Blue Star Capital plc

Annual Report and Financial Statements

for the year ended 30 September 2009

Annual report and financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2009

Contents

Page	
2	Directors and Advisors
3	Chairman's Statement
10	Directors' Report
12	Statement of Directors' Responsibilities
13	Independent Auditor's Report
14	Income Statement
15	Balance Sheet
16	Statement of Changes in Equity
17	Cash Flow Statement
18	Notes to the Financial Statements
35	Notice of Annual General Meeting

Directors and Advisors

Blue Star Capital plc is a public company domiciled in England and Wales and incorporated in the United Kingdom under the Companies Act 2006. Its registered office is Griffin House 135 High Street, Crawley West Sussex RH10 1DQ

Directors

The Lord Dear Kt QPM DL LLB
Non Executive Chairman

Dr. Richard Leaver
Chief Executive Officer

Peter Varnish OBE
Non Executive Director

General Sir Michael Wilkes KCB CBE
Non Executive Director

Company Secretary and Registered Office

Rawlison & Butler Nominees Limited
Griffin House
135 High Street
Crawley RH10 1DQ

Company Number

5174441

Nominated Adviser and Broker

Panmure Gordon & Co
Moorgate Hall
155 Moorgate
London EC2M 6XB

Auditors

BDO LLP
55 Baker Street
London W1U 7EU

Solicitors

Rawlison Butler LLP
Griffin House
135 High Street
Crawley RH10 1DQ

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Public Relations Adviser

Square 1 Consulting Limited
22 Eastcheap
London EC3M 1EU

Chairman's Statement

I am pleased to report Blue Star Capital plc's ("Blue Star Capital" or "the Company") results for the year ended 30 September 2009.

The Company has made substantial progress during the year in executing its strategy of investing in predominantly unquoted companies within the Homeland Security Industry ("HSI") sector. Blue Star Capital successfully acquired the investment assets of The PegasusBridge Defence & Security Fund Limited ("the Fund") in August 2009, which further strengthened and enlarged our HSI portfolio. The Company has investments in four HSI companies: OmniPerception Limited, Zimiti Limited, Pedagog Limited and Zenergy Power plc. The Company currently retains its investment in two unquoted non core holdings: eSeekers and Medcenter Inc.

Since the year end, the Company has divested all of the quoted investment assets which lie outside HSI and significantly reduced both personnel and office costs whilst at the same time increasing the capability of the Board with the appointment of General Sir Michael Wilkes KCB CBE in June 2009. General Sir Michael Wilkes was previously commander of 22 SAS and UK Special Forces as well as Lieutenant Governor of Jersey. Additionally, since the year end, the Company has put in place long term management incentives including options to further the creation of shareholder value as I set out in my last Annual Report.

Blue Star Capital reported a greatly reduced loss for the year of £566,335 (2008: £1,542,974). Our Operating Profit was £117,411 (2008: Loss of £1,960,390) however this figure is partly due to the accounting treatment of Blue Star's share of The PegasusBridge Defence & Security Fund Limited following its acquisition by the Company, which is significantly offset by the share of loss in Associate of £835,764. Net assets were increased by £910,777 to £4,748,936 (2008: £3,838,159) delivering a Net Asset Value of 3.16p per share (2008: 3.64p per share) and a greatly reduced weighted loss per share of 0.51p (2008: 1.46p). The increase in Net Assets, despite the loss for the year, was due to the issue of shares in respect of assets acquired from The PegasusBridge Defence & Security Fund Limited.

Administration costs were in line with expectations at £583,624 (2008: £486, 939) primarily due to a number of exceptional one-off costs including those of the acquisition of The PegasusBridge Defence & Security Fund assets, compensation for loss of office for a leaving director and office move. Personnel costs were far lower at £165,673 (2008: £219,767). In the absence of the exceptional costs together with the cessation of the PegasusBridge Fund Management Limited management agreement, the Company is expected to operate with appropriate administrative costs which should be less than in 2008 although fixed costs associated with being an AIM quoted company remain the largest proportion of cost.

The Company is pursuing a number of strategic initiatives to increase its operating and funding range and to grow shareholder value without increasing its fixed costs. The first of these was announced in January 2010 – a strategic relationship with Washington based The 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.

The 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. The Chertoff Group will work with Blue Star on due diligence for certain revenue generating opportunities in the homeland security, defence and intelligence markets, de-risking investments in this high growth sector. Equally this relationship will allow Blue Star to earn revenues, without diverting its investment focus, by working with Chertoff Group to co-operatively develop, and benefit from the provision of a range of emergent high value combined transatlantic solutions. These solutions are likely to include deployment of both the Company's existing and forthcoming leading-edge technology investments.

Blue Star Capital completed its restructuring at the end of 2009 and now, in conjunction with its new Broker & Nominated Adviser, Panmure

Chairman's Statement

CONTINUED

Gordon, appointed in January 2010, is ready to move forward with its growth strategy to take advantage of the fast growing major multi-billion dollar markets based on products and technologies in homeland security. We are already seeing increasing quality of HSI related deal-flow in detection, identification, screening and location, materials, sensors, communications, electronics and cyber-security.

There has been significant activity within our portfolio which I set out below. The percentage shareholdings are set out in note 13.

1 OMNIPERCEPTION LIMITED
(www.omniperception.com)

OmniPerception Limited 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 for its technology of over $3bn.

OmniPerception 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 world leading facial biometric technology drives a range of products and solutions ideally suited to the needs of customers in its four current main active markets – Law Enforcement, Gaming & Leisure, Banking and the Airport sector. With an increasing need for more secure identity management, there is growing demand for the company's solutions in each market.

In Brand Analysis and Video Analytics, OmniPerception's intelligent computer vision products are aimed at world-wide markets with an increasing need for more and better information from a wide range of imaging equipment. This ranges from the analysis of brand exposure and product placement in broadcast TV, film, etc. to the application of greater machine intelligence in automated surveillance, reconnaissance and information gathering. Wherever better and faster scene awareness and understanding is required, OmniPerception image analysis systems have a role to play.

Its products are in widespread use by the UK Police Forces as well as chosen by certain high value installations for critical secure access applications. The Police sector has been, and will continue to be, a key market sector for the company. During 2009, the company strengthened its position in this sector by securing further deployment of its novel, advanced facial recognition technologies into a number of UK regional Police forces. Another key market sector for the company, that of secure access control, has developed considerably during 2009 and the company has secured the installation of its biometric facial recognition products into niche high security, mission critical applications.

The company confirmed in February 2009, a non-dilutionary development funding of over £1.6 million including contribution in kind by BAE Systems to create next generation products in these advanced biometric systems. This exciting partnership between OmniPerception and BAE Systems, has enabled significant advances in OmniPerception's biometric technologies, made dramatic reductions in time-to-market whilst also opening up new markets via BAE Systems and its worldwide network of subsidiaries and partners. The relationship as a supplier of niche biometric and video analytic products to BAE Systems forms an important aspect of the company's growth plans in 2010 and beyond. The rapid technological advances made enabled via the company's partnership with BAE Systems have opened new markets within surveillance applications. During 2009, the company was delighted to report the first customer trials of covert facial recognition surveillance. The opportunity within surveillance applications are both global and varied, and represent a very significant opportunity for the company.

