22 April 2021

Touchstar plc

Preliminary results for the year ended 31 December 2020

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 final results for the year ended 31 December 2020.

Key Financials:

	31 December 2020	31 December 2019	
• Profit after tax	£87,000	£(501,000)	Return to profit
• Earnings per share (continued operations)	1.03p	(4.07)p	Increase 5.1p
• Cash, net of borrowings, at year end	£1,771,000	£850,000	Increase of £921,000
• Revenue (continued operations)	£5,886,000	£6,654,000	Decrease of £768,000
• Earnings per share	1.03p	(5.91)p	

Commenting today, Ian Martin, Chairman of Touchstar, said:

"Everyone has a plan until they get hit" – Mike Tyson
"2020 was certainly not an ordinary year. Despite the turbulent context Touchstar rose to the challenge, demonstrated strong operational resilience and did what we believed to be right for staff, clients and shareholders. The business delivered an impressive positive set of financial results, was profitable and saw our year end cash net of borrowings figure increase by £921,000 to £1,771,000.

Our ambition is not just to be a participant in a short-term recovery or be a beneficiary of a temporary bounce back from the pandemic, but to create real value. The world is at an inflection point, and digital technology will be key to defining what comes next. The strategy for Touchstar is to continue to extend its digital capabilities, grow and capture more of an exciting, fast developing and vibrant future.

We move forward with confidence, optimism and determination."
This announcement contains 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 Regulations.

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Information on Touchstar plc can be seen at: www.touchstarplc.com

CHAIRMAN'S STATEMENT 2020

"Everyone has a plan until they get hit" – Mike Tyson

2020 was certainly not an ordinary year. Despite the turbulent context Touchstar rose to the challenge, demonstrated strong operational resilience and did what we believed to be right for staff, clients and shareholders. The business delivered an impressive positive set of financial results, was profitable and saw our year end cash net of borrowings figure increase by £921,000 to £1,771,000.

In early 2020 life abruptly changed in unimaginable ways for our staff, customers and Touchstar as the Covid - 19 (C-19) pandemic shook the world.
Management had the foresight to realise early on the full scale and implications of C-19 on society and the economy in general, enabling us to take quick and decisive action.

We have sought to ensure our communication throughout has been clear and consistent. The primary focus for the company was to look after the health and well-being of staff, support customers and manage cash. Our stated ambition was not just to be a survivor of this crisis, but to emerge with solid finances, improved products, all our talent in situ and renewed energy. We still remain on track to achieve this.

Touchstar has made a better-than-expected start to 2021. As this year progresses we anticipate the conduct of business to become more straightforward, which is why we are optimistic of better outcomes. As we have said before, we do not expect to benefit from an entire year of ordinary levels of trading until 2022.

On behalf of all shareholders, I would like to thank all my colleagues for what was accomplished in 2020. It was a phenomenal collective achievement and something you should all rightly be very proud of – it is greatly appreciated.

Financial Results

Touchstar results for the year ended 31 December 2020 (FY2020) demonstrate the quality, and the strength of the business as well as its resilience.

When considering this year's financial results perspective needs to be applied. The year being reported contained only two months of typical trading being the first two. We came into 2020 with a clear strategy, solid balance sheet and strong order book – then the world changed.

As expected the second half of 2020 was marginally weaker than the first six months. Touchstar benefits from a high and growing level of recurring revenue and repeat business as well as loyal customers. The C -19 crisis unsurprisingly caused disruption. It takes time to regain new sales momentum lost to those "missing months" of lockdown, constant interruption and heightened uncertainty. This revenue stream is now beginning to build again and at the year end the order book stood at £475,000 (FY2019: £1,200,000). Throughout the crisis sales have continued to be secured and the order intake has remained relatively stable.

Revenue from continuing operations for the year declined 11.5% to £5,886,000 (FY2019: £6,654,000). This was a creditable result and above our expectation as we all adapted to a rapidly evolving environment and new ways of working.

