



Annual Report and Financial Statements

for the year ended 30 September 2006

Annual report and financial statements

FOR THE PERIOD ENDED 30 SEPTEMBER 2005

Contents

2	Chairman's Statement
5	Report of the Directors
6	Statement of Directors' Responsibilities
7	Report of the Independent Auditors
8	Profit and Loss Account
9	Balance Sheet
10	Cash Flow Statement
11	Notes to the Cash Flow Statement
12	Notes forming part of the Financial Statements
20	Notice of Annual General Meeting
23	Form of Proxy

Directors and Advisers

Directors

Nigel Robertson
Executive Chairman

Haresh Kanabar
Chief Executive and Finance Director

Company Secretary and Registered Office

Haresh Kanabar
8-10 New Fetter Lane
London EC4A 1RS

Company number

5174441

Nominated Adviser and Broker

Teather & Greenwood Limited
Beaufort House
15 St Botolph Street
London EC3A 7QR

Auditors

BDO Stoy Hayward LLP
8 Baker Street
London W1U 3LL

Solicitors

Charles Russell LLP
8-10 New Fetter Lane
London EC4A 1RS

Registrars

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

Public Relations Advisor

Holborn Public Relations Limited
22 Eastcheap
London EC3M 1EU

Chairman's Statement

In the year ended 30 September 2006, the Company recorded a loss before tax of £851,716 compared to a loss before tax of £192,796 for the 15 month period ended 30 September 2005. The loss figure in 2006 includes unrealised loss of £387,200 providing for an impairment in value of fixed assets, as a result of the movements in their share price. The principal risks facing the business arise from its investments. The risks attached to each of these are explained more fully below. As at 30 September the Company had a cash balance of £1,122,166 and investments at cost less provision for diminution in value of £3,038,731.

Blue Star has made investments across a variety of sectors including property, oil & gas, outsourcing, e-marketing and pest control as part of its strategy of providing seed and development capital to companies that have significant potential capital growth. During the year the company made further investments as part of new funding rounds in existing investee companies Gasol £500,000, India Outsourcing Services £250,000 and Black Raven Properties £300,000. We also made some new investments in Zenergy £482,244, Venteco £265,040 and Eseekers limited £150,000

The year under review has seen significant activity and progress in our investee companies as shown in the following review of Blue Star's portfolio of investments.

GASOL PLC

Blue Star has a 13.9% stake in Gasol Plc (AIM: GAS) which joined AIM in March 2005 with a strategy of seeking acquisition and investment opportunities in the oil & gas sector. In September of 2006 Gasol raised a further £3 million in addition to the £4.5 million it had raised previously. In implementing its corporate strategy Gasol has made an investment in Africa LNG by acquiring a 20% stake with the option to purchase the remaining 80% equity.

African LNG has been established to play a significant role in the fastest growing segment of the international oil and gas sector; liquefied

natural gas ('LNG'). As there is both a current and projected shortage of gas in Europe, African LNG believes it is very well positioned to help address this substantial demand through the procurement of significant new supply of LNG from West Africa.

African LNG aims to become the premier independent LNG company in the Gulf of Guinea. With more than 200 trillion cubic feet of stranded gas reserves in West Africa alone, African LNG believes that a significant opportunity exists for an independent, agile company to develop multiple LNG projects throughout the Gulf of Guinea region. To that end, African LNG is currently in various stages of development on four LNG projects in the region that are designed to provide a stable, long-term supply of gas to European and US markets.

The African LNG management team is led by Theo Oerlemans, who, during a distinguished career at the Royal Dutch Shell Group of companies, served as Chief Executive of the Nigeria LNG project, launching the first two LNG production trains of the largest capital project in Africa. The project has expanded continuously since its launch to become the largest private sector LNG Company in the world with annual cash flow of several billion dollars. In addition to heading the Nigerian LNG project, Mr Oerlemans held senior roles on the Sakhalin LNG project in Russia, the Oman LNG project and the Brunei and Malaysia LNG projects, and is considered one of the world's leading LNG professionals with a demonstrated track record in the global LNG business.

