

4 September 2020



## Touchstar plc

### Interim results for the Six months ended 30 June 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 interim results for the six months ended 30 June 2020.

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

#### Key Financials:

	30 June 2020	30 June 2019
• Revenues	£3,178,000	£3,635,000
• Continuing operations revenue	£3,178,000	£3,369,000
• Operating profit/(loss)	£139,000	£(518,000)
• Trading profit/ (loss) before exceptional items*	£139,000	£(215,000)
• Profit/(loss) after tax	£150,000	£(357,000)
• EPS – Basic	1.77p	(4.21)p
• EPS – Adjusted *	1.77p	(0.63)p
• Cash/ (Overdraft)	£1,464,000	£(204,000)

\* Refer to note 3 for further details

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

“Touchstar came into 2020 with momentum from a strong order book, clear strategic plans and a solid balance sheet. In the six months ended 30 June 2020 we have had to demonstrate resilience under crisis conditions. It is a real achievement that Touchstar traded profitably, generated cash, supported customers and most importantly looked after staff in a period of a global pandemic and the largest economic contraction in a generation – these are not normal times.

“We continue to outperform the road map we put in place in March to navigate the business through until 2022.

“Our motivation is not just to be a survivor of this crisis, the ambition is to emerge with solid finances, improved products, all our talent and renewed energy – we remain on track.”

For further information, please contact:

#### Touchstar plc

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## **CHAIRMAN'S INTERIM STATEMENT 2020**

Touchstar came into 2020 with momentum from a strong order book, clear strategic plans and a solid balance sheet. In the six months ended 30 June 2020 we have had to demonstrate resilience under crisis conditions. It is a real achievement that Touchstar traded profitably, generated cash, supported customers and most importantly looked after staff in a period of a global pandemic and the largest economic contraction in a generation – these are not normal times.

This has been a tough time for us all. It has not been easy, there have been many sleepless nights as we have tried to do what's best for the Company, its staff and customers. Crucially, management anticipated the scale and magnitude of the issues that were coming. Putting in place that roadmap before the crisis unfolded proved invaluable, it has maintained confidence and enabled Touchstar to deliver a good financial performance whilst preserving the long-term potential of the business.

We are still vigilant. No doubt at some point the world will recover. Our expectation is that will not be anytime soon. Covid-19 ("C-19") is not going away, it will continue to disturb society and erode confidence. The UK economy is deeply scarred, with much of that damage yet to manifest itself. We retain the cautious disposition that has served us so well since March; we remain focused upon looking after staff, customers and cash.

On behalf of all shareholders I would like to thank all my colleagues at Touchstar for what was achieved in the first six months of this year. We had to adapt the business very quickly. It is only through the personal sacrifice and the phenomenal collective effort across the company at all levels that this was achieved - sometimes compressing weeks of work into days – again, thanks it is greatly appreciated.

### **Financial Performance**

At the start of the year Touchstar plc was defensively positioned with cash in the bank, no net debt, a lowered cost base and a strong order book. Throughout the C-19 crisis the Group worked flat out to complete orders, ship to clients and invoice so that orders could be turned into cash; however C-19 undoubtedly caused disruption to the business and slowed our forward momentum.

Continuing operations revenue for the six months ended 30 June 2020 declined by 5.7% to £3,178,000 (six months ended 30 June 2019 ("H1 2019"): £3,369,000). This was a creditable result in the circumstances. Naturally, the sales process was hampered by the impacts of the C-19 crisis as customer behavior evolved and we all adapted to a changing environment and different ways of doing business.

As we have previously highlighted 70% of our revenue is generated from sectors deemed as "essential" during the UK lockdown. This resilience was demonstrated by our largest business which is in the Fuel Delivery market and our Warehousing & Logistics business - both areas increased revenue over the equivalent period last year. Access Control and Podstar, which are more exposed to the less essential sectors of the economy, were negatively impacted. The reduction in revenue in these areas was predominately due to our inability to complete installations as customers restricted movement on their sites, or in some cases went into lockdown for three months. The majority of these orders have been deferred, not lost.

Margins reduced to 50.1% (H1 2019: 51.9%) which reflects the product mix of the revenue in this period, with a particularly sizable hardware deal in the period which generated a lower margin than our software products.

Touchstar was profitable, we achieved an operating profit of £139,000 (H1 2019: loss £518,000). On an after-tax basis the profit was £150,000 compared to a loss of £357,000 in the six months ended 30 June 2019. This translated into EPS of 1.77p (H1 2019: (4.21)p). A substantial turnaround for the business.

