses) on investments	2	**12,475**	(1,573)	632
Fees, dividends and interest from loans, receivables and investments	3	**1,011**	481	866
		13,486	(1,092)	1,498
Administrative expenses – Investments				
Administrative expenses – Other investment activities		**(1,021)**	(1,819)	(3,288)
Administrative expenses – Property investments		**(173)**	–	–
Exceptional costs – Other investment activities		**(207)**	–	(2,374)
Foreign exchange losses		**(4)**	(81)	(1,316)
Impairment of goodwill		**–**	–	(9,437)
		(1,405)	(1,900)	(16,415)
Other income – Property investments		**311**	–	454
Profit/(loss) from operations		**12,786**	(4,458)	(15,994)
Finance income		**129**	63	191
Finance costs		**(1,970)**	(780)	(1,732)
Profit/(loss) before taxation		**10,945**	(5,175)	(17,535)
Taxation		**(208)**	(133)	(421)
Profit/(loss) from continuing operations		**10,737**	(5,308)	(17,956)
Discontinued operations				
Profit from discontinued operations net of taxation	4	**7,963**	6,695	10,739
Profit/(loss) for the period		**18,700**	1,387	(7,217)
Profit/(loss) for the period attributable to:				
Equity holders of the parent		**18,760**	950	(7,584)
Non controlling interests		**(60)**	437	367
		18,700	1,387	(7,217)
Basic and diluted earnings/(losses) per ordinary share attributable to equity holders (in pence)	5	**22.85**	1.27	(9.62)
Basic and diluted earnings/(losses) per ordinary share attributable to equity holders from continuing operations (in pence)	5	**13.15**	(6.95)	(22.65)
Basic and diluted headline earnings/(losses) per ordinary share attributable to equity holders (in pence)	5	**14.62**	(4.26)	(7.34)

* Refer note 4

The notes on pages 13 to 31 form part of the consolidated interim financial statements.

Consolidated statement of comprehensive income

for the six months ended 30 June 2012

	Unaudited Six months to 30 June 2012 £'000	Unaudited Six months to 30 June 2011 £'000	Audited Year to 31 December 2011 £'000
Profit/(loss) for the period	**18,700**	1,387	(7,217)
Other comprehensive income/(loss):			
Currency translation differences on investments and Rand denominated assets and liabilities	**(1,231)**	(2,132)	(3,966)
Currency translation differences on translation of foreign subsidiaries and associates	**(222)**	(531)	(5,109)
Release of foreign currency translation reserve on disposal of associate/subsidiary	**2,407**	–	(1,261)
Net comprehensive income/(loss) recognised directly in equity	**954**	(2,663)	(10,336)
Total comprehensive income/(loss) for the period	**19,654**	(1,276)	(17,553)
Attributable to:			
Equity holders of the parent	**19,714**	(1,885)	(18,095)
Non controlling interests	**(60)**	609	542
	19,654	(1,276)	(17,553)

The notes on pages 13 to 31 form part of the consolidated interim financial statements.

Consolidated statement of changes in equity

for the six months ended 30 June 2012

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Treasury shares reserve £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Attributable to equity holders £'000	Non controlling interests £'000	Total equity £'000
Balance as at 31 December 2010	50,130	–	2,893	–	22,569	14,604	90,196	(2,474)	87,722
Total comprehensive income/(loss) for the period									
Profit for the period	–	–	–	–	950	–	950	437	1,387
Other comprehensive income/(loss) for the period	–	–	–	–	–	(2,835)	(2,835)	172	(2,663)
	–	–	–	–	950	(2,835)	(1,885)	609	(1,276)
Release of foreign currency translation reserve on disposal of investments	–	–	–	–	58	(58)	–	–	–
Reduction in non controlling interests arising on subsidiaries buy-back of shares from non controlling shareholders	–	–	–	–	(4,577)	–	(4,577)	4,577	–
Final dividend paid	–	–	–	–	(673)	–	(673)	–	(673)
Balance as at 30 June 2011	50,130	–	2,893	–	18,327	11,711	83,061	2,712	85,773
Total comprehensive loss for the period									
Loss for the period	–	–	–	–	(8,534)	–	(8,534)	(70)	(8,604)
Other comprehensive (loss)/income for the period	–	–	–	–	–	(7,676)	(7,676)	3	(7,673)
	–	–	–	–	(8,534)	(7,676)	(16,210)	(67)	(16,277)
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	–	–	–	–	–	–	–	6	6
Reduction in non controlling interests arising on acquisition of additional interests in subsidiary	–	–	–	–	(415)	–	(415)	415	–
Arising on disposal of subsidiary	–	–	–	–	–	–	–	(3,126)	(3,126)
Release of foreign currency translation reserve on disposal of investments	–	–	–	–	757	(757)	–	–	–
Dividend paid	–	–	–	–	(5,544)	–	(5,544)	–	(5,544)
Balance as at 31 December 2011	57,053	1,974	2,893	(2,272)	4,591	3,278	67,517	(60)	67,457
Total comprehensive income/(loss) for the period									
Profit/(loss) for the period	–	–	–	–	18,760	–	18,760	(60)	18,700
Other comprehensive income for the period	–	–	–	–	–	954	954	–	954
	–	–	–	–	18,760	954	19,714	(60)	19,654
Treasury shares cancelled	(2,144)	–	2,144	2,272	(2,272)	–	–	–	–
Reduction in non controlling interests arising on rights issue by subsidiary	–	–	–	–	(25)	–	(25)	25	–
Increase in non controlling interests arising on part disposal of subsidiary (refer note 7)	–	–	–	–	15,433	–	15,433	(15,433)	–
Balance as at 30 June 2012	**54,909**	**1,974**	**5,037**	**–**	**36,487**	**4,232**	**102,639**	**(15,528)**	**87,111**

A final dividend of 0.90 pence per ordinary share was declared on 6 May 2011.
A special dividend of 6.5 pence per ordinary share was declared on 11 November 2011.
The notes on pages 13 to 31 form part of the consolidated interim financial statements.