Chairman's Statement

CONTINUED

OmniPerception recruited a new CEO, Dr Stewart Hefferman, in July 2009, who brings an outstanding track record with ten years of successful experience in the biometrics market. The company has recently acquired Margaux Matrix Limited, a service provider which processes clients' video footage using OmniPerception technology, to provide valuable logo and brand exposure data for rights holders, advertising agencies and all of the world's major brand owners. In 2009, the company reported that it had increased the number of licensees in this area, expanding its geographic coverage in this area to the point that almost every major sporting event is analysed by the company's video analysis software. The demonstrable success of the technology, coupled with the new capabilities via the acquisition of Margaux Matrix will ensure the strategic intent to combine the facial recognition and brand analysis becomes a reality and will offer significant growth opportunity for the company in the medium term.

Over the last five years OmniPerception has focussed on perfecting its core technologies and establishing a firm base from which to deliver fully productised offerings to a growing market in the years ahead. The company's technologies are now proven to be fully fit for purpose. Key products are established with strategic early-adopter customers. Building on the success of this phase of development, the company is now set to achieve rapid growth over the period through to and beyond 2014. The company is commencing what is expected to be its final funding round during early 2010 to further progress the development and sales of its products.

The company is chaired by me, and Dr Richard Leaver is a Non Executive Director by virtue of Blue Star's investment in the company.

2 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 videoconference as well as the opportunity to establish a social network platform with live video.

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.

2009 has seen the launch of Iris 2.0, the company's white label mobile social networking platform which provides brands the opportunity to monetise the distribution of their own content to their "followers". The company has found immediate traction in entertainment, music and modelling having brought on two licensees for this solution in the latter half of 2009, and expects to have a number of projects in these sectors up and running over the following 12 months.

For both the security and mobile social networking solutions, the company's business model is a combination of licensing and revenue share. Particular successes during 2009 include the development of a 3G enabled camera solution which is being deployed in 2010. This will enable much greater functionality and video rate due to the increased bandwidth.

The company's solutions offer the use of multiple video inputs eg CCTV, home hubs, pre-recorded video; it offers full security including video encryption, video watermarking and time-stamps; the ability to provision many cameras to a single user or many users to a single camera; webportals; event triggers (eg passive infrared for intruder alerts); the ability to view output on a mobile phone, Personal Digital Assistant (PDA) or PC and full data management.

Dr Richard Leaver is a Non Executive Director by virtue of Blue Star's investment in the company.

Chairman's Statement

CONTINUED

3 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 Group's core value creation is the development and control of a growing portfolio of these patented superconductor technology solutions; all of which define the means of enabling major leaps in the efficiency and performance of industrial-scale electrical equipment. By focussing on the design and creation of core superconductive components, its commercial strategy is to enter into collaborative partnerships with established industry participants with whom it can rapidly develop and deploy highly competitive energy efficient products into multi-billion dollar global markets.

In 2007 it became the first company to ever achieve a commercial sale of an industrial-scale device based on superconductor technology and has since that time grown from strength to strength both in its technical development and its commercial deployment. To date the Group is focused on three main areas of commercialisation for superconductor technology:

Energy Efficient Industrial Processing
Sold to industrial producers of metals goods, its Magnetic Billet Heaters ('MBH') are setting new standards for productivity, energy efficiency, and process flexibility in industrial aluminium, brass, bronze, and copper processing. The precision and energy efficient heating process softens raw material billets before they are shaped into end products and uses superconductors to deliver:

- 50% reduction in energy consumption;
- 25% productivity increase;
- Improved process and product quality;
- Single block heating system with very short start-up time, high flexibility and cost effective just-in-time production; and
- Energy cost savings alone can amortise purchase price within five years of operation.

Smart Grid Technology
Acting like a firewall, Zenergy's Fault Current Limiter ('FCL') protects power grid equipment from the damaging power surges caused, for example, by short circuits or lightning strikes. The FCL significantly reduces the risk of power grid failures and contributes to preparing electricity grids for the wide-scale integration of renewable energy production. Its main benefits are:

- Suppression of overloads, while the downstream power supply is maintained without any interruption and at its regular strength;
- Improved operational reliability of fully stretched grids;
- Greatly reduced risk of large scale "blackout" due to cascading grid failures following a local defect;
- Cost-effective protection of power grid equipment against power surge damages; and
- Cost-effective integration of renewable power generation into the grid infrastructure.

A Zenergy Power FCL has been installed in the US national electrical grid, the first such by a commercial utility company. A Zenergy Power FCL is currently being scheduled for installation into the UK grid in the second half of 2010.

Low-Cost Renewable Energy Production
By exploiting the significant current carrying capability of superconductor wire, Zenergy Power has been developing over a number of years a new generation of lightweight and compact electricity generators designed specifically to reduce the cost of renewable energy. It is focussed on small hydropower generation and offshore wind generation and expects the first installation of its superconductor-based generators in the first half of 2010. The landmark installation will be

Chairman's Statement

CONTINUED

carried out by E.ON AG ('E.ON') which is using the compact machine as a replacement of an existing copper-based generator in its commercial hydropower stations in Bavaria, Germany. Once installed, the superconductor generator will be the base load generator responsible for the power supply to over 3,000 homes in the local area and moreover will deliver a 36% increase in electrical capacity. Further to its work with E.ON, the Company is also carrying out a wide spread technical evaluation for RWE AG with the prospect of carrying out a number of similar installations into RWE's commercial hydropower stations.

Within offshore wind Zenergy is currently working in conjunction with UK-based Converteam SAS, on the development of a 10MW class lightweight superconducting direct-drive generator set to eliminate the use of complex gear-boxes in wind turbines and dramatically reduce the costs of deploying offshore technology. The key benefits are:

- 25% reduction in cost of offshore wind power production;
- Improved reliability and lower maintenance owing to greatly improved thermal management; and
- Improved grid stability due to unique electrical properties of superconductors.

4 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.

The company is making strong advances in both its product development and sales to business customers in access control and perimeter and infrastructure monitoring where the technology is unique in solving problems that off-the-shelf wireless technologies such as ZigBee, Wi-Fi and Bluetooth cannot. Its key strengths include very low power, reliable long term, medium to long range secure communication of data and position from sensors to devices, other networks and wired infrastructure for periods in excess of one year or more; regular and accurate monitoring of the network itself and integration with existing radio standards.

The company has made significant developments during 2009, increasing its customer base and revenues. In particular, its wireless technology for perimeter security and access control is the subject of a recent key development contract by a major multinational. Zimiti technology will allow multiple small self-locating and communicating units, each no bigger than a coffee mug, to stay in the ground unattended with tens of metres separation for more than a year whilst alerting ingress into a defined area measured in hundreds of square kilometres, due to either vibration or disturbance of the radio frequency ("RF") field in their vicinity. Zimiti also completed development of the wireless communications that power CNIguard's water facility monitoring system which is now being deployed to water companies in the UK. Sales of Z-485, Zimiti's wireless connection for access control systems, continue to grow with sales to a number of companies including most recently ACT, Ireland's biggest access control manufacturer.

Whilst the applications are clear for perimeter and area security and extendable to borders, the technology is particularly exciting as a way of protecting a large unattended area. For instance, such an area in Iraq or Afghanistan which has been swept for mines or Improvised Explosive Devices ("IEDs") by leaving these Zimiti units to "seed" the area and alert if there is subsequent intrusion eg to replace IEDs in what is recorded as a clean area.

Zimiti has recently announced it has won a £100,000 research grant from the East of England Development Agency (EEDA) and is starting to attract attention from the US and mainland Europe for its solutions. It has also been announced as a finalist in the Rising Star of the Year category of the Cambridge News Business Awards 2010. The company is commencing what is expected to be its final funding round during early 2010 to further

Chairman's Statement

CONTINUED

progress the development and sales of its products. With this funding, 2010 will see development of a prototype monitoring network for a major multi-national customer, a programme that is already underway, as well as sales of a technically very similar system to defence and homeland security customers. Both of these are expected to translate into substantial revenue growth in late 2010 with volume sales coming on-stream in 2011 and continuing to grow in 2012 and 2013.

