Blue Star Capital Plc

Annual Report and Financial Statements

for the year ended 30 September 2013

Annual report and financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013

Contents

Directors and Advisors

FOR THE YEAR ENDED 30 SEPTEMBER 2013

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

Graham Parr
Non-Executive Chairman

Anthony Fabrizi
Chief Executive Officer

Company Secretary & Registered Office

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

Company Number

05174441

Nominated Adviser & Broker

Daniel Stewart & Company Plc
Beckett House
39 Old Jewry
London EC2R 8DD

Auditors

Adler Shine LLP
Chartered Accountants and Statutory Auditor
Aston House
Cornwall Avenue
London N3 1LF

Solicitors

Lawrence Graham LLP
4 More London Riverside
London SE1 2AU

Registrars

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

Chairman's Statement

I only recently joined the Board as Non-Executive Chairman on 19th November 2013 and the period covered by this Chairman's Statement and the financial statements therefore pre empted my involvement. However, with the help of my co-director I am pleased to report on Blue Star Capital Plc's ("Blue Star" or "the Company") results for the year ended 30 September 2013.

On 7th January 2013, the Company announced the acquisition of one of its investee companies, Visimetrics (UK) Limited ("Visimetrics"), including its subsidiary OmniPerception Limited ("OmniPerception") by Digital Barriers Plc ("Digital Barriers"). At that time Blue Star's fully diluted shareholding in Visimetrics was valued at £113,336. The initial cash consideration payable to Blue Star Capital following certain retentions by Digital Barriers in relation to working capital adjustments, was approximately £47,000. The maximum effective consideration payable to Blue Star Capital including any deferred consideration payable in shares in Digital Barriers was approximately £137,000.

On 25th April 2013, the Company announced that it had raised £43,750, before expenses, through the issue of 17,500,000 shares at a price of 0.25p per share.

This funding was used to repay £20,000 of the Loan referred to below and the balance to provide working capital.

Post the year end, the Company announced on 7th October 2013 that it had raised £150,000, before expenses, through a subscription for 50,000,000 shares at 0.3p per share, capitalised loans totalling £150,000 at 0.3p per share and adopted a broader investing policy. These proposals were approved at a Meeting of the Company's shareholders on 30th October 2013. Under the new investing policy, the Board can now consider investments in media, technology and gaming in addition to the original mandate of investing in companies engaged in Homeland security.

On 19th November 2013, Blue Star announced a further conversion and repayment of the Loan with £167,377 converting at 0.4p per share and £40,000 being repaid.

On 24th December 2013 the Company announced its first new investment following the change in investing policy, a further subscription to raise £200,000, before expenses, at 0.5p per share, and a further Loan conversion of £61,070 at 0.5p per share. The new investment was in Oak Media Limited ("OAK"), an early stage gaming technology aggregator which intends to supply solutions to mainstream brands and broadcast operators. The Company agreed to invest £100,000 in OAK in return for 90 per cent. of the issued share capital of OAK. Under the terms of the Company's investment and in order to incentivise OAK's management team, upon OAK achieving various milestones in the development of the business, the Company's shareholding in OAK would reduce to a minimum of 50 per cent of OAK's issued share capital.

OAK has been formed in order to take advantage of the global growth in gaming for entertainment amid a fast changing regulatory environment. OAK intends to become an aggregator of the best gaming technologies and to provide the best available gaming solutions, so it can enter the lucrative gaming market with modest investment and make rapid returns.

OAK believes that over the next five years, leading brands and broadcast TV will play an increasingly larger role in gaming growth and player recruitment, as the following market forces emerge:

- relaxation in regulatory rules worldwide – particularly in the USA;
- the need for brands to migrate to other strong revenue lines;
- gaming for entertainment providing low cost and compelling mass market programming;
- the trust of mainstream TV amongst a large population demographic aiding player recruitment;
- the growth in interactive TV in other areas of viewing; and
- consolidation in the market due to niche one country gaming companies needing mainstream and international distribution.

OAK aims to position itself as the supplier of choice to mainstream brands and broadcast TV operations, especially those with international reach, to create a global broadcast gaming solution with selected partners.

Chairman's Statement

CONTINUED

A further repayment and conversion of Loan was announced on 30th December 2013 with the Company repaying £96,000 and converting £26,000 of the Loan at 0.5p per share. Following the various Loan repayments and conversions, the Loan now stands at £85,292. Loan holders have agreed to waive interest on the Loan until 31 March 2014.

