Blue Star Capital Plc

Annual Report and Financial Statements

for the year ended 30 September 2011

Annual report and financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Contents

Directors and Advisors

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Blue Star Capital Plc is a public company domiciled in England and Wales and incorporated in the United Kingdom under the Companies Act 1985. 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

Anthony Fabrizi
Non Executive Director (appointed 28/04/11)

Noel Lyons
Non Executive Director (appointed 28/04/11)

Peter Varnish OBE
Non Executive Director

General Sir Michael Wilkes KCB CBE KStJ
Non Executive Director

Company Secretary and Registered Office

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

Company Number

05174441

Nominated Adviser and Broker

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

Auditors

Adler Shine LLP
Aston House
Cornwall Avenue
London N3 1LF

Solicitors

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

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

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 2011.

On 18 June 2011, the Company announced the acquisition of one of its investee companies, Zimiti Limited ("Zimiti") (the "Acquisition") by Digital Barriers Plc (AIM:DGB).

Under the terms of the Acquisition, Digital Barriers acquired the entire issued share capital of Zimiti on a cash-free, debt-free basis for an initial consideration of £1.5 million in cash. Dependent on the successful satisfaction by Zimiti of certain financial and operational targets in the period from completion of the acquisition to 30 September 2013, further deferred consideration may be paid up to a maximum total consideration of £10.0m. This deferred consideration would be satisfied by the payment of a maximum of £4,250,000 in cash, with the balance satisfied through the issue of new Ordinary Shares in Digital Barriers.

Blue Star Capital's fully diluted holding in Zimiti of 22.85% was valued at £687,289 on the date of disposal. The consideration receivable from the sale has been calculated as £1,001,354 giving rise to a profit on disposal of £314,065. The Zimiti holding has been derecognised and contingent consideration has been recognised based on a 50% expectation of the NPV of the various earnout criteria being achieved and using a 10% discount rate. The initial cash consideration to Blue Star was £249,690 which was corrected to £200,917 during November 2011. The subsequent Digital Barriers shares to be received, where the number of shares to be issued is calculated from their prior five day average close price at that time, will be in "lock-in" for twelve months from each issue. The cash received will be utilised to progress the Company.

On 25 February 2011, the Company announced the full impairment of Pedagog Limited which went into administration in June 2011. No residual value is anticipated.

The Company retains its investment in one Homeland Security Industry (HSI) company, OmniPerception Limited and in two unquoted non core holdings: eSeekers and Medcenter Inc. We have had to fully impair the value of Medcenter which has experienced significant problems and taken steps to refinance.

On 1 February 2012, the Company announced that it had raised £245,000 before expenses (£232,750 net of expenses) via the issue of 12,250,000 new Ordinary Shares (the "Placing Shares") at a price of 2 pence per share ("Placing Price") to new and existing investors. The Placing Price was at a discount of 30.6% to the closing mid price of 2.88 pence per Ordinary Share on 30 January 2012. The proceeds were used to make a loan of £150,000 to Overtis Group Limited ("Overtis").

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

Overtis is a software company and a provider of User Activity Management solutions. It is an expert in information protection and compliance and has significant potential in the cyber security and data security space. The company has patents on its software and expects to be profitable in its first full year of operations post acquisition, working closely with development partner BAE Systems and channel partners including Hitachi and Panasonic.

Its enterprise solutions detect and prevent data misuse, which could be unintentional, malicious or otherwise and ensures both compliance and a clear audit trail with low overhead. Loss or leakage of confidential information can thereby be prevented. Examples of enterprise deployments include a significant number of police forces and customers in the financial services sector. Its retail solutions monitor till operations at store checkouts to reduce losses, with customers including fast food chains such as Itsu. The company also has a cloud-based product in development to deliver security for web applications.

Blue Star Capital reported a loss for the year of £485,423 (2010: £2,174,470). Operating Loss was £469,186 (2010: £2,240,269).

Administration costs were in line with expectations at £640,134 (2010: £615,439).

Blue Star Capital, continues to plan to take advantage of the fast growing major multi-billion dollar markets based on products and

Chairman's Statement

CONTINUED

technologies in homeland security. We continue to see robust and quality HSI related deal-flow in detection, identification, screening and location, materials, sensors, communications, electronics and computing.

There has been significant activity within our portfolio, which I set out below. The investment holdings are set out in note 14.

1 OMNIPERCEPTION LIMITED (www.omniperception.com)

Omniperception Limited ("Omniperception") has developed unique biometric and computer vision technology for applications such as secure access, machine-readable travel documents, identification and personalisation. This software is unique in that it can be deployed not just in security applications including the Police services but also in civilian areas including social networking and broadcast, as well as variants which allow automatic logo brand recognition and quantification in video imagery for high value advertising tracking. This fulfils our dual-use criteria in a total addressable market of over $4bn with face recognition representing some $500m.