Consolidated balance sheet

as at 30 June 2012

	Notes	**Unaudited 30 June 2012 £'000**	Unaudited 30 June 2011 £'000	Audited 31 December 2011 £'000
Non-current assets				
Property, plant and equipment		**6,817**	9,684	7,563
Investment properties		**6,864**	–	7,018
Goodwill	6	**2,863**	13,829	2,884
Intangible assets		**2,783**	4,128	2,947
Investments in associates		**123**	17,422	16,437
Investments classified as loans and receivables	9	**136**	448	144
Investments at fair value through profit and loss	10	**64,225**	8,997	3,687
Other financial assets		**–**	16	–
Deferred tax assets		**114**	108	92
		83,925	54,632	40,772
Current assets				
Investments classified as loans and receivables	9	**1,294**	2,614	2,042
Investments at fair value through profit and loss	10	**9,146**	7,868	10,398
Other financial assets		**–**	–	2
Current tax assets		**92**	28	24
Trade and other receivables		**30,437**	22,836	11,540
Inventories		**12,640**	19,699	10,042
Cash and cash equivalents	17	**4,285**	10,844	20,334
		57,894	63,889	54,382
Assets in disposal group classified as held for sale	11	**–**	31,372	–
		57,894	95,261	54,382
Total assets		**141,819**	149,893	95,154
Non-current liabilities				
Borrowings	12	**(6,976)**	(2,038)	(7,077)
Other financial liabilities	13	**(539)**	(1,488)	(785)
Provisions		**(132)**	(171)	(199)
Deferred tax liabilities		**(1,383)**	(1,935)	(1,499)
		(9,030)	(5,632)	(9,560)
Current liabilities				
Borrowings	12	**(26,765)**	(61)	(602)
Other financial liabilities	13	**(7,403)**	(8,268)	(6,308)
Provisions		**–**	(11)	(93)
Current tax liabilities		**(138)**	(108)	(85)
Trade and other payables		**(11,372)**	(30,010)	(11,044)
Bank overdrafts	17	**–**	(2,614)	(5)
		(45,678)	(41,072)	(18,137)
Liabilities directly associated with assets in disposal group classified as held for sale	11	**–**	(17,416)	–
		(45,678)	(58,488)	(18,137)
Total liabilities		**(54,708)**	(64,120)	(27,697)
Total net assets		**87,111**	85,773	67,457
Equity				
Share capital	14	**54,909**	50,130	57,053
Share premium	14	**1,974**	–	1,974
Capital redemption reserve	14	**5,037**	2,893	2,893
Treasury shares reserve	14	**–**	–	(2,272)
Foreign currency translation reserve	14	**4,232**	11,711	3,278
Retained earnings	14	**36,487**	18,327	4,591
Total equity attributable to equity holders		**102,639**	83,061	67,517
Non controlling interests		**(15,528)**	2,712	(60)
Total equity		**87,111**	85,773	67,457
Net asset value per share (in pence)	15	**125**	111	79

The notes on pages 13 to 31 form part of the consolidated interim financial statements.

Consolidated cash flow statement

for the six months ended 30 June 2012

	Notes	**Unaudited Six months to 30 June 2012 £'000**	Unaudited Six months to 30 June 2011 £'000	Audited Year to 31 December 2011 £'000
Cash flow from operating activities				
Cash (utilised)/generated by operations	16	**(5,351)**	4,127	2,013
Interest received		**129**	180	310
Interest paid		**(270)**	(1,845)	(1,627)
Dividends received		**230**	–	230
Taxation paid		**(331)**	(983)	(1,431)
Cash (absorbed)/generated by operating activities		**(5,593)**	1,479	(505)
Cash flow from investing activities				
Purchase of property, plant and equipment		**(132)**	(917)	(1,164)
Purchase of investment property		**–**	–	(5,018)
Additions to investments classified as loans and receivables		**(640)**	(1,653)	(1,883)
Purchase of investments at fair value through profit and loss		**(39,045)**	(2,914)	(2,965)
Acquisition of subsidiaries, net of cash acquired		**–**	–	2
Proceeds from disposal of property, plant and equipment		**14**	8	446
Proceeds from disposal of investments		**2,828**	1,182	3,080
Disposal of discontinued operations, net of cash disposed	4	**–**	12,168	23,006
Cash (absorbed)/generated by investing activities		**(36,975)**	7,874	15,504
Cash flow from financing activities				
Proceeds from borrowings		**26,520**	–	4,728
Repayment of borrowings		**(861)**	(795)	(2,181)
Movement in other financial liabilities (including short-term funding facilities)		**909**	(15,707)	(16,804)
Buy-back of ordinary shares		**–**	–	(2,272)
Capital raising		**–**	–	8,897
Dividends paid to equity holders of the parent		**–**	(673)	(6,217)
Cash generated/(absorbed) by financing activities		**26,568**	(17,175)	(13,849)
Net (decrease)/increase in cash and cash equivalents		**(16,000)**	(7,822)	1,150
Cash and cash equivalents at the beginning of the period		**20,329**	19,195	19,195
Exchange losses on cash and cash equivalents		**(44)**	(16)	(16)
Cash and cash equivalents at the end of the period	17	**4,285**	11,357	20,329

The notes on pages 13 to 31 form part of the consolidated interim financial statements.

Notes to the interim consolidated financial statements (unaudited)

for the six months ended 30 June 2012

1. Accounting policies

1.1 Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated interim financial statements have been consistently applied across all periods presented in the consolidated interim financial statements. All financial information has been rounded to the nearest thousand unless stated otherwise.

These consolidated interim financial statements of the Company and its subsidiaries (the “Group” or “Blackstar”) 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.

The comparative income statements and relating notes have been re-presented as if the operations discontinued during the current period had been discontinued from the start of the comparative period (refer note 4).

