

RNS Number : 2612D  
Blue Star Capital plc  
25 June 2019

## Blue Star Capital plc

### ("Blue Star" or "the Company")

#### Interim Results for the six months ended 31 March 2019

##### Chairman's Statement

I am pleased to report Blue Star's interim results for the period ended 31 March 2019.

##### Financials

Blue Star reported a loss for the period of £494,543 compared with a loss of £501,100 for the six months ended 31 March 2018. As with the corresponding period, a substantial proportion of the loss relates to non-cash adjustments to the carrying value of investments. The ongoing running costs of the business have been maintained at a similar level to last year although some additional costs relating to the aborted acquisition of SatoshiPay were incurred in the period.

Net assets decreased to £5,149,798 compared to £5,459,581 at the Company's last financial year end of 30 September 2018. This equates to a net asset value per share of approximately 0.26 pence.

Blue Star's cash position at 31 March 2019 was £63,605 compared to a balance of £31,416 at 30 September 2018. The Company's working capital position is dependent on new funds being made available to it.

##### Portfolio Review

I would like to provide the following information on our portfolio companies, inclusive of updates for the six month period ended 31 March 2019 and any subsequent developments of note.

##### **SatoshiPay**

###### Company Description

SatoshiPay is a fintech company supplying micropayment infrastructure based on blockchain technology to digital industries. SatoshiPay's infrastructure provides a frictionless online payment service, allowing digital content and service providers to monetise their products both efficiently and at a low cost across vendor platforms. The technology is offered both through in-house built products and as an application programming interface ("API") upon which third party developers may build their own solutions.

The vision for the future of SatoshiPay is a fast, secure, cross-platform and login-free global peer-to-peer micropayment system for the commercial internet which transforms the mainstream payment market and facilitates fair, transparent value exchange between any internet-connected device.

###### SatoshiPay Technology

The SatoshiPay technology is designed to overcome existing issues with online micropayments that have prevented them from achieving mainstream adoption, primarily the high level of transaction costs driven by existing bank infrastructure that makes such levels of payments commercially unfeasible.

The foundation of SatoshiPay's platform is built upon blockchain technology. A blockchain is a decentralised database of transactions that exists on multiple computers at the same time. It is a record keeping technology that, in simple terms, is conceptually similar to a spreadsheet that is duplicated thousands of times across a network of computers and that is constantly updated.

The advantages of blockchain are that it is, by its inherent set-up, independent, transparent and secure. Its

security comes from the fact that its data cannot be altered, it cannot be controlled by any single entity and has no single point of failure that can be exploited by hackers. Encryption technology allows individuals' digital assets to be kept anonymous and protected. Further, removing intermediaries from the process allows transactions on a blockchain to be carried out faster and cheaper than traditional methods.

SatoshiPay's micropayment system is based on the Stellar blockchain network, a distributed ledger technology, and uses Stellar lumens (XLM) as the underlying settlement token.

### *Micropayments and the SatoshiPay Solution*

Existing issues relating to micropayments include financial costs (transaction costs being high in relation to the level of payment) and usability costs (cumbersome, multi-step online payment mechanisms for the end user).

SatoshiPay's solution is able to overcome these issues by offering a P2P payment method which does not require download, installation or log-in for the end user, and that is transferable across vendor platforms and facilitates instant transactions of very small amounts. This flexible, low-cost solution allows for pricing strategies at a more granular level, and the board of Blue Star believe that it has many potential applications.

### *Potential Applications of SatoshiPay*

The directors of SatoshiPay believe that its technology can be employed in a range of sectors. Wherever instant, login-free, granular payments open up the potential to improve existing revenue streams or generate new ones for online publishers and content providers, micropayments and the SatoshiPay technology have a potential application. Examples include purchase of digital goods, direct streaming of content, cross-border payments, as a settlement mechanism for machine-to-machine transactions (i.e. toll payments) and in-app/game closed-loop systems.

