

Blackstar Investors PLC
("Blackstar" or the "Company")

Audited interim results for the nine months ended 30 September 2007

Blackstar today announces the audited interim results of the Company for the nine months ended 30 September 2007 which show net investment income of £24.465 million, earnings per share of 27.61 pence and net asset value ("NAV") per share of 129 pence.

Blackstar considers that there are increasingly further opportunities for investment in South Africa and Sub-Saharan Africa. Accordingly, the Company is proposing to widen its investing strategy ("Investing Strategy") and to have in place the appropriate authority to raise additional capital in the event that such opportunities arise for investment.

The Company is today sending a circular to Shareholders with details of, inter alia, the market opportunity for investing in line with its Investing Strategy, together with notice of a general meeting to be held at 6 rue Adolphe Fischer, L-1520 Luxembourg at 11.00am on 18 February 2008.

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Introduction

Blackstar was established in January 2006 with the objective of generating substantial returns by pursuing investment opportunities arising out of the empowerment process in South Africa. Black Economic Empowerment ("BEE") transactions tend to give impetus to a host of corporate re-organisations, consolidations and mergers. Blackstar, through its Adviser, Blackstar Managers Limited ("Blackstar Managers"), has capitalised on this opportunity as an entry point to transactions where assets could be acquired on attractive terms and conditions. Blackstar has endeavoured to gain exposure to sectors and industries that it believes will do well and be able to capitalise on developments and changes that are currently taking place both in South Africa and Sub-Saharan Africa. South Africa continues to be the "gateway" to Africa and is the continent's economic powerhouse.

Blackstar continues to believe that opportunities around the BEE process in South Africa offer attractive investment opportunities. However, as Blackstar has demonstrated, the opportunities in the South African market place extend beyond BEE funding transactions due to the ongoing developments in South Africa and the Sub-Saharan region. As a result of these changes, the region is experiencing significant interest from the international investment community.

Through two capital raisings in 2006, Blackstar raised in aggregate £80 million, before expenses, to pursue its Investing Strategy. Blackstar has a track record of generating substantial returns and has generated a 55 per cent return (equivalent to an IRR of 110 per cent) on invested funds of £55 million to 30 September 2007, significantly outperforming the Johannesburg Stock Exchange ("JSE") All Share Index over the same period.

Blackstar has increased its net assets from £75.4 million (net capital raised) to £99.7 million as at 30 September 2007, thereby increasing its NAV to 129 pence per share and inherent NAV to 148 pence per share.

Blackstar is now 87 per cent invested and seeks to continue the implementation of, and broaden, its Investing Strategy in order to capitalise on the opportunities as they present themselves. Blackstar is an effective vehicle for investors to gain exposure to South Africa and Sub-Saharan Africa by backing an investment team with knowledge of the market and a track record of generating returns.

The ordinary shares of £1 each ("Ordinary Shares") currently trade at a discount to their net asset value and inherent value. In line with its strategy to enhance Shareholder value, Blackstar has bought back 2.8 million shares to date, at an average price of 106.43 pence per share, an 18 per cent discount to its audited 30 September 2007 NAV. The funding for these share buy-backs came from revenue generated by Blackstar's underlying portfolio.

Market opportunity

South Africa is an important market within the emerging market spectrum and is the logical platform into Africa. Key strengths include an established democracy, legal framework and infrastructure, first world financial framework and a well diversified economy. The investment environment features a growing demand for goods and services, corporate restructurings, increased government and private sector spending on infrastructure and capital projects which will further drive economic growth and consequently deal flow. The last ten years have seen renewed growth and governance across a number of African states.

Economic growth in Sub-Saharan Africa is likely to remain high for the rest of the decade and will drive further positive changes in public and economic policy. Growth has accelerated in recent years in the 40 or so countries that comprise the Sub-Saharan region. Real growth in GDP averaged only 3.1 per cent from 1997 to 2001, but has accelerated rapidly to touch 6 per cent in both 2004 and 2005. The International Monetary Fund forecasts 7 per cent for 2007. Moreover, not only has growth in Sub-Saharan Africa accelerated substantially since 2002, it has remained high for a sustained period of time. This upturn could have been much higher had it not been for major problems in leading economies in Sub-Saharan Africa. Ivory Coast remains divided in two and locked in a political impasse; Zimbabwe continues to spiral into decline; and the Kenyan economy is improving only now after being mired in political crisis and recession in recent years.