In terms of the historic investments, Shareholders will recall that in June 2011, the Company announced the acquisition of one of its investee companies, Zimiti Limited ("Zimiti") by Digital Barriers. Under the terms of that acquisition, Digital Barriers acquired the entire issued share capital of Zimiti for an initial consideration of £1.5 million in cash. In addition, dependent on the successful satisfaction by Zimiti of certain financial and operational targets further deferred consideration up to a maximum total consideration of £10.0m was potentially available. Unfortunately Zimiti failed to meet its targets and no further consideration was received. As a result the Company has provided in full on the carrying value of Zimiti deferred consideration of £479,655.

The Company reported a loss for the year of £703,345 (2012: £1,439,325) principally reflecting the write down in deferred consideration of £479,655. During the year, administration costs continued to fall to £98,801 from (2012: £361,508) reflecting the ongoing steps taken by the board to reduce costs.

There have been a number of changes to the Company's portfolio during the year and details are set out below. The investment holdings are set out in note 12.

1. DISRUPTIVE TECH LIMITED

In August 2011, eSeekers and Disruptive Tech Limited ("DTL") entered into an agreement by which the net profits realised by eSeekers and DTL from the mutual ownership and exploitation of their interests (whether revenue or capital in nature) were to be shared in proportion to the number of issued shares in the capital of each of eSeekers and DTL. Further, the agreement included the undertaking that eSeekers and DTL would work together to seek a permanent and comprehensive structure for combining the two businesses into one single corporate structure as soon as reasonably practicable.

Blue Star was informed in November 2013 that eSeekers and DTL had agreed the terms for a combination of the two businesses and as a result of this combination, Blue Star's shareholding in eSeekers had become a 1.76 per cent. shareholding in DTL.

DTL is a Gibraltar based investing company that has recently completed an investment round that allowed it to add holdings in Freeformers, a digital training business, and Deep Ventures, an accelerator of early stage tech businesses, to sit in DTL's portfolio alongside the holdings previously owned by eSeekers. Both Freeformers and Deep Ventures are registered in England and Wales and are co-located in London.

Blue Star's £300,000 investment in DTL (formerly eSeekers) was made in 2007 and its holding in the company was valued at £1.121m as at 30 September 2013. Blue Star has been informed that DTL has completed a round of external investment fund post year end at a pre-money valuation of £75.0m. On the basis of this valuation, Blue Star's holding in DTL would in future be valued at £1.6m.

2 VIGILANT APPLICATIONS LIMITED

Vigilant Applications is a software development company specialising in security solutions for monitoring and shaping user behaviour at a PC or 'end point'. Its VigilancePro agent software is deployed in the enterprise space in both the public and private sector for monitoring professional standards, securing data and compliance. VigilancePro Retail applies the products unique capabilities to the monitoring of all activity at an Electronic Point of Sale (EPOS). Through its patented technology it is able to integrate with existing security infrastructure (CCTV) to provide irrefutable real-time remote reporting of all transaction activity within a retail environment.

Vigilant Applications raised external funding in August 2013 at a small discount to the Company's holding value and as a result the Company has reduced the value of its holding to £88,000 from £117,000.

Vigilant Applications continues to make good progress in both the Enterprise and Retail fields. VigilancePro Retail has been re-branded as LiveStore to reflect the full range of its

Chairman's Statement

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capabilities in providing real-time data from retail environments using existing in-store IT (http://www.livestore.uk.com/). Originally trialled and deployed in the QSR sector (Quick Service Restaurant) primarily for loss-prevention, LiveStore has now been installed in Supermarket and Convenience stores. Plans are underway for trial deployments in Hospitality, Fashion and Department Stores.

Vigilant Applications is expecting further sales of the Enterprise product during 2014 to Police forces in the UK where VigilancePro is currently used to help maintain internal professional standards. The company has recently appointed two experienced re-seller/partners to further exploit the Financial Services and Local Government sectors.

Financials

The Company has continued to 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 £34,005 (2012: £36,937) and the Company's net assets totalled £519,241, pre the uplift of £477,021 in the DTL valuation announced post year end.