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

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

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

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

The company is chaired by me, and Dr Richard Leaver was a Non Executive Director by virtue of Blue Star's investment in the company until 22 March 2011. Subsequently Dr Richard Leaver has moved to become a board observer, following a £730,000 funding round at that point in which Blue Star Capital was not in a position to participate.

Blue Star invested a further £7,282 in December 2011 as part of a smaller funding round.

Chairman's Statement

CONTINUED

2 ESEEKERS LIMITED (www.sharenow.com)

Blue Star Capital has a minority holding in eSeekers Limited ("eSeekers"), which is a private limited company registered in England and Wales.

eSeekers is in the process of relocating its operations to Gibraltar. Implicit in that move is the formation of a new Group Holding Company, Xen Limited ("XenL"). Once the relocation process is complete, XenL will have equity holdings in three independent but synergistic Internet businesses.

The core element of the holdings is Xen, Inc. (www.xen.com – "Xen"), which operates from offices in Los Angeles and it is developing a platform that is designed to radically change the way in which the web of data that exists on the Internet can be viewed by everyone.

Xen, which is wholly owned by eSeekers, has just over 140 discrete developments in the company's technical roadmap that have started to be rolled out in the last two months. The rollout will continue throughout 2012.

The other two holdings are in Nektan Limited, which develops and operates skill and social games for lottery operators and on its own brand platforms, and in VNU Capital LLC, which owns and operates an online retail platform that allows consumers to acquire luxury goods using a variety of credit programs that are run by partner lenders.

3 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.

We have had to fully impair the value of Medcenter which has experienced significant problems and taken steps to refinance.

Financials

Blue Star Capital has continued reduce costs wherever possible, both in its cost base and ongoing investment operations. The Company's cash position at the end of the year was £276,764 (2010: £27,065).

The CEO, Dr Richard Leaver elected to receive 25% of his salary in the Company's shares from 1 July 2011. Anthony Fabrizi and Noel Lyons received all their fees in the Company's shares from the date of joining the Board (28 April 2011) and myself, General Sir Michael Wilkes and Peter Varnish have agreed to receive our fees likewise from 1 October 2011.

Outlook

The acquisition of Overtis is a major step forward in the Company's strategy to invest in promising security based companies and we anticipate further acquisitions to follow. Our remaining key HSI investment, OmniPerception continues to exhibit potential and is well positioned to deliver returns to the Blue Star Capital portfolio during 2012 and beyond. Furthermore, eSeekers is performing well and we expect good growth from this company without requiring further cash outlay.

The Lord Dear
Chairman

7 March 2012

Directors' Report

FOR THE YEAR ENDED 30 SEPTEMBER 2011

Results and dividends

The directors present their report together with the audited financial statements for the year ended 30 September 2011.

The statement of comprehensive income is set out on page 12 and shows the result for the year. The directors do not recommend the payment of a dividend (2010: £nil).

Principal activities and review of the business

The principal activity of the Company is to invest in Homeland Security Industry based companies which have dual use products and applications (those inclusive of both defence and civilian markets). A review of the business is included within the Chairman's Statement.

Directors serving during the year

General Sir Michael Wilkes, Lord Dear, Dr Richard Leaver, Peter Varnish all served as directors during the year. Anthony Fabrizi and Noel Lyons both joined the Board on 28 April 2011.

Directors' interests

The Directors at the date of these financial statements who served and their interest in the ordinary shares of the Company are as follows:

	Number of Ordinary Shares held
Lord Dear	707,428
Dr. Richard Leaver	1,701,343
Anthony Fabrizi	298,411
Noel Lyons	298,411
Peter Varnish	157,563
General Sir Michael Wilkes	654,907

Investing policy

Assets or Companies in which the Company can invest

The principal activity of the Company is to invest in Homeland Security Industry based companies 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 also holds a small number of investments in investee companies in other sectors.

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

The Company can take positions in investee companies by way of equity, debt or convertible or hybrid securities.

Whether investments will be active or passive investments

The Company's investments are passive in nature, but may be actively managed. The Company may be represented on, or observe, the boards of its investee companies.

Holding period for investments

The Company's investments are likely to be illiquid and consequently are to be held for the medium to long term.

Spread of investments and maximum exposure limits, Policy in relation to cross-holdings and Investing Restrictions

The Company does not have any maximum exposure limits, limits on cross-holdings or other investing restrictions. It is the Directors intention not to invest more than 10% of the Company's gross assets in any individual company (calculated at the time of investment).

