Blue Star Capital plc

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

Interim Results for the six months ended 31 March 2010

Chairman's Statement

I am pleased to report Blue Star Capital plc's interim results for the period ended 31 March 2010.

Blue Star Capital plc ("Blue Star Capital" or "the Company"), has continued to make substantial progress in executing its growth strategy to become one of the UK & mainland Europe's leading investment companies addressing predominantly unquoted companies within the Homeland Security Industry ("HSI") sector.

On 6 January 2010, the Company announced that it had entered into a strategic relationship with the Washington-based Chertoff Group. The Chertoff Group formed by Michael Chertoff, previously Secretary of the U.S. Department of Homeland Security, advises government and corporate clients on risk management, crisis management and M&A activities. Secretary Chertoff has been joined by some of America's and the UK's most experienced intelligence and security professionals.

This relationship provides a framework for both companies to jointly address a range of investment and consulting based opportunities in security and risk management focused in the UK and mainland Europe. We will work together on due diligence for certain revenue generating opportunities in the homeland security, defence and intelligence markets to de-risking investments in this high growth sector

The combined team brings together international experience in investment banking, the US Department of Homeland Security, US Department of Defense, US Central Intelligence Agency, and National Security Agency, plus UN Security expertise, UK Police, Scotland Yard Counter Terrorism expertise, Special Forces, Security Services, and commercial defence companies.

Financials

As disclosed in the post-balance sheet events in the Annual Report to end September 2009, the Company completed the divestment of all of its non-core quoted investments with the exception of Zenergy. This has limited the Company's exposure to quoted share price falls in the prevailing economic uncertainty. However Zenergy has seen a significant price fall to £1.105 per share at the end of the six month period (end September 2009: £1.28 per share). Consequently the fair value losses from quoted investments were significantly reduced to the end of March 2010. Fair value losses from investments amounted to £114,546 for the six month period compared with losses of £925,309 for the six months to 31 March 2009. Of this loss, £75,106 is attributable to the fall in value of our Zenergy holding. The loss for the six month period was also greatly reduced to £389,917 compared to £1,167,502 for the six months to 31 March 2009.

Net assets were reduced by £389,917 to £4.359m (30 September 2009: £4.748m).

Blue Star Capital's cash position at the end of the six months to 31 March 2010, after meeting all its obligations, was £15,008 compared with £118,593 at the end of September 2009.

Post Balance Sheet Events

Between 1 April 2010 and 24 June 2010, Blue Star Capital has divested a total of 108,000 Zenergy shares realising a total of £104,705 (end September 2009 value £138,240). The Company's remaining Zenergy share portfolio is 321,077 shares valued at 24 June 2010 at £242,413 (end September 2009 value £410,978).

Portfolio Review

We would like to highlight the following companies' progress since the publication of our last Annual Report on 23 February 2010:

1 ZIMITI LIMITED (www.zimiti.com)

Zimiti Limited is based near Cambridge, developing secure, very low power medium- to long-range wireless communications networks using its proprietary protocols, data modules, know-how and intellectual property applied to critical infrastructure security; access control and border monitoring. It includes portable and robust wireless access control solutions for monitoring and control of security systems including electronic locks based upon its patented wireless technology platform.

Zimiti has made significant progress during 2010, increasing its customer base and revenues. In tight trading conditions, the Company achieved a significant increase in revenues together with reduced overheads and is projecting sales in excess of over £1/2 million from a small base in the year 2010-11. The company has now successfully completed the first phase of development of an unattended wireless sensor network solution for a major multi-national customer. Field trials will begin at the end of 2010 and the solution has a planned in-service deployment date of August 2011.

Zimiti's solution that powers CNIguard's water facility monitoring system is now being deployed in thirty-three of Sutton & East Surrey Water's reservoirs across the South East of England. Additionally, the Company has recently signed a distribution agreement with major electronics component distribution group, 2001 Electronics for its wireless connection for access control systems, Z-485, and the Company expects this to deliver improved sales over the next year.