Outlook

The Directors are encouraged by developments at the Company since the year end. The Loan has been reduced from £601,832 at 30 September 2013 to £85,292 now. The Company has structured an attractive investment in OAK which it believes offers tremendous potential and the Company's main investment in DTL has increased in carrying value from its year end valuation of £1,120,515 to £1,553,160. Despite this progress much work still needs to be done to repair the Company's fortunes and accordingly the board are continuing to review various strategic options available to the Company. However, the Company is in a much improved position and the Board are committed to continuing this improvement in the current year.

Graham Parr
Chairman

27 February 2014

Strategic Report

FOR THE YEAR ENDED 30 SEPTEMBER 2013

Review of Business and Analysis Using Key Performance Indicators

The full year's pre-tax loss was £703,345 compared to a pre-tax loss of £1,439,325 for the year ended 30 September 2012.

The cash position at the end of the year fell to £34,005 from £36,936 as at 30 September 2012. Since the year end the Company has raised further funds and made an investment in OAK Media Limited, details of which are provided in the Chairman's Statement.

Key Performance Indicators

The Board monitors the activities and performance of the Company on a regular basis. The indicators set out below have been used by the Board to assess performance over the year to 30 September 2013. The main KPIs for the Company are listed as follows:

	2013	2012
Cash and cash equivalents	£34,005	£36,936
Net current liabilities	£689,453	£33,520
Loss before tax	£(703,345)	£(1,439,325)
Valuation of investments	£1,208,694	£1,188,607

Investing Policy

Assets or Companies in which the Company can invest

The company can invest in assets or companies in the following sectors:

- Gaming;
- Media;
- Technology;
- Homeland security.

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. Under normal circumstances, 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.

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 dependent on obtaining sufficient funding.

Future Developments

The Company is continuing to develop an investment portfolio with the capacity for substantial growth and increases in value. Since the year end, the Company agreed to invest £100,000 in OAK Media Limited in return for 90 per cent. of the issued share capital of OAK. Details on OAK are provided in the Chairman's Statement.

Strategic Report

Principal risks and uncertainties

The Company seeks investments in late stage venture capital and early stage private equity opportunities, which by their very nature allow a diverse portfolio of investments within different sectors and geographic locations. 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 will 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.

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 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.

Directors' Report

FOR THE YEAR ENDED 30 SEPTEMBER 2013

Results and dividends

The Directors present their report together with the audited financial statements for the year ended 30 September 2013.

The trading results for the year ended 30 September 2013 and the Company's financial position at that date are shown in the attached financial statements.

The Directors do not recommend the payment of a dividend for the year (2012: £nil).

Principal activities and review of the business

The principal activity of the Company is to invest in the Homeland Security, media, technology and gaming sectors. A review of the business is included within the Chairman's Statement and Strategic Report.

Directors serving during the year

Lord Dear	Resigned 19 November 2013
Anthony Fabrizi	
Graham Parr	Appointed 19 November 2013
Noel Lyons	Resigned 31 May 2013
Peter Varnish	Resigned 28 June 2013
General	
Sir Michael Wilkes	Resigned 31 May 2013

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
Graham Parr	—
Anthony Fabrizi	9,426,203

Significant shareholders

As at 10 February 2014 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	Percentage of issued share capital
Highland Fund Management Ltd	65,000,000	16.63%
Blue Square Equity Investments Limited	49,700,409	12.72%
Nigel Robertson	33,382,219	8.54%
AA Management Ltd	30,000,000	7.63%

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 20.

Events after the reporting date

Events subsequent to the balance sheet date are detailed in note 18 to the financial statements.

Political Donations

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

Directors' Report

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Auditors

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Adler Shine LLP has indicated 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

Anthony Fabrizi

Anthony Fabrizi
Chief Executive Officer

27 February 2014

Statement of Directors' Responsibilities

FOR THE YEAR ENDED 30 SEPTEMBER 2013

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 they are required to prepare financial statements in accordance with IFRS as adopted by the European Union and applicable law.

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 for the year. In preparing the Company 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 the financial statements have been prepared in accordance with IFRSs as adopted by the EU;
- prepare the financial statements on a going concern basis unless it is inappropriate to assume 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

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 2013, 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 10, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 and of the Company's loss 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.

