

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should immediately seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000 if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are outside the United Kingdom.**

This document does not constitute an offer to sell or a solicitation of an offer to buy ordinary shares in the Company or any other security.

If you have sold or transferred all your Ordinary Shares in Blue Star Capital plc, please forward this document together with the accompanying Form of Proxy to the purchaser or transferee, or to the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

---

# **Blue Star Capital plc**

(incorporated in England with registered number 5174441)

## **Authority to issue and allot 45,063,965 shares in Blue Star Capital plc**

### **Acquisition of certain investment assets from The PegasusBridge Defence & Security Fund Limited**

#### **Notice of General Meeting**

---

Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 4 to 7 of this document and recommends you to vote in favour of the Resolutions to be proposed at the General Meeting.

The Directors, whose names appear on page 4 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.

**Notice of the General Meeting of the Company to be held at 2.30pm at 23 Berkeley Square, London on 30 June 2009 is set out at the end of this document.**

If you are a shareholder, please complete, sign and return the accompanying Form of Proxy in accordance with the instructions thereon as soon as possible and in any event so as to arrive at the offices of the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 2.30pm on 28 June 2009. Completion and return of the Form of Proxy will not prevent you from attending and voting at the General Meeting in person, should you so wish. Further information on the procedure to be followed is set out in the accompanying letter, to shareholders.

Copies of this document are available from the Company's registered office during normal business hours on any weekday (Saturday, Sunday and public holiday excepted) until 29 June 2009.

## TABLE OF CONTENTS

Expected Timetable of Principal Events	2
Definitions	3
Letter from the Chairman	4
Notice of General Meeting	8

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Circular posted to Shareholders	11 June 2009
Latest time and date for receipt of Form or Proxy to be valid	at 2.30pm on 28 June 2009
General Meeting	2.30pm on 30 June 2009

## DEFINITIONS

<b>“Act”</b>	the Companies Act 2006, as amended
<b>“AIM”</b>	the market of that name operated by the London Stock Exchange
<b>“Asset Purchase Agreement”</b>	the conditional asset purchase agreement entered into between the Company, the Fund and the Fund Manager in relation to the acquisition of the Underlying Assets and dated 10 June 2009
<b>“Board” or “Director”</b>	the directors of the Company, whose names are set out on page 4 of this document
<b>“Business Day”</b>	a day (excluding Saturday and Sunday and public holidays in England and Wales) on which the banks are generally open for business in London for the transaction of normal banking business
<b>“Company” or “Blue Star”</b>	Blue Star Capital plc registered in England and Wales with registered number 05174441
<b>“Consideration Shares”</b>	the 45,063,965 new Ordinary Shares to be issued in consideration for the Underlying Assets
<b>“Form of Proxy”</b>	the form of proxy for use by Shareholders at the General Meeting
<b>“the Fund”</b>	The PegasusBridge Defence & Security Fund Limited
<b>“General Meeting” or “GM”</b>	the general meeting of the Company convened for 2.30pm on 30 June 2009 to approve the Resolutions or any adjournment of it
<b>“Notice of GM”</b>	the notice convening the GM which is set out at the end of this document
<b>“Ordinary Shares”</b>	ordinary shares of £0.001 pence each in the capital of the Company
<b>“PegasusBridge” or “the Fund Manager”</b>	PegasusBridge Fund Management Limited
<b>“Proposal”</b>	the proposal to acquire the Underlying Assets from the Fund as set out in paragraph 3 of this document
<b>“Resolutions”</b>	the Resolutions set out in the notice of the General Meeting at the end of this document
<b>“Shareholders”</b>	the holders of Ordinary Shares
<b>“Report and Accounts”</b>	the Company’s consolidated report and accounts for the period ended 30 September 2008
<b>“Underlying Assets”</b>	the Fund’s holdings of convertible loan notes and equity issued by Zimiti Limited, OmniPerception Limited and Pedagog Limited respectively

# LETTER FROM THE CHAIRMAN OF BLUE STAR CAPITAL PLC

(Registered in England and Wales with number 05174441)

