Chairman's report

Dear Shareholder

The first half year under review to 30 June 2006 covers the period during which the Company's name was changed from Illuminator PLC, the investing strategy was changed to invest behind Black Economic Empowerment ('BEE') opportunities in South Africa and the Company completed the first of two fundraisings. Accordingly, it was an active six months for the Company. Blackstar strategy is long-term with real returns expected to be generated over a 3 to 5 year period.

On 27 January 2006, shareholders approved the new strategy and placing to raise £35 million, the shares were consolidated and were subject to bonus issues and the Board was strengthened with the additions of Andrew Bonamour, Wolfgang Baertz, Marcel Ernzer, John Mills and Dr Denis Worrall. In addition, the location of the Company's principal place of business activities was transferred to Luxembourg.

The results for the first half show that the net asset value per share was 92.5p as a result of the costs associated with the above changes compared to a capital raising price of 100p. However, during the first six months of the year, we made four small investments for an aggregate investment of R73.2 million (£5.7 million) which, on a see through equity value (with no discounts for liquidity and marketability), would have amended the net asset value per share to 99p by the time of the interim results. I am pleased to report that the value of these investments has risen further since the middle of the year.

Having effectively opened for business in March, we were pleased to find that Blackstar Managers in South Africa have encountered many potential investment opportunities and a large pipeline of transactions developed. However, completing these transactions in our chosen area of investment focus – namely primary and secondary BEE transactions – is a complicated and time consuming process. Blackstar Managers are using their deal making abilities to structure and negotiate attractive deals in a range of sectors that will ultimately benefit from a changing South African economy. Nevertheless we were concerned that the initial resources we had raised would be exhausted by the end of the year and thus the Board approved a further fundraising exercise.

Despite the difficult markets for emerging markets, the fundraising was oversubscribed at £45 million and we welcome a number of significant blue chip institutional and hedge funds to the register. The fundraising occurred at 105p. The attached results reflect the period prior to the fund raising.

During the second half of the year we have already announced a sizable investment in Myriad Medical Holdings and we expect further announcements shortly.

Exposure to the Rand has been kept to a minimum with the majority of Blackstar's non-invested funds currently held in sterling. The recent weakness in the Rand has increased Blackstar's buying power in South Africa.

The Board continues to have great confidence in the prospective returns to be generated for investors from Blackstar's chosen investment policy and believes the Company is well on its way to creating a portfolio of high quality, often publicly quoted, South African equity exposures at attractive prices.

Julian Treger
Chairman
Luxembourg

Consolidated Income Statement

for the period 1 January 2006 to 30 June 2006
expressed in thousands of British Pounds Sterling

	Notes	Six months to 30 June 2006 unaudited	Six months to 30 June 2005 restated unaudited	Year to 31 December 2005 restated unaudited
Increase in market value of investments		1,000	17	-
Currency exchange losses on investments		(987)	-	-
Movement in fair value of investments		13	17	-
Operating income	5	-	2	59
Exchange gains		575	-	-
Administrative expenses		(815)	(81)	(157)
Loss from operations	7	(227)	(62)	(98)
Finance income		402	3	5
Profit / (loss) before taxation		175	(59)	(93)
Taxation		-	-	-
Profit / (loss) for the period / year attributable to equity holders of the parent		175	(59)	(93)
Basic and diluted profit / (loss) per ordinary share in Pence	4	0.0049	(0.0970)	(0.1500)

The results of the Group relates entirely to continuing operations.

Consolidated Balance Sheet

as at 30 June 2006
expressed in thousands of British Pounds Sterling

	Notes	30 June 2006 unaudited	30 June 2005 restated unaudited	31 December 2005 restated unaudited
Non-current assets				
Investments held to maturity		611	-	-
Investments held at fair value through profit and loss		-	218	-
		611	218	-
Current assets				
Investments held for trading		6,046	-	-
Trade and other receivables		199	-	281
Cash and cash equivalents		26,941	121	48
		33,186	121	329
Total assets		33,797	339	329
Current liabilities				
Trade and other payables		(854)	(42)	(66)
Total liabilities		(854)	(42)	(66)
Total net assets		32,943	297	263
Equity				
Share Capital	6	35,608	121	121
Capital redemption reserve	6	775	1,262	1,262
Special reserve		11,754	11,754	11,754
Accumulated deficit		(15,194)	(12,840)	(12,874)
Total equity attributable to equity holders of the parent		32,943	297	263