We entered 2020 as a more streamlined business with a significantly reduced cost base. As mentioned earlier, management was proactive in putting in place a plan to navigate through the C-19 crisis. This enabled us to participate in and gain assistance from many of the "self-help" schemes made available by the UK Government. The access to Government support, internal "self-help" measures and the benefits of the prior year restructuring meant costs were dramatically reduced and cash flow strengthened.

Cash controls measures included:

- the Company drawing on the support of the Coronavirus Job Retention Scheme (CJRS) which enabled us to retain all our employees with 95% of those furloughed now already back in full employment;
- all employees earning over the UK Government's rate of pay for furloughed staff reducing their salaries to £3,000 a month for the period of lockdown;
- Non-Executive directors drawing no salary for period of the lockdown;
- all but essential expenditure being frozen or eliminated; and
- rent reductions being secured for offices over the period of lockdown

Both direct and indirect expenses were reduced by £808,000 in the period, of which some £450,000 relates to "one off self-help" measures and £358,000 is the reoccurring benefit of last year's restructuring.

We enhanced short term cashflow further by use of other Government business support schemes. In this period, we took advantage by:

- a deferral of one quarter VAT until 31<sup>st</sup> March 2021 which totalled £157,000;
- deferring payment of PAYE and NI liabilities totalling £114,000 (now settled); and
- successfully securing a £150,000 Coronavirus Business Interruption Loan (CBIL's)

The cash less overdraft position improved by £610,000 over the half year to £1,464,000. This compared to £850,000 at the start of 2020 (H1 2019: Overdrawn £(204,000)).

This is an impressive outcome and is testament to our culture of placing great importance on cash management together with the cash generative nature of our business which contributed £339,000 of free cash in the period.

## **2020 Outlook**

We have been encouraged by the continued level of engagement of our customers, it is not business as normal, but even those sectors hit hardest in the crisis are returning. We have always retained the ability to operate under social distancing guidelines and continue to ship orders effectively. The order book which stood at £519,000 on the 30 June 2020. Since the period end new orders have continued to be secured and the order book remains at a stable level.

It remains very difficult to predict the outlook and the exact performance of the business. We recognise the possibility of further lockdowns either nationally or regionally. The consistent message we have given is that we do not expect normalisation of trading until 2022. After prior economic shocks it has taken about 18 to 24 months for confidence to fully return.

Touchstar is well prepared to deal with the challenges we face. Our expectation is that the second half of 2020 will be weaker than the first six months of 2020. It will take us a while to regain some of the momentum we lost in those "missing" three months of lockdown. A typical new sale has a lead time of about six months. Many of the "self-help" benefits will not repeat in the second half of this year and the short-term improvements to cashflow from the various Government schemes will reverse over the coming months.

We continue to outperform the road map we put in place in March to navigate the business through until 2022. The Board at that point not only considered the effects of the initial damage caused by the C-19 crisis and resulting economic downturn, but also the working capital requirements of an economic recovery to ensure sufficient liquidity was in place. We remain comfortable with the assumptions on which we built this plan.

Touchstar is well positioned, the events in 2020 have only accelerated the trend to digitalise business and move to an e-commerce model. Our customers typically facilitate the completion of on-line transactions, using Touchstar to enable data to be captured, moved and used - this is potentially a valuable place to be situated.

Our motivation is not just to be a survivor of this crisis, the ambition is to emerge with solid finances, improved products, all our talent retained and with renewed energy – we remain on track.

**I Martin**

**Executive Chairman**

**4 September 2020**

**Unaudited consolidated income statement  
for the six months ended 30 June 2020**

	Six months ended 30 June		Year ended 31 December
	2020	2019	2019
	£'000	£'000	£'000
Revenue	<b>3,178</b>	3,635	7,119
Cost of sales	<b>(1,587)</b>	(1,748)	(3,277)
Gross profit	<b>1,591</b>	1,887	3,842
Distribution costs	<b>(21)</b>	(26)	(55)
Administrative expenses	<b>(1,544)</b>	(2,076)	(4,591)
Other operating income (note 5)	<b>113</b>	-	-
Operating profit/(loss) before exceptional items	<b>139</b>	(215)	(392)
Exceptional costs	-	(303)	(412)
<b>Operating profit/(loss)</b>	<b>139</b>	(518)	(804)
Finance costs	<b>(9)</b>	(9)	(25)
<b>Profit/(loss) before income tax</b>	<b>130</b>	(527)	(829)
Income tax credit (note 6)	<b>20</b>	170	328
<b>Profit/(loss) for the period attributable to the owners of the parent</b>	<b>150</b>	(357)	(501)

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

	Pence per share	Pence per share	Pence per share
Profit/(loss) per share – Basic	<b>1.77p</b>	(4.21)p	(5.91)p
Profit/(loss) per share – Adjusted (note 6)	<b>1.77p</b>	(0.63)p	(1.05)p

