Blue Star Capital Plc

Annual Report and Financial Statements

for the year ended 30 September 2017

Annual report and financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Contents

Directors and Advisors

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Directors

William Henbrey
(Non-Executive Chairman)

Anthony Fabrizi
(Chief Executive Officer)

Company Secretary & Registered Office

Rawlison & Butler Nominees Limited
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Company Number

05174441

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Broker

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Auditor

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Aston House
Cornwall Avenue
London N3 1LF

Solicitors

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London SE1 2AU

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No. 1 St. Paul's Square
Liverpool L3 9SJ

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Chairman's Statement

The last financial year has been one of considerable progress for the Company. A substantial shareholding has been accumulated in a blockchain business called SatoshiPay. In addition, the Company has seen solid progress with Sthaler, which has successfully raised money at a higher valuation and some of DTL's investments are also making progress, most notably VNU and Freeformers. Unfortunately, we have also had the sad news of Graham Parr's sudden death last year; he is greatly missed.

Financials

The Company reported a loss for the period of £188,713 compared to a loss of £165,005 in the corresponding period. We posted an unrealised a gain on Sthaler but incurred much higher transaction fees during the year, arising from several investments in SatoshiPay and a number of fund raising exercises.

Net assets have increased to £3,513,262 at 30 September 2017, changing from £1,757,165 at 30 September 2016. Blue Star's cash position at 30 September 2017 was £37,970 compared to a balance of £51,184 at 30 September 2016. The Company raised £500,000 before expenses through a further issue of equity shortly after the year end.

Portfolio Review

Disruptive Tech Limited ('DTL')

Company description

DTL is a Gibraltar based investing company. DTL has five current investments, the most important of which are its 14% shareholding, on a fully diluted basis, in VNU Group LLC, a speciality online direct retailer of premium goods paid for through an instant credit facility a 10.20% interest in Freeformers which helps companies fulfil the employee aspects of their digital strategies and an 8.4% stake in Nektan plc, a leading international B2B mobile gaming company.

In 2016, DTL informed investors that it would seek to exit all the shareholdings in the five portfolio companies during the course of the next 3 years and would disperse the proceeds back to DTL's shareholders. Disbursement of proceeds is expected to be either through the distribution of shares if a company is listed on a public market (post any lock in period and stability in the share price) or cash from the sale of DTL's positions. At this stage DTL has not commenced its strategy of disbursing its investments but the Board of Blue Star is hopeful of progress this year.

Blue Star's shareholding in DTL

Blue Star's £300,000 investment in DTL was made in 2007. Since its original investment, DTL has raised money at significantly higher valuations and while the Company's percentage shareholding has fallen to 2.1%, the value of the investment has increased to its current carrying value of £1.597 million.

Sthaler Limited ("Sthaler")

Company description

In June 2015 the Company invested £50,000 in Sthaler Limited, an early stage identity and payments technology business which enables a consumer to identify themselves and pay using just their finger at retail points of sale. In May 2017, Sthaler announced that it had raised £3 million of new equity on a pre-money valuation of approximately £19 million.

Sthaler jointly developed Fingopay in conjunction with Hitachi. Fingopay uses a unique finger vein ID process that is considered by Sthaler to be more secure than finger print readers and faster than chip and pin operations. The technology is widely adopted in Japan and it is Sthaler's aim to commercialise the technology in the area of payments globally.

It is the Directors' understanding that Sthaler is having ongoing discussions with a large number of organisations regarding the commercialisation of its technology. Whilst there is no guarantee that these discussions will result in commercial sales in the short term or at all, the Directors remain optimistic of an exciting future for Sthaler. Further details regarding Sthaler are available at its website www.sthaler.com.

Chairman's Statement

CONTINUED

Blue Star's shareholding in Sthaler
The Company's shareholding in Sthaler is currently 1%, valuing the Company's stake at £227,000.

SatoshiPay Ltd ("SatoshiPay")

Company description
SatoshiPay is developing a two-way payment platform, which enables online content providers to monetise their digital content through the acceptance of nanopayments. Using the SatoshiPay platform, online media companies are able to process nanopayments with minimal transaction fees.

