blackstar

Blackstar Investors PLC

2006 Annual Report and Accounts

Contents

Chairman's statement

Introduction

We are pleased to report that Blackstar Investors PLC (''the Company'') had a successful financial year under its new investment strategy, laying strong foundations for future growth. The Company's net asset value (''NAV'') has climbed from the equivalent of 93p at the interim period to 101p at year end, after taking into account the costs associated with two fund raisings as well as a weaker Rand. The Board estimates the NAV for the first quarter of 2007 to be 114p on an IFRS basis. This un-audited first quarter NAV has climbed substantially since the year end due to the performance of the Company's underlying portfolio.

During the year under review the Company completed two fund raisings and invested, or committed to invest, some £54 million of its total net capital raised of £75 million in a range of sectors including resources, industrial engineering, services, healthcare and telecoms in South Africa. Our investment advisor, Blackstar Managers, has proven its ability to access deal flow and to participate in attractive investment opportunities. Blackstar Managers has been able to establish itself as an innovative deal maker, with the ability to identify, negotiate and package transactions for the Company's shareholders.

Strategy

The Company's strategy has been to participate in investment opportunities that arise out of the Black Economic Empowerment (''BEE'') process currently underway in South Africa. BEE transactions tend to give impetus to a host of corporate re-organisations, consolidations and mergers. The Company aims to participate in opportunities created by this unique economic restructuring in South Africa to create value for its shareholders. During the course of the year, the Company broadened its strategy around these BEE opportunities in order to give its portfolio flexibility and liquidity, as opposed to only having holdings in illiquid BEE Special Purpose Vehicles (''SPV's'').

Macro-economic overview

In 2006 the South African economy registered another impressive performance with GDP growth at 5% for the year. Economic growth is forecast in 2007 to be around 4%. This performance is against a backdrop of relatively stable inflation and interest rates, corporate profitability and significant increases in private sector fixed investment. Companies have taken advantage of the strong economy and favourable financing to fund capital expenditure projects. The South African Government's £40 billion infrastructure spending programme has begun to take shape and has encouraged the private sector to embark on larger capital projects. The South African Government's Accelerated and Shared Growth Initiative for South Africa is key to achieving higher levels of job creation and stimulating greater investment into the economy.

Currency

The Rand was volatile during the year weakening from its strongest level of 10.48 to Sterling in February 2006 to its weakest level of 14.77 to Sterling in October 2006. This was primarily due to political uncertainty surrounding the ANC presidential succession debate and concerns around the current account deficit. However the Rand has been relatively stable since October 2006. The Rand is used by traders and asset managers as an emerging market proxy hedge and volatility can be expected to continue in the short-term.

The portfolio and updates

During the year, the Company has made several investments, all of which have been announced on a deal by deal basis. However, the annual report provides a good opportunity to summarise these and provide investors a flavour of the overall portfolio as follows:

Myriad Medical Holdings Limited (''Myriad Medical'')

Myriad Medical, which operates in the medical device industry, recently published its inaugural set of half year results, which were satisfactory and in line with its pre-listing statement. During the year the Company realised profits of £285,000 on its investment in Myriad Medical through the sale of approximately 4% of Myriad Medical (or 17% of the direct investment), being 2.2 times money on its direct stake. The remainder of the investment has increased in value by 36% in Sterling (34% in Rands) from £3,398,000 to £4,611,000. Post year end the Company disposed of a further 9% of its remaining direct stake at similar levels.

Since listing, and in line with its strategy of expanding its product offering, Myriad Medical has secured the rights for three agencies involving the supply of incubators, neonatal products and specialist hospital beds and furniture. It has also reached an agreement to acquire Earth Medical CC, an established business that has been operating for 16 years, which markets and distributes medical devices in the fields of infection control, arthroscopy and orthopedics, urology and women's health.

Euro Steel Holdings (Pty) Limited ("Euro Steel")

Euro Steel, the supplier of specialised stainless steel sheet and related products in South Africa, has performed well above our expectations, boosted by good trading opportunities and a buoyant local market. Profit after tax for year ended 28 February 2007 more than doubled when compared to the prior financial year. Since investing, the value of the investment has increased by 17% in Sterling (47% in Rands) from £609,000 to £712,000.

Management continues to look at ways of growing the Euro Steel business both organically and through selective acquisitions, in line with Euro Steel's strategy of becoming an extensive merchandiser and distributor of steel and value added steel products. Prospects for the industry remain buoyant aided by the South African Government's substantial commitment to investment in infrastructure.

Services company derivative

The Company concluded two secondary BEE transactions in a large listed services company, using a derivative structure. The purpose of the transactions was to provide the two respective BEE groups with liquidity whilst still retaining some of their exposure to the company. Blackstar Managers was able to secure an attractive transaction on behalf of shareholders. The two investments have performed well as a result of a strong performance and positive sentiment in the underlying company. Since investing, the value of the investment has increased by 42% in Sterling (61% in Rands) from £4,483,000 to £6,369,000.

The underlying company remains well positioned to benefit from the strong growth in the South African economy.

Telecom company derivative

The Company also concluded a secondary BEE transaction into a large listed telecom company. Post investment the performance of the underlying share has been volatile. The value of the investment decreased by 21% in Sterling (0% in Rands) from £1,072,000 to £846,000 primarily as a result of depreciation in the Rand, by year-end.

The share has performed strongly in 2007, up 24% since year end, and in our view remains significantly under-valued in comparison to other local and international telecom stocks. In addition the underlying company produces a strong dividend yield which enhances the ability to pay back the debt associated with the investment.

Realised and unrealised investment gains

The overall increase in the investment portfolio was £3,261,000, of which £285,000 was realised through the sale of Myriad Medical shares. The underlying assets performed more strongly as the portfolio was adversely affected by the 10% depreciation of the Rand since the funds were invested.

Post balance sheet events

Some notable post balance sheet transactions which bode well for the balance of 2007 include:

York Timber Organisation Limited ("York")

The Company acquired a controlling stake in York, a listed forestry group on the JSE Limited which has since concluded a deal for the acquisition of Global Forest Products (Pty) Limited ("GFP"). GFP manages 56,805 hectares of plantations in South Africa and is a fully integrated forestry group. The acquisition will materially enhance York's saw milling capacity, securing its position as a leading domestic forestry resource company capable of supplying structured timber and related products to a buoyant market which continues to be fuelled by strong infrastructure and construction growth, both locally and abroad. York remains the only JSE listed fully integrated timber company.

The proposed equity funding by York to fund the acquisition is expected to be completed at a premium to the Company's entry price of R9.83. The Company has agreed to subscribe for £10.5 million of new ordinary shares in York and has agreed to underwrite the issue of £14 million of new equity in York for which it will receive an underwriting fee of £0.6 million. York has recently traded as high as R27.50 per share which is 180% above the Company's cost.