Policy in relation to gearing

The Directors may exercise the powers of the Company to borrow money and to give security over its assets. The Company may also be indirectly exposed to the effects of gearing to the extent that investee companies have outstanding borrowings.

Directors' Report

CONTINUED

Returns and Distribution Policy

It is anticipated that returns from the Company's investment portfolio will arise upon realisation or sale of its investee companies, rather than from dividends received. Whilst it is not possible to determine the timing of exits, the Board will seek to return capital to shareholders when appropriate.

Life of the Company

The Company has an indefinite life.

Future developments

The Company is continuing to develop an investment portfolio in the Homeland Security sector with a focus on prevention, protection, reaction and recovery. However the financial climate continues to place unforeseen pressures on the ability of our portfolio companies and ourselves to raise funds. This has been seen with the impairment of Pedagog and very recently with Medcenter and the Company's strategy, commencing with Overtis, is to acquire companies with strong revenues which will both mitigate its burn rate and free up funds for supporting and extending the portfolio. We are actively working to exit some of our investments for potentially significant returns, as the normal investment cycle progresses.

Principal risks and uncertainties

The Company is focussed in Homeland Security, which embraces a number of application sectors rather than being a vertical and undifferentiated narrow sector of itself. It seeks investments in late stage 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 risk is loss or impairment of investments.

This is mitigated by careful management of the investment and in particular, only continuing to support those investments which demonstrate potential to achieve a positive exit and decisively determining those which do not. Portfolio and capital management techniques are fully applied according to industry standard practice.

It may be necessary to raise additional funds in the future by a further issue of new Ordinary 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. 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.

The value of publicly traded companies similar to those in Blue Star Capital's portfolio and in particular those at an early stage of development, can be highly volatile. The price at which investments are made, and the price which the Company may realise for its investment, will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect the sector.

Significant shareholders

As at 5 March 2012 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 is as follows:

	Number of Ordinary Shares held	Ordinary Shares as percentage of issued share capital
Blue Square Equity Investments Limited	50,000,000	30.29%
Nigel Robertson	34,004,000	20.59%
Cloverleaf Holdings Ltd	8,703,515	5.27%
Highland Fund Management Ltd	7,460,156	4.52%
SPDV Holdings Ltd	6,216,797	3.77%
Afristar Limited	4,973,637	3.01%
Constellation Limited	4,973,637	3.01%

Directors' Report

CONTINUED

General

The Company has third party Directors and Officers indemnity insurance in place.

Related party transactions

The Company has entered into certain related party transactions and these are disclosed in note 22.

Post balance sheet events

Events subsequent to the balance sheet date are detailed in note 20 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 77 days purchases (2010: 39 days).

Donations

There were no charitable or political donations during the current or prior year.

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 resigned as auditors and Adler Shine LLP were appointed in their place. Adler Shine LLP has 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

Dr Richard Leaver
Chief Executive Officer

7 March 2012

Statement of Directors' Responsibilities

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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; 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 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 2011, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, 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.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 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 set out on page 9, 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 and of the company's result for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The going concern assumption is predicated on the receipt of funds from a fundraising and from the sale of certain investments in order to fund working capital and the repayment of the shareholder loan. The receipt of these funds is not yet certain. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company were unable to continue as a going concern.

Independent Auditor's Report

TO THE MEMBERS OF BLUE STAR CAPITAL PLC
CONTINUED

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.

Christopher Taylor (Senior Statutory Auditor)
For and on behalf of Adler Shine LLP,
statutory auditor
Aston House
Cornwall Avenue
London N3 1LF

7 March 2012

Adler Shine LLP is a limited liability partnership registered in England and Wales (with registered number OC301724).

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Notes	2011 £	2010 £
Profit/(loss) arising from investments held at fair value through profit or loss:			
Other Investments	14	(152,688)	(1,288,110)
Profit on disposal of other investments		314,064	–
		161,376	(1,288,110)
Investments held for trading		–	(336,720)
Other income		9,572	–
Administrative expenses		(640,134)	(615,439)
Operating loss	5	(469,186)	(2,240,269)
Finance income	6	90	65,799
Finance costs	7	(16,327)	–
Loss before and after taxation and total comprehensive loss for the year		(485,423)	(2,174,470)
Loss per ordinary share:			
Basic and diluted loss per share on loss for the year	12	(0.32p)	(1.45p)

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

The notes on pages 16 to 31 form part of these financial statements.

