Registered Number SC005543

touchstar plc

Annual report and financial statements

for the year ended 31 December 2019

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Chairman's statement for the year ended 31 December 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 86% to £76,000 (FY2018: loss £578,000). The adjusted loss per share was 1.19p (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.

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Chairman's statement for the year ended 31 December 2019 (continued)

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 (C19)

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 interim stage.

Chairman's statement for the year ended 31 December 2019 (continued)

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
27 May 2020

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Strategic report for the year ended 31 December 2019

Business review and principal activities

The Group supplies, installs and maintains software applications and hardware solutions for mobile applications in the transport, logistics and access control industries. As we develop the company's product portfolio the strategy to offer the complete end to end solution to the customer is now fast becoming the norm. Whilst we continue to supply core and the more traditional product set, the new complete solutions allow for increased revenues and greater stability and profitability for the future.

2019 was a challenging yet productive year. Our belief in reduced sales uptake was impacted on the political environment of the UK. Despite this commercial challenge the company's revenue line demonstrated growth on 2018. We had some high and low points with the business. In the first half of 2019 we took the decision to withdraw from the airline on board retail system business. The decision was based on factual information: including levels of existing recurring revenue, order bank, and pipeline forecast. In previous years we had lost some significant elements of business which included two of our major clients going into liquidation, Monarch Airlines and Air Berlin. Add this reduction in revenue to the low order bank and insufficient two-year pipeline it became apparent the running costs significantly outweighed any profit contribution the division could produce.

The Group continues to focus on the promotion of two major software solutions within their existing markets. As we change our product set to become solution orientated, we have recruited the relevant personnel to implement these systems. Whilst we do take a gradual retirement approach of older product sets, we do recognise the continuing value they still bring to the business and are managing down our business reliance on these.

Our ability to now offer an end to end solution optimises our offering and increases the success rate of our products to be adopted. The customer can purchase the total solution from their ERP interface through to the mobile workforce with Touchstar's sophisticated cloud-based packages. All these Touchstar products are in house owned (IPR) and this reduces reliance on 3rd party suppliers.

Although a competitive industry, our extensive experience and knowledge of the markets allows us to operate successfully with our new products, and we continue to secure large contracts with blue chip companies across the UK and Europe. The software products are now complete however, as with all software products, they will continue to evolve but already we are experiencing good results within the marketplace. Excluding the discontinued Onboard retail systems, Touchstar demonstrated a s sales growth of 8% on the previous year of 2018.

The strategy to supply a SaaS (Software as a Service) model to the industry has become quite widely accepted. This now provides consistent recurring revenue greater than in previous years. Some are monthly and others are annual subscription payments. Whilst the latter is preferred, we have geared the business to cope with the changing trend on month by month payment via Direct Debit.

The Group operates under the Touchstar brand providing consistent brand awareness of the operating companies which has been successful in promoting a cohesive and singular business and all can be accessed under one web site: www.touchstar.co.uk.

Business environment

The Group's operations remain focused on the logistics, transport distribution and secure access control markets. Although servicing different customers, the nature of the products, services and channels to market are comparable and hence the directors regard the Group as operating in one primary segment, where the risks and returns are similar.

Strategic report for the year ended 31 December 2019 (continued)

Business environment (continued)

2019 sales revenue uptake was less than we had planned for and as mentioned we believe the uncertain political back drop within the UK was largely to blame. An upturn in business towards the end of 2019 demonstrates the easing of the financial restrictions that we had experienced all year. Added to this Touchstar order bank at the end of 2019, going into 2020, we believe, was the healthiest since 2011.

The new product set within the Transport marketplace has seen a great deal of interest with over a dozen companies adopting the Transport Management and Proof of Delivery system. Developed and deployed utilising modern cloud-based services has increased user acceptance and faster deployment. Specialist hardware, where margins continue to be healthy, gives us a real competitive advantage in the fuel delivery market and our TS3200 Android device is key to the continued success and adoption of our solutions.

In the Warehouse and Logistics market, the Group provides mobile computing solutions for warehouse operations for both truck-mounted and hand-held applications. These solutions communicate using wireless technology and provide real time data. This technology improves supply chain management and significantly reduces warehouse operating costs. During 2018 and 2019 we invested in the product set, by introducing new designs running on the Android operating system. We presently offer the product ranges under both Android and Windows environments as the latter still plays a role within this market. It is envisaged that within the next 12-18 months the vast majority of sales will be with the Android operating system.

The Group designs and supplies Access Control Systems for industrial and retail environments. An active and competitive market, the Group solution comprises hardware such as CCTV, entry barriers and door controllers, all of which are interfaced to the data capture control software application to allow for control and monitoring of personnel within the operation. We made some strong inroads into the further development and enhancement of our access control software system with major customers implementing during 2019 and 2020. We now offer modern and standard interfaces for customers other systems, such as payroll or canteen sales systems.

Strategy

The Group's overriding strategy is to achieve attractive and sustainable rates of growth and returns through organic means. Whilst presently the Group is not actively looking for acquisitions, any opportunity that should arise will be assessed and considered on merit. During 2018 after securing financial backing from the shareholders, we significantly increased speed of product development along with recruiting a number of skilled and experienced individuals to enhance the strategic growth plan for the new product suit in Transport, Warehouse and Logistics and Access Control.

Organic growth

Whilst the Group has considerable strength in the markets it operates within, it is imperative to continue to develop and enhance the products we offer to the customer. We have taken advantage of the latest development advancements in the IT world, for example 'cloud' based solutions and additional operating systems such as Android and iOS – incorporating these into our solutions has already taken place and the directors are confident this will continue to generate additional sales revenues and further secures our position in a competitive market.