Dr Richard Leaver is also a Non Executive Director of Zimiti by virtue of Blue Star's investment in the company.

5 ESEEKERS LIMITED (www.sharenow.com)

eSeekers Limited is a private company which launched the www.sharenow.com portal. It previously had a software file-sharing application, developed in Oxford, called Izimi for file-sharing. The name Izimi was changed to ShareNow in mid-2007 and the service was relaunched in April 2008.

Following more than 12 months of operating the sharenow.com social networking website as a live beta, eSeekers determined in December 2008 that whilst the company's technology was excellent, it had insufficient working capital to continue operating as a direct competitor to the more established social networking platforms. Moreover, research was indicating that there might be a more significant opportunity to exploit the company's technology by licensing it as a white-label proposition to organisations wanting to implement an effective online social strategy. The company embarked on a restructuring of operations in February 2009, which had progressed sufficiently in June 2009 for negotiations to commence with the first potential licensee. Those negotiations were completed successfully in August 2009 when the company's first licence was sold for $6m: $3m of that sum is being taken into eSeekers Limited as staged cash payments and the other $3m invested into a joint venture company with the licensee. Live operations for the first licensee are to be commenced in March 2010; by which time it is expected that at least one more licence will have been issued from the four negotiations that are ongoing.

The company's accounts for the financial year ending 31 December 2009 will show a net profit on operations during the year but the final profit figure is dependent on the treatment of revenue. The cash received from the issuance of the company's first licence has been used to fund operations during the last four months of 2009 and to repay existing loans, including the £100,000 plus interest to Blue Star Capital that was repaid in full in December 2009. The residue cash is being used to fund operations in 2010 although the company has just embarked on a project to raise additional funds to accelerate its growth. It is confidently expected that the company will be profitable in 2010 and during the year will establish a foundation for rapid growth in 2011.

6 MEDCENTER HOLDINGS INC
(www.medcentersolutions.com
www.medcenter.com)

Medcenter is a multinational pharmaceutical marketing company specialising in innovative solutions to increase drug sales and business effectiveness. Blue Star Capital owns a minority stake in this private company.

Medcenter continues to make excellent progress in its core business of providing Medical Education and Marketing Services to the pharmaceutical industry in Latin America and Iberia. Following a comprehensive refocusing effort in 2007 sales grew by over 30% in 2008 and, through management's focus on securing larger and more profitable contracts, gross margin improved by nearly US$4 million. To date, Medcenter has grown its database to over 440,000 physicians and healthcare professionals while simultaneously aligning with over 280 medical associations throughout Latin America, building the largest scientific network of affiliated members in the region. Even during this period of strong sales growth, the refocusing towards tier one clients and larger more profitable contracts enabled the company to reduce its headcount from a peak of 198 in December 2006 to 88 by December 2008 and 83 in December 2009. It has increased turnover by more than one third whilst reducing costs by 23%.

Chairman's Statement

CONTINUED

Strong sales growth of circa 34% has continued into 2009 – in spite of budget "belt tightening" by clients. Its total revenue increased from $3.8 million in 2008 to $5.1 million in 2009.

Medcenter is employing a strategy to align itself with the global pharmaceutical industry by aiming to create a greater geographical reach than any other online company. It has signed three key commercial partnerships: with Reed Elsevier Latin America; Google Health and Doctors.net.uk

In its first year of operation, the Medcenter Medscape portal exceeded WebMD's expectations by reaching in excess of 100,000 registered Spanish and Portuguese speaking physicians and other healthcare professionals. Medcenter Medscape is on track to exceed budget for 2009 and at the end of 2009, have more than 180,000 physicians using the site on a regular basis.

7 OTHER

The Company has concluded the divestment of its non core investments in Gasol plc and India Restaurants Group plc post year-end at a loss of £39,440 from the Fair Value at year-end.

Financials

Blue Star Capital has continued to examine and reduce unnecessary costs wherever possible, both in its cost base and ongoing investment operations. The Company's cash position at the end of the year was £118,593 (2008: £276,642).

Blue Star Capital had net assets of £4,748,936 at the year end and shows a greatly reduced loss of £566,335 compared to £1,542,974 the previous year.

Outlook

Our four key investments, OmniPerception (of which I am Chairman), Pedagog, Zimiti and Zenergy all continue to exhibit major future potential and are well positioned to deliver significant returns to the Blue Star Capital portfolio during 2010 and beyond. Furthermore, the remaining two non-core investments of Medcenter and eSeekers are performing well and we expect good growth from these without requiring further cash outlay.

The Company, having concluded its restructuring, intends to advance and grow from the basis of its solid quality portfolio. Consequently it will be seeking to raise further funds during the first half of 2010 in order to invest in existing and new exciting, revenue earning and diversified HSI prospects which have been identified. This will also benefit from its lower fixed cost structure which will be maintained as the Company utilises the majority of new funds for investments.

The Lord Dear
Chairman

23 February 2010

Directors' Report

FOR THE YEAR ENDED 30 SEPTEMBER 2009

Results and dividends

The directors present their report together with the audited financial statements for the year ended 30 September 2009.

The income statement is set out on page 14 and shows the loss for the year. The directors do not recommend the payment of a dividend.

Directors serving during the year

Nigel Robertson resigned from the Board on 3 December 2008 and General Sir Michael Wilkes KCB CBE was appointed to the Board on 23 June 2009, joining Lord Dear, Dr Richard Leaver and Peter Varnish OBE who all served during the year.

Principal activities, review of business and future development

The principal activity of Blue Star Capital plc ("the Company") is to invest in Homeland Security Industry based companies diversified which have dual use products and applications (those inclusive of both defence and civilian markets). These include:

- Security & Surveillance – including overt/covert autonomous face & voice recognition;
- Explosives Detection Systems;
- Surveillance, Border & Perimeter Security Systems;
- Bio-Terror: Detection, Diagnostics & Treatment;
- Training & Simulation Systems;
- Access Control/Biometrics;
- People Screening;
- Cyber Security & Data Security;
- Container Screening;
- Emergency Planning and Integrated Response Systems.

The Company is seeking new investment opportunities in Security and Defence based industries including divestment by the larger defence companies of smaller, profitable non-core subsidiaries and independent companies with robust business, management, revenues and cashflow.

The Company's geographical range is mainly UK companies but will consider opportunities in the mainland EU and will actively co-invest in larger deals.

A review of the Company investments is included in the Chairman's statement.

Future developments

The Company is continuing to develop an investment portfolio in the Homeland Security sector with a focus on preventions, protection, reaction and recovery.

Principal risks and uncertainties

Blue Star Capital plc is focussed in Homeland Security which embraces a number of application sectors rather than being a vertical and undifferentiated tier. It seeks dual usage opportunities which by their very nature allow a diverse portfolio of investments with different application sectors and geographic locations whilst maintaining the overarching Homeland Security focus.

The share price of publicly traded companies similar to those in Blue Star's portfolio and in particular those at an early stage of development, can be highly volatile. The price at which the investments will be quoted and the price which investors may realise for their investments will be influenced by a large number of factors, some specific to the investee company and its operations and some which may affect quoted companies generally.

These factors could include the performance of the investee company's operations, large purchases or sales of investments, liquidity (or the absence of liquidity) in the investments, and general economic conditions. The value of the investments may go down as well as up. It may be more difficult for the Company to realise its unquoted and AIM investments than to realise an investment in a company whose shares are quoted on the Official List.

