

27 June 2014

Blue Star Capital plc

Interim Results for the six months ended 31 March 2014

Blue Star Capital plc (AIM: BLU), the investment company with a focus on technology and its applications within media and gaming, is pleased to announce its interim results for the six months ended 31 March 2014.

Highlights:

- Profit for the period of £378,867 (2013: loss of £253,431)
- Net assets increased by 217% to £1,646,555 (30 September 2013: £519,241).

Post period highlights:

- OAK has signed agreements with RHF Productions Ltd, Playboy TV Europe and The Anfield Wrap.
- Company raised £150,000 by way of a subscription of 27,272,727 Ordinary Shares

Graham Parr, Chairman of Blue Star Capital plc, commented:

“Having successfully raised sufficient equity to fully repay and convert the shareholder loan which stood at over £600k at the Company’s year end, brought in new management, and developed a solid investment strategy, the Board believes that significant progress has been made in the period. With the Company in a much stronger position, the Board will continue to drive the current portfolio whilst appraising further investments as appropriate.

The work that management has undertaken in the period and beyond has laid the foundations for driving shareholder value and, with a clear strategy in place, we look forward to the coming period with optimism.”

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Notes to Editors:

- Blue Star Capital plc is the investment company with a focus on technology and its applications within media and gaming
- Investments include:
 - **OAK Media Limited:** 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.
 - **Disruptive Tech Limited:** 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 co-located in London.

- **Vigilant Applications Limited:** A software development company specialising in security solutions for monitoring and shaping user behaviour at a PC or 'end point'.
- Blue Star listed on AIM in 2004 under ticker BLU

Chairman's Statement

The six-month period ended 31 March 2014 was one of further, positive development for Blue Star Capital.

The Company now has a clear strategy for investment into technology businesses, whether pure technology or technology-led gaming and media businesses. The Board sees this as a clear opportunity for growth through which it can drive value for shareholders.

Working with a more streamlined cost base and reduced overheads, the new management team has made significant progress in the period against this strategy.

The Board is now focused on supporting its investee companies at a level that is appropriate in each case, creating value through their continued development and ultimately through their realisation.

Financials

The Company reported a profit for the period of £378,867, which is particularly pleasing given the loss of £253,431 in the corresponding period the year prior.

Net assets stood at £1,646,555 – a 217% increase from £519,241 at 30 September 2013.

Blue Star's cash position at 31 March 2014 was £4,448 compared to balance of £4,638 at 31 March 2013. This position has been enhanced post period end following a subscription, further details of which are set out below.

Portfolio Review

I am pleased to report that the businesses in the portfolio now reflect the changes made to the Company's investment policy in October of last year and are each making good progress.

OAK Media Limited ('OAK')

Company description

OAK was formed in order to take advantage of the global growth in the gaming for entertainment industry amid a rapidly-evolving regulatory environment.

OAK intends to become an aggregator of the best gaming technologies and provider of the best available gaming solutions. The gaming market is a lucrative and fast-moving one where we believe rapid returns can be achieved through modest investment.

Blue Star's holding in OAK

The Company initially agreed to invest £100,000 in OAK in return for 90 per cent. of the issued share capital. At the point of the initial investment, the Company invested £50,000. In addition, 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.

On 31 March 2014, the Company's share in OAK reduced to 75% following the signing of an agreement with Nektan (Gibraltar) Limited to supply OAK with white label real money gaming services for the UK Market.

Since 31 March 2014, the Company has invested a further £25,000 in OAK and OAK has signed agreements with RHF Productions Ltd, Playboy TV Europe and The Anfield Wrap. The Company's shareholding in OAK has now reduced to 65%.

The Board believes there is a significant near term opportunity to increase the carrying value of this investment.

Disruptive Tech Limited ('DTL')

Company description

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 holding in DTL

Blue Star's £300,000 investment in DTL was made in 2007. During the period, DTL completed a round of external investment funding at a pre-money valuation of £75.0m. On the basis of this valuation, Blue Star's holding in DTL is valued at £1.6m. This represents an unrealised gain of £479,485 compared to the value of £1.121m attributed to the investment at 30 September 2013.

Vigilant Applications Limited ('VAL')

Company description

VAL 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.