The Group has chosen not to adopt IAS 34 Interim Financial Statements in preparing the consolidated interim financial statements.

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 2011, which are prepared under IFRS and upon which an unqualified auditors’ report was given. The statutory accounts are available from the Company’s website, www.blackstar.lu, or by writing to the Company Secretary.

2. Net gains/(losses) on investments

	Six months to 30 June 2012 £’000	Six months to 30 June 2011 £’000	Year to 31 December 2011 £’000
Net gains/(losses) on investment classified as loans and receivables	**9**	(13)	(160)
Net gains/(losses) on investments at fair value through profit and loss	**12,383**	(1,674)	(1,811)
Net gains on trading financial instruments at fair value through profit and loss	**83**	114	174
Gains on derivatives in hedge relationships	**–**	–	2,429
Net gains/(losses) on investments	**12,475**	(1,573)	632

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

	Six months to 30 June 2012 £’000	Six months to 30 June 2011 £’000	Year to 31 December 2011 £’000
Dividends from investments at fair value through profit and loss	**207**	1	230
Interest income from unimpaired investments classified as loans and receivables	**94**	117	187
Fee income	**710**	363	449
	1,011	481	866

Notes to the interim consolidated financial statements (unaudited) continued

for the six months ended 30 June 2012

4. Discontinued operations

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

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

The comparative information for the year ended 31 December 2011 and the interim period ended 30 June 2011 has been restated to present income generated and expenses incurred by discontinued operations separately from continuing operations.

4.1 Partial disposal of investment in Litha

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

Blackstar accounted for its 38.96% interest in Litha as an associate and equity accounted the earnings to date of sale, being 25 June 2012. The disposal of half of the investment in associate was recorded and the resulting gain of £4.9 million was recognised in net profit from discontinued operations. The foreign currency translation reserve previously recognised on the investment in Litha of £2.4 million was released to the income statement resulting in a net gain on disposal of £2.5 million. Thereafter Litha ceased to be an associate and the carrying value of the remaining investment, amounting to £10.7 million, was transferred to investments at fair value through profit and loss and fair valued to closing share price at 30 June 2012 with the resulting fair value gain of £9.2 million being included within the consolidated interim income statement as net gains on investments. The remaining investment in Litha is included within investments at fair value through profit and loss at a carrying value of £20.0 million as at 30 June 2012 (refer note 10).

	Six months to 30 June 2012 £’000	Six months to 30 June 2011 £’000	Year to 31 December 2,011 £’000
Results of discontinued operation			
Share of profits of associate	**5,589**	1,531	2,859
Exceptional gain on dilution of interest in associate	**–**	2,188	2,188
Gain on disposal of discontinued operation, net of taxation	**2,531**	–	–
Profit for the period	**8,120**	3,719	5,047
Profit for the period attributable to:			
Equity holders of the parent	**8,120**	3,719	5,047
Non controlling interests	**–**	–	–
	8,120	3,719	5,047

4. Discontinued operations (continued)

4.1 Partial disposal of investment in Litha (continued)

	Six months to 30 June 2012 £'000
Gain on disposal of discontinued operation, net of taxation	
Cash consideration raised as a receivable and settled in July 2012	**15,651**
Carrying value of retained interest	**10,712**
Carrying value of 38.96% shareholding	**(21,425)**
Release of foreign currency translation reserve relating to associate	**(2,407)**
Gain on disposal of discontinued operation, net of taxation	**2,531**

	Six months to 30 June 2012 £'000	Six months to 30 June 2011 £'000	Year to 31 December 2011 £'000
Earnings per share from discontinued operation			
Basic and diluted earnings per share (in pence)	**9.89**	4.97	6.41

4.2 Sale of Baldwins division and branch closures

In the prior period, Stalcor comprised of two main operating divisions, namely Baldwins and Stalcor. Due to overall poor performance, the decision was taken to restructure the steel business. As a result, 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 reporting period further minor residual costs were incurred by this discontinued operation.

	Six months to 30 June 2012 £'000	Six months to 30 June 2011 £'000	Year to 31 December 2011 £'000
Results of discontinued operation			
Revenue	**–**	30,214	31,382
Expenses other than finance costs	**(124)**	(31,257)	(34,571)
Finance costs	**(33)**	(635)	(717)
Loss before taxation	**(157)**	(1,678)	(3,906)
Taxation	**–**	140	193
Gain on disposal of discontinued operation, net of taxation	**–**	2,970	1,573
(Loss)/profit for the period	**(157)**	1,432	(2,140)
(Loss)/profit for the period attributable to:			
Equity holders of the parent	**(157)**	1,518	(1,984)
Non controlling interests	**–**	(86)	(156)
	(157)	1,432	(2,140)
(Losses)/earnings per share from discontinued operation			
Basic and diluted (losses)/earnings per share (in pence)	**(0.19)**	2.03	(2.52)

Notes to the interim consolidated financial statements (unaudited) continued

for the six months ended 30 June 2012

4. Discontinued operations (continued)

4.2 Sale of Baldwins division and branch closures (continued)

	Six months to 30 June 2011 £'000	Year to 31 December 2011 £'000
Effect of disposal on the financial position of the Group		
The net assets disposed of were as follows:		
Property, plant and equipment	3,267	2,970
Goodwill, net of impairment	–	–
Intangible assets	653	625
Inventories	10,759	10,505
Cash and cash equivalents	–	–
Other financial liabilities	(509)	(695)
Trade and other payables	(460)	(235)
Net assets and liabilities	13,710	13,170
Consideration received		
Cash received	12,168	10,231
Shares in Robor at fair value	4,512	4,512
Gain on disposal of discontinued operation	2,970	1,573
Related tax expense	–	–
Gain on disposal of discontinued operation, net of taxation	2,970	1,573
Consideration received, satisfied in cash	12,168	10,231
Cash and cash equivalents disposed of	–	–
Net cash inflow on disposal of discontinued operation	12,168	10,231

4.3 Sale of Ferro

Blackstar sold its 54% interest in Ferro during the prior financial year for a total of £200.0 million (£18.2 million) in cash. Of the proceeds received, R160.7 million (£14.6 million) was in respect of the shares in Ferro and the balance was received to settle the shareholder loans. The sale of Ferro was effective from 1 July 2011.

