26 September 2018

Touchstar plc

Interim results for the
Six months ended 30 June 2018

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 2018.

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 2018	30 June 2017
• Revenues	£3,244,000	£3,981,000
• Operating loss	£(590,000)	£(89,000)
• (Loss)/profit (after tax)	£(415,000)	£5,000
• EPS	(4.90)p	0.08p
• Net cash/(borrowings)	£180,000	£(168,000)
• Investment in development	£380,000	£248,000

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

"The message I wish to give is simple - we are "on track".

As with last year, this year's trading is expected to be second half weighed and, with the momentum that we have, the Board remains confident of meeting expectations for the year. That achievement alone will not determine our future as the real benefit of the investment we are making is not expected to flow until next year and beyond. Importantly, we are satisfied with our progress so far."

For further information, please contact:

Touchstar plc	Ian Martin	01274 741860
	Mark Hardy	01274 741860
WH Ireland – Nominated Adviser	Mike Coe/Ed Allsopp	0117 945 3472

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

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CHAIRMAN'S INTERIM STATEMENT 2018

I am pleased to report the Group's interim results for the six months ended 30 June 2018 and to update you about the progress we are making at Touchstar. The message I wish to give is simple - we are "on track".

We are benefiting considerably from the successful fund raising, which concluded in mid-February 2018, from which we raised £1.2m post expenses by issuing 2,166,327 new shares at 60p. This has enabled us to bring forward our plans by adding sales resource and accelerating our product development. In 2018, we have made investment and added additional costs ahead of profit, whilst maintaining a healthy balance sheet.

The additional sales people we said we would recruit are now in position. Investment has been made to improve support to our customers; we now have the correct skills and enough resource in place. We continue to engage well with our Indian development partner and have recently completed a successful enhancement of the Podstar system to cross platform the solution into the 'bulk' logistics (tankers) side of the sector; an area where we are exceedingly strong with our legacy systems. Within the Onboard division we have now implemented inflight sales to incorporate 'contactless' as well as chip and pin transactions, which we believe is a first in the airline sector, with off line sales. Management can now focus upon sales of our new and enhanced solutions, that enable critical business data to be captured, moved and accessed across various platforms, a compelling proposition. So, in respect of the main tenets of our strategy, we remain on course.

After a slow first quarter, sales momentum built in the second quarter and this momentum is expected to build further in the second half. Trading has been in line or ahead of management budget in three of the four business units. Encouragingly, the Onboard division has doubled the airlines using its new Novostar solution to four, and Podstar, a product we launched in 2017, also doubled the user base using its solution.

Group financial results

As we stated in our year-end statements, the financial results for the six months ended 30 June 2018 have been prepared for the first time under IFRS 15. The Group has adopted this new standard from 1 January 2018, applying the modified retrospective approach, which results in the cumulative effect of initially applying this standard being an adjustment to the opening balance of retained earnings as at 1 January 2018. Therefore, where I make a comment on the relative performance of the two periods, this should be only be taken as an indicative guide.

Revenue for the period was £3,145,000 (H1 2017: £3,981,000). The decline is a mix of three factors;

- First, the adoption of IFRS 15, as stated in prior communication to shareholders, the largest negative impact of this change will occur in 2018. This accounts for an estimated £150-200k of the 2018 decline against previous years.
- Secondly, within the revenue mix we have two opposing trends. The adverse effect from the continued waning of revenue from historic products reaching their end of life, weighed against the increasing momentum in sales as we introduce new products, which are now growing rapidly, albeit from a low base level. For the first half, as in recent trading periods, the adverse effect of waning historic revenue has outweighed momentum in new product sales. However, we expect the balance to tip in our favour by the end of this year as new products being introduced build market share and become a more meaningful part of our installed client base, and so of revenues; and
- Thirdly, one of our business units, Access Control Systems (ACS), has made a slower than expected start to the year as the enhancement and fine-tuning of certain software has taken longer than expected. This has had an impact on both revenue and contribution.

Group margins declined slightly to 48.2% (H1 2017: 50.9%) due to product mix, increased spending as we moved to a more growth-oriented phase, and introductory pricing as we establish new products within the market place.

