

This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("MAR"). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

14 September 2022



Touchstar plc

Interim results for the Six months ended 30 June 2022

Strong start to the year

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 2022 ("H1 2022" and "Period").

Key Financials:

	6 months 30 June 2022	6 months 30 June 2021	Increase
• Revenue	£3,102,000	£2,895,000	up 7%
• Margin	59.8%	56.5%	up 6%
• EBITDA*	£571,000	£464,000	up 23%
• Trading profit after tax*	£164,000	£79,000	up 108%
• Adjusted Earnings Per Share (EPS)*	1.93p	0.93p	up 108%
• Cash net of overdraft and CBILs**	£1,602,000	£1,301,000	up 23%
• Order book	£1,061,000	£621,000	up 71%
• Recurring revenue	£1,311,000	£1,115,000	up 18%
Statutory Results:			
• Profit after tax	£164,000	£112,000	up 46%
• Basic EPS	1.93p	1.32p	up 46%

H1 2022 Highlights

- Revenue growth of 7% to £3,102,000 (H1 2021: £2,895,000)
- Recurring revenue growth accelerated increasing by 18% to £1,311,000 (H1 2021: £1,115,000)
- 330 basis point improvement in gross margin to 59.8% (H1 2021: 56.5%)

- 108% increase in trading profit after tax and adjusted EPS*
- Continued upward trend in EBITDA which grew by 23% to £571,000 (H1 2021: £464,000)
- Order book rose 71% to £1,061,000 (H1 2021: £621,000)
- The positive trends in trading and customer activity within the business continued in the Period. Progress was made in profitability, cash generation and continued innovation of our products and services.
- As expected, growth in recurring revenue continued, rising by 18% to £1,311,000 in the Period, representing 42% of total revenue for H1 2022.
- Well controlled costs and enhanced margins have also helped to improve profitability.

Outlook

- Order book as of the 13 September 2022, stood at £1,022,000 an increase of £186,000 on 13 September 2021 which was £836,000.
- Confidence in the medium term is driven by a significant uptick in the level of activity in our largest market of petrochemical distribution.
- Current trading is in line with expectations for the year as whole.

* Refer to note 3 for details

** CBILs Coronavirus Business Interruption Loan

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

"I am pleased to report that the Group has delivered a strong first half performance as a result of solid market demand enhanced by sound management and a focused strategy.

Current trading is in line with expectations, and we are pleased to report that our order book at 12 September 2022 is ahead of this time last year. We are mindful of the uncertainty in the economic outlook but have confidence we are well positioned to navigate the short-term challenges and capitalise on the exciting growth opportunities ahead. We expect current trends within the Group to continue into 2023."

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Touchstar plc

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CHAIRMAN'S INTERIM STATEMENT 2022

Touchstar strong first half performance is a result of solid market demand, enhanced by sound management and a focused strategy. We have again delivered organic growth, margin improvement and cash generation all feeding into positive trends in profitability. We are seeing revenue growth by adding new customers and as encouragingly, from major existing clients prepared to invest and upgrade to Touchstar's current products and solutions.

During the Period we continued to make progress with our strategic priorities; continue to make investment in our technology, build recurring revenues and accelerate the transition to a more software orientated business.

We are mindful of the uncertainty in the economic outlook but have confidence we are well positioned to navigate the short-term challenges and capitalise on the exciting growth opportunities ahead.

We remain comfortable of delivering the expectations we have set.

Operational Review

The Group has a comprehensive suite of software which serve the sectors we operate in. The Period has seen further enhancements to our offering which will maintain our strong position and future value.

During the Period, around 70% of the turnover came from the Transport and Logistics operation, around 30% from the Access Control marketplace. We continued to build on enhancing our recurring revenue income and sales of more margin rich services and as a result during the Period recurring revenue accounted for 42% of total sales (H1 2021: 38.5%) and we saw an over 300 basis point increase in gross margins.

Activity in the market remains strong and the project pipeline remains healthy. The challenges over the past 12 months of managing the supply chain has been successful, with a handful of smaller orders experiencing some delay in shipment. Inflationary pressures are playing a part too and again we are managing this stealthily and with success.