As we have previously highlighted, 70% of our revenue is generated from sectors deemed as "essential" during the UK lockdowns. The relative resilience of our Fuel Delivery and Warehouse/Logistics business compensating for the Access Control and Podstar divisions which are exposed to the less essential sectors of the economy.

Margins improved slightly to 52% (FY2019: 51.80%).

We entered 2020 a more streamlined business with a significantly reduced cost base. Overhead costs declined to £3,166,000 (FY2019: £4,095,000) – a £929,000 decrease. This excludes the additional savings of £146,000 in the form of the Coronavirus Job Retention Scheme.

Touchstar was profitable for the year. We achieved an operating profit of £39,000 (FY2019: loss (£648,000)). On an after-tax basis the profit was £87,000 (FY2019: loss (£345,000)). This translates into EPS of 1.03p (FY2019: loss (4.07p)/ EPS including discontinued operations (5.91p)).

Cash generation was very strong. The year-end cash less overdraft position improved by £1,071,000 over the year to £1,920,000 (2019: £850,000). This impressive outcome is testament to our culture of placing great importance on cash management. The underlying business contributed £763,000 of free cash in the period, and the year-end position benefitted further from both a £150,000 Coronavirus Business Interruption Loan (meaning cash less debt stood at £1,771,000 (2019: £850,000)), and a deferral of one quarter VAT until March 2021 totalling £157,000.

Looking Ahead - Current Trading and the Future

I am optimistic about Touchstar's future. Life has been abnormal for so long – talk of a "return to normal" seems misplaced. C-19 has been a catalyst for profound adjustment and fundamental reassessment, accelerating the trends already embedded in business, transforming society, and altering aspects of human behaviour for good.

Touchstar is well positioned as business moves to digitise and embrace an e -commerce model. Our customers facilitate online transactions, using Touchstar to enable data to be captured, moved seamlessly, and used. Additionally, the Company has traditional virtues of having no net debt, a strongly cash generative business model and a loyal customer base – this is an enviable place to be.

Throughout the crisis Touchstar continued to make advances, demonstrated vividly by these results. Ironically we seem to be a better placed business exiting this pandemic than at the point of entry.

In 2020 we executed a simple strategy successfully, in what were extraordinary times. I am proud that we protected our people, supported our customers, won new orders and turned sales into cash.

We are upbeat for 2021 and hopeful of making continued progress. Signs of component shortages and strain are evident within our supply chains, to date we have successfully managed this issue and the first quarter has certainly started better than we had expected.

The fact that social disruption continues is not a surprise to us. The first half of the year will contain the headwinds of this current lockdown and restrictions. One has to be confident that scientific advancement and vaccines are overcoming this virus - the tide is turning. After a year of being somewhat cynical at what I saw as over optimism in high places I now feel we have a realistic roadmap out of this crisis, within broadly achievable and deliverable timeframes.

Our cautious approach has served us well, but we remain alert. This is not a time to dwell on how successfully we have navigated our way to this point, but instead to focus on Touchstar in a post crisis world – ensuring we capitalise fully on gains made and everyone's hard work.

The prospects for 2022 are encouraging. There are signs of renewed activity from our customer base, confidence is returning, decisions previously put on hold are now being made – next year could be a time when the true value of the Touchstar business model is validated. As this goal is achieved, we will remain disciplined. Any capital deemed surplus to requirements that cannot produce adequate returns within the business will be returned to shareholders

Our ambition is not just to be a participant in a short-term recovery or be a beneficiary of a temporary bounce back from the pandemic, but to create real value. The world is at an inflection point, and digital technology will be key to defining what comes next. The strategy for Touchstar is to continue to extend its digital capabilities, grow and capture more of an exciting, fast developing and vibrant future.

We move forward with confidence, optimism and determination.

