Blackstar Group Plc

Results for the year ended 31 December 2009

Directors' Statement

Highlights for 2009

- Maiden set of consolidated financial results incorporating trading subsidiaries
- Acquisition of Ferro Industrial Products (Pty) Limited ("Ferro") and increase of shareholding in Kulungile Metals Group (Pty) Limited ("KMG")
- Net asset value rose from 123 to 129 pence per share, this is after returning £5.0 million to shareholders via a tender offer
- Gross assets have more than doubled since inception
- Internalisation of investment advisory arrangements
- Realisation of investments in DCD-Dorbyl (Pty) Limited ("DCD"), York Timber Limited ("York") and Credit U Holdings Limited ("Credit U")

Introduction

In the famous words of Charles Dickens, at the beginning of A Tale of Two Cities, "it was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of light, it was the season of darkness, it was the spring of hope, it was the winter of despair....." These varied emotions aptly describe 2009. This was a year that started with darkness and despair and ended on a cautiously optimistic note, at least as far as Southern Africa is concerned. In the third quarter of 2009 South Africa emerged from its first recession in 17 years with GDP growth of 0.9% (quarter on quarter). The average GDP growth rate for the period 2005 to 2008 was 4.9% per annum.

Blackstar produces its results in Pound Sterling but its businesses operate in South Africa. Therefore the exchange rate is an important variable. During 2009, the South African Rand ("Rand") strengthened some 16.54% against Pound Sterling.

Blackstar's results over the second half of 2009 showed an improvement over its interim period, despite market conditions remaining tough. Blackstar's full year results are the first that incorporate the financial results for its two operating subsidiary companies - ten months for KMG (previously a 47.5% shareholding held as part of the Group's investment portfolio and carried at fair value) and twelve months for Ferro. The adverse conditions in the economy and steel industry in general have had a negative impact on KMG's results. However despite the difficult environment, Ferro produced its best ever results enhancing margins and cash flow from its operations. Had KMG not had to write down their inventories as a result of the adverse conditions previously mentioned, the trading subsidiaries would have recorded a trading profit. Investments recovered well since the interim period buoyed by the recovery of Mvelaphanda Resources Limited ("Mvela") and Myriad Medical Holdings Limited ("Myriad") share prices. Net asset value attributable to equity holders increased from £93.2 million in December 2008 to £101.7 million in December 2009. This was after returning £5.0 million back to shareholders through a tender offer.

The first-time consolidation of the financial results of Blackstar's subsidiary companies has resulted in significant changes to the presentation of the Company's consolidated balance sheet. As a result we have included a pro-forma balance sheet in Annexure A, which presents the Company's financial information assuming that it was not required to consolidate investee companies, and provides information that is relevant for comparison of the Company's balance sheet to prior reporting periods.

In January 2009, Blackstar bought back 2,405,488 ordinary shares in the market for cancellation, representing 3.2% of the Company's shares in issue at the time. In June 2009, Blackstar concluded the internalisation of its investment advisory arrangements and completed a £5.0 million tender offer to its shareholders.

Blackstar's share price has been trading at a significant discount to its underlying net asset value per share. Such discounts affect many AIM traded investment companies and is not a purely a Blackstar phenomenon. Nevertheless the Blackstar board is mindful of this dislocation of value and has been actively looking at ways to close the gap. Blackstar's share price appreciated from a January 2009 low of 24 pence to 54 pence at the end of December 2009. Since year end the share price has appreciated to 66 pence.

Economic and Operating Environment Review

Despite the global turmoil, Africa is one of the fastest growing regions in the world. The IMF (International Monetary Fund) predicts that Africa will grow in GDP terms by 3.9% in 2010. Countries such as Angola, DRC, Zimbabwe, Zambia, Botswana and Mozambique are all experiencing over 5% per annum GDP growth and rely on South Africa for many products and services. Blackstar's subsidiary companies are well positioned to benefit from the increased economic activity north of our border. In June this year, South Africa will host the FIFA World Cup which is the first time this honour has been bestowed upon an African country. Economists predict that the FIFA World Cup will add 0.4% to 0.7% to economic growth in South Africa for this year. However despite the euphoria associated with the World Cup, the operating environment in Southern Africa remains difficult, weighed down by domestic as well as global issues. The strong Rand is hampering the recovery of many sectors, most notably resources and manufacturing. In addition, South Africa has many social and economic issues to grapple with over the next few years.

Notwithstanding the above, measured in US Dollars, the JSE ALSI appreciated some 60% from its lows in January 2009 to December 2009, compared to the FTSE 100 which appreciated 32% and the Dow Jones which appreciated 15%. This is partly the result of South Africa being a direct beneficiary of emerging market asset allocations. Over the past decade, the JSE ALSI has returned 231% versus a return of -22% and – 9% for the FTSE 100 and Dow Jones respectively.

Investment Review

Blackstar's investments fared well in 2009, despite a dismal start to the year. Our indirect investment in Mvela recovered well with the share price appreciating 115% from January 2009 to December 2009. This recovery was largely a result of the recovery in resources (particularly platinum prices), as well as market speculation of a potential offer for Mvela.

Our investment in Myriad also experienced a sharp recovery with the share price appreciating 65% from January 2009 to December 2009. Myriad operates in the high growth area of medical supplies, single use consumables and medical capital equipment to both the public and private sectors. The healthcare sector is a high growth sector in South Africa and Myriad is ideally placed to benefit from the increased spend. In August 2009, Blackstar became more involved in the growth and development of Myriad. The CEO and COO retired and Blackstar provided one of its executives as interim CEO, backed by the resources of Blackstar. In December 2009, Myriad announced the conditional acquisition of a 51% holding in Litha Healthcare Holdings (Pty) Limited ("Litha"). Litha is a diversified healthcare business focusing on biotechnology, pharmaceuticals and consumables. Litha is the exclusive supplier of paediatric vaccines to the South African Government. The transaction diversifies Myriad's healthcare offering into three business lines – biotechnology (vaccines), pharmaceuticals and devices. The Litha management team provides Myriad with strong operational and industry experience. Following the completion of the acquisition, Myriad will change its name to Litha Healthcare Group Limited and will move to the main board of the JSE. The transaction will be funded by a combination of shares and cash. Blackstar is underwriting the R100 million rights offer by Myriad to partly fund the cash portion of the purchase price.

Prior to the conclusion of the Litha transaction, Blackstar will increase its shareholding in Myriad from 19.02% to 51.3%, following the acquisition of the 30.26% interest in Myriad held by Vermogen Medicals (Pty) Limited ("Vermogen"). Vermogen was Myriad's empowerment partner which was funded by Blackstar in 2006. The funding structure was unwound on 15 January 2010 as Vermogen were unable to refinance the amount owed to Blackstar. As a consequence of exceeding the 34.9% shareholding limitation, the South African Securities Regulation Panel required Blackstar to make a mandatory offer to Myriad's minority shareholders. Blackstar duly made the offer and only 0.88% of Myriad shareholders tendered their shares. Following the conclusion of the Litha transaction, Blackstar's shareholding will be approximately 44% of the enlarged group. The Litha acquisition is expected to close during April 2010.

Blackstar exited its remaining York shareholding in October 2009, realising £2.4 million, however the Company retains a £0.7 million investment in the York convertible preference shares. These preference shares will shortly convert into ordinary shares on a one-for-one basis which Blackstar intends realising.

In February 2009, Blackstar sold its effective 17% shareholding in DCD Dorbyl Limited for £13.8 million equating to a return of 2.83 times money and an IRR of 76% in Pound Sterling over the 20 month holding period. In addition the £6.7 million convertible loan provided to Credit U Limited was unwound, realising a profit of £0.4 million over a 12 month period.