SatoshiPay believe its technology, which is based on blockchain, will provide a direct alternative to paywalls and subscriptions, currently adopted by some media companies, and should instead enable users to pay for consumption on a per article, per song or per download basis; or for content to be consumed and paid for on an incremental basis (payment per paragraph or minute of audio or video content). SatoshiPay works without software download or sign-up for the user (save for creation/top up of an online wallet). Payments are instant and the user's wallet balance is available on each website that integrates the SatoshiPay software.

In July 2016, SatoshiPay announced collaboration with Visa Europe's innovation department relating to a proof of concept project to develop the capability to deliver a trusted top-up service to a digital wallet, using just a Visa card. Following the successful conclusion of that project, SatoshiPay's primary focus moved on to making its website "widget" more appealing and compatible to the mass markets by adding payment methods like credit cards for topping up credit without the need for website users to hold Bitcoins. In May 2017, SatoshiPay announced that it had launched PayPal support allowing top-ups of its SatoshiPay online wallet via PayPal. In December 2017 SatoshiPay announced that consumers would be able to top up their SatoshiPay account using credit cards. In December 2017 SatoshiPay also switched from using the Bitcoin blockchain for settlements to the Stellar distributed ledger network and entered into a strategic partnership with the Stellar Development Foundation.

The Directors believe the sizeable investment in SatoshiPay has the potential to generate significant returns for the Company's shareholders and are excited by this opportunity. Further details regarding SatoshiPay are available at its website www.satoshipay.io

Blue Star's shareholding in SatoshiPay
The Company's shareholding in SatoshiPay is currently 31% and is valued at cost of £1.672 million.

Outlook

The Board believes the Company's portfolio has been significantly improved as a result of the significant shareholding in SatoshiPay. At the same time, the running costs have remained low and are kept under strict control. Overall, the Directors believe the Company is now far better positioned to examine opportunities to enhance shareholder value and the Board views the future outlook with confidence.

William Henbrey
Non-Executive Chairman

28 February 2018

Strategic Report

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Review of Business and Analysis Using Key Performance Indicators

The full year's pre-tax loss was £188,713 compared to a pre-tax loss of £165,005 for the year ended 30 September 2016.

The increased loss reflected the significantly higher transaction fees incurred during the year as a result of the investments in SatoshiPay and fund raising exercises.

Net assets have increased to £3,513,262 at 30 September 2017, changing from £1,757,165 at 30 September 2016, primarily due to the investments in SatoshiPay.

The cash position at the end of the year decreased to £37,970 from £51,184 as at 30 September 2016.

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 2017. The main KPIs for the Company are listed as follows:

	2017	2016
Valuation of investments	£3,496,864	£1,706,237
Cash and cash equivalents	£37,970	£51,184
Net current assets	£16,398	£50,928
Loss before tax	£188,713	£165,005

Investing Policy

Assets or Companies in which the Company can invest

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

- Technology;
- Gaming; and
- Media.

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). The Company has accumulated a 31% stake in SatoshiPay, which the Board believes represents a rare opportunity to generate significant shareholder value.

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.

Strategic Report

CONTINUED

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 Company's primarily 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.

William Henbrey
Non-Executive Chairman

28 February 2018

Directors' Report

FOR THE YEAR ENDED 30 SEPTEMBER 2017

Results and dividends

The Directors present their report together with the audited financial statements for the year ended 30 September 2017.

The trading results for the year ended 30 September 2017 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 (2016: £nil).

Principal activities and review of the business

The principal activity of the Company is to invest in the 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

Anthony Fabrizi
Graham Parr (resigned 17 April 2017)
William Henbrey

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	Warrants
Anthony Fabrizi	30,000,000	25,000,000
William Henbrey	6,136,364	–

Significant shareholders

As at 23 February 2018 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
Nicolas Slater	97,078,281	5.16%
Highland Fund Management Ltd	64,000,000	3.40%
Smaller Company Capital Limited	56,789,900	3.02%

Related party transactions

The Company has entered into certain related party transactions and these are disclosed in note 16.

Events after the reporting date

On 24 October 2017 the Company placed 178,571,429 Ordinary shares in the Company at a price of 0.28 pence per share.

