Company	Blue Star Capital plc
TIDM	BLU
Headline	Interim Results
Released	07:00 28-Jun-2012
Number	2816G07

RNS Number : 2816G
Blue Star Capital plc
28 June 2012

Blue Star Capital plc

("Blue Star Capital" or "the Company")

Interim Results for the six months ended 31 March 2012

Chairman's Statement

I am pleased to report Blue Star Capital plc's ("Blue Star"), interim results for the period ended 31 March 2012.

The Company continues to address opportunities for fund raising in a market which remains challenging. In addition, it is continuing the ongoing review of its strategy over the next few months, including board composition, investing policy, supplementary revenue streams and realisation of its assets. This will be carried out in the most advantageous way with all avenues being explored by the Board.

Financials

Blue Star Capital reported a loss for the period of £901,342 compared with losses of £228,195 for the six months to 31 March 2011.

Net assets were reduced by £540,248 to £1.713m (30 September 2011 £2.253m).

Blue Star Capital's cash position at the end of the six months to 31 March 2012 was in credit by £89,457 compared to a credit balance of £276,764 at the end of September 2011.

Included within other receivables remains the amount of £800,846 (2010: £nil) relating to contingent consideration receivable on the disposal of Zimiti Limited. The fair value of the contingent consideration is based upon the discounted cash flows of the expected receivable using a post-tax discount rate of 10%. The Directors have assessed the fair value of the deferred consideration receivable to be £970,000 and consequently this figure has been used in the calculation of discounted fair value.

Shareholder Loan Agreement

The Company entered into a shareholder loan agreement on 28 April 2011 with certain existing shareholders. These shareholders agreed to lend the Company £400,000 immediately with a commitment to lend a further £350,000 if required by the Company, reduced on a pound for pound basis by the amount of any realisation made by the Company on the sale of any of the Company's investment assets.

The shareholder loan, together with the accrued 10% interest, was repayable in full by the Company on 30 May 2012. The shareholder loan is secured by an all assets debenture granted by the Company and the arrangement also provides for the issue of 15,000,000 warrants to subscribe for ordinary shares at 2 pence per share, exercisable at any time within the next three years.

On 1 June 2012, the Company completed an extension to the shareholder loan agreement ("the Loan") entered into on 28 April 2011. The original amount of the Loan was £400,000 which, with the accrued interest at 10%, had been due for repayment by 30 May 2012. It has been agreed that the Loan be extended by a maximum of four months to 1 October 2012.

£15,000 of the accrued interest to 30 May 2012 has been paid and the remaining £25,000 accrued interest will be added to the original principal sum, such that the new principal amount is £425,000. Interest at 10% will continue to accrue on this new principal sum.

A repayment premium will now fall due, comprising; 5% of principal if the Loan is repaid on or before 31 July 2012; or 10% of principal if repaid on or after 1 August 2012 up to 1 October 2012.

Post Balance Sheet Events

On 18 April 2012, in accordance with regular share based payments, 958,614 ordinary shares were issued to the directors and rank *pari passu* with the shares already in issue. Following the issue of the new shares, the Company's voting capital consists 165,049,565 ordinary shares.

Portfolio Review

We would like to highlight the following companies' progress since the publication of our last Annual Report on 8 March 2012.

1 OMNIPERCEPTION LIMITED (www.omniperception.com)

Blue Star Capital has a minority holding in OmniPerception Limited. OmniPerception has informed the Company that it has recently completed a merger with Visimetrics Limited (a UK developer of high performance digital CCTV and Video Surveillance systems), which has resulted in the Company's investment in the merged entity being valued at £113,368 (2011: £572, 649). Lord Dear, Chairman of Blue Star, stepped down as Chairman of OmniPerception Limited at the completion of the merger.

OmniPerception has developed unique biometric and computer vision technology for 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. This fulfils our dual-use criteria in a total addressable market of over $4bn with face recognition representing some $500m.

OmniPerception has successfully commercialised world leading research from the University of Surrey's Centre for Vision, Speech and Signal Processing led by Professor Josef Kittler and the intellectual property rights are 100% owned in-house by the company. The company enjoys preferential access to a pipeline of innovation from the University of Surrey which continues to maintain its shareholding in the company. OmniPerception's products and solutions address its four current main active markets - Law Enforcement, Gaming & Leisure, Banking and the Airport sector.