Independent Auditor's Report

TO THE MEMBERS OF BLUE STAR CAPITAL PLC

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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 one of two scenarios, either the receipt of funds from the sale of certain investments in order to fund working capital and the repayment of the shareholder loan or an equity fundraising to provide 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 was unable to continue as a going concern.

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:

1 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

2 the Company financial statements are not in agreement with the accounting records and returns; or

3 certain disclosures of directors' remuneration specified by law are not made; or

4 we have not received all the information and explanations we require for our audit.

Adler Shine LLP

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

27 February 2014

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 2013

	Notes	2013 £	2012 £
Profit/(loss) arising from investments held at fair value through profit or loss:			
Investments	12	(36,802)	(633,699)
Impairment of deferred consideration receivable	13	(479,655)	(444,430)
Profit on disposal of investments		4,898	—
		(511,559)	(1,078,129)
Other income		—	3,128
Administrative expenses		(98,798)	(361,508)
Operating loss	3	(610,357)	(1,436,509)
Finance income	4	43,615	80,137
Finance costs	5	(136,603)	(82,953)
Loss before and after taxation and total comprehensive loss for the year		(703,345)	(1,439,325)
Loss per ordinary share:			
Basic and diluted loss per share on loss for the year	10	(0.40)p	(0.90)p

The notes on pages 17 to 31 form part of these financial statements.

Statement of Financial Position

FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Notes	2013 £	2012 £
Non-current assets			
Property, plant & equipment	11	—	—
Investments	12	1,208,694	1,188,607
		1,208,694	1,188,607
Current assets			
Trade and other receivables	13	37,350	564,863
Cash and cash equivalents	14	34,005	36,936
Total current assets		71,355	601,799
Total assets		1,280,049	1,790,406
Current liabilities			
Trade and other payables	15	158,976	151,590
Borrowings	16	601,832	483,729
Total liabilities		760,808	635,319
Net assets		519,241	1,155,087
Shareholder equity			
Share capital	17	192,942	168,020
Share premium account		6,815,347	6,772,770
Retained earnings		(6,489,048)	(5,785,703)
Total shareholders' equity		519,241	1,155,087

The financial statements were approved by the board and authorised for issue on 27 February 2014 and were signed on its behalf by:

Anthony Fabrizi
Chief Executive Officer

Registered number: 05174441

The notes on pages 17 to 31 form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Share capital £	Share premium £	Retained earnings £	Total £
Year ended 30 September 2012				
At 1 October 2011	150,261	6,464,876	(4,361,977)	2,253,160
Loss for the year and total comprehensive income and expense	—	—	(1,439,325)	(1,439,325)
Shares issued in the year	17,759	320,144	—	337,903
Share issue costs	—	(12,250)	—	(12,250)
Share based payments	—	—	15,599	15,599
At 30 September 2012	168,020	6,772,770	(5,785,703)	1,155,087
Year ended 30 September 2013				
At 1 October 2012	168,020	6,772,770	(5,785,703)	1,155,087
Loss for the year and total comprehensive income and expense	—	—	(703,345)	(703,345)
Shares issued in year	24,922	42,577	—	67,499
At 30 September 2013	192,942	6,815,347	(6,489,048)	519,241

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 17 to 31 form part of these financial statements.

Cash Flow Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2013

	Notes	2013 £	2012 £
Operating activities			
Loss for the year		(703,345)	(1,439,325)
Adjustments:			
Finance income		(43,615)	(80,137)
Finance costs		136,603	82,953
Fair value losses/(gains)		36,802	633,699
Impairment of deferred consideration receivable		479,655	444,430
Profit on disposal of investments		(4,898)	—
Shares issued in lieu of salary		—	92,904
Share based payments	6	—	15,599
Working capital adjustments			
Increase in trade and other receivables		(7,335)	(42,867)
Increase / (decrease) in trade and other payables		32,635	(179,927)
Net cash used in operating activities		(73,498)	(472,671)
Investing activities			
Interest received		10	93
Proceeds from sale of investments		46,807	—
Net cash generated from investing activities		46,817	93
Financing activities			
Proceeds from issue of equity shares		43,750	245,000
Reduction in borrowings		(20,000)	—
Share issue costs		—	(12,250)
Net cash generated from financing activities		23,750	232,750
Net (decrease)/increase in cash and cash equivalents		(2,931)	(239,828)
Cash and cash equivalents at start of the year	14	36,936	276,764
Cash and cash equivalents at end of the year	14	34,005	36,936

The notes on pages 17 to 31 form part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013

1. Accounting policies

General information

Blue Star Capital Plc (the Company) invests principally in the Homeland Security, media, technology and gaming sectors.