On 1 December 2017 the Company subscribed for €200,000 convertible loan notes issued by Satoshipay Limited. The loan notes are redeemable in cash on 31 December 2018 together with interest accrued at 4% per annum. Alternatively, the Company may elect to redeem the loan notes early in full upon completion by SatoshiPay of a fundraising in excess of €750,000 or in the event of certain circumstances including SatoshiPay being in financial distress.

Directors' Report

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The Company may also convert the outstanding loan notes into fully paid ordinary shares in SatoshiPay ("SatoshiPay Shares") in the event that:

i. SatoshiPay completes a fundraising of at least €750,000; or

ii. in the event of a change of control of SatoshiPay; or

iii. at any time after 30 June 2018.

In the event of conversion of the loan notes into SatoshiPay Shares ("Conversion"), the outstanding loan notes would be converted at a 15% discount to the valuation of the relevant equity fundraise undertaken by SatoshiPay on or prior to the date of Conversion or the valuation of SatoshiPay at the time of a change of control of SatoshiPay. For illustrative purposes, conversion at a 15% discount to the valuation of SatoshiPay of approximately €6million (being the valuation at the time of SatoshiPay's fundraise in January 2017) would result in the Company increasing its holding in SatoshiPay by approximately 3.8%.

Political Donations

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

Provision of information to Auditor

In so far as each of the Directors are aware:

- there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

Auditor

Adler Shine LLP have expressed their willingness to continue as auditor and a resolution to re appoint Adler Shine LLP will be proposed at the Annual General Meeting.

On behalf of the board of Directors:

William Henbrey
Non-Executive Chairman

28 February 2018

Statement of Directors' Responsibilities

FOR THE YEAR ENDED 30 SEPTEMBER 2017

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. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock exchange for companies trading securities on the Alternative Investment Market.

In preparing 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 Auditors' Report

TO THE MEMBERS OF BLUE STAR CAPITAL PLC

Opinion

We have audited the financial statements of Blue Star Capital Plc for the year ended 30 September 2017, 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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 and of its 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.

Basis for opinion

We have conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRS's Ethical Standards as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for the period of at least twelve months from the date when the financial statements are authorised for issue.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in audit; and directing the efforts of the engagement team. The matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters identified were:

- **Valuation of investments**
  The company is an investment company with a focus on technology and its application within media and gaming and its value is based on its investments. The company holds unlisted investments and the value of its investments has increased considerably in the year.

  We considered the existence of investments as well as the valuations placed on unlisted investments at the year end and whether there were any indications of impairment.

Independent Auditors' Report

TO THE MEMBERS OF BLUE STAR CAPITAL PLC
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- **Valuation of warrants**
  The company issued warrants during the year to a director and for the purchase of some of its holdings in Satoshipay. We reviewed the documentation in respect of the warrants and considered the reasonableness of the inputs used in the Black Scholes option valuation model used to value the warrants.

Our application of materiality

Materiality for the company was £40,000 (2016: £17,000) based on an average of 5% of adjusted loss before tax and 2% of net assets (2016: based on 10% of adjusted loss before tax and 1% on net assets).

An overview of the scope of the audit

We tailored the scope of our audit to ensure we performed enough work to be able to give an opinion on the financial statements as a whole and paying particular attention on key audit matters identified above.

The scope of our audit was influenced by our application of materiality which was calculated based on our professional judgement. These together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken during the audit:

- The information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent Auditors' Report

TO THE MEMBERS OF BLUE STAR CAPITAL PLC

CONTINUED

Responsibilities of directors

As explained more fully in the statement of Directors' responsibilities set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonable be expected to influence the economic decisions of users taken on the basis, of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Darsh Shah (Senior Statutory Auditor)
For and on behalf of
Adler Shine LLP,
Chartered Accountants and Statutory Auditor
Aston House
Cornwall Avenue
London N3 1LF

28 February 2018

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 2017

	Notes	2017 £	2016 £
Revenue		—	—
Fair valuation movements in financial assets designated at fair value through profit or loss	10	118,300	8,700
Loss on disposal of investments		—	(20,445)
		118,300	(11,745)
Administrative expenses		(307,021)	(154,760)
Operating loss	3	(188,721)	(166,505)
Finance income	4	8	1,500
Loss before and after taxation and total comprehensive loss for the year		(188,713)	(165,005)
Loss per ordinary share:			
Basic and diluted loss per share on loss for the year	9	(0.02p)	(0.03p)

The notes on pages 17 to 29 form part of these financial statements.