KMG Operating Review

KMG is a dominant steel merchant and processor in South Africa and is number one in aluminium, number two in stainless steel and number three in carbon steel in terms of volumes sold. KMG also owns 100% of GRS, which has been in existence since 1950, and is the largest steel roofing and cladding company in South Africa. GRS also has a substantial African footprint, supplying a number of African countries from South Africa.

Blackstar did a leveraged buyout of KMG in June 2007 and in March 2009, Blackstar increased its shareholding in KMG from 47.5% to 73%.

On completion of the leveraged buyout in June 2007, a new management team was introduced and KMG subsequently acquired GRS in April 2008. GRS represented a downstream acquisition which enhanced the business offering. Over the initial 18 months since the investment was concluded, KMG performed remarkably well buoyed by infrastructure spending and a vibrant steel market. However as a result of the financial crisis, steel prices began to tumble whilst inventory levels were still building up and demand was slowing at a fast rate. Prices reduced on average by approximately 65% compared to the highest levels achieved during 2008. KMG's volumes contracted, effectively placing KMG under severe strain.

KMG's management along with Blackstar implemented a series of actions to alleviate the negative effects of a deteriorating market. A retrenchment program was implemented which reduced the workforce by 14% and stock levels were decreased in order to better match demand. KMG had to write down £3.7 million in its stock values and its margins came under pressure. The consequence of these factors was that KMG recorded a loss from operating activities of £3.9 million for 2009 (for KMG's previously reported financial period a profit of £9.6 million was recorded for the twelve months ended 28 February 2009).

All of the above factors were compounded by the acquisition leverage that KMG still has on its balance sheet. This leverage has made the turnaround and right-sizing exercise all the more difficult. Blackstar and KMG management re-negotiated the covenants with KMG's bankers and Blackstar is in the process of converting its B Preference shares into equity. This will bring Blackstar's shareholding to 82% of KMG.

Although KMG as a Group had a difficult year, its subsidiary company GRS was able to produce a small profit despite the operating environment.

On the positive side, KMG made two small acquisitions in 2009. The first acquisition was a division from Hulamin Engineering Solutions which is a stockist and distributor of flat and rolled aluminum products and has branches throughout South Africa. As a result of this acquisition, KMG became the largest stockist and distributor of aluminum products in Southern Africa. During July 2009, KMG acquired 100% of Country Roofing (Pty) Limited ("Country Roofing"), a roofing contractor and steel stockist in Namibia which services Namibia, Angola, Southern DRC and Botswana. Country Roofing was acquired for R14 million and has produced profit before tax of R10 million since July 2009 which indicates what a good acquisition it has been for KMG.

The year ahead is anticipated to be a difficult one for KMG. Although steel prices have stabilised, the South African steel markets still haven't recovered and volumes remain low. Management's focus for this year is to de-gear and strengthen the balance sheet. We are fortunate to have a strong capable management team in place at KMG with over 40 years experience in the steel sector. KMG has a good position in South Africa and a solid footprint in the Sub-Saharan market.

From March 2009 (being the date from which KMG is consolidated), KMG was able to reduce their acquisition finance by £3.0 million to £13.0 million at 31 December 2009.

Ferro Operating Review

During January 2009, Blackstar acquired 56% of Ferro for £5.9 million, including the acquisition of certain shareholder loans at a fair value of £2.7 million. In August 2009, Blackstar decreased its shareholding to 54% when it sold shares to certain staff of Ferro. During the year Blackstar received £0.3 million in interest on its shareholder loan to December 2009.

Ferro is a 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 and glass coatings. Ferro has a strong reputation in the market and its brands are recognised as leaders in the industry. Ferro has in excess of 50% of the market share in each of its four operating divisions, and in some cases 100% of the market. Ferro also exports to many African countries and the export segment of the business is experiencing substantial growth.

In a difficult year, which saw a slowdown in the South African industrial sector, Ferro produced an excellent set of results. Although sales volumes were down across all divisions, margins were enhanced significantly due to operating efficiencies and the effects of cost saving measures implemented at the beginning of the year. Cash flow generated increased 43% and operating profit was up year on year by 25%. Ferro's focus on exports into Africa reaped significant rewards and it was able to develop new customer bases on the continent. It is worth noting that the exports to Zimbabwe increased by over 205% year on year which points to signs of recovery within the Zimbabwean economy.

Ferro's acquisition finance reduced by £0.8 million from January 2009 to 31 December 2009 as a result of capital repayments and Ferro ended the year with a strong balance sheet.

Financial Review

The financial review encompasses the results of Blackstar's three reporting segments namely: Investment activities (being the Blackstar investment portfolio); Industrial metals (being KMG and its subsidiaries); and Industrial chemicals (being Ferro).

Financial performance
Revenue for the year ended 31 December 2009 amounted to £154.2 million of which KMG contributed £124.7 million for the ten months since acquisition and Ferro £29.5 million for the twelve months since acquisition. The two trading subsidiaries achieved a gross profit of £21.6 million, after taking into account KMG's write down of inventories to net realisable value of £3.7 million. Without this write-down of inventories, the trading subsidiaries would have recorded a trading profit.

A net gain on investments of £2.7 million was earned from investing activities. The most significant contributors to this gain were the Group's investments in Mvela, which accounted for a £3.6 million gain on the back of a recovery in the resources sector and Myriad which accounted for a £1.6 million gain. Although the remaining investments in the portfolio performed well, this was negated by the loss incurred on the disposal of the Group's residual interest in York. Overall to date, Blackstar has realised a substantial profit to cost from its investment in York.

The performance fee provision from prior periods, amounting to £0.2 million, was reversed on internalisation of the Company's investment advisory arrangements. Fees, dividends and interest from loans, receivables and investments declined from £7.1 million to £3.9 million. This decrease can be attributed to a decline in interest income as a result of Blackstar's realisation of its investments in DCD and Credit U as well as a decline in interest and dividend income as a result of the loan and preference shares in KMG being eliminated as an intergroup balance in the current financial year.

An impairment of goodwill amounting to £3.9 million was recognised on the goodwill arising on the acquisition of KMG. The reasons for this impairment are discussed below.

A significant increase in finance costs to £5.3 million is as a result of the finance charges in KMG and Ferro being consolidated.

The loss after tax attributable to equity holders of Blackstar amounted to £2.5 million of which KMG contributed a loss of £5.0 million and Ferro contributed £0.8 million profit. As a result of this loss, the Company reported an attributable loss per share of 3.33 pence for the year.

Balance sheet changes
Gross assets have more than doubled since Blackstar's inception and have increased to £172.7 million. Goodwill and intangible assets arise on consolidation of the Group's subsidiaries and are discussed in detail under a separate heading below.

Investments classified as loans and receivables amounted to £23.1 million at year end, a decline of £27.1 million when compared to the 31 December 2008 balance. £22.7 million of this movement was as a result of loans to KMG and preference shares held in KMG now being classified as inter-group transactions on acquisition of a controlling interest in the company and have therefore been eliminated on consolidation. The balance resulted from the realisation of the Company's investments in DCD and Credit U.

Investments at fair value through profit and loss declined from £33.2 million at 31 December 2008 to £13.5 million at 31 December 2009. This is mainly as a result of the sale of ordinary shares in DCD and York.

Borrowings increased due to the acquisition debt within both Ferro and KMG which amounted to £24.7 million at year end. This debt is ring-fenced within each subsidiary.

Other financial liabilities of £26.7 million mainly comprise secured, interest bearing, short-term loans held within Blackstar's subsidiary companies.

