

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document and/or the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised and regulated under the Financial Services and Markets Act 2000 (as amended) in the United Kingdom or, if not, another appropriately authorised independent financial adviser.

If you have sold or otherwise transferred all of your Ordinary Shares, please immediately forward this Document, together with the accompanying Form of Proxy, to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

The Directors of Blackstar, whose names appear on page 3 of this Document, accept responsibility for the information contained in this Document. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The London Stock Exchange plc has not itself examined or approved the contents of this Document.

The Ordinary Shares are admitted to trading on AIM.

Blackstar Investors PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 2396996)

(R.C.S. Luxembourg number B 114 318)

Audited interim results for the nine months ended 30 September 2007

Notice of General Meeting

Nominated Adviser

Shore Capital and Corporate Limited

Broker

Shore Capital Stockbrokers Limited

Your attention is drawn to the letter from the Chairman of the Company which is set out in Part 1 of this Document and which recommends you to vote in favour of the resolutions to be proposed at the General Meeting referred to below.

Shore Capital, which is authorised and regulated by the Financial Services Authority, is acting exclusively for the Company in relation to the matters referred to in this Document and will not be responsible to anyone other than the Company for providing advice in relation to such matters or for providing the protections afforded to clients of Shore Capital. In particular Shore Capital, as nominated adviser to the Company, owes certain responsibilities to the London Stock Exchange plc, which are not owed to the Company, the Directors or any other person. No liability is accepted by Shore Capital for the accuracy of any information or opinions contained in, or for the omission of any material information from, this Document, for which the Directors are solely responsible.

The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "Securities Act") or under any of the relevant securities laws of any state or district of the United States of America, or of Canada, Australia, Japan or the Republic of Ireland or to, or for the account or benefit of, any United States, Canadian, Australian, Japanese or Irish person. Neither this Document nor any copy of it may be sent to or taken into the United States of America, Canada, Australia, Japan or the Republic of Ireland or any other jurisdiction, nor may it be distributed to any United States person (within the meaning of Regulation S under the Securities Act). Accordingly, subject to certain exceptions, the Ordinary Shares may not be, directly or indirectly, offered, sold, taken up, delivered or transferred into the United States, Canada, Australia, Japan or the Republic of Ireland. Overseas Shareholders and any persons (including, without limitation, custodians, nominees and trustees) who have a contractual or other legal obligation to forward this Document to a jurisdiction outside the UK should seek appropriate advice before taking any action.

Notice of a General Meeting of the Company to be held at 6 rue Adolphe Fischer, L-1520 Luxembourg at 11.00 a.m. (CET) on 18 February 2008 is set out at the end of this Document. To be valid for use at the meeting, the accompanying Form of Proxy should be completed in accordance with the instructions thereon, signed and returned to Capita Registrars (Proxies), PO Box 25, Beckenham, Kent BR3 4BR as soon as possible and, in any event, so as to be received no later than 11.00 a.m. (CET) on 16 February 2008. Completion of a Form of Proxy will not preclude a Shareholder from attending and voting at the meeting in person.

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DIRECTORS AND ADVISERS

| | |
|---|--|
| Directors | John Broadhurst Mills (<i>Non-executive Chairman</i>) Julian André Treger (<i>Non-executive Deputy Chairman</i>) Andrew David Bonamour (<i>Non-executive Director</i>) Wolfgang Andreas Baertz (<i>Non-executive Director</i>) Marcel Ernzer (<i>Non-executive Director</i>) The business address for the above Directors is the Company's principal place of business. |
| Principal Place of Business | 6 rue Adolphe Fischer L-1520 Luxembourg |
| Telephone | +352 40 25 05 449 |
| Registered Office | 7th floor, Phoenix House 18 King William Street London EC4N 7HE |
| Website Address | www.blackstar.lu |
| Nominated Adviser | Shore Capital and Corporate Limited Bond Street House 14 Clifford Street London W1S 4JU |
| Broker | Shore Capital Stockbrokers Limited Bond Street House 14 Clifford Street London W1S 4JU |
| Solicitors to the Company (as to English law) | Howard Kennedy 19 Cavendish Square London W1A 2AW |
| International Advisers | Maitland Advisory LLP Berkshire House 168-173 High Holborn London WC1V 7AA |
| Solicitors to the Company (as to South African Law) | Edward Nathan Sonnenbergs 150 West Street Sandton Johannesburg 219 South Africa |
| Auditors | BDO Stoy Hayward LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA |
| Principal Bankers | ING Luxembourg 52, route d'Esch L-2965 Luxembourg |
| Registrars and Receiving Agents | Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU |

PART 1

LETTER FROM THE CHAIRMAN

Blackstar Investors PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 2396996)

(R.C.S. Luxembourg number B 114 318)

Directors

John Broadhurst Mills *(Non-executive Chairman)*
Julian André Treger *(Non-executive Deputy Chairman)*
Andrew David Bonamour *(Non-executive Director)*
Wolfgang Andreas Baertz *(Non-executive Director)*
Marcel Ernzer *(Non-executive Director)*

Registered office

7th Floor, Phoenix House
18 King William Street
London EC4N 7HE

Principal place of business

6 rue Adolphe Fischer
L-1520 Luxembourg

To Shareholders

24 January 2008

Dear Shareholder

Audited interim results for the nine months ended 30 September 2007

Notice of General Meeting

Introduction

Your Board announced today 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 NAV per share of 129 pence.

Your Board considers that there are increasingly further opportunities for investment in South Africa and Sub-Saharan Africa. Accordingly, your Board is proposing to widen the Investing Strategy and to have in place the appropriate authority to raise additional capital in the event that such opportunities arise for investment.

The purpose of this Document is to provide you with the background to the Company and the market opportunity and to explain why the Directors recommend that you should vote in favour of the resolutions to be proposed at the General Meeting, notice of which is set out at the end of this Document.

Background

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. BEE transactions tend to give impetus to a host of corporate re-organisations, consolidations and mergers. Blackstar, through its Adviser, 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 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 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 ("IMF") 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; and

- 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; and
- 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.

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 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.

Investment team

Andrew Bonamour — Managing Partner

Andrew was the founder of Blackstar and is the managing partner of Blackstar Fund Managers which provides sub-advisory services to the Adviser. During the last two years, Blackstar has invested in excess of

R800 million into investments in South Africa. Andrew previously worked at Brait S.A. Limited where he held positions in investment banking, principal investment and corporate finance. At Brait, Andrew originated and played a lead role in a variety of transactions ranging from public market investing, leveraged buyouts and mergers and acquisitions to capital replacements and restructurings. Andrew has an in depth knowledge of, and experience in, corporate finance, private equity and investment banking. Andrew holds a Bachelor of Commerce degree.

William Marshall-Smith

William is a partner of Blackstar Fund Managers. William has played an integral part in the investment process of Blackstar Fund Managers. Prior to this, William worked for Deloitte in its financial services division, during which he served a variety of multi-national financial services companies in Cape Town, New York, Miami and the Isle of Man. Clients included financial services companies involved in private equity and the funding of BEE transactions. William is a Chartered Accountant.

Greg Weinstein

Greg is responsible for managing the financial and operational reporting responsibilities of Blackstar Fund Managers as well as assisting with the advisory function and concluding of investment transactions.

Before joining Blackstar Fund Managers, Greg worked at Rand Merchant Bank where he worked in the financial services division, responsible for finance and technology related projects within the division and played an active role within the divisional management team and other transformation initiatives. Prior to Rand Merchant Bank, Greg worked with PricewaterhouseCoopers Inc in its financial services division serving large local banks, foreign branches of international banks and other financial services institutions specialising in credit, regulatory and treasury work. Greg is a Chartered Accountant and a Chartered Financial Analyst.

Thomas Bemelman

Thomas joined Blackstar Fund Managers in June 2006, where he has been involved in performing research and analysis of various companies, both public and private, and specific industries as well as the South African economy. Thomas also assists in the preparation of investment related documentation and presentations and holds a Bachelor of Commerce degree with Honours in Investment Management.

James (Jim) Myers — Chairman of Blackstar Managers

Jim is originally from Shreveport, Louisiana but has spent his entire professional career working from Dallas, Texas. Jim is a graduate of Texas A&M University, University of Arizona and Texas Tech University. His early career focused on the developing world of telecommunications and he was active with both Texas Instruments and Ernst & Young in initially developing designs for telecommunications systems and with a global telecommunications consulting practice. In 1979, Jim founded a research and development company with a specific mandate from Italtel to design a class 5 switch for the rural Italian telecommunications market based on the latest technology supported by US venture capital funds. This company was subsequently sold to Italtel and Jim then joined SBC Communications (now AT&T Inc.) where he was responsible for their global emerging market corporate development programme as the Executive Vice President for SBC International. In that role, Jim brought SBC to South Africa in 1995 through an initial investment in MTN Group Limited and a subsequent consortium purchase of the 30 per cent equity in Telkom S.A. as their strategic equity partner. The SBC investment programme in South Africa alone exceeded US\$1.25 billion.

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 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.