In addition to the sale agreement, Blackstar entered into a forward foreign exchange contract to convert the South African Rand proceeds to Pounds Sterling at a rate of R10.9982:£1. As a result of the forward foreign exchange cover taken out by the Company, a profit of £2.4 million was earned on the hedge. This was included in net gains and losses on investments for continuing operations in the prior year (refer note 2).

	Six months to 30 June 2011 £'000	Year to 31 December 2011 £'000
Results of discontinued operation		
Revenue	18,194	18,194
Expenses other than finance costs	(15,484)	(15,484)
Finance costs	(552)	(552)
Profit before taxation	2,158	2,158
Taxation	(614)	(614)
Gain on disposal of discontinued operation, net of taxation	–	6,288
Profit for the period	1,544	7,832

4. Discontinued operations (continued)

4.3 Sale of Ferro (continued)

	Six months to 30 June 2011 £'000	Year to 31 December 2011 £'000
Profit for the year attributable to:		
Equity holders of the parent	913	7,201
Non controlling interests	631	631
	1,544	7,832
Earnings per share from discontinued operation		
Basic and diluted earnings per share (in pence)	1.22	9.14

	Year to 31 December 2011 £'000
Effect of disposal on the financial position of the Group	
The net assets disposed of were as follows:	
Property, plant and equipment	6,980
Goodwill, net of impairment	3,878
Intangible assets	7,051
Inventories	5,178
Trade and other receivables	5,203
Cash and cash equivalents	3,127
Borrowings	(10,449)
Other financial liabilities	(10)
Deferred tax liabilities	(2,048)
Current tax liabilities	(75)
Trade and other payables	(4,834)
Net assets and liabilities	14,001
Minorities share of net assets and liabilities	(3,126)
Consideration received	
Cash received for shares	15,902
Gain on disposal of discontinued operation	5,027
Release of foreign currency translation reserve relating to subsidiary	1,261
Related tax expense	–
Gain on disposal of discontinued operation, net of taxation	6,288
Consideration received, satisfied in cash	15,902
Cash and cash equivalents disposed of	(3,127)
Net cash inflow on disposal of discontinued operation	12,775

Notes to the interim consolidated financial statements (unaudited) continued

for the six months ended 30 June 2012

4. Discontinued operations (continued)

4.4 Summary of all discontinued operations

	Six months to 30 June 2012 £'000	Six months to 30 June 2011 £'000	Year to 31 December 2011 £'000
Total results of discontinued operations			
Revenue	**–**	48,408	49,576
Expenses other than finance costs	**(124)**	(46,741)	(50,055)
Share of profits of associates	**5,589**	1,531	2,859
Exceptional gain on dilution of interest in associate	**–**	2,188	2,188
Finance costs	**(33)**	(1,187)	(1,269)
Profit before taxation	**5,432**	4,199	3,299
Taxation	**–**	(474)	(421)
Gain on disposal of discontinued operations, net of taxation	**2,531**	2,970	7,861
Profit for the period	**7,963**	6,695	10,739
Profit for the period attributable to:			
Equity holders of the parent	**7,963**	6,150	10,264
Non controlling interests	**–**	545	475
	7,963	6,695	10,739
Total earnings per share from discontinued operations			
Basic and diluted earnings per share (in pence)	**9.70**	8.22	13.03

5. Earnings/(losses) per share

5.1 Basic and diluted earnings/(losses) per share

	Six months to 30 June 2012 £'000	Six months to 30 June 2011 £'000	Year to 31 December 2011 £'000
Net profit/(loss) attributable to equity holders of the parent from continuing operations	**10,797**	(5,200)	(17,848)
Net profit attributable to equity holders of the parent from discontinued operations	**7,963**	6,150	10,264
Total net profit/(loss) attributable to equity holders of the parent	**18,760**	950	(7,584)
Weighted average number of shares in issue (thousands)	**82,088**	74,821	78,797
Basic and diluted earnings/(losses) per ordinary share attributable to equity holders (in pence)	**22.85**	1.27	(9.62)
Basic and diluted earnings/(losses) per ordinary share attributable to equity holders from continuing operations (in pence)	**13.15**	(6.95)	(22.65)

5. Earnings/(losses) per share (continued)

5.2. Basic and diluted headline earnings/(losses) per share

	Six months to 30 June 2012 £'000	Six months to 30 June 2011 £'000	Year to 30 December 2011 £'000
Headline earnings reconciliation^			
Profit/(loss) for the period attributable to equity holders of the parent	**18,760**	950	(7, 584)
Adjusted for:			
Exceptional gain on dilution of interest in associate	**–**	(2,188)	(2,188)
Gain on partial disposal of investment in associate	**(2,531)**	–	–
Gain on disposal of discontinued operations	**–**	(2,970)	(7,861)
Impairment of intangible assets	**–**	286	861
Impairment of goodwill	**–**	768	11,382
Impairment of property, plant and equipment	**–**	–	202
Non-headline items included in equity accounted earnings of associates	**(4,257)**	(1)	(248)
Loss/(profit) on disposal of property, plant and equipment	**36**	18	(91)
Total tax effects of adjustments	**(10)**	(85)	(272)
Total non controlling interests' effects of adjustments	**–**	31	15
Headline earnings/(losses)	**11,998**	(3,191)	(5,784)
Basic and diluted headline earnings/(losses) per ordinary share attributable to equity holders (in pence)	**14.62**	(4.26)	(7.34)