Structural development, a better policy environment, strong capital inflows and remittances have been the main factors relating to this period of sustained higher economic growth. This has translated into lower inflation rates, lower budget deficits and rising foreign exchange reserves. These factors reinforce the fact that the changes taking place are more than cyclical.

Decades of under investment have left the continent with an infrastructure ill-equipped to deal with the burgeoning demand for its exports. Governments have already begun addressing this and have indicated that a more aggressive spending policy will be implemented. These policies will primarily focus on infrastructural projects.

These fundamental changes that have taken place make Sub-Saharan Africa fertile ground for foreign governments, international companies and private equity. Goldman Sachs first coined the phrase BRIC economies referring to economies that are rapidly developing and, by the year 2050, will eclipse most of the current richest countries in the world. The term was later extended to "BRICSA" referring to Brazil, Russia, India, China and Southern Africa, the countries and regions likely to post the biggest returns for Investors in the coming years. There has been a lot of investment activity in Sub-Saharan Africa with some major investments by multi-nationals.

Blackstar believes that current market conditions are particularly opportune for private equity and public market investing in South Africa and Sub-Saharan Africa. The opportunity is underpinned by an economic transformation which coincides with a strong macro environment in the region. Over the past five years, Sub-Saharan Africa has been slowly integrating into the global economy. This has led to the convergence of five important features which, when considered together, provide for unique investment opportunities. These are:

- fundamental changes in corporate ownership patterns
- improvements in the micro and macro economies of the region
- receptive capital markets
- strong private and public market investment into the economy
- private equity being well suited to the imperatives of BEE policy in South Africa.

Blackstar has endeavoured to gain exposure to sectors and industries that we believe will perform well and be able to capitalise on developments and changes that are currently taking place both in South Africa and the African continent as a whole. Blackstar is well positioned geographically, strategically and financially to take advantage of these opportunities for long-term value creation.

Investing Strategy

Blackstar's primary objective, through its Adviser, has been to achieve long-term capital appreciation through majority or minority investments in a diversified portfolio of commercial and industrial companies in South Africa. Blackstar's approach to transactions is based on opportunism and market timing coupled with fundamental analysis. Blackstar Managers, through its sub-adviser, Blackstar Fund Managers, follows a proactive approach to seeking out opportunities that it believes will generate returns for its investors. In addition, the Adviser believes it has the necessary critical success factors to generate returns for investors which include:

- a thorough understanding of the commercial and political environment in South Africa and Sub-Saharan Africa
- well-established relationships with South African corporate and institutional decision makers
- experience and knowledge of the African market
- a sophisticated network in the region and a presence on the ground that enables the Adviser to find the opportunities that may not be available to other investors
- long-standing relationships with the major providers of debt and equity capital in South Africa and Sub-Saharan Africa
- proven skills in analysing, structuring, implementing and exiting transactions.

The Adviser intends to target the following types of transactions involving companies:

- management buy-outs and buy-ins of private and listed companies
- expansion capital for small companies with significant growth prospects
- platform and consolidation opportunities
- replacement capital to finance the full or partial exit of significant equity investors

- public market opportunities including:
undervalued securities:

- low price earnings, revenue or cash flow multiples or a large discount to net book value and low gearing; or
- where prices are distorted by distressed circumstances or as a result of impending recapitalisation or restructuring.

* event-driven opportunities, where the Adviser identifies portfolio companies where it can add value by recommending and implementing one or a selection of:

- improvements in a company's capital structure;
 - a new strategic plan that often involves the sale or disinvestment of business units;
 - a restructuring of operations to realise the value inherent in a company's assets;
 - the acquisition of a company to enhance the business value;
 - build up of strategies in fragmented industries that are well positioned to take advantage of economic and industry changes and market shifts in South Africa; and
- pre-flotation opportunities.

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Blackstar employs private equity style processes and disciplines when investing in publicly quoted stocks. Blackstar intends to target up to 40-50 per cent of net capital raised in public market opportunities. Blackstar's objective is to have a balance of listed and unlisted assets in its portfolio.

The current Investing Strategy of the Company is to make investments in BEE opportunities in South Africa as an indirect and direct investor in a limited number of companies most of which are expected to be traded on the JSE with annual turnover in excess of R100 million (£7.2 million) operating within the resources, energy, automotive, logistics/distribution and infrastructure/telecoms sectors. The Directors do not intend to concentrate more than 50 per cent of the net funds available for investment in the resources sector and do not intend to invest more than 30 per cent of such net funds in any single BEE opportunity. In addition, the Directors may seek to raise debt finance in respect of each investment.