Blue Star's holding in VAL

The Company's investment in VAL has remained unchanged at £88,000.

Share issues during the period ended 31 March 2014

On 1 November 2013, the Company issued 50,000,000 ordinary shares of 0.1 pence each ("Ordinary Shares") as part of a subscription and a further 50,000,000 Ordinary Shares following part conversion of a loan. On 19 November 2013, 40,344,250 Ordinary Shares were issued following a further conversion of a loan. On 24 December 2013, 40,000,000 Ordinary Shares were issued as part of a subscription and a further 12,214,000 Ordinary Shares following part conversion of a loan. On 30 December 2013, a further 5,200,000 Ordinary Shares were issued as consideration in respect of a loan conversion.

Post Balance Sheet Events

On 9 June 2014, the Company raised £150,000 by way of a subscription of 27,272,727 Ordinary Shares at a price of 0.55p per share with institutional and private investors and the Chairman of the Company. At the same time the Company repaid and converted the balance of the shareholder loan, following which the Company is now debt free. Finally the Company was recently informed that the deferred consideration owing on Visimetrics (UK) Limited of £7,282 would not be achieved and this deferred asset has therefore been written off.

Outlook

Having successfully raised sufficient equity to fully repay and convert the shareholder loan which stood at over £600k at the Company's year end, brought in new management, and developed a solid investment strategy, the Board believes that significant progress has been made in the period. With the Company in a much stronger position, the Board will continue to drive the current portfolio whilst appraising further investments as appropriate,

The work that management has undertaken in the period and beyond has laid the foundations for driving shareholder value and, with a clear strategy in place, we look forward to the coming period with optimism.

**Statement of Comprehensive Income
for the six months ended 31 March 2014**

	Unaudited		Audited
	Six months ended 31 March		Year ended 30 September
	2014	2013	2013
Note	£	£	£
Gain/ (loss) arising from investments held at fair value through profit or loss:			
Investments	479,485	36,415	(36,802)
Impairment of deferred consideration receivable	(7,282)	(100,000)	(479,655)
Profit on disposal of investments	-	-	4,898
	<u>472,203</u>	<u>(63,585)</u>	<u>(511,559)</u>
Other income	5,023	-	-
Administrative expenses	(80,452)	(95,309)	(98,798)
Operating profit/ (loss)	396,774	(158,894)	(610,357)
Finance income	-	10	43,615
Finance costs	(17,907)	(94,547)	(136,603)
Profit/(loss) before and after taxation and total comprehensive income for the period	<u>378,867</u>	<u>(253,431)</u>	<u>(703,345)</u>
Earnings/ (loss) per ordinary share:			
Basic and diluted earnings/(loss) per share	4 <u>0.001p</u>	<u>(0.15p)</u>	<u>(0.40p)</u>

The profit for the period was derived from continuing operations and is attributable to equity shareholdings.

**Statement of Financial Position
for the six months ended 31 March 2014**

	Unaudited		Audited
	Six months ended 31 March		Year ended 30 September
	2014	2013	2013
	£	£	£
Non-current assets			
Investments	1,788,182	1,188,607	1,208,694
	<u>1,788,182</u>	<u>1,188,607</u>	<u>1,208,694</u>
Current assets			
Trade and other receivables	35,974	460,642	37,350
Cash and cash equivalents	4,448	4,638	34,005
	<u>40,422</u>	<u>465,280</u>	<u>71,355</u>
Total assets	<u>1,828,604</u>	<u>1,653,887</u>	<u>1,280,049</u>
Current liabilities			
Trade and other payables	96,757	81,383	158,976
Borrowings	85,292	576,214	601,832
	<u>182,049</u>	<u>657,597</u>	<u>760,808</u>
Total current liabilities	<u>182,049</u>	<u>657,597</u>	<u>760,808</u>
Net assets	<u>1,646,555</u>	<u>996,290</u>	<u>519,241</u>
Shareholders' equity			
Share capital	390,700	175,442	192,942
Share premium account	7,366,036	6,789,097	6,815,347
Retained earnings	(6,110,181)	(5,968,249)	(6,489,048)
	<u>1,646,555</u>	<u>996,290</u>	<u>519,241</u>

