Blackstar Investors Plc

Preliminary results for the financial year ended 31 December 2008

Investment Advisor's report

Highlights

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

Introduction

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

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

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

Overview of the market

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

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

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

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

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

Financial review

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

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

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

Currency

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

Post Balance Sheet Events and Outlook

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

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

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

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

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

Andrew Bonamour
Luxembourg
25 March 2009

Investment portfolio review

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

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

Transaction Overview as at 31 December 2008

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

Summarised Income Statement

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

Summarised Balance Sheet

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

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

2 Reflects the earnings performance of KMG business had the KMG business acquisition been unconditional on 1 March 2007 and the GRS acquisition been unconditional from 1 August 2007 and includes the external debt raised for the acquisition of KMG.

3 Excludes any earnings from GRS acquisition.

Commentary

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

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

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

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

Mvelaphanda Resources Limited ("Mvela")

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

Transaction Overview as at 31 December 2008

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

Summarised Income Statement

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

Summarised Balance Sheet

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

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

2 Includes fair value adjustments on revaluation of financial instruments.

Commentary

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

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

York Timber Organisation Limited ("York")

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

Transaction Overview as at 31 December 2008

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

Summarised Income Statement

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

Summarised Balance Sheet

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

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

2 Includes earnings of Global Forest Products from July 2007 and the assets acquired and the external debt raised for the acquisition of Global Forest Products.

3 Includes fair value adjustment of biological assets.

Commentary

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

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

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

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

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

Transaction Overview as at 31 December 2008

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

Summarised Income Statement

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

Summarised Balance Sheet

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

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

2 Includes external debt raised for the acquisition of DCD-Dorbyl.

Commentary

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

Credit U Holdings Limited ("Credit U")

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

Transaction Overview as at 31 December 2008

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

Summarised Income Statement

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

Summarised Balance Sheet

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

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

Commentary

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

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

Myriad Medical Holdings Limited ("Myriad")

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

Transaction Overview as at 31 December 2008

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

Summarised Income Statement

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

Summarised Balance Sheet

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

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

Commentary

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

Adreach (Pty) Limited ("Adreach")

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

Transaction Overview as at 31 December 2008	
Date of Investment	November 2007
Total investment cost	£2.8 million
Total value realised	-
Carrying Value of unrealised investment	£1.8 million
Direct equity interest	15%

Summarised Income Statement

(£'000) [1]	12 months ended 31 August 2008	12 months ended 31 August 2007
Revenue	6,710	6,099
EBITDA	2,212	1,885
EBIT	1,929	1,798
PBT	1,837	1,783

Summarised Balance Sheet

(£'000) [1]	31 August 2008	31 August 2007
Total shareholder's funds	1,776	1,041
Net cash	311	125
Property, plant and equipment	634	472

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

Commentary

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

Services Company and Telecom Company Derivative Transactions

Transaction Overview as at 31 December 2008	
Date of Investment	March 2006 / May 2006 / August 2007
Total investment	£6.0 million
Total value realised	£28,000
Carrying Value of unrealised investment	£4.4 million

Commentary

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

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

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

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

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

Transaction Overview post year end

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

Summarised Income Statement

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

Summarised Balance Sheet

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

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

2 Includes earnings of Spectrum Ceramics CC which was acquired in 2007 and the external debt raised for the acquisition of Spectrum Ceramics CC.