## Directors:

The Lord Dear Kt QPM DL LLB *Non Executive Chairman*  
Dr Richard Leaver *Chief Executive Officer*  
Peter Varnish OBE *Non Executive Director*

## Registered Office:

Griffin House  
135 High Street  
Crawley  
West Sussex RH10 1DQ

11 June 2009

To Shareholders of the Company

Dear Shareholder,

## Authority to issue and allot 45,063,965 shares in Blue Star Capital plc

## Acquisition of certain investment assets from The PegasusBridge Defence & Security Fund Limited

## Notice of General Meeting

### 1. Introduction

Blue Star was incorporated to invest in a diverse portfolio of companies across a variety of sectors. The strategic review in early 2008 identified the Homeland Security Industry (“HSI”) sector as a sector with strong opportunities for capital growth.

The HSI sector encompasses major multi-billion dollar markets based on products and technologies derived from the defence industry and applied to homeland security. Areas in which such technologies are used include detection, identification, screening and location, materials, sensors, communications, electronics, and computing. It is a fast growing sector with significant business opportunities for focused investment companies.

The Company currently has one investment in this sector, The PegasusBridge Defence & Security Fund Limited, (the “Fund”), in which it has invested £800,000 to date. This investment represents approximately 30.77% of the equity in the Fund. The Fund holds convertible loan notes and equity (“Underlying Assets”) issued by three unlisted companies in the HSI sector (see below).

The Company has agreed a conditional contract with the Fund to acquire all of the Underlying Assets from the Fund. In exchange, the Company will issue and allot 45,063,965 Consideration Shares ranking *pari passu* with the existing Ordinary Shares. At present the Board do not have sufficient authority to allot that number of shares without Shareholder approval.

The purpose of this Circular is to explain the background and reasons for the Proposal and to seek Shareholder approval for the Resolutions at a GM of the Company. Notice of the GM is set out at the end of this Circular.

### 2. Background to the Proposal

On 3 July 2008 the Company entered into an agreement with Guernsey-based PegasusBridge Fund Management Limited (“PegasusBridge”) whereby it would manage the HSI assets of Blue Star. On 17 July 2008, Dr Richard Leaver, the CEO of PegasusBridge, was appointed a director of Blue Star and, following the retirement of Haresh Kanabar on 23 September 2008, was appointed CEO of Blue Star.

The Fund raised a total of £2.15m between 2007 and 2008 from a number of different investors (of which the £800,000 invested by the Company was a part) and invested these funds in four investee companies within the HSI sector. One of these companies, **Radiation Watch Limited**, was liquidated in November 2008 with a total loss to the Fund of £250,000 plus rolled up interest. The Fund now holds convertible loan notes and equity issued by three unlisted companies in the HSI sector. The three companies are:

**Zimiti Limited** ([www.zimiti.com](http://www.zimiti.com)) which develops portable and robust wireless access control solutions for monitoring and control of security systems including electronic locks based upon its patented wireless technology platform. The company is making strong advances in both its product development and sales to customers in access control and electronic locks.

**OmniPerception Limited** ([www.OmniPerception.com](http://www.OmniPerception.com)) which has successfully commercialised world leading research from the University of Surrey's Centre for Vision, Speech and Signal Processing led by Professor Josef Kittler. It has developed unique face biometrics technology for computer vision including applications such as secure access, machine-readable travel documents, identification and personalisation. This software is unique in that it can be deployed not just in security applications including the police services but also in civilian areas including social networking and broadcast, as well as variants which allow automatic logo brand recognition and quantification in video imagery for high value advertising tracking. In January 2009, OmniPerception confirmed a non-dilutionary development funding of £1.5 million including contribution in kind by BAE Systems.

**Pedagog Limited** ([www.pedagog.com](http://www.pedagog.com)) which develops cost effective SIM-enabled camera technology using mobile phone networks to create real-time video interaction via a middleware platform with simple setup. It offers both security solutions for commercial and private users at all levels including videoconference as well as the opportunity to establish a social network platform with live video. Blue Star recently made a further investment of £50,000 in Pedagog Limited.

