

Blue Star Capital plc
(“Blue Star Capital” or the “Company”)

Half-yearly report for the period ended 31 March 2009

I am pleased to report Blue Star Capital plc’s interim results for the period ended 31 March 2009.

Blue Star Capital plc (“Blue Star Capital” or “the Company”), has continued to implement its new strategic focus in investing in predominantly unquoted companies within the Homeland Securities Industry (“HSI”) sector. In connection with this, and as announced earlier today, I am delighted to welcome General Sir Michael Wilkes to the board of Blue Star Capital as a non executive director.

General Wilkes retired from the British Army in 1995 as Adjutant General and Middle East Adviser to the British Government on defence matters. His distinguished career has included commanding the 22 Special Air Service Regiment and serving as the Director of Special Forces. On leaving the Army in 1995 he was appointed Lieutenant Governor and Commander in Chief of Jersey, where he served until retiring in 2000. Blue Star Capital will greatly benefit from his extensive experience, network and strategic perspective.

Financials

The ongoing turmoil in the world economy continued to impact many of the Company’s quoted investments to the end of March 2009. As a result, the fair value losses from investments amounted to £925,309 for the six month period compared with losses of £84,659 for the six months to 31 March 2008. This was largely responsible for the interim loss of £1.167m.

As a result, net assets were reduced by £1.167m to £2.670m (30 September 2008: £3.838m). However, investment values have recovered strongly in the past three months. By way of meaningful comparison, at 1 June 2009, the Company’s net asset value was £3.384m or 3.2p per share. As shown in the table below, the market values at 1 June 2009 of some of its investments from post balance sheet sales are greater than the carrying value at March 2009. During this period a number of shares were disposed at a profit of £128,928 which is reflected in the fair value as at 1 June 2009 below.

	Class of Shares	Unaudited Fair Value at 31 March 2009	Unaudited Fair Value at 1 June 2009
		£	£
Investments			
Quoted on the Alternative Investment Market of the London Stock Exchange:			
Gasol plc	Ordinary 0.5p	346,667	857,732
Zenergy Power plc	Ordinary 1p	503,389	720,462

The investments in Gasol plc and Zenergy plc have seen significant rises in their share price since the balance sheet date resulting in a material increase in the value of Blue Star Capital’s holding. Cumulatively, the increase in fair value from movement in the price of these quoted investments between 31 March 2009 and 1 June 2009 is £728,138.

Blue Star Capital's cash position at the end of the six months to 31 March 2009, after meeting all its obligations, was £17,203 compared with £276,642 at the end of September 2008. While it would have been possible for the Company to have realised cash from sales of investments over the past six months, the Board took the view that it would be preferable to wait for market conditions to improve. This view has proved justified and the Company has since been able to implement its planned disposals of non core assets in a stronger market. Between 8 May 2009 and 1 June 2009, the Company divested 4.5 million Gasol shares, corresponding to 20.77% of its 30 September 2008 holding, at a profit. As at 1 June 2009, the Company had also sold approximately 14% of its Zenergy shares and 13% of its Venteco holding.

Other Post Balance Sheet Events

Blue Star Capital announced its agreement on 11 June 2009, subject to shareholder approvals, to fully acquire, for new Blue Star Capital shares, the assets of The PegasusBridge Defence & Security Fund Limited (the "Fund") in which it is a 30.77% shareholder. The Board is grateful to the key investors in Blue Star Capital representing 79% of the share capital who have given irrevocable undertakings to vote in favour of the acquisition and who are very supportive of the Company's new strategic focus and direction which commenced less than a year ago. The transaction is expected to complete during early July 2009 following the Company's General Meeting which is scheduled to be held on 30 June 2009.

The acquisition of the Fund's assets will have a number of key benefits to Blue Star Capital's shareholders including:

- enhancing and strengthening the portfolio, demonstrating its focus on the HSI sector whilst protecting Blue Star Capital's cash reserves for both follow-on investment and new investments;
- supporting planned appointments and growth in the business;
- the new shares to be issued on completion of the transaction will be subject to a 12 month lock-in arrangement and thereafter a 12 month orderly market provision. This is expected to further reduce volatility in the share price and removing the need to pay management fees to PegasusBridge Fund Management Limited (the current the fund manager for the Fund) resulting in cost savings.