Summary of Blackstar's underlying portfolio

The following table is a summary of the investments made by Blackstar as at 30 September 2007:

| <i>Investment</i> | <i>Industry sector</i> | <i>Date of Investment</i> | <i>Cost £'000¹</i> | <i>IFRS</i> | <i>Inherent</i> | <i>Gross</i> | <i>IRR IFRS values</i> |
|---------------------------------------|------------------------|---------------------------|-----------------------------------|---------------------------------------|------------------------|---|--------------------------------|
| | | | | <i>(carrying value) £'000</i> | <i>value £'000</i> | <i>return IFRS values²</i> | |
| York Timber | Forestry | Mar 2007/Jul 2007 | 16,804 | 26,684 | 28,686 | 68% | 324% |
| Mvela Resources | Resources | Apr 2007 | 11,350 | 24,444 | 26,328 | 116% | 408% |
| Kulungile Metals | Steel Distribution | Jun 2007 | 11,110 | 11,481 | 14,825 | 4% | 16% |
| DCD-Dorbyl | Engineering | Apr 2007 | 4,914 | 5,182 | 15,860 | 5% | 14% |
| Myriad Medical | Health Care | Sep 2006 | 3,348 | 4,427 | 4,856 | 40% | 46% |
| Euro Steel | Steel Distribution | Mar 2006 | 609 | 735 | 735 | 21% | 13% |
| Services derivative | Support Services | May 2006 | 4,483 | 6,503 | 6,503 | 45% | 30% |
| Telecom derivative | Telecoms | Mar 2006/Aug 2007 | 1,563 | 2,819 | 2,819 | 80% | 63% |
| Spescom | Telecoms | Jul 2007 | 493 | 478 | 478 | (3%) | (15%) |
| Sub-total | | | 54,674 | 82,753 | 101,090 | 55% | 110% |
| Cash | | | | 22,081 | 22,081 | | |
| Provisions (performance fee) | | | | (5,118) | (8,785) | | |
| Net working capital | | | | (39) | (39) | | |
| | | | | 99,677 | 114,347 | | |
| Shares in issue ('000) ³ | | | | 77,465 | 77,465 | | |
| Net asset value per share | | | | 1.29 | 1.48 | | |
| Committed deals | | | | | | | |
| Global Roofing Solutions ⁴ | Industrial | Nov 2007 | 7,929 | | | | |
| ADreach | Media | Nov 2007 | 2,679 | | | | |

1 Cost is adjusted for any disposals.

2 Gross return is calculated by adding the IFRS (carrying) value and any realised proceeds, divided by the original invested cost.

3 The number of shares in issue has been reduced to take into account the 1,000,000 Ordinary Shares that were bought back by the Company and held as treasury shares as at 30 September 2007.

4 Being acquired by Kulungile Metals.

Valuation methodologies

The specific methodologies applied in valuing unrealised investments are described below. The valuation approach 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.

Listed Investments

All investments listed on recognised stock exchanges have been valued using a 30 day volume weighted average price ("VWAP") ended 30 September 2007. A discount to the VWAP of between 5 per cent and 15 per cent is applied to account for any lack of marketability.

Unlisted equity Investments

All unlisted equity investments have been valued as follows:

- (a) Where applicable, on the basis of a similar recent investment transaction by an independent third-party in the equity of the portfolio company. Where the investment being valued was itself made fairly recently (within a period of one year), its cost provides a good indication of fair value; or
- (b) On an earnings multiple basis involving the application of an earnings multiple to the earnings of the portfolio company, in which case:
 - The appropriate earnings of the portfolio company have been based on the latest audited accounts, more recent management account or forecast numbers whichever indicate a maintainable result; and
 - The appropriate market multiple has been based on either comparable companies or industry sector multiples taken from the relevant stock exchange; and

- An appropriate marketability discount has been applied to the enterprise value. This is to adjust for factors such as a lack of marketability.

Loans and Preference Shares

Loan stock and preference shares have been valued at cost plus any accrued interest or redemption premium less any impairments.

Enterprise value is apportioned to the enterprise's financial instruments in order of ranking. Valuations are audited annually and reviewed at the interim date by Blackstar's independent auditors. Given the subjective nature of valuations, the Board and Blackstar Managers are cautious and conservative on their valuations.

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 in Part 3 of this Document, 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.

Dividend policy

The Directors believe that the Company should seek to generate capital growth for its Shareholders and therefore Shareholders should not expect to receive dividends in the short term. The Directors may recommend distributions at some future date, depending on the realisations made from its investments and subject to having appropriate distributable reserves (although, it should be noted that the Company does not currently have sufficient distributable reserves to make significant distributions).

Shareholders should consider carefully the taxation effects of distributions set out in paragraph 4 of Part 4 of this Document.

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. The Luxembourg tax consequences of share buy-backs are set out in paragraph 4 of Part 4 of this Document.

Risk factors

Shareholders should consider carefully the risk factors set out in Part 2 of this Document in addition to the other information presented in this Document.

Taxation

The attention of prospective investors is drawn to the taxation section in paragraph 4 of Part 4 of this Document.

Additional information

Your attention is drawn to the further information set out in Part 4 of this Document.

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 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 new 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.

The attention of Shareholders is also drawn to the voting intentions of the Directors set out in the paragraph below entitled "Recommendation".

Action to be taken

Whether or not you intend to be present at the meeting, you are requested to complete and sign the Form of Proxy in accordance with the instructions printed thereon and to return it to the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, so that it is received no later than 11.00 a.m. (CET) on 16 February 2008. **The completion and return of the Form of Proxy will not preclude you from attending the GM and voting in person should you wish to do so.**

Recommendation

The Directors consider that the Resolutions to be proposed at the General Meeting are in the best interests of the Company and its Shareholders as a whole. Your Directors, therefore, unanimously recommend Shareholders to vote in favour of the Resolutions to be proposed at the General Meeting as they, together with family trusts associated with Julian Treger and Andrew Bonamour, have agreed to do so in respect of their own beneficial holdings amounting to, in aggregate, 1,124,490 Ordinary Shares representing approximately 1.48 per cent of the issued share capital of the Company.

Yours faithfully

John Mills
Chairman

PART 2

RISK FACTORS

In addition to all other information set out in this Document, the following specific factors should be considered carefully in evaluating whether to make an investment in the Company. If you are in any doubt about the action you should take, you should consult a personal adviser authorised and regulated under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

The Directors believe the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all those associated with an investment in the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal regulatory and tax requirements.

1. Market capitalisation

The market price of the Ordinary Shares may not reflect the underlying value of the Company.

2. Issue of shares

The Company may seek to raise additional capital by way of the issue of new Ordinary Shares for further investments in line with its Investing Strategy although there can be no assurance that such funding will be available to the Company. Any equity financing may be dilutive to Shareholders.

3. Suitability

The investment offered hereby may not be suitable for all recipients of this Document. Investors are accordingly advised to consult an appropriate person authorised and regulated under the Financial Services and Markets Act 2000 before making their decision.

4. AIM

The future success of AIM and liquidity in the market for the Ordinary Shares cannot be guaranteed. In particular, the market for the Ordinary Shares may be, or may become, relatively illiquid and therefore they may be or may become difficult to sell.

5. Nature of the Company's investments

An investment in the Company requires a long-term commitment, with no certainty of return. A high probability exists that there will most likely be little or no near-term cash flow available to investors. Many of the Company's investments will be highly illiquid and there can be no assurance that the Company will be able to realise such investments in a timely manner. Consequently, realisations of such investments may require a lengthy time period or may result in distributions *in specie* to the investors. The Company will invest in securities and other financial instruments using strategies and investment techniques having significant risk characteristics. Since the Company may only make a limited number of investments and since the Company's investments may involve a high degree of risk, the Company may lose all or substantially all of its investment in any particular instance. The investors may lose their entire investment, including principal.

6. Country risk

It is expected that all of the investments will be in companies operating in South Africa and if the proposed amendments to the Investing Strategy are approved, countries in Sub-Saharan Africa, thus the Company will have a significant country/region exposure. Whilst an effort will be made to diversify such exposure by making investments in multi-national companies, any problems in South Africa or the countries in Sub-Saharan Africa may affect the Company's net asset value.

7. Currency risk

As above, investors will be exposing themselves to the Rand which has appreciated over the past few years against the US Dollar. Whilst some commentators believe the Rand will appreciate further, historically the currency has been extremely volatile. The Company will seek to minimise such exposure by concentrating on companies with Rand hedge characteristics. The Company may also hedge its currency exposure from time to time if the Directors believe it to be appropriate.

8. Illiquid direct holdings

Whilst it is expected that a majority of the Company's underlying investments will be in quoted companies, the immediate direct investments will be in a series of private, illiquid SPVs. The Company will seek to negotiate appropriate exit mechanisms ideally involving put options and/or liquidation to realise its underlying holdings. Although, in most cases, it should be possible to mark-to-market the investments, investors should not expect continual and immediate liquidity for their investments.

9. Competitive nature of the Company's business

The Company will be competing for investments against other groups, backed by local institutional investors, advisers, industrial groups and merchant banks owned by large and well-capitalised investors. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available and adversely affecting the terms upon which investment can be made.

10. Importance of Blackstar Managers and Blackstar Fund Managers

The success of the Company depends in part on Andrew Bonamour and the skill and expertise of the members of Blackstar Fund Managers. Whilst they have incentives in relation to their activities on behalf of Blackstar Managers and its affiliates, there can be no assurance that any of them will continue such employment.

11. General economic conditions

General economic conditions may affect the Company's activities. Interest rates, general levels of economic activity, the price of securities and participation by other investors in the financial markets may affect the value and number of investments made by the Company or considered for prospective investment. The Company is also subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearing house.

12. Potential conflicts of interest

In the ordinary course of its business, Blackstar Managers and Blackstar Fund Managers may engage in activities in which its interests or the interests of its clients may conflict with or be adverse to the interests of the Company. In addition, such clients may utilise the services of Blackstar Managers and affiliates for which they will pay customary fees and expenses which will not be shared with the Company or the investors.

13. Material, non-public information

From time to time, Blackstar Managers and Blackstar Fund Managers or any of its affiliates may come into possession of material, non-public information concerning specific companies. Under applicable securities laws, this may limit Blackstar Managers' flexibility to advise the Company in relation to buying or selling securities issued by such companies. The Company's investment flexibility may be constrained as a consequence of Blackstar Managers' inability to use such information for advising on investments.

14. South African exchange control

Non-resident South Africans are not subject to exchange control (although South African subsidiaries and branches of foreign companies are treated as residents for exchange control purposes). Consequently, as a general rule, non-residents may freely invest in and divest from South Africa without restriction. All income is freely remittable abroad. It is however, a requirement of the Exchange Control Department of the South African Reserve Bank that share certificates representing shares held by a non-resident in a South African company be endorsed by one of the South African Reserve Bank's authorised dealers with the words "non-resident" for as long as such shares are held by non-resident investors.