The Directors have undertaken a strategic review of the Company and its investments and in consequence are proposing a resolution at the General Meeting of the Company to seek Shareholder approval to amend the Investing Strategy. The proposed amendment would allow the Company to make investments in any of the countries in Sub-Saharan Africa in addition to South Africa, where the Adviser believes opportunities, such as those described above, exist for a significant investment return. Blackstar will further undertake to limit each investment to no more than 30 per cent of the total net capital raised and proposes to invest up to 30 per cent of new capital raised in selected investment opportunities in countries in Sub-Saharan Africa outside of South Africa.

The Directors undertake annual strategic reviews of the Company and its investments.

Track record and performance

Blackstar has a track record of generating substantial returns and has generated a 55 per cent return up to 30 September 2007 (equivalent to an IRR of 110 per cent), on invested funds of £55 million to 30 September 2007, significantly outperforming the JSE All Share Index over the same period.

Blackstar has increased its net assets from £75.4 million (net capital raised) to £99.7 million thereby increasing its NAV to 129 pence per share and inherent NAV to 148 pence per share, after taking into account the performance fee accrual and the buy-back of 1 million shares to 30 September 2007. Blackstar committed 100 per cent of the first amount of capital raised within 10 months of raising and had committed 87 per cent of total available capital within 13

months of the second capital raising. Committed investments were successfully implemented within a maximum of five months of commitment.

Blackstar has partially exited two investments and realised £3.7 million generating a profit of £1.6 million as well as fee income and dividend income of £0.9 million.

Blackstar has begun making progress in achieving a balance between capital growth and income and fee generation from its underlying portfolio. Blackstar Managers generates fees through providing advisory and corporate finance services around the transactions Blackstar has concluded and these fees are passed on to Blackstar.

The sub-adviser to Blackstar Managers, Blackstar Fund Managers (Pty) Ltd (“Blackstar Fund Managers”) was recently named in the top ten advisers in South Africa ranked by deal value in a recent survey on M&A activity compiled by a leading publication in South Africa.

Blackstar Fund Managers manages a small pool of funds that it invests in listed stocks on the JSE. From its inception in March 2006 to 30 September 2007, Blackstar Fund Managers has generated an IRR of 77 per cent in Rand terms, on total funds under management, also outperforming the JSE All Share Index.

The Adviser

Blackstar Managers provides advisory services to Blackstar pursuant to an advisory agreement. Blackstar Managers in turn has a sub-advisory agreement with Blackstar Fund Managers, which is based in Johannesburg, South Africa and has an experienced team that is highly accomplished in its ability to identify investment opportunities in this transforming environment and its ability to price, negotiate, structure and implement transactions. The investment team, headed by Andrew Bonamour, has over 40 years of combined experience in corporate finance, takeovers, leveraged buy outs and value investing. The team has a strong network and a deep understanding of the operating environment within South Africa and Sub-Saharan Africa. Blackstar Fund Managers is regulated by the Financial Services Board of South Africa and is an authorised and regulated Financial Services provider.

Advisory fee and performance incentive arrangements

Subject to the approval of Shareholders at the General Meeting, Blackstar is proposing to revise the advisory fees and performance incentives of the Adviser under its existing advisory agreement with Blackstar Managers. Blackstar’s Investing Strategy is a hybrid between private and public market investing and there is a degree of liquidity within its portfolio. The Directors consider it appropriate to align closely the interests of Shareholders with those of the Adviser in order to ensure that investments are not realised prematurely and that the Adviser is properly incentivised by encouraging and rewarding exceptional performance.

Furthermore, as Blackstar has developed its investment portfolio and has widened its Investing Strategy to consider potential opportunities within Sub-Saharan Africa, the Adviser has sought to supplement its resource base. The Directors believe that it is important for the Adviser to be able to attract, incentivise and retain appropriately experienced and skilled staff in South Africa where there are currently shortages of skills.

Consequently, the Company and Blackstar Managers have entered into an advisory agreement dated 24 January 2008 (the “Advisory Agreement”) which is effective subject to the approval of Shareholders at the General Meeting. Under the Advisory Agreement, the Company is proposing to revise the terms of the advisory fee, under which the Adviser is currently paid at the rate of 2.0 per cent per annum on £60 million of funds raised and 1.75 per cent per annum on the balance of £20 million of funds raised to date, to 2.0 per cent per annum on the aggregate of funds raised, payable quarterly in advance.

