Belgravium Technologies plc

Preliminary results for the year ended 31 December 2015

The Board of Belgravium Technologies plc ((AIM:BVM) 'Belgravium', 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 2015.

Key Financials:

	31 December 2015	31 December 2014
• Revenues	£8,676,000	£9,408,000
• Trading profit before exceptional costs	£107,000	£504,000
• Trading profit before exceptional costs (after tax)	£299,000	£536,000
• Adjusted earnings per share	0.30p	0.53p
• Exceptional costs	£637,000	£27,000
• Goodwill impairment	£6,000,000	£nil
• Operating (loss)/profit	£(6,530,000)	£477,000
• (Loss)/profit(after tax)	£(6,339,000)	£509,000
• Basic earnings per share	(6.28)p	0.50p
• Cash and cash equivalents	£242,000	£731,000

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

Last year was a period of consolidation and transformation for Belgravium. Achieving the primary goals set, has given the business a coherent structure, lower cost base and a vibrant new energy.

The operations are now more efficient, some costs have been taken out and there have been substantial changes made to both senior management and the Board.

The Board has taken the decisive action to write down the Group's goodwill by £6,000,000, reflecting a more reasonable view of future growth rates.

The Company is now more forward looking, with historic issues behind it. The management are now focused on future opportunities and building the business to support organic growth that is both profitable and sustainable.

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Information on Belgravium Technologies plc can be seen at: www.belgravium-technologies.com

Belgravium Technologies plc

CHAIRMAN'S STATEMENT 2015

In my first statement to you, at the interim stage last year, I recognised that in business there are periods for growth and periods for consolidation. Last year was a period of consolidation and transformation for Belgravium. Achieving the primary goals set, has given the business a coherent structure, lower cost base and a vibrant new energy.

The Company is now becoming more forward looking, with historic issues behind it. The management is now focused on future opportunities and building the business to support organic growth, that is both profitable and sustainable. Whether we succeed or not, only time will tell, but we have every chance with a stronger foundation in place. I am confident that, over time, not only will we create a business of increased value, but also one of which we can be proud.

The financial results for the year ended 31 December 2015, at face value and relative to the prior year, appear disappointing. That said trading results are slightly better than our expectations. Within the financial reports are significant factors that impact the results; firstly, there were substantial exceptional costs from the restructuring and reorganisation of the business. These were essential actions which have temporarily eroded profitability and cash resources. Secondly, we took the decision to write-down some slow moving stock which had a further impact on our operating profit. And finally, having carefully considered the carrying value of goodwill and the revenue projections that supported that value, we have taken what the Board considers to reflect a more reasonable view of future growth rates and booked an impairment.

Financial Results

Revenue for the year ended 31 December 2015 was £8,676,000 (2014: £9,408,000). Belgravium operates in a competitive market but our core markets are stable. Some of the decline in revenue can be attributed to management resource being diverted onto the restructuring of the business as well as the need for additional products to be added to the portfolio.

Trading profits prior to any exceptional items were £107,000 (2014: £504,000) with adjusted profits after tax of £299,000 (2014: £536,000). The Company is reporting an overall operating loss for the year of £6,530,000 (2014: profit of £477,000). The non-recurring costs relate to goodwill impairment of £6,000,000 and £637,000 of exceptional costs relating to the restructuring of the business; the largest items within this total being the restructuring of the Board and payments relating to headcount reduction.

Taxation continues to be positive due to the Group's R&D programme where a super-deduction of 225% is available to SMEs on their R&D activities. In addition cash back is available to a loss making SMEs of up to 32.6% of qualifying expenditure. The Company is anticipating a tax credit of £175,000 as a result of our R&D activities for the year ended 31 December 2015 (2014: £60,000 was provided with £79,000 actually awarded).

The adjusted earnings per share is 0.30p compared to 0.53p in 2014.

Basic earnings per share is (6.28)p (2014: 0.50p).