Changes in the equity of the Company reflect the effects of the capital re-organisation, share buy-backs, the tender offer and issue of new shares as a result of the internalisation.

A satisfactory working capital performance assisted Blackstar in generating cashflow of £11.6 million from operating activities. A total cash outflow of £24.1 million arose as a result of the acquisition of subsidiaries and the internalisation of investment advisory arrangements. Proceeds from disposal of investments amounted to £27.2 million comprising the settlement of the Credit U loan and proceeds on realisation of investments in DCD and York.

During the year, gearing levels improved as a result of repayments of borrowings of £11.1 million. Both KMG and Ferro are comfortably meeting their covenants as well as their debt servicing schedules.

Goodwill and intangibles
Blackstar's intangible assets, which have a carrying value of £14.6 million, comprise acquired marketing-related intangibles (brand names and registered trademarks), customer relationships and technology-related intangibles that arose on the acquisitions of KMG and Ferro. These intangible assets are being amortised over their useful lives and amortisation of £1.2 million has been included in the operating expenses within the income statement.

Goodwill of £27.9 million arose during the year ended 31 December 2009 of which £2.9 million arose on acquisition of Ferro, £9.4 million on acquisition of KMG, £14.9 million on the acquisition of Blackstar Group (Pty) Ltd ("Blackstar SA", previously Blackstar Fund Managers (Pty) Limited) and the internalisation of investment advisory arrangements and £0.7 million on acquisitions made by the KMG group.

The goodwill that arose on acquisition of the Group's operating subsidiaries represents the premium to net asset value on acquisition of these businesses and is attributable to acquiring long established businesses with strategic market positions, track record and ability to generate strong cash flows. The Blackstar SA goodwill is attributable to securing the services and the intellectual capital of the Blackstar SA team and the ability of the business to generate value for Blackstar. No further management fees, or further performance fees are payable to BML Limited (previously Blackstar Managers Limited) and at year end the Group has exceeded its anticipated growth in net asset value that was used to determine the internalisation consideration.

Goodwill is tested for impairment at each reporting date. An impairment of £3.9 million was recognised on goodwill arising on the acquisition of KMG. As discussed under the KMG operating review, it is anticipated that 2010 will be a difficult year for KMG as the steel industry struggles to recover from the downturn it has experienced.

None of the remaining goodwill was impaired as at year end.

Internalisation and Tender offer

The internalisation of Blackstar's investment advisory arrangements, including the acquisition of Blackstar SA, was approved by shareholders and completed in June 2009. As a result of the internalisation, BML is now the Company's largest shareholder owning 19.2% of the shares in issue. The tender offer was also completed in June 2009 and resulted in 7,462,673 ordinary shares being bought back at 67 pence - representing 8.6% of the enlarged share capital.

Since its inception Blackstar has returned £8.8 million to shareholders through share buy-backs and the tender offer representing 11% of the capital raised in 2006.

Dividends

The directors do not propose the payment of a dividend in respect of the year under review.

Post Balance Sheet Events and Outlook

The conversion of the KMG B preference shares into ordinary shares in KMG will result in an increased shareholding in KMG. As has been discussed within this report, several changes are expected within Myriad in the first half of 2010, which will also result in Blackstar increasing its investment in Myriad.

A resolution to cancel the capital redemption reserve of the Company in order to create distributable reserves was passed post year end and is expected to be effective in April 2010.

Over a period of time, Blackstar will dispose of its minority investments where we have little management input or influence. Blackstar's objective is to develop a substantial industrial business in South Africa with the underlying themes of strategic market position, strong cash flow and the ability to exploit the wider African market.

We maintain our cautious view of the local, as well as global markets, for 2010. We are of the view that economic recovery will be slow and sporadic. Having said this, we remain confident that Blackstar will continue to grow the net asset value attributable to equity holders and management is actively investigating ways in which to do so.

The board of Blackstar continues to investigate ways to close the gap between net asset value and the share price. This remains a top priority for 2010.

Andrew Bonamour
1 April 2010

Annexure A

A pro-forma balance sheet as at 31 December 2009 has been presented below which reflects the Group's financial information on the basis that all investments (whether the Company could be considered to exercise control or otherwise) are accounted for as either investments at fair value through profit and loss or investments classified as loans and receivables and are not consolidated. The investments in subsidiaries have been reflected separately for ease of reference. The pro-forma balance sheet is provided for information purposes only and is relevant for comparison of the Group's balance sheet to prior reporting periods.

In addition, the consolidated balance sheet as at 31 December 2009 has been presented below in a summarised manner, for ease of comparison, such that the consolidated net asset value of each subsidiary is reflected in a single line.

	Pro-forma Unaudited 31 December 2009 £'000	**Consolidated Audited 31 December 2009 £'000**	**Audited 31 December 2008 £'000**
Total assets			
Investment in KMG	29,698	27,871	28,901
Investment in Ferro	12,122	8,051	-
Investment in Blackstar SA and internalisation of investment advisory arrangements	14,900	14,951	-
Investments classified as loans and receivables	23,346	23,346	27,464
Investments at fair value through profit and loss	14,193	14,193	26,985
Trade and other receivables	513	513	626
Cash and cash equivalents	13,384	13,384	17,831
Total liabilities			
Borrowings	-	-	(8,049)
Provisions	-	-	(404)
Trade and other payables	(560)	(560)	(181)
Total net assets	107,596	101,749	93,173
Equity			
Share capital	53,023	53,023	75,665
Capital redemption reserve	30,156	30,156	3,575
Foreign currency translation reserve	9,877	9,594	1,865
Retained earnings	14,540	8,976	12,068
Total equity attributable to equity holders	107,596	101,749	93,173
Net asset value per share (in pence)	136	129	123

Consolidated balance sheet

as at 31 December 2009

	Notes	2009 £'000	2008 £'000
Non-current assets			
Property, plant and equipment		**19,259**	-
Goodwill	9	**26,772**	-
Intangible assets		**14,566**	-
Investments classified as loans and receivables	10	**975**	36,371
Investments at fair value through profit and loss	11	**10,802**	23,328
Deferred tax assets		**882**	-
		73,256	59,699
Current assets			
Investments classified as loans and receivables	10	**22,126**	13,812
Investments at fair value through profit and loss	11	**2,680**	9,839
Other financial assets		**307**	**-**
Current tax assets		**469**	-
Trade and other receivables		**24,374**	626
Inventories		**31,928**	-
Cash and cash equivalents		**17,521**	17,831
		99,405	42,108
Total assets		**172,661**	101,807
Non-current liabilities			
Borrowings	12	**(17,412)**	-
Other financial liabilities	13	**(3,726)**	-
Provisions		**(54)**	(404)
Deferred tax liabilities		**(4,272)**	-
		(25,464)	(404)
Current liabilities			
Borrowings	12	**(7,262)**	(8,049)
Other financial liabilities	13	**(22,946)**	-
Provisions		**(84)**	-
Current tax liabilities		**(1,134)**	-
Trade and other payables		**(15,814)**	(181)
Bank overdrafts		**(202)**	-
		(47,442)	(8,230)
Total liabilities		**(72,906)**	(8,634)
Total net assets		**99,755**	93,173

Consolidated statement of comprehensive income
for the year ended 31 December 2009

	2009	2008
	£'000	£'000
Loss for the year	**(3,734)**	(7,827)
Other comprehensive income:		
Currency translation differences on investments and Rand denominated assets and liabilities	**5,787**	651
Currency translation differences on translation of foreign subsidiaries	**1,699**	-
Income tax relating to components of other comprehensive income	**-**	-
Net comprehensive income recognised directly in equity	**7,486**	651
Total comprehensive income/(loss) for the year	**3,752**	(7,176)
Attributable to:		
Equity holders of the parent	**5,182**	(7,176)
Non controlling interests	**(1,430)**	-
	3,752	(7,176)