In addition, under the Advisory Agreement the Company is proposing to revise the terms of the performance fee incentive ("Carried Interest"). The Carried Interest is equal to 20 per cent of the gain on investments realised by the Company, subject to a 10 per cent hurdle and making good any investment write-downs and general expenses. The Company proposes to amend the terms, on the basis that the Carried Interest will also be paid on unrealised gains, as follows:

(1) the Carried Interest will be calculated annually using all income, realisations, IFRS valuations, less all invested capital, costs and a 10 per cent hurdle, but including a catch-up;

(2) 50 per cent of the Carried Interest will be payable annually, subject to a high watermark and the availability of cash resources in Blackstar; and

(3) 50 per cent of the Carried Interest (plus any amounts outstanding in terms of paragraph (2) above) will be payable within 14 days of the approval of Blackstar's audited financial statements for the year ending 31 December 2012, but no later than 14 April 2013. The Adviser can elect to postpone this fee payment for further 12 month periods, but cannot postpone the fee payment beyond 14 April 2015 (based on Blackstar's audited financial statements for the year ending 31 December 2014).

The Adviser will apply 50 per cent of the annual Carried Interest fee it receives in terms of paragraph (2) above in the purchase of Ordinary Shares on the open market (subject to the AIM Rules and all other applicable regulations). The Ordinary Shares shall be retained by the Adviser until the earlier of 14 April 2013 and the date on which the Advisory Agreement is terminated.

Related party transactions

Julian Treger is deemed to be a related party under the AIM Rules as, in addition to being a Director, he is a potential beneficiary of discretionary trusts that are interested in the issued share capital of the Company and in the advisory fees and performance incentives payable to the Adviser.

Andrew Bonamour is deemed to be a related party under the AIM Rules as, in addition to being a Director, he is a potential beneficiary of family trusts that are interested in the issued share capital of the Company and of the Adviser and in the advisory fees and performance incentives payable to the Adviser.

The Directors (other than Julian Treger and Andrew Bonamour) consider, having consulted with the Company's nominated adviser, Shore Capital, that the terms of the Advisory Agreement are fair and reasonable insofar as Shareholders as a whole are concerned, and to be in the best interests of the Company.

Current trading

The audited interim results of the Company for the nine months ended 30 September 2007, as set out below, show net investment income of £24.465 million, earnings per share of 27.61 pence and NAV per share of 129 pence.

The Directors are confident that Blackstar will continue to be able to invest in attractive opportunities in line with its Investing Strategy.

Memorandum and Articles of Association

A resolution will be proposed at the General Meeting to adopt new Articles in order to reflect the provisions of the Companies Act 2006 which are now partially in force. The new provisions will, *inter alia*, allow the Company and its Shareholders to communicate with each other electronically (where the Shareholders have agreed to do so) and incorporate the

Directors' statutory duties in the Company's constitution. None of the proposed changes to the Articles will adversely affect the rights of Shareholders.

Share buy-back programme

The Board considers that a programme of share buy-backs is an effective way of returning funds to investors and, accordingly, have introduced such a policy. Further to the authority granted to the Company at the annual general meeting held on 29 June 2007, to buy its own shares, the Company has bought back a total of 2.8 million shares between September and October 2007 at an average price of 106.43 pence per share.

General Meeting

A General Meeting of the Company is to be held at 6 rue Adolphe Fischer, L-1520 Luxembourg at 11.00 a.m. (CET) on 18 February 2008 in the presence of a Luxembourg notary at which the following resolutions ("Resolutions") will be proposed:

1. to increase the authorised share capital of the Company from £90,000,000 to £150,000,000 and to amend the Articles to reflect the effect of this resolution;
2. to authorise the Directors to allot and issue Ordinary Shares in connection with any placing and other shares up to £74,335,002 in nominal value provided that such authority shall expire at the end of the annual general meeting of the Company to be held in 2008 and to amend the Articles to reflect the effect of this resolution;
3. to authorise the Directors to disapply statutory pre-emption rights in certain circumstances (including any placing) and to amend the Articles to reflect the effect of this resolution;
4. to approve the amendments to the Investing Strategy;
5. to approve the terms of the Advisory Agreement;
6. to cancel the 2,800,000 Ordinary Shares bought back by the Company pursuant to the authority granted to the Company at the annual general meeting of the Company held on 29 June 2007, for the purposes of Luxembourg law and to amend the Articles to reflect the effect of this resolution;
7. to cancel any Ordinary Shares bought back in the future by the Company pursuant to the authority granted to the Company at the annual general meeting of the Company held on 29 June 2007, for the purposes of Luxembourg law and to appoint an employee of Maitland Luxembourg S.A. to appear before a public notary in Luxembourg for the purpose of amending the Articles to reflect the changes resulting from the cancellation of any Ordinary Shares bought back in the future; and
8. to adopt new Articles to reflect, *inter alia*, the provisions of the Companies Act 2006 which have now partially come into force.