Outlook

The performance of the three investments to be acquired from the Fund, namely OmniPerception (of which Lord Dear is Chairman), Pedagog and Zimiti, continues to exhibit good potential and each is well positioned to deliver significant returns to the Blue Star Capital portfolio as the Company further implements its Homeland Security investment strategy.

The Company also expects that the legacy investments in Zenergy, Gasol, eSeekers and Medcenter will continue to recover their fortunes during the final half of 2009. The remaining legacy and non-core investments, Black Raven; India Restaurants Group and Venteco are not expected to return significant value. Black Raven has now been written down to zero and the latter two investees will be divested as soon as the opportunity arises.

As existing investments are divested, Blue Star Capital's strategy is to invest in potentially highly profitable, diversified and robust late-stage businesses in the HSI sector to deliver growth and value to shareholders. In order to implement this strategy, Blue Star Capital will need to raise further funding for targeted new investments in the sector as well as to further develop the existing investments. This process will commence during the second half of 2009.

In summary, Blue Star Capital will continue to focus on achieving significant capital growth by:

- investing in a portfolio of unquoted and some quoted high growth-oriented companies;
- exploiting HSI technologies primarily in the UK, but also mainland Europe, Scandinavia, USA and elsewhere in the developed world;
- targeting companies and business propositions that have good prospects of achieving significantly enhanced valuations through acquisitions or initial public offerings;
- targeting technologies that have an HSI focus but with significant cross-sectoral civilian applications as well as attractive valuations, strong, focused management and products with proven potential and revenues; and
- drawing upon the diversified skills and experience of its board of directors.

Portfolio Summary

1. THE PEGASUSBRIDGE DEFENCE & SECURITY FUND LIMITED

PegasusBridge (www.pegasusbridgefund.com) manages The PegasusBridge Defence & Security Fund Limited ("the Fund"), Europe's first HSI fund.

In the period to end March 2009, the Fund slightly decreased in value, primarily due to management fees. The total decrease attributable to Blue Star Capital for that period to the end of March 2009 was £39,266. The Company expects to fully complete its acquisition of 100% of the Fund's holdings in these three unquoted UK company investments during early July 2009, subject to shareholder approvals:

Zimiti Limited (www.zimiti.com) develops portable and robust wireless access control solutions for monitoring and control of security systems including electronic locks based upon its patented wireless technology platform.

The company has achieved its strongest sales pipeline to date and is on track to reach cash breakeven by October 2009. Blue Star Capital plans to complete a scheduled investment in Zimiti during June 2009, complementing other funding the company has secured including a grant from the East of England Development Agency (EEDA).

OmniPerception Limited (www.omniperception.com) has developed unique face biometrics technology for computer vision including applications such as secure access, machine-readable travel documents, identification and personalisation.

On 1 June 2009, Dr Stewart Hefferman joined OmniPerception as its new Chief Executive Officer. Stewart was Chief Operating Officer at biometric and document security specialist TSSI Systems Ltd, and brings over 10 years experience in the biometrics market to OmniPerception. His previous experience includes the successful delivery of large governmental contracts and the creation of new revenue streams through strategic relationships and joint ventures in various countries.

We reported in the last Annual Report that the company had secured a £1.5m non dilutionary project funding from BAE Systems in January 2009. The face recognition and behavioural biometric work with OmniPerception is one of the programme's first projects and biometrics is seen as a growth market area even in recession.

In January 2009, OmniPerception also announced that following extensive trials, Merseyside Police had given the go-ahead for the widespread installation of new facial-recognition technology. Merseyside Police currently has a quarter-of-a-million images on its database and anticipates that the database will continue to grow once the technology is rolled out force-wide.

OmniPerception continues to also address dual-usage opportunities, those which have additional application sets outside the HSI industry to expand and extend its feature sets and revenue opportunities.

Pedagog Limited (www.pedagog.com) has developed cost effective SIM-enabled camera technology using mobile phone networks to create real-time video interaction via a middleware platform with simple setup. It offers both security solutions for commercial and private users at all levels including videoconference as well as the opportunity to establish a social network platform with live video.