Statement of Financial Position

AS AT 30 SEPTEMBER 2011

	Notes	2011 £	2010 £
Non-current assets			
Property, plant and equipment	13	–	7,432
Other investments	14	1,822,306	2,662,283
Trade and other receivables	15	540,777	–
		2,363,083	2,669,715
Current assets			
Trade and other receivables	15	345,606	67,247
Cash and cash equivalents	16	276,764	27,065
Total current assets		622,370	94,312
Total assets		2,985,453	2,764,027
Current liabilities			
Trade and other payables	17	318,579	132,584
Total current liabilities		318,579	132,584
Non-current liabilities			
Borrowings	18	413,714	–
Total non-current liabilities		413,714	–
Total liabilities		732,293	132,584
Net assets		2,253,160	2,631,44
Shareholders equity			
Share capital	19	150,261	150,261
Share premium account		6,464,876	6,464,876
Retained earnings		(4,361,977)	(3,983,694)
Total shareholders' equity		2,253,160	2,631,443

The financial statements were approved by the board and authorised for issue on 7 March 2012 and were signed on its behalf by:

Dr Richard Leaver
Chief Executive Officer

Registered number: 05174441

The notes on pages 16 to 31 form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Share capital £	Share premium £	Retained earnings £	Total £
Year ended 30 September 2010				
At 1 October 2009	150,261	6,464,876	(1,866,201)	4,748,936
Loss for the year and total comprehensive income and expense	–	–	(2,174,470)	(2,174,470)
Share based payment	–	–	56,977	56,977
At 30 September 2010	150,261	6,464,876	(3,983,694)	2,631,443
Year ended 30 September 2011				
At 1 October 2010	150,261	6,464,876	(3,983,694)	2,631,443
Loss for the year and total icomprehensive income and expense	–	–	(485,423)	(485,423)
Share based payment	–	–	107,140	107,140
At 30 September 2011	150,261	6,464,876	(4,361,977)	2,253,160

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 statement of comprehensive income along with the fair value of the equity settled share based payments.

The notes on pages 16 to 31 form part of these financial statements.

Cash Flow Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2011

	Notes	2011 £	2010 £
Cash flow from operating activities			
Loss for the year		(485,423)	(2,174,470)
Adjustments for:			
Finance income		(90)	(65,799)
Finance costs		16,328	–
Fair value (gains)/losses		(161,376)	1,624,830
Depreciation		6,779	10,807
Share based payment	8	107,140	56,977
Operating cash flows before movements in working capital		(516,642)	(547,655)
(Increase)/Decrease in trade and other receivables		(18,701)	46,428
Increase in trade and other payables		134,609	12,981
Net cash used in operating activities		(400,734)	(488,246)
Investing activities			
Interest received		90	1,322
Payments to acquire investments		–	(45,000)
Proceeds from sale of investments		249,690	451,544
Proceeds from sale of property, plant and equipment		653	–
Proceeds from long term loan loans		400,000	–
Acquisition of property, plant and equipment		–	(11,148)
Cash flows redeemed from investing activities		650,433	396,718
Net increase/(decrease) in cash and cash equivalents		249,699	(91,528)
Cash and cash equivalents at beginning of the year	16	27,065	118,593
Cash and cash equivalents at end of the year	16	276,764	27,065

The notes on pages 16 to 31 form part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

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").

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the company will be able to meet its liabilities as they fall due.

The Company entered into a shareholder loan agreement on 28 April 2011 with certain existing shareholders. These shareholders have loaned the Company £400,000. The shareholder loan, together with the accrued 10% interest, is due for repayment by 30 May 2012.

The Company has sold its investment in Zimiti Limited. Part of the consideration receivable is contingent on certain criteria being satisfied. The Directors have a reasonable expectation that the criteria will be satisfied.

As announced on 1 February 2012, the Company is in a period of exclusivity with Overtis Limited which, subject to due diligence, further fund raising and shareholder approvals, will lead to the full acquisition of the issued share capital of that company.

The amount to be realised from the sale of Zimiti and the fundraising exercise in order to complete the acquisition of Overtis may or may not provide sufficient funds to cover the repayment of the above shareholder loan by 30 May 2012 and the on-going working capital needs of the Company. Should the contingent consideration not be received or should the fundraising not be successful, the Company would need to obtain alternative finance. The Directors are confident that they will be able to achieve this, although it has not yet been explored.

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

The charge for depreciation is calculated to write down the cost of tangible fixed assets to their estimated residual values over their expected useful lives as follows:

Plant and machinery	25% straight line
Fixture and fittings	25% straight line
Motor vehicles	25% straight line

Impairment provisions are made where carrying value of tangible fixed assets exceeds the recoverable amount.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

1 Accounting policies continued

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 statement of comprehensive income in the period in which they arise.

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

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

Loans and receivables

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

1 Accounting policies continued

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.

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 statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income.