Resolutions 4 and 5 are to be proposed as ordinary resolutions and Resolutions 1, 2, 3, 6, 7 and 8 as special resolutions. Resolutions 1, 2, 3, 6, 7 and 8 require a 75 per cent majority by value of the Ordinary Shares present or represented at the General Meeting. In addition, in order to pass Resolutions 1, 2, 3, 6, 7 and 8 a quorum of more than half of the issued Ordinary Shares by value is required to be present or represented at the General Meeting.

Resolutions 4 and 5 may be passed at the General Meeting by a simple majority representing more than 50 per cent by value of the Ordinary Shares. The quorum requirement in relation to Resolutions 4 and 5 is at least two Shareholders present or represented at the General Meeting.

In accordance with Luxembourg law the General Meeting cannot be adjourned if there is no quorum. Accordingly, if at the General Meeting (the “First General Meeting”) the aforesaid quorum requirement of more than half of the issued Ordinary Shares by value is not present Resolutions 1, 2, 3, 6, 7 and 8 will not be proposed and will therefore not be capable of being passed. The Board may then decide to convene a second general meeting (the “Second General Meeting”) to re-consider such Resolutions for which a further notice of meeting will be sent to Shareholders in accordance with the Articles.

The quorum requirement in relation to all the Resolutions at the Second General Meeting will be at least two Shareholders present or represented at the Second General Meeting.

If Resolutions 4 and 5 are not passed at the First General Meeting, they can be passed at the Second General Meeting by a simple majority representing more than 50 per cent by value of the Ordinary Shares.

At the Second General Meeting, Resolutions 1, 2, 3, 6, 7 and 8 can be validly adopted by a majority of 75 per cent by value of the Ordinary Shares present or represented.

Consolidated income statement

	<i>Audited 9 months to 30 September 2007</i>	<i>Audited Year to 31 December 2006</i>
<i>Notes</i>	<i>£'000</i>	<i>£'000</i>
Continuing Operations		
Increase in fair value of investments	21,828	3,701
Fees, dividends and interest received from investments	3 2,514	114
Realised gain on disposal on investments	123	285
Net investment income	<u>24,465</u>	<u>4,100</u>
Administrative expenses - Performance fees	(5,118)	—
Administrative expenses - Other	(1,743)	(1,565)
Administrative expenses	(6,861)	(1,565)
Profit from operations	4 <u>17,604</u>	<u>2,535</u>
Finance income	1,630	1,663
Profit before taxation	<u>19,234</u>	<u>4,198</u>
Taxation	5 (12)	—
Profit for the period from continuing operations	<u>19,222</u>	<u>4,198</u>
Discontinued Operations		
Profit for the period from discontinued operations	2,629	—
Profit for the period	<u>21,851</u>	<u>4,198</u>
Attributable to:		
Equity holders	21,651	4,198
Minority interest	200	—
	<u>21,851</u>	<u>4,198</u>

Basic and diluted earnings attributable to equity holders per ordinary share in pence	7	27.61	9.14
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Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Special reserve £'000	Treasury shares £'000	Retained earnings £'000	Minority interest £'000	Total equity £'000
Balance at 31 December 2005	121	—	1,262	—	11,754	—	(12,874)	—	263
Consolidation and issue of new shares	78,344	2,143	(487)	—	—	—	—	—	80,000
Capital raising expenses	—	(2,143)	—	—	—	—	(2,467)	—	(4,610)
Currency exchange losses on investments	—	—	—	(839)	—	—	—	—	(839)
Amount recognized directly in equity	78,465	—	775	(839)	11,754	—	(15,341)	—	74,814
Profit for the year	—	—	—	—	—	—	4,198	—	4,198
Balance at 31 December 2006	78,465	—	775	(839)	11,754	—	(11,143)	—	79,012
Currency exchange gains on investments	—	—	—	92	—	—	—	—	92
Amount recognized directly in equity	78,465	—	775	(747)	11,754	—	(11,143)	—	79,104
Minority interest arising on acquisition	—	—	—	—	—	—	—	3,272	3,272
Profit for the period	—	—	—	—	—	—	21,651	200	21,851
Minority interest eliminated on disposal of subsidiary held with a view to dispose	—	—	—	—	—	—	—	(3,472)	(3,472)
Buy back of ordinary shares	—	—	—	—	—	(1,090)	—	—	(1,090)
Balance at 30 September 2007	78,465	—	775	(747)	11,754	(1,090)	10,508	—	99,665