Mvelaphanda Resources Limited ("Mvela")

The Company invested £11.3 million in Afripalm (headed by Mr Lazarus Zim, former CEO of Anglo American South Africa), which in turn subscribed for shares in Mvela at R29.20 per share. The shares have traded as high as R60.00 per share since the date of the Company's investment on the back of a strong resources sector and market expectations of corporate activity in Mvela. The increased share price has significantly enhanced the NAV of the Company for the first quarter of 2007.

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

The Company invested £4.8 million in the leveraged buy out of DCD-Dorbyl in partnership with Investec Private Equity. DCD-Dorbyl is a company engaged in the supply of products and services to the rail transport, heavy engineering and marine ship repair and off-shore oil industries. DCD-Dorbyl expects to benefit from the increased infrastructure spending in South Africa, particularly in the railway, transport and mining sectors.

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

The Company has agreed to invest £10.5 million to acquire 49% of KMG via a leveraged buy-out alongside management and black staff. The £8.5 million balance of the total acquisition cost will be debt, provided by ABSA Bank Limited. KMG is the third largest carbon steel, stainless steel and aluminium distributor in South Africa with turnover in excess of £114 million and expects to benefit from the current growth in the South African steel market.

Prospects

Blackstar Managers continues to source attractive investment opportunities. We therefore look forward to the remainder of the year with confidence, and anticipate being fully invested by the close of the third quarter of 2007.

Julian Treger
Chairman
Luxembourg
27 April 2007

Directors' report

Report of the Directors for the year ended 31 December 2006

The Directors present their report together with the audited financial statements for the year ended 31 December 2006.

Results and dividends

The consolidated income statement as set out on page 12 shows the profit for the year.

The Directors do not recommend the payment of a dividend (2005 – nil).

Principal activities, review of business and future developments

The Company was incorporated in England and Wales and has its registered office at 22 Arlington Street, London SW1A 1RD and has its principal place of business at 6 rue Adolphe Fischer, L-1520 Luxembourg.

The Company is an investment company and its principal activities during the year were to participate in investment opportunities in South Africa, including those that emanate from the Black Economic Empowerment ("BEE") process currently underway. This followed shareholders' approval to the change of name from Illuminator Plc and change of investing strategy in the general meeting in January 2006.

During the year the Company successfully raised £35 million (before expenses) in January 2006 and a further £45 million (before expenses) in July 2006 and engaged Blackstar Managers, an offshore management company, to assist with sourcing, evaluating and assessing potential investment opportunities, in which Andrew Bonamour, Director, is managing partner.

The Directors intend to focus on a wide range of sectors and do not intend to invest more than 30% of such net funds in any single opportunity. In addition, the Directors may seek to raise debt finance in respect of each investment.

The Directors believe that the transformation of the South African economy in connection with the South African Government's BEE programme continues to create various investment opportunities for capital providers. This coupled with the limited number of largely under-funded investors has created and continues to create attractive investment opportunities for the providers of capital. Blackstar Managers remains well positioned to source attractive investment opportunities.

The other requirements of the business review and a portfolio update have been included in the Chairman's statement.

Corporate Governance

All material matters were reported to the Board of Directors which meets on a quarterly basis.

Going Concern

After making enquiries the Directors have a reasonable expectation that the Company has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Policy and practice on the payment of creditors

It is the Company's policy to pay its creditors in accordance with the individual supplier's policy which is normally after having taken 30 days credit from each supplier. Trade creditor days for the Company at 31 December 2006 was 1 day (2005 – 10 days).

Post balance sheet events

These are detailed in note 22 to the consolidated financial statements.

Directors' report
Continued

Charitable and political contributions

During the year, no charitable or political contributions were made.

Substantial shareholders

On 1 January 2007, the following parties had disclosed holdings of 3% or more of the issued ordinary shares of the Company.

Name	*Shares*	*% Holding*
Morstan Nominees Limited	13,548,943	17.27%
Bear Stearns Securities Corp	10,221,708	13.03%
HSBC Global Custody Nominee UK Limited	8,293,734	10.57%
Nortrust Nominees Limited	5,054,736	6.44%
Credit Suisse Securities Europe Limited	4,828,372	6.15%
Bank of New York Nominees Limited	4,440,488	5.66%
Chase Nominees Limited	4,154,245	5.29%
K.B.C.I. Nominees Limited	4,043,904	5.15%
Mellon Nominees UK Limited	3,460,159	4.14%
Pershing Keen Nominees Limited	3,023,812	3.85%
Nutraco Nominees Limited	3,014,892	3.84%

Financial instruments – Risk management

Blackstar Investors PLC is an investment company. Investments are usually in the form of equity, although they may sometimes take the form of debt, which would be on a floating rate basis. The Company currently does not have any borrowings and is not exposed to any interest rate risk. The Company is however exposed to one or more of the following financial risks:

- Foreign currency risk
- Liquidity risk
- Market price risk
- Credit risk

The Board of Directors agrees and reviews the policy for managing these risks. The policy for each of the above risks is described in more detail below:

Foreign currency risk

Foreign exchange risk arises because the Company makes investments in South Africa in Rands, which is not the same as the Company's reporting currency (Sterling). The value of these investments is exposed to currency risk giving rise to gains or losses on translation into Sterling. The Company may also hedge its currency exposure from time to time.

Foreign exchange risk also arises because the Company incurs costs from service providers in various parts of the world whose currency is not the same as the Company's reporting currency (Sterling).

Liquidity risk

Certain of the Company's underlying investments are in private, illiquid special purpose vehicles.

The Company 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 Company's forecast cash requirements.

Market price risk

The Company is exposed to price risk in its listed and unlisted investments as well as country risk as all the investments are in companies operating in South Africa. The fair value of these investments is monitored continuously.

Credit risk

Credit risk is the risk that a counterparty will be unable to repay amounts when they fall due. At year end the Company did not have any significant credit risk exposures.

Directors

The Directors of the Company who held office during the year and their beneficial interests at the year end in the ordinary share capital of the Company were as follows:

	31 December 2006 Shares	*31 December 2005 Shares**
Julian Treger†	1,000,000	1,888,402
David Brock	109,097	181,944
Andrew Bonamour (Appointed on 25 January 2006)‡	34,225	–
Denis Worrall (Appointed on 25 January 2006)	–	–
Wolfgang Baertz (Appointed on 25 January 2006)	–	–
Marcel Ernzer (Appointed on 27 January 2006)	–	–
John Mills (Appointed on 27 January 2006)	–	–

Notes:

* The holdings as at 31 December 2005 are prior to the consolidation and capital raising as set out in note 17 to the consolidated financial statements.

† 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.

No Director has options to purchase shares in the Company.

No Director has any direct interest in the shares of any of the subsidiary companies.

The Company maintains appropriate directors' insurance cover.

Biographical details of all current Directors are to be found on pages 8 to 9.

For Directors appointed during the year, the shareholding on date of appointment was zero.