I Martin
Executive Chairman
21 April 2021

Consolidated income statement for the year ended 31 December 2020

	2020	2019		
	£'000	£'000		
	Continuing operations	Continuing operations	Discontinued operations	Total
Revenue	**5,886**	6,654	465	7,119
Cost of sales	**(2,827)**	(3,207)	(70)	(3,277)
Gross profit	**3,059**	3,447	395	3,842
Distribution costs	**(41)**	(55)	-	(55)
Administrative expenses	**(3,125)**	(4,040)	(551)	(4,591)
Other operating income	**146**	-	-	-
Operating profit/ (loss) before exceptional items	39	(451)	59	(392)
Exceptional costs included in administrative expenses	-	(197)	(215)	(412)
Operating profit/(loss)	**39**	(648)	(156)	(804)
Finance costs	**(16)**	(25)	-	(25)
Profit/(loss) before income tax	**23**	(673)	(156)	(829)
Income tax credit	**64**	328	-	328
Profit/(loss) for the year attributable to the owners of the parent	**87**	(345)	(156)	(501)

Earnings/(loss) per ordinary share (pence) attributable to owners of the parent during the year (note 5):

	2020	2019		
		Continuing operations	Discontinuing operations	Total
Basic	**1.03P**	(4.07)p	(1.84)p	(5.91)p
Adjusted	**1.03P**	(1.74)p	0.69p	(1.05)p

There is no other comprehensive income or expense in the current year or prior year and consequently no statement of other comprehensive income or expense has been presented.
All activity in 2020 relating to continuing operations.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Company income statement. The profit for the Company is detailed in the Statement of financial position and the Company statement of changes in shareholders' equity.

Consolidated statement of changes in equity for the year ended 31 December 2020

	Share capital	Share premium account	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 1 January 2019	424	1,119	849	2,392
Loss for the year	-	-	(501)	(501)
At 31 December 2019	424	1,119	348	1,891
Profit for the year	-	-	87	87
At 31 December 2020	424	1,119	435	1,978

Company statement of changes in equity for the year ended 31 December 2020

	Share capital	Share premium account	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 1 January 2019	424	1,119	(2,703)	(1,160)
Loss for the year	-	-	(2)	(2)
At 31 December 2019	424	1,119	(2,705)	(1,162)
Profit for the year	-	-	3	3
At 31 December 2020	424	1,119	(2,702)	(1,159)

Consolidated and Company statements of financial position as at 31 December 2020

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Non-current assets				
Intangible assets	**1,350**	1,499	**-**	-
Property, plant and equipment	**121**	175	**-**	-
Right-of-use assets	**479**	522	**-**	-
Deferred tax assets	**63**	111	**3**	-
	2,013	2,307	**3**	-
Current assets				
Inventories	**714**	891	**-**	-
Trade and other receivables	**1,010**	1,317	**474**	1,189
Corporation tax receivable	**110**	344	**-**	-
Cash and cash equivalents	**3,177**	3,143	**-**	-
	5,011	5,695	**474**	1,189
Total assets	**7,024**	8,002	**477**	1,189
Current liabilities				
Trade and other payables	**1,246**	1,465	**230**	58
Contract liabilities	**1,485**	1,322	**-**	-
Borrowings	**1,271**	2,293	**1,271**	2,293
Lease liabilities	**163**	171	**-**	-
	4,165	5,251	**1,501**	2,351
Non-current liabilities				
Deferred tax liabilities	**215**	234	**-**	-
Contract liabilities	**177**	208	**-**	-
Borrowings	**135**	-	**135**	-
Lease liabilities	**354**	418	**-**	-
	881	860	**135**	-
Total liabilities	**5,046**	6,111	**1,636**	2,351

