

28 May 2020



Touchstar plc

Preliminary results for the year ended 31 December 2019

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 2019.

Key Financials:

	31 December 2019	31 December 2018	
• Revenue (including discontinued operations)	£7,119,000	£6,898,000	Increase 3.2%
• Trading loss after tax before exceptional costs *	£(89,000)	£(582,000)	Reduction 85%
• Order book at year end	£1,200,000	£254,000	Increase 372%
• Adjusted earnings per share	(1.05)p	(6.95)p	Improvement 85%
• Net cash at year end	£850,000	£296,000	Increase £554,000
• Exceptional costs	£412,000	£334,000	
• Loss after tax	£(501,000)	£(916,000)	
• Basic earnings per share	(5.91)p	(10.94)p	

** Refer to note 6 for definition*

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

“Our achievements in 2019 – increasing the order book (at the year-end by 372%), generating £554,000 of free cash, selling Onboard (our loss-making airline business) and lowering the cost base by over £500,000 – all had outcomes that brought benefits to the longer term, and in this C-19 crisis they are vital factors assisting us to survive and then prosper.

At the start of the C-19 event Touchstar plc was defensively positioned with cash in the bank, no net debt, a lowered cost base, a strong order book. We traded profitably in the first quarter of 2020, in what is historically a weak quarter for the Group.

That trend continued into April, our current expectation is the momentum we had in place going into the crisis should enable a favourable outcome at the half year.

How this ultimately plays out is candidly impossible to predict. We are working tirelessly to navigate a path through the C-19 crisis. We are blessed with many positive factors which are currently keeping us on track.”

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.

For further information please contact:

Touchstar plc

Ian Martin

0161 8745050

Mark Hardy

0161 874 5050

WH Ireland – Nominated Adviser

Mike Coe/ Chris Savidge

0117 945 3472

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

CHAIRMAN'S STATEMENT 2019

I hope everyone is all right in what are uncertain, strange and troubling times for many people.

I am breaking with convention in this statement. I will cover both the statutory reporting on the results for the year ended 31 December 2019 ("FY2019") and the impact of the current Covid C-19 ("C-19") crisis on Touchstar.

Shareholders will probably be as interested in the shape of Touchstar today as in the results for FY2019, in what is a radically changed world - 2019 feels a long time ago.

Our achievements in 2019 – increasing the order book (at the year-end by 372%), generating £554,000 of free cash, selling Onboard (our loss-making airline business) and lowering the cost base by over £500,000 – all had outcomes that brought benefits to the longer term, and in this C-19 crisis they are vital factors assisting us to survive and then prosper.

In outlining our response to the C-19 crisis I will not speculate about the macro issues of this pandemic as I am not qualified to do so, but I will focus on the actions we have taken and summarise what we are expecting.

At Touchstar we are very determined to navigate through what are very challenging times.

Financial Results 2019

The Group's results for FY2019 show a top line revenue growth of 3.2% to £7.1 million (FY 2018: £6.9 million). If one focuses on continuing operations (that is excluding Onboard) the growth rate was even more impressive at 7.2%, with revenue rising to £6.7 million (FY2018: £6.2 million).

Sales growth was driven by Touchstar's new products and services as they became established. The year-end order book was up 372% to £1.2 million compared with £0.25 million at the end of 2018.

Margins continued to rise to 53.9% (FY2018: 51.1%) reflecting a continuation of the move to a more software and solution orientated sale.

Improved margins, combined with the revenue growth, resulted in the after-tax loss before exceptional costs being reduced by 85% to £89,000 (FY2018: loss £582,000). The adjusted loss per share was 1.05p (FY2018: loss 6.95p).

As of 31 December 2019, the Group had net cash of £850,000 (FY2018: £296,000).

I have often referenced the cash generative nature of our business. In 2019 we generated £554,000 of free cash. This was achieved even after a further £1.1 million was invested in new product development and a sizeable cash outflow arising from exceptional costs of £412,000 (FY2018: £334,000) associated with the restructuring and the well-timed sale of our loss-making airline business. We entered 2020 with a cost base lowered by £571,000.

In the last quarter of 2019 Jon Hall stepped down as a director of the company. Jon had been with Touchstar for many years and I would like to wish him all the best and thank him again for his contribution.

Broadly, 2019 was a year of progress and we began the new year with a record order book and feeling very optimistic for 2020.