Statement of Financial Position

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 £	2016 £
Non-current assets			
Financial assets at fair value through profit or loss	10	3,496,864	1,706,237
Current assets			
Trade and other receivables	11	11,766	30,925
Cash and cash equivalents	12	37,970	51,184
Total current assets		49,736	82,109
Total assets		3,546,600	1,788,346
Current liabilities			
Trade and other payables	13	33,338	31,181
Total liabilities		33,338	31,181
Net assets		3,513,262	1,757,165
Shareholders' equity			
Share capital	14	1,702,901	500,163
Share premium account		8,382,647	7,704,765
Other reserves		64,190	36,327
Retained earnings		(6,636,476)	(6,484,090)
Total shareholders' equity		3,513,262	1,757,165

The financial statements were approved by the board and authorised for issue on 28 February 2018 and were signed on its behalf by:

Anthony Fabrizi
Chief Executive Officer

Registered number: 05174441

The notes on pages 17 to 29 form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total £
Year ended 30 September 2016					
At 1 October 2015	471,663	7,688,265	36,327	(6,319,085)	1,877,170
Loss for the year and total comprehensive income	—	—	—	(165,005)	(165,005)
Shares issued in year	28,500	16,500	—	—	45,000
At 30 September 2016	500,163	7,704,765	36,327	(6,484,090)	1,757,165
Year ended 30 September 2017					
At 1 October 2016	500,163	7,704,766	36,327	(6,484,090)	1,757,166
Loss for the year and total comprehensive income	—	—	—	(188,713)	(188,713)
Shares issued in year	1,202,738	772,381	—	—	1,975,119
Share issue costs	—	(94,500)	—	—	(94,500)
Lapsed warrants	—	—	(36,327)	36,327	—
Share based payments	—	—	64,190	—	64,190
At 30 September 2017	1,702,901	8,382,647	64,190	(6,636,476)	3,513,262

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.

Other reserves
Other reserves represent the cumulative cost of share based payments.

Retained earnings
Retained earnings represent the cumulative net income and losses of the Company recognised through the statement of comprehensive income.

The notes on pages 17 to 29 form part of these financial statements.

Cash Flow Statement

FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Notes	2017 £	2016 £
Operating activities			
Loss for the year		(188,713)	(165,005)
Adjustments:			
Finance income		(8)	(1,500)
Fair value gains		(118,300)	(8,700)
Loss on disposal		—	20,445
Share based payments		22,887	—
Working capital adjustments			
Decrease in trade and other receivables		19,159	576
Increase/(decrease) in trade and other payables		2,158	(43,605)
Net cash used in operating activities		(262,817)	(197,789)
Investing activities			
Purchase of investments		(1,205,905)	—
Loan issued		—	(25,000)
Interest received		8	1,500
Proceeds from sale of investments		—	200,000
Net cash (used by)/generated from investing activities		(1,205,897)	176,500
Financing activities			
Proceeds from issue of equity		1,550,000	45,000
Share issue costs		(94,500)	—
Net cash generated from financing activities		1,455,500	45,000
Net (decrease)/increase in cash and cash equivalents		(13,214)	23,711
Cash and cash equivalents at start of the year	12	51,184	27,473
Cash and cash equivalents at end of the year	12	37,970	51,184

The notes on pages 17 to 29 form part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. Accounting policies

General information

Blue Star Capital Plc (the Company) invests principally in the 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 AIM market of the London Stock Exchange plc.

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.

Associates are those entities in which the Company has significant influence, but no control, over the financial and operating policies. Investments that are held as part of the Company's investment portfolio are carried in the statement of financial position at fair value even though the Company may have significant influence over those companies. This treatment is permitted by IAS 28 Investment in Associates, which requires investments held by venture capital organisations to be excluded from its scope where those investments are designated, upon initial recognition, as at fair value through profit or loss and accounted for in accordance with IAS 39, with changes in fair value recognised in the statement of comprehensive income in the period of the change. The Company has no interests in associates through which it carries on its business.