Statement of Directors' responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The Directors have chosen to prepare financial statements for the Company and its subsidiaries (''the Group'') and the Company in accordance with International Financial Reporting Standards (''IFRSs'') as adopted by the European Union

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's ''Framework for the preparation and presentation of financial statements''. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Auditors

BDO Stoy Hayward LLP has expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the annual general meeting.

The Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

By order of the Board

Andrew Bonamour
27 April 2007

Directorate

Julian Treger (Non-executive Chairman)

Julian Treger, who grew up in South Africa, has been involved in the corporate finance and securities investment business since graduating from Harvard College (Magna Cum Laude) in 1984. After starting at Hambros Bank in corporate finance (M&A division), he attended Harvard Business School, thereafter he joined the J Rothschild Group to manage a portfolio of venture capital investments in both the UK and abroad and in providing corporate finance services to clients. In 1993, together with Brian Myerson, he founded Active Value Advisors. Julian is a principal advisor to Audley Capital in London, an onshore advisory business to a hedge fund and a private equity fund, whilst he continues to serve a number of other directorships.

David Brock (Non-executive Director)

David Brock was until July 1997 a main board director of MFI Furniture Group plc and managing director of MFI International Limited, having been involved at a group board level in both MFI's management buyout and subsequent flotation. He started his career at Marks & Spencer Group plc. He currently chairs a number of venture capital-backed companies including JN (Holdings) Limited, Americana International Limited, Episys Limited, Phase 8 Limited, Ossian Retail Group Limited, various Puma VCT companies and Elderstreet VCT plc. He is interested in venture capital as both an investor and as an advisor to various funds.

Andrew Bonamour (Non-executive Director)

Andrew Bonamour was the founder of Blackstar Investors PLC and is the managing partner of Blackstar Managers which advises the funds on behalf of Blackstar Investors PLC. 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 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.

Dr Denis Worrall (Non-executive Director)

Dr Denis Worrall is a political scientist and lawyer by training. He has taught at universities in South Africa, Nigeria and the USA; edited the first general textbook on the South African Government and politics; practised as an advocate; was in public life in South Africa from 1974 to 1994; and was South Africa's Ambassador to Australia (1982-1984) and the United Kingdom (1984-1987), when he resigned for political reasons. He was subsequently a founder and co-leader of the Democratic Party. In 1987, he established Omega Investment Research (Pty) Ltd, a corporate advisory and event management firm with offices in Cape Town, London and Perth. Dr Worrall is former Vice Chairman of the International Bank of Southern Africa; Managing Director of D.O.C. Finance S.A. (South Africa) (Pty) Ltd; former Chairman of Australian mining company Crown Diamonds N.L.; a director of various private companies, and a consultant to the World Bank and several multinational corporations. He is also the Chairman of the South African Formula One Grand Prix Bid Company.

Wolfgang Baertz (Non-executive Director)

Wolfgang Baertz has over 40 years experience within the banking sector. From 1968, he has been with Dresdner Bank initially in Frankfurt and thereafter in Luxembourg, where he held the positions of Head of Loans and Syndications Department (1970-1979), General Manager (1979-1982), Managing Director and Member of the Board of Directors (1982-1997) and President (1997-2003).

Marcel Ernzer (Non-executive Director)

Marcel Ernzer, a Reviseur d'entreprises, is an independent consultant within the financial sector. He was an auditor and later a consultant with Price Waterhouse Luxembourg from 1982-1986. From 1987-1996, he was responsible for setting-up and managing Unico Financial Services, a PSF in Luxembourg, owned by Credit

Agricole, DZ Bank, Rabobank, RZB Austria, Cera Bank (later KBC) and Okobank. He is currently a director of Insinger de Beaufort Holdings S.A., Aviva Funds, Camera di Commercio Italo-Lussemburghese, Pro Fonds (Lux) Sicav, Profirent and certain family owned commercial companies including Tetrabat, Taxirent and FAS. Over the previous years he was a director of several financial services companies including Corporate Management Services owned by Commercial Union, EEK Invest owned by Evangelische Kreditgenossenschaft, Piac owned by RZB Austria, UKB owned by Kokusai Securities and Winterthur Financial Services owned by Winterthur. He was also a director of several investment funds and until 1998 served on the board of ALFI, the association of the Luxembourg Fund Industry.

John Mills (Non-executive Director)

John Mills, a qualified solicitor, is currently a director of Maitland Luxembourg SA and certain Luxembourg and ISE listed investment funds. Over the previous five years, he was and continues to be a director and a principal in the Maitland Group and a number of other companies. He has had extensive experience in advising clients in the structuring and exiting of private equity investments, through both onshore and offshore vehicles.

Report of the independent auditors

Independent auditor's report to the shareholders of Blackstar Investors PLC

We have audited the Group and Parent Company financial statements (the "financial statements'') of Blackstar Investors PLC for the year ended 31 December 2006 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Change in Shareholders' Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and 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 financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report and the Chairman's statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 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 the Companies Act 1985 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company'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 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.

Report of the independent auditors

Continued

Opinion

In our opinion:

- the 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 31 December 2006 and of its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Gatwick
27 April 2007

Consolidated income statement

for the year ended 31 December 2006

	Notes	31 December 2006 £'000	31 December 2005 £'000
Increase in fair value of investments		3,701	–
Dividends receivable from investments		114	–
Realised gain on disposal of investments		285	54
Net investment income		4,100	54
Other operating income	7	–	5
Exchange gains		112	–
Administrative expenses		(1,677)	(157)
Profit/(loss) from operations	2	2,535	(98)
Finance income	8	1,663	5
Profit/(loss) before taxation		4,198	(93)
Taxation	9	–	–
Profit/(loss) for the year attributable to equity holders		4,198	(93)
Basic and diluted earnings/(loss) attributable to equity holders per ordinary share in pence	10	9.14	(0.15)

The above results relate entirely to continuing operations.

The notes on pages 16 to 26 form part of the consolidated financial statements.

Consolidated balance sheet
as at 31 December 2006

	Notes	31 December 2006 £'000	31 December 2005 £'000
Non-current assets			
Investments held to maturity	11	2,816	–
Investments at fair value through profit and loss	12	9,722	–
		12,538	–
Current assets			
Trade and accounts receivable	14	435	281
Cash and cash equivalents	15	66,197	48
		66,632	329
Total assets		79,170	329
Current liabilities			
Trade and accounts payable	16	(158)	(66)
Total liabilities		(158)	(66)
Total net assets		79,012	263
Equity			
Share capital	17	78,465	121
Capital redemption reserve	17	775	1,262
Foreign currency translation reserve	17	(839)	–
Special reserve	17	11,754	11,754
Accumulated deficit		(11,143)	(12,874)
Total equity attributable to equity holders of the parent		79,012	263
Net asset value per share in pence		101	43

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 27 April 2007.