The Company is a public limited company incorporated and domiciled in the United Kingdom. The address of its registered office is Griffin House, 135 High Street, Crawley RH10 1DQ.

The Company is listed on the London Stock Exchange's AIM.

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") and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The historical cost convention has been applied as modified by the revaluation of assets and liabilities held at fair value.

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.

At 30 September 2013, the Company had cash balances of £34,005 but net current liabilities of £689,453. Since the year end the Company has completed a number of equity fundraisings and repaid a proportion of the loan, as detailed in note 18.

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

These conditions constitute a material uncertainty that may cast doubt about the Company's ability to continue as a going concern. The 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.

Depreciation is calculated to write off the cost of property, plant and equipment less estimated residual values over their expected useful lives as follows:

Office equipment	25% per annum, straight line

Impairment provisions are made if the carrying value of an asset exceeds the recoverable amount.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013

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.

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013

1. Accounting policies continued

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.

Operating loss
Operating loss is stated after crediting all items of operating income and charging all items of operating expense.

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).

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013

1. Accounting policies continued

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:

		Effective for accounting periods beginning on or after:
IFRS 2,3,8, 16,24,36	Amendments resulting from Annual improvements 2010-2012 Cycle	1 July 2014
IFRS 3,13, IAS 40	Amendments resulting from Annual improvements 2011-2013 Cycle	1 July 2014
IFRS 7	Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	1 January 2015
IFRS 9	Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures	1 January 2015
IFRS 10	Amendments for investment entities	1 January 2014
IFRS 12	Amendments for investment entities	1 January 2014
IAS 19	Employee Benefits – Amended to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service	1 July 2014
IAS 27	Amendments for investment entities	1 January 2014
IAS 32	Financial Instruments: Presentation – Amendments to application guidance on the offsetting of financial assets and financial liabilities	1 January 2014
IAS 39	Financial Instruments: Recognition and Measurement – Amendments for novation of derivatives	1 January 2014
IFRIC 21	Levies	1 January 2014

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.

Share-based payments
All services received in exchange for the grant of any share based remuneration are measured at their fair values. These are indirectly determined by reference to the fair value of the share options/warrants awarded. Their value is appraised at the grant date and excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Share based payments are ultimately recognised as an expense in the Statement of Comprehensive Income with a corresponding credit to the retained earning reserve in equity, net of deferred tax where applicable. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options/warrants expected to vest. Non-market vesting conditions are included in assumptions about the number of options/warrants that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options/warrants expected to vest differs from previous estimates. No adjustment is made to the expense or share issue cost recognised in prior periods if fewer share options ultimately are exercised than originally estimated.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013

1. Accounting policies continued

Where share options are cancelled, this is treated as an acceleration of the vesting period of the options. The amount that otherwise would have been recognised for services received over the remainder of the vesting period is recognised immediately within the Statement of Comprehensive Income.

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 those in relation to:

Fair value of financial instruments
The Company holds 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 12.

Share based payments
The calculation of the fair value of equity-settled share based awards and the resulting charge to the statement of comprehensive income requires assumptions to be made regarding future events and market conditions. These assumptions include the future volatility of the Company's share price. These assumptions are then applied to a recognised valuation model in order to calculate the fair value of the awards. Details of these assumptions are set out in note 6.

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 13.

3. Operating loss

	2013 £	2012 £
This is stated after charging:		
Auditor's remuneration – statutory audit fees	12,000	16,000
Share based payments	—	15,599

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013

4. Finance income

	2013 £	2012 £
Unwinding of discount on deferred consideration	43,605	80,044
Interest received on short term deposits	10	93
	43,615	80,137

5. Finance costs

	2013 £	2012 £
Interest on shareholder loans	96,603	40,453
Repayment premium on shareholder loans	40,000	42,500
	136,603	82,953

6. Share based payments

The Company operates an 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.

	2013		2012	
	Weighted average exercise price (p)	Number	Weighted average exercise price (p)	Number
Outstanding at the beginning of the year	4.5	3,132,046	4.5	9,199,282
Lapsed during the year	—	—	4.5	(6,067,236)
	4.5	3,132,046	4.5	3,132,046

The exercise price of options outstanding at the end of the year was 4.5p (2012: 4.5p) and their weighted average contractual life was 2 years (2012: 3 years).