It may be necessary to raise additional funds in the future by a further issue of new shares or by other means. However the ability to fund future investments and overheads in Blue Star Capital plc as well as the ability of investments to return suitable profit cannot be guaranteed, particularly in the current economic climate.

Directors' Report

CONTINUED

Blue Star Capital plc is dependent on a small key manager team, however this is mitigated by a very active and experienced group of non-executive directors which complement the management.

The Company may not be able to identify suitable investment opportunities and there is no guarantee that investment opportunities will be available and the Company may incur costs in conducting due diligence into potential investment opportunities that may not result in an investment being made.

Significant shareholders

As at 21 January 2010 so far as the directors are aware, the parties (other than the interests held by Directors) who are directly or indirectly interested in 3% or more of the nominal value of the Company's share capital are as follows:

	Number of Ordinary Shares held	Ordinary Shares as percentage of issued share capital
Blue Square Equity Investments Limited	50,006,839	33.28%
Nigel Robertson	34,004,049	22.63%
Cloverleaf Holdings Ltd	8,700,108	5.79%
Highland Fund Management Ltd	7,452,942	4.96%
SPDV Holdings Ltd	6,220,803	4.14%
Afristar Limited	4,973,637	3.31%
Thesaurus Limited	4,973,637	3.31%
David Sebire	4,597,985	3.06%

Charitable and political contributions

No charitable or political donations were made during the year.

General

The Company has third party Directors and Officers indemnity insurance in place and Key Man Insurance on the Chief Executive Officer, Dr Richard Leaver.

Related party transactions

The Company has entered into certain related party transactions and these are disclosed in note 19.

Post balance sheet events

Events subsequent to the balance sheet date are detailed in note 17 to the financial statements.

Policy and practice on the payment of creditors

The Company has no formal code or standard, which deals specifically with the payment of suppliers. However, the Company's policy on the payment of all creditors is to ensure that the terms of payment, as specified and agreed with the supplier, are not exceeded. At the year end trade creditors represented 27 days purchases (2008: 85 days).

Auditors

All of the current 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.

BDO LLP has expressed its willingness to continue in office and a resolution to re appoint it will be proposed at the Annual General Meeting.

On behalf of the Board of Directors

Dr Richard Leaver
Chief Executive Officer

23 February 2010

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Independent Auditor's Report

TO THE MEMBERS OF BLUE STAR CAPITAL PLC

We have audited the financial statements of Blue Star Capital plc for the year ended 30 September 2009 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2009 and of the company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Scott McNaughton (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

23 February 2010

Income Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2009

	Notes	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Profits/(Losses) arising from investments held at fair value through profit or loss	13	684,911	(1,488,451)
Other income	5	16,124	15,000
Administrative expenses		(583,624)	(486,939)
Operating profit/(loss)		117,411	(1,960,390)
Share of (loss)/profit from associate	11	(835,764)	35,764
Finance income	4	152,018	75,453
Loss before taxation		(566,335)	(1,849,173)
Taxation	8	–	306,199
Loss for the year		(566,335)	(1,542,974)
Loss per ordinary share:			
Basic and diluted loss per share	9	(0.51p)	(1.46p)

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

The notes on pages 18 to 34 form part of these financial statements.

Balance Sheet

AS AT 30 SEPTEMBER 2009

	Notes	30 September 2009 £	30 September 2008 £
Non-current assets			
Property, plant and equipment	10	7,091	–
Investment in associate	11	–	835,764
Other investments	12	3,840,916	–
		3,848,007	835,764
Current assets			
Investments held for trading	13	788,264	2,722,255
Trade and other receivables	14	113,675	198,971
Cash and cash equivalents	15	118,593	276,642
Total current assets		1,020,532	3,197,868
Total assets		4,868,539	4,033,632
Current liabilities			
Trade and other payables	16	119,603	195,473
Total liabilities		119,603	195,473
Net assets		4,748,936	3,838,159
Equity			
Share capital	17	150,261	105,500
Share premium account		6,464,876	5,032,525
Accumulated losses		(1,866,201)	(1,299,866)
Total equity		4,748,936	3,838,159

The financial statements were approved by the board and authorised for issue on 23 February 2010 and were signed on its behalf by:

Dr Richard Leaver
Chief Executive Officer

The notes on pages 18 to 34 form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2009

	Share capital £	Share premium £	Retained earnings £	Total £
Year ended 30 September 2008				
At 1 October 2007	105,500	5,032,525	243,108	5,381,133
Loss for the year and total recognised income and expense	–	–	(1,542,974)	(1,542,974)
At 30 September 2008	105,500	5,032,525	(1,299,866)	3,838,159
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 for the year and total recognised income and expense	–	–	(566,335)	(566,335)
At 30 September 2009	150,261	6,464,876	(1,866,201)	4,748,936

Share Capital
Share capital represents the nominal value on the issue of the Company's equity share capital, comprising £0.001 ordinary shares.

Share Premium
Share premium represents the amount subscribed for the Company's equity share capital in excess of nominal value.

Retained Earnings
Retained earnings represent the cumulative net income and losses of the Company recognised through the income statement.

The notes on pages 18 to 34 form part of these financial statements.

Cash Flow Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2009

	Notes	Year ended 30 September 2009 £	Year ended 30 September 2008 £
Cash flow from operating activities			
(Loss) before taxation		(566,335)	(1,849,173)
Adjustments for:			
Share of loss/(profit) from associate		835,764	(35,765)
Finance income		(155,895)	(75,453)
Fair value (gains)/losses		(684,911)	1,488,451
Depreciation		7,091	–
Operating cash flows before movements in working capital		(564,286)	(471,940)
Decrease in receivables		85,296	224,038
(Decrease)/increase in payables		(75,870)	76,193
Net cash (used in) operating activities		(554,860)	(171,709)
Investing activities			
Interest received		–	75,453
Payments to acquire investments		(166,187)	(860,073)
Proceeds from sale of investments		577,179	97,492
Acquisition of property, plant and equipment		(14,181)	–
Cash flows redeemed from/(used in) investing activities		396,811	(687,128)
Net increase in cash and cash equivalents		(158,049)	(858,837)
Cash and cash equivalents at beginning of the year	15	276,642	1,135,479
Cash and cash equivalents at end of the year	15	118,593	276,642

Material non-cash transactions

Finance income of £155,895 relates to interest accreted on loans and receivables held at amortised cost. Consideration for the acquisition of the assets of The PegasusBridge Defence & Security Fund Limited of £1,477,111 was settled through the issue of new shares in Blue Star Capital plc.

The notes on pages 18 to 34 form part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2009

1 Accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. These financial statements 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").

Associates

Where the Company has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the balance sheet at cost and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The company's share of post-acquisition profits and losses is recognised in the income statement, except that losses in excess of the company's investment in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Company and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the company's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. The carrying amount of investment in associate is subject to impairment as described 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, the Company 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2009

1 Accounting policies (continued)

Financial assets (continued)

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2009

1 Accounting policies (continued)

Finance income

Finance income relates to interest income arising on cash and cash equivalents held on deposit and interest accrued on loans receivable. Finance income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Leased assets

Where substantially all of the risks and rewards incidental to ownership are not transferred to the group (an "operating lease"), the total rentals payable under the lease are charged to the income statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognised as a reduction of the rental expense over the lease term on a straight-line basis.

Pension costs

Company contributions to defined contribution pension schemes are charged to the income statement in the period in which they become payable.

Operating loss

Operating loss is stated after crediting all items of operating income and charging all items of operating expense, but before recognising the company's share of the results of associated undertakings.