Consolidated statement of changes in equity

for the year ended 31 December 2009

	Share capital £'000	Capital redemption reserve £'000	Special reserve £'000	Treasury shares £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Attributable to equity holders £'000	Non controlling interests £'000	Total equity £'000
Balance at 31 December 2007	78,465	775	11,754	(2,980)	11,121	1,214	100,349	-	100,349
Total comprehensive (loss)/income for the year	-	-	-	-	(7,827)	651	(7,176)	-	(7,176)
Cancellation of ordinary shares	(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	-	-	12,068	1,865	93,173	-	93,173
Total comprehensive (loss)/income for the year	-	-	-	-	(2,547)	7,729	5,182	(1,430)	3,752
Charge for share based payment	-	-	-	-	97	-	97	36	133
Arising on acquisition of subsidiaries	-	-	-	-	-	-	-	(619)	(619)
Reduction in non controlling interests arising on acquisition of additional interest in subsidiary (refer note17)	-	-	-	-	(94)	-	(94)	(19)	(113)
Additional non controlling interests arising on disposal of interest in subsidiary (refer note 17)	-	-	-	-	222	-	222	38	260
Buy-back of ordinary shares	(7,405)	2,405	-	-	(770)	-	(5,770)	-	(5,770)
Capital re-organisation	(24,176)	24,176	-	-	-	-	-	-	-
Issue of ordinary shares	8,939	-	-	-	-	-	8,939	-	8,939
Balance at 31 December 2009	53,023	30,156	-	-	8,976	9,594	101,749	(1,994)	99,755

No dividends were declared in any of the years presented above.

Consolidated balance sheet

as at 31 December 2009

	Notes	2009 £'000	2008 £'000
Non-current assets			
Property, plant and equipment		**19,259**	-
Goodwill	9	**26,772**	-
Intangible assets		**14,566**	-
Investments classified as loans and receivables	10	**975**	36,371
Investments at fair value through profit and loss	11	**10,802**	23,328
Deferred tax assets		**882**	-
		73,256	59,699
Current assets			
Investments classified as loans and receivables	10	**22,126**	13,812
Investments at fair value through profit and loss	11	**2,680**	9,839
Other financial assets		**307**	**-**
Current tax assets		**469**	-
Trade and other receivables		**24,374**	626
Inventories		**31,928**	-
Cash and cash equivalents		**17,521**	17,831
		99,405	42,108
Total assets		**172,661**	101,807
Non-current liabilities			
Borrowings	12	**(17,412)**	-
Other financial liabilities	13	**(3,726)**	-
Provisions		**(54)**	(404)
Deferred tax liabilities		**(4,272)**	-
		(25,464)	(404)
Current liabilities			
Borrowings	12	**(7,262)**	(8,049)
Other financial liabilities	13	**(22,946)**	-
Provisions		**(84)**	-
Current tax liabilities		**(1,134)**	-
Trade and other payables		**(15,814)**	(181)
Bank overdrafts		**(202)**	-
		(47,442)	(8,230)
Total liabilities		**(72,906)**	(8,634)
Total net assets		**99,755**	93,173

Consolidated balance sheet (continued)
as at 31 December 2009

	Notes	**2009 £'000**	2008 £'000
Equity			
Share capital	14	**53,023**	75,665
Capital redemption reserve	14	**30,156**	3,575
Foreign currency translation reserve	14	**9,594**	1,865
Retained earnings	14	**8,976**	12,068
Total equity attributable to equity holders		**101,749**	93,173
Non controlling interest		**(1,994)**	-
Total equity		**99,755**	93,173
Net asset value per share (in pence)	15	**129**	123

Consolidated cash flow statement

for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Cash flow from operating activities			
Cash generated/(absorbed) by operations	16	**11,607**	(7,775)
Interest received		**2,824**	1,253
Interest paid		**(3,804)**	(100)
Dividends received		**674**	264
Taxation paid		**(745)**	(73)
Cash generated/(absorbed) by operating activities		**10,556**	(6,431)
Cash flow from investing activities			
Purchase of property, plant and equipment		**(1,728)**	-
Additions to investments classified as loans and receivables		**(1,103)**	(6,569)
Purchase of investments at fair value through profit or loss		**(542)**	(3,575)
Acquisition of subsidiaries	17	**(24,069)**	-
Proceeds from disposal of property, plant and equipment		**38**	-
Proceeds from disposal of investments		**27,215**	16,195
Cash (absorbed)/generated by investing activities		**(189)**	6,051
Cash flow from financing activities			
Proceeds from borrowings		**-**	9,906
Repayment of borrowings		**(11,108)**	(3,329)
Movement in other financial liabilities (including short-term funding facilities)		**(2,064)**	**-**
Buy-back of ordinary shares		**(5,770)**	-
Issue of shares		**8,939**	-
Cash (absorbed)/generated by financing activities		**(10,003)**	6,577
Net increase in cash and cash equivalents		**364**	6,197
Cash and cash equivalents at the beginning of the year		**17,831**	10,295
Exchange (losses)/gains on cash and cash equivalents		**(876)**	1,339
Cash and cash equivalents at the end of the year		**17,319**	17,831

Notes to the financial information

for the year ended 31 December 2009

1. Financial information

The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2009 or 2008 as defined in section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2008 have been delivered to the Registrar of Companies and those for the year ended 31 December 2009 will be delivered following the Company's annual general meeting. The auditors have reported on those accounts, their reports were unqualified and did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their reports. Their report for the year ended 31 December 2009 did not contact statements under s498 (2) or (3) of the Companies Act 2006 and their report for the year ended 31 December 2008 did not contain statements under s237 (2) or (3) of the Companies Act 1985.

2. Accounting policies

The accounting policies that the Group applied in the presentation of the financial statements can be found in the Annual Report and Accounts 2009.

The principal accounting policies adopted in the preparation of the consolidated financial statements have been consistently applied across all periods presented, except as noted in the paragraphs below which address instances where there has been a revision to an existing standard or a new standard has been issued and adopted by the Group during the current reporting period.

The Group has adopted the revised IAS 1 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. As permitted under the revised IAS 1, the Group has elected to present two statements comprising the income statement and separate statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard.

The Group has applied Improving Disclosures about Financial Instruments (Amendments to IFRS 7) effective for the year ending 31 December 2009. This amendment requires enhanced disclosures about fair value measurements and liquidity risk. The Amendment does not change the recognition or measurements of transactions and balances in the financial statements.

During the current period, the Group elected to early adopt the revisions to IFRS 3 Business Combinations (effective for annual periods beginning on or after 1 July 2009) and consequential amendments to IAS 27 Consolidated and Separate Financial Statements with effect from 1 January 2009. The revisions have been applied prospectively from the first business combination that occurred during the year ended 31 December 2009.

3.Revenue

Revenue of £154,206,000 arises from the sale of goods.