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Capital and reserves attributable to owners of the parent				
Retained earnings at beginning of year	**348**	849	**(2,705)**	(2,703)
Profit/(loss) for the year	**87**	(501)	**3**	(2)
Retained earnings at end of year	**435**	348	**(2,702)**	(2,705)
Share capital	**424**	424	**424**	424
Share premium	**1,119**	1,119	**1,119**	1,119
Total equity	**1,978**	1,891	**(1,159)**	(1,162)
Total equity and liabilities	**7,024**	8,002	**477**	1,189

touchstar plc

Consolidated and Company cash flow statement for the year ended 31 December 2020

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Cash flows from operating activities				
Operating Profit/(loss)	**39**	(804)	**3**	4
Depreciation	**227**	264	**-**	-
Amortisation	**588**	498	**-**	-
Development expenditure loss on disposal	**-**	29	**-**	-
Gain on disposal of PPE	**-**	(10)	**-**	-
Net effect of capitalised leases	**-**	68	**-**	-
Movement in:				
Inventories	**177**	319	**-**	-
Trade and other receivables	**307**	647	**715**	(483)
Trade and other payables and contract liabilities	**(86)**	(36)	**172**	8
Cash generated from/(used in) operations	**1,252**	975	**890**	(471)
Interest paid	**(16)**	(25)	**(3)**	(6)
Corporation tax received	**326**	481	**-**	-
Net cash generated from/(used in) operating activities	**1,562**	1,431	**887**	(477)
Cash flows from investing activities				
Addition of intangible assets	**(439)**	(674)	**-**	-
Purchase of property, plant and equipment	**(20)**	(26)	**-**	-
Proceeds from sale of property, plant & equipment	**-**	10	**-**	-
Net cash used in investing activities	**(459)**	(690)	**-**	-
Cash flows from financing activities				
Proceeds from issue of business loan	**150**	-	**150**	-
Principal elements of lease payments	**(182)**	(187)	**-**	
Net cash generated from financing activities	**(32)**	(187)	**150**	-
Net increase/(decrease) in cash and cash equivalents	**1,071**	554	**1,037**	(477)
Cash and cash equivalents at start of the year	**850**	296	**(2,293)**	(1,816)
Cash and cash equivalents at end of the year	**1,921**	850	**(1,256)**	(2,293)

1 General information

Touchstar plc (the 'Company') and its subsidiaries (together 'the Group') design and build rugged mobile computing devices and develop software solutions used in a wide variety of field-based delivery, logistics and service applications. The Company is a public company limited by share capital incorporated and domiciled in the United Kingdom. The Company has its listing on the Alternative Investment Market. The address of its registered office is 1 George Square, Glasgow, G2 1AL.

2 Basis of preparation

The final results for the year ended 31 December 2020 have been prepared in accordance with the accounting policies set out in the annual report and the accounts for the year ended 31 December 2019.

The Group Financial Statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union, IFRS IC interpretations and the Companies Act 2006 applicable to companies reporting under IFRSs and the AIM Rules for Companies. The Group Financial Statements have been prepared under the historical cost convention.

While the financial information included in this final announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The accounting policies used in preparation of this final announcement have remained unchanged from those set out in the Group's 2019 statutory financial statements other than those described below. They are also consistent with those in the Group's statutory financial statements for the year ended 31 December 2020 which have yet to be published. The final results for the year ended 31 December 2020 were approved by the Board of Directors on 21 April 2021.

The financial information set out in this final announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2020 but is derived from those financial statements which were approved by the Board of Directors on 21 April 2021. The Auditors have reported on the Group's statutory financial statements and their report was unqualified and (ii) did not contain a statement under section 498(2) or 498(3) Companies Act 2006. The statutory financial statements for the year ended 31 December 2020 have not yet been delivered to the Registrar of Companies and will be delivered following the Company's Annual General Meeting.

The comparative figures are derived from the Group's statutory financial statements for the year ended 31 December 2019 which carried an unqualified audit report, did not contain a statement under section 498(2) or 498(3) Companies Act 2006 and have been filed with the Registrar of Companies.

<u>Non – GAAP financial measures</u>

For the purposes of the annual report and financial statements, 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 Chairman's statement relates to trading loss or profit.