The company continues with development of its perimeter and area security sensor network solution and is attracting interest from major multi-nationals.

Zimiti launched a funding round in March 2010 to further progress the development and sales of its products. Zimiti has received strong levels of interest and is in late stage discussions with three potential investors.

2 OMNIPERCEPTION LIMITED (www.omniperception.com)

OmniPerception Limited has developed highly advanced biometric and computer vision technology for applications such as secure access, machine-readable travel documents, identification and personalisation. This software is exceptional 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 for its technology of over $3bn.

OmniPerception saw strong revenue growth in 2009 and this has continued throughout the first half of 2010. A partnering agreement with BAE Systems has seen significant investment to ensure the rapid development and advancement of its facial recognition capabilities. This has strengthened the company's position as one of the world's leading provider of facial recognition systems. During 2010 OmniPerception's face recognition products will be deployed into mission critical situations within the airport security and leisure sectors. The company has also had early successes with applications for its face recognition technology in more covert situations. The market for covert face recognition is a particularly exciting opportunity and is one that will provide significant growth opportunities throughout the rest of 2010 and thereafter. During 2010, OmniPerception has also secured new installations of its flagship facial recognition product, Colossus, into a number of UK police forces.

The company also completed the acquisition of Margaux Matrix Ltd. in late 2009. This acquisition provides the company with the ability to offer a valuable service to advertising agencies, brand owners and rights holders that will provide them with brand exposure information at a range of sporting events. The acquisition complements the products available via OmniPerception's other subsidiary AIR Ltd., and we believe creates the opportunity to add valuable new revenue streams within the security and sports brand exposure markets.

3 PEDAGOG LIMITED (www.pedagog.com)

Pedagog Limited has developed 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 videoconferencing

The company is following a strategy of continuing to make progress in increasing its licensees internationally and extending its middleware for both the security and social networking sectors, in line with Blue Star Capital's dual-usage criteria for investee companies.

Pedagog's R&D activities have continued apace throughout the first half of 2010 with the completion of the 3G version of the Iris 1.0 camera and the platform and players for Iris 2.0.

4 ZENERGY POWER PLC (www.zenergypower.com)

Zenergy Power plc ("Zenergy"), is a UK registered and AIM quoted (AIM: ZEN) technology company comprised of three operating subsidiaries located in Germany, the USA and Australia. Zenergy, focusses on innovating patented clean energy solutions for industrial-scale consumers, producers and distributors of electrical energy. Its energy efficient solutions derive their performance capabilities as a result of the electrical properties of the superconductive technologies that lie at the heart of their design.

The company has achieved a successful equity placing to raise £20.04 million and its first repeat order for its Magnetic Billet Heater together with its first commercial sale of its medium-voltage Fault Current Limiters. On 14th April, the company announced that it had successfully completed the development of the high-speed ink jet printing processes necessary for the low-cost production of its Second Generation ('2G') superconducting wire.

Combined with the recent qualification of Honeywell Speciality Materials as an industrial supplier to the Group, this achievement brings Zenergy Power to the end of the research and development of its 2G wire processes and enables it to commence industrial scaling of production once the qualification of industrial supply of metal tapes from ThyssenKrupp VDM GmbH ('ThyssenKrupp') has been completed. The Group's work with ThyssenKrupp was recently boosted by support of the German government through a funded project and the company anticipates that qualification will occur in the second half of this year.

Zenergy Power is also manufacturing core components for what is due to be the world's first superconductor electricity generator which is due for installation into E.ON AG's commercial hydro dam in 2010. It is anticipated that the installation of the superconductor generator will increase the electricity output of this generator by 36%.

5 OTHER HOLDINGS

Blue Star Capital also has a minority holding in Medcenter Holdings Inc (www.medcentersolutions.com www.medcenter.com), a multinational pharmaceutical marketing company specialising in innovative solutions to increase drug sales and business effectiveness.