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 2017, the Company had cash balances of £37,970 and net current assets of £16,398. During the year the Company has raised £1,550,000 before expenses.

On 24 October 2017 the Company placed 178,571,429 Ordinary shares in the Company at a price of 0.28 pence per share raising gross proceeds of £500,000.

Revenue recognition

Revenue is recognised to the extent that it is possible that the economic benefits will flow to the Company and the revenue can be reliably measured. The Company provides consulting services and recognises revenue in the period in which the services are provided. Revenue is measured at the fair value of the consideration received, excluding value added taxes.

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. Accounting policies (continued)

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 financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets designated at fair value through the profit or loss are those that have been designated by management upon initial recognition. Management designated the financial assets, comprising equity shares and warrants, at fair value through profit or loss upon initial recognition due to these assets being part of the Company's financial assets, which are managed and their performance evaluated on a fair value basis.

Financial assets at fair value through the profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in "Fair valuation movements in financial assets designated at fair value through profit or loss".

Financial assets, comprising equity shares and warrants, are valued in accordance with the "Guidelines for the valuation and disclosure of venture capital portfolios" published by the British Venture Capital Association on the following basis:

(a) Early stage investments: these are investments in immature companies, including seed, start-up and early stage investments. Such investments are valued at cost less an provision considered necessary, until no longer viewed as an early stage or unless significant transactions involving an independent third party arm's length, values the investment at a materially different value:

(b) Development stage investments: such investments are in mature companies having a maintainable trend of sustainable revenue and from which an exit, by way of floatation or trade sale, can be reasonably foreseen. An investment of this stage is periodically re-valued by reference to open market value. Valuation will usually be by one of five methods as indicated below:

   I. At cost for at least one period unless such basis is unsustainable;

   II. On a third party basis based on the price at which a subsequent significant investment is made involving a new investor;

   III. On an earnings basis, but not until at least a period since the investment was made, by applying a discounted price/earnings ratio to the profit after tax, either before or after interest; or

   IV. On a net asset basis, again applying a discount to reflect the illiquidity of the investment.

   V. In a comparable valuation by reference to similar businesses that have objective data representing their equity value.

(c) Quoted investments: such investments are valued using the quoted market price, discounted if the shares are subject to any particular restrictions or are significant in relation to the issued share capital of a small quoted company.

At each balance sheet date, a review of impairment in value is undertaken by reference to funding, investment or offers in progress after the balance sheet date and provisions is made accordingly where the impairment in value is recognised.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. Accounting policies (continued)

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Cash and cash equivalents
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.

Financial liabilities
The Company classifies its financial liabilities in the category of financial liabilities measured at amortised cost. The Company does not have any financial liabilities at fair value through profit or loss.

Financial liabilities measured at amortised cost
Financial liabilities measured at amortised cost include:

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Finance income
Finance income relates to interest income arising on cash and cash equivalents held on deposit and interest accrued on loans receivable. Finance income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. Accounting policies (continued)

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

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

Standards, Amendments and Interpretations in issue not yet effective
The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

		Effective date for accounting periods beginning on or after:
IFRS 2	Amendments to clarify the classification and measurement of share-based payment transactions	1 January 2018
IFRS 3, IFRS 11	Amendments resulting from Annual Improvements 2015-2017 Cycle (remeasurement of previously held interest)	1 January 2019
IFRS 9	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition	1 January 2018
IFRS 9	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	1 January 2019
IFRS 12	Amendments resulting from Annual Improvements 2014-2016 Cycle (clarifying scope)	1 January 2017
IAS 7	Amendments as result of the Disclosure initiative	1 January 2017
IAS 12	Amendments regarding the recognition of deferred tax assets for unrealised losses	1 January 2017
IAS 12	Amendments resulting from Annual Improvements 2015-2017 Cycle (income tax consequences of dividends)	1 January 2019
IAS 19	Amendments regarding plan amendments, curtailments or settlements	1 January 2019
IAS 23	Amendments resulting from Annual Improvements 2015-2017 Cycle (intended use or sale)	1 January 2019
IAS 28	Amendments resulting from Annual Improvements 2014-2016 Cycle (clarifying certain fair value measurements)	1 January 2018

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 and additional disclosure requirements for “investment entities”.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

1. Accounting policies (continued)

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 other reserves 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.