Andrew Bonamour

The notes on pages 16 to 26 form part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2006

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Special reserve £'000	Accumulated deficit £'000	Total equity £'000
Balance at 31 December 2004	121	–	1,262	–	11,754	(12,781)	356
Loss for the year	–	–	–	–	–	(93)	(93)
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)
Profit for the year	–	–	–	–	–	4,198	4,198
Currency exchange losses on investments	–	–	–	(839)	–	–	(839)
Balance at 31 December 2006	78,465	–	775	(839)	11,754	(11,143)	79,012

The notes on pages 16 to 26 form part of the consolidated financial statements.

Consolidated cash flow statement

for the year ended 31 December 2006

	Notes	31 December 2006 £'000	31 December 2005 £'000
Cash flow from operating activities			
Cash absorbed by operations	18	(1,627)	(148)
Interest received		1,663	5
Net cash generated/(absorbed) by operating activities		36	(143)
Cash flow from investing activities			
Purchase of investments		(9,799)	–
Proceeds from disposal of investment		522	–
Cash absorbed by investing activities		(9,277)	–
Cash flow from financing activities			
Issue of ordinary shares		80,000	–
Capital raising expenses		(4,610)	–
Cash generated by financing activities		75,390	–
Net increase/(decrease) in cash and cash equivalents		66,149	(143)
Cash and cash equivalents at the beginning of the year		48	191
Cash and cash equivalents at the end of the year		66,197	48

The notes on pages 16 to 26 form part of the consolidated financial statements.

Accounting policies

for the year ended 31 December 2006

Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied across all periods presented in the consolidated financial statements.

These consolidated financial statements 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 and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS. This is the first time the Company and its subsidiaries ("the Group") has prepared its financial statements in accordance with IFRSs, having previously prepared its financial statements in accordance with UK accounting standards. Details of how the transition from UK accounting standards to IFRSs has affected the Group's reported financial position, financial performance and cash flows are given in note 1 to the consolidated financial statements.

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

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.

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 of business so as to obtain benefits from its activities, it is classified as a subsidiary. These consolidated 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.

Under the provision of s230 of the Companies Act 1985 the Parent Company has not published a separate income statement. The Parent Company's result for the year is disclosed in note 6 to the consolidated financial statements.

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.

Accounting policies

for the year ended 31 December 2006

Translation of foreign currencies

Following its change in investing strategy to participate in investment opportunities in South Africa, the Company's functional currency changed from Sterling to 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. 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. 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.

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.

Cash and cash equivalents

Cash and cash equivalents comprises cash in current accounts and cash deposits that mature within one week, 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 estimate 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

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.

Accounting policies

for the year ended 31 December 2006

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:

International Accounting Standards (IAS/IFRS)	Effective Date
IAS 1 Presentation of Financial statements	01/01/2007
IAS 23* Borrowing Costs	01/01/2009
IFRS 7 Financial instruments: Disclosures	01/01/2007
IFRS 8* Operating Segments	01/01/2009

International Financial Reporting Interpretations Committee (IFRIC)	Effective Date
IFRIC 7 Applying the Restatement Approach under IAS 29	
‘Financial Reporting in Hyperinflationary Economies’	01/03/2006
IFRIC 8 Scope of IFRS 2	01/05/2006
IFRIC 9 Reassessment of Embedded Derivatives	01/06/2006
IFRIC 10* Interim Reporting and Impairment	01/11/2006
IFRIC 11* IFRS 2 ‘Group and Treasury Share Transactions’	01/03/2006
IFRIC 12* Service Concession Arrangements 01/01/2008	

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

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group’s financial statements in the period of initial application.

Notes to the consolidated financial statements

for the year ended 31 December 2006

1 First time adoption of International Financial Reporting Standards (IFRSs)

Other than the change in format, layout and disclosures, the transition from UK accounting standards to IFRSs had no effect on the Group's reported financial position, financial performance or cash flows in the corresponding period, 31 December 2005, or on the total net assets at the date of transition, 1 January 2005.

2 Profit/(loss) from operations

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

	2006 *£'000*	*2005* *£'000*
Foreign exchange differences	(112)	–
Auditors' remuneration		
– audit services	20	8
– other services supplied under legislation	19	24

3 Employees

The average number of employees during the year for the Company and the Group, excluding Directors, was nil (2005 – nil).

4 Directors' remuneration

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

	2006 *£'000*	*2005* *£'000*
Julian Treger	31	17
David Brock	36	24
Andrew Bonamour	20	–
Denis Worrall	19	–
Wolfgang Baertz	19	–
Marcel Ernzer	19	–
John Mills	21	–
	165	41

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

All Directors fees payable to J Mills are payable to the Maitland Group.

No Director held any share options and no options were granted or exercised in the year (2005 – none).

5 Segmental information

In the year ended 31 December 2006, all the Group's results are derived from its principal activity, investing in South Africa. The Group had one reportable segment, and one geographic segment, being its principal activity.

6 Profit/(loss) for the financial year

The Parent Company has taken advantage of the exemption allowed under section 230 of the Companies Act 1985 and has not presented its own profit and loss in these financial statements. The Group's profit for the year includes a profit after tax of £1,629,000 (2005 – loss of £93,000), which is dealt with in the financial statements of the Parent Company.

7 Other operating income

	2006 £'000	2005 £'000
Other income	–	5

8 Finance income

	2006 £'000	2005 £'000
Interest income on short term bank deposits	1,663	5

9 Taxation

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in Luxembourg applied to profits for the year of 29.85% (2005, UK corporation tax of 30%) are as follows:

	2006 £'000	2005 £'000
Profit/(loss) before tax	4,198	(93)
Expected tax charge based on the standard rate	1,253	(28)
Income not subject to tax	(1,229)	–
Capitalised expenses deductible for tax purposes	(29)	–
Tax losses unutilised	5	28
Total tax charge for the year	–	–

The Group does not have any additional unutilised cumulative losses, however the Group has additional capitalised expenses amounting to £4,512,000 that are deductible for tax purposes.

10 Basic and diluted earnings/(loss) per share

	2006 £'000	2005 £'000
Net profit/(loss) attributable to shareholders	4,198	(93)
Weighted average number of shares in issue (thousands)	45,907	608
Basic and diluted earnings/(loss) per share (in pence per share)	9.14	(0.15)

Earnings/(loss) per ordinary share have been calculated by using the weighted average number of shares in issue, being 45,907,268. (31 December 2005: 607,855 as adjusted for consolidation of ordinary share capital as set out in note 17 to the consolidated financial statements).