4. Net gains/(losses) on investments

	2009	2008
	£'000	£'000
Net gains/(losses) on investments classified as loans and receivables	**1,590**	(173)
Reversal of impairments/(impairments) on investments classified as loans and receivables	**4,069**	(4,152)
Net losses on investments held at fair value through profit and loss	**(2,792)**	(9,390)
Loss on derivative in a designated fair value hedge relationship	**(208)**	-
Net gains/(losses) on investments	**2,659**	(13,715)

5. Fees, dividends and interest from loans and investments

	2009	2008
	£'000	£'000
Dividends from unimpaired investments classified as loans and receivables	**2,312**	1,582
Dividends from impaired investments classified as loans and receivables	**466**	2,343
Dividends from investments at fair value through profit and loss	**-**	214
Interest income from unimpaired investments classified as loans and receivables	**1,009**	2,764
Fee income	**136**	236
	3,923	7,139

6. Net finance charges

	2009	2008
	£'000	£'000
Finance income		
Interest income on bank balances	**443**	-
Interest income on trade receivables	**5**	864
Gain on derivative in a designated hedge accounting relationship	**22**	-
	470	864
Finance costs		
Interest expense on bank overdrafts	**(249)**	-
Interest expense on borrowings from banks	**(2,804)**	(722)
Interest expense on non controlling shareholder loans	**(343)**	-
Interest expense on capitalised financial leases and instalment sale agreements	**(30)**	-
Interest expense on inventory financing facilities	**(837)**	-
Interest expense on invoice discounting agreement	**(807)**	-
Interest expense on other financial liabilities	**(20)**	-
Loss on derivative in a designated hedge accounting relationship	**(166)**	-
	(5,256)	(722)
	(4,786)	142

7. Taxation

	2009	2008
	£'000	£'000
Current taxation		
Current year	**987**	-
Prior years	**(76)**	36
	911	36
Deferred taxation		
Current year	**(2,679)**	-
Net Wealth tax	**46**	-
	(1,722)	36

The reason for the difference between the actual tax charge for the year and the standard rate of corporate tax in Luxembourg applied to profits of 28.59% (2008: 29.63%) are as follows:

	2009	2008
	£'000	£'000
Loss before taxation	**(5,456)**	(7,791)
Tax at standard rate of corporate tax in Luxembourg	**(1,560)**	(2,308)
Income and expenses not subject to tax	**(2,248)**	1,180
Tax losses unutilized	**2,116**	1,128
(Under)/over provision from prior years	**(76)**	36
Net Wealth tax	**46**	-
Current tax charge for the year	**(1,722)**	36

8. Basic and diluted earnings per share

	2009	2008
	£'000	£'000
Loss attributable to equity holders	**(2,547)**	(7,827)
Weighted average number of shares in issue (thousands)	**76,454**	75,665
Basic and diluted losses per share (in pence)	**(3.33)**	(10.34)

9. Goodwill

	2009	2008
	£'000	£'000
Cost	**30,655**	-
Accumulated impairment losses	**(3,883)**	-
Carrying amount	**26,772**	**-**

	2009	2008
	£'000	£'000
Carrying amount at the beginning of the year	**-**	-
Arising on acquisition of Ferro Industrial Products (Pty) Limited ("Ferro") (refer note 17)	**2,949**	-
Arising on acquisition of Kulungile Metals Group (Pty) Limited ("KMG") (refer note 17)	**9,353**	-
Arising on acquisition of Blackstar Group (Pty) Limited ("Blackstar SA", previously Blackstar Fund Managers (Pty) Limited) and internalisation of investment advisory arrangements (refer note 17)	**14,882**	-
Arising on other acquisitions made by subsidiary of KMG (refer note 17)	**700**	
Impairment arising on goodwill in respect of KMG	**(3,883)**	-
Currency exchange gains during the year	**2,771**	-
Carrying amount at the end of the year	**26,772**	**-**

For the purpose of impairment testing, goodwill is allocated to operating divisions within each of the Group's segments, which represent the lowest level, within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments. A discounted cashflow model has been utilised to determine the recoverable amount of each cash generating unit.

An impairment loss of £3,883,000 was recognised at 31 December 2009 as the carrying amount of goodwill for three of the cash generating units within the Industrial metals segment (being KMG) exceeded their recoverable amounts. These cash generating units process and distribute carbon steel, aluminium and stainless steel and were negatively impacted by the financial crisis, which resulted in steel prices declining whilst inventory levels were building up and demand was slowing at a fast rate. Although steel prices have stabilised, the South African steel markets have still not recovered and volumes remain low, resulting in a lower recoverable amount for these particular cash generating units and the recognition of an impairment of goodwill.

10. Investments classified as loans and receivables

	2009	2008
	£'000	£'000
Book cost at the beginning of the year	**43,821**	38,200
Additions during the year at cost	**1,363**	6,569
Disposals during the year at cost	**(11,901)**	(948)
Other movements	**(18,895)**	-
Book cost at the end of the year	**14,388**	43,821

	2009	2008
	£'000	£'000
Carrying value at the beginning of the year	**50,183**	41,998
Additions during the year at cost	**1,363**	6,569
Disposals during the year at cost	**(11,901)**	(948)
Dividends relinquished on disposals	**-**	(90)
Net dividends accrued during the year	**2,104**	3,875
Net interest (received)/accrued during the year	**(1,345)**	2,375
Reversal of impairments/(impairments) during the year	**4,069**	(4,152)
Currency exchange gains during the year	**37**	556
Other movements	**(21,409)**	-
Carrying value at the end of the year	**23,101**	50,183

Other movements represent balances that now eliminate on consolidation as a result of the acquisition of KMG (refer note 17)

	2009	2008
	£'000	£'000
Non-current portion	**975**	36,371
Current portion	**22,126**	13,812
	23,101	50,183

Analysis of gains/(losses) on investments

	2009	2008
	£'000	£'000
Proceeds on disposals during the year	**13,491**	865
Investments at cost	**(11,901)**	(948)
Realised gains/(losses) on disposals based on historical cost	**1,590**	(83)
Less dividends relinquished on disposals from prior years	**-**	(71)
Realised gains/(losses) recognised in the income statement on disposals based on carrying value at prior year balance sheet date	**1,590**	(154)
Less dividends relinquished on disposals from the current year	**-**	(19)
Realised gains/(losses) recognised in the income statement on disposals based on carrying value at disposal date	**1,590**	(173)
Reversal of impairments/(impairments) during the year	**4,069**	(4,152)
Net gains/(losses) on investments	**5,659**	(4,325)

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

	Carrying value 2009 £'000	Carrying value 2008 £'000
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.	**3,403**	1,917
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.	**18,721**	11,662
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 has been repaid.	**-**	6,197
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
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
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 2013.	**-**	10,058
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 has been repaid	**-**	7,615
Loan to Adreach (Pty) Limited. The loan bears interest at South African Prime rate plus 2% nominal annual compounded monthly and is repayable in 2011.	**212**	73
Loan to Navigare Securities (Pty) Limited. The loan bears interest at 75% of South African Prime rate nominal annual compounded monthly and is repayable in 2014.	**495**	-
Loan to staff of Ferro Industrial Products (Pty) Limited. The loan bears interest at 90% of South African Prime rate nominal annual compounded semi-annually and is repayable in 2015.	**270**	-
Carrying value at the end of the year	**23,101**	50,183

11. Investments at fair value through profit and loss

	2009 £'000	2008 £'000
Book cost at the beginning of the year	**22,900**	27,387
Additions during the year at cost	**542**	3,575
On acquisition of subsidiaries (note 17)	**707**	-
Disposals during the year at cost	**(12,293)**	(8,062)
Book cost at the end of the year	**11,856**	22,900

	2009 £'000	2008 £'000
Fair value at the beginning of the year	**33,167**	54,706
Additions during the year at cost	**542**	3,575
On acquisition of subsidiaries (note 17)	**707**	-
Disposals during the year at cost	**(12,293)**	(8,062)
Unrealised gains recognised in prior years on disposals	**(8,205)**	(8,503)
Unrealised gains/(losses) during the year	**3,982**	(8,155)
Currency exchange gains/(losses) during the year	**725**	(394)
Other movements	**(5,143)**	-
Fair value at the end of the year	**13,482**	33,167

Other movements represent balances that now eliminate on consolidation as a result of the acquisition of KMG and the acquisition of ordinary shares in special purpose vehicles which hold interests in York Timber Organisation Limited (refer note 17).