15. Tax treatment

There may be changes in relevant tax laws or interpretations of such tax laws adverse to the Company or its investors. The Company and Blackstar Managers will attempt to structure the Company's investments in a tax-efficient manner. However, there can be no assurance that the structure of the Company or of any investment will be tax-efficient to any particular investor.

PART 3

AUDITED INTERIM RESULTS OF THE COMPANY FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2007

The auditors' report and financial information set out in Part 3 has been extracted without material adjustment from the audited Interim Group Financial Statements of Blackstar Investors Plc for the nine months ended 30 September 2007.

Report of the independent auditors

Independent Auditors' Report to the Directors of Blackstar Investors Plc

We have audited the interim group financial statements (the "financial statements") of Blackstar Investors Plc for the nine months ended 30 September 2007 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Change in Shareholders' Equity and the related notes. These interim group financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the interim group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the interim group financial statements in accordance with International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the interim group financial statements give a true and fair view and have been properly prepared in accordance with IFRS, as adopted by the European Union. We also report to you if, in our opinion, the Company has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

Our report has been prepared pursuant to the terms of our engagement 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 engagement letter 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.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the interim group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the interim group financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group interim financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the interim group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 September 2007 and of its profit for the nine month period then ended.

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors

Gatwick

24 January 2008

Consolidated income statement

| | | <i>Audited</i> <i>9 months to</i> <i>30 September</i> <i>2007</i> <i>£'000</i> | <i>Audited</i> <i>year to</i> <i>31 December</i> <i>2006</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 |
| | | <u>24,465</u> | <u>4,100</u> |
| Net investment income | | | |
| Administrative expenses — Performance fees | | (5,118) | — |
| Administrative expenses — Other | | (1,743) | (1,565) |
| Administrative expenses | | <u>(6,861)</u> | <u>(1,565)</u> |
| Profit from operations | 4 | 17,604 | 2,535 |
| Finance income | 7 | 1,630 | 1,663 |
| | | <u>19,234</u> | <u>4,198</u> |
| Profit before taxation | | | |
| Taxation | 8 | (12) | — |
| | | <u>19,222</u> | <u>4,198</u> |
| Profit for the period from continuing operations | | | |
| Discontinued Operations | | | |
| Profit for the period from discontinued operations | 9 | 2,629 | — |
| | | <u>21,851</u> | <u>4,198</u> |
| Profit for the period | | | |
| 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 | 10 | 27.61 | 9.14 |

The notes on pages 21 to 34 form part of these interim group financial statements.

Consolidated statement of changes in equity

| | <i>Share capital</i> | <i>Share redemption premium</i> | <i>Capital reserve</i> | <i>Foreign currency translation reserve</i> | <i>Special reserve</i> | <i>Treasury shares</i> | <i>Retained earnings</i> | <i>Minority interest</i> | <i>Total equity</i> |
|--|----------------------|---------------------------------|------------------------|---|------------------------|------------------------|--------------------------|--------------------------|---------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'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 recognised 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 recognised 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 respect of any of the periods presented above.

The notes on pages 21 to 34 form part of these interim group financial statements.

Consolidated balance sheet

| | | <i>Audited</i> 30 September 2007 £'000 | <i>Audited</i> 31 December 2006 £'000 |
|--|--------------|---|--|
| | <i>Notes</i> | | |
| Non-current assets | | | |
| Investments held to maturity | 11 | 31,701 | 2,816 |
| Investments at fair value through profit and loss | 12 | 51,052 | 9,722 |
| | | <u>82,753</u> | <u>12,538</u> |
| Current assets | | | |
| Trade and other receivables | 16 | 1,093 | 435 |
| Cash and cash equivalents | 17 | 22,081 | 66,197 |
| | | <u>23,174</u> | <u>66,632</u> |
| Total assets | | <u>105,927</u> | <u>79,170</u> |
| Non-current liabilities | | | |
| Provisions | 18 | (5,118) | — |
| Tax payable | | (12) | — |
| Current liabilities | | | |
| Trade and other accounts payable | 19 | (1,132) | (158) |
| Total liabilities | | <u>(6,262)</u> | <u>(158)</u> |
| Total net assets | | <u>99,665</u> | <u>79,012</u> |
| Equity | | | |
| Share capital | 20 | 78,465 | 78,465 |
| Capital redemption reserve | 20 | 775 | 775 |
| Foreign currency translation reserve | 20 | (747) | (839) |
| Special reserve | 20 | 11,754 | 11,754 |
| Treasury shares | 20 | (1,090) | — |
| Retained earnings | 20 | 10,508 | (11,143) |
| Total equity attributable to equity holders of the parent | | <u>99,665</u> | <u>79,012</u> |
| Net asset value per share in pence | 21 | <u>129</u> | <u>101</u> |

The interim group financial statements were approved by the Board and authorised for issue on 24 January 2008.

Andrew Bonamour
Director

The notes on pages 21 to 34 form part of these interim group financial statements.

Consolidated cash flow statement

| | | <i>Audited</i> <i>9 months to</i> <i>30 September</i> <i>2007</i> <i>£'000</i> | <i>Audited</i> <i>year to</i> <i>31 December</i> <i>2006</i> <i>£'000</i> |
|---|--------------|--|---|
| | <i>Notes</i> | | |
| Cash flow from operating activities | | | |
| Cash absorbed by operations | 22 | (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 | | <u>(44,122)</u> | <u>(9,277)</u> |
| 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 | | <u>(1,090)</u> | <u>75,390</u> |
| 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 | | <u><u>22,081</u></u> | <u><u>66,197</u></u> |

The notes on pages 21 to 34 form part of these interim group financial statements.

Notes to the financial statements

1. Accounting policies

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.

The accounting policies that the Group applied in the presentation of the financial statements are set out below.

Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. These interim group financial statements present the results of the Group as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated on consolidation.

Revenue recognition

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

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

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

Fee income includes corporate finance and advisory fees, which are recognised on an accrual basis when the fees are earned and can be reliably estimated.

Translation of foreign currencies

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

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

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

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

Investments at fair value through profit and loss

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

Investments held-to-maturity

Investments held-to-maturity are financial assets with fixed or determinable payments and fixed maturities that the Group has the intention and ability to hold to maturity. These assets are carried at amortised cost, using the effective interest rate method. If there is objective evidence that an impairment loss on held-to-maturity investments has been incurred, the amount of the loss is measured and the carrying amount of the asset shall be reduced. The amount of the loss shall be recognised in the income statement in the period in which it arises.

Investments in associates

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

Financial guarantee contracts

Where a financial guarantee contract is not considered to be an insurance contracts then such contract is initially recognised at fair value when the group becomes party to the contract. Such contracts are subsequently re-measured at the higher of the best estimate of the obligation arising under the contract, and the amount initially recognised less cumulative amortisation, recognised as revenue.

Cash and cash equivalents

Cash and cash equivalents comprises cash in current accounts and cash deposits that mature within three months, all of which are available for use by the Group.

Accounts receivable

Receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Such items have a short duration and are not discounted.

Accounts payable

Accounts payable are stated at their nominal value. Such items have a short duration and are not discounted.

Provisions and contingent liabilities

Provisions are recognised when a present legal or constructive obligation exists as a result of past events, for which it is probable that an outflow of economic benefits will occur and where a reliable estimate of the amount of the obligation can be made. Where the effect of discounting is material, provisions are discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

The Group discloses a contingent liability when it has a possible obligation arising from past events, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Taxation

The taxation expense comprises tax payable calculated on the basis of the expected taxable income for the year using applicable tax rates at the balance sheet date.

Deferred taxation is provided on the balance sheet liability method based on temporary differences between the taxation base of an asset or liability and its balance sheet carrying amount. A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available against which the deferred taxation asset can be realised in the foreseeable future.

New standards and interpretations

The International Accounting Standards Board and the International Financial Reporting Interpretations Committee have issued the following standards and interpretations that were not applied. These are to be applied to financial statements with periods commencing on or after the following dates:

| <i>International Accounting Standards</i> | <i>Effective Date</i> |
|--|-----------------------|
| Amendment to IAS1*: Presentation of financial statements — a revised presentation | 01/01/2009 |
| Amendment to IAS 23*: Borrowing Costs | 01/01/2009 |
| IFRS 8: Operating Segments | 01/01/2009 |
| IFRIC 11: IFRS 2 — Group and Treasury Share Transactions | 01/03/2007 |
| IFRIC 12*: Service Concession Arrangements | 01/01/2008 |
| IFRIC 13*: Customer Loyalty Programmes | 01/07/2008 |
| IFRIC 14*: IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction | 01/01/2008 |

* These standards and interpretations are not endorsed by the EU at present.

The amendment to IAS1 will require a change to how the Group Income Statement is presented by the inclusion of a Statement of Comprehensive Income which includes items taken directly to equity (with the exception of transactions with the shareholders of the Group). This new presentation will either be in terms of one single Statement of Comprehensive Income, or as two separate statements comprising a Group Income Statement, which is currently presented, and a further Statement of Comprehensive Income which incorporates only those items to be taken directly to equity.

The Directors do not anticipate that the adoption of the other standards and interpretations listed above will have a material impact on the Group's financial statements in the period of initial application on the basis that they do not impact upon the Group's current activities.

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 | — |
| | <u>2,514</u> | <u>114</u> |

4. Profit from operations

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

| | 2007 £'000 | 2006 £'000 |
|---|---------------|---------------|
| Foreign exchange differences | (6) | (112) |
| Auditors' remuneration | | |
| — audit services | 14 | 20 |
| — other services supplied under legislation | 28 | 19 |
| | <u>22</u> | <u>29</u> |

5. Employees

The average number of employees of the Group during the period, excluding Directors, was nil (2006: nil).

6. Directors' remuneration

The emoluments of the individual Directors for services to the Group were as follows:

| | 2007 £'000 | 2006 £'000 |
|---------------------------------------|---------------|---------------|
| John Mills | 21 | 21 |
| Julian Treger | 41 | 31 |
| David Brock (resigned 29 June 2007) | 18 | 36 |
| Andrew Bonamour | 30 | 20 |
| Denis Worrall (resigned 29 June 2007) | 15 | 19 |
| Wolfgang Baertz | 19 | 19 |
| Marcel Ernzer | 19 | 19 |
| | <u>163</u> | <u>165</u> |

The Company does not operate a pension scheme for its Directors.