The underlying cash generative nature of the Group was demonstrated again, even though we increased investment in product development, ramped up marketing support and paid considerable monies to exiting employees, our cash balances have only declined by £173,000 since the interim stage. As at 31 December 2015 the Company had no debt and cash of £242,000 in the bank (2014: £731,000). The prior year amount, as reported at the time, included a substantial pre-payment from one customer. As the Board has previously indicated there will be no dividend.

Belgravium Technologies plc

The Board

I am delighted to welcome John Christmas (ACA) to the Board as an independent Non Executive Director. He brings a wealth of experience, skill and energy to the Board. John is currently the CFO of Avesco Group plc, a very successful AIM quoted business. In the short time John has been involved with Belgravium his guidance and talent have had a real impact. The high professional standards he sets will have a positive influence on the business. John is Chairman of the Audit Committee.

Achievements

Clearly prior to my appointment the Company was at a watershed, and continuing in its present form was not an option. Upon joining I fostered the need for change and, with the hard work of everyone in the business, I am pleased to say we have come a long way in a short period of time. The operations are now more efficient, some costs have been taken out of the business and there have been substantial changes made to both senior management and the Board. We are migrating the entire Group to one accounting and operating system, which will bring real efficiency and improve the flow of information; allowing us to make more informed decisions. A new cloud based IT backbone has been installed making it easier to function and allowing the business to be more productive and agile.

Funding has been made available for investment into our next generation of software and hardware products. Although this may reduce short term profitability it is essential we continually adapt to our customers' needs and demands and keep our products and services relevant. We have increased marketing spend to support our sales team and all the businesses now trade under the 'Touchstar' brand, with a consistent and common theme – 'Specialists in real time data capture and mobile computing'. The powerful and visual impact of this marketing improvement is clearly seen on our trading web site www.touchstar.co.uk.

I am also pleased to report we have put in place an enhanced overdraft facility of £1m with Barclays Bank plc and I would like to thank them for their support to the business over many years – it is appreciated. The cost of this arrangement is £10,000p.a with a rate of 2.75% over Barclay's base rate. This greatly helps, and gives the flexibility the business needs as we move into a more growth oriented phase for the company. This facility was not drawn down at the year end.

Annual General Meeting and General Meeting

The Annual General Meeting of the Company is expected to be held on 24 May 2016 at the Company's offices, Touchstar Technologies Limited 7 Commerce Way, Trafford Park, Manchester M17 1HW. Immediately following the Annual General Meeting the Company intends to hold a general meeting to consider certain matter of special business. This will include proposals to; change the name of the Company, undertake a capital reorganisation and to adopt electronic communications. The Board believes these measures, if adopted, will reinforce the changes that have already been made and support the Company in its new direction. A summary of the proposals is set out below. Full details of these proposals and a notice convening the meeting will be sent to shareholders in due course, but in summary below:

To reflect the new direction and reinforce the new branding of the operating companies, the Board is proposing changing the name of the Company to Touchstar plc (new AIM ticker TST).

Belgravium Technologies plc

The Companies Act 2006 facilitated the greater use of e-communications when sending documents to shareholders. In order to implement e-communications the company requires individual shareholder approval. The Board asks for your support in this matter as it will bring considerable cost savings, from which we all benefit.

In addition, the company is seeking to obtain the relevant authority via a shareholder resolution to use its website to make documents available to those shareholders who agree and to those shareholders who fail to reply. The Company will still be required to notify the recipient of the presence of the document or information on the website along with details of the website address and how to access it.

The Board is proposing to consolidate the Company shares and undertake a capital reorganisation.

The principal purpose of the consolidation will be to reduce the size of the share register, allowing shareholders with uneconomic small holdings to realise their investment free of dealing charges. In addition, it will reduce the costs of servicing the register for the company. The Board is recommending a consolidation (before the below described Sub Division) which will remove shareholders whose shareholding is below 4000 shares (less than £150 in value at current market value). Shareholders should note that Chelverton Asset Management and I have indicated a willingness to underwrite and buy these shares.

The nominal value of each ordinary share is 5p. Under the Companies Act a company is prohibited from issuing its shares at a value below the nominal value. Therefore, the principal purpose of the subdivision will be to reduce the nominal value of the ordinary shares to below the market value of the shares

Current Trading and Outlook for 2016

We have made a reasonable start to the year. Our new marketing and sales focus has become noticed in our market place and while at present it is too early to be sure when this will translate into orders, it is nevertheless encouraging. The environment is not easy but we are determined, and are fighting hard for each sale.