Its products are in use by the UK Police Forces as well as chosen by certain high value installations for critical secure access applications. Whilst 2011 has seen some growth in the company's installed base within the Police sector, of more importance during this year has been the reported success for its niche, high security access control facial recognition product, CheckPoint. This product, which was first introduced into the airport sector in 2010, is now used to secure access to specific sensitive areas in many of the major airports in the UK. This continued success of a biometric enabled product in such mission critical applications provides a solid foundation for continued growth in the UK and beyond. The company aims to continue to target growth for facial recognition applications within the global airport security sector.

During 2011, the company also reported the successful launch of its unique covert facial recognition product called CheckPoint.S. This product is designed for the covert detection and automatic identification of "black-listed" people and has been proven to be more reliable than trained staff at detecting the presence of specific people. The product has been installed into numerous gaming and leisure installations in the UK and the company will, together with its partners, seek to maximise revenues of this product in the gaming and leisure market. The company also reports that CheckPoint.S has been selected as one component to covertly secure public areas within airports, thus underlining the strategic importance of this sector.

Aside from OmniPerception's activities in the biometric and security sectors, the company provides valuable logo and brand exposure data for rights holders, advertising agencies and some of the world's major brand owners through its two subsidiary organisations AIR and Margaux Matrix. Both subsidiaries have demonstrated considerable resistance to the general downturn in the UK and AIR specifically has established new licences further afield in Russia, USA and Slovenia. Of considerable promise in terms of revenue growth, AIR also reports its first successes outside its core market of sport brand exposure. Its image analysis product, Magellan, has been successfully used to assist the UK Police in analysing footage from the London riots in 2011 where it has been used to detect and track specific individuals using their clothing.

2 ESEEKERS LIMITED

As reported in the Company's Annual Report and Financial Statements for the year ended 30 September 2011, eSeekers Limited, a private company in which Blue Star has a minority holding, is in the process of relocating its operations to Gibraltar and forming a new group holding company called Nex Limited.

The group has informed Blue Star that it has recently closed a new round of funding that, in aggregate, provided £4m of equity capital from three new, external investors at a re-money valuation of £50m, resulting in a reduced valuation of Blue Star's holdings in eSeekers to £1.121m (2011:£1.249m). Although the impact of this fund raising has resulted in a marginal reduction in carrying value, the fact that a significant sum has been raised in difficult market conditions is encouraging. Blue Star's original investment was for £300,000 and made in 2007.

Once the relocation process is complete, the group will have equity holdings in three independent but synergistic internet businesses: Xen Inc. (www.xen.com - "Xen"), Nektan Limited ("Nektan" - operating through sites like www.sklots.com and www.skilljuice.com) and VNU Capital LLC ("VNU") (together the "Nex Group").

Blue Star has been informed that the new money is to be deployed within the Nex Group to support the working capital requirements of the three operating businesses.

3 OVERTIS GROUP LIMITED

Overtis Group Limited ("Overtis") is a software company and provider of User Activity Management solutions. It is an expert in information protection and compliance and has significant potential in the cyber security and data security space. The company made a loan of £150,000 to Overtis, in accordance with an agreement dated 31 January 2012.

The purpose of the loan was to provide Overtis with working capital and to secure a period of exclusivity as part of a process which the Company expected, subject to due diligence, further fund raising and shareholder approvals, would lead to the full acquisition of the issued share capital of Overtis in line with the Company's stated investment policy.

On 31 May 2012, Overtis entered administration. The assets and business of Overtis were subsequently acquired by Vigilant Applications Limited ("Vigilant"). In relation to this transaction, £116,998 of the £150,000 loan held in Overtis was rolled over into Vigilant and is secured against the assets of the company.

The remaining £33,002 of the loan remains in Overtis and may be repaid in whole or in part depending on any subsequent realisations by its Administrator.

Outlook

Blue Star actively continues to seek investments in the Homeland Security Industry sector. In addition, the Company must realistically consider all options and possibilities to move forward and grow shareholder value despite the difficult external circumstances. Consequently its ongoing strategic review and cost reduction measures remain the urgent priority for the Board, as does the need for ensuring that there is sufficient working capital for the Company's strategies.

