

13 September 2021



Touchstar plc

Interim results for the Six months ended 30 June 2021

The Board of Touchstar plc ((AIM:TST) 'Touchstar', the 'Company' or 'the Group'), suppliers of mobile data computing solutions and managed services to a variety of industrial sectors, is pleased to announce its interim results for the six months ended 30 June 2021 ("H1 2021").

This announcement includes inside information as defined in Article 7 of the Market Abuse Regulation No. 596/2014 and is disclosed in accordance with the Company's obligations under Article 17 of those obligations.

Key Financials:

	30 June 2021	30 June 2020
• Revenues	£2,895,000	£3,178,000
• Margin	56.5%	50.1%
• Trading Profit/(loss) after tax*	£79,000	(£165,000)
• Adjusted EPS*	0.93p	(1.94)p
• Cash net of overdraft and CBILs**	£1,301,000	£1,314,000
• Order book	£621,000	£519,000

Statutory Results:

• Profit after tax	£112,000	£150,000
• Basic EPS	1.32p	1.77p

H1 2021 Financial Highlights

- Emerged from pandemic with solid finances, improved products and retention of all our talent
- Profitable outcome for H1 2021 driven by tight cost control and higher margins
- Order Book continues to build
- Recurring revenue grew at 13.2% and makes up 38.5% of total revenue
- H1 2021 Revenue 7% higher than H2 2020 as activity picks up

Operational Highlights

- Secure a major CCTV installation programme for a government department which will conclude during the second half of the year.
- Transportation sector wins include a new customer with a 100-vehicle fleet (which is now live), a pharmaceutical prescription distribution direct to the door business and a third-party logistics operating business.
- Developed "Podstar" a complete software suite for transportation businesses.
- Several large users presently running successful pilots with planned roll out in 2022.

Outlook

- H2 2021 started well and expect strong result
- FY 2021 we now expect to be above market expectations despite continued uncertainty
- Current prospects give us confidence that 2022 will be an even better year

- Order book as of the 10 September 2021, stood at £836,000.

** Refer to note 3 for details and note 7 for reconciliation*

*** CBILs Coronavirus Business Interruption Loan*

Commenting on the results, Ian Martin, Chairman of Touchstar, said:

“Touchstar has emerged from the pandemic a stronger, higher quality business with good operating leverage. The company has traded well in recent months, as a result we now expect full profits to be ahead of our previous expectations.”

“These results once again demonstrate how well management has steered the company through Covid-19. The business has shown itself again to be resilient, trading profitably in what was another disrupted period.”

“Our publicly stated ambition was to emerge from the period of enforced restriction with solid finances, improved products, all our talent and renewed energy. This has been achieved, and management is now firmly focused on unlocking the longer-term growth potential of the business.”

For further information, please contact:

Touchstar plc

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CHAIRMAN'S INTERIM STATEMENT 2021

Touchstar has emerged from the pandemic a stronger, higher quality business with good operating leverage. The company has traded well in recent months, as a result we now expect full year profits to be ahead of market previous expectations.

These results once again demonstrate how well management has steered the company through Covid-19 ("C-19"). The Company has shown itself again to be resilient, trading profitably in what was another disrupted period.

Our publicly stated ambition was to emerge from the period of enforced restriction with solid finances, improved products, all our talent and renewed energy. This has been achieved, and management is now firmly focused on unlocking the longer-term growth potential of the Company.

Operational Review

The Group's positive first half performance is a result of renewed activity in our markets, increased margins, and a tightly managed cost base.

Touchstar operates in three sectors. There can be variation year on year in the contribution of each, but broadly; 40% of revenues come from Fuel Distribution, just over 30% from Access Control and remainder from Transportation and Logistics.

All our businesses have a commonality of technology platform, using in house developed solutions, which are cloud resident (Azure) for speed of deployment and accepted by customers as a secure system that is very scalable.

During the 6 months to 30 June 2021 the Company continued to attract new customers, as well as servicing and supplying long standing clients, and sales developed progressively through the period. The subsequent easing of restrictions has made a difference; thus, we anticipate a stronger outcome in the second half of 2021.