**Unaudited consolidated statement of changes in equity  
for the six months ended 30 June 2020**

	Share capital £'000	Share premium account £'000	Retained earnings/ (accumulated losses) £'000	Total equity £'000
<b>For the six months ended 30 June 2020</b>				
Balance at 31 December 2019	424	1,119	348	1,891
Profit for the period	-	-	150	150
<b>Balance at 30 June 2020</b>	<b>424</b>	<b>1,119</b>	<b>498</b>	<b>2,041</b>
<b>For the six months ended 30 June 2019</b>				
Balance at 1 January 2019	424	1,119	849	2,392
Loss for the period	-	-	(357)	(357)
Balance at 30 June 2019	424	1,119	492	2,035
<b>For the year ended 31 December 2019</b>				
Balance at 1 January 2019	424	1,119	849	2,392
Loss for the year	-	-	(501)	(501)
Balance at 31 December 2019	424	1,119	348	1,891

**Unaudited consolidated statement of financial position  
at 30 June 2020**

	30 June 2020	30 June 2019	31 December 2019
	£'000	£'000	£'000
<b>Non-current assets</b>			
Intangible assets	1,375	1,429	1,499
Property, plant and equipment	141	199	175
Right of use asset	430	643	522
Deferred tax assets	111	157	111
	<b>2,057</b>	2,428	2,307
<b>Current assets</b>			
Inventories	920	1,161	891
Trade and other receivables	1,276	1,895	1,317
Current tax recoverable	38	656	344
Cash and cash equivalents	2,416	1,839	3,143
	<b>4,650</b>	5,551	5,695
<b>Total assets</b>	<b>6,707</b>	7,979	8,002
<b>Current liabilities</b>			
Trade and other payables	1,530	1,743	1,465
Contract liabilities	1,090	1,071	1,322
Borrowings	952	2,043	2,293
Lease liabilities	131	160	171
	<b>3,703</b>	5,017	5,251
<b>Non-current liabilities</b>			
Deferred tax liabilities	234	269	234
Contract liabilities	223	139	208
Borrowings	150	-	-
Lease liabilities	356	519	418
	<b>963</b>	927	860
<b>Total liabilities</b>	<b>4,666</b>	5,944	6,111

**Unaudited consolidated statement of financial position  
at 30 June 2020 (continued)**

	<b>30 June 2020</b>	30 June 2019	31 December 2019
	<b>£'000</b>	£'000	£'000
<b>Capital and reserves attributable to owners of the parent</b>			
Share capital	<b>424</b>	424	424
Share premium account	<b>1,119</b>	1,119	1,119
Profit and loss account	<b>498</b>	492	348
<b>Total equity</b>	<b>2,041</b>	2,035	1,891
<b>Total equity and liabilities</b>	<b>6,707</b>	7,979	8,002

## Unaudited consolidated cash flow statement for the six months ended 30 June 2020

	30 June 2020	30 June 2019	31 December 2019
	£'000	£'000	£'000
<b>Cash flows from operating activities</b>			
Operating profit/(loss)	139	(518)	(804)
Depreciation	108	118	264
Amortisation	299	242	498
Development loss on disposal	-	-	29
Gain on disposal of PPE	-	-	(10)
Net effect of capitalised leases	-	61	68
Movement in:			
Inventories	(28)	51	319
Trade and other receivables	41	-	647
Trade and other payables	(153)	(29)	(36)
<b>Cash generated (used in)/from operating activities</b>	<b>406</b>	<b>(75)</b>	<b>975</b>
Interest paid	(9)	(9)	(25)
Corporation tax received	326	-	481
<b>Net cash generated /from/ (used in) operating activities</b>	<b>723</b>	<b>(84)</b>	<b>1,431</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	(175)	(319)	(674)
Purchase of property, plant and equipment	(2)	(14)	(26)
Proceeds from sale of property, plant & equipment	-	-	10
<b>Net cash used in investing activities</b>	<b>(177)</b>	<b>(333)</b>	<b>(690)</b>
<b>Cash flows from financing activities</b>			
Principal elements of lease payments	(58)	(83)	(187)
Lease concessions - non-cash change in lease liabilities	(24)	-	-
CIBLs loan	150	-	-
<b>Net cash generated from / (used in) financing activities</b>	<b>68</b>	<b>(83)</b>	<b>(187)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>614</b>	<b>(500)</b>	<b>554</b>
Cash and cash equivalents at start of the year	850	296	296
<b>Cash and cash equivalents at end of the year</b>	<b>1,464</b>	<b>(204)</b>	<b>850</b>
<b>Cash and cash equivalents</b>			
Cash at bank and in hand	2,416	1,839	3,143
Less: bank overdraft (included within borrowings)	(952)	(2,043)	(2,293)
<b>Net cash/ (debt)</b>	<b>1,464</b>	<b>(204)</b>	<b>850</b>



# Notes to the interim report and accounts for the six months ended 30 June 2020

## 1. General information

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

## 2. Status of interim report and accounts

The financial information comprises the consolidated interim balance sheet as at 30 June 2020, 30 June 2019 and the year ended 31 December 2019 along with related consolidated interim statements of income and cash flows for the six months to 30 June 2020 and 30 June 2019 and year ended 31 December 2019 of Touchstar plc (hereinafter referred to as 'financial information').