	2009 £'000	2008 £'000
Non-current portion	**10,802**	23,328
Current portion	**2,680**	9,839
	13,482	33,167

Analysis of (losses)/gains on investments

	2009	2008
	£'000	£'000
Proceeds on disposals during the year	**13,724**	15,330
Investments at cost	**(12,293)**	(8,062)
Realised gains on disposals based on historical cost	**1,431**	7,268
Less unrealised gains on disposals recognised in prior years	**(8,205)**	(8,503)
Realised losses recognised in the income statement on disposals based on carrying value at prior year balance sheet date	**(6,774)**	(1,235)
Unrealised gains/(losses) during the year	**3,982**	(8,155)
Net losses on investments	**(2,792)**	(9,390)

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 2009 £'000	Fair value 2008 £'000
Derivative investment in a telecom company, which gives the Group exposure to a minority interest in the underlying telecom company.	**1,002**	725
Derivative investment in a services company, which gives the Group exposure to a minority interest in the underlying services company.	**5,744**	3,666
Ordinary shares in Myriad Medical Holdings Limited. *	**2,294**	1,033
Ordinary shares in York Timber Organisation Limited.	**-**	9,488
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
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
Convertible, non-redeemable, cumulative preference shares in York Timber Organisation Limited.	**686**	-
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.	**1,678**	1,093
Ordinary shares in a special purpose vehicle established to acquire an interest in DCD-Dorbyl (Pty) Limited.	**-**	7,652
Ordinary shares in Kulungile Metals Group (Pty) Limited.	**-**	3,995
Ordinary shares in Adreach (Pty) Limited.	**1,846**	1,749
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. #	**-**	2,187
Ordinary shares in Navigare Securities (Pty) Limited.	**134**	-
Ordinary shares in A.B.E Construction Chemicals Limited.	**98**	-
Fair value at the end of the year	**13,482**	33,167

* The Company has provided security to a bank over its ordinary shares in Myriad Medical Holdings Limited.
# The ordinary shares in Kulungile Metals Group (Pty) Limited are not the property of the Company and the Company 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 Company granted to Metier, the right to sell the beneficial ownership of these shares in whole or in part to the Company or its nominee. In February 2009, Metier exercised its right to sell the beneficial ownership of the shares to the Company and KMG became a subsidiary of the Company (refer note 17).

12. Borrowings

Borrowings comprise the following:

	2009	2008
	£'000	£'000
Unsecured		
Comprises two Rand denominated, unsecured, non controlling shareholder loans. The one loan bears interest at 90% of the South African Prime rate nominal annual compounded semi-annually and is repayable in a bullet payment in 2013. The other loan bears interest at South African Prime rate plus 300 basis points and has no fixed terms of repayment.	**2,434**	-
Comprises Rand denominated, unsecured A preference shares in KMG held by non controlling shareholders. Dividends are payable at 90% of South African Prime rate nominal annual compounded semi-annually and the shares are redeemable in 2013.	**135**	-
Secured		
Other Rand denominated, secured loans bearing interest at variable amounts ranging from South African Prime rate plus 300 basis points to Johannesburg Interbank Accepted rate (Jibar) plus 350 to 500 basis points. Repayment terms range from quarterly payments of capital and interest to quarterly payments of interest only with the capital portions being payable on or before dates ranging between 2011 and 2013.	**12,982**	-
Rand denominated, secured loan bearing interest at a fixed rate of 12.07% per annum, repayable in quarterly instalments with the final instalment due in May 2014.	**9,123**	-
Borrowings denominated in Rands and bearing interest at the Johannesburg Interbank Accepted rate plus 275 basis points, repayable in 2009 or earlier.	**-**	8,049
	24,674	8,049

	2009	2008
	£'000	£'000
Non-current portion	**17,412**	-
Current portion	**7,262**	8,049
	24,674	8,049

None of the borrowings at 31 December were in default or breach.

13. Other financial liabilities

Other financial liabilities comprise the following:

	2009	2008
	£'000	£'000
Subsidiary companies entered into a Rand denominated revolving inventory financing facility agreements. The loans bear interest at South African Prime rate less 50 basis points, are repayable monthly in arrears and capital is repayable on a rolling unspecified period.	**14,257**	
Subsidiary companies entered into Rand denominated invoice discounting agreements. The loans bear interest at South African Prime rate less 50 basis points.	**8,192**	**-**
Lease accrual arising as a result of lease payments under operating leases being recognised as an expense on a straight-line basis over the lease term.	**2,394**	**-**
Rand denominated financial leases and instalment sale agreements. Interest rates vary per finance lease from 150 to 200 basis points below South African Prime rate and some leases bear interest at a fixed rate of between 12% and 13.5%. Amounts are repayable in monthly instalments. Assets with a carrying value of £1.2 million are held as security.	**639**	**-**
A Euro denominated, asset purchase agreement which is interest free. Repayment is in the form of a levy calculated based on the tones manufactured, payable over the period 2007 to 2012. The assets in respect of this agreement with a carrying amount of £1.1 million are held as security.	**783**	-
Derivatives designated and effective as hedging instruments carried at fair value		
Forward exchange contracts ("FECs")	**69**	-
Interest rate swaps accounted for as derivatives in effective hedging relationships	**338**	-
	26,672	**-**

	2009	2008
	£'000	£'000
Non-current portion	**3,726**	-
Current portion	**22,946**	-
	26,672	-

None of the other financial liabilities at 31 December were in default or breach.

14. Share capital and reserves

	2009	2008
	£'000	£'000
Authorised		
150,000,000 ordinary shares of £0.67 each	**100,500**	-
150,000,000 ordinary shares of £1.00 each	**-**	150,000
Issued and fully paid		
79,138,688 ordinary shares of £0.67 each	**53,023**	-
75,664,998 ordinary shares of £1.00 each	**-**	75,665

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	**75,664,998**	78,464,998
Buy-back and cancellation of shares	**(2,405,488)**	(2,800,000)
Capital re-organisation	**(73,259,510)**	-
Total number of shares in issue at the end of the year	**-**	75,664,998

Movement of the ordinary shares of £0.67 each for the year	***Number of shares***	*Number of shares*
Capital re-organisation	**73,259,510**	-
Issue of new shares	**13,341,851**	-
Tender offer and cancellation of shares	**(7,462,673)**	-
Total number of shares in issue at the end of the year	**79,138,688**	**-**

Buyback and cancellation of 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 were subsequently cancelled.

Capital Re-organisation

Following the general meeting held on 25 June 2009, the Company implemented a capital re-organisation, which involved (i) the subdivision of each existing ordinary share into 67 new 1p ordinary shares and 33 deferred shares; (ii) the purchase by the Company of the deferred shares; (iii) the cancellation of all the deferred shares bought back by the Company and the cancellation of all the unissued deferred shares; and (iv) the consolidation of every 67 new 1p ordinary shares into one new ordinary share.

Issue of new shares

Following the general meeting held on 25 June 2009, the Company raised £8,939,040 by the issue of 13,341,851 new ordinary shares at 67p per share on 26 June 2009.

Tender offer and cancellation of shares

On 29 June 2009, the Company purchased 7,462,673 ordinary shares of nominal value 67p each in the share capital of the Company, further to the authority granted to the Company at the general meeting of the Company held on 25 June 2009. The price paid for these ordinary shares was 67p per share and these shares were subsequently cancelled.