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).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2009

1 Accounting policies (continued)

Standards, Amendments and Interpretations in issue not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 October 2009 or later periods and which the Company has decided not to apply early. These may have an impact on the presentation of the financial statements of the Company in future years. These are:

- **Amendments to IAS 1 Presentation of Financial Statements: A Revised Presentation (Issued 6 September 2007) effective 1 January 2009**

  The Amendment to IAS 1 principally affects the presentation of the primary statements. An entity will be required to present, as a primary statement, a statement of changes in equity, in which all owner changes in equity are included. Under the Amendment, all non-owner changes in equity (i.e. comprehensive income) are to be presented either in a single primary statement (a statement of comprehensive income) or in two separate primary statements (an income statement and statement of other comprehensive income). An analysis of the tax effect of items recognised in other comprehensive income must also be included either in the primary statement or as a note. In addition, an opening comparative balance sheet must be included when there is a change in accounting policy. The Amendment does not change the recognition or measurement of transactions and balances in the financial statements.

- **Improving Disclosures about Financial Instruments (Amendments to IFRS 7) (Issued 5 March 2009) effective 1 January 2009**

  The Amendment requires the analysis of each class of financial asset and financial liability that is measured at fair trade value in the statement of financial position, into a three level fair value measurement hierarchy. It requires additional disclosure in respect of those financial instruments classified as Level Three (namely those that are measured using a valuation technique which uses inputs that are not based on observable market data). It also implements some changes to the definition of and discloses associated with liquidity risk.

- **Revised IAS 24 Related Party Disclosures (Issued 4 November 2009) effective 1 January 2011**

  The revision to IAS 24 is in response to concerns that the previous disclosure requirements and the definition of a related party were too complex and difficult to apply in practice, especially in environments where government control is pervasive. The revised standard addresses these concerns by:

  - Providing a partial exemption for government-related entities – Until now, if a government controlled, or significantly influenced, an entity, the entity was required to disclose information about all transactions with other entities controlled, or significantly influenced by the same government. The revised Standard requires such entities to disclose information about individually and collectively significant related party transactions only.

  - Providing a revised definition of a related party – The structure of definition of a related party has been simplified and inconsistencies eliminated. Illustrative examples have also been added. The revised definition will mean that some entities will have more related parties for which disclosures will be required. The entities that are most likely to be affected are those that are part of a group that includes both subsidiaries and associates, and entities with shareholders that are involved with other entities.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2009

1 Accounting policies (continued)

Standards, Amendments and Interpretations in issue not yet effective (continued)

- **IFRS 9 Financial Instruments (Issued 12 November 2009) effective 1 January 2013**

  IFRS 9 will eventually replace IAS 39 in its entirety. However, the process has been divided into three main components: Classification and measurement; impairment; and, hedge accounting. As each phase is completed it will delete the relevant portions of IAS 39 and create new chapters on IFRS 9.

  IFRS 9 as issued on 12 November 2009 address the classification and measurements of financial assets only. The requirements for the classification and measurement of financial liabilities will be finalised and added to IFRS 9 once issues related to the recognition of changes in an entity's own credit risk have been addressed.

  The main features IFRS 9 as issued on 12 November 2009 are:

  A financial asset should be:

  - Classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset;
  - measured at amortised cost if it meets two conditions: (a) The entity's business model is to hold the financial asset in order to collect the contractual cash flows; and, (b) the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding; and,
  - subsequently measured at amortised cost or fair value depending on the business model of the entity and the terms of the instrument.

  Hybrid contracts with a host that is within the scope of IFRS 9 (i.e. a financial host) must be classified in its entirety in accordance with the classification approach stated above. This eliminates the existing IAS 39 requirements to separately account for an embedded derivate and a host contract. The embedded derivative requirements under IAS 39 continue to apply where the host contract is a non-financial asset and for financial liabilities.

  IFRS 9 includes an accounting policy choice allowing investments in equity instruments to be measured at fair value through other comprehensive income. This is an irreversible election made, on an instrument by instrument basis, at the date of initial recognition. Where this option is not taken, all equity instruments with the scope of IFRS 9 will be classified as fair value through profit or loss. Irrespective of the policy choice made, dividends received on equity instruments will always be recognised in profit or loss.

  Subsequent reclassification of financial assets between the amortised cost and fair value categories is permitted only when an entity changes its business model for managing its financial assets.

  The held to maturity and available for sale classifications have been eliminated.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2009

1 Accounting policies (continued)

Standards, Amendments and Interpretations in issue not yet effective (continued)

These are unlikely to have a material impact on the financial statements of the Company.

- IFRS 8 Operating Segments (issued 30th November 2006) effective 1 January 2009
- Amendment to IAS 23 Borrowing Costs (issued 29 March 2007) effective 1 January 2009
- Amendment to IFRS 2 Share-based Payment: Vesting Conditions and Cancellations (issued 17 January 2008) effective 1 January 2009
- Amendments to IAS 32 and IAS 1 Puttable Financial Instruments and Obligations Arising on Liquidation (issued 14 February 2008) effective 1 January 2009
- Amendments to IFRS 1 and IAS 27 Cost of an Investment in a subsidiary, jointly-controlled or associate (issued 22 May 2008) effective 1 January 2009
- Embedded Derivatives (Amendment to IFRIC 9 and IAS 39) (Issued 12 March 2009) 30 June 2009 (1 January 2009)
- Revised IFRS Business Combinations (Issued 10 January 2008) effective 1 July 2009
- Amendments to IAS 27 Consolidated and Financial Statements (Issued 10 January 2008) effective 1 July 2009
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items (Issued 31 July 2008) effective 1 July 2009
- Improvements to IFRSs (2009) (Issued 16 April 2009) Effective generally 1 January 2010
- Group Cash-settled Share Based Payment Transactions (Amendments to IFRS2) (Issued 18 June 2009) (1 January 2010)
- Additional Exemptions for First-time Adopters (Amendments to IFRS 1) (Issued 23 July 2009) effective 1 January 2010
- Classification of Rights Issues (Amendment to IAS 32) (Issued 8 October 2009) effective 1 February 2010
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (Issued 26 November 2009) effective 1 April 2010
- Amendment to IFRS 1 First-time Adoption of International Reporting Standards (Issued 28 January 2010) effective 1 July 2010
- Amendments to IFRIC 14 IAS 19 Limit on a Defined Benefit Asset, Minimum Funding Requirements and there interaction (Issued 26 November 2009) effective 1 January 2011

2 Critical accounting estimates and judgements

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.

The methods and assumptions applied, and the valuation techniques used, are disclosed in note 12.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2009

3	**Operating loss**	**Year ended 30 September 2009 £**	**Year ended 30 September 2008 £**
	This is stated after charging:		
	Operating lease rentals – land and buildings	38,740	39,500
	Depreciation	7,091	–
	Auditors remuneration – audit	30,000	33,142
	– non-audit services	5,000	19,840

4	**Finance income**	**Year ended 30 September 2009 £**	**Year ended 30 September 2008 £**
	Interest received on other investments classified as loans and receivables	152,018	75,453

5 Other operating income

During the year the Company received rental income of £15,000 (2008: £15,000) for part let of its office and other miscellaneous income of £1,124 (2008: Nil). Income is recognised on a straight line basis over the period of the rental agreement.

6	**Staff costs including directors**	**Year ended 30 September 2009 £**	**Year ended 30 September 2008 £**
	Wages and salaries	162,478	92,267
	Social security costs	9,075	5,163
	Other pension costs	5,000	27,500
	Compensation for loss of office	45,840	100,000
		222,393	224,930

During the year the company had an average of 2 employees who were both administrative (2008: 2). One of the employees was both the director and the key management personnel of the Company.