The Group produced an operating loss of £590,000 (H1 2017: loss £89,000). This is reflective of the investment made and the costs associated with accelerating the company's business plan. Basic loss per share was 8.02 p (H1 2017: earnings 0.08p)

The Group has had no borrowings and with net cash balances of £180k at 30 June 2018 we retain a robust financial position. This improved further as post the reported period we received a £300k cash payment from HMRC in respect of our R&D expenditure, a payment that is historically included at the interim stage.

Group operating review

We have four business units each at different points in their strategic development

Proof of delivery / Podstar.

http://www.podstar.co.uk/http://www.fuel-logistics-it.com/

This business unit has made a good start to the year and is trading ahead of budget; providing cloud-based software as a service allowing customers to plan driver and delivery schedules. The objective for the remainder of 2018 is to secure and expand its customer base to over 400 users.

Onboard – Airline retail systems

http://www.warehouse-logistics-it.com/

Onboard has made a solid start to the year and is trading in line with budget. Four airlines with over 200 users have now selected our complete end to end back office and point of sales system; Novostar. The objective for the remainder of 2018 is to secure additional airline customers.

Warehouse and Logistics

http://www.warehouse-logistics-it.com/

The warehouse and logistics unit has made a steady start to the year, trading broadly in line with budget. During the second half, we expect that all devices will be available on Android operating system which will facilitate greater sales penetration during 2019.

Access Control Systems ("ACS")

http://www.touchstar-atc.com/

ACS has made a slower than expected start to the year as the enhancement and fine- tuning of certain software has taken longer than expected. Momentum is expected to build in the second half of the year, particularly around CCTV control and monitoring.

Outlook

First, to repeat how I started – we remain "on track". I have asked shareholders to be patient in 2018 as we invest the proceeds of the fundraising to deliver the platform to scale the business and reward the faith you have placed in Touchstar.

As with last year, this year's trading is expected to be second half weighed and, with the momentum that we have, the Board remains confident of meeting expectations for the year. That achievement alone will not determine our future as the real benefit of the investment we are making is not expected to flow until next year and beyond. Importantly, we are satisfied with our progress so far.

I Martin
Executive Chairman
26 September 2018

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Unaudited consolidated income statement
for the six months ended 30 June 2018

	Six months ended 30 June		Year ended 31 December
	2018	2017	2017
	£'000	£'000	£'000
Revenue	**3,244**	3,981	7,868
Operating (loss)/profit before exceptional items	**(590)**	39	111
Exceptional costs	**-**	(128)	(3,965)
Operating (loss)/profit	**(590)**	(89)	(3,965)
Finance costs	**(2)**	(6)	(11)
(Loss)/profit before income tax	**(592)**	(95)	(3,865)
Income tax credit	**177**	100	280
(Loss)/profit for the period attributable to the owners of the parent	**(415)**	5	(3,585)

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

	Pence per share	Pence per share	Pence per share
(Loss)/earnings per share	**(4.90)p**	0.08p	(56.83)p

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Unaudited consolidated statement of changes in equity for the six months ended 30 June 2018

	Share capital	Share premium account	Retained earnings/ (accumulated losses)	Total equity
	£'000	£'000	£'000	£'000
For the six months ended 30 June 2018				
Balance at 31 December 2017	315	-	1,856	2,171
Revenue recognised under IAS 18 adjusted for IFRS 15 (note 3)	-	-	(91)	(91)
Revised balance 1 January 2018	315	-	1,765	2,080
Share issue	109	1,191	-	1,300
Cost of share issue	-	(72)	-	(72)
Loss for the period	-	-	(415)	(415)
Balance at 30 June 2018	**424**	**1,119**	**1,350**	**2,893**
For the six months ended 30 June 2017				
Balance at 1 January 2017	315	-	5,441	5,756
Profit for the period	-	-	5	5
Balance at 30 June 2017	315	-	5,446	5,761
For the year ended 31 December 2017				
Balance at 1 January 2017	315	-	5,441	5,756
Loss for the year	-	-	(3,585)	(3,585)
Balance at 31 December 2017	315	-	1,856	2,171