Capital redemption reserve

The capital redemption reserve arose due to transfers from retained earnings in accordance with relevant legislation and on the cancellation of ordinary and deferred shares and is not distributable.

Foreign currency translation reserve

The foreign currency translation reserve comprises exchange differences arising on translation of assets and liabilities denominated in the functional currency (Rands) and all foreign exchange differences arising on translation of the financial statements of foreign operations.

Special reserve

The special reserve arose due to the merger accounting in the consolidation of Illuminator Holdings Limited. This special reserve was transferred to retained earnings in the prior year 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.

15. Net asset value per share

	2009	2008
	£'000	£'000
Total net assets attributable to equity holders	**101,749**	93,173
Number of shares in issue (thousands)	**79,139**	75,665
Net asset value per share (pence)	**129**	123

16. Cash generated/(absorbed) by operations

	2009	2008
	£'000	£'000
Loss before taxation	**(5,456)**	(7,791)
Adjustments for:		
Profit on disposal property, plant and equipment	**(10)**	-
Depreciation of property, plant and equipment	**2,170**	-
Amortisation of intangible assets	**1,150**	-
Impairment of goodwill	**3,883**	
Unrealised losses on investments	**154**	12,307
Realised (gains)/losses on disposal of investments	**(3,021)**	1,408
Dividends and interest from loans and investments	**(3,787)**	(6,903)
Finance income	**(470)**	(864)
Finance costs	**5,256**	722
Share based payment expense	**133**	-
Decrease in provisions	**(829)**	(5,363)
Changes in working capital		
Decrease/(increase) in trade and other receivables	**6,089**	(157)
Decrease in inventory	**14,242**	-
Decrease in trade and other payables	**(7,904)**	(1,134)
Increase in lease accrual	**267**	-
Movement in other financial liabilities in respect of FECs and derivatives in a hedging relationship	**(260)**	-
	11,607	**(7,775)**

17. Acquisition of subsidiaries

During the year ended 31 December 2009, the Group made acquisitions as detailed below. These acquisitions are in line with its strategy of investing in a portfolio of industrial businesses in South Africa with the underlying themes of strategic market postions, strong cash flows and the ability to exploit the wider African markets from its South African base. These investments may be in the form of either debt or equity (controlling or non controlling equity stakes).

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

The following acquisitions were made during the current reporting year:

Acquisition of shares in Ferro Industrial Products (Pty) Limited ("Ferro")

On 21 January 2009, the Group acquired a controlling interest in Ferro, comprising 56% of the ordinary shares for a cash consideration of £3,2 million. As part of the acquisition, certain shareholders loans were acquired at their fair value £2.7 million. 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.

During the year from date of acquisition, Ferro contributed £29.5 million to revenue and a profit before taxation of £2.9 million. (Revenue and profit before taxation from 1 January 2009 to date of acquisition, being 21 January 2009, is considered not to be material).

The net assets acquired were as follows:

	Book value	Fair value adjustments	Fair value on acquisition
	£'000	**£'000**	**£'000**
Property, plant and equipment	5,630	(143)	5,487
Intangible assets	2,905	3,757	6,662
Trade and other receivables	3,480	-	3,480
Inventories	4,151	-	4,151
Cash and cash equivalents	1	-	1
Borrowings	(10,081)	-	(10,081)
Other financial liabilities	(836)	-	(836)
Deferred taxation	(990)	(944)	(1,934)
Trade and other payables	(3,501)	-	(3,501)
Bank overdrafts	(251)	-	(251)
Total net identifiable assets	508	2,670	3,178
Non controlling interest's at proportionate share of the acquiree's identifiable net assets			(216)
Total net identifiable assets at fair value attributable to equity holders of the parent			2,962
Cash consideration paid for shares in Ferro			3,223
Loan payable by Ferro, assumed as part of the acquisition			2,688
Goodwill arising on acquisition			2,949

Fair value adjustments include the following: Land and buildings were valued by an independent valuer and the valuation reflected a fair value which was £0.1 million less that the carrying value per the on-acquisition balance sheet; independent valuations were performed on the intangible assets within the business and as a result the balance sheet at fair value includes customer relationship intangible assets with a fair value of £4.3 million, marketing-related intangibles (brands) and registered trademarks amounting to £1.3 million, and technology-related intangibles of £1.0 million. Goodwill of £2.9 million arose as a result of the established workforce which is not separately recognised as well as the fact that the anticipated value of future cash flows that were taken into account to determine the purchase consideration exceeded the net identifiable assets at fair value.

The Group incurred acquisition-related costs of £65,000 on the initial acquisition of 56%. These costs have been included in administrative expenses in the Group's consolidated income statement.

Acquisition and disposal of non controlling interest in Ferro

On 19 August 2009, the Group acquired an additional 2% for £113,000 and sold 4% to Ferro staff for an amount of £261,000 thereby decreasing its ownership from 56% to 54%. The additional 2% were paid for in cash and the proceeds on disposal are included in investments classified as loans and receivables (refer note 10).

As a result of the purchase of 2%, an amount of £19,000 (being the proportionate share of the carrying amount of the net assets of Ferro) has been transferred to non controlling interests and the difference of £94,000 between the aforementioned amount and the purchase price has been credited to retained earnings. On sale of the 4%, the proportionate share of the carrying amount of the net assets of Ferro amounting to £38,000 has been transferred to non controlling interests and the loss on disposal of £222,000 has been included in retained earnings (refer Consolidated statement of changes in equity).

Acquisition of a controlling interest in Kulungile Metals Group (Pty) Limited ("KMG")

On 9 March 2009, the Group acquired a further 25.5% of the ordinary shares for a cash consideration of £3.3 million, bringing its shareholding in KMG to 73%. The shares were initially acquired by the Group in 2008 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 on an arm's length basis. 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.

The initial investments of 47.5%, classified as an investment in associate and designated as an investment at fair value through profit and loss, had a fair value at 8 March 2009 of £3.7 million. No gain or loss arose as a result of re-measuring the interest to fair value prior to the business combination as there had been no significant change in the fair value to what was previously reported at 31 December 2008.

During the year from date of acquisition, KMG contributed £124.7 million to revenue and a loss of £7.1 million to profit before taxation. Had KMG been acquired at the beginning of the year, the company would have contributed £151.4 million to revenue and a loss of £10.9 million to profit before taxation.

The net assets acquired were as follows:

	Book value £'000	Fair value adjustments £'000	Fair value on acquisition £'000
Property, plant and equipment	10,140	-	10,140
Intangible assets	5,019	1,511	6,530
Investments at fair value through profit and loss	16	-	16
Trade and other receivables	20,323	-	20,323
Inventories	34,367	-	34,367
Cash and cash equivalents	1,105	-	1,105
Borrowings	(34,841)	-	(34,841)
Other financial liabilities	(21,402)	-	(21,402)
Deferred taxation	(2,839)	(423)	(3,262)
Trade and other payables and provisions	(16,070)	-	(16,070)
Total net identifiable liabilities	(4,182)	1,088	(3,094)
Non controlling interest's proportionate share of the acquiree's identifiable net liabilities			835
Total net identifiable liabilities at fair value attributable to equity holders of the parent			(2,259)
Consideration paid to obtain control (25.5%)			3,348
Fair value of previously held interest (47.5%)			3,746
Goodwill arising on acquisition			9,353

An independent valuer assisted in identifying and valuing the intangible assets on date of acquisition. Intangible assets at fair value comprise marketing-related intangibles (brands) at a fair value of £4.6 million and customer relationship intangible assets with a fair value of £1.9 million. Goodwill of £9.4 million represents the present value of the anticipated future excess earnings as identified by management on acquisition of the entity as well as the value of the assembled workforce.