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

Deferred taxation

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

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

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

1 Accounting policies continued

Share-based payments

Where equity settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of the cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Present obligations under onerous leases are recognised and measured as provisions. An onerous contract is considered to exist where the company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Standards, Amendments and Interpretations in issue not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments to IFRS 7 — Disclosures – Transfers of Financial Assets
- IFRS 9 — Financial Instruments
- IFRS 10 — Consolidated Financial Statements
- IFRS 11 — Joint arrangements
- IFRS 13 — Fair Value Measurement
- Amendments to IAS 1 — Presentation of Items of other Comprehensive Income
- Amendments to IAS 12 — Deferred Tax – Recovery of Underlying Assets
- IAS 19 (as revised in 2011) — Employee Benefits
- IAS 24 (as revised in 2009) — Related Party Disclosures
- IAS 27 (as revised in 2011) — Separate Financial Statements
- IAS 28 (as revised in 2011) — Investments in Associates and Joint Ventures

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements other than in terms of presentation.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 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 in note 3 below.

3 Fair value of financial instruments

The Company holds 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 such as Black Scholes option pricing. These techniques are significantly affected by certain key assumptions, such as discount rates. Other valuation methodologies such as discounted cash flow analysis assess estimates of future cash flows and it is important to recognise that in that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

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

The methods and assumptions applied, and the valuation techniques used, are disclosed in note 14.

4 Estimate of the fair value of contingent consideration

The Company has contingent consideration receivable on the disposal of certain unquoted investments. This has been designated at fair value based upon the discounted cash flows of the expected receivable using a post-tax discount rate.

The methods and assumptions applied, and the valuation techniques used, are disclosed in note 15.

5 Operating loss

	2011 £	2010 £
This is stated after charging:		
Operating lease rentals – land and buildings	35,385	35,237
Depreciation	6,778	10,807
Auditor's remuneration – statutory audit fees – current auditor	16,000	–
Auditor's remuneration – statutory audit fees – previous auditor	–	34,000
Non-audit services – tax compliance – previous auditor	–	3,000
Non-audit services – other services – previous auditor	1,882	2,000
Share based payments	107,140	56,977

6 Finance income

	2011 £	2010 £
Interest received on other investments classified as loans and receivables	–	64,477
Interest received on short term loan	90	1,322
	90	65,799

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

7 Finance costs	2011 £	2010 £
Interest on shareholder loans	13,714	–
Interest on loans	2,613	–
	16,327	–

8 Share based payment

The Company operates unapproved scheme for executive directors and employees, and a corresponding unapproved scheme for non executive directors. Under both unapproved schemes, one third of the options vest if the average share price of the Company exceeds 6p for three consecutive months; similarly one third vest if its average share price exceeds 9p for three consecutive months and the final third vest if the average share price exceeds 12p for three consecutive months.

	2011		2010	
	Weighted average exercise price (p)	Number	Weighted average exercise price (p)	Number
Outstanding at the beginning of the year	4.5	9,621,666	–	–
Granted during the year	–	–	4.5	9,621,666
Forfeited during the year	4.5	(422,384)	–	–
Exercised during the year	–	–	–	–
Lapsed during the year	–	–	–	–
	4.5	9,199,282	4.5	9,621,666

The exercise price of options outstanding at the end of the year was 4.5p (2010: 4.5p) and their weighted average contractual life was 4 years (2010: 5 years).

Of the total number of options outstanding at the end of the year, nil (2010: nil) had vested and were exercisable at the end of the year.

The following information is relevant in the determination of the fair value of options granted during the year under the equity share based remuneration schemes operated by the Company.

	2011	2010
Equity-settled		
Option pricing model used	Black-Scholes	Black-Scholes
Share price at date of grant (in pence)	4.5p	4.5p
Exercise price (in pence)	4.5p	4.5p
Contractual life (days)	1,460	1,825
Expected volatility	78%	78%
Risk free interest rate	5%	5%
Fair value per option	3p	3p

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the Company's life.

The Black-Scholes valuation technique was adopted because, in the opinion of the directors, the market based vesting conditions were not materially sensitive to the valuation.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

8 Share based payment continued

Share warrants

The Company entered into a shareholder loan agreement on 28 April 2011 with certain existing shareholders. The arrangement also included the issue of 15,000,000 warrants to subscribe for ordinary shares at £0.02 pence per share, exercisable at any time within the next two years. The charge to the profit and loss account for the current year is £52,665; with the anticipated charge for 2012 of £70,558.