Gasol has also acquired 75% of the equity of Afgas Infrastructure Limited ('AIL'), a project management company established to support the gas infrastructure-related activities in the Gulf of Guinea region of African Gas Development Corporation, for a cash consideration of £400,000. African Gas Development Corporation recently announced a joint venture with Sociedad Nacional de Gas, G.E.

Chairman's Statement

MEDCENTER HOLDINGS INC.

Blue Star took a minority stake in the private company Medcenter Holdings Inc., a leading provider of e-marketing intelligence and relationship marketing solutions to the pharmaceutical industry, in June 2005. Medcenter's clients include a number of the world's top five pharmaceutical companies, in addition to other well-known multi-national pharmaceutical groups.

Medcenter has strengthened its management team with the appointment of Dr Paul Kelly, CEO and Raymond Land, CFO and has opened an office in New York to exploit the potential of the US market.

In July 2006, the company participated in a further fund-raising round of US\$6m for its pro rata share at a price of US\$3.80 an uplift of about 15% on the company's original investment in June 2005. New investors accounted for about 50% of the round.

INDIA OUTSOURCING SERVICES PLC

India Outsourcing Services Plc (AIM: IOS) joined AIM in December 2004. Its strategy is to seek acquisition opportunities in the Indian business processing market. It has identified and studied a number of potential transactions but as yet not completed any acquisitions. IOS raised a further £3million in February 2006 to fund its expansion plans. Blue Star has a 16% stake in IOS.

BLACK RAVEN PROPERTIES PLC

Black Raven Properties plc (AIM: BRP) joined AIM in February 2005. The Company was established to identify and pursue opportunities in the property sector. It is currently investing primarily in Portugal. Its target market is the luxury housing market, as well as, commercial development opportunities with a focus on those assets where a full planning approval is in place and a completion time frame of 1 to 3 years. Blue Star has a 13.9% stake in Black Raven.

In January 2007 Black Raven Properties plc announced that it had transferred its interests in two of its properties, Palacette Vilhenna and Bairro Alto, to White Raven Capital Partners, a Portuguese closed end property fund ('the Fund').

Palacette Vilhenna and Bairro Alto are substantial old buildings that are being converted into housing apartments in the Lisbon area. These interests were acquired by the Company in July 2006.

The price at which the transaction has been agreed is based on the average of two independent valuations which were carried out by DTZ and CB Richard Ellis on behalf of the Fund. These valuations give a total anticipated developed value of €24 million and on that basis a value of €8.1 million was agreed for the transfer of the interests in the properties. This amount gives rise to a profit of approximately €3 million to Black Raven.

Black Raven raised £2.075 million in September 2006 and a further £0.6 million in January 2007 to fund its operations.

VENTECO PLC

Venteco Plc (AIM: VTO) joined AIM in March 2006 with a strategy to invest in companies pursuing environmentally friendly pest control technologies. Venteco raised net proceeds of £3million at its flotation. In July 2006 Venteco acquired the entire issued share capital of CTS Technologies AG, a Swiss based leader in non-poisonous pest control. The consideration for the acquisition was £7.4million which was satisfied entirely by issue of Venteco shares.

CTS are a specialist in non-poisonous pest control which uses patented "Cryonite" technology to kill all life stages of insects: adults, larvae and eggs, in a poison-free and environmentally friendly manner.

Venteco Plc also acquired Silvandersson Sweden AB ('Silvandersson'), a leading manufacturer of insect glue traps for up to SEK32.5m (c. £2.38m) in cash and shares. Silvandersson, which was established in 1982, is a family-owned company specialising in the development and manufacturing of various types of glue-traps for flies and other insects. The company markets its range of high-quality and effective non-toxic pest control products to the agricultural, horticultural and pest control industries.

Chairman's Statement

ESEEKERS LTD (izimi.com)

Blue Star acquired, in September 2006 a minority stake in Eseekers which owns the Izimi.com portal. Izimi is an innovative web-based software company that is currently developing a peer to peer (P2P) social networking computer application. Izimi's desktop application allows users to upload an unlimited number of files to the Internet directly from their own PC – with just a simple URL. The free Izimi Internet self publishing application is the first of its kind to place no restrictions on file type, size or quality that users can share without the need for recipients of the URL to register or download any client application. The main element of Izimi, the self-publishing application, is supported by a social networking website, creating the choice for users to publish content on their own terms as well as connect with other users to promote and share content of their choice. Registered users get their own profile plus additional community features including comments, rating, adding friends, adding favourites and messaging. Any content published using the Izimi application is also available to be searched and found on the website, making www.izimi.com the world's first self-publishing social network with the widest variety of user generated content.