All Directors' fees payable to John Mills are payable to the Maitland Group.

No Director held any share options and no options were granted or exercised in the year ended 31 December 2006 and the period ended 30 September 2007.

7. Finance income

| | 2007 £'000 | 2006 £'000 |
|---|---------------|---------------|
| Interest income on short term bank deposits | 1,630 | 1,663 |

8. 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:

| | 2007 £'000 | 2006 £'000 |
|---|---------------|---------------|
| 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 | <u>12</u> | <u>—</u> |

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.

9. 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 set out in note 1.

10. 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).

11. 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 | <u>30,076</u> | <u>2,796</u> |
| 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 | <u>31,701</u> | <u>2,816</u> |

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 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. | 2,491 | 2,292 |
| 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 | <u>31,701</u> | <u>2,816</u> |

* The Group has provided security to ABSA Bank Limited over its preference shares and loan to Kulungile Metals Group (Pty) Limited. Further details have been provided in note 25 — Contingent liabilities.

12. 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 | <u>24,598</u> | <u>6,766</u> |
| 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 | <u>51,052</u> | <u>9,722</u> |

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:

| <i>Details</i> | <i>Fair value</i> 2007 £'000 | <i>Fair value</i> 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 | <u>51,052</u> | <u>9,722</u> |

* The Group has provided security to ABSA Bank Limited over its ordinary shares in Kulungile Metals Group (Pty) Limited. Further details have been provided in note 25 — Contingent liabilities.

13. Subsidiary companies

The principal subsidiaries of the Company, all of which have been included in these interim group financial statements, are as follows:

| <i>Name</i> | <i>Country of incorporation</i> | <i>Proportion of ownership</i> | <i>Principal activity</i> |
|--------------------------------------|---------------------------------|--------------------------------|------------------------------|
| Blackstar (Cyprus) Investors Limited | Cyprus | 100% | Investment company |
| Blackstar (Gibraltar) Limited | Gibraltar | 100% | Investment company |
| Illuminator Holdings Limited | England | 100% | Holding company (Dormant) |
| Illuminator Investments Limited* | England | 100% | Investment company (Dormant) |

* The shares in Illuminator Investments Limited are held directly by Illuminator Holdings Limited

The Company has its principal place of operation in Luxembourg. For all undertakings listed above, the country of operation is the same as its country of incorporation.

14. Capital under management

Through two capital raisings the Company raised £80 million (£75.4 million after capital raising expenses), in the year ended 31 December 2006 which it manages in terms of its investment strategy.

The Company's objective is to generate substantial returns by pursuing investment opportunities arising out of the empowerment process in South Africa. This includes achieving long-term capital appreciation through majority or minority investments in a diversified portfolio of commercial and industrial companies in South Africa. The Company's approach to transactions is based on opportunism and market timing coupled with fundamental analysis. The Company follows a proactive approach to seeking out opportunities that it believes will generate substantial returns for its investors.

The Company is meeting such objectives by investing the capital that it manages in companies in South Africa. 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. The Directors have undertaken a strategic review of the Company and its investments and in consequence are proposing to amend the Investing Strategy, which would allow the Company to make investments in any of the countries in Sub-Saharan Africa in addition to the Republic of South Africa.

The Company has no externally imposed capital requirements and there have been no changes in the capital that it manages.

15. Financial instruments – Risk management

Blackstar Investors PLC is an investment company. Investments are usually in the form of equity or debt, which would be on a floating rate basis. The Group is exposed to one or more of the following financial risks:

- Interest rate risk
- Currency risk
- Market price risk
- Credit risk
- Liquidity risk

The Board agrees and reviews the policy for managing these risks. There have been no changes to the objectives policies processes and methods used to manage these risks. The policy for each of the above risks is described in more detail below. The Group may use derivatives and other instruments to mitigate such risks but have not used such instruments to date.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate because of changes in market interest rates. The Board of Directors meet on a quarterly basis to review the investment portfolio and consequently monitors interest rate risk on an ongoing basis

All interest bearing funding provided by the Group is linked to the South African Prime Rate. A 1 per cent decrease in the South African Prime Rate, all other variables held constant, would have resulted in an increase of £46,000 in the reported net asset value of the Group. A 1 per cent increase in the South African

Prime, on the same basis, would have resulted in a decrease of £46,000 in the reported net asset value of the Group.

Currency risk

Currency risk arises because the Group makes investments in South Africa in Rands, which is not the same as the Group's reporting currency (Sterling). The value of these assets is exposed to currency risk giving rise to gains or losses on translation into Sterling. Currency risk also arises because the Group incurs costs from service providers in various parts of the world whose currency is not the same as the Group's reporting currency (Sterling). The Board of Directors meet on a quarterly basis to review the investment portfolio and consequently monitors currency risk on an ongoing basis. To mitigate this risk, the Group may hedge its currency exposure from time to time.

A 10 per cent strengthening of the Rand against Sterling at the balance sheet date, all other variables held constant, would have resulted in a increase of £7,588,000 in the reported net asset value of the Group. A 10 per cent weakening of the Rand against Sterling at the balance sheet date, on the same basis, would have resulted in a decrease of £6,208,000 in the reported net asset value of the Group.

Market price risk

The Group is exposed to market price risk in its listed and unlisted investments as well as country risk as all the investments are in companies operating in South Africa. This is in line with the Group's investment strategy. Listed and unlisted investments are susceptible to market price risk arising from the performance of the underlying companies and uncertainties about future prices in the case of listed investments. The Board of Directors meet on a quarterly basis to review the investment portfolio, in particular the underlying performance of the companies in which it has invested and consequently monitors the value of its investments on an ongoing basis.

Liquidity risk

Certain of the Group's underlying investments are in private, illiquid special purpose vehicles. The Group, however has sufficient working capital to meet its operational requirements and does not have any other liquidity risk. All surplus cash is invested in liquid cash instruments. The type of cash instruments and its maturity date depends on the Group's forecast cash requirements.

Credit risk

Credit risk is the risk that a counterparty will be unable to repay amounts when they fall due. This risk arises from investing and financing activities. The Group manages its credit risk by setting acceptable exposure limits to companies and industry segments. The Group provides financing to companies in which it has invested or to special purpose vehicles established to acquire an equity interest in investee companies. This financing is provided on the strength of the underlying companies that the Group has invested in.

The Board meets on a quarterly basis to review the investment portfolio, in particular the underlying performance of the companies in which it has invested and consequently monitors credit risk on an ongoing basis. At balance sheet date, the Group had no financial assets that were past due or impaired. An industry analysis of the investment portfolio, including investments held to maturity and investments at fair value through profit and loss is provided in the table below. No single industry is considered to be more risky than another.

| | <i>Exposure</i> £'000 | <i>Exposure</i> percentage |
|--------------------|--------------------------|-------------------------------|
| Forestry | 26,684 | 32% |
| Resources | 24,444 | 30% |
| Steel Distribution | 12,216 | 15% |
| Support Services | 6,503 | 8% |
| Engineering | 5,182 | 6% |
| Health Care | 4,427 | 5% |
| Telecommunications | 3,297 | 4% |

To mitigate its risk, the Group has entered into various security arrangements in respect of its investments in Euro Steel Holdings (Pty) Limited, Myriad Medical Holdings Limited, York Timber Organisation Limited, Mvelaphanda Resources Limited and DCD-Dorbyl (Pty) Limited. Where the Group has invested in the form of preference shares and loans, the entities that have been funded by these preference shares and loans

have provided security to the Group by either the Group taking security over the shares that the funding special purpose vehicle (“SPV”) owns, or by the shareholders of the funding SPV entering into guarantee and put and call option agreements over their shares in the funding SPV, or by a combination of both of these arrangements. These arrangements provide the Group with security for the performance of the SPV’s obligations to the Group. The security arrangements do not give the Group control of the shares or voting rights while there is no event of default. There have been no events of default during the period.

Valuation methodologies

The specific methodologies applied in valuing unrealised investments are described below:

The valuation approach 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.

Investments at fair value through profit and loss include listed and unlisted investments.

Listed Equity Investments: All investments listed on recognised stock exchanges have been valued using a 30 day volume weighted average price (“VWAP”) ended 30 September 2007. A discount to the VWAP of between 5 per cent and 15 per cent is applied to account for any lack of marketability.

Unlisted Equity Investments: All unlisted equity investments have been valued as follows:

- (a) Where applicable, on the basis of a similar recent investment transaction by an independent third-party in the equity of the portfolio company. Where the investment being valued was itself made fairly recently (within a period of one year), its cost provides a good indication of fair value; or
- (b) On an earnings multiple basis involving the application of an earnings multiple to the earnings of the portfolio company, in which case:
 - The appropriate earnings of the portfolio company have been based on the latest audited accounts, more recent management account or forecast numbers whichever indicate a maintainable result; and
 - The appropriate market multiple has been based on either comparable companies or industry sector multiples taken from the relevant stock exchange; and
 - An appropriate marketability discount has been applied to the enterprise value. This is to adjust for factors such as a lack of marketability.

Investments held to maturity, which include loans and preference shares have been carried at amortised cost, using the effective interest rate method, less impairments.

Enterprise value is apportioned to the enterprise’s financial instruments in order of ranking. Given the subjective nature of valuations, the Group is cautious and conservative in determining its valuations.

16. Trade and other receivables

| | <i>2007</i> | <i>2006</i> |
|--------------------------------|--------------|--------------|
| | <i>£’000</i> | <i>£’000</i> |
| Prepayments and accrued income | 406 | 435 |
| Other debtors | 687 | — |
| | <u>1,093</u> | <u>435</u> |

The Directors consider that the carrying amount of trade and other receivables approximates to its fair value.