In the year ended September 2008, as shown in the Report and Accounts, the total increase attributable to Blue Star's shareholding in the Fund was £35,764. However, in the current economic climate, it is clear that the Fund will struggle to raise further funds to either develop its existing holding and/or invest in new companies.

### 3. The Proposal

As the Board of Blue Star is seeking to consolidate its position in the HSI sector, the Board has conditionally agreed to acquire the Underlying Assets from the Fund in exchange for the Consideration Shares.

As shown in the Report and Accounts, Blue Star had net assets as at 30 September 2008 of £3,838,159. This includes the aggregate carrying value in respect of Blue Star's 30.77% shareholding of the Fund of £835,764.

Under the terms of the Asset Purchase Agreement between Blue Star, PegasusBridge and the Fund, Blue Star has agreed to purchase the Fund's Underlying Assets. The total valuation of the Underlying Assets is £2,148,049. The Fund's Assets have been valued at 1 June 2009 using a combination of Actual Investment Value, British Venture Capital Association Guidelines and Fair Value in accordance with International Accounting Standards. It has been agreed with the Fund that the Consideration Shares which will be issued to the Fund will be promptly distributed by the Fund to its existing shareholders. It has been further agreed that, as Blue Star would be entitled to approximately 30.77% of any such distribution, the value of the Consideration Shares will be reduced by that percentage. The corresponding approximate 69.23% of the value is £1,487,111. Blue Star will therefore issue 45,063,965 Consideration Shares at £0.033 in exchange for the Underlying Assets. The Consideration Shares will represent 29.93% of the Company's total issued share capital. The Consideration Shares will be immediately distributed by the Fund to its shareholders, excluding Blue Star.

All of the shareholders of the Fund will be required to enter into lock-in agreements whereby they will not, for a period of 12 months, be able to dispose of the Consideration Shares (save in the event of (i) a general offer for the Company (ii) a scheme of arrangement or (iii) a section 110 re-organisation) and thereafter for a further period of 12 months will only be able to dispose of the Consideration Shares through the Company's approved broker.

Dr Richard Leaver (the CEO of the Company) and Lord Dear (the Chairman of the Company) are both shareholders of the Fund and will receive 1,251,777 Consideration Shares and 500,711 Consideration Shares respectively following the distribution of the Consideration Shares by the Fund.

Also under the Asset Purchase Agreement PegasusBridge and the Fund have agreed to transfer the benefit of various debentures which act as security for the Underlying Assets.

The Asset Purchase Agreement is conditional upon the shareholders of the Company passing the Resolutions and the Consideration Shares being admitted to trading on AIM.

On completion, Blue Star will terminate the Management Agreement with PegasusBridge by mutual agreement.

#### **4. Benefits to Blue Star Shareholders**

The Directors are recommending the Proposal on the basis that there are a number of benefits to Blue Star shareholders including:

- (a) The acquisition will demonstrate Blue Star's focus on the HSI sector to the market;
- (b) Blue Star's existing portfolio in the HSI sector will be strengthened with its increased exposure to three potentially high-growth investments;
- (c) This will be further supported by the subsequent planned appointments of General Sir Michael Wilkes (ex Head of UK Special Forces) and Richard Excell (Chairman of SET squared Partnership, the UK's largest and most successful University/Business technology exploitation enterprise) as consultant advisors to the Board. Both individuals bring Blue Star considerable experience in the HSI sector;
- (d) The increased share capital is expected to contribute to greater liquidity and less volatility in the Ordinary Shares;
- (e) The Company will no longer pay management fees to PegasusBridge resulting in a saving of £77,000 per annum (although existing monitoring arrangements which are met directly between the investee companies and PegasusBridge are expected to continue).

Consequently, the Board considers that the acquisition of the Underlying Assets both conserves Blue Star's cash reserves for new investments and also provides a clear opportunity to strengthen and consolidate its portfolio in line with its HSI strategic direction.