It also has a minority stake in eSeekers Limited (www.sharenow.com) which is a private company which launched the www.sharenow.com portal for social networking.

Outlook

Blue Star Capital's strategy is to invest in potentially highly profitable, diversified and robust late-stage and final round businesses in the HSI sector to deliver growth and value to shareholders.

The performance of our investments continues to be robust in the face of a very difficult economic climate. We expect steady progress over the next six months and in particular, that our US relationships will be further developed, both to Blue Star Capital, but also in facilitating valuable commercial introductions and relationships for our investees as part of our active investment management approach.

Whilst the economic climate remains challenging, we continue to focus on achieving substantial progress as an investment company in the emerging Homeland Security Industry.

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

The Lord Dear
Chairman

29 June 2010

For further information:

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Blue Star Capital plc
Statement of Comprehensive Income for the six months ended 31 March 2010

	Notes	Unaudited 6 months ended 31 March 2010 £	Unaudited 6 months ended 31 March 2009 £	Year ended 30 September 2009 £
Profits/(Losses) arising from investments held at fair value through profit or loss		(114,546)	(925,309)	684,911
Other income		480	5,000	16,124
Administrative expenses		(277,130)	(216,114)	(583,624)
Operating loss		(391,196)	(1,136,423)	117,411
Share of loss in associate		-	(39,266)	(835,764)
Finance income		1,279	8,187	152,018
Loss before taxation		(389,917)	(1,167,502)	(566,335)
Taxation		-	-	-
Loss and total comprehensive income for the period		(389,917)	(1,167,502)	(566,335)
Loss per ordinary share				
Basic and diluted loss per share	4	(0.26p)	(1.11p)	(0.51p)

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

Blue Star Capital plc
Balance Sheet
at 31 March 2010

	Notes	Unaudited 6 months ended 31 March 2010 £	Unaudited 6 months ended 31 March 2009 £	Year ended 30 September 2009 £
Non-current assets				
Property, plant and equipment		8,879	-	7,091
Investment in associate		-	796,498	-
Other investments	3	3,885,916	848,144	3,840,916
		3,894,795	1,644,642	3,848,007
Current assets				
Investments held for trading	5	474,241	933,985	788,264
Trade and other receivables	2	53,295	165,934	113,675
Cash and cash equivalents		15,008	17,203	118,593
Total current assets		542,544	1,117,122	1,020,532
Total assets		4,437,339	2,761,764	4,868,539
Current liabilities				
Trade and other payables	2	(78,320)	(91,107)	(119,603)
Total liabilities		(78,320)	(91,107)	(119,603)
Net Assets		4,359,019	2,670,657	4,748,936
Equity				
Share capital		150,261	105,500	150,261
Share premium account		6,464,876	5,032,525	6,464,876
Retained earnings		(2,256,118)	(2,467,368)	(1,866,201)
		4,359,019	2,670,657	4,748,936

Blue Star Capital plc
Statement of Changes in Equity at 31 March 2010

	Share capital - equity	Share premium	Retained earnings	Total
	£	£	£	£
Year ended 30 September 2009				
At 1 October 2008	105,500	5,032,525	(1,299,866)	3,838,159
Issued share capital	44,761	1,432,351	-	1,477,112
Loss and total comprehensive income for the year	-	-	(566,335)	(566,335)
At 30 September 2009	150,261	6,464,876	(1,866,201)	4,748,936
Six months ended 31 March 2009 (unaudited)				
At 1 October 2008	105,500	5,032,525	(1,299,866)	3,838,159
Loss and total comprehensive income for the period	-	-	(1,167,502)	(1,167,502)
At 31 March 2009	105,500	5,032,525	(2,467,368)	2,670,657
Six months ended 31 March 2010 (unaudited)				
At 30 September 2009	150,261	6,464,876	(1,866,201)	4,748,936
Loss and total comprehensive income for the period	-	-	(389,917)	(389,917)
At 31 March 2010	150,261	6,464,876	(2,256,118)	4,359,019