Covid -19 Crisis (C-19)

At the start of the C-19 crisis Touchstar plc was defensively positioned with cash in the bank, no net debt, a lowered cost base, a strong order book. We traded profitably in the first quarter of 2020, in what is historically a weak quarter for the Group, achieving revenue growth of 49% on continuing business compared to Q1 2019, as the healthy order book flowed into revenue. The whole Group worked flat out to complete orders, ship to clients and invoice, so that orders could be turned into cash.

When the official UK lockdown began on the 23 March 2020, we began work to ensure that Touchstar got through the crisis with its workforce and business intact.

To this we are focussed upon three factors. First, looking after our employees; second, to continue to support our existing customers; and thirdly, cash.

History would suggest that even after the lifting of the lockdown it will take at least 18 months for trading levels to normalise. We therefore launched a series of self-help measures. The self-help measures we have taken include reductions in staff costs, property rentals and software development, as well as utilising UK government schemes such as the Coronavirus Job Retention Scheme, and taken the opportunity to delay the payment of PAYE, NI and VAT.

Shareholders should note that all employees have made a large collective sacrifice in this time of C-19 crisis by agreeing to take substantially lower salaries for the duration of lockdown – whether furloughed or working.

This shows how much we all believe in this business. It is that spirit which gives me confidence and additional resolve to drive forward and through this difficult time.

We made an application on 14th April through Barclays Bank to participate in the UK Government's Coronavirus Business Interruption Loan Scheme (CBILS), as yet we have not had a reply. Even without this loan the balance sheet remains robust, we have no net debt and cash in the bank of a similar level to just before the C-19 crisis impacted the UK economy.

Touchstar serves sectors classified by the UK government as "essential services". Revenues from these organisations comprised 70% of Group sales in 2019 and included NHS hospitals, care homes, food factories, food distribution, schools, government buildings, petrol forecourt deliveries, and oil and gas transportation and throughout the crisis we have received new orders. To date we have outperformed the roadmap we put in place as this crisis unfolded, the short-term effect on Touchstar has been less severe than we had planned to expect.

Trading in the first quarter was profitable. That trend continued into April, our current expectation is the momentum we had in place going into the crisis should enable a favourable outcome at the half year.

How this ultimately plays out is candidly impossible to predict. We are working tirelessly to navigate a path through the C-19 crisis. We are blessed with many positive factors which are currently keeping us on track.

Take care, keep safe and I truly hope that my next communication is in a happier time.

I Martin
Executive Chairman
28 May 2020

Consolidated income statement for the year ended 31 December 2019

	2019 £'000			2018 £'000		
	Continuing operations	Discontinued operations	TOTAL	Continuing operations	Discontinued operations	TOTAL
Revenue	6,654	465	7,119	6,203	695	6,898
Cost of sales	(3,207)	(70)	(3,277)	(3,113)	(257)	(3,370)
Gross profit	3,447	395	3,842	3,090	438	3,528
Distribution costs	(55)	-	(55)	(63)	(3)	(66)
Administrative expenses	(4,040)	(551)	(4,591)	(3,752)	(1,026)	(4,778)
Operating (loss)/profit before exceptional items	(451)	59	(392)	(725)	(257)	(982)
Exceptional costs included in admin expenses	(197)	(215)	(412)	-	(334)	(334)
Operating loss	(648)	(156)	(804)	(725)	(591)	(1,316)
Finance costs	(25)	-	(25)	(4)	-	(4)
Loss before income tax	(673)	(156)	(829)	(729)	(591)	(1,320)
Income tax credit	328	-	328	404	-	404
Loss for the year attributable to the owners of the parent	(345)	(156)	(501)	(325)	(591)	(916)

(Loss)/earnings per ordinary share (pence) attributable to owners of the parent during the year:

	2019	2018
Basic	(5.91)p	(10.94)p
Adjusted	(1.05)p	(6.95)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.