This financial information for the half year ended 30 June 2020 has neither been audited nor reviewed and does not comprise statutory accounts within the meaning of the section 434 of the Companies Act 2006. This financial information was approved by the Board on 4 September 2020.

The figures for the year ended 31 December 2019 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 2020. These are consistent with those included in the previously published annual report and accounts for the year ended 31 December 2019, 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.

'Trading profit/(loss)' is separately disclosed, being defined as operating profit/(loss) adjusted to exclude restructuring costs along with other non-recurring costs such as onerous leases and associated costs on the early vacation of a property relating to Onboard retail. These exceptional costs related to items which the management believe did not accurately reflect the underlying trading performance of the business in the period. The Directors believe that the trading profit/(loss) is an important measure of the underlying performance of the Group. 'EPS – Adjusted' also provides the earnings per share figure after removing these exceptional costs.

### 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](http://www.touchstarplc.com).

## 4. Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### Development expenditure

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

#### 5. Other operating income

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

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

#### 6. Income tax credit

	Six months ended 30 June		Year ended 31 December
	2020	2019	2019
	£'000	£'000	£'000
<b>Corporation Tax</b>			
Current tax	(20)	(170)	(326)
Adjustments in respect of prior years	-	-	(12)
Deferred tax	-	-	12
Total current tax	(20)	(170)	(326)

#### 7. Earnings per share

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

	Six months ended 30 June		Year ended 31 December
Earnings per share	2020	2019	2019
Basic	1.77 p	(4.21)p	(5.91)p
Adjusted	1.77 p	(0.63)p	(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 for the six month period to 30 June 2019 excludes exceptional costs of £303,000 (31 December 2019: £412,000).

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

For six-month period	30 June 2020		30 June 2019	
	Profit £'000	Weighted average number of shares (in thousands)	Profit £'000	Weighted average number of shares (in thousands)
<b>Basic EPS</b>				
Profit/(loss) attributable to owners of the parent	150	8,475	(357)	8,475
Exceptional costs (note 8)	-		303	
<b>Adjusted EPS</b>				
Profit/(loss) attributable to owners of the parent before exceptional items	150	8,475	(54)	8,475

For year ended	31 December 2019	
	Loss £'000	Weighted average number of shares (in thousands)
<b>Basic EPS</b>		
Loss attributable to owners of the parent	(501)	8,475
Exceptional costs (note 8)	412	
<b>Adjusted EPS</b>		
Loss attributable to owners of the parent before exceptional items	(89)	8,475

## 8. Exceptional costs

	30 June 2020	30 June 2019	31 December 2019
	£'000	£'000	£'000
<b>Restructuring expenses:</b>			
Redundancy costs	-	166	229
Onerous lease costs	-	137	154
Development expenditure impairment	-	-	29
	-	303	412

The exceptional costs incurred during early 2019 relate to management's decision to significantly reduce running costs for the Onboard product with support for the existing clients moved to the main offices in Manchester. The Kenilworth office where the Onboard division was situated was closed.

The development expenditure impairment for 31 December 2019 relates to the remaining write off of the carrying value for NOVOSTar - the Onboard Retail product.

The Onboard business was sold on 6 November 2019 and was reported in the period 31 December 2019 as a discontinued operation.

Details of the sale of the Onboard business:

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

## 9. Leases

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

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

	30 June 2020 £'000	31 December 2019 £'000
<b>Right-of-use assets</b>		
Buildings	388	438
Vehicles	42	84
	<b>430</b>	<b>522</b>
<b>Lease Liabilities</b>		
Current	131	171
Non-current	356	418
	<b>487</b>	<b>589</b>

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

The Income statement shows the following amounts relating to leases:

	30 June 2020 £'000	31 December 2019 £'000
<b>Depreciation charge relating to right-of-use assets</b>		
Buildings	32	74
Vehicles	39	111
	<b>71</b>	<b>185</b>
Interest expense (included in finance cost)	9	19
Expense relating to short-term leases (included in administrative expenses)	22	23

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