11 Investments held to maturity

	2006 £'000	2005 £'000
Book cost at the beginning of the year	–	–
Additions during the year at cost	2,796	–
Book cost at the end of the year	2,796	–
Carrying value at the beginning of the year	–	–
Additions during the year at cost	2,796	–
Dividends receivable from investments during the year	114	–
Currency exchange losses on investments during the year	(94)	–
Carrying value at the end of the year	2,816	–

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

Details	*Carrying value* *£'000*
Cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Myriad Medical Holdings Limited. Dividends are payable at South African Prime rate plus 1.5% nominal annual compounded monthly and the shares are redeemable in 2009 or earlier at the consent of the Company and other shareholders	2,292
Cumulative redeemable preference shares in a special purpose vehicle established to acquire an interest in Euro Steel Holdings (Pty) Limited. Dividends are payable at the South African Prime rate plus 5.5% nominal annual compounded monthly and the shares are redeemable in 2013 or earlier at the consent of the Company and other shareholders	524
Carrying value at the end of the year	2,816

12 Investments at fair value through profit and loss

	2006 £'000	2005 £'000
Book cost at the beginning of the year	–	–
Additions during the year at cost	7,003	–
Disposals during the year at cost	(237)	–
Book cost at the end of the year	6,766	–
Fair value at the beginning of the year	–	–
Additions during the year at cost	7,003	–
Disposals during the year at cost	(237)	–
Increase in the fair value of investments during the year	3,701	–
Currency exchange losses on investments during the year	(745)	–
Fair value at the end of year	9,722	–

12 Investments at fair value through profit and loss (continued)

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 as set out in the financial instruments – risk management section of the Directors' report. These investments comprise the following:

Details	*Fair value £'000*
Ordinary shares in Myriad Medical Holdings Limited	2,196
Participating preference shares in a special purpose vehicle established to acquire an interest in Myriad Medical Holdings Limited, which are redeemable in 2009 or earlier at the consent of the Company and other shareholders	123
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	188
Derivative investment in a telecom company, which gives the Company exposure to a minority interest in the underlying telecom company	846
Derivative investment in the services company, which gives the Company exposure to a minority interest in the underlying services company	6,369
Fair value at year end	9,722

Investments at fair value through profit and loss include derivatives, which were previously classified as current assets in the interim financial statements to 30 June 2006. Following a review of the normal operating cycle of the Company, these financial instruments have been re-designated as non-current assets.

13 Financial instruments

Information related to financial instruments and management of related risks are set out in the Directors' report.

14 Trade and accounts receivable

	2006 £'000	*2005 £'000*
Prepayments and accrued income	435	26
Other debtors	–	255
	435	281

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

15 Cash and cash equivalents

	2006 £'000	*2005 £'000*
Call deposits and cash at bank	66,197	48

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.

16 Trade and accounts payable

	2006 £'000	2005 £'000
Trade creditors	49	20
Social security and other taxes	–	7
Accruals	109	39
	158	66

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

17 Share capital and reserves

	2006 £'000	2005 £'000
Authorised		
90,000,000 ordinary shares of £1.00 each	90,000	
200,000,000 ordinary shares of £0.01 each		2,000
Issued and fully paid		
78,464,998 ordinary shares of £1.00 each	78,465	
12,060,632 ordinary shares of £0.01 each		121

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.

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 pence 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.

18 Cash absorbed by operations

	2006 £'000	2005 £'000
Profit/(loss) from operations for the year	2,535	(98)
Adjustments for:		
Increase in the market value of investments	(3,701)	–
Dividends receivable from investments	(114)	–
Realised gain on disposal of investments	(285)	(54)
Changes in working capital		
Increase in trade and account receivable	(154)	(14)
Increase in trade and account payable	92	18
Cash absorbed by operations	(1,627)	(148)

19 Subsidiaries and associated companies

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

Name	*Country of incorporation*	*Proportion of ownership*	*Principal activity*
Blackstar (Cyprus) Investors Limited	Cyprus	100%	Investment company
Blackstar (Gibraltar) Limited	Gibraltar	100%	Investment company
Illuminator Holdings Limited	England	100%	Holding company
Illuminator Investments Limited*	England	100%	Investment company

* 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.

20 Related party transactions

Julian Treger is deemed to be a related party, as in addition to being a Director, he is a possible beneficiary of discretionary trusts that own E2Investors Limited and that is interested in 1.27% of the issued share capital of the Company. Funds associated with Julian Treger are in the process of finalising an agreement to share in any performance fee payable by the Company under the terms of the Investment Advisory Agreement. The total performance fee is equal to 20% of the gain on investments realised by the Company, subject to a 10% hurdle and making good any investment write-downs and general expenses. A family trust associated with him is a major shareholder in Audley Capital Advisors LLP, which has agreed to provide financial advisory services to the Company. In 2006, £179,000 (2005 – nil) was paid to Audley Capital. At the balance sheet date £6,000 (2005 – nil) 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 Limited. Blackstar Managers has agreed to provide investment advisory services to the Company in terms of the Investment Advisory Agreement, and is also entitled to share in any performance fee payable by the Company under the terms of the Investment Advisory Agreement. The total performance fee is equal to 20% of the gain on investments realised by the Company, subject to a 10% hurdle and making good any investment write-downs and general expenses. In 2006, investment advisory fees of £979,000 (2005 – nil) were paid to Blackstar Managers. At the balance sheet date £388,000 (2005 – nil) 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. The Maitland Group provided a variety of services to the Group and Company, on a commercial, arm's length basis. In 2006, £341,000 (2005 – nil) was paid to the Maitland Group of companies for advisory and administrative services. At the balance sheet date £26,000 (2005 – nil) was owing to the Maitland Group.

Details of Directors' remuneration are given in Note 4 to the consolidated financial statements. There are no other related party transactions.

Notes to the consolidated financial statements

for the year ended 31 December 2006

21 Pension costs

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

22 Post balance sheet events

The York Timber Organisation Limited (“York”)

The Company acquired a controlling stake in York, which is listed on the JSE Limited. The effective date of purchase was 14 March 2007. The total investment by the Company was R92 million (£6.5 million), which comprises a 59% direct stake in York as well as financing and facilitating of a variety of black economic empowerment (“BEE”) staff and community trusts, acquiring 26% of the equity of York, by subscribing for preference shares amounting to R28 million (£2 million). Costs associated with the transaction comprising due diligence, legal and consulting fees amounted to R 1.1 million (£79,000). York is one of South Africa’s major forestry enterprises that own forests, sawmills, manufacturing plants, warehousing and sales and trading operations.

York’s audited assets and liabilities at 31 December 2006, its last reportable period, which approximate it assets and liabilities at acquisition date, are set out as follows:

	R’000
Non-current assets	92,803
Inventories	34,724
Trade and other receivables	59,909
Cash and cash equivalents	41,731
Non-current liabilities	50,060
Interest bearing borrowings	12,050
Trade and other payables	63,150

The purchase consideration approximated to the net asset value and the goodwill is not considered to be material. York does not intend on disposing of any operations.

Disclosure of any additional information would be impracticable as York is a listed company. In addition, York intends to issue new ordinary shares as part of the acquisition of Global Forest Products (Pty) Limited (detailed below) which will result in the Company relinquishing control over York in July 2007.