Over the next 18 months we will be introducing several new products and services, some are already in the latter stages of development with launch customers. Ultimately the fortunes of the business will be directly linked to our ability to design, implement and deliver products, services and solutions that meet our customers' demands and that bring the functionality and productivity enhancement they require.

Thank you for your support and I hope your trust will be rewarded.

I Martin
Executive Chairman
6 April 2016

Belgravium Technologies plc

Consolidated income statement for the year ended 31 December 2015

Continuing operations	**2015** **£'000**	2014 £'000
Revenue	**8,676**	9,408
Cost of sales	**(4,544)**	(4,680)
Gross profit	**4,132**	4,728
Distribution costs	**(88)**	(81)
Administration expenses	**(10,574)**	(4,170)
Operating profit before exceptional items and goodwill impairment	**107**	504
Goodwill impairment included in administration expenses	**(6,000)**	-
Exceptional costs included in administration expenses	**(637)**	(27)
Operating (loss)/profit	**(6,530)**	477
Finance income	**-**	1
Finance costs	**(1)**	(3)
(Loss)/profit before income tax	**(6,531)**	475
Income tax credit	**192**	34
(Loss)/profit for the year attributable to the owners of the parent	**(6,339)**	509

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

	2015	2014
Basic	**(6.28)p**	0.50p
Adjusted	**0.30p**	0.53p

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.

Belgravium Technologies plc

Consolidated statement of changes in equity for the year ended 31 December 2015

	Share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2014	5,047	2,932	2,100	1,170	11,249
Profit for the year	-	-	-	509	509
Dividend	-	-	-	(101)	(101)
Balance at 31 December 2014	**5,047**	**2,932**	**2,100**	**1,578**	**11,657**
Loss for the year	-	-	-	**(6,339)**	**(6,339)**
Dividend	-	-	-	**-**	**-**
Balance at 31 December 2015	**5,047**	**2,932**	**2,100**	**(4,761)**	**5,318**

Belgravium Technologies plc

Balance sheet as at 31 December 2015

	2015	2014
	£'000	£'000
Non-current assets		
Goodwill	**3,824**	9,824
Development expenditure	**820**	716
Total intangible assets	**4,644**	10,540
Investments	**-**	-
Property, plant and equipment	**182**	217
Deferred tax assets	**67**	67
	4,893	10,824
Current assets		
Inventories	**1,490**	1,435
Trade and other receivables	**2,367**	3,177
Current tax recoverable	**175**	103
Cash and cash equivalents	**242**	731
	4,274	5,446
Total assets	**9,167**	16,270
Current liabilities		
Trade and other payables	**3,514**	4,027
Borrowings	**8**	18
	3,522	4,045
Non-current liabilities		
Deferred tax liabilities	**75**	75
Deferred income	**252**	480
Borrowings	**-**	13
Total liabilities	**3,849**	4,613

Belgravium Technologies plc

Balance sheet as at 31 December 2015 (continued)

	2015	2014
	£'000	£'000
Capital and reserves attributable to owners of the parent		
Share capital	**5,047**	5,047
Share premium account	**2,932**	2,932
Capital redemption reserve	**2,100**	2,100
Profit and loss account	**(4,761)**	1,578
Total equity	**5,318**	11,657
Total equity and liabilities	**9,167**	16,270