	2011		2010	
	Weighted average exercise price (p)	Number	Weighted average exercise price (p)	Number
Outstanding at the beginning of the year	–	–	–	–
Granted during the year	2	15,000,000	–	–
Forfeited during the year	–	–	–	–
Exercised during the year	–	–	–	–
Lapsed during the year	–	–	–	–
	2	15,000,000	–	–

The exercise price of warrants outstanding at the end of the year was 2p (2010: n/a) and their weighted average contractual life was 3 years (2010: n/a).

Of the total number of warrants outstanding at the end of the year, nil (2010: n/a) had vested and were exercisable at the end of the year.

The following information is relevant in the determination of the fair value of warrants granted during the year under the equity share based remuneration schemes operated by the Company.

	2011
Equity-settled	
Option pricing model used	Black-Scholes
Share price at date of grant (in pence)	3p
Exercise price (in pence)	2p
Contractual life (days)	1,095
Expected volatility	28%
Risk free interest rate	1.24%
Fair value per warrant	1p

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over a three year period.

The Black-Scholes valuation technique was adopted because, in the opinion of the directors, the market based vesting conditions were not materially sensitive to the valuation.

The share-based expense (note 5) comprises:

	2011 £'000	2010 £'000
Equity-settled schemes	54,475	56,977
Share Warrants	52,665	–
	107,140	56,977

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

9 Staff costs including directors	2011 £	2010 £
Wages and salaries	174,984	184,640
Social security costs	15,496	15,238
Other pension costs	12,000	12,000
	202,480	211,878

During the year the company had an average of 2 employees who were both administrative (2010: 2). One of the employees was both the director and the key management personnel of the company.

10 Directors' and key management personnel		2011 £	2010 £
Director			
Lord Dear	Emoluments	20,000	23,000
	Pension	–	–
	Share Options	7,419	7,419
Dr Richard Leaver	Emoluments	109,678	113,440
	Pension	12,000	12,000
	Share Options	35,928	35,928
Anthony Fabrizi	Emoluments	3,750	–
	Pension	–	–
	Share Options	–	–
Noel Lyons	Emoluments	3,750	–
	Pension	–	–
	Share Options	–	–
General Sir Michael Wilkes	Emoluments	15,000	15,000
	Pension	–	–
	Share Options	5,564	5,564
Peter Varnish	Emoluments	15,000	21,200
	Pension	–	–
	Share Options	5,564	5,564
		233,653	239,115

There was one director in the Company's defined contribution pension scheme during the year (2010: 1).

The value of the share options were computed using the Black Scholes option pricing methodology, with a 5 year volatility of 78% and evenly divided over the five year period from issue (6 October 2009).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

11 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 20.5% (2010: 21%). The differences are explained below:

	2011 £	2010 £
Loss before tax	(485,423)	(2,174,470)
Loss before tax multiplied by effective rate of corporation tax of 20.5% (2010: standard rate of 21.0%)	(99,511)	(456,639)
Effect of:		
Expenses not deductible for tax purposes	5,863	282,468
Timing differences on fixed assets	–	464
Capital losses utilised	(64,383)	–
Losses carried forward	158,031	173,707
Tax for the year	–	–

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 2011 is £459,452 (2010: £311,349).

12 Loss per ordinary share

The calculation of basic loss per share of £0.32p (2010: loss per share of £1.45p) is based on the loss for the year after tax of £485,423 (2010: loss of £2,174,470) and on the weighted average number of shares in issue during the period of 150,260,935 (2010: 150,260,935).

The share options in issue do not have any dilutive effect at the year-end date.

13 Property, plant and equipment

	Office equipment £
Cost	
At 1 October 2010	45,423
Disposals	(15,488)
At 30 September 2011	29,935
Depreciation	
At 1 October 2010	37,991
Charge for the year	6,778
On disposals	(14,834)
At 30 September 2011	29,935
Net book value	
At 30 September 2011	–
At 30 September 2010	7,432

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

14 Other investments

	2011 £	2010 £
At 1 October	2,662,283	3,840,916
Additions	–	45,000
Disposals	(687,289)	–
Fair value loss for the year	(152,688)	(1,288,110)
Finance income	–	64,477
At 30 September	1,822,306	2,662,283

The above investments were split as follows:

	2011 £	2010 £
Loans receivables	–	1,091,747
Other investments	1,822,306	1,570,536
At 30 September	1,822,306	2,662,283

Unquoted investments	Class of shares/investment	Book value and fair value £
OmniPerception Limited	Ordinary 0.8p	572,649
eSeekers Ltd (ShareNow)	Ordinary 1p	1,249,657
Medcenter Holdings Inc	Preferred US$0.01	–
Medcenter Holdings Inc	Convertible loan notes	–
At 30 September		1,822,306

All of the above investments are incorporated in the United Kingdom barring Medcenter Holdings Inc, which is a company incorporated in the Cayman Islands. 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 statement of comprehensive income.