'Trading loss after tax before exceptional costs' is separately disclosed, being defined as loss or profit after tax adjusted to exclude exceptional costs such as development expenditure impairment, goodwill impairment and restructuring costs. These exceptional costs relate to items which the management believe do not accurately reflect the underlying trading performance of the business in the period. The Directors believe that the trading loss or profit is an important measure of the underlying performance of the Group.

Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its liabilities when they fall due. As of 31 December 2020, the Group held cash of £1,921,000 (after taking into account overdraft balances as presented in note 21), with unencumbered net cash of £1,771,000 after taking into account the £150,000 Coronavirus Business Interruption Loan. The Group also had an undrawn £200,000 on demand overdraft facility as of 31 December 2020 (also £nil in April 2021).

The Touchstar management continues to demonstrate its ability to proactively respond to both internal and external challenges it has faced, non-more so than those encountered over the past twelve months.
As with many other businesses, the Group has found itself navigating the past year through unprecedented economic events due to the COVID-19 pandemic.
The directors remain confident in the business, the skillset employed in its dedicated staff, solid product set and loyal customer base.
The C-19 pandemic, had a significant impact on 2020 Group sales with continuing operations revenue contracting by 11.5% in 2020.
In early 2020, because of the imminent pandemic, management took swift, decisive action and responded quickly, by reducing costs and incorporating sweeping self-help measures in the form of a Coronavirus Business Interruption loan, grants & funding where possible.
A full assessment of the Group's customer base was carried out in March 2020 where the findings concluded that a significant proportion of the customer base was largely unaffected by the pandemic.
During 2020 the business was not required to temporarily shut down and there were no substantial curtailments to the entity's activities. Customer behaviour, beyond the initial shock reaction to the pandemic in April, was not significantly affected.
The Company continues to benefit from a supportive bank who have provided the borrowing facility since 2005. Over the past eighteen months the Group has significantly reduced its reliance on the facility provided by the bank. In assessing the Company's ability to continue as a going concern, the Board has reviewed the Group's cash flow and profit forecasts taking account of this reduced reliance on any facilities. The impact of potential risks and related sensitivities to the forecasts were considered in assessing the likelihood of additional facilities being required in the future
The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily

determined, the Group uses its incremental borrowing rate based on the rate provided by the Group's bankers, Barclays.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.
Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Intangible Assets', 'Tangible Fixed Assets' and 'Investment Property' lines, as applicable, in the Statement of Financial Position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss in accordance with that standard.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

3 Critical accounting estimates and judgements

The Group and Company 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.

(a) 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.

(b) Impairment of intangibles

Judgement is required in the impairment of assets, notably intangible software development costs. Recoverable amounts are based on a calculation of expected future cash flows, which require assumptions and estimates of future performance to be made. Cash flows are discounted to their present value using pre-tax discount rates based on the Directors market assessment of risks specific to the asset.

(c) Stock provisions

Judgement is required in relation to the appropriate provision to be made for the write down of slow moving or obsolete inventory. Such provisions are made based on the assessment of the Group's prospective sale of inventories and their net realisable value, which are subject to estimation uncertainty.

4 Income tax credit

	2020	2019
	£'000	£'000
Corporation tax		
Current tax	**(92)**	(326)
Adjustments in respect of prior years	**-**	(13)
Deferred tax	**28**	11
Total tax credit	**(64)**	(328)

Corporation tax is calculated at 19% (2019: 19%) of the estimated assessable profit for the year. This is the weighted average tax rate applicable for the year.