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, contained in the IPEVC guidelines. These techniques are significantly affected by certain key assumptions. 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 11.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. Critical accounting estimates and judgements (continued)

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 5.

3. Operating loss

	2017 £	2016 £
This is stated after charging:		
Auditor's remuneration – statutory audit fees	11,679	11,280

4. Finance income

	2017 £	2016 £
Interest received on short term deposits	8	1,500
	8	1,500

5. Share based payments

Share warrants
On 4 July 2017, the Company granted 25,000,000 warrants to Director Anthony Fabrizi at an exercise price of 0.25p and 42,500,000 warrants at an exercise price of 0.6p and 42,500,000 warrants at an exercise price of 0.8p to Coinsilium Group Limited, each of which can be exercised up until June 2020. The charge to the profit and loss account was £22,887 (2016: £nil). The charge to the cost of investment in Satoshipay was £41,303 (2016: £nil).

	2017		2016	
	Weighted average exercise price (p)	Number	Weighted average exercise price (p)	Number
Outstanding at the beginning of the year	1.24	33,000,000	1.24	33,000,000
Lapsed during year	(1.24)	(33,000,000)	—	—
Issued during year	0.6	110,000,000	—	—
Outstanding at the end of the year	0.6	110,000,000	1.24	33,000,000

The contracted average remaining life of warrants at the year end was 2.92 years (2016: 0.02 years).

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 Option pricing model used	4 July 2017 Black—Scholes	4 July 2017 Black—Scholes	4 July 2017 Black—Scholes
Share price at date of grant (in pence)	0.22p	0.22p	0.22p
Exercise price (in pence)	0.6p	0.8p	0.25p
Contractual life (years)	3	3	3
Expected volatility	85%	85%	85%
Risk free interest rate	0.32%	0.32%	0.32%
Fair value per warrant	0.05p	0.04p	0.09p

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

5. Share based payments (continued)

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 one 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.

6. Staff costs, including directors

	2017 £	2016 £
Wages and salaries	61,111	65,000
Social security costs	6,453	4,489
	67,564	69,489

During the year the Company had an average of 2 employees who were management (2016: 3). The employees were both Directors and key management personnel of the Company.

7. Directors' and key management personnel

		2017 Total	2016 Total
Director			
Anthony Fabrizi	Emoluments	35,000	30,000
	Warrants	22,887	—
Graham Parr	Fees	9,862	20,000
William Henbrey	Emoluments	16,250	15,000
		83,999	65,000

Included in the above amounts is £nil of accrued but unpaid emoluments at 30 September 2017 (30 September 2016 – £16,249).

8. 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 19.5% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Loss before tax	(188,713)	(165,005)
(Loss)/profit before tax multiplied by effective rate of corporation tax of 19.5% (2016 – standard rate of 20%)	(36,799)	(33,001)
Effect of:		
(Profit)/loss on disposal of investments	(79)	14,089
Capital losses/(unrealised gains) carried forward	(23,068)	(11,740)
Capital gains	—	5,430
Capital allowances	(463)	(579)
Expenses not deductible for tax purposes	9,271	—
Losses carried forward	51,138	25,801
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 and revised deferred tax asset at 30 September 2017 is £574,857 (2016: £557,417).

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

9. Loss per ordinary share

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

	2017	2016
Basic:		
Loss for the financial period	**(£188,713)**	(£165,005)
Weighted average number of shares	1,082,876,693	493,181,749
Loss per share (pence)	(0.02)	(0.03)
Fully Diluted:		
Loss for the financial period	**(£188,713)**	(£165,005)
Weighted average number of shares	1,082,876,693	493,181,749
Loss per share (pence)	(0.02)	(0.03)

As at the end of the financial period there were 110,000,000 share warrants in issue, which had an anti-dilutive effect on the weighted average number of shares.