Belgravium Technologies plc

Consolidated cash flow statement for the year ended 31 December 2015

	2015	2014
	£'000	£'000
Cash flows from operating activities		
Operating (loss)/profit	**(6,530)**	477
Depreciation	**117**	122
Amortisation	**320**	316
Goodwill impairment	**6,000**	-
Movement in:		
Provisions	**-**	(7)
Inventories	**(55)**	361
Trade and other receivables	**810**	(431)
Trade and other payables	**(741)**	653
Cash (used in)/generated from operations	**(79)**	1,491
Interest received	**-**	1
Interest paid	**(1)**	(3)
Corporation tax received	**120**	9
Net cash generated from operating activities	**40**	1,498
Cash flows from investing activities		
Acquisition of subsidiary undertakings (net of cash acquired)	**-**	(296)
Purchase of intangible assets	**(424)**	(476)
Purchase of property, plant and equipment	**(82)**	(100)
Net cash used in investing activities	**(506)**	(872)
Cash flows from financing activities		
Repayments of finance lease contracts	**(23)**	(13)
Equity dividends paid to shareholders	**-**	(101)
Net cash used in financing activities	**(23)**	(114)
Net (decrease)/increase in cash and cash equivalents	**(489)**	512
Cash and cash equivalents at start of the year	**731**	219
Cash and cash equivalents at end of the year	**242**	731

1. General information

Belgravium Technologies 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. Basis of preparation

The preliminary results for the year ended 31 December 2015 have been prepared in accordance with the accounting policies set out in the annual report and the accounts for the year ended 31 December 2014.

There have been no changes in accounting policies in the year.

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.

The Group Financial Statements have been prepared under the historical cost convention, except that they have been modified to include the revaluation of certain non-current liabilities at fair value through profit and loss.

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 2014 statutory financial statements. They are also consistent with those in the Group's statutory financial statements for the year ended 31 December 2015 which have yet to be published. The preliminary results for the year ended 31 December 2015 were approved by the Board of Directors on 6th April 2016.

The financial information set out in this preliminary announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2015 but is derived from those financial statements which were approved by the Board of Directors on 6 April 2016. The Auditors have reported on the Group's statutory financial statements and the report was unqualified and 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 2015 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 2014 which carried an unqualified audit report, did not contain a statements under section 498 (2) or 498 (3) Companies Act 2006 and have been filed with the Registrar of Companies.

Non – GAAP financial measures

For the purposes of this preliminary 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 preliminary announcement relates to Trading profit.

'Trading profit' is separately disclosed, being defined as operating (loss)/profit adjusted to exclude goodwill impairment, restructuring costs and compensation for loss of office along with other non-recurring 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 profit is an important measure of the underlying performance of the Group.

3. 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.

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates, both in arriving at the expected future cash flows and the application of a suitable discount rate in order to calculate the present value of these flows.

It is the opinion of the Directors, whilst taking a more conservative view of future growth rates, an impairment of goodwill has taken place of £6,000,000.

(b) 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.

4. Income tax credit

	2015	2014
	£'000	£'000
Corporation tax:		
Current tax	**(175)**	(60)
Adjustments in respect of prior years	**(17)**	(45)
Total current tax	**(192)**	(105)
Deferred taxation:		
Origination and reversal of timing differences	**-**	42
Effect of change in tax rate	**-**	(4)
Adjustments in respect of prior years	**-**	33
Total deferred tax	**-**	71
Income tax credit	**(192)**	(34)

Corporation tax is calculated at 20.25% (2014: 21.50%) of the estimated assessable profit for the year. This is the weighted average tax rate applicable for the year.

5. Factors affecting the tax charge for the year

The tax charge for the year is different from the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%). The differences are explained below:

	2015	2014
	£'000	£'000
(Loss)/profit before income tax	**(6,531)**	475
Multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.50%)	**(1,322)**	102
Effects of:		
Items not deductible for tax purposes	**1,261**	8
Enhanced research and development deduction	**(284)**	(145)
Adjustments in respect of prior years	**(17)**	(12)
Impact of change in rate of tax	**-**	(3)
Losses surrendered through R&D tax credit	**123**	35
(Gains)/losses not set up as an asset	**-**	(22)
Utilisation/(recognition) of previously unrecognised deferred tax	**-**	3
Utilisation of tax losses	**(16)**	-
Capital allowances in excess of depreciation	**(8)**	-
Tax losses carried forward	**71**	-
Tax credit for the year	**(192)**	(34)

Factors affecting the future tax charge

The standard rate of corporation tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the group's profit chargeable to corporation tax for the prior accounting year was taxed at the effective rate of 21.50% and at 20.25% in the current accounting year.