17. Cash and cash equivalents

| | <i>2007</i> | <i>2006</i> |
|--------------------------------|---------------|---------------|
| | <i>£’000</i> | <i>£’000</i> |
| Call deposits and cash at bank | <u>22,081</u> | <u>66,197</u> |

Cash and cash equivalents include cash in current accounts and cash deposits that mature within one week. The credit risk on cash and liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

18. Provisions

A provision has been raised for the performance fee payable by the Company under the terms of an investment advisory agreement between the Company and Blackstar Managers. The total performance fee 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 movement in provisions was as follows:

| | 2007 £'000 | 2006 £'000 |
|---|---------------|---------------|
| Balance at the beginning of the period | — | — |
| Additional provisions during the period at cost | 5,118 | — |
| Balance at the end of the period | <u>5,118</u> | <u>—</u> |

19. Trade and other accounts payable

| | 2007 £'000 | 2006 £'000 |
|----------------------------------|---------------|---------------|
| Trade creditors | 8 | 49 |
| Prepayments and accrued expenses | 1,124 | 109 |
| | <u>1,132</u> | <u>158</u> |

The Directors consider that the carrying amount of trade and other accounts payable approximates to its fair value.

20. Share capital and reserves

| | 2007 £'000 | 2006 £'000 |
|---|-----------------------------|-----------------------------|
| <i>Authorised</i> | | |
| 90,000,000 ordinary shares of £1.00 each | <u>90,000</u> | <u>90,000</u> |
| <i>Issued and fully paid</i> | | |
| 78,464,998 ordinary shares of £1.00 each | <u>78,465</u> | <u>78,465</u> |
| | <i>Number of shares</i> | <i>Number of shares</i> |
| <i>Movement of the ordinary shares of £1.00 each for the period</i> | | |
| Total number of shares in issue at the beginning of the period | 78,464,998 | 12,060,632 |
| Initial bonus issue | — | 96,468 |
| 100 for 1 share consolidation | — | (12,035,529) |
| 4 for 1 bonus issue | — | 486,284 |
| Issue of new shares | — | 35,000,000 |
| Issue of new shares | — | 42,857,143 |
| Total number of shares in issue at the end of the period | <u>78,464,998</u> | <u>78,464,998</u> |

Consolidation of ordinary share capital

As a consequence of the transfer of the principal place of business to Luxembourg, following the Extraordinary General Meeting (“EGM”) held on 25 January 2006, the Company implemented (i) an initial bonus issue, issuing 96,468 1p ordinary 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 £1.00 each in issue.

Issue of new shares in relation to the capital raising

Following the EGM held on 25 January 2006, the Company increased the authorised share capital of the Company from £2 million to £75 million by the creation of 7,300,000,000 1p ordinary shares; implemented a 100 for 1 consolidation (as noted above); and raised £35 million, before expenses, by the issue of 35,000,000 new ordinary shares at £1.00 per share on 22 February 2006.

Following the EGM held on 16 August 2006, the Company increased the authorised share capital of the Company from £75 million to £90 million by the creation of 15,000,000 ordinary shares of £1.00 each and raised an additional £45 million, before expenses by the issue of 42,857,143 new ordinary shares at £1.05 per share on 22 August 2006.

Shares held in treasury

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

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

Capital redemption reserve

The capital redemption reserve arose due to transfers from retained earnings in accordance with relevant legislation and is not distributable.

Foreign currency translation reserve

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

Special reserve

The special reserve arose due to merger accounting in the consolidation of Illuminator Holdings Limited.

21. Net asset value per share

| | <i>2007</i> | <i>2006</i> |
|---------------------------------------|--------------|--------------|
| | <i>£'000</i> | <i>£'000</i> |
| 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.

22. Cash absorbed by operations

| | <i>2007</i> | <i>2006</i> |
|--|--------------|--------------|
| | <i>£'000</i> | <i>£'000</i> |
| Profit from operations for the period | 17,604 | 2,535 |
| Adjustments for: | | |
| Increase in market value of investments | (21,828) | (3,701) |
| Dividends and interest receivable from investments | (1,621) | (114) |
| Realised gain on disposal of investments | (123) | (285) |
| Performance fees payable | 5,118 | — |
| Changes in working capital | | |
| Increase in trade and other receivables | (658) | (154) |
| Increase in trade and other accounts payable | 974 | 92 |
| Cash absorbed by operations | (534) | (1,627) |

23. Related party transactions

Julian Treger is deemed to be a related party, as in addition to being a Director, he is a potential beneficiary of discretionary trusts that are interested in 1.31 per cent of the issued share capital of the Company. Funds associated with Julian Treger are entitled to share in any performance fee payable by the Company under the terms of an investment advisory agreement. The total performance fee 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. A trust associated with Julian Treger is a major shareholder in Audley Capital Advisors LLP, which agreed to provide financial advisory services to the Company. In 2007, £18,000 (2006: £179,000) was paid to Audley Capital. At the balance sheet date £6,000 (2006: £6,000) was owing to Audley Capital.

Andrew Bonamour is deemed to be a related party, as in addition to being a Director, he is a potential beneficiary of family trusts that own Blackstar Managers. Blackstar Managers has agreed to provide investment advisory services to the Company under the terms of an investment advisory agreement, and is also entitled to share in any performance fee payable by the Company under the terms of an investment advisory agreement. The total performance fee 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. In addition, funds associated with Andrew Bonamour are interested in 0.14 per cent of the issued share capital of the Company. In 2007, investment advisory fees of £1,163,000, (2006: £979,000) were paid to Blackstar Managers. At the balance sheet date £363,000, (2006: £388,000) has been paid in advance to Blackstar Managers for investment advisory fees.

John Mills is deemed to be a related party, as in addition to being a Director, he is a Director of Maitland Luxembourg S.A. Maitland provided a variety of services to the Company, on a commercial, arm's length basis. In 2007, £159,000, (2006: £341,000) was paid to Maitland for advisory and administrative services. At the balance sheet date £53,000, (2006: £26,000) was owing to Maitland.

Details of Directors' remuneration are given in Note 6 to the interim group financial statements. There are no other related party transactions.

24. Pension costs

The Company does not operate a pension scheme for its Directors.

25. Contingent liabilities

The following contingencies and guarantees exist at 30 September 2007:

- the Group has provided security to ABSA Bank Limited over its ordinary shares, preference shares in and loan to Kulungile Metals Group (Pty) Limited to ABSA Bank Limited
- the Company has provided a guarantee in respect of funding facilities provide by ABSA Bank Limited to Kulungile Metals Group (Pty) Limited for an amount not exceeding R125 million.

These items have been provided as additional security to ABSA Bank Limited for the debt financing provided by ABSA Bank Limited to Kulungile Metals Group (Pty) Limited. In addition ABSA Bank Limited has security over the immovable and movable property of Kulungile Metals Group (Pty) Limited. It is not probable that such these items will result in an outflow of resources required to settle an obligation.

26. Post balance sheet events

Ad Reach (Pty) Limited ("ADreach")

The Group has invested R37.5 million (£2.7 million) to acquire a 15 per cent shareholding in ADreach, a private South African media company, specialising in outdoor advertising.

Global Roofing Solutions (Pty) Limited ("GRS")

The Group invested a further R111.1 million (£8.1 million) in Kulungile Metals Group (Pty) Limited ("KMG") in order to fund KMG's acquisition of GRS. GRS is one of the largest independent metal roofing suppliers in Southern Africa.

Buy back and cancellation of ordinary shares

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

shares and the 1,000,000 Ordinary Shares bought back in September 2007 have been cancelled in accordance with the Companies Act 1985. However in accordance with Luxembourg law, the ordinary shares bought back are held in treasury until they are cancelled through an amendment to the Articles. To this effect, a resolution will be put to Shareholders at a general meeting of the Company to be held in February 2008.

Redemption of preference shares by York Timber Organisation Limited's special purpose black economic empowerment special purpose vehicles ("York BEE SPV")

In October 2007, Main Street 488 (Pty) Limited (York BEE SPV) agreed to redeem 41 per cent of the preference shares held by the Group for a total amount of for R10.2 million (£0.7 million) and Main Street 493 (Pty) Limited (York BEE SPV) agreed to redeem 41 per cent of the preference shares held by the Group for R6.4 million (£0.5 million).

Disposal of shares in Myriad Medical Holdings Limited ("Myriad")

The Group disposed of 7,755,000 shares in Myriad for R7.1 million (£0.5 million)

Disposal of investment in Euro Steel Holdings (Pty) Limited ("Eurosteel")

The Group has agreed to dispose of its entire investment in Eurosteel (including its preference shares in a special purpose vehicle established to acquire an interest in Eurosteel) for an aggregate of R12.4 million (£0.9 million). The transaction is subject to the fulfilment of certain conditions precedent, which are expected to be fulfilled during February 2008. Blackstar initially acquired its interest in Eurosteel in July 2006 for an aggregate cost of R6.7 million (£0.6 million). The disposal proceeds represent an IRR of 37 per cent in Sterling terms.

Disposal of investment in Kulungile Metals Group (Pty) Limited ("KMG")

The Group has agreed to dispose of 3.05 per cent of its ordinary shares in KMG, 3.05 per cent of its preference shares in KMG and 3.05 per cent of its loan against KMG for an aggregate of R7 million (£0.5 million). Completion of the disposal is expected to take place in January 2008.

Loan facility from Investec Bank Limited ("Investec")

The Group has arranged a loan facility from Investec for up to R80 million (£5.7 million). The Group has until 31 December 2008, to drawdown on these facilities, which must be repaid within a period of 5 years from the drawdown date. The transaction is subject to the fulfilment of certain conditions precedent, which are expected to be fulfilled during February 2008. As part of the transaction, the Group has provided security to Investec over its ordinary shares in York Timber Organisation Limited, its ordinary shares in Myriad Medical Holdings Limited and the shares in any entities that it may acquire using the capital advanced by Investec in terms of the loan facility.

Mvelaphanda Resources Limited ("Mvela")

The Group purchased 330,000 shares in Mvela for R13.8 million (£1 million).