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

6. Goodwill

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

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Stalcor and GRS (net of impairment)	**–**	1,365	–
Blackstar SA and internalisation of investment advisory arrangements (net of impairment)	**1,945**	11,382	1,945
Arising on acquisitions made by Stalcor	**–**	1,082	–
Arising on acquisitions made by GRS	**918**	–	939
Carrying amount at the end of the period	**2,863**	13,829	2,884

Notes to the interim consolidated financial statements (unaudited) continued

for the six months ended 30 June 2012

7. Subsidiary companies

Details of the Company's subsidiaries, all of which have been included in these consolidated financial statements, are as follows:

			Proportion of ownership		
Name	**Country of incorporation and operation**	**Principal activity**	**30 June 2012 £'000**	30 June 2011 £'000	31 December 2011 £'000
Blackstar (Cyprus) Investors Limited	Cyprus	Investment company	**100%**	100%	100%
Blackstar (Gibraltar) Limited	Gibraltar	Investment company	**100%**	100%	100%
Blackstar Group (Pty) Limited	South Africa	Investment advisory company	**100%**	100%	100%
Ferro Industrial Products (Pty) Limited	South Africa	Industrial chemicals company	**0%**	54%	0%
Stalcor (Pty) Limited†	South Africa	Industrial steel company	**50.1%**	99%	100%
Global Roofing Solutions (Pty) Limited	South Africa	Steel roofing and cladding company	**100%**	0%	100%
Helm Engineering (Pty) Limited#	South Africa	Steel roofing and cladding company	**100%**	0%	100%
Global Roofing Solutions Namibia Limited#	Namibia	Steel roofing and cladding company	**100%**	0%	100%
Blackstar Real Estate (Pty) Limited†	South Africa	Investment property company	**100%**	100%	100%
Firefly Investments 223 (Pty) Limited*	South Africa	Investment property company	**70%**	0%	70%
Wonderdeals 38 (Pty) Limited*	South Africa	Investment property company	**85.9%**	0%	57.5%

Subsidiaries of GRS
* Subsidiaries of Blackstar Real Estate (Pty) Limited
† Subsidiaries of Blackstar (Cyprus) Investors Limited

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

During the current reporting period, Blackstar Real Estate (Pty) Limited participated in Wonderdeals 38 (Pty) Limited rights offer resulting in an increase in shareholding to 85.9%.

8. Investments in associates

	Principal Activity	**30 June 2012 £'000**	30 June 2011 £'000	31 December 2011 £'000
Litha Healthcare Group Limited*	Healthcare company	#	39%	39%
Navigare Securities (Pty) Limited*	Stock broker	**25%**	25%	25%
Fantastic Investments 379 (Pty) Limited*	Property investment company	**25%**	0%	25%

* Incorporated in South Africa
# Now an investment at fair value through profit and loss as a result of the disposal of half of the investment. Refer note 10.

8. Investments in associates (continued)

In February 2012, Blackstar entered into a conditional agreement for the sale of 72,989,078 ordinary shares in Litha to Paladin Labs Inc. ("Paladin"). The disposal, for a cash consideration of R200.6 million (£15.7 million), represented 50% of Blackstar's interest in Litha and equated to R2.75 per Litha share. The transaction was completed in June 2012, once all of the suspensive conditions were met and resulted in Blackstar's interest in Litha being reduced from 38.96% to 13.42%. Litha has been accounted for as a discontinued operation and comparatives restated (refer note 4).

Blackstar accounted for its 38.96% interest in Litha as an associate and equity accounted the earnings to date of sale, being 25 June 2012. The disposal of half of the investment in associate was recorded and the resulting gain of £2.5 million was recognised in net profit from discontinued operations. The foreign currency translation reserve previously recognised on the investment in Litha of £2.4 million was released to the income statement resulting in a total gain on disposal of £4.9 million. Thereafter the carrying value of the remaining investment, amounting to £10.7 million, was transferred to investments at fair value through profit and loss and fair valued to closing share price at 30 June 2012 with the resulting fair value gain of £9.2 million being included within the consolidated interim income statement as net gains on investments. The remaining investment in Litha is included within investments at fair value through profit and loss at a carrying value of £20.0 million as at 30 June 2012 (refer note 10).

	Six months to 30 June 2012 £'000	Six months to 30 June 2011 £'000	Year to 31 December 2011 £'000
Continuing operations			
Share of profits of associates	**16**	6	43
Discontinued operations			
Share of profits of associates	**5,589**	1,531	2,859
Exceptional gain on dilution of interest in associate	**–**	2,188	2,188
Gain on disposal of associate, net of taxation	**2,531**	–	–
	8,120	3,719	5,047
	8,136	3,725	5,090

9. Investments classified as loans and receivables

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Carrying value at the beginning of the period	**2,186**	1,375	1,375
Additions during the period at cost*	**640**	1,807	2,037
Disposals during the period at cost	**(1,435)**	(164)	(991)
Unrealised (gains)/losses on disposals recognised in prior years	**(2)**	–	4
Net dividends and interest accrued/(received) during the period	**71**	72	148
Other movements#	**–**	–	3
Currency exchange losses during the period	**(30)**	(28)	(390)
Carrying value at the end of the period	**1,430**	3,062	2,186

* Additions in the comparative period include additions to loans and receivables as well as the reclassification of an amount of £154,000 from an investment in the associate Navigare Securities (Pty) Limited to an equity loan. Additions in the prior year also include a loan amounting to £31,000 which was acquired as part of the acquisition of the associate Fantastic Investments 379 (Pty) Limited.

Other movements in the prior year represent balances that arose on reclassification of an investment which is now considered to be a subsidiary and is therefore consolidated.