Izimi is being led by an exceptional management team that has substantial experience in the management of technology-based start-ups and their growth into large companies. The team includes Nigel Robertson (the Chairman of Blue Star) and Chris Chedgzoy founders of Scoot, the online classified directory, which grew into an international business with a London Stock Exchange listing. Scoot was ultimately acquired by British Telecom.

ZENERGY PLC

Zenergy Power plc (AIM: ZEN) joined AIM in August 2006. Zenergy is a specialist manufacturer and developer of commercial applications for superconductive materials. Blue Star has a minority shareholding (2.88%) in Zenergy.

Zenergy Power plc is comprised of three operating subsidiaries located in Germany, USA and Australia. All three of the Group's subsidiaries are established market participants in their respective regions in the commercialisation and development of applications for superconductive materials.

Zenergy Power recently announced an exclusive co-operation agreement with Converteam Group, an international developer of electrical energy conversion systems, to develop jointly high temperature superconductor generators.

Outlook

We have built an investment strategy based on delivering strong capital growth to its shareholders. The investee companies have substantial long term growth potential which we believe have the potential to generate good returns.

Nigel Robertson
Chairman

29 March 2007

Report of the Directors'

FOR THE YEAR ENDED 30 SEPTEMBER 2006

The directors present their report together with the audited financial statements for the year ended 30 September 2006.

Results and dividends

The profit and loss account is set out on page 8 and shows the loss for the year.

The directors do not recommend the payment of a dividend for the year.

Principal activities, review of business and future development

The principal activity of the company is to provide initial seed capital for the development of early stage companies:

- To form and fund shell companies at the founder stage, upon IPO and subsequently (if required).
- To fund operating businesses prior to IPO (or alternative exit) that offer strong growth prospects and significant opportunities for capital appreciation.

A review of the company operations and future developments is included in the Chairman's statement on pages 2 to 4.

Financial instruments

Financial instruments are discussed in the accounting policies note (note 1) and in note 17.

Directors

The directors of the company during the period were:

N Robertson
H D Kanabar
J D Vergopoulos (resigned 6 March 2006)

Directors interests

The interests of the directors in the share capital of the company at the year end were as follows:

	Ordinary shares of 5p each
N Robertson	34,000,000
H D Kanabar	8,000,000

Significant shareholders

As at 6 March 2006 so far as the directors are aware, the only persons (other than the interests held by Directors) who are directly or indirectly interested in 3 per cent. 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	50,000,000	47.4%

Payments to suppliers

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 period end trade creditors represented 2 days purchases.

Donations

No charitable or political donations were made during the period.

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 Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

On behalf of the Board of directors

Haresh Kanabar

Director

29 March 2007

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial year which 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 year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Report of the Independent Auditors

TO THE SHAREHOLDERS OF BLUE STAR CAPITAL PLC

We have audited the financial statements of Blue Star Capital plc for the year ended 30 September 2006 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

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

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our

prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BDO Stoy Hayward LLP

Chartered Accountants
and Registered Auditors
London

29 March 2007

Profit and Loss Account

FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Notes	Year ended 30 September 2006 £	15 month period ended 30 September 2005 £
Turnover	2	–	75,000
Impairment to the value of fixed asset investments		(387,200)	–
Other administrative expenses		(587,455)	(434,112)
Administrative expenses		(974,655)	(434,112)
Operating loss	3	(974,655)	(359,112)
Net interest receivable	4	112,427	166,316
Gains on disposal of investments	5	10,512	–
Loss on ordinary activities before taxation		(851,716)	(192,796)
Tax on loss on ordinary activities	8	–	–
Loss for the financial year	15, 16	(851,716)	(192,796)
Loss per share – basic and diluted	9	(0.81p)	(0.19p)

All amounts relate to continuing activities.