Finally, I would like to thank my fellow directors for their contribution over the past six months.

The Lord Dear
Chairman

28 June 2012

Blue Star Capital plc	Dr Richard Leaver
Daniel Stewart & Company plc (Nominated Adviser & Joint Broker)	Noélle Greenaway and Martin Lampshire
Panmure Gordon (UK) Limited Joint Broker	Adam Pollock/Callum Stewart

Statement of Comprehensive Income
for the six months ended 31 March 2012

		Unaudited		Audited
		Six months ended 31 March		Year ended 30 September
		2012	**2011**	**2011**
	Note	**£**	**£**	**£**
(Loss)/profit arising from investments held at fair value through profit or loss:				

Other investments		(587,423)	42,499	(152,688)
Profit on disposal of other investments		-	-	314,064
		(587,423)	42,499	161,376
Other income		4,088	-	9,572
Administrative expenses		(297,909)	(270,694)	(640,134)
Operating loss		(881,244)	(228,195)	(469,186)
Finance income		66	-	90
Finance costs		(20,164)	-	(16,327)
Loss before and after taxation and total comprehensive loss for the period		(901,342)	(228,195)	(485,423)
Loss per ordinary share:				
Basic and diluted loss per share	4	(0.60p)	(0.15p)	(0.32p)

The loss for the period was derived from continuing operations and is attributable to equity shareholdings.

Statement of Comprehensive Income
for the six months ended 31 March 2012

		Unaudited		**Audited**
		Six months ended 31 March		**Year ended 30 September**
		2012	**2011**	**2011**
	Note	**£**	**£**	**£**
Non-current assets				
Property, plant and equipment		-	1,787	-
Other investments		1,234,883	2,704,782	1,822,306
Trade and other receivables		540,777	-	540,777
		1,775,660	2,706,569	2,363,083
Current assets				
Trade and other receivables	2	488,991	46,856	345,606
Cash and cash equivalents		89,457	-	276,764
		578,448	46,856	622,370
Total assets		2,354,108	2,753,425	2,985,453
Current liabilities				
Trade and other payables	2	207,397	322,074	318,579
Non-current liabilities				
Borrowings		433,799	-	413,714
Total liabilities		641,196	322,074	732,293

Net assets	1,712,912	2,431,351	2,253,160
Shareholders' equity			
Share capital	164,091	150,261	150,261
Share premium account	6,723,796	6,464,876	6,464,876
Retained earnings	(5,174,975)	(4,183,786)	(4,361,977)
	1,712,912	2,431,351	2,253,160

Statement of changes in equity
at 31 March 2012

	Share capital £	**Share premium** £	**Retained earnings** £	**Total** £
Six months ended 31 March 2012				
At 1 October 2011	150,261	6,464,876	(4,361,977)	2,253,160
Loss for the period and total comprehensive income and expense	-	-	(901,342)	(901,342)
On shares issued in period	13,830	258,920	-	272,750
Share based payment	-	-	88,344	88,344
At 31 March 2012	164,091	6,723,796	(5,174,975)	1,712,912
Six months ended 31 March 2011				
At 1 October 2010	150,261	6,464,876	(3,983,694)	2,631,443
Loss for the period and total comprehensive income and expense	-	-	(228,195)	(228,195)
Share based payment	-	-	28,103	28,103
At 31 March 2011	150,261	6,464,876	(4,183,786)	2,431,351
Year ended 30 September 2011				
At 1 October 2010	150,261	6,464,876	(3,983,694)	2,631,443
Loss for the period and total comprehensive income and expense	-	-	(485,423)	(485,423)
Share based payment	-	-	107,140	107,140
At 30 September 2011	150,261	6,464,876	(4,361,977)	2,253,160