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 statement of comprehensive income. The loan receivable is measured at amortised cost, with any interest income recognised as finance income through the statement of comprehensive income using the effective interest rate method.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

14 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.

15 Trade and other receivables

	2011 £	2010 £
Trade receivables	11,520	8,791
Prepayments	20,647	48,714
Other receivables	837,866	–
Social security and other taxes	16,350	9,742
	886,383	67,247
Current	345,606	67,247
Non-current	540,777	–
	886,383	67,247

The directors consider that the carrying value of trade and other receivables approximates to their fair value.

Included within other receivables is an amount of £800,436 (2010: £nil) relating to contingent consideration receivable on the disposal of Zimiti Limited. The fair value of the contingent consideration is based upon the discounted cash flows of the expected receivable using a post-tax discount rate of 10%. The Directors have assessed the fair value of the deferred consideration receivable to be £970,000 and consequently this figure has been used in the calculation of discounted fair value.

16 Cash and cash equivalents

	2011 £	2010 £
Cash at bank and in hand	10,000	10,000
Treasury reserve deposit	266,764	17,065
	276,764	27,065

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

17 Trade and other payables	2011 £	2010 £
Trade payables	109,990	49,574
Accruals	61,691	78,295
Other payables	135,501	–
Social security and other taxes	11,397	4,715
	318,579	132,584

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.

18 Borrowings	2011 £	2010 £
Secured loan due in more than one year	413,714	–

The Company entered into a shareholder loan agreement on 28 April 2011 with certain existing shareholders. These shareholders have loaned the Company £400,000. The shareholder loan, together with the accrued 10% interest, is due for repayment by 30 May 2012.

The shareholder loan is secured by an all assets debenture granted by the Company and the arrangement also included the issue of 15,000,000 warrants to subscribe for ordinary shares at £0.02 pence per share, exercisable at any time within the next two years.

19 Share capital	2011 Number	2011 £	2010 Number	2010 £
Issued and fully paid				
At 1 October	150,260,935	150,261	150,260,935	150,261
At 30 September	150,260,935	150,261	150,260,935	150,261

20 Post balance sheet events

From 1 October 2011, Lord Dear, General Sir Michael Wilkes and Peter Varnish elected to take all their fees in the Company's shares alongside existing share based payments to the other directors.

The following shares were issued on 20 January 2012 in respect of announced share based payments due to the end of December 2011:

Lord Dear	210,084 shares
Dr Richard Leaver	248,169 shares
Anthony Fabrizi	157,563 shares
Noel Lyons	157,563 shares
Peter Varnish	157,563 shares
General Sir Michael Wilkes	157,563 shares

A total number shares of 1,088,505.

On 14 December 2011, the Company invested £7,282 in a further funding round in OmniPerception.

On 1 February 2012, the Company announced that it had raised £245,000 before expenses (£232,750 net of expenses) via the issue of 12,250,000 new Ordinary Shares (the "Placing Shares") at a price of 2 pence per share ("Placing Price") to new and existing investors. The Placing Price was at a discount of 30.6% to the closing mid price of 2.88 pence per Ordinary Share on 30 January 2012. The proceeds were used to make a loan of £150,000 to Overtis Group Limited ("Overtis").

Notes to the Financial Statements

20 Post balance sheet events continued

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

Overtis is a software company and a provider of User Activity Management solutions. It is an expert in information protection and compliance and has significant potential in the cybersecurity and data security space. The company has patents on its software and expects to be profitable in its first full year of operations post acquisition, working closely with development partner BAE Systems and channel partners including Hitachi and Panasonic.

Its enterprise solutions detect and prevent data misuse, which could be unintentional, malicious or otherwise and ensures both compliance and a clear audit trail with low overhead. Loss or leakage of confidential information can thereby be prevented. Examples of enterprise deployments include a significant number of police forces and customers in the financial services sector. Its retail solutions monitor till operations at store checkouts to reduce losses, with customers including fast food chains such as Itsu. The company also has a cloud-based product in development to deliver security for web applications.

From 1 October 2011, the Company has entered into a 6 month rental agreement with Daniel Andrews Property Management at a monthly rent of £900 per month for the rental of temporary office space.