All recognised gains and losses for the year ended have been included in the profit and loss account.

The notes on pages 12 to 19 form part of these financial statements.

Balance Sheet

AT 30 SEPTEMBER 2006

	Notes	2006 £	2005 £
Fixed assets			
Tangible assets	10	7,605	10,811
Investments	11	3,038,731	1,416,157
		3,046,336	1,426,968
Current assets			
Debtors	12	53,148	21,752
Cash at bank and in hand		1,122,166	3,650,065
		1,175,314	3,671,817
Creditors: amounts falling due within one year	13	(128,137)	(153,556)
Net current assets		1,047,177	3,518,261
Net assets		4,093,513	4,945,229
Capital and reserves			
Called up share capital	14	105,500	105,500
Share premium account	15	5,032,525	5,032,525
Profit and loss account	15	(1,044,512)	(192,796)
Shareholders' funds	16	4,093,513	4,945,229

The financial statements were approved by the board and authorised for issue on 29 March 2007.

Haresh Kanabar
Director

The notes on pages 12 to 19 form part of these financial statements.

Cash Flow Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Notes	Year ended 30 September 2006 £	15 month period ended 30 September 2005 £
Net cash outflow from operating activities	(a)	(635,662)	(223,428)
Returns on investments and servicing of finance			
Interest received		112,488	167,132
Interest paid		(61)	(816)
Net cash inflow from returns on investments and servicing of finance		112,427	166,316
Financial investments and capital expenditure			
Purchase of tangible fixed assets		(5,402)	(14,691)
Payments to acquire investments		(2,046,256)	(1,416,157)
Sale of investments		46,994	–
Net cash outflow from financial investments and capital expenditure		(2,004,664)	(1,430,848)
Net cash outflow before financing		(2,527,899)	(1,487,960)
Financing			
Issue of ordinary shares		–	5,600,000
Expenses paid in connection with share issues		–	(461,975)
Cash inflow from financing		–	5,138,025
(Decrease)/increase in net cash	(b)	(2,527,899)	3,650,065

The notes on pages 12 to 19 form part of these financial statements.

Notes to the Cash Flow Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2006

(a) Reconciliation of operating loss to net cash outflow from operating activities	2006	2005
	£	£
Operating loss	(974,655)	(359,112)
Depreciation of tangible fixed assets	8,608	3,880
Diminution of investment	387,200	–
Increase in debtors	(31,396)	(21,752)
(Decrease)/increase in creditors	(25,419)	153,556
Net cash outflow from operating activities	(635,662)	(223,428)

(b) Reconciliation of net cash flow to movement in the net cash	2006	2005
	£	£
(Decrease)/increase in net cash in the year	(2,527,899)	3,650,065
Net cash at beginning of the year	3,650,065	–
Net cash at the end of the year	1,122,166	3,650,065

(c) Analysis of net funds	At	Cash	At
	1 October	flow	30 September
	2005	£	2006
	£		£
Cash and short term deposits	3,650,065	(2,527,899)	1,122,166
Net funds	3,650,065	(2,257,899)	1,122,166

Notes forming part of the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2006

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with the United Kingdom, Generally Accepted Accounting Practice. The following principal accounting policies have been applied:

Turnover

Turnover represents income derived from management fees charged by the company to investee companies based on the amounts receivable for the services provided. Turnover is recognised when the services are performed.

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken to the profit and loss account as they arise.

Fixed asset investments

In accordance with FRS 9, investments held as part of an investment portfolio are stated at cost less provision for impairment in value.

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life, as follows:

Office and computer equipment – 2 years on a straight-line basis

Impairment of assets

The need for any fixed asset impairment write-down is assessed by comparison of the carrying value of the assets against the higher of realisable value and value in use. The carrying value of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Financial instruments

In relation to the disclosures made in note 17:

- As permitted by FRS 25, short term debtors and creditors are not treated as financial assets or financial liabilities except for the currency disclosures;
- The company does not hold or issue derivative financial instruments for trading purposes; and
- The company does not enter into forward exchange contracts.