Factors affecting the tax credit for the year

The tax credit for the year is same as (2019: same as) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020	2019
	£'000	£'000
Profit/(loss) before income tax	**23**	(829)
Multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	**4**	(158)
Effects of:		
Items not deductible for tax purposes	**1**	2
Enhanced research and development deduction	**(167)**	(248)
Adjustments in respect of prior years	**-**	(13)
Losses surrendered through R&D tax credit	**29**	100
Capital allowances claimed in year less than/(in excess of) depreciation	**28**	(11)
Adjustment to deferred tax arising from changes in tax rate	**41**	-
Total tax credit for the year	**(64)**	(328)

Factors affecting the future tax charge

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2020 (on 22 July 2020). These include the cancellation of the reduction in the main rate to 17% from 1 April 2020, thereby keeping the corporation tax rate at 19% after 1 April 2020.

In March 2021, the budget announced the intention to increase the corporation tax rate from 19% to 25%. This announcement does not constitute substantive enactment and therefore deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 19%.

5 Earnings/(losses) per share

	2020	2019		
		Continuing operations	Discontinuing operations	Total
Basic	**1.03P**	(4.07)p	(1.84)p	(5.91)p
Adjusted	**1.03P**	(1.74)p	0.69p	(1.05)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 exceptional costs of £nil (2019: £412,000).

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

	2020		2019	
	Earnings £'000	**Weighted average number of shares (in thousands)**	Earnings £'000	Weighted average number of shares (in thousands)
Basic EPS				
Profit/(loss) attributable to owners of the parent	**87**	**8,475**	**(501)**	**8,475**
Exceptional costs	**-**		**412**	
Adjusted EPS				
Earnings/(loss) attributable to owners of the parent before exceptional items	**87**	**8,475**	**(89)**	**8,475**

The Group does not operate a share option scheme and as a result diluted earnings per share are not presented.

Non – GAAP financial measures

For the purposes of the annual report and financial statements, 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 Chairman's statement relates to trading loss or profit.

'Trading loss or profit' is separately disclosed, being defined as loss or profit after tax adjusted to exclude exceptional costs such as development expenditure impairment, goodwill impairment and restructuring costs. These exceptional costs relate to items which the management believe do not accurately reflect the underlying trading performance of the business in the period. The Directors believe that the trading loss or profit is an important measure of the underlying performance of the Group.

6 Intangible assets

	Group		
	Goodwill	**Development expenditure**	**Total**
	£'000	**£'000**	**£'000**
Cost			
At 1 January 2019	9,904	4,135	14,039
Additions	-	674	674
Disposal	-	(1,947)	(1,947)
At 31 December 2019	9,904	2,862	12,766
Additions	-	439	439
Disposal	(1,313)	-	(1,313)
At 31 December 2020	**8,591**	**3,301**	**11,892**
Accumulated amortisation			
At 1 January 2019	9,904	2,783	12,687
Amortisation charge	-	498	498
Disposal	-	(1,918)	(1,918)
At 31 December 2019	9,904	1,363	11,267
Amortisation charge	-	588	588
Disposal	(1,313)	-	(1,313)
At 31 December 2020	**8,591**	**1,951**	**10,542**
Net book value			
At 31 December 2020	**-**	**1,350**	**1,350**
At 1 January 2019	-	1,352	1,352
At 31 December 2019	-	1,499	1,499

Disposal of goodwill relates to the dissolution of the three dormant subsidiary undertakings during 2020.

Amortisation of £588,000 (2019: £498,000) is included within administrative expenses in the income statement.

Development expenditure

The calculation of the costs incurred includes third party developers along with the percentage of time spent by certain employees on hardware and software development for deployment in business operations. 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.

Management determined budgeted sales growth based on historic performance and its expectations of market development via each product set's underlying pipeline

A review of each of the product sets did not result in any impairment.

Development expenditure has been capitalised on an ongoing basis and therefore has a remaining useful economic life ranging from 0 to 5 years.