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 loss 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 2019

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	315	-	1,765	2,080
Share Issue	109	1,191	-	1,300
Cost of share issue	-	(72)	-	(72)
Loss for the year	-	-	(916)	(916)
At 31 December 2018	424	1,119	849	2,392
Loss for the year	-	-	(501)	(501)
At 31 December 2019	424	1,119	348	1,891

Company statement of changes in equity for the year ended 31 December 2019

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	315	-	773	1,088
Share Issue	109	1,191	-	1,300
Cost of share issue	-	(72)	-	(72)
Loss for the year	-	-	(3,476)	(3,476)
At 31 December 2018	424	1,119	(2,703)	(1,160)
Loss for the year	-	-	(2)	(2)
At 31 December 2019	424	1,119	(2,705)	(1,162)

Consolidated and Company statements of financial position as at 31 December 2019

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Non-current assets				
Intangible assets	1,499	1,352	-	-
Property, plant and equipment	175	228	-	-
Right-of-use assets	522	-	-	-
Deferred tax assets	111	157	-	-
	2,307	1,737	-	-
Current assets				
Inventories	891	1,210	-	-
Trade and other receivables	1,317	1,928	1,189	706
Corporation tax receivable	344	487	-	-
Cash and cash equivalents	3,143	2,112	-	-
	5,695	5,737	1,189	706
Total assets	8,002	7,474	1,189	706
Current liabilities				
Trade and other payables	1,465	1,444	58	50
Contract liabilities	1,322	1,365	-	-
Borrowings	2,293	1,816	2,293	1,816
Lease liabilities	171	-	-	-
	5,251	4,625	2,351	1,866
Non-current liabilities				
Deferred tax liabilities	234	269	-	-
Contract liabilities	208	188	-	-
Lease liabilities	418	-	-	-
	860	457	-	-
Total liabilities	6,111	5,082	2,351	1,866

	Group		Company	
	2019 £'000	2018 £'000	2018 £'000	2018 £'000
Capital and reserves attributable to owners of the parent				
Retained earnings at 31 December 2018/2017	849	1,856	(2,703)	773
Effect of IFRS 15 adjustment	-	(91)	-	-
Loss for the year	(501)	(916)	(2)	(3,476)
Retained earnings at 31 December 2019/2018	348	849	(2,705)	(2,703)
Share capital	424	424	424	424
Share premium	1,119	1,119	1,119	1,119
Total equity	1,891	2,392	(1,162)	(1,160)
Total equity and liabilities	8,002	7,474	1,189	706

Consolidated and Company cash flow statement for the year ended 31 December 2019

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Operating loss	(804)	(1,316)	4	(3,465)
Depreciation	264	70	-	-
Amortisation	498	379	-	-
Development expenditure impairment	-	334	-	-
Development expenditure loss on disposal	29	-	-	-
Gain on disposal of PPE	(10)	-	-	-
Net effect of capitalised leases	68	-	-	-
Investment impairment	-	-	-	3,474
Movement in:				
Inventories	319	177	-	-
Trade and other receivables	647	328	(483)	(479)
Trade and other payables and contract liabilities	(36)	136	8	(75)
Cash generated from/(used in) operations	975	108	(471)	(545)
Interest paid	(25)	(4)	(6)	(4)
Corporation tax received/(paid)	481	290	-	-
Net cash generated from/(used in) operating activities	1,431	394	(477)	(549)
Cash flows from investing activities				
Purchase of intangible assets	(674)	(929)	-	-
Purchase of property, plant and equipment	(26)	(61)	-	-
Proceeds from sale of property, plant & equipment	10	-	-	-
Net cash used in investing activities	(690)	(990)	-	-
Cash flows from financing activities				
Proceeds from issue of shares	-	1,300	-	1,300
Costs of issue of shares	-	(72)	-	(72)
Principal elements of lease payments	(187)	-	-	-
Net cash generated from financing activities	(187)	1,228	-	1,228
Net increase/(decrease) in cash and cash equivalents	554	632	(477)	679
Cash and cash equivalents at start of the year	296	(336)	(1,816)	(2,495)
Cash and cash equivalents at end of the year	850	296	(2,293)	(1,816)

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 preliminary results for the year ended 31 December 2019 have been prepared in accordance with the accounting policies set out in the annual report and the accounts for the year ended 31 December 2018.

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 preliminary 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 preliminary announcement have remained unchanged from those set out in the Group's 2018 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 2019 which have yet to be published. The preliminary results for the year ended 31 December 2019 were approved by the Board of Directors on 27 May 2020.

The financial information set out in this preliminary announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2019 but is derived from those financial statements which were approved by the Board of Directors on 27 May 2020. The Auditors have reported on the Group's statutory financial statements and their report was (i) unqualified (ii) did include a material uncertainty in relation to going concern without qualifying their report and (iii) 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 2019 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 2018 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.