Whilst as a Group we are moving into offering more software solutions, hardware still plays an effective part in the success of the Group. We are in the process of launching our latest rugged android tablet for the transport sector for in vehicle solution. This product will be utilised in the petrochemical marketplace and it has just been safety approved for use in the hazardous areas involved in this aspect of distribution.

In summary, the Group is now in good shape with an effective team delivering the solutions to the customer efficiently and effectively. Thanks goes to all employees who continue to give 110% of effort to build the business, product range and customer base

Financial Performance

Revenue grew 7% in the Period to £3,102,000 (H1 2021: £2,895,000).

The order book on 30 June 2022 stood 71% higher at £1,061,000 (H1 2021: £621,000). These improvements are driven by major projects in the petrochemical sector returning to normal levels having been halted by the pandemic.

As we had indicated recurring revenue growth accelerated, increasing by 18% to £1,311,000 (H1 2021: £1,115,000) and represented 42% of total revenues (H1 2021: 39%). Development of recurring revenue remains key to our strategy and future success.

The increasing level of software sales and continued operation efficiency drove further improvement in gross margins which increased to 59.8% in the Period (H1 2021: 56.5%).

Overhead costs were £1,721,000 an increase of 8.5% compared to H1 2021 of £1,586,000. The prior year financial results included a benefit from temporary / one off factors through limited use of the Coronavirus Job Retention Scheme (CJRS) which totalled £33,000. This Period contained no such items.

As witnessed in recent periods the positive effects of both higher revenue and improved margins led to further improvements in profitability with EBITDA increasing 23% to £571,000 in the Period (H1 2021: £464,000), operating profit rose by 90% to £114,000 (H1 2021: £60,000 inclusive of £33,000 benefit from CJRS).

Spend on research and development continued and amounted to £499,000 in the Period of which £283,000 was capitalised as we invested in further enhancing our solutions.

This strategy of investing further in the business meant we again benefitted from a tax credit of £60,000 in the Period (H1 2021: £60,000). In the Period both trading profit after tax and earnings per share increased by 108% to £164,000 and 1.93p respectively (H1 2021: £79,000 and 0.93p).

As at the 30 June 2022, we remained debt free and our cash, net of overdraft and the £135,000 Coronavirus Business Interruption Loan (CBIL), was £1,602,000 (H1 2021: £1,301,000). In the Period we normalised all trade and payables and unwound all deferred amounts due under the Government's support packages to business. Since the Period ended, we have repaid the CBIL in full.

Distributable Reserves

The directors continue to work to enable Touchstar to have the option and ability to consider returning value to shareholders either via share buybacks or the payment of dividends. We have yet to progress with the capital reduction process that was approved at the AGM on the 20 June 2022. The Directors are still consulting with the Company's advisers. The directors having an increased level of confidence in the profitability and improved performance of the business being sustained could mean a natural elimination of this deficit over the medium term, thus save shareholders the costs of a court process.

Whichever option we pursue the Company may be able to return cash to shareholders in respect of 2023.

Current Trading and Prospects

The Directors believe that current trading remains on track to meet market expectations.

The prospects for 2022 are enhanced by the better levels of customer activity now translating into orders and as of the 12 September 2022 the order book maintained its levels standing at £1,022,000. As a result, the Directors believe that current trading remains on track to meet market expectations.

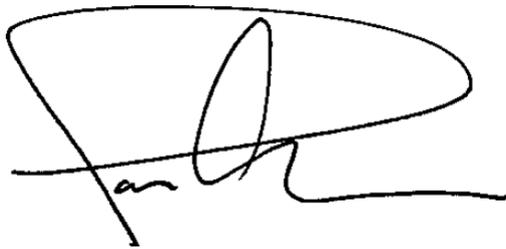
Management continues to seek to balance the inflationary pressures on the business with progress on efficiency together with raising prices. Thus, we expect to be able to maintain margins around their current level.

The board believes that 2022 will see both growth in revenue and EBITDA driving further progress in our financial performance.

Conclusion

Looking ahead we expect current trends within the business to continue into 2023, despite the broader economic issues. The hard work and investment made in Touchstar over the last few years has made the business better. We remain focussed upon delivery of excellent service to our customers, meeting the market's expectations, and creating a vibrant environment for our employees.