7	**Directors' and key management personnel**	**Year ended 30 September 2009 £**	**Year ended 30 September 2008 £**
	Directors emoluments	114,833	92,267
	Compensation for loss of office	45,840	100,000
	Pension costs	5,000	27,500
		165,673	219,767

There was one director in the Company's defined contribution pension scheme during the year (2008: 2).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2009

8 **Taxation**	**2009** **£**	**2008** **£**
Tax credit – deferred tax	–	(306,199)

Factors affecting the tax charge

The tax assessed on loss before tax for the year differs to the applicable rate of corporation tax in the UK for small companies of 21% (2008: 20.5%). The differences are explained below:

	2009 **£**	**2008** **£**
Loss before tax	(566,335)	(1,849,173)
Loss before tax multiplied by standard rate of corporation tax of 21% (2008: 20.5%)	(118,930)	(379,080)
Effect of:		
Expenses not deductible for tax purposes	175,123	–
Timing differences on fixed assets	9,427	(309)
Unrecognised deferred tax in relation to fair value gains	–	73,190
Deferred tax asset on b/f losses not previously recognised	(65,620)	–
Tax (credit) for the year	–	(306,199)

Deferred tax liability recognised in the balance sheet as at 30 September 2009 was £Nil (2008: £Nil).

The Company has incurred tax losses for the period and a corporation tax expense is not anticipated. The amount of the unutilised tax losses has not been recognised in the financial statements as the recovery of this benefit is dependent on future profitability, the timing of which cannot be reasonably foreseen. The unrecognised deferred tax asset at 30 September 2009 is £137,642 (2008: £192,324).

9 Loss per ordinary share

The calculation of basic loss per share of 0.51p (2008: loss per share of 1.46p) is based on the loss for the year after tax of £566,335 (2008: loss of £1,542,974) and on the weighted average number of shares in issue during the period of 111,342,594 (2008: 105,500,000).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2009

10 Property, plant and equipment

	Office equipment £
Cost	
At 1 October 2007 and 2008	20,093
Additions	14,182
At 30 September 2009	34,275
Depreciation	
At 1 October 2007 and 2008	20,093
Charge for the year ended 30 September 2009	7,091
At 30 September 2009	27,184
Net book value	
At 30 September 2007 and 2008	–
At 30 September 2009	7,091

11 Investment in associate

Blue Star Capital plc acquired a 30.77% interest in The PegasusBridge Defence & Security Fund Limited ("The Fund") on 14 July 2008, a private company, incorporated in Guernsey. The fund invested in both unquoted and quoted shares in defence and security related companies, with a strong focus on homeland security.

On 30 June 2009, Blue Star Capital plc acquired 100% of the assets of the Fund. The consideration for acquiring these assets was £1,487,111, representing 69.23% of the fair value of the assets at the date of acquisition, and £10,000 to reflect the fees paid by Blue Star Capital plc on The Fund's behalf. The net consideration was satisfied by the issue of new ordinary shares in Blue Star Capital plc.

On 12 August 2009, The Fund was solvently liquidated and subsequently the newly issued shares in Blue Star Capital plc were distributed to the shareholders (other than Blue Star Capital) of The Fund. As a consequence the carrying value of Blue Star Capital plc's investment in The Fund has been impaired to £Nil (2008: £835,764).

The following tables illustrate summarised financial information for the Associate at 30 September 2009 and the comparative period.

Associate's balance sheet	2009 £	2008 £
Total assets	–	2,258,144
Total liabilities	–	47,324
Net assets	–	2,210,820

Associate's result	2009 £	2008 £
(Loss)/profit for the period	(2,210,820)	60,820

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2009

12 Other investments	2009 £	2008 £
At 1 October	–	–
Transfer from investments held for trading	848,144	–
Additions	1,643,304	–
Fair value gain for the year	1,193,573	–
Finance income	155,895	–
At 30 September	3,840,916	–

Certain investments previously classified as held for trading have been reclassified as non current asset investments, since it is the best estimate of the directors that these investments will not be settled within the next 12 months. At the date of reclassification, these investments had a carrying value of £848,144.

Unquoted investments	Class of shares/investment	Book value £	Fair value £
OmniPerception Limited	Convertible loan notes	536,844	536,844
Pedagog Limited	B Ordinary 1p	25,000	25,000
Pedagog Limited	Convertible loan notes	1,187,642	1,187,642
Zimiti Limited	Convertible loan notes	601,294	601,294
eSeekers Ltd (ShareNow)	Ordinary 1p	997,362	997,362
Medcenter Holdings Inc	Preferred US$0.01	344,775	344,775
Medcenter Holdings Inc	Convertible loan notes	147,999	147,999
At 30 September		3,840,916	3,840,916

All of the above investments are incorporated in the United Kingdom barring Medcenter Holdings Inc, which is a company incorporated in the Cayman Islands. This category of investments includes the assets acquired from The PegasusBridge Defence & Security Fund Limited as described in note 11. The methods used to value these unquoted investments are described below.

Fair value

The fair value of unquoted investments is established using valuation techniques. These include the use of recent arm's length transactions, the Black-Scholes option pricing model and discounted cash flow analysis. Where a fair value cannot be estimated reliably the investment is reported at the carrying value at the previous reporting date in accordance with International Private Equity and Venture Capital ("IPEVC") guidelines.

The Company holds convertible loan notes that have been designated at fair value through profit or loss on initial recognition. Any changes in fair value are recognised through the fair value gains/(losses) line in the income statement.

The Company also holds convertible loan notes where at inception, the option to convert to equity at a future point in time is valued using the Black-Scholes option pricing model. The residual amount represents a loan receivable.

The option is then fair valued at each reporting date, with any fair value gains/(losses) recognised through the fair value gains/(losses) line in the income statement. The loan receivable is measured at amortised cost, with any interest income recognised as finance income through the income statement using the effective interest rate method.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2009

12 Other investments (continued)

In the case of convertible loan notes where the fair value of the option cannot be separated and measured in a reliable manner, the instrument is recognised as a single financial asset at fair value through profit or loss.

The Company assesses at each balance sheet date whether there is any objective evidence that the unquoted investments are impaired. The unquoted investments are deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future fair value of the investments that can be reliably measured.

13 Investments – held for trading

	2009 £	2008 £
At 1 October	2,722,255	4,248,123
Transfer to Other investments	(848,144)	–
Additions	–	60,074
Disposals	(577,179)	(97,491)
Fair value (loss) for the year	(508,668)	(1,488,451)
At 30 September	788,264	2,722,255

These trade investments are classified as financial assets at fair value through profit and loss. Total fair value gain for the year of £684,911, as disclosed on the face of the income statement, includes the fair value loss on investments held for trading, and the fair value gain on other investments as disclosed in note 12.

	Class of shares/ investment	Holding as % of issued share capital	Book value £	Fair value £
Quoted on the Alternative Investment Market of the London Stock Exchange:				
Gasol plc	Ordinary 0.5p	0.7%	208,500	208,500
Indian Restaurants Group plc	Ordinary 1p	9.3%	30,417	30,417
Zenergy Power plc	Ordinary 1p	0.8%	549,347	549,347
At 30 September			788,264	788,264

Fair value

Investments held for trading consist of investment in ordinary shares which have been treated as financial assets at fair value through profit or loss. The fair value of quoted investments is determined by reference to the mid market bid prices at the balance sheet date.