Over the last twelve months we have modernised our Access Control technology, as we reorient the business to think more as a solutions provider. This enables us to compete for larger more complex tenders, which bring the benefit of multi-year recurring revenue, differentiating us from "box shifters" and making for a more stable, higher quality business. Indeed, the successful integration of CCTV and facial recognition into our product set enabled our Access Control business to secure a major CCTV installation programme for a government department which will conclude during the second half of the year.

The petrochemical distribution sector has continued to generate strong income yield with healthy software revenues and increased recurring revenue. We have several trials in place and believe the activity in this sector has endured the restrictions well. Major projects in this sector tend to have lead times of 6-9 months, and it is only now that new major projects are being confirmed for later in 2021 and for 2022 after a pause last year due to the onset of the pandemic.

In our standard Logistics operation, there has been positive activity too. This historically has been the most economically sensitive and short cycled business. A mixture of new business and existing client purchases has driven sales growth, a marked improvement over 2020.

In the transport sector, the gaining of new clients has been more than a little challenging, with limited scope for site meetings during the government restrictions and guidelines. However, success in the food distribution supply chain continues, with a recent new customer with a 100-vehicle fleet now live. Two more recent new clients include a pharmaceutical prescription distribution direct to the door business and a third-party logistics operating business. Inhouse, we have developed "Podstar" into a complete software suite for transportation businesses; although currently the smallest part of the group it is growing rapidly and has high margins, with revenue recurring over a 3-5-year period.

Financial Results

The prior year financial results included benefits from several temporary / one off factors which have been detailed in prior reporting and repeated in this statement to help in the understanding of prior year comparison to what is an improved underlying performance.

Revenue was £2,895,000 for the H1 2021, a decline of 9% compared to the same period in 2020 (six months ended 30 June 2020: £3,178,000). The decline was less than expected.

A strong cyclical recovery in our warehouse and logistics business helped offset the delay in longer cycle projects which resulted from the “lost six months” of activity at the onset of C-19. This headwind has now passed through the sales cycle illustrated by revenue growth of 7% when comparing the six months ended 30 June 2021 to the last six months of 2020 of £2,708,000.

Recurring revenue grew by 13.2% to £1,115,000 in the six months ended 30 June 2021 (six months ended 30 June 2020: £985,000) and now represents 38.5% of sales (six months ended 30 June 2020: 34%).

Margins improved by 6.4% to 56.5% (six months ended 30 June 2020: 50.1%) as software sales become a higher proportion of revenue.

As of 30 June 2021, the order book had grown by 20% to £621,000 when compared to the same time last year (30 June 2020: £519,000). As of the 10 September 2021, the order book stood at £836,000.

Overhead costs were £1,586,000, an increase of 2.7% compared to the six months ended 30 June 2020 of £1,544,000. The prior year figure benefited from several one-off savings such as temporary salary reductions and other self-help measures introduced during the pandemic, these totalled £202,000. So, the underlying structural cost base was lowered again which mitigated the impact of restricted trading.

During the period ended 30 June 2021 the company reduced the use of the Coronavirus Job Retention Scheme. The benefit received in the period was £33,000 (six months ended 30 June 2020: £113,000).

As of 30 June 2021, our cash less overdraft and CBILs position was a healthy £1,301,000 (30 June 2020: £1,314,000). A decline from the year end position of £1,771,000 was expected and related to the normalisation of trade and other payables as we unwound deferred amounts due under the Government’s support packages to business.

Touchstar was profitable for the six months ended the 30 June 2021. We achieved a pre-tax profit of £52,000 (six months ended 30 June 2020: £130,000). At face value that would appear to be a decline, however the six months ended 30 June 2020 included £315,000 of benefit from several temporary / one off factors as outlined above (detailed in note 8). If these items are stripped out the underlying performance shows further improvement in comparison to the prior year.

On an after-tax basis the profit for the six months ended 30 June 2021 was £112,000 (six months ended 30 June 2020: £150,000), again the prior year comparison benefits from several one-off factors as outlined above.

This translates into basic earnings per share of 1.32p (2020: 1.77p).

Outlook For 2021

Our confidence in the outlook for the remainder of 2021 is based upon the positive trends we are seeing in the business. Although, nothing is totally smooth, as the year proceeds the trend is for sustained economic activity and demand, with a welcomed acceleration in the rate of revenue growth. The cost base will be tightly managed, and margins should at least be maintained at current levels as software sales continue to build.