Statement of cash flows
at 31 March 2012

	Unaudited	**Audited**
		Year ended 30

	Six months ended 31 March		September
	2012	2011	2011
	£	£	£
Cash flow from operating activities			
Loss for the period	(901,342)	(228,195)	(485,423)
Adjustments for:			
Finance income	(66)	-	(90)
Finance costs	20,164	-	16,328
Fair value (gains)/losses	587,423	(42,499)	(161,376)
Shares issued in lieu of salary	52,500	-	-
Depreciation	-	4,992	6,779
Share based payments	88,344	28,103	107,140
Operating cash flows before movement in working capital	(152,977)	(237,599)	(516,642)
(Increase)/decrease in trade and other receivables	(143,385)	20,391	(18,701)
(Decrease)/Increase in trade and other payables	(123,761)	176,123	134,609
Net cash used in operating activities	(420,123)	(41,085)	(400,734)
Financing activities			
Proceeds from issue of equity shares	245,000	-	-
Payment for share issue costs	(12,250)	-	-
	232,750	-	-
Investing activities			
Interest received	66	-	90
Payments to acquire investments	-	-	-
Proceeds from sale of investments	-	-	249,690
Proceeds from sale of property, plant and equipment	-	653	653
Proceeds from long term loans	-	-	400,000
	66	653	650,433
Net increase/(decrease) in cash and cash equivalents	(187,307)	(40,432)	249,699
Cash and cash equivalents at beginning of the period	276,764	27,065	27,065
Cash and cash equivalents at end of the period	89,457	(13,367)	276,764

Notes to the Interim Financial Statements for the six months ended 31 March 2012

1. Basis of preparation

The principal accounting policies used for preparing the Interim Accounts are those the

Company expects to apply in its financial statements for the year ending 30 September 2012 and are unchanged from those disclosed in the Company's Report and Financial Statements for the year ending 30 September 2011.

The financial information for the six months ended 31 March 2012 and for the six months ended 31 March 2011 has neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board. The financial statements for the full year ending September 2011 included an emphasis of matter in the Audit Report in relation to the going concern of the Company.

The Company entered into a shareholder loan agreement on 28 April 2011 with certain existing shareholders. These shareholders agreed to lend the Company £400,000 immediately with a commitment to lend a further £350,000 if required by the Company, reduced on a pound for pound basis by the amount of any realisation made by the Company on the sale of any of the Company's investment assets.

The shareholder loan, together with the accrued 10% interest, was repayable in full by the Company on 30 May 2012. The shareholder loan is secured by an all assets debenture granted by the Company and the arrangement also provides for the issue of 15,000,000 warrants to subscribe for ordinary shares at £0.02 pence per share, exercisable at any time within the next three years.

On 1 June 2012, the Company completed an extension to the shareholder loan agreement ("the loan") entered into on 28 April 2011. The original amount of the loan was £400,000 which, with the accrued interest at 10%, had been due for repayment by 30 May 2012. It has been agreed that the Loan be extended by a maximum of four months to 1 October 2012.

£15,000 of the accrued interest to 30 May 2012 has been repaid and the remaining £25,000 accrued interest will be added to the original principal sum, such that the new principal amount is £425,000. Interest at 10% will continue to accrue on this new principal sum.

A repayment premium will now fall due, comprising; 5% of principal if the Loan is repaid on or before 31 July 2012; or 10% of principal if repaid on or after 1 August 2012 up to 1 October 2012.

The Company is seeking to progress the sale of sale of certain investments. However, this is not certain and the amount realised may or may not provide sufficient funds to cover the repayment of the above shareholder loan on 1 October 2012 and the on-going working capital needs of the Company. Should these expected transactions not take place, the Company would need to obtain alternative finance. There can be no certainty that further financing will be available.

These conditions constitute a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. The interim financial statements do not contain the adjustments that would result if the Company were unable to continue as a going concern.

2. Significant accounting policies

Basis of accounting

The significant accounting policies that the Company has applied to its financial statements for the six months ended 31 March 2012 and which it expects to apply in its full financial statements for the year ending 30 September 2012 are set out below:

Derivatives

Embedded derivatives are separated from the host contract and recognised at fair value using generally accepted valuation techniques. If there is an active market for the derivatives, they are recognised at the quoted market price.

Where a contract contains one or more embedded derivatives, Blue Star Capital may choose to designate the entire hybrid contract as a financial asset at fair value through profit or loss.

Financial assets

Blue Star Capital classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired.

Blue Star Capital's accounting policy for each category is as follows;

Fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets held for trading or other investments that have been designated at fair value through profit or loss on initial recognition.

