Blue Star Capital plc

(“Blue Star” or “the Company”)

Interim Results for the six months ended 31 March 2018

Chairman’s Statement
I am pleased to report Blue Star’s interim results for the period ended 31 March 2018.

Financials
Blue Star reported a loss for the period of £501,100 compared with a loss of £114,585 for the six months ended 31 March 2017. The increased loss is due to a write down in the carrying value of DTL, otherwise the Company’s running costs are lower than the equivalent period last year.

Net assets decreased to £3,487,162, compared to £3,513,262 as at the Company’s last financial year end of 30 September 2017

Blue Star’s cash position at 31 March 2018 was £227,637 compared to a balance of £37,970 as at 30 September 2017.

Portfolio Review
I would like to highlight the following updates for our portfolio companies during the six months ended 31 March 2018 since the publication of our last Annual Report and Accounts.

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 log in-free global peer-to-peer micropayment system for the commercial internet which transforms the mainstream payment market and facilitates 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 infrastructures that make such levels of payments commercially unfeasible.

The foundation of SatoshiPay’s platform is dependent upon blockchain technology. A blockchain is a decentralized 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 protocol, 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, as a settlement mechanism for machine to machine transactions (i.e. toll payments) and in-app/game closed-loop systems.

Blue Star's holding in SatoshiPay

Blue Star's £1.7 million investment in SatoshiPay represents approximately 31.1 per cent. of SatoshiPay's share capital as at 31 March 2018 and is carried in Blue Star's balance sheet at cost. Blue Star has also subscribed for €200,000 of convertible loan notes ("CLNs") issued by SatoshiPay, as announced on 1 December 2017.

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.

Additionally, DTL has a shareholding in VNU Group LLC, an online retailer of premium goods paid for through an instant credit facility. VNU is currently in the throes of a corporate restructuring project and not trading pending completion of that project.

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 £300,000 investment in DTL was made in 2007. Since its original investment, DTL has raised money at significantly higher valuations and whilst the Company's percentage shareholding has fallen to 2.1 per cent the value of its investment had risen to £1.6 million at 30 September 2017. Given the delay in realising the investments, the Directors have decided it now prudent to make a 25 per cent write down in the carrying value of its investments in DTL to £1.2m.

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.

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. Now thousands of students at Copenhagen Business School can use Fingopay in their campus canteen. This world first at a self-service kiosk is an excellent example of how the technology can be used. Sthaler worked with Denmark's national debit card operators Nets / Dankort to deliver the technology.

Nets / Dankort are working with Sthaler to look beyond mobile to biometrics as the future of payment. The technology is being showcased to Scandinavian banks and businesses, with a view to wider adoption across the region.

Sthaler's Copenhagen launch follows a successful retail first at Brunel University, London. Students can use 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. Transactions are verified by Worldpay so customers can arrive in store 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 proves 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 hospitality sector remains a strong vertical for Sthaler's development of Fingopay. Sthaler has already proved its value, by showing it in action in a live bar environment. The London bar and music venue Proud Camden introduced Fingopay to its customers. It allowed Sthaler to introduce fast lanes for Fingopay users, instant e-receipts and an in-built loyalty scheme to reward repeat customers.

Sthaler has new launches in the pipeline scheduled for later in 2018.

Blue Star's Shareholding in Sthaler

The Company's shareholding in Sthaler is 1.0 per cent at 31 March 2018 and valued on the basis of the last fund raise at £227,000. Sthaler has recently announced a new fund raise of £2m on a pre money valuation of £30m and on this basis the value of the Company's shareholding in Sthaler will increase to £300,000.

Share issues during the period ended 31 March 2018

On 24 October 2017, the Company raised £500,000 (before expenses) through the issue of 178,571,429 Ordinary Shares at 0.28p per share. These funds were used for an investment in €200,000 of convertible loan notes issued by SatoshiPay and for general working capital purposes.

Outlook

The Board remains committed to driving value in the current portfolio whilst appraising further investments as appropriate. The investment in SatoshiPay represents an exciting opportunity for the Company and we are delighted to have secured such a large position at what we believe is a very attractive valuation. Although we decided it prudent to write down the investment in DTL we remain confident that DTL's portfolio will deliver returns over time. Finally, Sthaler continues to make excellent progress and the recent announcement of the latest fund raise confirms interest in the sector and company. 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.