14 Trade and other receivables

	2009 £	2008 £
Prepayments	31,899	62,160
Loan receivable	75,679	120,761
Social security and other taxes	6,097	16,050
	113,675	198,971

All trade and other receivables are due within one year. The directors consider that the carrying value of trade and other receivables approximates to their fair value.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2009

15 Cash and cash equivalents	**2009 £**	**2008 £**
Cash at bank and in hand	23,934	46,710
Treasury reserve deposit	94,659	229,932
	118,593	276,642

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with an original maturity of three months or less. The directors consider that the carrying value of cash and cash equivalents approximates to their fair value.

16 Trade and other payables	**2009 £**	**2008 £**
Trade payables	40,547	86,497
Accruals	74,514	108,208
Social security and other taxes	4,542	768
	119,603	195,473

All trade and other payables fall due for payment within one year. The directors consider that the carrying value of trade and other payables approximates to their fair value.

17 Share capital	**2009 Number**	**2009 £**	**2008 Number**	**2008 £**
Authorised				
Ordinary shares of £0.001 each	500,000,000	500,000	500,000,000	500,000
Issued and fully paid				
At 1 October	105,500,000	105,500	105,500,000	105,500
Issue of ordinary shares	44,760,935	44,761	–	–
At 30 September	150,260,935	150,261	105,500,000	105,500

On 30 June 2009, Blue Star Capital plc acquired 100% of the assets of The PegasusBridge Defence & Security Fund ("The Fund"). The consideration for acquiring these assets was £1,487,111, satisfied by £10,000 in cash and by the issue of 44,760,935 new ordinary shares in Blue Star Capital plc at market value of 3.3p per share.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2009

18 Post balance sheet events

The Company invests in a number of AIM listed companies and the share prices of these companies can be volatile and move up or down on small volumes traded. The market values at 5 February 2010 of some of its investment are less than the carrying value at September 2009.

As of 11 January 2010, all the Company's holdings in Gasol Limited and Indian Restaurants Group plc had been completely divested. Gasol realised net value (after costs) of £182,262 (fair value £208,500 at 30 September 2009) and Indian Restaurants Group realised net value (after costs) of £17,214 (fair value £30,417 at 30 September 2009). The combined post balance sheet reduction in value from the 30 September 2009 combined fair value figure is therefore £39,440.

The Company made a further investment in OmniPerception Limited of £30,000 in October 2010 and a further investment in Zimiti Limited of £15,000 on terms which delivered 1.5x face value in convertible loan notes, ie £22,500 equivalent.

Zimiti Limited has been awarded a research grant by the East of England Development Agency ("EEDA") of £100,000 in February 2010 and has also signed a development contract for a monitoring network with a major multinational which may lead to substantial 2010 revenues for it.

The Company has allocated options ("Options") at an exercise price of 4.5p to directors and employees under an Unapproved Option Plan as follows:

Director	Options Granted	Number of Ordinary Shares held at date of grant	Shareholding as a percentage of issued share capital	Number of options held	Total options as a percentage of issued share capital
Lord Dear	1,252,818	497,344	–	1,252,818	0.83
Dr Richard Leaver	6,067,236	1,243,359	0.83	6,067,236	4.04
Peter Varnish OBE	939,614	–	–	939,614	0.63
General Sir Michael Wilkes	939,614	497,344	–	939,614	0.63
Employee					
Claire Hastings	422,384	–	–	422,384	0.28
Total	9,621,666	2,238,047	0.83	9,621,666	6.40

The Options carry performance criteria in that the Options only vest in equal thirds, when the three month average of the Blue Star Capital closing market mid-price equals or exceeds 6p, 9p and 12p respectively. They may be exercised before 7 October 2014 subject to the vesting criteria being met.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2009

19 Financial instruments

Categories of financial assets and liabilities

The following tables set out the categories of financial instruments held by the Company:

Financial assets	Notes	Loans and receivables 2009 £	2008 £
Loans receivable	12	917,697	120,761
Other investments	12	2,923,219	–
Cash and cash equivalents	15	118,593	276,642
		3,959,509	397,403

Financial assets	Notes	Fair value through profit or loss: Held for trading £	Designated upon initial recognition £	Total £
At 30 September 2009				
Investments held for trading	13	788,264	–	788,264
Other investments	12	–	3,840,916	3,840,916
At 30 September 2008				
Investments held for trading	13	2,722,255	–	2,722,255
Other investments	12	–	–	–

Financial liabilities	Notes	Financial liabilities measured at amortised cost 2009 £	2008 £
Trade payables	16	40,547	86,497
Accruals	16	74,514	108,208
		115,061	194,705

The Company's financial instruments comprise investments held for trading, other investments, cash and cash equivalents and trade payables that arise directly from the company's operations. The main purpose of these instruments is to raise finance for operations. Investments held for trading and other investments have been held at fair value through profit and loss. The main risks arising from holding these financial instruments is market risk and credit risk. Market risk is also examined in post balance sheet events (note 18).

Interest rate risk

The Company's exposure to changes in interest rates relate primarily to cash and cash equivalents. Cash and cash equivalents is held either on current or on short term deposits at floating rates of interest determined by the relevant bank's prevailing base rate. The Company seeks to obtain a favourable interest rate on its cash balances through the use of bank treasury deposits. Any reasonable change in interest rate would not have a material impact on finance income that the Company could receive in the course of a year, based on the current level of cash and cash equivalents either held in current accounts or short term deposits.

Market risk

All trading instruments are subject to market risk, the potential that future changes in market conditions may make an instrument less valuable, due to fluctuations in security prices, as well as interest and foreign exchange rates. Market risk is directly impacted by the volatility and liquidity in the markets in which the related underlying assets are traded.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2009

19 Financial instruments continued

Sensitivity analysis

The following table looks at the impact on net result and net assets based on a given movement in the fair value of all the investments:

10%	movement either way will result in £462,918 profit or (loss)
20%	movement either way will result in £925,836 profit or (loss)
30%	movement either way will result in £1,388,754 profit or (loss)

Currency risk

The Company's foreign currency risk is limited to two convertible loan notes and two equity investments denominated in US Dollars. The total value of these investments in US Dollars at the balance sheet date was $ 788,094 (2008: $788,094). A 10% increase or decrease in the $/£ exchange rate would have a £50,164 (2008: £49,127) impact on net result for the year and net assets, based on the rate prevailing at 30 September 2009.

Liquidity risks

The Company seeks to manage liquidity risk by ensuring sufficient liquid assets are available to meet foreseeable needs and to invest liquid funds safely and profitably. All cash balances are immediately accessible and the Company holds no trades payable that mature in greater than 3 months, hence a contractual maturity analysis of financial liabilities has not been presented. Since these financial liabilities all mature within 3 months, the directors believe that their carrying value reasonably equates to fair value.

Borrowing facilities

The operations to date have been financed through the placing of shares and it is Board policy to keep borrowing to a minimum.

Credit risk

The Company's credit risk is attributable to cash held on deposit at financial institutions, a loan receivable and convertible loan notes.

Cash is deposited with reputable financial institutions with a high credit rating. The maximum credit risk relating to cash and cash equivalents is equal to their carrying value of £118,593 (2008: £276,642).

The maximum credit risk relating to a loan receivable is equal to its carrying value of £917,697 (2008: £120,761).

The maximum credit risk relating to convertible loan notes is equal to 125% of the face value of the loan, being the amount that would be received on redemption of $ 294,555 (2008: $295,869).

Trade receivables arise as a result of share trading and are usually settled within 3 days. Due to trade receivables being settled so quickly and because there are no trade receivables held at year end the company's maximum exposure to credit risk on trade receivables is £Nil (2008: £Nil).