Unaudited consolidated statement of financial position
at 30 June 2018

	30 June 2018	30 June 2017	31 December 2017
	£'000	£'000	£'000
Non-current assets			
Goodwill	**-**	3,824	-
Development expenditure	**1,305**	1,042	1,136
Total intangible assets	**1,305**	4,866	1,136
Property, plant and equipment	**210**	224	237
Deferred tax assets	**168**	67	168
	1,683	5,157	1,541
Current assets			
Inventories	**1,414**	1,265	1,387
Trade and other receivables	**1,708**	1,950	2,256
Current tax recoverable	**449**	72	272
Cash and cash equivalents	**1,788**	2,398	2,159
	5,359	5,685	6,074
Total assets	**7,042**	10,842	7,615
Current liabilities			
Trade and other payables	**2,214**	2,309	2,619
Borrowings	**1,608**	2,566	2,495
	3,822	4,875	5,114
Non-current liabilities			
Deferred tax liabilities	**179**	75	179
Trade and other payables	**148**	131	151
Total liabilities	**4,149**	5,081	5,444

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Unaudited consolidated statement of financial position at 30 June 2018 (continued)

	30 June 2018	30 June 2017	31 December 2017
	£'000	£'000	£'000
Capital and reserves attributable to owners of the parent			
Share capital	**424**	315	315
Share premium account	**1,119**	-	-
Profit and loss account	**1,350**	5,446	1,856
Total equity	**2,893**	5,761	2,171
Total equity and liabilities	**7,042**	10,842	7,615

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Unaudited consolidated cash flow statement
for the six months ended 30 June 2018

	30 June 2018	30 June 2017	31 December 2017
	£'000	£'000	£'000
Cash flows from operating activities			
Operating (loss)/profit	**(590)**	(89)	(3,854)
Depreciation	**42**	41	91
Amortisation	**211**	196	400
Goodwill impairment	**-**	-	3,824
Movement in:			
Inventories	**(27)**	(6)	(128)
Trade and other receivables	**548**	76	(248)
Trade and other payables	**(499)**	(4)	326
Cash generated from/ (used in) operating activities	**(315)**	214	411
Interest paid	**(2)**	(6)	(11)
Corporation tax received	**-**	231	231
Net cash generated from/ (used in) operating activities	**(317)**	439	631
Cash flows from investing activities			
Purchase of intangible assets	**(380)**	(249)	(547)
Purchase of property, plant and equipment	**(15)**	(29)	(91)
Net cash used in investing activities	**(395)**	(278)	(638)
Cash flows from financing activities			
Share issue	**1,300**	-	-
Cost of share issue	**(72)**	-	-
Net cash used in financing activities	**1,228**	-	-
Net increase/ (decrease) in cash and cash equivalents	**516**	161	(7)
Cash and cash equivalents at start of the year	**(336)**	(329)	(329)
Cash and cash equivalents at end of the year	**180**	(168)	(336)
Cash and cash equivalents			
Cash at bank and in hand	**1,788**	2,398	2,159
Less: bank overdraft (included within borrowings)	**(1,608)**	(2,566)	(2,495)
	180	(168)	(336)

Notes to the interim report and accounts for the six months ended 30 June 2018

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 2018, 30 June 2016 and the year ended 31 December 2017 along with related consolidated interim statements of income and cash flows for the six months to 30 June 2018 and 30 June 2017 and year ended 31 December 2017 of Touchstar plc (hereinafter referred to as 'financial information').

This financial information for the half year ended 30 June 2018 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 25 September 2018.

The figures for the year ended 31 December 2017 have been extracted from the audited annual report and accounts that have been delivered to the Registrar of Companies. The auditors, PricewaterhouseCoopers 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 using accounting policies to be applied in the annual report and accounts for the year ended 31 December 2018. These are consistent with those included in the previously published annual report and accounts for the year ended 31 December 2017, which have been prepared in accordance with IFRS as adopted by the European Union except for revenue recognition where *IFRS 15 Revenue – Revenue from Contracts with Customers* has been applied from 1 January 2018.