7 Property, plant and equipment

	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost			
At 1 January 2019	345	384	729
Additions	13	13	26
Disposals	-	(52)	(52)
At 31 December 2019	358	345	703
Additions	12	8	20
Disposals	(55)	(5)	(60)
At 31 December 2020	**315**	**348**	**663**
Accumulated depreciation			
At 1 January 2019	237	264	501
Charge for the year	31	48	79
Disposals	-	(52)	(52)
At 31 December 2019	268	260	528
Charge for the year	34	40	74
Disposals	(48)	(12)	(60)
At 31 December 2020	**254**	**288**	**542**
Net book value			
At 31 December 2020	**61**	**61**	**121**
At 1 January 2019	108	120	228
At 31 December 2019	90	85	175

Depreciation expenditure of £74,000 (2019: £79,000) is included within administrative expenses in the income statement.

8 IFRS 16 Right of use assets

	Premises £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 January 2019	-	-	-
Impact of change in accounting policy	579	148	727
At 1 January 2019 (adjusted balance)	579	148	727
Additions	-	64	64
At 31 December 2019	579	212	791
Additions	-	121	121
Disposal	-	(122)	(122)
At 31 December 2020	**579**	**211**	**790**
Accumulated depreciation			
At 1 January 2019	-	-	-
Charge for the year	80	105	185
Impairment	61	23	84
At 31 December 2019	141	128	269
Charge for the year	82	71	153
Disposal	-	(111)	(111)
At 31 December 2020	**223**	**88**	**311**
Net book value			
At 31 December 2020	**356**	**123**	**479**
At 31 December 2019	438	84	522

Depreciation expenditure of £153,000 (2019: £185,000) is included within administrative expenses in the income statement.

9 Cash and cash equivalents

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand	**3,177**	3,143	**-**	-
Less: bank overdraft (included within borrowings note 10)	**(1,256)**	(2,293)	**(1,256)**	(2,293)
	1,921	850	**(1,256)**	(2,293)

The above balances are not offset in the Consolidated Statement of Financial Position and are included for illustrative purposes only.

10 Borrowings

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Current borrowings:				
Bank overdraft	**1,256**	2,293	**1,256**	2,293
Other loans	**15**	-	**15**	-
	1,271	2,293	**1,271**	2,293

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Non-current borrowings:				
Bank overdraft	**-**	-	**-**	-
Other loans	**135**	-	**135**	-
	135	-	**135**	-

The carrying amounts of borrowings approximate to their fair value due to their short-term maturity, meaning that the impact of discounting is not significant. The carrying amounts of the Group's borrowings are denominated solely in sterling.

The Group bank overdraft facility is secured by a bond and floating charge over the entire assets of the Group. At 31 December 2020, the Group had total committed undrawn facilities of £350,000 (2019: £350,000).

The Group now operates within a £200,000 net overdraft facility which takes into account both the gross cash position of each Group entity netted off against any borrowings. As at the 31 December 2020, this represents the net cash balance of £1,921,000 (2019: £850,000) in Note 9.
The Company and its subsidiaries have given a guarantee in relation to the overdraft facilities extended to The Group.

Other loans relate to the Coronavirus Business Interruption Loan repayable monthly over six years; first payment to commence on the 12-month anniversary of drawdown.
The loan is guaranteed by the UK Government under the Coronavirus Business Interruption Loan Scheme with interest payable monthly on commencement of loan repayment. The rate of interest is 4.19% per annum above the Bank of England floating rate.

11 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:

	Note	**2020** **£'000**	2019 £'000
Right-of-use assets			
Buildings		**356**	438
Vehicles		**123**	84
	8	**479**	522

	2020 **£'000**	2019 £'000
Lease liabilities		
Current	**163**	171
Non-current	**354**	418
	517	589

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

ii) Amounts recognised in the statement of profit or loss

	Notes	**2020** **£'000**	2019 £'000
Depreciation charge of right-of-use assets			
Buildings		**82**	74

Vehicles		**71**	111
	8	**153**	185

The statement of profit or loss shows the following amounts relating to leases:

	2020	2019
	£'000	£'000
Interest expense (included in finance cost)	**18**	19
Expense relating to short-term leases (included in administrative expenses)	**25**	23