Notes forming part of the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2006

2 Turnover

The turnover is attributable to the principal activity of the company and all arose in the United Kingdom.

	Year ended 30 September 2006 £	15 month period ended 30 September 2005 £
3 Operating loss		
This is stated after charging:		
Operating lease rentals – land and buildings	39,500	39,500
Depreciation	8,608	3,880
Auditors remuneration – audit	11,000	10,000
– other	–	12,785
Impairment in value of fixed asset investment	387,200	–

Non-audit fees principally relate to services provided in relation to corporate finance transactions. The impairment in value of fixed asset investments is a result in the movement of the share price of certain of the company's investments.

	Year ended 30 September 2006 £	15 month period ended 30 September 2005 £
4 Net interest receivable		
Interest received	112,488	167,132
Interest paid	(61)	(816)
	112,427	166,316

5 Gains on disposal of investments

During the year the company realised a gain of £10,512 (2005 – £Nil) on the disposal of some investments.

	Year ended 30 September 2006 £	15 month period ended 30 September 2005 £
6 Staff costs including directors		
Wages and salaries	244,635	159,777
Social security costs	20,055	10,238
Other pension costs	25,000	18,750
	289,690	188,765
The average number of employees (including directors)	3	4

Notes forming part of the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Year ended 30 September 2006 £	15 month period ended 30 September 2005 £
7 Directors' remuneration		
Directors emoluments	229,167	159,777
Pension costs	25,000	18,750
	254,167	178,527

The highest paid director received emoluments totalling £141,667 (2005 – £75,000), excluding company pension contributions of £14,375 (2005 – £11,250)

The company made contributions to two directors' personal pension schemes.

All of Nigel Robertson emoluments is paid via Brookspey Limited, a private service company.

All of John Vergopoulos emoluments is paid via J V Associates, a private service company.

There are no amounts owing to either of the above two companies at year end.

8 Taxation

The tax assessed for the period is different than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 30 September 2006 £	15 month period ended 30 September 2005 £
Loss on ordinary activities before taxation	851,716	192,796
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19%	161,826	36,631
Effects of:		
Expenses not deductible for tax purposes	(950)	(1,307)
Unutilised tax losses	(160,876)	(35,324)
Current tax charge	–	–

The company has approximately £196,000 (2005 – £35,000) of tax losses available for relief against future profits.

9 Loss per ordinary share

The calculation of loss per share of 0.81 pence (2005 – 0.19 pence) is based on the loss for the year of £851,716 (2005 – £192,796) and on the weighted average number of shares in issue during the year of 105,500,000 (2005 – 101,230,769).

Notes forming part of the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Office equipment £
10 Tangible fixed assets	
Cost	
At 1 October 2005	14,691
Additions	5,402
At 30 September 2006	20,093
Depreciation	
At 1 October 2005	3,880
Charge for the year	8,608
At 30 September 2006	12,488
Net book value	
At 30 September 2006	7,605
At 30 September 2005	10,811
11 Investments	£
Cost	
At 1 October 2005	1,416,157
Additions	2,009,774
At September 2006	3,425,931
Provision for diminution in value	
At 1 October 2005	–
Provided for the year	387,200
At 30 September 2006	387,200
Net book value	
At 30 September 2006	3,038,731
At 30 September 2005	1,416,157

Notes forming part of the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2006

	Class of shares	% of issued share capital %	Net book value £	Market value at balance sheet date £
11 Investments (continued)				
Listed on the Alternative Investment Market of the London Stock Exchange:				
Black Raven Properties Plc	Ordinary 1p	13.9%	573,750	1,010,625
All New Video Plc	Ordinary 1p	8.68%	139,300	150,000
Gasol Plc	Ordinary 0.5p	13.9%	800,000	2,275,000
India Outsourcing Plc	Ordinary 1p	16.0%	333,540	333,540
Venteco Plc	Ordinary 1p	3.06%	265,040	298,067
Zenergy Power Plc	Ordinary 1p	2.88%	473,024	1,006,644
			2,584,654	5,073,876
Others:				
Medcentre Holdings Inc (incorporated in Cayman Islands)	Series-E preferred US\$.01		304,077	304,077*
Eseekers Ltd (Izimi)	**		150,000	150,000*
			3,038,731	5,527,953

*In the opinion of the directors the recoverable value of each investment value is not less than the amount included in the balance sheet.