Blue Star Capital plc
Cash Flow Statement
for the six months ended 31 March 2010

	Note	Unaudited 6 months ended 31 March 2010 £	Unaudited 6 months ended 31 March 2009 £	Year ended 30 September 2009 £
Cash flow from operating activities				
Loss before taxation		(389,917)	(1,167,502)	(566,335)
Adjustments for:				
Share of loss from associate		-	39,266	835,764
Finance income		(1,279)	(8,187)	(155,895)
Fair value losses/(gains)		114,546	925,309	(684,911)
Depreciation		5,319	-	7,091
Operating cash flows before movements in working capital		(271,331)	(211,114)	(564,286)
Decrease in receivables		60,380	33,037	85,296
Decrease in payables		(41,282)	(104,366)	(75,870)
Net cash used in investing activities		(252,233)	(282,443)	(554,860)
Investing activities				
Interest received		1,279	8,187	-
Payments to acquire investments		(45,000)	-	(166,187)
Proceeds from sale of investments		199,476	14,817	577,179
Purchase of property, plant and equipment		(7,107)	-	(14,181)
Cash flows from investing activities		148,648	23,004	396,811
Net decrease in cash and cash equivalents		(103,585)	(259,439)	(158,049)
Cash and cash equivalents at beginning of period		118,593	276,642	276,642
Cash and cash equivalents at end of period		15,008	17,203	118,593

Blue Star Capital plc
Notes to the Interim Financial Statements
for the six months ended 31 March 2010

1. Basis of preparation

These interim financial statements for the period ended 31 March 2010, have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs").

The preparation of the interim statement requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These interim statements have been prepared under the historical cost convention and have neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board.

The financial information in these interim results has been prepared using the recognition and measurement principles of international accounting standards, international reporting standards and interpretations adopted for use in the European Union (collectively Adopted IFRSs). The financial information for the six months ended 31 March 2010 and for the six months ended 31 March 2009 is unaudited and unreviewed. The comparative financial information for the full year ended 30 September 2009 does not constitute the Group's statutory financial statement for that period although it has been derived from the statutory financial statements for the year then ended. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditors report on those accounts was unqualified, did not included any references to matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain statements under 498 (2) or 498 (3) of the Companies Act 2006.

The principal accounting policies used for preparing the Interim Results are those the Group expects to apply in its financial statements for the year ending 30 September 2010 and are unchanged from those disclosed in the Group's Report and Financial Statements for the year ending 30 September 2009 except as noted below:

- **Amendments to IAS 1 Presentation of Financial Statements: A Revised Presentation:** As a result of the application of this Amendment the Group have elected to present a single statement of comprehensive income; previously it presented an income statement and, when relevant, a statement of recognised income and expense. The Amendment does not change the recognition or measurement of transactions and balances in the financial statements.

None of the other new standards, interpretations and amendments effective for the first time from 1 October 2009, have had a material effect on the financial statements.

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 2010 and which it expects to apply in its full financial statements for the year ending 30 September 2010 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

The Company classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Company has not classified any of its financial assets as held to maturity or available for sale.

The Company'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 arising from subsequent changes in fair value are presented in the income statement in the period 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

The Company'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.

Financial liabilities

The Company classifies its financial liabilities in the category of financial liabilities measured at amortised cost. The company does not have any financial liabilities at fair value through profit or loss.

Financial liabilities measured at amortised cost.

Financial liabilities measured at amortised cost include:

Trade payables and other short-term monetary liabilities, which 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 year end rate are recognised in the income statement.

Foreign currency gains or losses arising on financial assets at fair value through profit or loss are included in the income statement 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 judgements and key sources of estimation uncertainty

The Company 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:

The Company holds certain financial assets as held for trading and other investments that have been designated at fair value through profit or loss on initial recognition. The Company determines the fair value of these financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by certain key assumptions, such as discount rates and estimates of future cash flows. 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.

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.