PART 4

ADDITIONAL INFORMATION

1. Responsibility statements

The Directors accept responsibility for the information contained in this Document. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Share capital

The authorised and issued share capital of the Company as it is, and as it will be following the General Meeting, is as follows:

| | <i>Existing</i> | | <i>Following the General Meeting</i> | |
|--------------------------|----------------------------------|-------------|--------------------------------------|--------------|
| | <i>Number of Ordinary Shares</i> | | <i>Number of Ordinary Shares</i> | |
| Authorised share capital | 90,000,000 | £90,000,000 | 150,000,000 | £150,000,000 |
| Issued share capital | 75,664,998* | £75,664,998 | 75,664,998* | £75,664,998 |

Note:

* The number of Ordinary Shares considered to be in issue in accordance with Luxembourg law is 78,464,998 as the 2,800,000 Ordinary Shares in the Company that have recently been bought back, pursuant to the authority granted to the Company at the annual general meeting held on 29 June 2007, have not been cancelled in accordance with Luxembourg law. In order to effect a cancellation of the shares, Luxembourg law requires that Shareholders specifically authorise the said cancellation. To this effect, Resolution 6 will be put to Shareholders at the General Meeting.

3. Directors' and other interests

3.1 The interests of the Directors and their immediate families in the share capital of the Company which are required to be entered into the register maintained under the provisions of section 809 of the Companies Act 2006, together with the interests of persons connected with a Director within the meaning of Sections 252, 254 and 255 of the Companies Act 2006 which, if the connected person were a Director would otherwise be disclosed pursuant to this paragraph and the existence of which is known or, following reasonable due diligence, has been ascertained by such a Director, as at the date of this Document are as follows:

| <i>Director</i> | <i>Number of Ordinary Shares</i> | <i>% of issued share capital</i> |
|------------------------------|----------------------------------|----------------------------------|
| Julian Treger* | 1,014,075 | 1.34 |
| Andrew Bonamour [#] | 110,415 | 0.14 |
| Wolfgang Baertz | — | — |
| Marcel Ernzer | — | — |
| John Mills | — | — |

Notes:

* These shares are held by Julian Treger and his family in their personal capacities and also by E2Investors Limited, a company that is ultimately owned by discretionary trusts of which Julian Treger is a possible beneficiary.

[#] These shares are held by funds associated with Andrew Bonamour.

- 3.2 The Company is aware of the following interests (as such term is defined in the Companies Act 1985) which represent, or will represent, three per cent or more of the Company's issued share capital as at the date of this Document, including the interests of those who, directly or indirectly, jointly or severally, control or could exercise control of the Company:

| | <i>Number of Ordinary Shares</i> | <i>% of issued share capital</i> |
|----------------------------------|--|--|
| Morstan Nominees Limited | 14,835,943 | 19.61 |
| Bear Stearns Securities Corp | 10,996,708 | 14.53 |
| HSBC Global Custody Nominee (UK) | 8,185,876 | 10.82 |
| The Bank of New York (Nominees) | 5,924,299 | 7.83 |
| Nortrust Nominees Limited | 4,498,012 | 5.94 |
| Chase Nominees Limited | 3,534,353 | 4.67 |
| K.B. (C.I.) Nominees Limited | 3,495,334 | 4.62 |
| Nutraco Nominees Limited | 3,397,108 | 4.49 |
| Pershing Keen Nominees Limited | 2,823,101 | 3.73 |
| Mellon Nominees (UK) Limited | 2,600,392 | 3.44 |

4. Taxation

4.1 UK taxation

The following summary is only intended as a brief and general guide at the date of this Document to certain aspects of current UK tax law and HM Revenue & Customs practice applicable to the holding and disposal by UK resident individuals and companies of shares in the Company (which may change in the future). It is not intended to provide specific advice and no action should be taken or omitted to be taken in reliance upon it. It is addressed to ordinary investors who are the absolute beneficial owners of Ordinary Shares held as investments and not, therefore, to special classes of Shareholder such as financial institutions. Accordingly, its applicability will depend upon the particular circumstances of individual Shareholders. Any prospective UK resident Shareholder who is in any doubt as to his UK tax position in relation to the Company should consult his UK professional adviser.

The Company

4.1.1 On the basis that the Company is not resident in the UK for tax purposes and that its activities do not amount to trading in the UK, it is not to be subject to UK income tax or corporation tax on any income or other profits or gains of an income nature which it derives from sources outside the UK and is not within the scope of UK capital gains tax or corporation tax in respect of capital gains wherever arising. It may, however, incur charges to corporation tax under the UK's controlled foreign companies legislation.

4.1.2 It is the intention of the Directors, so far as they are able, to continue to conduct the affairs of the Company in such a way that it does not become resident in the UK for UK tax purposes and that its activities do not amount to trading in the UK. However, no assurance can be given that this intention will be achieved.

Shareholders

4.1.3 Taxes on income

Dividends paid on Ordinary Shares held by UK resident Shareholders may, whether or not reinvested, be subject to UK income tax or corporation tax.

UK resident individuals are subject to income tax on foreign dividends at the dividend ordinary rate (currently 10 per cent) if they are not higher rate taxpayers and at the dividend upper rate (currently 32.5 per cent) if they are higher rate taxpayers, subject in either case to any available double tax relief.

Currently no UK tax credit will attach to the dividends received from the Company however this treatment is subject to change in the Finance Bill 2008 following announcements in the 2007 Budget. The proposed changes will, from 6 April 2008, extend the non-payable tax credit of one ninth of the distribution to individuals in receipt of dividends from non-UK resident companies. UK-resident individuals will qualify for the non-payable tax credit if they own less than a 10 per cent shareholding in the Company and in total receive less than £5,000 per year of dividends from

non-UK resident companies. If such Shareholders are entitled to a tax credit on the dividends they receive from the Company the effect of the proposed changes is that, at current rates they would be taxed at an effective rate of zero per cent if they are liable to tax at the dividend ordinary rate or 25 per cent if they are liable to tax at the dividend upper rate.

UK resident companies are subject to corporation tax on foreign dividends generally at the rate of 30 per cent. Following the 2007 Budget, this rate is to reduce to 28 per cent from 1 April 2008.

4.1.4 Taxes on capital gains

The Board considers that the Company is not an open-ended investment company and therefore does not fall to be treated as an “offshore fund” for the purposes of UK taxation. Accordingly, the provisions of Chapter V of Part XVII of the UK Income and Corporation Taxes Act 1988 should not apply.

Shareholders who are resident or ordinarily resident in the UK (including, in some cases, those temporarily non-resident) will generally be liable to UK capital gains tax or corporation tax on chargeable gains in respect of gains arising on the disposal of their Ordinary Shares.

UK resident or ordinarily resident individuals are subject to capital gains tax at rates which depend on the extent to which they have income falling within certain income tax bands. It is charged, broadly, at 10 per cent on gains falling within the unused part of their starting rate band, at 20 per cent on gains falling within the unused part of their basic rate band and at 40 per cent on gains falling above that band. Currently they may be entitled to “taper” relief against their liability to capital gains tax on gains arising on the disposal of their Ordinary Shares, the availability and extent of which depends on the number of years for which they held the Ordinary Shares. They may also be entitled to set all or part of such gains against their annual capital gains tax exemption (£9,200 for 2007-08). An announcement was made in the October 2007 Pre-Budget Review of the intention to abolish the taper relief regime with effect from 6 April 2008 and replace it with a flat rate of capital gains tax at 18 per cent. However the full details of these proposals are not yet known and may or may not therefore be subject to amendment in the next Budget.

UK resident companies are subject to corporation tax on chargeable gains generally at the rate of 30 per cent. Following the 2007 Budget, this rate is to reduce to 28 per cent from 1 April 2008.

4.1.5 Inheritance tax

A gift of Ordinary Shares or the death of a holder of Ordinary Shares may give rise to a liability to UK inheritance tax. For these purposes, a transfer of assets at less than their full market value may be treated as a gift.

4.1.6 Anti-avoidance provisions

The attention of Shareholders within the charge to UK tax is drawn to sections 703 to 709 of the Income and Corporation Taxes Act 1988 (“the 1988 Act”) which applies UK resident companies, and sections 698 to 701 of the Income Taxes Act 2007 (“the 2007 Act”) which applies to UK-resident individuals. These contain provisions to cancel tax advantages from certain transactions in securities which may render such Shareholders liable to taxation in respect of, *inter alia*, the issue, redemption or sale of Ordinary Shares or distributions of a capital nature in respect of them.

The attention of Shareholders who are individuals ordinarily resident in the UK is drawn to sections 714 to 751 of the 2007 Act. These contain provisions to prevent ordinarily resident individuals avoiding income tax by transferring assets to non-residents (including companies) whilst the transferor or his spouse or civil partner retains the power to enjoy income arising from the transfer. The provisions may (in certain circumstances) render such individuals liable to taxation in respect of undistributed income and profits of the Company.

The attention of Shareholders who are resident or ordinarily resident in the UK (and who, if individuals, are domiciled in the UK) is also drawn to section 13 of the Taxation of Chargeable Gains Act 1992. If the Company is not resident in the UK but would be a “close” company if it were so resident, the provisions of this section may in certain circumstances have the effect of subjecting such a Shareholder to UK capital gains tax (or, in the case of companies, corporation tax on chargeable gains) on an apportioned part of any capital gains accruing to the Company.

Such a charge to tax would not, however, apply where 10 per cent or less of the capital gain would be apportioned to the Shareholder and to persons connected with him.

The provisions concerning controlled foreign companies included in Chapter IV of Part XVII of the 1988 Act have the effect in certain circumstances of making a company resident in the UK liable to UK corporation tax on, or by reference to, the profits of a company resident outside the UK (such as the Company). Such charge to tax would not, however, apply where less than 25 per cent of the non-resident company's "chargeable profits" could be apportioned to the resident company or to associated or connected persons, if the "public quotation condition" is satisfied or if the non-UK resident company pursues an "acceptable distribution policy".

EU Directive on taxation of savings income

4.1.7 Any person regarded as a "paying agent" for the purposes of the Taxation of Savings Income Directive (EC Directive 2003/48/EC) may be required to disclose details of payments of interest and other income to certain categories of investor to HM Revenue & Customs, who will pass such details to the Member State where the investor resides.