The strong balance sheet, growing revenue prospects, recurring revenues forecast to become an ever-increasing part of our revenue base all give the board confidence of increasing embedded value in the business. The challenge is to see that becoming properly reflected to shareholders.

A handwritten signature in black ink, appearing to read 'I Martin', with a large, stylized loop at the top.

I Martin
Executive Chairman
14 September 2022

**Unaudited consolidated income statement
for the six months ended 30 June 2022**

	30 June 2022	30 June 2021	31 December 2021
	£'000	£'000	£'000
Revenue	3,102	2,895	6,104
Cost of sales	(1,246)	(1,259)	(2,472)
Gross profit	1,856	1,636	3,632
Distribution costs	(21)	(23)	(49)
Administrative expenses	(1,721)	(1,586)	(3,400)
Other operating income (note 6)	-	33	44
Operating profit	114	60	227
Finance costs	(10)	(8)	(20)
Profit before income tax	104	52	207
Income tax credit (note 7)	60	60	134
Profit for the period attributable to the owners of the parent	164	112	341

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

	Pence per share	Pence per share	Pence per share
Earnings per share (note 8)			
Basic	1.93p	1.32p	4.02p
Adjusted	1.93p	0.93p	3.50p

Unaudited consolidated statement of changes in equity for the six months ended 30 June 2022

	Share capital £'000	Share premium account £'000	Share based payment reserves £'000	Retained earnings £'000	Total equity £'000
For the six months ended 30 June 2022					
Balance at 1 January 2022	424	1,119	6	776	2,325
Profit for the period	-	-	21	164	185
Balance at 30 June 2022	424	1,119	27	940	2,510
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 year ended 31 December 2021					
Balance at 1 January 2021	424	1,119	-	435	1,978
Profit for the year	-	-	6	341	347
Balance at 31 December 2021	424	1,119	6	776	2,325

Unaudited consolidated statement of financial position at 30 June 2022

	30 June 2022	30 June 2021	31 December 2021
	£'000	£'000	£'000
Non-current assets			
Intangible assets	1,143	1,272	1,198
Property, plant, and equipment	113	95	94
Right of use asset	320	442	399
Deferred tax assets	81	63	81
	1,657	1,872	1,772
Current assets			
Inventories	815	831	865
Trade and other receivables	1,410	1,181	1,071
Current tax recoverable	226	73	166
Cash and cash equivalents	2,831	2,481	3,903
	5,282	4,566	6,005
Total assets	6,939	6,438	7,777
Current liabilities			
Trade and other payables	1,091	1,112	1,333
Contract liabilities	1,363	1,165	1,762
Borrowings	1,229	1,060	1,418
Lease liabilities	158	171	169
	3,841	3,508	4,682
Non-current liabilities			
Deferred tax liabilities	251	215	251
Contract liabilities	174	208	172
Borrowings	-	120	105
Lease liabilities	163	297	242
	588	840	770
Total liabilities	4,429	4,348	5,452

**Unaudited consolidated statement of financial position
at 30 June 2022 (continued)**

	30 June 2022	30 June 2021	31 December 2021
	£'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
Share-based payment reserve	27	-	6
Profit and loss account	940	547	776
Total equity	2,510	2,090	2,325
Total equity and liabilities	6,939	6,438	7,777

**Unaudited consolidated cash flow statement
for the six months ended 30 June 2022**

	30 June 2022	30 June 2021	31 December 2021
	£'000	£'000	£'000
Cash flows from operating activities			
Operating profit	114	60	226
Depreciation	110	110	233
Amortisation	336	294	612
Share-based payment provision	21	-	6
Movement in:			
Inventories	50	(117)	(151)
Trade and other receivables	(339)	(171)	(60)
Trade and other payables	(638)	(424)	358
Cash (used in)/ generated from operating activities	(346)	(248)	1,224
Interest paid	(10)	(8)	(20)
Corporation tax received	-	97	97
Net cash (used in)/ generated from operating activities	(356)	(159)	1,301
Cash flows from investing activities			
Purchase of intangible assets	(281)	(217)	(460)
Purchase of property, plant, and equipment	(50)	(10)	(50)
Net cash used in investing activities	(331)	(227)	(510)
Cash flows from financing activities			
Principal elements of lease payments	(91)	(85)	(182)
Business loan repayments	(15)	-	(15)
Net cash (used in)/ generated from financing activities	(106)	(84)	(197)
Net (decrease)/ increase in cash and cash equivalents	(793)	(470)	594
Cash and cash equivalents at start of the year	2,515	1,921	1,921
Cash and cash equivalents at end of the year	1,722	1,451	2,515
Cash and cash equivalents			
Cash at bank and in hand	2,831	2,481	3,903
Less: bank overdraft (included within borrowings)	(1,109)	(1,030)	(1,388)
Net cash	1,722	1,451	2,515