We now expect the outcome for 2021 to be ahead of market expectations.

While there remain some short-term supply chain constraints, through proactive management of inventory we have secured an adequate level of components to deliver the pipeline of orders currently expected. That said, further upside for 2021 is capped by a lengthening of lead times and shortages of key items – meaning additional orders beyond that level will realistically only be delivered in 2022.

Outlook for 2022

We have given a consistent message that it would be 2022 when the underlying growth rate in all our businesses harmonise, free of the constraints of uncertainty and social restriction. From conversations with existing and potential new customers the prospects for 2022 appear considerably better than for a long time. This gives us confidence in the longer-term and thus expect progression in our future financial returns. Our strategy is to capitalise on the forward momentum gained, using internally generated cash to accelerate our rate of organic growth, innovate our products, enhance our solutions, invest in our people, and become a better business.

Conclusion

I want to conclude by thanking the whole team at Touchstar – it has been a challenging time and the good place the business now finds itself is solely down to their hard work, belief, and determination – thank you.

Touchstar entered the pandemic an evolving unproven business – we emerged a higher quality business. That is a start, now management are challenged to build on this foundation, turning potential into reality thus creating value for shareholders.

I Martin
Executive Chairman
13 September 2021

**Unaudited consolidated income statement
for the six months ended 30 June 2021**

	Six months ended 30 June		Year ended 31 December
	2021	2020	2020
	£'000	£'000	£'000
Revenue	2,895	3,178	5,886
Cost of sales	(1,259)	(1,587)	(2,827)
Gross profit	1,636	1,591	3,059
Distribution costs	(23)	(21)	(41)
Administrative expenses	(1,586)	(1,544)	(3,125)
Other operating income (note 5)	33	113	146
Operating profit	60	139	39
Finance costs	(8)	(9)	(16)
Profit before income tax	52	130	23
Income tax credit (note 6)	60	20	64
Profit for the period attributable to the owners of the parent	112	150	87

Profit per ordinary share (pence) attributable to owners of the parent during the period:

	Pence per share	Pence per share	Pence per share
Profit/(loss) per share – Basic (note 7)	1.32p	1.77p	1.03p
Profit/(loss) per share – Adjusted (note 7)	0.93p	(1.94)p	(3.08)p

**Unaudited consolidated statement of changes in equity
for the six months ended 30 June 2021**

	Share capital £'000	Share premium account £'000	Retained earnings/ (accumulated losses) £'000	Total equity £'000
For the six months ended 30 June 2021				
Balance at 1 January 2021	424	1,119	435	1,978
Profit for the period	-	-	112	112
Balance at 30 June 2021	424	1,119	547	2,090
For the six months ended 30 June 2020				
Balance at 1 January 2020	424	1,119	348	1,891
Profit for the period	-	-	150	150
Balance at 30 June 2020	424	1,119	498	2,041
For the year ended 31 December 2020				
Balance at 1 January 2020	424	1,119	348	1,891
Profit for the year	-	-	87	87
Balance at 31 December 2020	424	1,119	435	1,978

**Unaudited consolidated statement of financial position
at 30 June 2021**

	30 June 2021	30 June 2020	31 December 2020
	£'000	£'000	£'000
Non-current assets			
Intangible assets	1,272	1,375	1,350
Property, plant and equipment	95	141	121
Right of use asset	442	430	479
Deferred tax assets	63	111	63
	1,872	2,057	2,013
Current assets			
Inventories	831	920	714
Trade and other receivables	1,181	1,276	1,010
Current tax recoverable	73	38	110
Cash and cash equivalents	2,481	2,416	3,177
	4,566	4,650	5,011
Total assets	6,438	6,707	7,024
Current liabilities			
Trade and other payables	1,112	1,530	1,246
Contract liabilities	1,165	1,090	1,485
Borrowings	1,060	952	1,271
Lease liabilities	171	131	163
	3,508	3,703	4,165
Non-current liabilities			
Deferred tax liabilities	215	234	215
Contract liabilities	208	223	177
Borrowings	120	150	135
Lease liabilities	297	356	354
	840	963	881
Total liabilities	4,348	4,666	5,046