A holder of shares in the Company or potential investor who is in any doubt as to his or her tax position (in the UK or otherwise), or is subject to tax in any jurisdiction other than the UK should consult his or her professional advisers without delay.

A holder of shares in the Company or potential investor who is in any doubt as to his or her tax position (in the UK or otherwise), or is subject to tax in any jurisdiction other than the UK should consult his or her professional advisers without delay.

4.2 Luxembourg and South African taxation

If the Company is effectively managed in Luxembourg, then pursuant to the United Kingdom/Luxembourg DTA, it would be regarded as resident in Luxembourg and not resident in the United Kingdom and the tax consequences set out below would apply to it.

The Company

4.2.1 Luxembourg tax treatment of foreign dividends

Dividends received by the Company will be exempt from Luxembourg corporate tax under the participation exemption if the following requirements are satisfied:

4.2.1.1 the SPV is subject to a tax that is similar to Luxembourg corporate income tax i.e. in practice at a rate of at least 11 per cent on a comparable basis;

4.2.1.2 at the time of distribution, the shares in the SPV must have been held for a period of 12 months (or the Company must undertake to hold the shares in the SPV for such a period); and

4.2.1.3 the participation must either consist of at least 10 per cent of the issued nominal share capital of the SPV or have an acquisition price of at least €1.2 million.

4.2.2 Luxembourg corporate tax on gains made from the sale of shares in the SPV

If the Company met the requirements of the Luxembourg participation exemption, any capital gains realised on the sale of shares in the SPV would be exempt from Luxembourg tax. The requirements that need to be satisfied are:

4.2.2.1 the shareholding must represent at least 10 per cent of the capital of the SPV throughout the 12 month period referred to below or the acquisition cost must be at least €6 million;

4.2.2.2 the shares in the SPV must be held for a period of 12 months (or if only part of the participation is sold within the 12 month period, the balance must continue to be in excess of 10 per cent or to have an acquisition price in excess of €6 million for the balance of that period); and

4.2.2.3 the SPV must be a non-resident capital company fully subject to a tax comparable to Luxembourg corporate income tax.

Other income received by the Company will generally be regarded as trading income and will therefore be taxable at the aggregate corporate tax rate of 29.63 per cent, given that the

Company's principal establishment is located in Luxembourg City. Apart from its Telecom Derivative and Spescom investments, it is envisaged that the Company will not receive any income other than distributions consisting of dividends from qualifying shareholdings or proceeds from the sale of qualifying shareholdings.

Capital duty

Capital duty is chargeable on any increase in the Company's issued share capital. The duty is charged at a rate of 0.5 per cent on the consideration for the issue of shares. Capital duty is likely to be abolished in Luxembourg from 2010.

Net wealth tax

Net wealth tax at a rate of 0.5 per cent applies to the net asset value of a Luxembourg resident company at the end of a calendar year. A shareholding held by a Luxembourg tax resident company will not be subject to net wealth tax where that shareholding has the same characteristics as described above in relation to dividend income except that there is no holding period requirement (as set out above).

4.2.3 South African withholding tax

The dividends paid by the SPV will not be subject to any South African withholding tax. To the extent that these dividends do not carry an STC credit, STC in the amount of 10 per cent of the dividend declared will be payable by the SPV. The SPV will be responsible for withholding the STC and paying it over to the South African Tax Authorities.

4.2.4 South African tax on capital gains

Under South African domestic law, the Company as a non-resident will not be subject to South African CGT upon the sale of the shares in the SPV, unless the SPV were a land-rich company (which includes mining titles). In the case of a land-rich SPV, the provisions of the South Africa/Luxembourg DTA could preclude South Africa from taxing the Company on any gain made on the shares in the SPV, provided that the South Africa/Luxembourg DTA applied to the Company (rather than the South Africa/United Kingdom DTA).

4.2.5 South African tax on trading gains

If any gain on the sale of the shares in the SPV were characterised under South African domestic tax principles as a trading gain, the trading gain should in terms of the South Africa/Luxembourg DTA not be subject to South African tax, unless the Company had a permanent establishment in South Africa. It is generally envisaged that the activities of Blackstar Fund Managers (the investment sub-adviser) may not cause the Company to have a permanent establishment in South Africa.

Shareholders

4.2.6 Luxembourg withholding tax

Dividends declared to the Company's Shareholders will be subject to a 15 per cent Luxembourg withholding tax when paid to United Kingdom shareholders having a less than 10 per cent shareholding in the Company or an acquisition price of less than €1.2 million provided that at the time of distribution the shareholdings have been held for a period of 12 months. Dividends paid to Shareholders who are not resident in a country that has a DTA with Luxembourg will similarly be subject to a 15 per cent Luxembourg withholding tax.

A share buy-back may also under certain circumstances trigger the Luxembourg withholding tax.

No Luxembourg withholding tax is, however, levied upon distributions of capital and surplus made on a liquidation of a company. Accordingly, if the Company were to be liquidated after a period of, for example, five years and Company's assets were to be distributed to its shareholders pursuant to the liquidation, no Luxembourg dividend withholding tax would be levied upon the distribution.

Generally, non resident persons may dispose of shares in a Luxembourg company without incurring Luxembourg tax. However, where a person who is regarded as a substantial shareholder, disposes of their shareholding within six months of acquisition, the gain may be liable to tax in Luxembourg unless exempted under the terms of a double taxation agreement. A

person will be regarded as a substantial shareholder if the person held more than 10 per cent of the shares in the company at any time within the previous five years.

4.3 Cyprus taxation

4.3.1 A number of Blackstar's ordinary and preference share investments are held through and managed by its wholly-owned subsidiary Blackstar (Cyprus) Investors Limited ("Blackstar Cyprus"). Blackstar Cyprus is considered as a Cypriot holding company and is liable for corporation tax in Cyprus at a rate of 10 per cent on its worldwide income, provided that it is managed and controlled in Cyprus. Blackstar Cyprus is managed and controlled in Cyprus.

4.3.2 Profits realised from the sale of securities are exempt from tax in Cyprus. For purposes of Cyprus law, "securities" are defined as meaning "shares, bonds, debentures, founder's shares and securities of companies or other legal persons and options thereon." There is no minimum percentage of shares to be held in order for the exemption to apply.

4.3.3 Dividends received by a Cyprus resident company are generally exempt from taxation in Cyprus if they are received from a foreign entity in which the Cyprus entity owns more than 1 per cent of its share capital. The exemption does not apply where the foreign entity:

4.3.3.1 receives more than 50 per cent of its income from investment activities; and

4.3.3.2 the foreign tax burden of the company paying the dividend is substantially lower than that of the Cyprus resident company ("substantially lower" has been interpreted as meaning less than 5 per cent).

4.3.4 Blackstar Cyprus has requested a ruling from the Cypriot tax authorities to confirm that the preference shares held by the Cyprus company form part of the issued share capital of a company. An affirmative answer will mean that Blackstar Cyprus holds more than 1 per cent of the issued share capital of all the companies it holds preference shares in, resulting in the dividends received by Blackstar Cyprus in relation to the preference shares being exempt from taxation in Cyprus.

4.3.5 The taxation of interest income depends on whether it is derived in the Cyprus company's ordinary course of business or not. If derived in the ordinary course of business, the interest income is included in the calculation of taxable income and taxed at the corporation tax rate of 10 per cent. If not derived in the ordinary course of business, then only half of the interest income is treated as income for corporation tax purposes, but the gross interest received is also subject to a defence tax at the rate of 10 per cent, making the effective tax burden on such interest income 15 per cent.

4.3.6 There is no Cypriot withholding tax on dividend payments or interest payments (made to non-residents). There will also not be withholding tax on a liquidation dividend paid to a non-resident shareholder.

4.3.7 Dividend income from Blackstar Cyprus (as well as any capital gains from the realisation of the investment in Blackstar Cyprus) will be exempt under the Luxembourg participation exemption provisions, should all the conditions set out above in paragraphs 4.2.1 and 4.2.2 be fulfilled.

4.4 Gibraltar taxation

4.4.1 Blackstar incorporated its wholly-owned subsidiary Blackstar (Gibraltar) Limited ("Blackstar Gibraltar"), primarily to act as the treasury vehicle for the Blackstar group of companies. All Blackstar's uninvested cash is held in Blackstar Gibraltar, given that interest received on a Gibraltar company's bank account is not taxable in Gibraltar.

4.4.2 Blackstar Gibraltar has made loans to some South African companies in which Blackstar or Blackstar Cyprus are invested. Blackstar Gibraltar procured a ruling from the Gibraltar tax authorities that the interest received by it on such loans are not taxable in Gibraltar, given that the loans are regarded as non-situs Gibraltar loans.

4.4.3 There is no Gibraltar withholding tax on dividend payments (made to non-residents). There will also not be withholding tax on a liquidation dividend paid to a non-resident shareholder.

4.4.4 Dividend income from Blackstar Gibraltar (as well as any capital gains from the realisation of the investment in Blackstar Gibraltar) will be exempt under the Luxembourg participation

exemption provisions, should all the conditions set out above in paragraphs 4.2.1 and 4.2.2 be fulfilled.

5. Working capital

The Directors are of the opinion having made due and careful enquiry that the Company will have sufficient working capital for its present requirements (that is, for at least the next 12 months from the date of this Document).

6. General

- 6.1 Shore Capital has given and has not withdrawn its written consent to the issue of this Document with the inclusion in it of its name and references to it in the form and context in which it appears.
- 6.2 BDO Stoy Hayward LLP of 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA has given and has not withdrawn its written consent to the inclusion in this Document of a copy of its auditors' report reproduced in Part 3 in the form and context in which it is included.
- 6.3 The Company's accounting reference date is 31 December.
- 6.4 The financial information contained in this Document does not amount to statutory accounts within the meaning of section 240(5) of the Act. Statutory accounts of the Company for the year ended 31 December 2006 to which the financial information relates and on which the auditors gave unqualified reports have been delivered to the Registrar of Companies. The financial statements of the Company in respect of the year ended 31 December 2006 and the interim financial statements for the nine months ended 30 September 2007 were reported on by BDO Stoy Hayward LLP of 2 City Place, Beehive Ring Road, Gatwick, West Sussex RH6 0PA, Chartered Accountants, the auditors of the Company within the meaning of section 235 of the Act.