**This investment takes the form of a convertible loan.

All of the above investments are incorporated in the United Kingdom unless noted otherwise.

	Profit and loss £	Capital and reserves £	As at period end
The profit and loss and the aggregate amount of the capital and reserves are as follows:			
Black Raven Properties Plc	(169,000)	779,000	Interim 31 May 2006
All New Video Plc	(3,787,735)	1,196,491	31 May 2006
Gasol Plc	(389,752)	3,395,663	Interim 31 August 2006
India Outsourcing Plc	(638,177)	3,308,780	Interim 31 March 2006

Principle activities

Black Raven Properties Plc: a property company formed to purchase and develop commercial, residential and leisure sites.

All New Video Plc: wireless application service provider to offer live multi party 3G video to PC call.

Gasol Plc: to capitalise on acquisition and investment opportunities in the oil & gas sector.

India Outsourcing Services Plc: to capitalise on acquisition and investment opportunities primarily in the Indian business process outsourcing market.

Venteco Plc: a pest control company looking to invest to invest in companies involved in environmental friendly pest control technologies.

Zenergy Power plc: a specialist manufacturer and developer of commercial applications for superconductive materials.

Eseekers Ltd: operates the Izimi.com portal, a desktop application that allows users to serve an unlimited number of files to the Internet directly from their own PC.

Notes forming part of the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2006

12 Debtors			2006 £	2005 £
Amounts falling due within one year:				
Prepayments			22,636	9,590
Other debtors			20,577	3,770
Taxation and social security			9,935	8,392
			53,148	21,752
13 Creditors: amounts falling due within one year			2006 £	2005 £
Trade creditors			5,805	74,729
Accruals and deferred income			119,169	75,743
Taxation and social security			3,163	3,084
			128,137	153,556
14 Share capital	2006 Number	2005 Number	2006 £	2005 £
Authorised				
Ordinary shares of 0.1p each	500,000,000	500,000,000	500,000	500,000
Issued and fully paid				
Ordinary shares of 0.1p each	105,500,000	105,500,000	105,500	105,500
15 Reserves		Share premium £	Profit and loss account £	Total £
At 1 October 2005		5,032,525	(192,796)	4,839,729
Loss for the year		–	(851,716)	(851,716)
At 30 September 2006		5,032,525	(1,044,512)	3,988,013
16 Reconciliation of movements in shareholders' funds			Year ended 30 September 2006 £	15 month period ended 30 September 2005 £
Loss for the year			(851,716)	(192,796)
Issue of shares			–	5,138,025
Net addition to in shareholders' fund			(851,716)	4,945,229
Opening shareholders' fund			4,945,229	–
Closing shareholders' fund			4,093,513	4,945,229

Notes forming part of the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2006

17 Financial Instruments

An explanation of the objectives and policies for the holding and issuing financial instruments are given in the accounting policy note.

Interest rate risk

The company's exposure to changes in interest rates relates primarily to cash at bank. Cash 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.

Market price risk

The investments are held at costs. In the opinion of the directors the main future risks are market price fluctuation. The market values of the company's investments are disclosed in note 11.

The company actively seeks out prospective buyers for its investments.

Currency risk

The company financial assets and liabilities as at 30 September 2006 are denominated in sterling.

Liquidity risks

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

Fair value

In the directors' opinion, there is no material difference between the book value and the fair value of the financial assets and liabilities except for investments as disclosed in note 10.

Credit risk

The company's credit risk is primarily attributable to the cash held on deposit at financial institutions.

It is the company's policy to only use recognised financial institutions for these deposits.

Notes forming part of the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2006

18 Related party transactions

The company made an investment of £150,000 in September 2006 in Eseekers Limited which owns Izimi.com. Izimi has developed an innovative web desktop software application that enables users to self-publish adverts, media, documents and files on the internet, without the need for a third party web site or hosting service. A subsequent follow on investment of £150,000 was made post the year end in January 2007. Blue Star Capital plc's chairman Nigel Robertson is a Director and a shareholder of Eseekers Limited.