Capital disclosure

As in previous years, the Company defines capital as issued capital, reserves and retained earnings as disclosed in statement of changes in equity. The Company does not have any borrowings and manages its capital to ensure that the Company will be able to continue to pursue strategic investments and continue as a going concern. The Company does not have any externally imposed financial requirements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2009

20 Related party transactions

Nigel Robertson, Blue Star Capital's former chairman, resigned on 3 December 2008. He is a director and a shareholder of eSeekers Limited, an investee company in which Blue Star Capital has invested £300,000. Nigel Robertson is also a director of the Indian Restaurants Group plc, a quoted investment held during the year by Blue Star Capital and to whom the Company charged a share of office rent & communication expenses totalling £15,000 (2008: £15,000). There were no outstanding amounts due from Indian Restaurants Group plc at 30 September 2009 (2008: £Nil).

Dr Richard Leaver, director of Blue Star Capital is a director of PegasusBridge Fund Management Limited. PegasusBridge Fund Management Limited charged Blue Star Capital a sum of £13,358 for asset management, which forms part of administrative expenses.

Dr Richard Leaver, Lord Dear and **General Sir Michael Wilkes**, directors of Blue Star Capital were shareholders in The PegasusBridge Defence & Security Fund Limited, "The Fund". During the year Blue Star Capital acquired the assets of The Fund. The consideration for acquiring these assets was £1,487,111, satisfied by £10,000 in cash and by the issue of 44,760,935 new ordinary shares in Blue Star Capital plc. The PegasusBridge Defence & Security Fund Limited was then placed in solvent liquidation and its Blue Star Capital shares distributed in specie to its shareholders except Blue Star Capital plc.

Blue Star Capital also invoiced £11,000 to PegasusBridge Fund Management Limited in respect of a 50% share of valuation and tax advice in relation to the asset acquisition.

Dr Richard Leaver is a partner in PegasusBridge Fund Management LLP. As part of the Asset Purchase Agreement between Blue Star Capital and PegasusBridge Fund Management Limited, PegasusBridge Fund Management LLP will continue to receive monthly monitoring fees from Zimiti Limited (£1,500 per month), OmniPerception Limited (£1,000 per month lowering to £700 per month from 1 October 2009) and Pedagog Limited (£1,500 per month).

Dr Richard Leaver is a director of Zimiti Limited, OmniPerception Limited and Pedagog Limited in order to represent the interests of the investors. Lord Dear, chairman of Blue Star Capital is also a director of OmniPerception Limited.

During the year, Blue Star Capital made further investments as convertible loans in Pedagog (£100,000) and Zimiti Limited (£56,204), which included invoicing a 2% arrangement fee of £1,124.

Peter Varnish OBE (as Closed Solutions Limited), was paid a total of £20,314 during the year in respect of directors fees and expenses (2008: £300).

General Sir Michael Wilkes KCB CBE (as Marbral Limited), who joined during the year, was paid a total of £4,258 during the year in respect of directors fees and expenses.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2009

21 Operating lease commitments

At the balance sheet date the company has outstanding commitments under operating leases of which the total future minimum lease payments were due as follows:

	Land and buildings 2009 £	2008 £
Due within one year	35,385	39,500
Due after one year and within five years	70,770	–
	106,155	39,500

The Company has moved to 3 Fitzhardinge Street and hence entered into a lease agreement with The Portman Estate, which is due to expire on 8 September 2014 with a three year breakpoint (8 September 2012) inclusive of a rent deposit of £20,346, at an annual rent of £35,385 for the rental of office premises.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE ANNUAL GENERAL MEETING of BLUE STAR CAPITAL PLC (the "Company") will be held at 3 Fitzhardinge Street, London at 11.00 a.m. on Tuesday 30 March 2010, for the following purposes:

ORDINARY RESOLUTIONS

1 To receive and adopt the accounts, together with the directors' and auditors' reports for the period ended 30 September 2009.

2 To re-elect General Sir Michael Wilkes KCB CBE as a director of the Company who being eligible offers himself for re-election.

3 To re-elect Peter Varnish OBE as a director of the Company who being eligible offers himself for re-election.

4 To re-appoint BDO Stoy Hayward LLP as auditors of the Company until the conclusion of the next Annual General Meeting and to authorise the directors to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions of which Resolution 5 will be proposed as an ordinary resolution and Resolutions 6 and 7 will be proposed as special resolutions.

Ordinary Resolution

5 That the directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the **"Act"**) to exercise all or any 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 £15,026 such authority (unless previously revoked or varied) to expire at the conclusion of the annual general meeting of the Company to be held in 2011 save that the Company may before such expiry 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.

Special Resolutions

6 That, subject to the passing of the previous resolution, the directors be and they are hereby granted power pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560(1) of the Act) for cash pursuant to the authority conferred on them by Resolution 5 above as if section 561 of the Act did not apply to such allotment, provided that such power be limited to:

(i) the allotment of equity securities which are offered to all the holders of equity securities of the Company (at a date specified by the directors) where the equity securities respectively attributable to the interests of such holders are as nearly as practicable in proportion to the respective number of equity securities held by them, but subject to such exclusions and other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements and any legal or practical problems under any laws or requirements of any regulatory body or stock exchange in any territory or otherwise; and

(ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £15,026 and provided that this power shall expire on the conclusion of the next annual general meeting of the company after the passing of this resolution save that the Company may make an offer or enter into an agreement before the expiry of that date which would or might require equity securities to be allotted after that date and the directors may allot equity securities in pursuance of such an offer as if the power conferred hereby had not expired.

Notice of Annual General Meeting

CONTINUED

7 THAT the Company be and is hereby generally and unconditionally authorised pursuant to section 701 of the Act to make market purchases (within the meaning of Section 693(4) of the Act) of its ordinary shares of 0.1p each in the capital of the Company provided that:

(i) the maximum number of ordinary shares hereby authorised to be purchased is 15,026,093

(ii) the minimum price which may be paid for ordinary shares is 0.1p per ordinary share;

(ii) the maximum price at which ordinary shares may be purchased is an amount equal to 105% of the average of the middle market prices shown in the quotations for an ordinary share according to the AIM Appendix of the Daily Official List of London Stock Exchange plc for the five business days immediately preceding the date of purchase; and

(iv) the authority to purchase hereby conferred shall, unless renewed prior to such time, expire at the date of the next annual general meeting of the Company save that the Company may before such expiry enter into a contract of purchase under which such purchase may be completed or executed wholly or partly after the expiration of this authority.

BY ORDER OF THE BOARD

Rawlison & Butler Nominees Limited
Company Secretary

Registered Office:
Griffin House
135 High Street
Crawley
West Sussex RH10 1DQ

Dated 23 February 2010

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 **6pm on 28 March 2010** 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 **6pm on 28 March 2010** 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

Notice of Annual General Meeting

CONTINUED

Capita Registrars, so as to arrive no later than **11am on 28 March 2010** or, in the event that the meeting is adjourned, by no later than 48 hours before the time of any adjourned meeting. As an alternative to completing your hard-copy proxy form, you can appoint a proxy electronically at www.capitashareportal.com. For an electronic proxy appointment to be valid, your appointment must be received by no later than 11am on 28 March 2010.

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 **11am on 28 March 2010**. 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 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

6 Copies of the directors' service contracts and letters of appointment are available for inspection at the registered office of the Company during normal business hours on any business day and will be available for inspection at the place where the meeting is being held from 15 minutes prior to and during the meeting.

Printed by Michael Searle & Son Limited