Notes to the interim consolidated financial statements (unaudited) continued

for the six months ended 30 June 2012

9. Investments classified as loans and receivables (continued)

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Non-current portion	**136**	448	144
Current portion	**1,294**	2,614	2,042
	1,430	3,062	2,186

Analysis of gains/(losses) on investments

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Proceeds on disposals during the period	**1,445**	190	985
Investments at cost	**(1,435)**	(164)	(991)
Realised gains/(losses) on disposals based on historical cost	**10**	26	(6)
Add unrealised (gains)/losses on disposals recognised in prior years	**(2)**	–	4
Realised gains/(losses) recognised in the income statement on disposals based on carrying value at prior year balance sheet date	**8**	26	(2)
Realised exchange losses/(gains) on disposal of investments released directly to retained earnings	**1**	(39)	(158)
Net gains/(losses) on investments	**9**	(13)	(160)

Investments classified as loans and receivables comprise the following:

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Loan to Ukuvula Investments (Pty) Limited. The loan bears interest at South African Prime rate plus 300 basis points nominal annual compounded monthly and is repayable on 30 September 2012	**1,294**	1,376	1,263
Loans to associates which are interest free and have no fixed dates of repayment	**136**	127	144
Other interest bearing loans which have now been repaid	**–**	1,559	779
Carrying value at the end of the period	**1,430**	3,062	2,186

10. Investments at fair value through profit and loss

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Fair value at the beginning of the period	**14,085**	12,601	12,601
Additions during the period at cost*	**39,045**	7,426	7,798
Disposals during the period at cost	**(1,378)**	(915)	(3,791)
Unrealised losses/(gains) on disposals recognised in prior periods	**9**	(86)	1,249
Unrealised gains/(losses) during the period	**12,374**	(1,649)	(744)
Other movements^	**10,712**	–	(329)
Currency exchange losses during the period	**(1,476)**	(512)	(2,699)
Fair value at the end of the period	**73,371**	16,865	14,085

* Additions in the comparative periods include Robor shares with a fair value of £4,512,000 received on disposal of the Baldwins operation.
^ Other movements in the current period comprise the transfer of the remaining carrying value of the investment in Litha from the investments in associates classification. This is as a result of the sale of half of Blackstar's interest in Litha which reduced the Group's interest in Litha to 13.42%. Other movements in the prior year represent balances that were 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 has therefore been consolidated.

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Non-current portion	**64,225**	8,997	3,687
Current portion	**9,146**	7,868	10,398
	73,371	16,865	14,085

Analysis of gains/(losses) on investments

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Proceeds on disposals during the period	**1,383**	992	2,095
Investments at cost	**(1,378)**	(915)	(3,791)
Realised gains/(losses) on disposals based on historical cost	**5**	77	(1,696)
Less unrealised losses/(gains) on disposals recognised in prior periods	**9**	(86)	1,249
Realised gains/(losses) recognised in the income statement on disposals based on carrying value at the prior period balance sheet date	**14**	(9)	(447)
Realised exchange gains on disposal of investments released directly to retained earnings	**(5)**	(16)	(620)
Unrealised gains/(losses) during the period	**12,374**	(1,649)	(744)
Net gains/(losses) on investments	**12,383**	(1,674)	(1,811)

Notes to the interim consolidated financial statements (unaudited) continued
for the six months ended 30 June 2012

10. 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:

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Ordinary shares in Mvelaphanda Group Limited	**38,983**	–	180
Ordinary shares in Litha Healthcare Group Limited*	**19,914**	–	–
Derivative investment in a services company, which gives the Group exposure to a minority interest in the underlying services company	**8,519**	7,831	7,672
Ordinary shares in Adreach (Pty) Limited	**–**	1,730	–
Ordinary shares in Robor (Pty) Limited	**3,976**	4,594	3,507
Ordinary shares in Wonderdeals 38 (Pty) Limited#	**–**	319	–
Ordinary shares in Fantastic Investments 379 (Pty) Limited^	**–**	33	–
Investment in FBDC Investor Offshore Holdings L.P.	**122**	250	291
Other listed shares, funds and fixed income securities	**1,857**	2,108	2,435
Fair value at the end of the period	**73,371**	16,865	14,085

* This investment was transferred from investments in associate to investments at fair value through profit and loss as a result of Blackstar disposing of half of the investment during the current interim period.

This investment was classified as a subsidiary during the second half of the 2011 financial year and is now consolidated.

^ This investment was classified as an associate during the second half of the 2011 financial year and is now equity accounted.

11. Assets and liabilities classified as held for sale

In the prior year the Group's subsidiary Ferro (the Industrial chemicals segment), was presented as a disposal group held for sale following the signing of the sale agreement becoming highly probable on 30 June 2011. The sale of Ferro was effective in the second half of the 2011 financial year.

The carrying amount of the disposal group was lower than its fair value less costs to sell and thus no impairment loss was recognised.

As at 30 June 2011, the disposal group comprised the following assets and liabilities:

	30 June 2011 £'000
Assets in disposal groups classified as held for sale	
Property, plant and equipment	6,935
Goodwill	3,878
Intangible assets	7,051
Trade and other receivables	5,203
Inventories	5,178
Cash and cash equivalents	3,127
	31,372
Liabilities directly associated with assets in disposal group classified as held for sale	
Borrowings	10,449
Other financial liabilities	10
Deferred tax liabilities	2,048
Current tax liabilities	75
Trade and other payables	4,834
	17,416

12. Borrowings

Borrowings comprise the following:

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Unsecured			
Loan which bears interest at a fixed rate of 10% per annum and is repayable in monthly instalments ending in 2013	**47**	–	76
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	**547**	–	454
Loan which bears no interest and is repayable by 2014	**390**	–	399
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	**129**	–	125
Other interest bearing borrowings loaned to subsidiary companies which have now been repaid	**–**	754	–
Secured			
Mortgage loans taken out by property companies. The loans bear interest at fixed rates ranging between 8% and 12.37% repayable in fixed monthly instalments escalating by between 7% and 10% per annum with the final instalment due in 2020	**6,080**	1,345	6,625
Loan to finance acquisition of investment in Mvelaphanda Group Limited. The loan bears interest at the South African Prime rate plus 15 basis points nominal annual compounded semi-annually in arrears, with a bullet payment of the capital in January 2014	**26,548**	–	–
	33,741	2,099	7,679