Of the total number of options outstanding at the end of the year, nil (2012: nil) had vested and were exercisable at the end of the year. All the options lapsed after the year end.

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

Date of grant	6 October 2009
Option pricing model used	Black-Scholes
Share price at date of grant (in pence)	4.5p
Exercise price (in pence)	4.5p
Contractual life (days)	1,460
Expected volatility	78%
Risk free interest rate	5%
Fair value per option	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 2013

6. Share based payments 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 during the period commencing 31 March 2011 and ending 31 March 2014. The charge to the profit and loss account for the current year is £nil.

	2013		2012	
	Weighted average exercise price (p)	Number	Weighted average exercise price (p)	Number
Outstanding at the beginning of the year	2	15,000,000	2	15,000,000
	2	15,000,000	2	15,000,000

The exercise price of warrants outstanding at the end of the year was 2p (2012: 2p) and their weighted average contractual life was 1 year (2012: 2 years).

Of the total number of warrants outstanding at the end of the year, all 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.

Date of grant	28 April 2011
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 3) comprises:

	2013 £'000	2012 £'000
Equity-settled schemes	—	(54,960)
Share warrants	—	70,559
	—	15,599

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013

7. Staff costs, including directors	2013 £	2012 £
Wages and salaries	—	212,970
Social security costs	—	17,211
Other pension costs	—	10,000
	—	240,181

During the year the company had an average of 4 employees who were administrative (2012: 1). The employees were both directors and key management personnel of the company.

8. Directors' and key management personnel		2013 £	2012 £
Director			
Lord Dear	Emoluments	—	28,000
	Pension	—	—
	Share Options	—	7,419
Dr Richard Leaver	Emoluments	—	95,720
	Pension	—	10,000
	Share Options	—	(73,506)
Anthony Fabrizi	Emoluments	—	26,250
	Pension	—	—
	Share Options	—	—
Noel Lyons	Emoluments	—	21,000
	Pension	—	—
	Share Options	—	—
General Sir Michael Wilkes	Emoluments	—	21,000
	Pension	—	—
	Share Options	—	5,564
Peter Varnish	Emoluments	—	21,000
	Pension	—	—
	Share Options	—	5,564
Graham Parr	Emoluments	—	—
	Pension	—	—
	Share Options	—	—
		—	168,011

There were no Directors in the Company's defined contribution pension scheme during the year (2012: 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 2013

9. Taxation

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% (2012: 20%). The differences are explained below:

	2013 £'000	2012 £'000
Loss before tax	(703,345)	(1,439,325)
Loss before tax multiplied by effective rate of corporation tax of 20% (2012 – standard rate of 20%)	(140,669)	(287,865)
Effect of:		
Expenses not deductible for tax purposes	33,084	139,880
Capital losses utilised	87,210	72,877
Other adjustments	(1,764)	—
Losses carried forward	22,139	75,108
Tax charge in the income statement	—	—

The Company has incurred tax losses for the year 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 2013 is £496,162 (2012: £474,023).

10. Loss per ordinary share

The earnings and number of shares used in the calculation of loss/earnings per ordinary share are set out below

	2013	2012
Basic:		
Loss for the financial period	£(703,345)	£(1,439,325)
Weighted average number of shares	174,902,055	160,731,542
Loss per share (pence)	(0.40)	(0.90)

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013

11. Property, plant and equipment	Office equipment £
Cost	
At 1 October 2011	29,935
Additions	—
At 30 September 2012 and 30 September 2013	29,935
Depreciation	
At 1 October 2011	29,935
Charge for the year	—
At 30 September 2012 and 30 September 2013	29,935
Net book value	
At 30 September 2013	—
At 30 September 2012	—
At 30 September 2011	—

12. Investments	2013 £	2012 £
At start of year	1,188,607	1,822,306
Additions	116,998	—
Disposals	(60,109)	—
Fair value loss for the year	(36,802)	(633,699)
At end of year	1,208,694	1,188.607

Unquoted investments	Class of shares/investment	Book value and fair value £
Vigilant Applications Limited	Ordinary 1p	88,169
Disruptive Tech. Limited	Ordinary 1p	1,120,515
Medcenter Holdings Inc	Common shares US$0.01	—
	US$12 strike price warrants	—
	US$18 strike price warrants	—
		1,208,684