Consolidated Statement of Changes in Equity

for the period 1 January 2006 to 30 June 2006
expressed in thousands of British Pounds Sterling

	Share capital	Capital redemption reserve	Special reserve	Accumulated deficit	Total equity
Balance at 31 December 2004	**121**	**1,262**	**11,754**	**(12,781)**	**356**
Loss for the period	-	-	-	(59)	(59)
Balance at 30 June 2005	**121**	**1,262**	**11,754**	**(12,840)**	**297**
Loss for the period	-	-	-	(34)	(34)
Balance at 31 December 2005	**121**	**1,262**	**11,754**	**(12,874)**	**263**
Issue of new shares	35,487	(487)	-	-	35,000
Capital raising costs	-	-	-	(2,495)	(2,495)
Profit for the period	-	-	-	175	175
Balance at 30 June 2006	**35,608**	**775**	**11,754**	**(15,194)**	**32,943**

Consolidated Cashflow Statement

for the period 1 January 2006 to 30 June 2006
expressed in thousands of British Pounds Sterling

	Notes	6 months to 30 June 2006 unaudited	6 months to 30 June 2005 restated unaudited	Year ended 31 December 2005 restated unaudited
Cash flow from operating activities				
Cash absorbed by operations	7	(1,616)	(73)	(148)
Interest received		402	3	5
Income tax paid		-	-	-
Net cash absorbed by operating activities		(1,214)	(70)	(143)
Cash flow from investing activities				
Purchase of investments		(4,999)	-	-
Proceeds from disposal of investment		255	-	-
Cash absorbed by investing activities		(4,744)	-	-
Cash flow from financing activities				
Issue of ordinary shares		35,000	-	-
Expenses from issue of ordinary shares		(2,495)	-	-
Cash generated by financing activities		32,505	-	-
Net increase / (decrease) in cash cash equivalents		26,547	(70)	(143)
Exchange movements		346	-	-
Cash and cash equivalents at the beginning of the period		48	191	191
Cash and cash equivalents at the end of the period		26,941	121	48

1 Incorporation

General

Blackstar Investors plc ("Blackstar" or the "Company', formerly known as Illuminator PLC) was incorporated in the United Kingdom (UK) on 20 June 1989. The Company's principal place of management and place of effective management were transferred to Luxembourg on 27 January 2006. Consequently, the Company's tax residency also changed from the UK to Luxembourg on the same date.

The Company's principal activity is holding investments in Black Economic Empowerment opportunities in South Africa.

2 Basis of preparation of consolidated financial statements

The interim statements have been prepared in accordance with the accounting policies and presentation required by those International Financial Reporting Standards, incorporating International Accounting Standards (IASs) and Interpretations (collectively IFRS), which are expected to be endorsed by the EU and applicable for use in the company's annual financial statements for the year ended 31 December 2006.

Comparative information for the six months ended 30 June 2005 and the year ended 31 December 2005 has been restated on an IFRS basis.

The endorsed IFRS that will be effective (or available for early adoption) in the annual financial statements for the year ended 31 December 2006 are still subject to change and to additional interpretations and therefore cannot be determined with certainty. Accordingly, the accounting policies for the period will only be determined finally when the annual consolidated financial statements are prepared for the year ended 31 December 2006.

The information in this announcement does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The statutory accounts of Blackstar Investors plc for the year ended 31 December 2005, prepared on a UK GAAP basis, have been filed with the Registrar of Companies for England and Wales. The Auditors have reported on those accounts; their report was unqualified and did not contain a statement under sections 237(2) or 237(3) of the Companies Act 1985.

First time adoption

The general principle to be applied on first-time adoption of IFRS is that standards are applied with full retrospective effect. IFRS 1, First Time Adoption of International Finacial Reporting Standards, sets out certain mandatory exemptions to retrospective application and certain optional exemptions. The Company's financial statements for the year ended 31 December 2006 will be the first annual financial statement that comply with IFRS and interpretations adopted by the International Accounting Standards Board (IASB). The Company has applied IFRS 1 in preparing these interim financial statements. The last financial statements under UK GAAP were for the year ended 31 December 2005 and the date of transition was therefore 1 January 2005.

expressed in thousands of British Pounds Sterling

Impact of transition

The application of IFRS has had a neutral effect on the results and the total net assets of the group in each of the corresponding periods, 30 June 2005 and 31 December 2005, and on the total net assets at the date of transition, 1 January 2005. Other investments held at 30 June 2005 were previously included under UK GAAP at fair value of 218,000 GBP. There were no other changes to corresponding figures resulting from the transition to IFRS.