Chairman
27 June 2018

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Statement of Comprehensive Income
for the six months ended 31 March 2018

		Unaudited		Audited
		Six months ended 31 March		Year ended 30 September
		2018	2017	2017
	Note	£	£	£
Revenue		-	-	-
(Loss)/gain arising from investments held at fair value through profit or loss:		(399,384)	-	118,300
Loss on disposal of investments		-	-	-
		(399,384)	-	118,300
Administrative expenses		(101,776)	(114,590)	(307,021)
Operating loss		(501,160)	(114,590)	(188,721)
Finance income		60	5	8
Loss before and after taxation and total comprehensive income for the period		(501,100)	(114,585)	(188,713)
Loss per ordinary share:				
Basic and diluted loss per share	3	(0.03p)	(0.02p)	(0.02p)

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

Statement of Financial Position
as at 31 March 2018

		Unaudited		Audited
		Six months ended 31 March		Year ended 30 September
	Note	2018 £	2017 £	2017 £
Non-current assets				
Investments		3,097,480	2,260,511	3,496,864
		3,097,480	2,260,511	3,496,864
Current assets				
Trade and other receivables		177,724	32,100	11,766
Cash and cash equivalents		227,637	22,018	37,970
		405,361	54,118	49,736
Total assets		3,502,841	2,314,629	3,546,600
Current liabilities				
Trade and other payables		15,679	12,299	33,338
Total current liabilities		15,679	12,299	33,338
Net assets		3,487,162	2,302,330	3,513,262
Shareholders' equity				
Share capital	4	1,881,472	966,830	1,702,901
Share premium account	4	8,679,076	7,897,848	8,382,647
Other reserves		64,190	36,327	64,190
Retained earnings		(7,137,576)	(6,598,675)	(6,636,476)
		3,487,162	2,302,330	3,512,262

Statement of changes in equity
as at 31 March 2018

	Share capital £	Share premium £	Other reserves £	Retained earnings £	Total £
Six months ended 31 March 2017					
At 1 October 2016	500,163	7,704,765	36,327	(6,484,090)	1,757,165
Loss for the period and total comprehensive income	-	-	-	(114,585)	(114,585)
Shares issued in period	466,667	233,333	-	-	700,000
Share issue costs	-	(40,250)	-	-	(40,250)
At 31 March 2017	966,830	7,897,848	36,327	(6,598,675)	2,302,330
Six months ended 31 March 2018					
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)
At 31 March 2018	1,881,472	8,679,076	64,190	(7,137,576)	3,487,162
Year ended 30 September 2017					
At 1 October 2016	500,163	7,704,765	36,327	(6,484,090)	1,757,165
Loss for the year and total comprehensive income	-	-		(188,713)	(188,713)
Shares issued in year	1,202,738	772,382	-	-	1,975,119
Share issue costs	-	(94,500)	-	-	(94,500)
Lapsed warrants	-	-	(36,327)	36,327	-
			64,190	-	64,190
At 30 September 2017	1,702,901	8,382,647	64,190	(6,636,476)	3,513,262

Statement of cash flows
for the six months ended 31 March 2018

	Unaudited		Audited
	Six months ended 31 March		Year ended 30 September
	2018	**2017**	**2017**
	£	**£**	**£**
Operating activities			
Loss for the period	(501,100)	(114,585)	(188,713)
Adjustments for:			
Finance income	(60)	(5)	(8)
Fair value loss/(gains)	399,384	-	(118,300)
Share based payments	-	-	22,887
Working capital adjustments			
(Increase)/decrease in trade and other receivables	12,550	(1,175)	19,159
(Decrease)/increase in trade and other payables	(17,659)	(18,882)	2,158
Net cash used in operating activities	(106,885)	(134,647)	(262,817)
Investing activities			
Purchase of investments	-	(554,274)	(1,205,905)
Proceeds from sale of investments	-	-	-
Loan issued	(178,508)	-	-
Interest received	60	5	8
Net cash used in investing activities	(178,448)	(554,269)	(1,205,897)
Financing activities			
Proceeds from issue of equity shares	500,000	700,000	1,550,000
Share issue costs	(25,000)	(40,250)	(94,500)
Net cash generated by financing activities	475,000	659,750	1,455,500
Net decrease in cash and cash equivalents	189,667	(29,166)	(13,214)
Cash and cash equivalents at beginning of the period	37,970	51,184	51,184
Cash and cash equivalents at end of the period	227,637	22,018	37,970

Notes to the Interim Financial Statements
for the six months ended 31 March 2018

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 2018 and are unchanged from those disclosed in the Company's Report and Financial Statements for the year ending 30 September 2017.

The financial information for the six months ended 31 March 2018 and for the six months ended 31 March 2017 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

On 24 October 2017, the Company raised £500,000 (before expenses) through the issue of 178,571,429 Ordinary Shares at 0.28p per share. These funds were used for an investment in €200,000 of convertible loan notes issued by SatoshiPay and for general working capital purposes.