**Unaudited consolidated statement of financial position
at 30 June 2021 (continued)**

	30 June 2021	30 June 2020	31 December 2020
	£'000	£'000	£'000
Capital and reserves attributable to owners of the parent			
Share capital	424	424	424
Share premium account	1,119	1,119	1,119
Profit and loss account	547	498	435
Total equity	2,090	2,041	1,978
Total equity and liabilities	6,438	6,707	7,024

Unaudited consolidated cash flow statement for the six months ended 30 June 2021

	30 June 2021	30 June 2020	31 December 2020
	£'000	£'000	£'000
Cash flows from operating activities			
Operating profit	60	139	39
Depreciation	110	108	227
Amortisation	294	299	588
Movement in:			
Inventories	(117)	(28)	177
Trade and other receivables	(171)	41	307
Trade and other payables	(424)	(153)	(86)
Cash (used in)/ generated from operating activities	(248)	406	1,252
Interest paid	(8)	(9)	(16)
Corporation tax received	97	326	326
Net cash (used in)/ generated from operating activities	(159)	723	1,562
Cash flows from investing activities			
Purchase of intangible assets	(217)	(175)	(439)
Purchase of property, plant and equipment	(10)	(2)	(20)
Net cash used in investing activities	(227)	(177)	(459)
Cash flows from financing activities			
Principal elements of lease payments	(85)	(82)	(182)
Proceeds from issue of business loan	-	150	150
Net cash (used in)/ generated from financing activities	(85)	68	(32)
Net (decrease)/ increase in cash and cash equivalents	(471)	614	1,071
Cash and cash equivalents at start of the year	1,921	850	850
Cash and cash equivalents at end of the year	1,450	1,464	1,921
Cash and cash equivalents			
Cash at bank and in hand	2,481	2,416	3,177
Less: bank overdraft (included within borrowings)	(1,030)	(952)	(1,256)
Net cash	1,450	1,464	1,921

Notes to the interim report and accounts for the six months ended 30 June 2021

1. General information

Touchstar plc is a public company limited by share capital incorporated and domiciled in the United Kingdom. The Company has its listing on AIM. The address of its registered office is 1 George Square, Glasgow, G2 1AL.

2. Status of interim report and accounts

The financial information comprises the consolidated interim balance sheet as at 30 June 2021, 30 June 2020 and the year ended 31 December 2020 along with related consolidated interim statements of income and cash flows for the six months to 30 June 2021 and 30 June 2020 and year ended 31 December 2020 of Touchstar plc (hereinafter referred to as 'financial information').

This financial information for the half year ended 30 June 2021 has neither been audited nor reviewed and does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. This financial information was approved by the Board on **8 September 2021**.

The figures for the year ended 31 December 2020 have been extracted from the audited annual report and accounts that have been delivered to the Registrar of Companies. The auditors, Haysmacintyre LLP, reported on those accounts under section 495 of the Companies Act 2006. Their report was unqualified and did not contain a statement under section 498 of that Act.

3. Basis of preparation

The interim report and accounts have been prepared, in accordance with IAS 34 Interim Financial Reporting, using accounting policies to be applied in the annual report and accounts for the year ended 31 December 2021. These are consistent with those included in the previously published annual report and accounts for the year ended 31 December 2020, which have been prepared in accordance with IFRS as adopted by the European Union.

Non – GAAP financial measures

For the purposes of this interim announcement and annual report and accounts, the Group uses alternative non-Generally Accepted Accounting Practice ('non-GAAP') financial measures which are not defined within IFRS. The Directors use the measures in order to assess the underlying operational performance of the Group and as such, these measures are important and should be considered alongside the IFRS measures.

The following non-GAAP measure referred to in the interim announcement relates to Trading profit/(loss) after tax.

'Trading profit/(loss) after tax' is separately disclosed, being defined as Profit/(loss) after tax adjusted to exclude the savings generated from the implementation of self-help measures as a result of the Covid-19 pandemic. These savings relate to items which the management believe did not accurately reflect the underlying trading performance of the business in the period. These savings cover group wide salary sacrifice, rent reductions, along with government support via the Coronavirus Job Retention Scheme (CJRS). The Directors believe that the trading profit/(loss) after tax is an important measure of the underlying performance of the Group.