3 Segmental information

In the period ended 30 June 2006, all the Group's results are derived from its single principal activity in Luxembourg.

4 Basic and diluted profit / (loss) per share

	Six month to 30 June 2006 unaudited	Six months to 30 June 2005 restated unaudited	Year to 31 December 2005 restated unaudited
Net profit / (loss) attributable to shareholders	175	(59)	(93)
Number of shares in issue (thousands)	35,608	608	608
Basic and diluted net profit / (loss) per share (as Pence per share)	0.0049	(0.0970)	(0.1500)

Earnings per ordinary share have been calculated by using the number of shares in issue, being 35,608,000 (as of 30 June 2005 and 31 December 2005: 607,855 as adjusted for consolidation).

expressed in thousands of British Pounds Sterling

5 Operating income

	Six month to 30 June 2006 unaudited	Six months to 30 June 2005 restated unaudited	Year to 31 December 2005 restated unaudited
Other income	-	2	5
Realised gain on sale of investment	-	-	54
	-	2	59

6 Share capital

	30 June 2006 unaudited	30 June 2005 restated unaudited	31 December 2005 restated unaudited
Authorised			
75,000,000 ordinary shares of GBP 1.00 each	75,000		
200,000,000 ordinary shares of GBP 0.01 each		2,000	2,000
Issued and fully paid			
35,607,855 ordinary shares of GBP 1.00 each	35,608		
12,060,632 ordinary shares of GBP 0.01 each		121	121

Consolidation of ordinary share capital

As a consequence of the transfer of the principal place of business to Luxembourg, following the EGM held on 25 January 2006, the Company implemented (i) an initial bonus issue, issuing 96,468 1p shares to existing shareholders; (ii) a 100 for 1 consolidation; and (iii) a 4 for 1 bonus issue resulting in 607,855 ordinary shares of £1 each in issue which were admitted to trading on AIM on 26 January 2006.

expressed in thousands of British Pounds Sterling

Issue of new shares in relation to the capital raising

Following the EGM held on 25 January 2006, the authorised share capital was increased from £2,000,000 to £75,000,000 by the creation of 7,300,000,000 1p shares. As a result of the 100 for 1 consolidation into £1 shares and the subsequent capital raising of £35,000,000 on 30 January 2006, the authorised share capital comprises 75,000,000 ordinary shares of £1 each and the issued share capital comprises 35,607,855 ordinary shares of £1 each.

7 Cash generated from operations

	Six month to 30 June 2006 unaudited	Six months to 30 June 2005 restated unaudited	Year to 31 December 2005 restated unaudited
Loss from operations for the period	(227)	(62)	(98)
Adjustments for :			
Fair value gains on financial assets	(1,000)	(17)	-
Exchange movements	(346)	-	-
Profit on disposal of financial assets	-	-	(54)
Changes in working capital			
Trade and other receivables	(173)	12	(14)
Trade and other payables	130	(6)	18
Cash absorbed by operations	(1,616)	(73)	(148)

8 Post balance sheet event

In August 2006, the Company raised an additional £45 million, before expenses, by the issue of 42,857,143 new ordinary shares at a placing price of 105 pence per share.

In September 2006, the Company has invested R50,000,000 (£3.57 million) to acquire a direct and indirect investment in the shares of Myriad Medical Holdings Limited, a company registered in South Africa. The direct equity interest will be 23%.

Report of the auditors

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2006 set out on pages 3 to 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

As disclosed in note 2, the next annual financial statements of the Company will be prepared in accordance with International Financing Reporting Standards as adopted for use in the EU. This interim report has been prepared in accordance with the basis set out in note 2. The accounting policies are consistent with those that the directors intend to use in the next annual financial statements. As explained in note 2, there is a possibility that the directors may determine that some changes to those policies are required when preparing the full annual financial statements for the first time in accordance with IFRS, since the IFRS and IFRIC interpretations that will be applicable and adopted for use in the European Union at 31 December 2006 are not known with certainty at the time of preparing this interim financial information.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

BDO Stoy Hayward LLP
Chartered Accountants
London
28 September 2006