New accounting standard
Previously income arising from the sale of hardware installations and initial software were recognised in accordance with IAS 18 at the point of hardware delivery to the customer. Under IFRS 15 this revenue will be shown as deferred income in the balance sheet and released to revenue over the length of the contract in line with the substance of the relevant agreement.

The cumulative effect of the changes made to our consolidated 1 January 2018 balance sheet for the adoption of *IFRS 15 Revenue – Revenue from Contracts with Customers* were as follows:

	Balance at 31 December 2017	Adjustments due to IFRS 15	Balance at 1 January 2018
	£'000	£'000	£'000
Consolidated balance sheet			
Current liabilities			
Trade and other payables	2,619	91	2,710
Equity			
Retained earnings	1,856	(91)	1,765

There was no impact on the closing figures for the balance sheet at 30 June 2018.

Going Concern

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

4. Critical accounting estimates and assumptions

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

Development expenditure

The Group recognises costs incurred on development projects as an intangible asset which satisfy 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.

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5. Income tax credit

	Six months ended 30 June		Year ended 31 December
	2018	2017	2017
	£'000	£'000	£'000
Corporation Tax			
Current tax	**(140)**	(70)	(254)
Adjustments in respect of prior years	**(37)**	(30)	(29)
Deferred tax	**-**	-	3
Total current tax	**(177)**	(100)	(280)

6. 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
	2018	2017	2017
(Loss)/earnings per share	**(4.90)p**	0.08 p	(56.83)p

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

For six-month period	**30 June 2018**		30 June 2017	
	Loss £'000	**Weighted average number of shares (in thousands)**	Earnings £'000	Weighted average number of shares (in thousands)
EPS				
Shares in issue 1 January		**6,309**		6,309
Share issue		**2,166**		-
(Loss)/earnings attributable to owners of the parent	**(415)**	**8,475**	5	6,309

For year ended	31 December 2017	
	Loss £'000	Weighted average number of shares (in thousands)
EPS		
Loss attributable to owners of the parent	(3,585)	6,309

7. Share capital

	Number of shares (thousands)	Ordinary shares £'000	Share premium £'000	Total £'000
At 1 January 2018	6,309	315	-	315
Share issue	2,166	109	1,191	1,300
Cost of share issue	-	-	(72)	(72)
At 30 June 2018	8,475	424	1,119	1,543

On 17 January 2018 the Group announced the terms of a fundraising by WH Ireland Limited, acting as its Nominated Adviser and Broker, to raise a total of up to approximately £1,300,000 (before expenses) by way of a firm placing, a conditional placing and an open offer.

In each case new ordinary shares of 5 pence each ("Ordinary Shares") were issued at a price of 60 pence per share.

The issue price of 60 pence per new Ordinary Share ("Issue Price") represented a discount of 24 per cent against the mid-market price of 79 pence per share at which the Ordinary Shares were quoted on AIM as at close of trading on 16 January 2018, the last trading day prior to announcement of the Fundraising.

The firm placing comprised of 630,840 new Ordinary Shares (the "Firm Placing Shares") at the Issue Price (the "Firm Placing"). A total of £378,504 (before expenses) has been raised by way of the Firm Placing utilising the existing share authorities granted at the 2017 AGM. The Firm Placing was conditional only upon compliance by the Company in all material respects with its obligations under the Placing Agreement and the admission of the Firm Placing Shares to trading on AIM.

The conditional placing comprised of 639,158 new Ordinary Shares (the "Conditional Placing Shares") at the Issue Price (the "Conditional Placing"). The Conditional Placing raised £383,495 (before expenses). The Conditional Placing was conditional, inter alia, upon Shareholders approving Resolution 1 at the General Meeting, compliance by the Company in all material respects of its obligations under the Placing Agreement and the occurrence of First Admission and Second Admission which took place on 13 February 2018.

The Open Offer comprised of 901,250 new Ordinary Shares to Qualifying Shareholders pursuant to the Open Offer at the Issue Price. The Open Offer was conditional, inter alia, upon Shareholders approving Resolution 2 at the General Meeting, compliance by the Company in all material respects of its obligations under the Placing Agreement and the occurrence of First Admission and Second Admission which took place on 13 February 2018.