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Non-current portion	**6,976**	2,038	7,077
Current portion	**26,765**	61	602
	33,741	2,099	7,679

13. Other financial liabilities

Other financial liabilities comprise the following:

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Revolving inventory financing facility. The loans bear interest at South African Prime rate plus 100 basis points. Interest is repayable monthly in arrears and the capital is repayable on a rolling unspecified period	**–**	2,756	–
Debtors invoicing discounting facilities. The one facility bears interest at South African Prime rate plus 300 basis points and the other facility bears interest at a fixed rate of 9%. Interest is repayable monthly in arrears and capital is repayable on a rolling unspecified period	**7,113**	5,195	6,087
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	**542**	1,193	643
Asset finance loan, which bears interest at a fixed rate of 10% per annum and is repayable in monthly instalments ending in 2013	**274**	508	363
Finance leases and instalment sale agreements	**–**	104	–
Derivatives effective as hedging instruments carried at fair value			
Forward exchange contracts ("FECs")	**13**	–	–
	7,942	9,756	7,093

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Non-current portion	**539**	1,488	785
Current portion	**7,403**	8,268	6,308
	7,942	9,756	7,093

14. Share capital and reserves

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Authorised			
150,000,000 ordinary shares of €0.76 each	**100,500**	100,500	100,500
Issued and fully paid			
82,088,422 ordinary shares of €0.76 each	**54,909**	–	–
85,288,422 ordinary shares of €0.76 each	**–**	–	57,053
74,821,193 ordinary shares of €0.76 each	**–**	50,130	–

Movement of the ordinary shares of €0.76 each for the period

	Number of shares	Number of shares	Number of shares
Total number of shares in issue at the beginning of the period	**85,288,422**	74,821,193	74,821,193
Treasury shares cancelled	**(3,200,000)**	–	–
Issue of new shares	**–**	–	10,467,229
Total number of shares in issue at the end of the period	**82,088,422**	74,821,193	85,288,422

14. Share capital and reserves (continued)

Share capital

In August 2011, the Company raised an additional R100 million (£8.9 million) through the issue of 10,467,229 new ordinary shares.

Share premium

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

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.

These shares were cancelled in accordance with applicable law in January 2012. In accordance with Luxembourg law, the ordinary shares bought back are held in treasury until they are cancelled through an amendment to the memorandum and articles of association of the Company and were therefore held as treasury shares at 31 December 2011. A resolution to authorise the cancellation of these shares was passed by shareholders of the Company at a general meeting of the Company held in January 2012.

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) and all foreign exchange differences arising on translation of the financial statements of foreign operations.

Retained earnings

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

15. Net asset value per share

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Total net assets attributable to equity holders	**102,639**	83,061	67,517
Number of shares in issue (thousands)	**82,088**	74,821	85,288
Net asset value per share (in pence)	**125**	111	79

Notes to the interim consolidated financial statements (unaudited) continued

for the six months ended 30 June 2012

16. Cash (utilised)/generated by operations

	Six months to 30 June 2012 £'000	Six months to 30 June 2011 £'000	Year to 31 December 2011 £'000
Profit/(loss) for the year	**18,700**	1,387	(7,217)
Taxation			
Continuing operations	**208**	133	421
Discontinued operations	**–**	474	421
Profit/(loss) before taxation	**18,908**	1,994	(6,375)
Adjustments for:			
Loss/(profit) on disposal property, plant and equipment	**36**	18	(91)
Depreciation and impairment of property, plant and equipment	**674**	1,538	2,454
Amortisation of intangible assets	**102**	489	588
Impairment of intangible assets	**–**	286	861
Impairment of goodwill	**–**	768	11,382
Unrealised (gains)/losses on investments	**(12,364)**	1,735	(509)
Realised (gains)/losses on disposal of investments	**(29)**	(48)	2,480
Dividends and interest from loans and investments	**(301)**	(118)	(417)
Gain on disposal of discontinued operations (refer note 4)	**(2,531)**	(2,970)	(7,861)
Finance income	**(129)**	(133)	(271)
Finance costs	**2,003**	2,036	3,081
Share of profit of associates	**(5,605)**	(1,537)	(2,902)
Exceptional gain on dilution of interest in associate	**–**	(2,188)	(2,188)
Decrease in provisions	**(157)**	(273)	(118)
Changes in working capital			
(Increase)/decrease in trade and other receivables	**(3,579)**	(4,028)	4,986
Increase in inventory	**(2,887)**	(9,952)	(2,158)
Increase in trade and other payables	**582**	18,100	1,006
Decrease in lease accrual	**(89)**	(1,584)	(1,940)
Movement in other financial liabilities in respect of FECs and derivatives in hedging relationships	**15**	(6)	5
	(5,351)	4,127	2,013

17. Cash and cash equivalents

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Deposits and cash at bank	**4,285**	10,844	20,334
Bank overdrafts	**–**	(2,614)	(5)
Cash and cash equivalents per the balance sheet	**4,285**	8,230	20,329
Cash and cash equivalents included under assets and liabilities classified as held for sale	**–**	3,127	–
Cash and cash equivalents per the cash flow statement	**4,285**	11,357	20,329

18. Events after the reporting period

The unbundling of MVG's investment in TMG to its shareholders will be concluded in September 2012 and will result in Blackstar holding a direct stake in TMG (previously the Avusa business) thereby providing the Group with direct exposure to one of South Africa`s leading media entertainment companies.

There were no other post balance sheet events to report.