Commentary

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

Consolidated income statement
for the year ended 31 December 2008

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

Consolidated statement of changes in equity

for the year ended 31 December 2008

	Share capital £'000	*Capital redemption reserve £'000*	*Foreign currency translation reserve £'000*	*Special reserve £'000*	*Treasury shares £'000*	*Retained earnings £'000*	*Attributable to equity holders £'000*	*Minority interest £'000*	*Total equity £'000*
Balance at 31 December 2006	**78,465**	**775**	**(839)**	**11,754**	**—**	**(11,143)**	**79,012**	**—**	**79,012**
Currency exchange gains on investments	—	—	2,053	—	—	—	2,053	—	2,053
Amount recognised directly in equity	**—**	**—**	**2,053**	**—**	**—**	**—**	**2,053**	**—**	**2,053**
Profit for the year	—	—	—	—	—	22,264	22,264	200	22,464
Total recognised income and expense for the year	**—**	**—**	**2,053**	**—**	**—**	**22,264**	**24,317**	**200**	**24,517**
Minority interest arising on acquisition	—	—	—	—	—	—	—	3,272	3,272
Minority interest eliminated on disposal of subsidiary held with a view to dispose	—	—	—	—	—	—	—	(3,472)	(3,472)
Buy back of ordinary shares	—	—	—	—	(2,980)	—	(2,980)	—	(2,980)
Balance at 31 December 2007	**78,465**	**775**	**1,214**	**11,754**	**(2,980)**	**11,121**	**100,349**	**—**	**100,349**
Currency exchange losses on investments	—	—	651	—	—	—	651	—	651
Amount recognised directly in equity	**—**	**—**	**651**	**—**	**—**	**—**	**651**	**—**	**651**
Loss for the year	—	—	—	—	—	(7,827)	(7,827)	—	(7,827)
Total recognised income and expense for the year	**—**	**—**	**651**	**—**	**—**	**(7,827)**	**(7,176)**	**—**	**(7,176)**
Cancellation of ordinary shares (refer note 13)	(2,800)	2,800	—	—	2,980	(2,980)	—	—	—
Dissolution of Illuminator Holdings Limited	—	—	—	(11,754)	—	11,754	—	—	—
Balance at 31 December 2008	**75,665**	**3,575**	**1,865**	**—**	**—**	**12,068**	**93,173**	**—**	**93,173**

Consolidated balance sheet
as at 31 December 2008

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

Consolidated cash flow statement

for the year ended 31 December 2008

	Notes	***2008*** ***£'000***	*2007 (restated) £'000*
Cash flow from operating activities			
Cash absorbed by operations	15	**(7,775)**	(413)
Interest received		**1,253**	1,817
Interest paid		**(100)**	—
Dividends received		**264**	138
Taxation paid		**(73)**	—
Cash (absorbed)/generated by operating activities		**(6,431)**	1,542
Cash flow from investing activities			
Purchase of investments		**(3,575)**	(17,474)
Purchase of subsidiary held with the view to dispose		—	(4,231)
Additions to investments classified as loans and receivables		**(6,569)**	(35,415)
Proceeds from disposal/redemption of investments		**16,195**	1,789
Proceeds from disposal of rights arising in respect of subsidiary held with a view to dispose		—	867
Cash generated/(absorbed) by investing activities		**6,051**	(54,464)
Cash flow from financing activities			
Proceeds from borrowings		**9,906**	—
Repayment of borrowings		**(3,329)**	—
Buy back of ordinary shares		—	(2,980)
Cash generated/(absorbed) by financing activities		**6,577**	(2,980)
Net increase/(decrease) in cash and cash equivalents		**6,197**	(55,902)
Cash and cash equivalents at beginning of year		**10,295**	66,197
Exchange gains on cash and cash equivalents		**1,339**	—
Cash and cash equivalents at the end of the year		**17,831**	10,295

Notes to the consolidated financial statements
for the year ended 31 December 2008

1. Financial information

The financial information set out above does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The consolidated income statement, consolidated statement of changes in equity, consolidated balance sheet and consolidated cash flow statement have been extracted from the Group's 2008 statutory financial statements.

The statutory accounts for the years ended 31 December 2007 and 31 December 2008 received audit reports which were unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports and did not contain statements under Section 237(2) or Section 237(3) of the Companies Act 1985. The statutory accounts for the year ended 31 December 2007 have been delivered to the Registrar of Companies, but the 31 December 2008 accounts have not yet been filed.

2. Selected accounting policies

Revenue recognition

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

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

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

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

Translation of foreign currencies

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

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

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

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

Financial instruments

Financial instruments disclosed in the financial statements include cash and cash equivalents, investments, trade and accounts receivable and trade and accounts payable. Financial instruments are initially recognised at fair value, when the Group becomes party to the contractual provisions of the instrument. Subsequent to initial recognition, these instruments are measured as follows:

Investments at fair value through profit and loss - Investments at fair value through profit and loss are financial assets held-for-trading and those designated at fair value through profit and loss at inception. These assets are carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of these investments are recognised in the income statement in the period in which they arise.