Global Forest Products (Pty) Limited (“GFP”)

York has agreed to acquire GFP for a consideration of R1.7 billion (£119 million). As part of the transaction the Company has agreed to subscribe for R150 million (£10.5 million) of new ordinary shares in York and has also agreed to underwrite the issue of R200 million (£14 million) of the new equity in York for which it will receive an underwriting fee of R9 million (£0.6 million) from York.

GFP is an environmentally sustainable, integrated forestry company, headquartered in Sabie, South Africa, managing 56,805 hectares of certified plantation forests. In addition, GFP has 29,101 hectares of land reserved for conservation, streams, natural heritage sites, roads and access routes. GFP also owns and operates three sawmills and a recently rebuilt plywood plant. Currently, GFP is a supplier of solid wood products to the South African market and actively exports to five other countries.

The GFP transaction is subject to fulfilment of certain conditions precedent including required regulatory approvals.

Mvelaphanda Resources Limited (“Mvela”)

The Company invested R160 million (£11.3 million) in Mvela by subscribing for cumulative redeemable preference shares in Newshelf 848 (Pty) Limited (“Afripalm-Mvela”), a special purpose vehicle set up solely for the purpose of funding Afripalm Resources (Pty) Ltd’s subscription of Mvela ordinary shares. Through the preference shares, the Company will have exposure to 40% of the equity of Afripalm-Mvela. Mvela is a leading broad based pan African empowerment mining and minerals company listed on the JSE with significant investments in Goldfields Limited, Northam Platinum Limited and Trans Hex Group Limited.

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

The Company invested R68 million (£4.8 million) to acquire a 49% shareholding in a black economic empowerment, special purpose vehicle ("BEE SPV") being established to acquire a 34% interest in the leveraged buy out of DCD-Dorbyl alongside Investec Private Equity. The Company will fund the BEE SPV through a shareholder loan. DCD-Dorbyl is a private South African company engaged in the supply of products and services to the rail transport, heavy engineering and marine ship repair and off-shore oil industries.

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

The Company has agreed to invest R149 million (£10.5 million), to acquire 49% of KMG via a leveraged buy-out alongside management and black staff. As part of the R149 million transaction, the Company will be financing a black economic empowerment, special purpose vehicle ("BEE SPV"), acquiring 51% of KMG, by subscribing for preference shares. The balance of the total acquisition cost amounting to R120 million (£8.5 million) will be debt, provided by ABSA Bank Limited. The effective date of the transaction is 1 March 2007 however the transaction is subject to fulfilment of certain conditions precedent including required regulatory approvals, which are expected to be fulfilled during June 2007.

KMG is the third largest carbon steel, stainless steel and aluminium distributor in South Africa. KMG operations are processors, distributors and stockists of customer specific carbon steel, stainless steel and aluminium in the form of high quality sheet, plate and coil, as well as structural and other long product profiles.

Company balance sheet

for the year ended 31 December 2006

	Notes	31 December 2006 £'000	31 December 2005 £'000
Non-current assets			
Investments in subsidiary companies	2	73,127	–
Investments at fair value through profit and loss	3	3,042	–
		76,169	–
Current assets			
Trade and accounts receivable	5	418	281
Cash and cash equivalents	6	635	48
		1,053	329
Total assets		77,222	329
Current liabilities			
Trade and accounts payable	7	(149)	(66)
Total liabilities		(149)	(66)
Total net assets		77,073	263
Equity			
Share capital	8	78,465	121
Capital redemption reserve	8	775	1,262
Foreign currency translation reserve	8	(209)	–
Accumulated deficit		(1,958)	(1,120)
Total equity attributable to equity holders of the parent		77,073	263

The Company financial statements were approved by the Board of Directors and authorised for issue on 27 April 2007.

Andrew Bonamour

The notes on pages 30 to 31 form part of the Company financial statements.

Company statement of changes in equity

for the year ended 31 December 2006

	Share capital £'000	Share Premium £'000	Capital redemption reserve £'000	Foreign currency translation reserve £'000	Accumulated deficit £'000	Total equity £'000
Balance at 31 December 2004	121	–	1,262	–	(1,027)	356
Loss for the year	–		–	–	(93)	(93)
Balance at 31 December 2005	121	–	1,262	–	(1,120)	263
Consolidation and issue of new shares	78,344	2,143	(487)	–	–	80,000
Capital raising expenses	–	(2,143)	–	–	(2,467)	(4,610)
Profit for the year	–		–	–	1,629	1,629
Currency exchange losses on investments	–	–	–	(209)	–	(209)
Balance at 31 December 2006	78,465	–	775	(209)	(1,958)	77,073

The notes on pages 30 to 31 form part of the Company financial statements.

Company cash flow statement

for the year ended 31 December 2006

	Notes	31 December 2006 £'000	31 December 2005 £'000
Cash flow from operating activities			
Cash absorbed by operations	9	(1,602)	(148)
Interest received		1,578	5
Net cash absorbed by operating activities		(24)	(143)
Cash flow from investing activities			
Purchase of investments		(75,301)	–
Proceeds from disposal of investment		522	–
Cash absorbed by investing activities		(74,779)	–
Cash flow from financing activities			
Issue of ordinary shares		80,000	–
Capital raising expenses		(4,610)	–
Cash generated by financing activities		75,390	–
Net increase/(decrease) in cash equivalents		587	(143)
Cash and cash equivalents at the beginning of the year		48	191
Cash and cash equivalents at the end of the year		635	48

The notes on pages 30 to 31 form part of the Company financial statements.

Notes to the Company financial statements

for the year ended 31 December 2006

1 Significant accounting policies

The financial statements of the Company are presented as required by the Companies Act 1985. As permitted by that Act, the separate financial statements 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 and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS. This is the first time the Company has prepared its financial statements in accordance with IFRSs, having previously prepared its financial statements in accordance with UK accounting standards.

The principal accounting policies adopted in the preparation of the Company financial statements are the same as those set out on pages 16 to 18 of the consolidated financial statements.

Other than the change in format, layout and disclosures, the transition from UK accounting standards to IFRSs had no effect on the Company's reported financial position, financial performance or cash flows in the corresponding period, 31 December 2005, and on the total net assets at the date of transition, 1 January 2005.

2 Investments in subsidiary companies

The principal subsidiaries of the Company at 31 December 2006 are as follows:

Name	*Proportion of ownership*	*Method used to account for investment*	*Company's interest £'000*
Blackstar (Cyprus) Investors Limited	100%	Consolidation	7,627
Blackstar (Gibraltar) Limited	100%	Consolidation	65,500
Illuminator Holdings Limited	100%	Consolidation	–
Illuminator Investments Limited*	100%	Consolidation	–
			73,127

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

3 Investments at fair value through profit and loss

	2006 £'000	*2005 £'000*
Book cost at the beginning of the year	–	–
Additions during the year at cost	7,003	–
Disposals during the year at cost	(4,767)	–
Book cost at the end of the year	2,236	–
Fair value at the beginning of the year	–	–
Additions during the year at cost	7,003	–
Disposals during the year at cost	(4,767)	–
Increase in the fair value of investments during the year	1,015	–
Currency exchange losses on investments during the year	(209)	–
Fair value at the end of year	3,042	–

The Company 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 as set out in the financial instruments – risk management section of the Directors' report.