21 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 2011 £	 2010 £
Loans receivable	14	–	1,091,747
Trade and other receivables	15	593,269	67,247
Cash and cash equivalents	16	276,764	27,065
		870,033	1,186,059

Financial assets	Notes	Fair value through profit or loss Held for trading £	 Designated upon initial recognition £	 Total £
At 30 September 2011				
Other investments	14	–	1,822,306	1,822,306
At 30 September 2010				
Other investments	14	–	1,570,536	1,570,536

Financial assets	Fair value measurements at 30 September 2011 using Level 1 £	 Level 2 £	 Level 3 £
Other investments	–	1,822,306	–

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

21 Financial instruments continued

Financial liabilities	Notes	Financial liabilities measured at amortised cost 2011 £	2010 £
Trade and other payables	17	211,376	49,574
Accruals	17	78,019	78,295
		289,395	127,869

The Company's financial instruments comprise other investments held for trading, cash and cash equivalents and trade payables that arise directly from the company's operations. The main purpose of these instruments is to invest in these companies. 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 20).

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.

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 £182,231 profit or (loss)
20% movement either way will result in £364,462 profit or (loss)
30% movement either way will result in £546,693 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 $nil (2010: $860,255). A 10% increase or decrease in the $/£ exchange rate would have a £nil (2010: £55,917) impact on net result for the year and net assets, based on the rate prevailing at 30 September 2011.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

21 Financial instruments continued

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.

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 £276,764 (2010: £27,065).

The maximum credit risk relating to a loan receivable is equal to its carrying value of £nil (2010: £1,091,747).

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 $nil (2010: $295,869).

Trade receivables arise as a result of day to day operations and at year end the company's maximum exposure to credit risk on trade receivables is £11,520 (2010: £8,791).

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 manages its capital and debt to ensure that it 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.

22 Related party transactions

Dr Richard Leaver was a director of Zimiti Limited (until 17 June 2011), a director of OmniPerception Limited (until 22 March 2011) and Pedagog Limited (until 25 February 2011) in order to represent the interests of the investors.

Lord Dear, chairman of Blue Star Capital, is also a director of OmniPerception Limited.

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 invoiced monthly monitoring fees from Zimiti Limited of £1,500 per month (2010: £1,500 per month), OmniPerception Limited £700 per month (2010: £700 per month) and Pedagog Limited £1,500 per month (2010: £1,500 per month).

Dr Richard Leaver, Noel Lyons and Anthony Fabrizi were issued 209,815, 140,848 and 140,848 shares in the Company on 1 November 2011 respectively for announced share based payments accruing during the year.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2011

22 Related party transactions continued

Peter Varnish (as Closed Solutions Limited), was paid a total of £20,295 during the year in respect of director's fees and expenses (2010: £21,545).

General Sir Michael Wilkes (as Marbral Limited) was paid a total of £15,090 during the year in respect of director's fees and expenses (2010: £15,000).

During the year, Blue Star Capital made further investments as convertible loans in Zimiti Limited £nil (2010: £15,000) and OmniPerception Limited £nil (2010: £30,000).

Included in the £413,714 of long term borrowings is £51,479 relating to a loan and and the subsequent accrued interest due to Phoenix Opportunities Limited, a company in which Noel Lyons is a director.

Also during the year, Blue Star Capital gave a short term loan to Pedagog of £nil (2010: £17,000) at an interest rate of 10% per annum. The loan was due to be paid by 31 January 2011 but our current view since the impairment of Pedagog, is that it is unlikely to be repaid.

23 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 2011 £	Land and buildings 2010 £
Due within one year	35,385	35,385
Due after one year and within five years	–	35,385
	35,385	70,770

The Company has 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.

There is a rent deposit deed in favour of The Portman Estate.

24 Ultimate controlling party

The Company considers that there is no ultimate controlling party.

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 Wimpole Street, London W1G 9SQ, at 1400 on 30 March 2012 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 2011.

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

3 To re-appoint Adler Shine 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 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 £16,509 such authority (unless previously revoked or varied) to expire at the conclusion of the annual general meeting of the Company to be held in 2013 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

5 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 4 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 £16,509 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

6 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 16,509,095

(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 7 March 2012

Notice of Annual General Meeting

CONTINUED

Notes:

1 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of the Company as at 1800 on **28 March 2012** or, if this meeting is adjourned, at 1800 on the day two days prior to the adjourned meeting shall be entitled to attend and vote at the Annual General 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 1800 on **28 March 2012** or, if this meeting is adjourned, at 1800 on the day two days prior to the adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at this Annual General 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, PXS, The Registry, 34 Beckenham, Kent, BR3 4TU. The form of proxy must be signed by the shareholder appointing Capita Registrars, so as to arrive no later than 1400 on **28 March 2012** or, in the event that the meeting is adjourned, by no later than 48 hours before the time of any adjourned meeting.

4 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (formerly CRESTCo's) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Capita Registrars (ID **RA10**) by no later than 1400 on **28 March 2012**. 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.

Printed by Michael Searle & Son Limited