The company continues to make major progress in increasing its licensees internationally and extending its middleware for both the security and social networking sectors, in line with Blue Star Capital's dual-usage criteria for investees.

In support of Pedagog's growth strategy, Blue Star Capital has made two scheduled investments totalling £100,000 in Pedagog Limited in the first half of 2009 alongside the lead investor, Highland Fund Managers Limited.

2. MEDCENTER HOLDINGS INC

Medcenter (www.medcentersolutions.com, www.medcenter.com) is a multinational pharmaceutical marketing company specialising in innovative solutions to increase drug sales and business effectiveness. Blue Star Capital owns a minority stake in this private company.

Medcenter continues to make excellent progress in its core business of providing Medical Education and Marketing Services to the pharmaceutical industry in Latin America and Iberia. Strong sales growth is expected to continue into 2009, but the primary financial goal of the Company is to turn breakeven from an operational cash flow perspective before the end of 2009. Medcenter is actively expanding into Europe (beyond the Iberian Peninsula) and has made significant progress in developing commercial and strategic relationships with select parties across Europe. The Company expects to report further progress on this topic during the second half of the year..

3. ESEEKERS LIMITED

eSeekers is a private company which launched the www.sharenow.com portal. ShareNow enables a registered user to instantly share any files and of any size on their computer with anyone else on the web, without the need to have to upload them to anyone's servers, in essence, the user remains in control and ownership of their media. This is a key differential advantage in establishing ShareNow as a leading social networking site in a sector that is rapidly growing.

The Company reported that on 3 February 2009, Nigel Robertson, Chairman of eSeekers had signed a joint venture contract with a group, whose name remains confidential. This group intends to build its own social networking site using sharenow.com domain to enable it to interact more with its members. The contract is for eSeekers to build the web presence, using the existing software. Under the terms of that agreement, eSeekers was to be paid \$3m in one payment on 24 April 2009 (once the site has been delivered) and would then have 50% interest in the joint venture, sharing revenues and profits accordingly. The money would provide the holding company with working capital and pay off existing loans including a £100,000 outstanding loan from Blue Star Capital. Whilst a modest payment has been received by eSeekers, the Directors of eSeekers have extended the timescale for the balance of the final payments, which is expected before the end of June 2009. eSeekers is also in very advanced deal discussions in other sectors and further news is anticipated shortly.

4. GASOL PLC

Gasol plc (AIM:GAS) (www.gasol.co.uk) identifies and develops commercially attractive opportunities in the gas sector, with initial focus on liquefied natural gas (LNG), sourced from Africa's Gulf of Guinea region.

Between 8 May 2009 and 1 June 2009, Blue Star Capital divested a total of 4.5 million Gasol shares corresponding to 20.77% of the Company's original holding, securing an average price of 4.1p per share. For comparison, the price per share of Gasol on 31 March 2009 was 1.6p.

5. ZENERGY POWER PLC

Zenergy Power plc (AIM:ZEN), (www.zenergypower.com) is a global specialist manufacturer and developer of commercial applications for superconductive materials. Zenergy is developing a number of energy efficient applications to be adopted in renewable energy power generation, energy distribution and large scale, energy intensive industrial processes.

In January 2009, Blue Star Capital took advantage of a favourable market to sell 12,500 Zenergy shares representing 2.49% of the 30 September 2008 holding and again in April 2009, a sale of a further 59,600 Zenergy shares representing 11.89% of the Company's 30 September 2008 holding, ie a total divestment of 14.38% of its 30 September 2008 holding.

Blue Star Capital considers Zenergy to be a key legacy holding. Although it is not easily classifiable in HSI, the shares are expected to return significant growth over 2009/10.