No dividends were declared in any of the periods presented above

Consolidated balance sheet

	<i>Audited</i>	<i>Audited</i>
	<i>30 September</i>	<i>31 December</i>
<i>Notes</i>	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>

Non-current assets

Investments held to maturity	8	31,701	2,816
Investments at fair value through profit and loss	9	51,052	9,722
		<u>82,753</u>	<u>12,538</u>

Current assets

Trade and other receivables		1,093	435
Cash and cash equivalents		22,081	66,197
		<u>23,174</u>	<u>66,632</u>

Total assets

		<u>105,927</u>	<u>79,170</u>
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Non-current liabilities

Provisions		(5,118)	—
Tax payable		(12)	—

Current liabilities

Trade and other accounts payable		(1,132)	(158)
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Total liabilities

		<u>(6,262)</u>	<u>(158)</u>
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Total net assets

		<u>99,665</u>	<u>79,012</u>
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Equity

Share capital		78,465	78,465
Capital redemption reserve		775	775
Foreign currency translation reserve		(747)	(839)
Special reserve		11,754	11,754
Treasury shares		(1,090)	—
Retained earnings		10,508	(11,143)

Total equity attributable to equity holders of the parent

		<u>99,665</u>	<u>79,012</u>
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Net asset value per share in pence

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Consolidated cash flow statement

	<i>Audited 9 months to 30 September 2007</i>	<i>Audited Year to 31 December 2006</i>
	<i>£'000</i>	<i>£'000</i>

Cash flow from operating activities

Cash absorbed by operations	(534)	(1,627)
Interest received	1,630	1,663
Cash generated by operating activities	<u>1,096</u>	<u>36</u>

Cash flow from investing activities

Purchase of investments	(40,995)	(9,799)
Purchase of subsidiary held with the view to dispose	(4,231)	—

Proceeds from disposal of investment	226	522
Proceeds from disposal of rights arising in respect of subsidiary held with a view to dispose	867	—
Proceeds from the redemption of preference share investments	11	—
Cash absorbed by investing activities	(44,122)	(9,277)
Cash flow from financing activities		
Issue of ordinary shares	—	80,000
Capital raising expenses	—	(4,610)
Buy back of ordinary shares	(1,090)	—
Cash (absorbed)/generated by financing activities	(1,090)	75,390
Net (decrease)/increase in cash and cash equivalents	(44,116)	66,149
Cash and cash equivalents at beginning of period	66,197	48
Cash and cash equivalents at the end of the period	22,081	66,197

Notes to the financial statements

The financial information in this interim announcement does not constitute the interim group financial statements for the nine months ended 30 September 2007 but has been extracted from the group's 30 September 2007 interim financial statements which were approved by the board on 24 January 2008, and as such does not contain all the information required to be disclosed in the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). The auditors have reported on these financial statements; their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

1. Basis of preparation

The principal accounting policies adopted in the preparation of the interim group financial statements have been consistently applied across all periods presented in the interim group financial statements.

These interim group financial statements of the Company and its subsidiaries (the "Group") have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union.

The preparation of the financial statements requires the use of estimates, assumptions and judgements that affect the amounts reported in the balance sheet and income statement of the Group. Although the estimates are based on the Directors' best knowledge and judgements of current facts as at balance sheet date, the actual outcome may differ from those estimates. The most critical estimates, assumptions and judgements relate to the determination of carrying value of investments at fair value through profit and loss and investments held to maturity.

In determining the carrying value of investments at fair value through profit and loss, the Group follows the International Private Equity and Venture Capital Valuation Guidelines, applying the overriding concept that fair value is the amount for which an asset can be exchanged between knowledgeable willing parties in an arm's length transaction. The nature, facts and circumstance of the investment drives the valuation methodology.