7. Documents available for inspection

Copies of the following documents are available free of charge from the Company's registered office and from its principal place of business during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Document for a period of one month from the date of the General Meeting and on the Company's website www.blackstar.lu:

- 7.1 this Document;
- 7.2 the Advisory Agreement;
- 7.3 the audited interim results for the nine months ended 30 September 2007; and
- 7.4 the proposed new Articles.

DEFINITIONS

The following definitions apply throughout this Document, unless the context requires otherwise:

| | |
|----------------------------|--|
| “Act” | the Companies Act 1985, as amended by the Companies Act 1989 or repealed and replaced by the Companies Act 2006 to the extent that such statute is in force at the date of this Document |
| “Adviser” | Blackstar Managers |
| “Advisory Agreement” | the advisory agreement dated 24 January 2008 between the Company and Blackstar Managers |
| “AIM” | the market of that name operated by the London Stock Exchange |
| “AIM Rules” | the AIM rules for Companies issued by the London Stock Exchange from time to time in relation to AIM traded securities |
| “Articles” | the memorandum and articles of association of the Company |
| “BEE Act” | South Africa’s Black Economic Empowerment Act |
| “Blackstar Fund Managers” | Blackstar Fund Managers (Pty) Ltd, a private company registered in South Africa (registration number: 2005/042844/07) |
| “Blackstar Managers” | Blackstar Managers Limited, a private company incorporated in the British Virgin Islands (registration number: 629747) |
| “Capita Registrars” | a trading division of Capita IRG Plc |
| “Company” or “Blackstar” | Blackstar Investors PLC, a public company incorporated in England and Wales (registration number 2396996) |
| “CREST” | the computer-based system and procedures administered by Euroclear UK and Ireland Limited which enable title to securities to be held and transferred in uncertificated form |
| “Directors” or “Board” | the directors of the Company whose names are set out on page 3 of this Document |
| “Document” | this document |
| “Form of Proxy” | the form of proxy for use by Shareholders to enable Shareholders to appoint one or more proxies to attend the GM and, on a poll, to vote instead of that Shareholder |
| “FSA” | the Financial Services Authority |
| “GM” or “General Meeting” | the general meeting of the Company to be held pursuant to the notice set out at the end of this Document |
| “GM Notice” | the notice convening the General Meeting which is set out on pages 45 to 47 of this Document |
| “Group” | the Company and its subsidiaries |
| “Independent Directors” | John Mills, Wolfgang Baertz and Marcel Ernzer, who are Directors |
| “Investing Strategy” | the investing strategy of the Company described on pages 6 and 7 of the Document |
| “London Stock Exchange” | London Stock Exchange plc |
| “Official List” | the Official List of the UKLA |
| “Ordinary Shares” | the ordinary shares of £1 each in the capital of the Company |
| “Record Date” | the date and time of entitlement for Shareholders in respect of the General Meeting |
| “Resolutions” | the resolutions to be proposed at the GM as set out in the GM Notice |
| “South African Government” | the government of the Republic of South Africa |

| | |
|----------------------------------|--|
| “Shareholders” | holders of Ordinary Shares |
| “Shore Capital” | Shore Capital and Corporate Limited, authorised and regulated by the FSA |
| “UK Listing Authority” or “UKLA” | the FSA, acting in its capacity as the competent authority for the purposes of the Financial Services and Markets Act 2000 |

Note:

Amounts in Rand (R) have been translated into Sterling (£) on the basis of R13.7: £1. The approximate exchange rate as at 23 January 2008 is R13.97: £1.

GLOSSARY

| | |
|----------------------|--|
| “BEE” | black economic empowerment in South Africa |
| “CET” | central European time |
| “CGT” | capital gains tax |
| “DTA” | double tax Agreement |
| “EBITDA” | earnings before interest, taxation, depreciation and amortisation |
| “GDP” | gross domestic product |
| “inherent NAV” | NAV adjusted to remove discounts for lack of marketability and to reflect recently made unlisted investments at fair value, rather than cost |
| “IRR” | internal rate of return |
| “JSE” | Johannesburg Stock Exchange |
| “NAV” | net asset value |
| “Rand” | South African rands |
| “SPV” | special purpose vehicle |
| “STC” | secondary tax on companies |
| “Sterling” | pounds sterling |
| “Sub-Saharan Africa” | area of the African continent which lies south of the Sahara desert |

Blackstar Investors PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 2396996)

(R.C.S. Luxembourg number B 114 318)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a General Meeting of Blackstar Investors PLC (the “Company”) will be held at 6 rue Adolphe Fischer, L-1520 Luxembourg CET at 11.00 a.m. on 18 February 2008 in the presence of a Luxembourg notary for the purpose of considering and, if thought fit, passing the following resolutions:

1. That, the authorised share capital of the Company be increased to £150,000,000 by the creation of 60,000,000 ordinary shares of £1 nominal value each ranking *pari passu* with the existing ordinary shares of £1 each in the capital of the Company and that the memorandum and articles of association of the Company be amended to reflect the effect of this resolution.
2. That, subject to the passing of Resolution 3, and in place of all existing powers, for the purposes of section 80 of the Companies Act 1985 (the “Act”) (and so that expressions used in this resolution shall bear the same meanings as in the said section 80):
 - (i) the directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot and issue relevant securities up to a maximum nominal amount of £74,335,002 to such persons and at such times and on such terms as they think proper during the period expiring at the end of the annual general meeting of the Company to be held in 2008; and
 - (ii) the Company be and is hereby authorised to make prior to the expiry of such period any offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period and the directors may allot and issue relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution, so that all previous authorities of the directors pursuant to the said section 80 be and are hereby revoked and that the memorandum and articles of association of the Company be amended to reflect the effect of this resolution.
3. That, subject to the passing of Resolutions 1 and 2 the directors be and are empowered in accordance with section 95 of the Act to allot and issue equity securities (as defined in section 94 of the Act) for cash, pursuant to the authority conferred on them to allot and issue relevant securities (as defined in section 80 of the Act) by that resolution, as if section 89(1) and sub-sections (1)-(6) of section 90 of the Act did not apply to the allotment and issue (i.e. the statutory pre-emption rights normally applying to the allotment and issue of equity securities for cash be disapplied) provided that the power conferred by this resolution shall be limited to:
 - (i) the allotment and issue of equity securities in connection with an issue or offering in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held by them on the record date of such allotment, subject only to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems arising in connection with the laws or requirements of any recognised regulatory body or stock exchange in any territory; and
 - (ii) the allotment and issue (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal value not exceeding £74,335,002;and this power, unless renewed, shall expire at the end of the annual general meeting of the Company to be held in 2008, but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot and issue equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired and that the memorandum and articles of association of the Company be amended to reflect the effect of this resolution.
4. That the Company approves the amendments to the investing strategy as set out in the circular to Shareholders dated 24 January 2008 (the “Circular”).
5. That the new investment advisory agreement dated 24 January 2008, entered into between the Company and Blackstar Managers Limited (details of which are set out in the Circular) be and is hereby approved and that the Independent Directors (as defined in the Circular) be and are hereby

authorised to give effect to such agreement (subject to such minor amendments thereto or variations thereto, if any, as they may approve or deem necessary).

6. That the 2,800,000 Ordinary Shares that have recently been bought back by the Company from shareholders (500,000 on 12 September 2007, 500,000 on 21 September 2007 and 1,800,000 on 16 October 2007), pursuant to the authority granted to the Company at the annual general meeting of the Company held on 29 June 2007, be cancelled for the purposes of Luxembourg law and that the memorandum and articles of association of the Company be amended to reflect the effect of this resolution.
7. That any Ordinary Shares bought back by the Company in the future pursuant to the authority granted to the Company at the annual general meeting of the Company held on 29 June 2007, be cancelled for the purposes of Luxembourg law at the relevant time and to appoint any employee of Maitland Luxembourg S.A. to appear before a public notary in Luxembourg for the purpose of amending the memorandum and articles of association of the Company to reflect the changes resulting from the cancellation of any Ordinary Shares bought back in the future.
8. That the draft memorandum and articles of association of the Company produced to the meeting and, for the purposes of identification, initialled by the Chairperson be adopted as the memorandum and articles of association of the Company in substitution for, and to the exclusion of, the existing memorandum and articles of association of the Company.

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 of Directors 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 the Shareholders in accordance with the memorandum and articles of association of the Company.

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.

Dated: 24 January 2008

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| Registered Office: 7th Floor Phoenix House 18 King William Street London EC4N 7HE | By order of the Board John Mills Chairman |
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Notes:

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend, speak and vote at the meeting instead of him. The proxy need not be a member of the Company but must attend the meeting in order to represent his appointor. A member entitled to attend and vote at the meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
2. A member entitled to attend and vote at the meeting is entitled to appoint more than one proxy provided that each proxy is appointed to exercise rights attached to different shares
3. To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Capita Registrars (Proxies), PO Box 25, Beckenham, Kent BR3 4BR not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours after it is demanded, the document(s) must be delivered as aforesaid not less than

24 hours before the time appointed for taking the poll, or where the poll is taken not more than 48 hours after it was demanded, the document(s) must be delivered at the meeting at which the demand is made.

4. The register of interests of the directors and their families in the share capital of the Company and copies of contracts of service of directors with the Company or with any of its subsidiary undertakings will be available for inspection at the registered office of the Company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the General Meeting.
5. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend and vote at the General Meeting is 6.00 p.m. (CET) on 16 February 2008 (being not more than 48 hours prior to the time fixed for the meeting) or, if the meeting is adjourned, such time being not more than 48 hours prior to the time fixed for the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the right of any person to attend or vote at the meeting.
6. Any corporation that is a member of the Company may, by resolution of its directors or other governing body, authorise any person it thinks fit to act as its representative at the General Meeting.