The change in the corporation tax rate from 21% to 20% (effective from 1 April 2015), was enacted in the Finance Act 2013 and, as a result, UK deferred tax balances in 2015 were measured at the enacted rate of 20%.

The effective tax charge in future years is expected to be lower than the main corporation tax rate due to the availability of enhanced research and development tax credits.

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantively enacted on 26 October 2015.

As the change to 17% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

6. (Losses)/ Earnings per share

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

	2015	2014
Basic	**(6.28)p**	0.50p
Adjusted	**0.30p**	0.53p

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

	2015		2014	
	Earnings £'000	**Weighted average number of shares (in thousands)**	Earnings £'000	Weighted average number of shares (in thousands)
Basic EPS				
Earnings attributable to owners of the parent	**(6,339)**	**100,937**	509	100,937
Exceptional items comprising of the following:				
Restructuring costs	**637**		-	
Goodwill impairment	**6,000**		-	
Deal costs	**-**		27	
	6,637		27	

The above exceptional items consists of goodwill impairment, restructuring costs and compensation for loss of office along with other non-recurring costs.

Basic earnings per share have been calculated by dividing profit/loss for the period by the weighted average of ordinary shares in issue during the period.

7. Intangible assets

	Goodwill	Development expenditure	Total
	£'000	£'000	£'000
Cost			
At 1 January 2014	9,575	1,572	11,147
Additions	329	476	805
At 31 December 2014	9,904	2,048	11,952
Additions	-	424	424
At 31 December 2015	**9,904**	**2,472**	**12,376**
Accumulated amortisation and impairment			
At 1 January 2014	80	1,016	1,096
Amortisation charge	-	316	316
At 31 December 2014	80	1,332	1,412
Impairment	6,000	-	6,000
Amortisation charge	-	320	320
At 31 December 2015	**6,080**	**1,652**	**1,732**
Net book value			
At 1 January 2014	9,495	556	10,051
At 31 December 2014	9,824	716	10,540
At 31 December 2015	**3,824**	**820**	**4,644**

Amortisation of £320,000 (2014: £316,000) is included within administration expenses in the income statement.

(a) Impairment tests for goodwill

Goodwill arose in relation to the Group's acquisition of Touchstar Technologies Limited, Access Fire & Security Limited and Feedback Data Limited. An impairment test has been performed on the carrying value of goodwill based on value-in-use calculations.

The carrying amount of the goodwill held in regard to Touchstar Technologies Limited has been reduced by £6,000,000 to its recoverable amount. This loss has been included in 'administrative expenses' in the income statement. The impairment charge arose following a review and introduction of a more reasonable view of future growth rates.

The value-in-use calculations have used pre-tax cash flow projections based on the financial budgets approved by management covering a five year period. Revenue growth for 2016 is benchmarked against 2015 actuals with growth up to 2020 forecast. Cash flows beyond the five year period are extrapolated using a growth rate of 3% (2014: 2.5%) which does not exceed the long term average growth rate for the business. The other key assumptions used in the value in use calculations are the discount rate, which has been determined at 11% (2014: 10.2%) and an annualised sales growth of 3% (2014: 3%), over the five year period.

If the budgeted gross margin used in the value-in-use calculation for Touchstar Technologies Limited had been 5% lower than management's estimates at 31 December 2015 (for example, 64% instead of 69%), the group would have recognised a further impairment of goodwill by £3,106,000.

If the estimated cost of capital used in determining the pre-tax discount rate for Touchstar Technologies Limited had been 1% higher than management's estimates
(for example, 12% instead of 11%), the group would have recognised a further impairment against goodwill of £824,000.

For Access Fire & Security Limited and Feedback Data Limited, no reasonably possible changes in any assumptions would be expected to give rise to an impairment of the goodwill at 31 December 2015.

(b) 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. The discount rates are pre-tax and reflect the specific risks relating to the business.

These calculations did not result in impairment. The following sensitivity analysis was performed:

- Increase the discount rate by 1.5%; and
- Reduce the growth rate by 1% beyond the first five years.

In each of these scenarios no impairment was identified.