Notes to the interim report and accounts for the six months ended 30 June 2022

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 of 30 June 2022, 30 June 2021 and the year ended 31 December 2021 along with related consolidated interim statements of income and cash flows for the six months to 30 June 2022 and 30 June 2021 and year ended 31 December 2021 of Touchstar plc (hereinafter referred to as 'financial information').

This financial information for the half year ended 30 June 2022 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 13 September 2022.

The figures for the year ended 31 December 2021 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 2022. These are consistent with those included in the previously published annual report and accounts for the year ended 31 December 2021, 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, adjusted EBITDA and adjusted EPS.

'Trading profit/(loss) after tax', 'adjusted EBITDA' and 'adjusted EPS' are separately disclosed, being defined as Profit/(loss) after tax, EBITDA and EPS all adjusted to exclude the savings generated 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 relate to 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 also 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. Share-based employee remuneration

The number of options granted during the period was nil (30 June 2021 : nil) (31 December 2021 : 211,000) and outstanding at 30 June 2022 was 211,000 (30 June 2021 : nil) (31 December 2021 : 211,000). These shares had not vested as at 30 June 2022.

For the period ended 30 June 2022 in total £21,000 of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in the income statement (30 June 2021: nil) (year to 31 December 2021 - £6,000) and credited to the share-based payment reserve.

6. Other operating income

	30 June 2022	30 June 2021	31 December 2021
	£'000	£'000	£'000
Exceptional savings as a result of C-19 pandemic			
Government funding Job Retention Scheme	-	33	44

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.

7. Income tax credit

	30 June 2022	30 June 2021	31 December 2021
	£'000	£'000	£'000
Corporation tax			
Current tax	(60)	(60)	(147)
Adjustments in respect of prior years	-	-	(5)
Deferred tax	-	-	18

Total current tax	(60)	(60)	(134)
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The current tax credit relates to losses surrendered through R&D tax credit.

8. Earnings per share

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

Earnings per share	30 June 2022	30 June 2021	31 December 2021
Basic	1.93p	1.32p	4.02p
Adjusted	1.93p	0.93p	3.50p
Diluted	n/a	n/a	n/a

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. During the year 31 December 2021 the Group issued 211,000 options with an exercise price of 85p. Given the exercise price of these options, they are considered anti-dilutive and therefore no diluted EPS is presented.

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

For six-month period	30 June 2022		30 June 2021	
	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	164	8,475	112	8,475
Exceptional saving (note 6)	-		(33)	
Adjusted EPS				
Profit/(loss) attributable to owners of the parent before exceptional savings	164	8,475	79	8,475

For year ended	31 December 2021	
	Profit £'000	Weighted average number of shares (in thousands)
Basic EPS		
Profit attributable to owners of the parent	341	8,475
Exceptional savings (note 6)	(44)	
Adjusted EPS		

Profit/(loss) attributable to owners of the parent before exceptional savings	297	8,475
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9. Leases

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

i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Right-of-use assets			
Buildings	224	306	274
Vehicles	96	136	125
	320	442	399

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Lease liabilities			
Buildings	158	171	169
Vehicles	163	297	242
	321	468	411

ii) Amounts recognised in the statement of profit or loss

	30 June 2022 £'000	30 June 2021 £'000	31 December 2021 £'000
Depreciation charge relating to right-of-use assets			
Buildings	41	41	82
Vehicles	38	32	74
	79	73	156
Interest expense (included in finance cost)	10	8	17
Expense relating to short-term leases (included in administrative expenses)	13	17	18