### *Recent developments at SatoshiPay*

SatoshiPay has recently raised approximately £2m at a £15m pre-money valuation from investors including Börsenmedien AG (Germany), Danny Masters (UK), Aeternity Anstalt (Liechtenstein), Aergo Limited (Hong Kong) and Neofin Hamburg GmbH (Germany). In addition to the fundraise, SatoshiPay was granted £360k in cash from the HMRC R&D tax credits fund.

The two independent blockchain organisations Aeternity and Aergo partnering with SatoshiPay lead the development of their respective networks and developer ecosystems, with focus on smart contract capabilities and scalability. Their investment is part of SatoshiPay's strategy to support multiple blockchain ledgers in the future, in addition to its current default ledger Stellar.

SatoshiPay's leadership in the Stellar blockchain ecosystem has been extended by adding infrastructure nodes containing the full ledger history to the Stellar network and by releasing "Solar", an open-source wallet application for Stellar. Solar is available on all major platforms including Android, iOS, Windows and MacOS, and its features include easy access to the network's decentralised trading and multi-signature account capabilities.

The company's angel investor Danny Masters was appointed as Non-Executive Director on 18 April 2019. His extensive experience in blockchain-based financial projects makes his profile a very valuable addition to SatoshiPay.

On 31 January 2019, SatoshiPay and Axel Springer SE announced a joint offering, enabling users to pay for content with the digital SatoshiPay wallet. Powered by blockchain technology, the wallet will be used to send direct payments from the user's device to the publisher without an intermediary.

### *Blue Star's holding in SatoshiPay*

As at 31 September 2018, Blue Star had invested £1.8m in SatoshiPay representing, at the time, approximately 30.1 per cent. of SatoshiPay's share capital. As at the previous financial year end, Blue Star also held EUR200,000 of convertible loan notes, which were subsequently converted into equity on 6 February 2019 at a 15 per cent. discount to the valuation applied by SatoshiPay on its most recent fundraise.

Following this conversion and the recent fundraises undertaken by SatoshiPay, the Company's shareholding as at 31 March 2019 equated to 27.9 per cent and has a carrying value of £4.6m.

## ***Sthaler Limited ("Sthaler")***

### *Company Description*

In June 2015 the Company invested £50,000 in Sthaler, 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.

Sthaler jointly developed Fingopay in conjunction with Hitachi, using VeinID technology. Infrared light maps the unique vein pattern in a customer's finger. This biometric signature is matched to a template held in the cloud and verifies the payment in seconds. It is considered more secure than other biometrics such as fingerprint.

Over the last 18 months, Sthaler have been piloting Fingopay in different retail environments including convenience stores, restaurants, coffee shops and bars. Now thousands of students at Copenhagen Business School can use Fingopay in canteens and coffee shops across the campus. This world first biometric self-service restaurant is an excellent example of how the technology can be used. Sthaler worked with Denmark's national debit card operators Nets to deliver the technology on behalf of the nineteen banks behind the Dankort scheme.

Nets / Dankort are working with Sthaler to look beyond mobile to biometrics as the future of payment to engage younger consumers across Denmark.

Sthaler's Copenhagen launch follows a successful retail first at Brunel University, London. Students used Fingopay to buy groceries at the Costcutter convenience store, on campus. Sthaler installed Fingopay readers at points of sale and helped Brunel move towards the goal of a cashless campus. Worldpay processed the transactions enabling students to travel around campus without wallet or phone and pay securely using only their finger. The Brunel launch gained worldwide attention. Sthaler featured prominently on Fox Business, CNBC and ITN, with scores of articles in leading national newspapers.

Sthaler's pioneering work with a major high street retailer proved the value of Fingopay in a new sector and lays the groundwork for a nationwide rollout. It significantly broadened the appeal of Fingopay by moving it from hospitality into the retail space.

The Business is now focused on a City-Hub strategy working with local retailers and authorities to provide multiple points of Fingopay acceptance within Manchester, Copenhagen and Dublin. Sthaler has already proved its value and proved customers switch very quickly to Fingopay and use becomes habitual. Sthaler has new launches in the pipeline scheduled for later in 2019.