All of the above investments are incorporated in the United Kingdom barring Medcenter Holdings Inc, which is a company incorporated in the Cayman Islands and Disruptive Tech. Limited which is based in Gibraltar. 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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013

12. **Investments** continued

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

13. Trade and other receivables

	2013 £	2012 £
Prepayments	2,276	—
Other receivables	29,177	562,393
Social security and other taxes	5,897	2,470
	37,350	564,863
Current	37,350	564,863
Non-current	—	—
	37,350	564,863

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 £18,201 relating to contingent consideration receivable on the disposal of OmniPerception (2012: £436,050 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 £20,157 (2012: £484,500) and consequently this figure has been used in the calculation of discounted fair value. An amount of £479,655 has been expensed to statement of comprehensive income in respect of deferred consideration no longer recoverable.

14. Cash and cash equivalents

	2013 £	2012 £
Cash at bank and in hand	10,000	7,031
Treasury reserve deposit	24,005	29,905
	34,005	36,936

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.

15. Trade and other payables

	2013 £	2012 £
Trade payables	75,102	51,958
Accruals	27,548	54,512
Other payables	37,246	3,245
Social security and other taxes	19,080	41,875
	158,976	151,590

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013

16. Borrowings

	2013 £	2012 £
Secured loan	601,832	483,729
Current	601,832	483,729
Non-current	—	—

The Company entered into a shareholder loan agreement on 28 April 2011 with certain existing shareholders. These shareholders agreed to lend the Company £400,000 (the “Loan”) reduced on a pound for pound basis by the amount of any realisation made by the Company on the sale of any of the Company’s investment assets.

The Company agreed an extension to the Loan with the shareholders on a number of occasions.

As at 30 September 2013, the amount outstanding under the Loan (including interest and repayment premium) was £601,832 (“Revised Principal”). The Revised Principal will accrue interest until the earlier of a) repayment of the Loan or b) the Final Redemption Date at a rate of 2.0% per month, or part month, from 30 September 2013 until repayment in full or the Final Redemption Date.

Since the year end, the Final Redemption Date has been changed, certain loan repayments have been made and the Loan holders agreed to waive interest on the Loan, full details of which are provided by note 18.

17. Share capital

	2013 Number	2013 £	2012 Number	2012 £
Issued and fully paid				
At 1 October	168,020,316	168,020	150,260,935	150,261
Shares issued in the year	24,921,875	24,922	17,759,381	17,759
At 30 September	192,942,191	192,942	168,020,316	168,020

During the year the following shares were issued:

	Number	£	Issue price per share
19 October 2012	7,421,875	7,422	0.32p
30 April 2013	17,500,000	17,500	0.25p
	24,921,875	24,922	

18. Events after the reporting date

On 7 October 2013, the Company raised £150,000 (before expenses) through the issue of 50,000,000 new Ordinary Shares at an issue price of 0.3 pence per Ordinary Share.

On 24 December 2013, the Company raised £200,000 before expenses by way of a subscription of 40,000,000 New Ordinary Shares at a price of 0.5p per share. The Company used the net proceeds of the subscription to fund its investment in OAK Media Limited (“OAK”) on the terms described below.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013

18. Events after the reporting date continued

OAK is an early stage gaming technology aggregator which intends to supply solutions to mainstream brands and broadcast operators. The Company has agreed to invest £100,000 in OAK in return for 90 per cent of the issued share capital of OAK. Under the terms of the Company's investment, in order to incentivise OAK's management team, upon OAK achieving various milestones in the development of the business, the Company's shareholding in OAK would reduce to a minimum of 50 per cent of OAK's issued share capital. As part of the investment, the directors of OAK, Andrew Middleton and Adrian Finn (the "OAK Directors") have received a total of three million new warrants each ("OAK Warrants"). The OAK Warrants granted to the OAK Directors are exercisable at a price of 0.6p until 6 October 2016. In addition to OAK Warrants issue, a third party has received three million new warrants as an introduction fee to the OAK investment. The warrants granted to the third party are exercisable at a price of 0.6p until 6 October 2016.