Going Concern

The directors have a reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future, and for this reason they have adopted the going concern basis of preparation in the consolidated interim financial statements. The financial statements may be obtained from Touchstar plc, 7 Commerce Way, Trafford Park, Manchester, M17 1HW or online at www.touchstarplc.com.

4. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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.

Development expenditure

The Group recognises costs incurred on development projects as an intangible asset which satisfies the requirements of IAS 38. The calculation of the costs incurred includes the percentage of time spent by certain employees on the development project. The decision whether to capitalise and how to determine the period of economic benefit of a development project requires an assessment of the commercial viability of the project and the prospect of selling the project to new or existing customers.

5. Other operating income

	Six months ended 30 June		Year ended 31 December
	2020	2019	2020
	£'000	£'000	£'000
Government funding Job Retention Scheme	33	113	146

This income is deemed to be operational in nature as it relates to government funding received towards the Group's salary costs in a bid to secure longer-term employment as a result of the COVID-19 pandemic.

6. Income tax credit

	Six months ended 30 June		Year ended 31 December
	2021	2020	2020
	£'000	£'000	£'000
Corporation Tax			
Current tax	(60)	(20)	(92)
Deferred tax	-	-	28
Total current tax	(60)	(20)	(64)

7. Earnings per share

Earnings per ordinary share (pence) attributable to owners of the parent during the period:

Earnings per share	Six months ended 30 June		Year ended 31 December
	2021	2020	2020
Basic	1.32p	1.77p	1.03p
Adjusted	0.93p	(1.94)p	(3.08)p

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. The calculation of adjusted earnings per share excludes C-19 savings of £33,000 (30 June 2020: £315,000) (31 December 2020: £348,000).

Reconciliations of the earnings and weighted average number of shares used in the calculation are set out below:

For six-month period	30 June 2021		30 June 2020	
	Profit £'000	Weighted average number of shares (in thousands)	Profit £'000	Weighted average number of shares (in thousands)
Basic EPS				
Profit attributable to owners of the parent	112	8,475	150	8,475
Exceptional savings (note 8)	(33)		(315)	
Adjusted EPS				
Profit/(loss) attributable to owners of the parent before exceptional savings	79	8,475	(165)	8,475

For year ended	31 December 2020	
	Profit £'000	Weighted average number of shares (in thousands)
Basic EPS		
Profit attributable to owners of the parent	87	8,475
Exceptional savings (note 8)	(348)	
Adjusted EPS		
Loss attributable to owners of the parent before exceptional savings	(261)	8,475

8. Exceptional savings

	30 June 2021 £'000	30 June 2020 £'000	31 December 2020 £'000

Exceptional savings as a result of C-19 pandemic			
Government funding Job Retention Scheme	33	113	146
Salary Sacrifice	-	178	178
Rent concessions	-	24	24
	33	315	348

The exceptional savings relate to group wide salary sacrifice, rent reductions, along with government support via the Coronavirus Job Retention Scheme (CJRS).

9. Leases

The note provides information for leases where the group is a lessee.

The statement of financial position shows the following amounts relating to leases:

	30 June 2021	30 June 2020	31 December 2020
	£'000	£'000	£'000
Right-of-use assets			
Buildings	388	388	356
Vehicles	42	42	123
	430	430	479
Lease Liabilities			
Current	131	131	163
Non-current	356	356	354
	487	487	517

Under IFRS 16 the assets are presented in property, plant and equipment and the liabilities as part of the group's borrowings.

The Income statement shows the following amounts relating to leases:

	30 June 2021	30 June 2020	31 December 2020
	£'000	£'000	£'000
Depreciation charge relating to right-of-use assets			
Buildings	41	32	82
Vehicles	32	39	71
	73	71	153
Interest expense (included in finance cost)	8	9	18
Expense relating to short-term leases (included in administrative expenses)	17	22	25

The practical expedient for rent concessions occasioned by Covid-19 has been applied to all rent concessions which meet the conditions in the 6 months to 30 June 2020, leading to a credit of £24,000 being recognized in the Income Statement.