Changes in accounting policy

New and amended Standards and Interpretations adopted by the Group and Company

In these financial statements, the Group has changed its accounting policies in the following areas:

- Lease recognition

The Group has adopted the following IFRSs in these financial statements:

- IFRS 16 Leases

Effective 1 January 2019, IFRS 16 Leases has replaced IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease. The standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model. Lessees are required to recognise a right-of-use asset and related lease liability for their operating leases and show depreciation of leased assets and interest on lease liabilities separately in their income statement. IFRS 16 requires the Company to recognise substantially all of its operating leases on the balance sheet with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. See note 11 for additional information.

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 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 at 31 December 2019, a total of £Nil was drawn down from the £300,000 on demand overdraft facility (£nil in May 2020).

The Group benefits from a supportive bank who have provided the borrowing facility since 2005. In assessing the Group's ability to continue as a going concern, the Board has reviewed the Group's cash flow and profit forecasts against this facility. The impact of potential risks and related sensitivities to the forecasts were considered in assessing the likelihood of additional facilities being required, whilst identifying what mitigating actions are available to the Group to avoid additional facilities and the potential withdrawal of the facility by the bank (as it is repayable upon demand). Specifically, a range of assumptions underpin the profit and cash flow forecasts for the period to June 2021, including:

- growth of the sales pipeline in 2020 and 2021 in the context of the COVID-19 pandemic; and
- mitigation of the potential impact of not achieving the growth by implementing cost savings

Failure to achieve one or more of the above would result in lower EBITDA with a consequent negative impact on cash generation. The COVID-19 pandemic has reduced the Group's revenue in the short term but the directors expect a return to trend in 2021. If the Group's forecast is not achieved, there is a risk that the Group will require additional facilities that it has not secured or the bank withdraws the existing facility. Without the support of the bank, the Group and Parent Company would be unable to meet their liabilities as they fall due.

Given the timing and execution risks associated with achieving the forecast and therefore remaining within the facility, the directors have concluded that it is necessary to draw attention to this as a material uncertainty which may cast significant doubt about the Group's and the Parent Company's ability to continue as a going concern in the basis of preparation to the financial statements. The directors have confirmed that, after due consideration, they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of a contract. The Company 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 Company 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 Company uses its incremental borrowing rate based on the rate provided by the Group's bankers, Barclays.

The lease liability is included in 'Creditors' on the Statement of Financial Position.

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.

4 Exceptional costs	2019	2018
	£'000	£'000
Restructuring expenses:		
Redundancy costs	229	-
Onerous lease costs	154	-
Development expenditure impairment (note 7)	29	334
	412	334

5.1 Income tax credit

	2019	2018
	£'000	£'000
Corporation tax		
Current tax	(326)	(468)
Deferred tax	12	101
Adjustments in respect of prior years	(13)	(37)
Total tax credit	(327)	(404)

Corporation tax is calculated at 19% (2018: 19%) of the estimated assessable profit for the year. This is the weighted average tax rate applicable for the year.

5.2 Factors affecting the tax credit for the year

The tax credit for the year is different (2018: different) from the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	2018	2018
	£'000	£'000
Loss before income tax	(829)	(1,320)
Multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	(158)	(251)
Effects of:		
Items not deductible for tax purposes	3	68
Enhanced research and development deduction	(248)	(368)
Adjustments in respect of prior years	(13)	(37)
Losses surrendered through R&D tax credit	100	150
Capital allowances claimed in year (in excess of)/ less than depreciation	(11)	20
Adjustment to deferred tax arising from changes in tax rate	-	14
Total tax credit for the year	(327)	(404)

Factors affecting the future tax charge

The Chancellor's budget of March 2016 announced that corporation tax rates will ultimately fall to 17% on 1 April 2020. Consequently, deferred taxation has been calculated with reference to this ultimate tax rate of 17%.

The Directors do not expect timing differences arising in the intervening period, when higher taxation rates apply, to have a significant effect on the Group's future tax charge.

In March 2020, the budget announced the intention to cancel the future reduction in corporation tax rate from 19% to 17%. 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 17%. However, the corporation tax rate will now remain at 19% after 1 April 2020.

6 (Losses)/earnings per share

	2019	2018
Basic	(5.91)p	(10.94)p
Adjusted	(1.05)p	(6.95)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 £412,000 (2018: £334,000).

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

	2019		2018	
	Earnings £'000	Weighted average number of shares (in thousands)	Earnings £'000	Weighted average number of shares (in thousands)
Basic EPS				
Loss attributable to owners of the parent	(501)	8,374	(916)	8,374
Exceptional costs (note 4)	412		334	
Adjusted EPS				
(Loss)/earnings attributable to owners of the parent before exceptional items	(89)	8,374	(582)	8,374

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.