No further costs were incurred on the further acquisition of 25.5% share resulting in a controlling interest being held in KMG.

Acquisition of Blackstar Group (Pty) Limited ("Blackstar SA", previously Blackstar Fund Managers (Pty) Limited)

As part of the internalisation of Blackstar's investment advisory arrangements, on 26 June 2009 the Group acquired 100% of the ordinary shares of Blackstar SA for a cash consideration of £2.8 million. In addition, Blackstar and Blackstar SA ended all their respective investment advisory agreements and as a result, on acquisition of the company, Blackstar also assumed Blackstar SA's liability for termination of the investment advisory agreements amounting to £12.1 million.

During the year from date of acquisition, Blackstar SA contributed nil to revenue and a loss before taxation of £754,000 before consolidation journals and elimination of inter-group transactions. Had Blackstar SA been acquired at the beginning of the year, the company would have contributed nil to revenue and a loss before taxation of £946,000.

The net assets acquired were as follows:

	Book value £'000	**Fair value adjustments £'000**	**Fair value on acquisition £'000**
Property, plant and equipment	144	-	144
Intangible assets	1	-	1
Investments at fair value through profit and loss	4	-	4
Trade and other receivables	27	-	27
Cash and cash equivalents	18	-	18
Borrowings	(73)	-	(73)
Deferred taxation	(10)	-	(10)
Trade and other payables	(47)	-	(47)
Bank overdrafts	(47)	-	(47)
Total net identifiable assets	17	-	17
Consideration paid for the shares of Blackstar SA			2,765
Liabilities of Blackstar SA assumed on acquisition			12,134
Goodwill arising on acquisition			14,882

Goodwill of £14.9 million arose of which £12.1 million was as a result of the liabilities of Blackstar SA assumed on acquisition and the balance of £2.7 million is attributed to securing the services and the intellectual capital of the Blackstar SA team and the ability of the business to generate value for Blackstar.

The Group incurred acquisition-related costs of £501,000. These costs have been included in administrative expenses in the Group's consolidated income statement.

Other acquisitions

During the course of the year, a total of four less material acquisitions were made by the Group.

The Group's subsidiary, KMG, made two acquisitions during July 2009, the first being the acquisition of Hulamin Engineering Solutions, a stockist and distributor of flat and rolled aluminum products with branches throughout South Africa, for a cash consideration of £234,000. As a result of this acquisition, KMG became the largest stockist and distributor of aluminum products in Southern Africa. The second was the acquisition of 100% of the shares in Country Roofing (Pty) Ltd, (now called GRS Namibia), a roofing and steel stockist located in Namibia for a cash consideration of £635,000 and on which goodwill of £634,000 arose. GRS Namibia services Namibia, Angola, Southern DRC and Botswana and thereby assists KMG with achieving its objective of increasing export sales. Goodwill totaling £700,000 arose on these acquisitions as the anticipated value of future cash flows taken into account in determining the purchase price exceeded the net assets acquired at fair value. During the year from date of acquisition, these acquisitions contributed £1.7 million to revenue and profit before taxation of £569,000. Had the acquisitions taken place on 1 January 2009, they would have contributed £2.4 million to revenue and profit before taxation of £808,000.

The Group's subsidiary, Blackstar (Cyprus) Investors Limited ("Blackstar Cyprus") currently holds preference shares in two special purpose vehicles established to facilitate a staff trust and community trust to acquire an interest in York Timber Organisation Limited. In December 2009, Blackstar Cyprus called and acquired 100% of the ordinary shares and shareholder loans in both of these special purpose vehicles. No consideration was paid for these shares and these subsidiaries did not contribute to the Group's profit during the period post acquisition. No goodwill arose on these acquisitions.

The net assets acquired were as follows:

	Book value	Fair value adjustments	Fair value on acquisition
	£'000	**£'000**	**£'000**
Property, plant and equipment	693	-	693
Investments at fair value through profit and loss	687	-	687
Trade and other receivables	2,075	-	2,075
Inventories	238	-	238
Cash and cash equivalents	244	-	244
Preference share issued to Blackstar Cyprus	(1,396)	-	(1,396)
Trade and other payables	(1,917)	-	(2,373)
Total net identifiable assets	624	-	168
Cash consideration paid for shares			868
Goodwill arising on acquisition			700

The fair value for all trade receivables acquired is disclosed in the tables above. These fair values include an impairment allowance and as trade receivables have a short contractual maturity, the fair values as disclosed would be equal to the contractual cash flows.

None of the goodwill arising on the acquisitions is deductible for tax purposes.

Net cash outflow on acquisition of subsidiaries

	2009
	£'000
Consideration paid	
Ferro - initial purchase of 56%	**(3,223)**
Ferro - purchase of loan	**(2,688)**
Ferro - acquisition of a further 2%	**(113)**
KMG	**(3,348)**
Blackstar SA	**(2,765)**
Blackstar SA -internalisation of investment advisory arrangements	**(12,134)**
Other acquisitions	**(868)**
Net cash and cash equivalents acquired	
Ferro	**(250)**
KMG	**1,105**
Blackstar SA	**(29)**
Other acquisitions	**244**
Net cash outflow on acquisition of subsidiaries	**(24,069)**

The Group did not acquire any interests in subsidiaries in the comparative year.

18. Post balance sheet events

Investment in KMG

Blackstar are in the process of converting the B preference shares held in its subsidiary, KMG, into ordinary shares. As a result of this conversion, anticipated to be completed in the first half of 2010, Blackstar's shareholding in KMG will be increased from 73% to 82%.

Investment in Myriad Medical Holdings Limited ("Myriad")

31 December 2009 Blackstar held 19.02% of the ordinary shares in Myriad with a carrying amount of £2.3 million and have accounted for the investment as an investment at fair value through profit and loss.

On 15 January 2010, Blackstar was entitled to acquire control of a further 30.26% of ordinary shares of Myriad as a result of Blackstar's redeemable preference shares in Vermogen Medical (Pty) Limited becoming due and payable. The transfer of the ownership of the shares to Blackstar is still in the process of being completed.

Following the closure of a mandatory offer to the minority shareholders of Myriad on 18 January 2010, Blackstar acquired an additional 0.88% of the outstanding ordinary shares of Myriad. As a result of the closure of the offer, the restrictions on the cash amount of £2.5 million (held by a bank in respect of the mandatory offer) were lifted post year end.

The result of the afore-mentioned transactions will increase Blackstar's shareholding in Myriad to 50.16%.

Myriad has announced the acquisition of 51% of Litha Healthcare Holdings (Pty) Limited. The acquisition is anticipated to be completed on 21 April 2010. It is expected that all shareholders will take up their rights, which will result in Blackstar retaining a non controlling interest in Myriad.

Cancellation of capital redemption reserve

A resolution to cancel the capital redemption reserve of the Company of approximately £30.2 million in order to create distributable reserves, was passed by shareholders of the Company at a General Meeting of the Company held on 8 March 2010. Application has been made to the High Court of England and Wales for the necessary confirmation by the Court for the cancellation of the capital redemption reserve to become effective. It is expected that the cancellation will become effective on 1 April 2010.

19. Distribution of the annual report and accounts to shareholders

Copies of the Group's audited statutory accounts for the year ended 31 December 2009 will be dispatched to shareholders shortly.

For further information, please contact:

Blackstar Group Plc	**John Kleynhans**	**+352 402 505 427**
Collins Stewart Europe Limited	**Tom Hulme**	**+44 (0) 20 7523 8350**