In determining the carrying value of investments held to maturity, the Group considers whether there have been any events or changes in circumstances which indicate that an impairment may have occurred and reduces the carrying value by the estimated extent of the impairment.

2. Segmental information

On 14 March 2007, the Group acquired a 56.3 per cent interest in the voting rights of York Timber Organisation Limited ("York"), which was subsequently reduced to 19.9 per cent of the voting rights on 12 July 2007. York is a forestry company that owns forests, sawmills and trading operations in South Africa, being one of the segments from which the Group's results are derived. During this period the profit of York amounted to £458,000, of which £200,000 was attributable to outside shareholders. The balance and vast majority of the Group's results are derived from its principal activity, investing in South Africa, this being its reportable segment, and geographic segment.

3. Fees, dividends and interest received from investments

	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Dividends received on investments held to maturity	1,077	114
Dividends received on investments at fair value through profit and loss	71	—
Interest received on investments held to maturity	544	—
Fee income	822	—
	2,514	114

4. Profit from operations

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

	<i>2007</i>	<i>2006</i>
	<i>£'000</i>	<i>£'000</i>
Foreign exchange differences	(6)	(112)
Auditors' remuneration		
— audit services	14	20
— other services supplied under legislation	28	19

5. Taxation

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in Luxembourg (29.63 per cent), applied to profits of the Group for the period ended 30 September 2007 and year ended 31 December 2006 are as follows:

<i>2007</i>	<i>2006</i>
<i>£'000</i>	<i>£'000</i>

Profit before tax	21,663	4,198
Tax at standard rate of corporation tax in Luxembourg	6,466	1,253
Income not subject to tax	(6,266)	(1,229)
Capitalised expenses deductible for tax purposes	(185)	(29)
Tax losses unutilised	20	5
Effect of lower tax rates in Cyprus	(23)	—
Tax charge for the period/year	12	—

The Group has unutilised cumulative losses of £82,000 (2006: nil) and additional capitalised expenses amounting to £3,894,000 (2006: £4,512,000) that are deductible for tax purposes.

6. Profit from discontinued operations

Acquisition of York Timber Organisation Limited (“York”)

On 14 March 2007, the Group acquired a 56.3 per cent interest in the voting rights of York. York was acquired with the intention to dispose part of the holding and it has been accounted for as such in these financial statements, with its results since acquisition being treated as a discontinued operation.

The assets and liabilities acquired were as follows:

	£'000
Total assets	18,378
Total liabilities	10,892
Total net assets acquired	7,486
Group share of net assets acquired (including goodwill of £17,000)	4,231
Consideration paid in cash	4,231

Deemed disposal of York

On 12 July 2007, York acquired 100 per cent of the shares in and claims against Global Forest Products (Pty) Limited (“GFP”) and South African Plywood (Pty) Limited (“Plywood”), which was funded by York through raising additional equity including a rights issue by York, with the balance through debt facilities.

Whilst the Group exercised its rights to 10 million additional shares in York, it did not exercise all of its available rights and following the acquisition by York of GFP and Plywood on 12 July 2007, the Group’s share of voting rights reduced from 56.3 per cent to 19.9 per cent.

Results shown as part of discontinued operations

The profit for the period from discontinued operations of £2,629,000 in the consolidated income statement reflects the post acquisition profits of York for the period 14 March 2007 to 12 July 2007 of £458,000 and the post tax gain on the deemed disposal arising on 12 July 2007 of £2,171,000 which includes net proceeds from the sale of rights that were not taken up of £867,000.

Consequential accounting since 12 July 2007

Since 12 July 2007, the Group has accounted for its retained interest in York at fair value through profit and loss in accordance with the accounting policies.

7. Basic and diluted earnings per share

	2007 £'000	2006 £'000
Net profit attributable to shareholders	21,651	4,198
Weighted average number of shares in issue (thousands)	78,416	45,907
Basic and diluted earnings per share (in pence)	27.61	9.14

Earnings per ordinary share have been calculated by using the weighted average number of shares in issue during the relevant financial periods. At 30 September 2007, the weighted average number of shares in issue was 78,415,547 (31 December 2006: 45,907,268).