**Statement of changes in equity
at 31 March 2014**

	Share capital £	Share premium £	Retained earnings £	Total £
Six months ended 31 March 2014				
At 1 October 2013	192,942	6,815,347	(6,489,048)	519,241
Profit for the period and total comprehensive income	-	-	378,867	378,867
Shares issued in period	197,758	550,689	-	748,447
Share based payment	-	-	-	-
At 31 March 2014	<u>390,700</u>	<u>7,366,036</u>	<u>(6,110,181)</u>	<u>1,646,555</u>
Six months ended 31 March 2013				
At 1 October 2012	168,020	6,772,770	(5,785,703)	1,155,087
Loss for the period and total comprehensive income and expense	-	-	(253,431)	(253,431)
Shares issued in period	7,422	16,327	-	23,749
Share based payment	-	-	70,885	70,885
At 31 March 2013	<u>175,442</u>	<u>6,789,097</u>	<u>(5,968,249)</u>	<u>996,290</u>
Year ended 30 September 2013				
At 1 October 2012	168,020	6,772,770	(5,785,703)	1,155,087
Loss for the period and total comprehensive income and expense	-	-	(703,345)	(703,345)
Shares issued in year	24,922	42,577	-	67,499
At 30 September 2013	<u>192,942</u>	<u>6,815,347</u>	<u>(6,489,048)</u>	<u>519,241</u>

**Statement of cash flows
at 31 March 2014**

	Unaudited		Audited
	Six months ended 31 March		Year ended 30 September
	2014	2013	2013
	£	£	£
Cash flow from operating activities			
Profit /(loss) for the period	378,867	(253,431)	(703,345)
<i>Adjustments for:</i>			
Finance income	-	(10)	(43,615)
Finance costs	17,907	94,548	136,603
Fair value (gains)/losses	(479,485)	-	36,802
Impairment of deferred consideration receivable	-	-	479,655
Profit on disposal of investments	-	-	(4,898)
Shares issued in lieu of salary	-	23,749	-
Share based payments	-	70,885	-
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Operating cash flows before movement in working capital	(82,711)	(64,259)	(694,307)
Increase/(decrease) in trade and other receivables	1,376	104,221	(7,335)
Decrease/(increase) in trade and other payables	(112,222)	(72,270)	32,635
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Net cash used in operating activities	(193,557)	(32,308)	(73,498)
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Financing activities			
Repayment of loans	(136,000)	-	-
Proceeds from issue of equity shares	350,000	-	43,750
Share issue costs	-	-	(20,000)
	<hr/>	<hr/>	<hr/>
	214,000	-	23,750
	<hr/>	<hr/>	<hr/>
Investing activities			
Purchase of investments	(50,000)	-	-
Proceeds from sale of investments	-	-	46,807
Interest received	-	10	10
	<hr/>	<hr/>	<hr/>
	(50,000)	10	46,817
	<hr/>	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(29,557)	(32,298)	(2,931)
Cash and cash equivalents at beginning of the period	34,005	36,936	36,936
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**Cash and cash equivalents at
end of the period**

4,448

4,638

34,005

Notes to the Interim Financial Statements for the six months ended 31 March 2014

1. Basis of preparation

The principal accounting policies used for preparing the Interim Accounts are those the Company expects to apply in its financial statements for the year ending 30 September 2014 and are unchanged from those disclosed in the Company's Report and Financial Statements for the year ending 30 September 2013.

The financial information for the six months ended 31 March 2014 and for the six months ended 31 March 2013 has neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board. The financial statements for the full year ending 30 September 2013 included an emphasis of matter in the Audit Report in relation to the going concern of the Company.

2 Critical accounting estimates and judgements

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 investments that have been designated at fair value through profit or loss on initial recognition. Blue Star Capital 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, Blue Star is required to make judgements over carrying value impairment, and evaluate the size of any impairment required.

3 Earnings per ordinary share

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

4 Post Balance Sheet Events

On 9 June 2014 the Company raised £150,000 by way of a subscription of 27,272,727 new ordinary shares of 0.1p each at a price of 0.55p per share with institutional and private investors and a director of the Company. At the same time the Company repaid and converted the balance of the shareholder loan of £85,292.