3 Investments at fair value through profit and loss (continued)

Details	*Fair value £'000*
Ordinary shares in Myriad Medical Holdings Limited	2,196
Derivative investment in a telecom company, which gives the Company exposure to a minority interest in the underlying telecom company	846
Fair value at year end	3,042

4 Financial instruments

Information related to financial instruments and management of related risks is set out in the Director's report. During the year, in addition to the investments detailed in note 3 to the Company financial statements, the Company acquired other investments at a cost of £2,796,000 which were contributed to Blackstar (Cyprus) Investors Limited, a wholly owned subsidiary of the Company.

5 Trade and accounts receivable

Trade and accounts receivable comprises prepayments and includes amounts receivable from the fellow subsidiary companies of £6,000 (2005 – nil). The Directors consider that the carrying amount of trade and accounts receivable approximates to its fair value.

6 Cash and cash equivalents

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.

7 Trade and accounts payable

Trade and accounts payable comprise amounts accrued for ongoing expenses. The Directors consider that the carrying amount of trade and accounts payable approximates to its fair value.

8 Share capital and reserves

Details of share capital and reserves are set out in note 17 to the consolidated financial statements.

9 Cash absorbed by operations

	2006 £'000	*2005 £'000*
Profit/(loss) from operations for the year	51	(98)
Adjustments for:		
Increase in the market value of investments	(1,015)	–
Realised gain on disposal of investments	(584)	(54)
Changes in working capital		
Increase in trade and accounts receivable	(137)	(14)
Increase in trade and accounts payable	83	18
Cash absorbed by operations	(1,602)	(148)

10 Related parties

Details of related parties are set out in note 20 to the consolidated financial statements. In addition the subsidiaries set out in note 2 to the Company financial statements are related parties to the Company.

During the year, the Company subscribed for 1,000 new shares in Blackstar (Cyprus) Investors Limited, a wholly owned subsidiary of the Company. The consideration for these new shares was a contribution of shares in various South African entities and assets held by the Company to the said subsidiary amounting to £7,626,000. The transaction resulted in an overall profit to the Company of £299,000.

During the year, the Company subscribed for 10,000 new shares in Blackstar (Gibraltar) Limited, a wholly owned subsidiary of the Company. The consideration for these new shares was a cash contribution by the Company to the said subsidiary amounting to £65.5 million.

Notice of meeting

NOTICE OF ANNUAL GENERAL MEETING OF BLACKSTAR INVESTORS PLC

Notice is given that the annual general meeting of Blackstar Investors PLC (the ''Company'') will be held at 6 rue Adolphe Fischer, L-1520 Luxembourg on Friday 29 June 2007 at 10 a.m. CET (or as soon thereafter as it may be held) to consider the following:

ORDINARY BUSINESS

1 To receive and consider the accounts and reports of the directors, statutory auditor and the independent auditor, and any other documents required by law to be attached or annexed to the accounts of the Company for the year ended 31 December 2006 and to the accounts for the Group for the year ended 31 December 2006.

2 To approve the Company's annual accounts for the financial year ended 31 December 2006 and to consider and approve an appropriation of profits.

3 To approve the Group's audited annual accounts for the financial year ended 31 December 2006 and to consider and approve an appropriation of profits.

4 To re-elect Wolfgang Baertz as a director.

5 To re-elect Andrew Bonamour as a director.

6 To re-elect David Brock as a director.

7 To re-elect Marcel Ernzer as a director.

8 To re-elect John Mills as a director.

9 To re-elect Julian Treger as a director.

10 To re-elect Denis Worrall as a director.

11 To re-appoint BDO Stoy Hayward LLP as the Company's independent auditors and to authorise the directors to determine their remuneration.

The following business is regarded as ordinary business in accordance with Luxembourg Law:

12 To the extent permitted by law, to grant a discharge to the directors, independent auditor and statutory auditor in respect of the execution of their mandates to 31 December 2006.

13 To renew the mandate of the statutory auditor for a period ending at the next Annual General Meeting of the Company.

SPECIAL BUSINESS

Directors' authority to allot shares

14 That, in place of all existing authorities, the directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (''the Act'') to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80) up to an aggregate nominal amount of £11,535,002 for a period expiring (unless previously revoked, varied or renewed) on 29 September 2008 or, if sooner, the end of the next annual general meeting of the Company, but the Company may make an offer or agreement which would or might require relevant securities to be allotted after this authority expires and the directors may allot relevant securities in pursuance of such offer or agreement as if this authority had not expired.

Disapplication of pre-emption rights

15 That, subject to the passing of Resolution 14 above and in place of all existing powers, the directors be generally empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) to 94(3A) of the Act) for cash, pursuant to the authority conferred by Resolution 14 as if section 89(1) of the Act did not apply to such allotment, provided that this power shall expire on 29 September 2008 or, if sooner, the end of the next annual general meeting of the Company. This power shall be limited to the allotment of equity securities:

15.1 in connection with an issue by way of rights (including, without limitation, under a rights issue, open offer or similar arrangement) in favour of holders of Ordinary Shares in the capital of the Company in proportion (as nearly as may be practicable) to their existing holdings of Ordinary Shares, but subject to such exclusions or other arrangements as the directors deem necessary or expedient in relation to fractional entitlements or any legal, regulatory or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and

15.2 otherwise than pursuant to paragraph 11.1 up to an aggregate nominal amount of £3,990,000;

but the Company may make an offer or agreement which would or might require equity securities to be allotted after this power expires and the directors may allot equity securities in pursuance of such offer or agreement as if this power had not expired.

Company's authority to purchase its own shares

16 That the Company be generally authorised pursuant to section 166 of the Act to make market purchases (within the meaning of section 163(3) of the Act) of its Ordinary Shares of £1 each on such terms and in such manner as the directors shall determine, provided that:

16.1 the maximum number of Ordinary Shares hereby authorised to be purchased is 7,846,499;

16.2 the maximum price which may be paid for each Ordinary Share shall be 5 per cent. above the average of the middle market quotations for an Ordinary Share (as derived from the AIM List) for the five business days immediately before the day on which the purchase is made (in each case exclusive of expenses);

16.3 the minimum price which may be paid for each Ordinary Share shall be £1.00; and

16.4 this authority (unless previously revoked, varied or renewed) shall expire on 29 September 2008 or, if sooner, the end of the next annual general meeting of the Company except in relation to the purchase of Ordinary Shares the contract for which was concluded before such date and which will or may be executed wholly or partly after such date.