During the year the company and its fixed asset investments had the following directors in common:

India Outsourcing Services Plc:	Haresh Kanabar and Nigel Robertson
Gasol Plc:	Haresh Kanabar and John David Vergopoulos
Venteco Plc:	Haresh Kanabar

During the year the company was involved in transactions with India Outsourcing Services Plc, a company with common direction. The company shares office space with India Outsourcing Services Plc, and there is £20,706 (2005 – £10,050) owed at the year end in relation to India Outsourcing Services Plc share of the office rent and communication expenses. This amount has been fully provided at the year end.

In respect of other investments, there were no other transactions. Transactions in relation to direct emoluments are detailed in note 7.

19 Operating lease commitments

The Company has entered into a lease agreement with Westbury Properties Limited, which is due to expire within 2 to 5 years for office premises at an annual rent of £39,500.

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 the offices of Charles Russell LLP, 8-10 New Fetter Lane, London EC4A 1RS at 10.00 a.m. on 23 May 2007, for the following purposes:

ORDINARY RESOLUTIONS

- 1 To receive and adopt the accounts, together with the directors' and auditors' reports for the year ended 30 September 2006.
- 2 To re-elect Nigel Robertson a director of the Company who being eligible offers himself for re-election.
- 3 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 4 will be proposed as an ordinary resolution and Resolutions 5, and 6 will be proposed as special resolutions.

Ordinary Resolution

- 4 That the directors be and are hereby generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (the "**Act**") to exercise all of the powers of the Company to allot relevant securities (within the meaning of that section) of the Company up to an aggregate amount of £10,550 such authority (unless previously revoked or varied) to expire five years from the date of the passing of this resolution save that the Company may make offers or agreements which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

Special Resolutions

- 5 That, subject to the passing of the previous resolution, the directors be and they are hereby granted power pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) for cash pursuant to the authority conferred on them by Resolution 5 above as if section 89(1) 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 £10,550

and provided that this power shall expire on the earlier of the conclusion of the Company's next Annual General Meeting and fifteen months from the date of 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

- 6 THAT the Company be and is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163(3) of the Companies Act 1985) 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 10,550,000
 - (ii) the minimum price which may be paid for ordinary shares is 0.1p per ordinary share;
 - (iii) 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 as derived from the London Stock Exchange Daily Official List 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

Haresh Kanabar
Company Secretary

Registered Office:
8-10 New Fetter Lane
London EC4A 1RS

Dated 29 March 2007

Notes:

- 1 A member entitled to attend and vote at the Annual General Meeting ("AGM") may appoint a proxy (who need not be a member of the Company) to attend and, on a poll, to vote on his or her behalf. In order to be valid, an appointment of proxy must be returned by one of the following methods:
- in hard copy in the form enclosed together with the power of attorney or other authority, if any, under which it is signed, or a copy of such power or authority certified by a notary, by post to Capita Registrars, Proxy Processing Centre, Telford Road, Bicester OX26 4LD or by courier or hand to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. The form of proxy must be signed by the shareholder appointing the proxy or by his/her attorney authorised in writing. If the shareholder is a corporation, the form of proxy should be sealed with its common seal or signed by an officer or an attorney of the corporation or other person authorised to sign it; or
 - in the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below and in each case to be valid must be received by the Company not less than 48 hours before the time of the meeting or the adjourned meeting.

CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising 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 made by means of CREST to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with 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 issuer's agent (ID RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. 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 issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may

Notice of Annual General Meeting

treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

- 2 Appointment of a proxy does not preclude a shareholder from attending the AGM and voting in person. In the case of joint shareholders, the person whose name appears first in the register of members has the right to attend and vote at general meetings to the exclusion of all others. Investors who hold their shares through a nominee may wish to attend the meeting as a proxy, or to arrange for someone else to do so for them, in which case they should discuss this with their nominee or stockbroker. Whilst proxies may vote on a poll on any resolution,

they are not entitled to vote on a show of hands. Proxies may ask questions at the meeting if, in his discretion, the chairman of the meeting allows it.