#### **5. Irrevocable Undertakings**

Shareholders representing 47.4% (held by Blue Square Equity Investments Limited) and 32.2% (held by Nigel Robertson) of the issued Ordinary Shares in the Company, and who are entitled to vote, have given irrevocable undertakings to vote in favour of the Resolutions.

#### **6. Recommendation**

The Board believes that Proposal is in the best interests of the Shareholders. Accordingly, the Directors unanimously recommend that you vote in favour of the Resolutions to be proposed at the General Meeting. None of the Directors currently have beneficial interests in the Ordinary Shares.

## **7. General Meeting**

You will find set out overleaf a notice convening a general meeting of the Company for 2.30pm on 30 June 2009 to be held at 23 Berkeley Square, London.

The GM has been convened to consider, and if thought fit, pass a resolution to authorise the allotment of relevant securities up to a nominal value of £45,064 and a resolution to approve the acquisition of the Underlying Assets.

## **8. Action to be taken**

The Form of Proxy for use by Shareholders at the General Meeting is enclosed. If you are unable to be present at the General Meeting, please complete and sign the Form of Proxy and return it to the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU to be received as soon as possible and, in any event, by no later than forty-eight hours before the General Meeting.

You are entitled to appoint a proxy to attend and vote instead of you. However, the completion and return of the Form of Proxy will not prevent you from attending the General Meeting and voting in person if you wish to do so.

Yours faithfully

**The Lord Dear**  
Chairman

# Blue Star Capital plc

(Company Number: 05174441)

## Notice of General Meeting

NOTICE IS HEREBY GIVEN THAT A GENERAL MEETING of BLUE STAR CAPITAL PLC (the "Company") will be held at 23 Berkeley Square, London at 2.30pm on 30 June 2009 to consider and, if thought fit, pass the following resolutions:

### Ordinary Resolutions

- 1 That the directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "Act") to exercise all of the powers of the Company to allot relevant securities (within the meaning of that section) of the Company up to an aggregate amount of £45,064 such authority (unless previously revoked or varied) to expire one year from the date of the passing of this resolution save that the Company may make offers or agreements which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred hereby had not expired.
- 2 That the Proposal (as defined in the Notice of General Meeting) to acquire certain investment assets from The PegasusBridge Defence & Security Fund Limited be approved.

By order of the Board

**Rawlison & Butler Nominees Limited**

Company Secretary

Registered office:

Griffin House

135 High Street

Crawley

West Sussex RH10 1DQ

Dated 11 June 2009

## Notes:

- 1 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered in the register of members of the Company as at **2.30pm on 28 June 2009** or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at the time. Changes to entries in the register of members after **2.30pm on 28 June 2009** or, in the event that the meeting is adjourned, after 48 hours before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at a meeting.
- 2 A member is entitled to appoint one or more persons as proxies to exercise all or any of his rights to attend, speak and vote at the meeting. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. To appoint more than one proxy you may photocopy the proxy form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). A failure to specify the number of shares each proxy appointment relates to or specifying a number in excess of those held by the member may result in the proxy appointment being invalid. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.  
  
Appointment of a proxy does not preclude a member from attending the meeting and voting in person.
- 3 A form of proxy is enclosed. To be valid, it must be completed, signed and sent to the offices of the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. The form of proxy must be signed by the shareholder appointing Capita Registrars, so as to arrive no later than **2.30pm on 28 June 2009** or, in the event that the meeting is adjourned, by no later than 48 hours before the time of any adjourned meeting.
- 4 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so 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.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (formerly CRESTCo's) specifications and must contain the information required for such instructions, as 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 as to be received by the Capita Registrars (ID **RA10**) by no later than **2.30pm on 28 June 2009**. No such message received through the CREST network after this time will be accepted. For this purpose, 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 the Capita Registrars Limited is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change in instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited 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 provider(s) 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.

- 5 In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that:
- (a) If a corporate member has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that member at the meeting then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
  - (b) if more than one corporate representative for the same corporate member attends the meeting but the corporate member has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (<http://www.icsa.org.uk/>) for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (a) above.