17 To approve the continuation of the current investment strategy.

Under English Law, resolution 14 requires to be proposed as an ordinary resolution and resolutions 15, 16 and 17 as special resolutions. However, in accordance with Luxembourg Law, resolutions 14, 15 and 16 are to be approved as special resolutions. Hence, in terms of the provisions of the Articles of Incorporation of the Company, a 75 per cent majority by value of the votes which have been cast at the AGM is required to validly pass resolutions 14 to 17. In addition, a quorum of more than half of the issued ordinary shares by value is required to be present or represented at the AGM. If these requirements are not met, the directors will not put resolutions 14 to 17 to the AGM, as they would not be capable of being validly passed.

By order of the Board

27 April 2007

Registered Office
22 Arlington Street
London SW1A 1RD

Notice of meeting

Continued

NOTES

1 Only those shareholders registered in the register of members of the Company as at 10 a.m. CET on 27 June 2007 shall be entitled to attend or vote at the meeting in respect of the number of Ordinary Shares registered in their name at that time. 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.

2 Every shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of that shareholder. A proxy need not be a member of the Company.

3 A proxy form is enclosed with this notice. Instructions for use are shown on the form. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, must be sent to: the Proxy Processing Centre, Telford Road, Bicester OX26 4LD. You may also deliver by hand to: The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive not less than 48 hours before the time fixed for the meeting. The completion and return of the form of proxy will not, however, preclude you from attending and voting at the meeting if you so wish.

4 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the annual general meeting to be held on 29 June 2007 and any adjournment(s) of that meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

So that a CREST proxy appointment or instruction to a proxy can be valid, the appropriate CREST message (a ''CREST Proxy Instruction'') must be properly authenticated in compliance with CRESTCo's specifications and must contain the necessary information, described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so that Capita Registrars (CREST ID: RA10) receives it by no later than 10 a.m. CET on 27 June 2007. The time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars are able to retrieve the message by enquiry to CREST in the manner required by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Form of proxy

Blackstar Investors PLC

("the Company")

Form of Proxy for the Annual General Meeting to be held at the offices of Maitland Luxembourg S.A., 6 rue Adolphe Fischer, L-1520, Luxembourg, held on 29 June 2007at 10h00 (CET)

I/We* ....

*Full name(s) and address(es) to be inserted in BLOCK CAPITALS

of ....

being a holder of .... shares in the Company hereby appoint the Chairman of the Meeting

or .... (see note 1)

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 29 June 2007 at 10h00 (CET) at the Business Office of the Company and at any adjournment thereof. I/We desire and instruct my/our proxy as shown below (see note 2):

Resolutions	For	Against	Withheld
1. To receive and consider the accounts of the Company and the Group for the year ended 31 December 2006.			
2. To approve the Company's annual accounts for the financial year ended 31 December 2006 and to consider and approve an appropriation of profits.			
3. To approve the Group's audited annual accounts for the financial year ended 31 December 2006 and to consider and approve an appropriation of profits.			
4. To re-elect Wolfgang Baertz who retires as Director in accordance with the Articles of Incorporation as a director.			
5. To re-elect Andrew Bonamour who retires as Director in accordance with the Articles of Incorporation as a director.			
6. To re-elect David Brock who retires as Director in accordance with the Articles of Incorporation as a director.			
7. To re-elect Marcel Ernzer who retires as Director in accordance with the Articles of Incorporation as a director.			
8. To re-elect John Mills who retires as Director in accordance with the Articles of Incorporation as a director.			
9. To re-elect Julian Treger who retires as Director in accordance with the Articles of Incorporation as a director.			
10. To re-elect Denis Worrall who retires as Director in accordance with the Articles of Incorporation as a director.			
11. To re-appoint BDO Stoy Hayward LLP as the Company's independent auditors and to authorise the directors to determine their remuneration.			
12. To grant a discharge to the directors, independent auditor and statutory auditor in respect of the execution of their mandates to 31 December 2006.			
13. To renew the mandate of the statutory auditor for a period ending at the next Annual General Meeting of the Company.			
14. To authorise the directors to allot and issue ordinary shares up to an aggregate nominal amount of £11,535,002 in the capital of the Company.			
15. To authorise the dis-application of statutory pre-emption rights in the case of an issue of shares by the directors in accordance with Resolution 14.			
16. To authorise the Company to purchase its own shares.			
17. To approve the continuation of the current investment strategy.			

Please indicate below whether or not you intend to be present at the meeting. This information is sought for administrative purposes only and will not affect your right to attend the meeting, notwithstanding any indication to the contrary.

I will be attending the Meeting ☐ *I will not be attending the Meeting* ☐

Signature .... Date ....

Notes:

1 A member may appoint a proxy of his own choice. If such an appointment is made, delete the reference to the Chairman of the Meeting and insert the name of the person appointed proxy in the space provided. A proxy need not be a member of the Company.

2 If no indication is given as to how the proxy shall vote, he may exercise his discretion as to how he votes or whether he abstains from voting.

3 If the appointer is a corporation, this form must be under its common seal, or under the hand of an officer of the corporation duly authorised in that behalf.

4 The appointment of a proxy will not preclude any member from attending the Meeting and voting in person.

5 To be valid, this form (and the power of attorney or other authority (if any) under which it is signed or a duly certified copy thereof) must be deposited at the office of the registrar not less than 48 hours before the time appointed for holding the Meeting.

6 In the case of joint holders, the signature of any one holder will be sufficient but the names of all the joint holders should be stated. The vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s), and for this purpose seniority will be decided by the order in which the names stand in the Register in respect of the joint holding.

7 Any alteration made on this proxy must be initialled by the person who signed it.

8. In respect of members voting via CREST, please refer to the notes to the Notice of Annual General Meeting.

Please return this completed form to: the Proxy Processing Centre, Telford Road, Bicester OX26 4LD. You may also deliver by hand to: The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive not less than 48 hours before the time appointed for holding the Meeting.

Company information

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Tel: +352 (40) 25 05 449
Fax: +352 (40) 25 05 509
E-mail: info@blackstar.lu
Website: www.blackstar.lu

Registered Office
22 Arlington Street
London SW1A 1RD

Broker
Shore Capital Stockbrokers Limited
Bond Street House
14 Clifford Street
London W1S 4JU

Solicitors to the Company (as to South African law)
Edward Nathan Sonnenbergs Inc
150 West Street
Sandton 2196
South Africa

Auditors
BDO Stoy Hayward LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex RH6 0PA

Bankers
ING Luxembourg S.A.
Goldman Sachs International
Standard Bank of South Africa Limited

Investment Advisor
Blackstar Managers Limited
Rue du Puits-Godet 12
P O Box 763 CH-2002
Neuchatel
Switzerland

International Advisor
Maitland & Co
44-48 Dover Street
London W1S 4NX

Nominated Advisor
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14 Clifford Street
London W1S 4JU

Solicitors to the Company (as to English law)
Macfarlanes
10 Norwich Street
London EC4A 1BD

Registrars and Receiving Agents
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

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