### *Blue Star's Shareholding in Sthaler*

The Company's shareholding in Sthaler is valued on the basis of the last fundraising at approximately £300,000.

## ***Disruptive Tech Limited ("DTL")***

### *Company Description*

DTL is a Gibraltar-based investing company that has three active investments, which are:

- 8% shareholding in Nektan plc, which is an international B2B mobile gaming company;
- 10% shareholding in Freeformers, which helps companies fulfil the employee aspects of their digital strategies; and
- 1.8% shareholding in Bookingbug, which has developed a market-leading software platform to manage online bookings and appointments.

DTL's board intends to exit all the existing positions as and when opportunities arise, with the disbursement of proceeds being made either through a distribution of shares (if a company is listed on a public market), or cash from the sale of DTL's position. The DTL board cannot put a timeframe estimate on when all its positions will have been exited.

Blue Star's holding in DTL

Blue Star's holding in DTL is held at cost of £300,000.

**Outlook**

Although the planned acquisition of SatoshiPay was ultimately unsuccessful, a number of positive developments came out of the process. Since the beginning of the year, market conditions and sentiment have certainly improved towards blockchain and during the period SatoshiPay attracted strong support from a number of new strategic investors. The Board therefore remains confident that SatoshiPay offers significant upside potential to Blue Star and its shareholders. In addition, Sthaler continues to make excellent progress and the continuing drive towards biometric payments places Sthaler in an exciting position. The board is hopeful that the next 12 months will prove to be transformational period for Sthaler.

Overall, the Board is confident that the current portfolio has the potential for a significant improvement in net asset value and at the same time the Board continues to monitor corporate opportunities to enhance shareholder value.

William Henbrey

Non-Executive Chairman

25 June 2019

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

For further information, please contact

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**Statement of Comprehensive Income  
for the six months ended 31 March 2019**

	Note	Unaudited				Audited
		Six months ended 31 March				Year ended 30 September
		2019		2018		2018
		£		£	£	
Revenue		-		-	-	
(Loss)/gain arising from investments held at fair value through profit or loss:		(288,496)		(399,384)	1,817,983	
Other fair value losses		(36,757)		-	-	
		(325,253)		(399,384)	1,817,983	

		3)		4)		
Administrative expenses		(169,320)		(101,776)		(352,408)
<b>Operating (loss)/profit</b>		(494,573)		(501,160)		1,465,575
Finance income		30		60		5,744
<b>(Loss)/profit before and after taxation and total comprehensive income for the period</b>		(494,543)		(501,100)		1,471,319
<b>(Loss)/earnings per ordinary share:</b>						
Basic (loss)/earnings per share	3	(0.03p)		(0.03p)		0.08p
Diluted (loss)/earnings per share	3	(0.03p)		(0.03p)		0.07p

The loss for the period was derived from continuing operations and is attributable to equity shareholders.





**Statement of Financial Position  
as at 31 March 2019**

	Note	Unaudited		Audited
		Six months ended 31 March		Year ended 30 September
		2019 £	2018 £	2018 £
<b>Non-current assets</b>				
Investments		5,173,757	3,097,480	5,288,943
		5,173,757	3,097,480	5,288,943
<b>Current assets</b>				
Trade and other receivables		8,329	177,724	276,146
Cash and cash equivalents		63,605	227,637	31,416
		71,934	405,361	307,562
<b>Total assets</b>		<b>5,245,691</b>	<b>3,502,841</b>	<b>5,596,505</b>
<b>Current liabilities</b>				
Trade and other payables		95,893	15,679	136,924
<b>Total current liabilities</b>		<b>95,893</b>	<b>15,679</b>	<b>136,924</b>
<b>Net assets</b>		<b>5,149,798</b>	<b>3,487,162</b>	<b>5,459,581</b>
<b>Shareholders' equity</b>				
Share capital	4	1,892,584	1,881,472	1,881,473
Share premium account	4	8,852,724	8,679,076	8,679,075
Other reserves		64,190	64,190	64,190
Retained earnings		(5,659,700)	(7,137,576)	(5,165,157)
		5,149,798	3,487,162	5,459,581