19. Segmental information

The Group has the following reporting segments: Industrial metals (which includes the subsidiaries Stalcor and GRS, and their subsidiaries), Healthcare (which included the associate Litha until its part disposal), Investment activities (which includes the holding company Blackstar Group SE, the subsidiaries Blackstar Gibraltar, Blackstar Cyprus, Blackstar SA and the Group's associate Navigare) and Property investments (which includes the subsidiaries BRE, Firefly, Wonderdeals and the Group's associate Fantastic). 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 manner in which the operating segments are reported internally was amended in the current reporting period. The property owning subsidiaries are now reported separately in the segment Property investments (previously these operations were included in the Investment activities segment). Comparitives have been restated.

The Board of Directors assess the performance of the operating segments based primarily on the measures of revenue and EBITDA. Other information provided is measured in a manner consistent with that in the financial statements.

The Baldwins division and the closure of two of Stalcor's branches (both of which fall within the Industrial metals segment), together with Litha (which falls within the Healthcare segment), are discontinued operations (refer note 4). The comparative information for the year ended 31 December 2011 and the interim period ended 30 June 2011, was restated to present income generated and expenses incurred by discontinued operations separately from continuing operations.

In the prior financial year, the Industrial chemicals segment was accounted for as a discontinued operation as the subsidiary Ferro was sold effective July 2011. There are no other operations to report within this segment.

	Six months to 30 June 2012 £'000	Six months to 30 June 2011 £'000	Year to 31 December 2011 £'000
Revenue			
As reported by segment:			
Industrial chemicals	**–**	18,194	18,194
Industrial metals	**39,441**	79,517	122,563
Consolidated total reported by the Group	**39,441**	97,711	140,757
Less reported by discontinued operations			
Industrial chemicals	**–**	(18,194)	(18,194)
Industrial metals	**–**	(30,214)	(31,505)
	–	(48,408)	(49,699)
Consolidated total from continuing operations reported by the Group	**39,441**	49,303	91,058

19. Segmental information (continued)

	Six months to 30 June 2012 £'000	As restated Six months to 30 June 2011 £'000	As restated Year to 31 December 2011 £'000
EBITDA			
As reported by segment:			
Industrial chemicals	**–**	3,357	3,559
Industrial metals	**947**	3,326	501
Investment activities	**6,257**	(8,694)	(446)
Property investments	**237**	147	401
Healthcare	**8,120**	3,719	5,047
Total EBITDA reported by segments	**15,561**	1,855	9,062
Less EBITDA reported by discontinued operations			
Industrial chemicals	**–**	(3,357)	(3,559)
Industrial metals	**124**	(2,954)	2,274
Healthcare	**(8,121)**	(3,719)	(5,047)
	(7,997)	(10,030)	(6,332)
Total EBITDA reported by continuing segments	**7,564**	(8,175)	2,730
Consolidation adjustments			
Inter-group transactions and consolidation of subsidiaries	**346**	3,362	(3,587)
Equity account associates	**5,859**	2,414	(63)
Other	**–**	–	(934)
	6,205	5,776	(4,584)
Consolidated EBITDA for continuing operations	**13,769**	(2,399)	(1,854)
Depreciation and amortisation	**(776)**	(1,005)	(1,897)
Impairment of goodwill and intangible assets	**–**	(1,054)	(12,243)
Exceptional costs	**(207)**	–	–
Finance income and finance costs	**(1,841)**	(717)	(1,541)
Profit/(loss) before taxation reported by the Group	**10,945**	(5,175)	(17,535)

	Six months to 30 June 2012 £'000	As restated Six months to 30 June 2011 £'000	As restated Year to 31 December 2011 £'000
Share of profit of associates			
Healthcare	**8,120**	3,719	5,047
Investment activities	**16**	6	43
	8,136	3,725	5,090
Less share of profit of associate reported as a discontinued operation			
Healthcare	**(8,120)**	(3,719)	(5,047)
Consolidated total reported by the Group for continuing segments	**16**	6	43

19. Segmental information (continued)

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Total assets			
As reported by segment:			
Industrial chemicals	**–**	34,122	–
Industrial metals	**32,890**	58,214	30,624
Investment activities	**115,996**	94,948	86,699
Property investments	**8,530**	1,923	9,657
Total assets reported by segments	**157,416**	189,207	126,980
Consolidation adjustments			
Inter-Group transactions	**(7,997)**	(16,483)	(8,525)
On acquisition fair value adjustments and consolidation of subsidiaries	**(7,433)**	(5,221)	(6,872)
Equity account associates	**(167)**	(17,610)	(16,429)
Consolidated total reported by the Group	**141,819**	149,893	95,154

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Investments in associates			
Healthcare	**–**	17,335	16,327
Investment activities	**123**	87	110
Consolidated total reported by the Group	**123**	17,422	16,437

	30 June 2012 £'000	30 June 2011 £'000	31 December 2011 £'000
Total liabilities			
As reported by segment:			
Industrial chemicals	**–**	(19,756)	–
Industrial metals	**(26,411)**	(74,304)	(28,533)
Investment activities	**(27,005)**	(3,064)	(1,388)
Property investments	**(8,343)**	(1,503)	(9,426)
Total liabilities reported by segments	**(61,759)**	(98,627)	(39,347)
Consolidation adjustments			
Inter-group transactions	**7,997**	16,483	8,525
On acquisition fair value adjustments and consolidation of subsidiaries	**(947)**	18,668	3,125
Other	**1**	(644)	–
Consolidated total reported by the Group	**(54,708)**	(64,120)	(27,697)

Company information

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

Registered Office
Blackstar Group SE
4th Floor Avantech Building
St Julian's Road San Gwann
SGN 2805 Malta
Tel: +356 2144 6377
Fax: +356 2144 6330
E-mail: info@blackstar.lu
Website: www.blackstar.lu

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

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

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

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

Secondary listing
ALTx of the JSE Limited

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

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

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

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

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

Bankers
ING Luxembourg S.A.
Investec Bank Limited
Goldman Sachs International

sterling 159500

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