7 Intangible assets

	Group		
	Goodwill £'000	Development expenditure £'000	Total £'000
Cost			
At 1 January 2018	9,904	3,558	13,462
Additions	-	929	929
Disposals	-	(352)	(352)
At 31 December 2018	9,904	4,135	14,039
Additions	-	674	674
At 31 December 2019	9,904	4,809	14,713
Accumulated amortisation			
At 1 January 2018	9,904	2,422	12,326
Amortisation charge	-	379	379
Impairment	-	334	334
Eliminated on disposal	-	(352)	(352)
At 31 December 2018	9,904	2,783	12,687
Amortisation charge	-	498	498
Impairment	-	29	29
At 31 December 2019	9,904	3,310	13,214
Net book value			
At 1 January 2018	-	1,136	1,136
At 31 December 2018	-	1,352	1,352
At 31 December 2019	-	1,499	1,499

Amortisation of £498,000 (2017: £379,000) is included within administrative expenses in the income statement.

Development expenditure

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.

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.

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
Accumulated depreciation			
At 1 January 2019	-	-	-
Charge for the year	80	105	185
Impairment	61	23	84
At 31 December 2019	141	128	269
Net book value			
At 31 December 2018	-	-	-
At 31 December 2019	438	84	522

Depreciation expenditure of £185,000 (2018: £Nil) is included within administrative expenses in the income statement.

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:

	2019 £'000	1 January 2019 £'000 *
Right-of-use assets		
Buildings	438	579
Vehicles	84	148
	522	727
Lease Liabilities		
Current	171	176
Non-current	418	529
	589	705

*In the previous year, the group only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 'Leases'.

Under IFRS 16 the assets are now presented in property, plant and equipment and the liabilities as part of the group's borrowings. For adjustments recognised on adoption of IFRS 16 on 1 January 2019 see note 11.

ii) Amounts recognised in the statement of profit or loss

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

	2019	2018
	£'000	£'000 *
Depreciation charge of right-of-use assets		
Buildings	74	-
Vehicles	111	-
	185	-
Interest expense (included in finance cost)	19	-
Expense relating to short-term leases (included in administrative expenses)	23	-

10 Discontinued operation

The Onboard business was sold on 6 November 2019 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below and on the face of the Income Statement.

	2019	2018
	£'000	£'000
Net cash inflow from operating activities	(174)	(472)
Net cash inflow/(outflow) from investing activities (2019 includes an inflow of £10,000 from the sale of the division)	10	(271)
Net increase in cash generated by the subsidiary	(164)	(743)

Details of the sale of the subsidiary:

	2019
	£'000
Consideration received or receivable:	
Cash	10
Fair value of liabilities disposed of	75
Total disposal consideration	85
Carrying amount of net assets sold	-
Gain on sale	85

Earnings per share:

	31 December 2019	31 December 2018
	£'000	£'000
From continuing operations attributable to the ordinary equity holders of the company	(4.07)	(3.89)
From discontinued operation	(1.84)	(7.05)
Total basic earnings per share attributable to the ordinary equity	(5.91)	(10.94)

11 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 'Leases' on the group's financial statements.

As indicated in note 9 above, the group has adopted IFRS 16 'Leases' retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.5%.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

(i) Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease*.

(ii) Measurement of lease liabilities

	2019 £'000
Operating lease commitments disclosed as at 31 December 2018	896
Discounted using the lessee's incremental borrowing rate at the date of initial application	(69)
(Less): short-term leases not recognised as a liability	(58)
Lease incentives and prepaid rent relating to commitments formerly classified as operating leases	(64)
Lease liability recognised as at 1 January 2019	705
Of which are:	
Current lease liabilities	176
Non-current lease liabilities	529

(iii) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

(iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by £727,000
- lease liabilities – increase by £705,000
- prepayments – decrease by £22,000

The net impact on retained earnings at 1 January 2019 was £nil.

12 Post balance sheet events

COVID-19

The outbreak of COVID-19 creates a new and highly unpredictable challenge and constitutes a non-adjusting post balance sheet event. We have tested our business continuity plans which have been successfully activated. The investment in technology over recent years has resulted in the business being well placed to continue delivering services to our clients with minimal disruption. Management do not consider it possible to quantify the true impact of COVID-19 on the business at this time but remain confident that the business can adjust to the challenges it presents.