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

Richard Leaver
Chief Executive Officer

For further information:

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Income Statement
for the six months ended 31 March 2009

		Unaudited and restated 6 months ended 31 March 2009	6 months ended 31 March 2008	Year ended 30 September 2008
	Notes		£	£
Fair value losses arising from investments held for trading		(925,309)	(84,659)	(1,488,451)
Other Income		5,000	-	15,000
Administrative expenses		(216,114)	(164,320)	(486,939)
<i>Operating loss</i>		(1,136,423)	(248,979)	(1,960,390)
Share of loss in associate	5	(39,266)	-	35,764
Finance income		8,187	35,772	75,453
<i>Loss before taxation</i>		(1,167,502)	(213,207)	(1,849,173)
Taxation		-	43,707	306,199
<i>Loss for the year</i>		(1,167,502)	(169,500)	(1,542,974)
Loss per ordinary share				
Basic and diluted loss per share	4	(1.11p)	(0.16p)	(1.46p)

All losses for the period are attributable to equity shareholders of the company.

Balance Sheet
at 31 March 2009

		Unaudited 6 months ended 31 March 2009	Unaudited and restated 6 months ended 31 March 2008 £	30 September 2008 £
Non-current assets				
Investment in associate	2	796,498	300,000	835,764
Current assets				
Investments held for trading	6	1,782,129	4,062,598	2,722,255
Trade and other receivables	2	165,934	29,322	198,971
Cash and cash equivalents		17,203	1,224,741	276,642
Total current assets		1,965,266	5,316,661	3,197,868
Total assets		2,761,764	5,616,661	4,033,632
Non-current liabilities				
Deferred tax		-	(262,492)	-
Current liabilities				
Trade and other payables	2	(91,107)	(142,536)	(195,473)
Total liabilities		(91,107)	(405,028)	(195,473)
Net Assets		2,670,657	5,211,633	3,838,159
Equity				
Share capital		105,500	105,500	105,500
Share premium account		5,032,525	5,032,525	5,032,525
Retained earnings		(2,467,368)	73,608	(1,299,866)
		2,670,657	5,211,633	3,838,159

**Statement of changes in equity
at 31 March 2009**

Share capital - equity £	Share premium £	Retained earnings £	Total £
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Year ended 30 September 2008

At 1 October 2007	105,500	5,032,525	243,108	5,381,133
Loss for the year	-	-	(1,542,974)	(1,542,974)
	<u>105,500</u>	<u>5,032,525</u>	<u>(1,299,866)</u>	<u>3,838,159</u>
At 30 September 2008	<u>105,500</u>	<u>5,032,525</u>	<u>(1,299,866)</u>	<u>3,838,159</u>

**Six months ended 31 March 2008 –
unaudited and restated**

At 1 October 2007	105,500	5,032,525	243,108	5,381,133
Loss for the period	-	-	(169,500)	(1,516,058)
	<u>105,500</u>	<u>5,032,525</u>	<u>73,608</u>	<u>5,055,976</u>
At 31 March 2008	<u>105,500</u>	<u>5,032,525</u>	<u>73,608</u>	<u>5,055,976</u>

**Six months ended 31 March 2009 -
unaudited**

At 30 September 2008	105,500	5,032,525	(1,299,866)	3,838,159
Loss for the period	-	-	(1,167,502)	(1,167,502)
	<u>105,500</u>	<u>5,032,525</u>	<u>(2,467,368)</u>	<u>2,670,657</u>
At 31 March 2009	<u>105,500</u>	<u>5,032,525</u>	<u>(2,467,368)</u>	<u>2,670,657</u>

**Cash Flow Statement
for the six months ended 31 March 2009**

	Unaudited 6 months ended 31 March 2009	Unaudited and restated 6 months ended 31 March 2008	Year ended 30 September 2007
Note	£	£	£

Cash flow from operating activities

Loss before taxation	(1,167,502)	(213,207)	(1,849,173)
Adjustments for:			
Share of loss/(profit) from associate	39,266	-	(35,765)
Finance income	(8,187)	(35,772)	(75,453)
Fair value losses	925,309	84,659	1,488,451
Operating cash flows before movements in working capital	(211,114)	(164,320)	(471,940)
Decrease in receivables	33,037	393,688	224,038
(Decrease)/increase in payables	(104,366)	26,630	76,193
Net cash (used in)/from operating activities	(282,443)	255,998	(171,709)
Investing activities			
Interest received	8,187	35,772	75,453
Payments to acquire investments	-	(300,000)	(860,073)
Proceeds from sale of investments	14,817	97,492	97,492
Cash flows (used in)/from investing activities	23,004	(166,736)	(687,128)
Net (decrease)/increase in cash and cash equivalents	(259,439)	89,262	(858,837)
Cash and cash equivalents at beginning of period	276,642	1,135,479	1,135,479
Cash and cash equivalents at end of period	17,203	1,224,741	276,642

**Notes to the interim statement
for the six months ended 31 March 2009****1. Basis of preparation**

These interim financial statements for the period ended 31 March 2009, have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the European Union (“adopted IFRSs”). The figures for the period ended 31 March 2008 have been restated in order to comply with IFRS.