Investments in associates - An associate is an entity over which the Group has significant influence and is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates that are held as part of the Group's investment portfolio are carried at fair value even though the Group may have significant influence over those companies. Realised and unrealised gains and losses arising from changes in the fair value of these investments are recognised in the income statement in the period in which they arise. This treatment is permitted by IAS 28 Investment in Associates which allows investments held by venture capital organisations to be excluded from the scope of IAS 28 Investment in Associates provided that those investments upon initial recognition are designated as fair value through profit or loss and accounted for in accordance with IAS 39 Financial Instruments: Recognition and Measurement, with changes in fair value recognised in profit or loss in the period of change.

Investments classified as loans and receivables – Investments classified as loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the entity intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss; or
- those that the entity upon initial recognition designates as available for sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which shall be classified as available for sale.

These assets are subsequently carried at amortised cost, using the effective interest rate method. If there is objective evidence that an impairment loss on investments classified as loans and receivables has been incurred, the amount of the loss is measured and the carrying amount of the asset shall be reduced. The amount of the loss shall be recognised in the income statement in the period in which it arises.

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

3. Comparative figures

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

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

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

4. Net (losses)/gains on investments

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

An analysis of gains and losses on investments is provided in notes 9 and 10.

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

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

6. Profit from operations

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

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

– other services pursuant to legislation	**27**	34

7. Taxation

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

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

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

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

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

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

9. Investments classified as loans and receivables

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

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

Analysis of (losses)/gains on investments

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

Analysis of impairments

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

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

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

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

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

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

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

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

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

Movement in impairments	*2008* *£'000*
Balance at the beginning of the year	—
Impairment of cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Myriad Medical Holdings Limited	1,212
Impairment of cumulative redeemable preference shares in a special purpose vehicle established to	2,940

acquire an interest in Mvelaphanda Resources Limited	
Carrying value of impairment allowance account at the end of the year	4,152

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

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

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

10. Investments at fair value through profit and loss

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

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

Non current portion	**23,328**	54,706
Current portion	**9,839**	—
	33,167	54,706

Analysis of (losses)/gains on investments

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

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

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

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

The ordinary shares in Kulungile Metals Group (Pty) Limited are not the property of the Group and the Group has no beneficial right or interest in these shares and cannot deal with these shares or with any rights or benefits attaching thereto except on and pursuant to instructions given to it by Metier. In addition, the Group granted to Metier, the right to sell the beneficial ownership of these shares in whole or in part to the Group or its nominee. In February 2009, Metier exercised its right to sell the beneficial ownership of the shares to the Group as set out in note 16.

11. Provisions

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

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

12. Borrowings

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

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

13. Share capital and reserves

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

Movement of the ordinary shares of £1.00 each for the year	***Number of shares***	*Number of shares*
Total number of shares in issue at the beginning of the year	**78,464,998**	78,464,998
Buyback and cancellation of shares	**(2,800,000)**	—
Total number of shares in issue at the end of the year	**75,664,998**	78,464,998

Increase in the authorised share capital

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

Buyback and cancellation of shares

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

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

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

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

Capital redemption reserve

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

Foreign currency translation reserve

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

Special reserve

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

Retained earnings

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

14. Net asset value per share

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

Net asset value per share has been calculated by using the actual number of shares in issue at the end of the financial period. At 31 December 2007, the actual number of shares in issue has been reduced to take into account the 2,800,000 shares that were bought back by the Company. These shares were held as treasury shares at 31 December 2007 and have since been cancelled as set out in note 13.

15. Cash absorbed by operations

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

16. Post balance sheet events

Buy back and cancellation of ordinary shares

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17. Distribution of the annual report and accounts to shareholders

Copies of the Group's audited statutory accounts for the year ended 31 December 2008 will be despatched to shareholders shortly.

For further information, please contact:

Blackstar Investors Plc	**Andrew Bonamour**	**+27 11 283 0060**
Collins Stewart Europe Limited	**Hugh Field** **Adam Cowen**	**+44 (0) 20 7523 8350**