10. Financial assets held at fair value through profit of loss

	2017 £	2016 £
At start of year	1,706,237	1,917,982
Additions	1,672,327	—
Disposals	—	(220,445)
Net fair value gain for the year	118,300	8,700
At end of year	3,496,864	1,706,237

Fair value gain during the year relates to a gain in the value of £118,300 in respect of the Company's investment in Sthaler Limited.

Unquoted investments	Class of shares/investment	Book value and fair value £
Satoshipay	Ordinary 1p	1,672,327
Disruptive Tech. Limited	Ordinary 1p	1,597,537
Sthaler	Ordinary 1p	227,000
		3,496,864

All of the above investments are incorporated in the United Kingdom with the exception of 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.

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

11. Trade and other receivables	2017 £	2016 £
Loan issued	—	25,000
Prepayments	783	—
Social security and other taxes	10,983	5,925
	11,766	30,925

A loan of £25,000 was made to Oxford Real Time Limited ("ORT"). Graham Parr became a director of ORT as a condition of the loan. Interest of 5% per annum was payable on the loan. ORT's business model failed to develop as hoped and the loan was written off during the year.

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

12. Cash and cash equivalents	2017 £	2016 £
Cash at bank and in hand	37,970	51,184
	37,970	51,184

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.

13. Trade and other payables	2017 £	2016 £
Trade payables	12,233	4,926
Accruals	21,100	26,250
Other payables	5	5
	33,338	31,181

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 2017

14. Share capital

	Issued and fully paid			
	2017 Number	2017 £	2016 Number	2016 £
At 1 October	500,162,623	500,163	471,662,623	471,663
Shares issued in the year	1,202,737,690	1,202,738	28,500,000	28,500
At 30 September	1,702,900,313	1,702,901	500,162,623	500,163

During the year the following shares were issued:

	Number	£	Issue price per share
19 January 2017	466,666,667	466,667	0.15p
4 April 2017	268,213,880	268,214	0.1585p
31 May 2017	142,857,143	142,857	0.14p
21 July 2017	325,000,000	325,000	0.2p
	1,202,737,690	1,202,738	

During 2016 the following shares were issued:

	Number	£	Issue price per share
6 October 2015	12,500,000	12,500	0.2p
3 March 2016	16,000,000	16,000	0.125p
	28,500,000	28,500	

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

15. Financial instruments

Categories of financial assets and liabilities

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

Financial assets

		Loans and receivables	
	Notes	2017 £	2016 £
Trade and other receivables	11	11,766	30,925
Cash and cash equivalents	12	37,970	51,184
		49,736	82,109

		Designated upon initial recognition		
	Notes	Held for trading £	Fair value through profit or loss £	Total £
Investments	10			
At 30 September 2017		—	3,496,864	3,496,864
At 30 September 2016		—	1,706,237	1,706,237

		Fair value measurement		
	Notes	Level 1 £	Level 2 £	Level 3 £
Investments	10			
At 30 September 2017		—	3,496,864	—
At 30 September 2016		—	1,706,237	—

		Financial liabilities measured at amortised cost	
Financial liabilities	Notes	2017 £	2016 £
Trade payables	13	12,233	4,926
Accruals	13	21,100	26,250
Other payables	13	5	5
		33,338	31,181

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.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

15. Financial instruments (continued)

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 £349,686 profit or (loss) (2016: £170,624 profit or (loss))

20% movement either way will result in £699,373 profit or (loss) (2016: £341,248 profit or (loss))

30% movement either way will result in £1,049,059 profit or (loss) (2016: £511,872 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.

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 and trade and other receivables is equal to their carrying value of £49,736 (2016: £82,109).

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.

16. Related party transactions

On 4 July 2017 the company granted CEO Anthony Fabrizi warrants over 25 million Ordinary shares exercisable at a price of 0.25 pence per Ordinary shares, over a period of 3 years. Mr Fabrizi also subscribed to 5,242,041 Placing shares at a price of 0.2 pence per share.

17. Operating lease commitments

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

Notes to the Financial Statements

FOR THE YEAR ENDED 30 SEPTEMBER 2017

18. Ultimate Controlling Party

The Company considers that there is no ultimate controlling party.

19. Post Balance Sheet Events

On 24 October 2017 the Company placed 178,571,429 Ordinary shares in the Company at a price of 0.28 pence per share raising gross proceeds of £500,000.