The preparation of the interim statement requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These interim statements have been prepared under the historical cost convention and are unaudited.

The financial information included in this report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985, and is unaudited. The comparative figures for the year ended 30 September 2008 do not constitute the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The auditor's report on those statutory accounts was unqualified, did not include references to any matters to which the auditors drew attention without qualifying their report, and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

2. Significant accounting policies

Basis of accounting

The significant accounting policies that the Company has applied to its financial statements for the six months ended 31 March 2009 and which it expects to apply in its full financial statements for the year ending 30 September 2009 are set out below:

Associates

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

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

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

Derivatives

Embedded derivatives are separated from the host contract and recognised at fair value using generally accepted valuation techniques. If there is an active market for the derivatives, they are recognised at the quoted market price.

Where a contract contains one or more embedded derivatives, Blue Star Capital may choose to designate the entire hybrid contract as a financial asset at fair value through profit or loss.

Financial assets

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

Blue Star Capital's accounting policy for each category is as follows;

Fair value through profit or loss

Financial assets are initially recognised in the balance sheet at fair value with changes in fair value recognised through the income statement as fair value gains/(losses) on investments held for trading. This includes Blue Star Capital's investments that are classified as held for trading within current assets on the balance sheet.

The fair value of unlisted securities is established using British Venture Capital Association ('BVCA') guidelines. The valuation methodology used most commonly by the Company is the 'price of recent investment' contained in the BVCA 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 BVCA 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

Blue Star Capital'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, excluding convertible loan notes from third parties, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Foreign currency

The functional and presentational currency of the Company is Sterling, which is the currency of the primary economic environment in which the entity operates.

Foreign currency transactions are translated into sterling at the rate of exchange at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign currency monetary assets and liabilities at the year end rate are recognised in the income statement.

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

Deferred taxation

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

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

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

3. Critical accounting judgements and key sources of estimation uncertainty

Blue Star Capital makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair Value of financial instruments:

Blue Star Capital holds a number of investments classified as held for trading. Blue Star Capital determines the fair value of these financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by certain key assumptions, such as discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

4. Loss per ordinary share

The calculation of a basic loss per share is based on the loss for the period attributable to equity holders of Blue Star Capital plc and on the weighted average number of shares in issue during the period.

5. Investment in associate

Blue Star Capital has a 30.77% interest in The PegasusBridge Defence & Security Fund Limited a private company, incorporated in Guernsey, which invests in both unquoted and quoted shares in defence and security-related companies, with a strong focus on homeland security.

6. Investments – held for trading

The held for trading investments relate to investments in companies listed on the AIM market of the London Stock Exchange plc and in private unquoted business. The investments are classified as current assets and are measured at their fair value at each reporting date. Changes in fair value are recorded in the Income Statement.

7. Post balance sheet events

Blue Star Capital invests in a number of AIM listed companies and the share prices of these companies can be volatile and move up or down on small volumes traded. The market values at 1 June 2009 of some of its investments are greater than the carrying value at 31 March 2009. During this period a number of shares were disposed at a profit of £128,928.

Investments, such as Gasol plc and Zenergy plc have seen significant rises in their share price since the balance sheet date.

On 10 June 2009, Blue Star Capital plc announced that it had entered into a conditional agreement (subject to the approval of shareholders) with The PegasusBridge Defence & Security Fund Limited (the “Fund”) to acquire the Fund’s assets, comprising loan notes and equity in three unlisted companies operating in the homeland security industry. These companies are Pedagog Limited, Zimiti Limited and OmniPerception Limited. Details of this proposed acquisition are contained in the announcement released to London Stock Exchange on 10 June 2009.