**Statement of changes in equity  
as at 31 March 2019**

	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total £
<b>Six months ended 31 March 2019</b>					
At 1 October 2018	1,881,473	8,679,075	64,190	(5,165,157)	5,459,581
Loss for the period and total comprehensive income				(494,543)	(494,543)
Shares issued in period	11,111	188,889	-	-	200,000
Share issue costs	-	(15,240)	-	-	(15,240)
<b>At 31 March 2019</b>	<b>1,892,584</b>	<b>8,852,724</b>	<b>64,190</b>	<b>(5,659,700)</b>	<b>5,149,798</b>
<b>Six months ended 31 March 2018</b>					
At 1 October 2017	1,702,901	8,382,647	64,190	(6,636,476)	3,513,262
Loss for the period and total comprehensive income	-	-	-	(501,100)	(501,100)
Shares issued in period	178,571	321,429	-	-	500,000
Share issue costs	-	(25,000)	-	-	(25,000)
<b>At 31 March 2018</b>	<b>1,881,472</b>	<b>8,679,076</b>	<b>64,190</b>	<b>(7,137,576)</b>	<b>3,487,162</b>
<b>Year ended 30 September 2018</b>					
At 1 October 2017	1,702,901	8,382,647	64,190	(6,636,476)	3,513,262
Profit for the year and total comprehensive income	-	-	-	1,471,319	1,471,319
Shares issued in year	178,582	321,428	-	-	500,000
Share issue costs	-	(25,000)	-	-	(25,000)
<b>At 30 September 2018</b>	<b>1,881,473</b>	<b>8,679,075</b>	<b>64,190</b>	<b>(5,165,157)</b>	<b>5,459,581</b>

**Statement of cash flows**  
for the six months ended 31 March 2019

	Unaudited		Audited
	Six months ended 31 March		Year ended 30 September
	2019	2018	2018
	£	£	£
<b>Operating activities</b>			
(Loss)/profit for the period	(494,543)	(501,100)	1,471,319
<i>Adjustments for:</i>			
Finance income	(30)	(60)	(5,744)
Fair value loss/(gain)	325,253	399,384	(1,817,983)
<i>Working capital adjustments</i>			
Decrease/(increase) in trade and other receivables	57,750	12,550	(54,314)
(Decrease)/increase in trade and other payables	(41,031)	(17,659)	103,586
<b>Net cash used in operating activities</b>	(152,601)	(106,885)	(303,136)
<b>Investing activities</b>			
Loan issued	-	(178,508)	(178,508)
Interest received	30	60	90
<b>Net cash generated from/(used in) investing activities</b>	30	(178,448)	(178,418)
<b>Financing activities</b>			
Proceeds from issue of equity shares	200,000	500,000	500,000
Share issue costs	(15,240)	(25,000)	(25,000)
<b>Net cash generated by financing activities</b>	184,760	475,000	475,000
<b>Net increase/(decrease) in cash and cash equivalents</b>	32,189	189,667	(6,554)
Cash and cash equivalents at beginning of the period	31,416	37,970	37,970
<b>Cash and cash equivalents at end of the period</b>	63,605	227,637	31,416

**Notes to the Interim Financial Statements  
for the six months ended 31 March 2019**

**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 2019 and are unchanged from those disclosed in the Company's Report and Financial Statements for the year ending 30 September 2018.

The financial information for the six months ended 31 March 2019 and for the six months ended 31 March 2018 have neither been audited nor reviewed by the Company's auditors.

**2. Critical accounting estimates and judgements**

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

*Fair value of financial instruments:*

The Company holds investments that have been designated at fair value through profit or loss on initial recognition. The Company determines the fair value of these financial instruments that are not quoted, using valuation techniques such as the price of the most recent transaction and discounted cash flow analysis. It is important to recognise that 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.

**3. Loss per ordinary share**

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

**4. Share capital**

In January 2019, the Company raised £200,000 (before expenses) through the issue of 111,111,111 new ordinary shares at a price of 0.18 pence per ordinary share.

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