On 1 December 2017 the Company subscribed for €200,000 convertible loan notes issued by Satoshipay Limited. The loan notes are redeemable in cash on 31 December 2018 together with interest accrued at 4% per annum. Alternatively, the Company may elect to redeem the loan notes early in full upon completion by SatoshiPay of a fundraising in excess of €750,000 or in the event of certain circumstances including SatoshiPay being in financial distress.

The Company may also convert the outstanding loan notes into fully paid ordinary shares in SatoshiPay ("SatoshiPay Shares") in the event that:

i. SatoshiPay completes a fundraising of at least €750,000; or

ii. in the event of a change of control of SatoshiPay; or

iii. at any time after 30 June 2018.

In the event of conversion of the loan notes into SatoshiPay Shares ("Conversion"), the outstanding loan notes would be converted at a 15% discount to the valuation of the relevant equity fundraise undertaken by SatoshiPay on or prior to the date of Conversion or the valuation of SatoshiPay at the time of a change of control of SatoshiPay. For illustrative purposes, conversion at a 15% discount to the valuation of SatoshiPay of approximately €6million (being the valuation at the time of SatoshiPay's fundraise in January 2017) would result in the Company increasing its holding in SatoshiPay by approximately 3.8%.

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 Cairn Financial Advisers LLP, Cheyne House, Crown Court, 62-63 Cheapside, London, EC2V 6AX on 26 March 2018 at 12.00 noon 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 2017.

2 To re-elect Francisco Anthony Bodie Fabrizi as a director of the Company who being eligible offers himself for re-election.

3 To re-appoint Adler Shine LLP as auditors of the Company until the conclusion of the next annual general meeting and to authorise the directors to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions of which Resolution 4 will be proposed as an ordinary resolution and Resolution 5 will be proposed as a special resolution.

Ordinary Resolution

4 That, the directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (the "**Act**") to exercise all or any part of the powers of the Company to allot shares and grant rights to subscribe for, or convert any security into, shares of the Company up to an aggregate nominal amount of £1,000,000 such authority (unless previously revoked or varied) to expire at the conclusion of the annual general meeting of the Company to be held in 2019 save that the Company may before such expiry make offers or agreements which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

Special Resolution

5 That, subject to the passing of Resolution 4, the directors be and are hereby granted power pursuant to section 570(1) of the Act to allot equity securities (as defined in section 560(1) of the Act) for cash pursuant to the authority conferred on them by Resolution 4 above as if section 561 of the Act did not apply to such allotment, provided that such power be limited to:

(i) the allotment of equity securities which are offered to all the holders of equity securities of the Company (at a date specified by the directors) where the equity securities respectively attributable to the interests of such holders are as nearly practicable in proportion to the respective number of equity securities held by them, but subject to such exclusions and other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements and any legal or practical problems under any laws or requirements of any regulatory body or stock exchange in any territory or otherwise; and

(ii) the allotment (otherwise than pursuant to subparagraph (i) above) of equity securities up to an aggregate nominal amount of £1,000,000, and provided that this power shall expire on the conclusion of the next annual general meeting of the Company to be held in 2019, save that the Company may make an offer or enter into an agreement before the expiry of that date which would or might require equity securities to be allotted after that date and the directors may allot equity securities in pursuance of such an offer as if the power conferred hereby had not expired.

BY ORDER OF THE BOARD

Rawlison & Butler Nominees Limited
Company Secretary

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

Dated 1 March 2018

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 close of business on **24 March 2018** 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 close of business on **24 March 2018** 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 Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF so as to arrive no later than 12.00 noon on **24 March 2018** 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 Link Asset Services (ID **RA10**) by no later than 12.00 noon on **24 March 2018**. 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 Link Asset Services 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 Link Asset Services by telephone on 0871 664 0300 calls cost 12p per minute plus your phone company's access charge. If you are outside the United Kingdom, please call +44371 664 0300. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00am – 5.30pm, Monday to Friday excluding public holidays in England and Wales.

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 Link Asset Services, PXS1, 34-Beckenham Road, Beckenham, Kent BR3 4ZF. 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 Link Asset Services so as to arrive no later than 12.00 noon on **24 March 2018** 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.

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