8. Investments held to maturity

	2007 £'000	2006 £'000
Book cost at the beginning of the period	2,796	—
Additions during the period at cost	27,291	2,796
Redemption during the period at cost	(11)	—
Book cost at the end of the period	30,076	2,796
Carrying value at the beginning of the period	2,816	—
Additions during the period at cost	27,291	2,796
Redemption during the period at cost	(11)	—
Dividends receivable from investments during the period	1,077	114
Interest receivable from investments during the period	544	—
Currency exchange losses on investments during the period	(16)	(94)
Carrying value at the end of the period	31,701	2,816

The Group does not have a controlling interest in any of the investments held to maturity. These investments comprise the following:

<i>Details</i>	<i>Carrying value 2007 £'000</i>	<i>Carrying value 2006 £'000</i>
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 per cent nominal annual compounded monthly and the shares are redeemable in 2013 or earlier at the consent of the Company and other shareholders.	589	524
Cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Myriad Medical Holdings Limited. Dividends are payable at	2,491	2,292

South African Prime rate plus 1.5 per cent nominal annual compounded monthly and the shares are redeemable in 2009 or earlier at the consent of the Company and other shareholders.

Cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Mvelaphanda Resources Limited. Dividends are payable at 91 per cent of South African Prime rate nominal annual compounded monthly and the shares are redeemable in 2010 or earlier at the consent of the Company and other shareholders.	12,042	—
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 or earlier.	5,098	—
Cumulative redeemable preference shares Kulungile Metals Group (Pty) Limited. Dividends are payable at 90 per cent of South African Prime rate nominal annual compounded semi-annually and the shares are redeemable in 2013 or earlier at the consent of the Company and other shareholders.*	2,870	—
Loan to Kulungile Metals Group (Pty) Limited. The loan bears interest at 90 per cent of South African Prime rate nominal annual compounded semi- annually and is repayable in a bullet payment in 2013 or earlier.*	8,611	—
Carrying value at the end of the period	31,701	2,816

* The Group has provided security to ABSA Bank Limited over its preference shares and loan to Kulungile Metals Group (Pty) Limited.

9. Investments at fair value through profit and loss

	2007 £'000	2006 £'000
Book cost at the beginning of the period	6,766	—
Additions during the period at cost	17,935	7,003
Disposals during the period at cost	(103)	(237)
Book cost at the end of the period	24,598	6,766
Fair value at the beginning of the period	9,722	—
Additions during the period at cost	17,935	7,003
Disposals during the period at cost	(103)	(237)
Increase in the fair value of investments during the period	21,828	3,701
Currency exchange losses on investments during the period	108	(745)
Gain 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 period	51,052	9,722

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:

Details	Fair value 2007 £'000	Fair value 2006 £'000
Derivative investment in a telecom company, which gives the Company exposure to a minority interest in the underlying telecom company.	2,819	846
Derivative investment in a services company, which gives the Company exposure to a minority interest in the underlying services company.	6,503	6,369
Ordinary shares in a special purpose vehicle established to acquire an interest in Euro Steel Holdings (Pty) Limited. The special purpose vehicle unwinds in 2013 or earlier at the consent of the Company and other shareholders.	146	188
Ordinary shares in Myriad Medical Holdings Limited	1,910	2,196
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 Company participates. The shares are redeemable in 2009 or earlier at the consent the Company and other shareholders.	26	123
Ordinary shares in York Timber Organisation Limited.	23,878	—
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 Company participates. The shares are redeemable in 2011 or earlier at the consent the Company and other shareholders.	1,079	—
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 Company participates. The shares are redeemable in 2011 or earlier at the consent the Company and other shareholders.	1,727	—
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 or earlier at the consent of the Company and other shareholders.	12,402	—
Ordinary shares in a special purpose vehicle established to acquire an interest in DCD-Dorbyl (Pty) Limited. The special purpose vehicle unwinds in 2014 or earlier at the consent of the Company and other shareholders.	84	—

Ordinary shares in Kulungile Metals Group (Pty) Limited*	—	—
Ordinary shares in Spescom Limited	478	—
Carrying value at the end of the period	51,052	9,722

* The Group has provided security to ABSA Bank Limited over its ordinary shares in Kulungile Metals Group (Pty) Limited.

10. Net asset value per share

	2007	2006
	£'000	£'000
Total net assets	99,677	79,012
Number of shares in issue (thousands)	77,465	78,465
Net asset value per share (in pence)	129	101

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 30 September 2007, the actual number of shares in issue has been reduced to take into account the 1,000,000 shares that were bought back by the Company. These shares were held as treasury shares at 30 September 2007 and have since been cancelled as set out in note 26 to the interim group financial statements.

11. Distribution

Copies of the Interim Statement will be sent to Shareholders and the AIM team shortly and will be available on the Company's website www.blackstar.lu.