- 3 The following documents will be available for inspection at the registered office of the Company on any weekday) (except Saturdays, Sundays and Bank Holidays) during normal business hours from the date of this notice until the date of the meeting and at the place of the meeting for 15 minutes prior to and until the conclusion of the meeting: statement of transactions of directors (and of their family interests) in the share capital of the Company and any of its subsidiaries; copies of the directors' service agreements and letters of appointment with the Company; and the register of directors' interests in the share capital of the Company (maintained under section 325 of the Act).
- 4 If no indication of how the proxy shall vote is given, the proxy will exercise discretion as to voting or abstention there from.
- 5 The Company, pursuant to regulation 41 of The Uncertificated Securities Regulations 2001, specifies that only those ordinary shareholders registered in the register of members of the Company at 6pm on the penultimate day before the meeting shall be entitled to attend or vote at the meeting in respect of the number of Ordinary shares registered in their name at that time. Changes to entries on the relevant register of securities after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

Form of Proxy

FOR USE AT THE ANNUAL GENERAL MEETING

Name (Please print) _____

Address (Please print) _____

I/We, the undersigned, being (a) member(s) of Blue Star Capital plc hereby appoint the Chairman of the Meeting or

Name of Proxy (See Note 3) (Please print) _____

as my/our proxy to vote for me/us and on my/our behalf of the Annual General Meeting of the Company to be held at Charles Russell LLP, 8-10 New Fetter Lane, London, EC4A 1RS on 23 May 2007 at 10.00 am and at any adjournment thereof.

I/We direct the proxy to vote in respect of the resolutions to be proposed at the Meeting as indicated below (see Note 6).

Signed _____ Dated this _____ day of _____ 2007

Ordinary Resolutions

	For	Against	Abstention
1 To receive and adopt the reports of the directors and the independent auditors and the accounts for the year ended 30 September 2006	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 To re-elect Mr N Robertson as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 To re-appoint BDO Stoy Hayward LLP as independent auditors and to authorise the directors to fix their remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Special Business

Ordinary Resolutions

4 To authorise the directors to allot shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Special Resolutions

5 To disapply the statutory pre-emption provisions	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 To authorise the Company to buy back its own shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Notes:

- Please indicate how you wish your proxy to vote on the resolutions by inserting 'X' in the appropriate space.
- In the case of a corporation the proxy must be under its common seal (if any) or the hand of its duly authorised agent or officer. In the case of an individual the proxy must be signed by the appointor or his attorney, duly authorised in writing.
This form of proxy has been sent to you by post. It may be returned by either of the following methods: in hard copy form by post to Capita Registrars, Proxy Processing Centre, Telford Road, Bicester OX26 4LD or by courier or hand to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or in the case of CREST members, by using the CREST electronic proxy appointment service. CREST members should refer to note 1 to the notice of Annual General Meeting enclosed with this form of proxy in relation to the submission of a proxy appointment via CREST.
In each case the proxy appointment must be received not less than 48 hours before the time for the holding of the meeting or adjourned meeting together (except in the case of appointments utilising the CREST electronic appointment service) with any authority (or a notarially certified copy of such authority) under which it is signed.
- If you wish to appoint a proxy other than the Chairman of the meeting, delete the words 'the Chairman of the Meeting' and insert the name and address of your proxy in the space provided. Please initial the amendment. A proxy, who need not be a member of the Company, must attend the meeting in person to represent you.
- In the case of joint holders the signature of only one of the joint holders is required but, if more than one votes, the vote of the first named on the register of members will be accepted to the exclusion of other joint holders.
- Completion of a Form of Proxy will not prevent the holder(s) of Ordinary shares from attending and voting at the meeting in person should they so wish.
- If no indication of how the proxy shall vote is given, the proxy will exercise discretion as to voting or abstention therefrom.
- The Company, pursuant to regulation 41 of The Uncertificated Securities Regulations 2001, specifies that only those ordinary shareholders registered in the register of members of the Company at 6pm on the penultimate day before the meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

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Business Reply
Licence Number
RRHB-RSXJ-GKCY



FIRST FOLD

Capita Registrars
Proxy Processing Centre
Telford Road
BICESTER
OX26 4LD

SECOND FOLD