On 31 January 2014, the Company agreed an extension to the shareholder loan ("the Loan") entered into on 28 April 2011, and thereafter extended. The original amount of the Loan was £400,000, which with the accrued interest, had originally been due for repayment by 31 March 2012. Since the year end the Company has made a number of repayments of the Loan in the form of both cash repayments and equity conversions. The amount outstanding under the Loan is now £85,292, including interest and repayment premium already accrued. To preserve Company cash and aid the implementation of the Company's investing policy, the Loan holders have agreed to waive interest on the Loan until the Final Redemption Date, which has now been deferred until 31 March 2014.

19. Financial instruments

Categories of financial assets and liabilities

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

		Loans and receivables	
		2013	2012
Financial assets	Notes	£	£
Trade and other receivables	13	130,323	564,863
Cash and cash equivalents	14	34,005	36,937
		164,328	601,800

		Fair value through profit or loss		
	Notes	Held for trading £	Designated upon initial recognition £	Total £
Investments	12			
At 30 September 2013		—	1,208,694	1,208,694
At 30 September 2012		—	1,188,607	1,188,607

		Fair value measurement		
	Notes	Level 1 £	Level 2 £	Level 3 £
Investments	12			
At 30 September 2013		—	1,208,694	—
At 30 September 2012		—	1,188,607	436,050

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013

19. **Financial instruments** continued

Financial liabilities	Notes	Financial liabilities measured at amortised cost 2013 £	2012 £
Trade payables	15	75,102	51,958
Accruals	15	27,548	113,241
		102,650	165,199

The Company's financial instruments comprise 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 portfolio 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.

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 £120,869 profit or (loss)
20% movement either way will result in £241,739 profit or (loss)
30% movement either way will result in £362,608 profit or (loss)

Borrowing facilities

The operations to date have been financed through the placing of shares and investor loans. It is Board policy to keep borrowing to a minimum, where possible.

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2013

19. **Financial instruments** continued

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 £34,005 (2012: £36,937).

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 to ensure that the Company will be able to continue to pursue strategic investments and continue as a going concern. The Company does not have any externally imposed financial requirements.

20. Related party transactions

At the year end, Anthony Fabrizi was owed £33,375 (2012: £39,116) in current borrowings and accrued interest.

Lord Dear, former chairman of Blue Star Capital, was a director of investee company OmniPerception Limited.

21. Operating lease commitments

At the balance sheet date the company had no outstanding commitments under operating leases.

22. 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 the offices of Daniel Stewart & Company Plc, Becket House, 36 Old Jewry, London EC2R 8DD on 27 March 2014 at 2.00pm 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 2013.

2 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.

BY ORDER OF THE BOARD

Rawlison & Butler Nominees Limited
Company Secretary

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

Dated 3 March 2014

Notice of Annual General Meeting

CONTINUED

Notes:

1 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those members registered on the Company's register of members at 6.00pm on **25 March 2014** or, in the event that the meeting is adjourned, in the register of members 48 hours before the time of the adjourned meeting, shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at the time. Changes to entries in the register of members after 6.00pm on **25 March 2014** or, in the event that the meeting is adjourned, after 48 hours before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at a meeting.

2 A member is entitled to appoint one or more persons as proxies to exercise all of any or all 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 the meeting provided that each proxy is appointed to exercise 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). Failure to specify the number of shares each proxy appointment relates to or specifying a number of shares 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 being Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive no later than 2.00pm on **25 March 2014** 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 by utilising the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available from https://www.euroclear.com/site/public/EUI). 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 by means of CREST to be valid, the appropriate CREST message ("**a CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("**EUI**") 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 Capita Registrars (ID **RA10**) by no later than 2.00pm on **25 March 2014**. 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 time stamp applied to the message by the CREST Applications Host) from which 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 EUI 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.

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.

Notice of Annual General Meeting

CONTINUED

5 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Asset Services by telephone on 0871 664 0300 (calls cost 10 pence per minute plus network extras) and from outside the UK on +44 (0)208 639 3399. Lines are open Monday-Friday 9.00am to 5.30pm.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

6 In order to revoke a proxy instruction you will need to inform the Company using one of the following methods:

By sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal 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. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In either case, the revocation notice must be received by Capita Asset Services so as to arrive no later than 2.00pm on **25 March 2014** or, in the event that the meeting is adjourned, by no later than 48 hours before the time of any adjourned meeting.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.