Financial assets at fair value through profit or loss are initially recognised at fair value and any gains or losses from subsequent changes in fair value are presented in the statement of comprehensive income in the period in which they arise.

The fair value of unlisted securities is established using International Private Equity and Venture Capital ("IPEVC") guidelines. The valuation methodology used most commonly by the Company is the 'price of recent investment' contained in the IPEVC valuation guidelines. The following considerations are used when calculating the fair value using the 'price of recent investment' guidelines:

- Where the investment being valued was itself made recently, its cost will generally provide a good indication of fair value;
- Where there has been any recent investment by third parties, the price of that investment will provide a basis of the valuation;
- If there is no readily ascertainable value from following the 'price of recent investment' methodology, the Company considers alternative methodologies in the IPEVC guidelines, being principally discounted cash flows and price earnings multiples requiring management to make assumptions over the timing and nature of future earnings and cash flows when calculating fair value;
- Where a fair value cannot be readily estimated the investment is reported at the carrying value at the previous reporting date unless there is evidence that the investment has been impaired.

Loans and receivables

Blue Star Capital's loans and receivables comprise cash and cash investment in the balance sheet and loans receivable from third parties.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Loans receivable from third parties are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Foreign currency

The functional and presentational currency of the Company is Sterling, which is the currency of the primary economic environment in which the entity operates.

Foreign currency transactions are translated into sterling at the rate of exchange at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign currency monetary assets and liabilities at the yearend rate are recognised in profit or loss.

Foreign currency gains or losses arising on financial assets at fair value through profit or loss are included in the statement of comprehensive income in fair value gains or losses.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the balance sheet differs from its tax base.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the deferred tax liabilities/ (assets) are settled/ (recovered).

3 Critical accounting estimates and judgements

Blue Star Capital makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of financial instruments:
Blue Star Capital holds other investments that have been designated at fair value through profit or loss on initial recognition. Blue Star Capital determines the fair value of these financial instruments that are not quoted, using valuation techniques such as Black Scholes option pricing. These techniques are significantly affected by certain key assumptions, such as discount rates. Other valuation methodologies such as discounted cash flow analysis assess estimates of future cash flows and it is important to recognize that in that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

In certain circumstances, where fair value cannot be readily established, Blue Star is required to make judgements over carrying value impairment, and evaluate the size of any impairment required.

4 Loss per ordinary share

The calculation of a basic loss per share is based on the loss for the period attributable to equity holders of Blue Star Capital and on the weighted average number of shares in issue during the period.

5 Investments - held for trading

The held for trading investments relate to investments in companies listed on the AIM market of the London Stock Exchange plc. The investments are classified as current assets and are measured at their fair value at each reporting date. Changes in fair value are recorded in profit or loss.

6 Post Balance Sheet Events

On 31 May 2012, Overtis Group Limited, to which the Company made a secure loan in February 2012, entered Administration. The assets and business of Overtis were subsequently acquired by Vigilant Applications Limited. In relation to this transaction, £116,998 of the £150,000 loan held in Overtis was rolled over into Vigilant Applications Limited and is secured against the assets of that company. The remaining £33,002 of the loan remains in Overtis and may be repaid in whole or in part depending on any subsequent realisations by its Administrator.

On 18 April 2012, in accordance with regular share based payments, 958,614 ordinary shares were issued to the directors and will rank pari passu with the shares already in issue. Following the issue of the new shares, the company's voting capital will consist of 165,049,565.

On 1 June 2012, the Company completed an extension to the shareholder loan agreement ("the loan") entered into on 28 April 2011. The original amount of the loan was £400,000 which, with the accrued interest at 10%, had been due for repayment by 30 May 2012. It has been agreed that the Loan be extended by a maximum of four months to 1 October 2012.

£15,000 of the accrued interest to 30 May 2012 has been paid and the remaining £25,000 accrued interest will be added to the original principal sum, such that the new principal amount is £425,000. Interest at 10% will continue to accrue on this new principal sum.

A repayment premium will now fall due, comprising; 5% of principal if the Loan is repaid on or before 31 July 2012; or 10% of principal if repaid on or after 1 August 2012 up to 1 October 2012.

END

IR BKODQNBKDKAB