Strategic report for the year ended 31 December 2019 (continued)

Organic growth (continued)

Revenue growth over the next few years will be expected to come in the form of capital sales, but an increasing element of the sale will focus on recurring revenue extended into three and five year minimum terms. Pricing policies will allow for annual upfront payment as well as monthly licence payment for software usage (SaaS).

Product range

The Group product range include elements in three distinct sets; Software applications, Mobile computer hardware and Managed services. The Group will continue to invest in these core areas and to reduce product costs where possible.

In-house designed hardware and application software gives the business the opportunity to create market specific solutions backed by a complete managed service. This provides an offering far better than the competition, who rely on elements of third-party product to construct their solution and aftersales support programme.

Environmental

The Group recognises the importance of managing consumption of the world's natural resources as well as providing a safe and healthy working environment for its employees. The Group consumes non-replaceable raw materials and energy and clearly the successful growth of the Group will lead to an increased consumption of raw materials on an absolute basis. We therefore seek to reduce the amount of resources consumed on a unit by unit basis to limit the size of our environmental footprint.

Principal risks and uncertainties

The directors recognise there are a number of risks within the business which may significantly impact the performance of the business. These risks are subjected to regular review and, where appropriate, processes are established to minimise the level of exposure. These are summarised below:

1. People

The principal asset of the Group is the commitment and skill of its people. The retention of these people is therefore key to the success of the business. The Group monitors closely the satisfaction of its employees and ensures that remuneration packages match both contribution and the wider employment market. In addition, the Group has in place schemes which are related to Group results and which allow key employees to participate in the success of the Group as a whole.

2. Technology changes

Changes in technology occur at an ever-increasing rate. Through its technical functions the business monitors emerging technologies and seeks to understand how these technologies will impact our current business and how they may be incorporated in designs of future product offerings.

Strategic report for the year ended 31 December 2019 (continued)

Principal risks and uncertainties (continued)

3. Competition

The Group recognises that it operates on a global basis and as such is subject to competitive global pricing as well as service and performance criteria in local markets. Margins are monitored on a contract by contract basis and commercial decisions are adjusted accordingly. The Group recognises that a global strategy will create issues of foreign exchange fluctuations but that the overall contribution from such markets more than compensates for the level of risk. As described in notes 2.1 and 31, the COVID-19 pandemic has brought additional macroeconomic and societal challenges which the business and the wider sector are adapting to.

4. Key commercial relationships

The Group has a diverse range of customers and suppliers, and whilst these relationships are of significant importance to the Group's development, no single customer or supplier is of critical importance to the ongoing success of the Group.

5. Business partners

The Group operates through business partners in certain parts of the world. The retention of their loyalty to the Group's product offering is important. The business is in frequent contact with these companies and regular visits are made. The Group also encourages these partners to supply local services, and hence earn a revenue stream, for contracts that the Group may have secured on a worldwide basis. The financial risks faced by the Group are detailed in the Directors report on page 17.

Section 172 Statement

Under section 172 of the Companies Act 2006 ("Section 172"), a director of a Group must act in a way that they consider, in good faith, and would most likely promote the success of the Group for the benefit of its members as a whole, taking into account the non-exhaustive list of factors set out in Section 172.

Section 172 also requires directors to take into consideration the interests of other stakeholders set out in Section 172(1) in their decision making.

Touchstar Plc's ("Touchstar", "Group" or the "Company") key stakeholders include its investors, employees, regulatory bodies, suppliers and customers.

The Group's strategy is to achieve attractive and sustainable rates of growth and returns through organic means. Upon the successful implementation of the Group's strategy, the Group will have an expanded range of internal and external stakeholders, relations with which the Board will take into consideration when making decisions on Group strategy.

Engagement with our members plays an essential role throughout our business. We are cognisant of fostering an effective and mutually beneficial relationship with our members. Our understanding of our members is factored into boardroom discussions regarding the potential long-term impacts of our strategic decisions.

Strategic report for the year ended 31 December 2019 (continued)

Post the reporting period end, the directors of the Group ("Directors") have continued to have regard to the interests of the Group's stakeholders, including the potential impact of its future activities on the community, the environment and the Group's reputation when making decisions. The Directors also continue to take all necessary measures to ensure the Group is acting in good faith and fairly between members and is promoting the success of the Group for its members in the long term.

The table below acts as our Section 172 statement by setting out the key stakeholder groups, their interests and how the Group engages with them. Given the importance of stakeholder focus, long-term strategy and reputation to the Group, these themes are also discussed throughout this Annual Report.

Stakeholder	**Why we engage**	**How we engage**
Our Investors	We maintain and value regular dialogue with our financial stakeholders throughout the year and place great importance on our relationship with them. We know that our investors expect a comprehensive insight into the financial performance of the Group, and awareness of long-term strategy and direction. As such, we aim to provide high levels of transparency and clarity about our results and long-term strategy and to build trust in our future plans.	• Regular reports and analysis on investors and shareholders • Annual Report • Group website • Shareholder circulars • AGM • RNS announcements • Press releases
Our Employees	Our people are at the heart of our business. Effective employee engagement leads to a happier, healthier workforce who are invested in the success of the Group and who are all pulling in the same direction. Our engagement seeks to address any employee concerns regarding working conditions, health and safety, training and development, as well as workforce diversity. Engagement with our employees starts from the top and is driven effectively throughout the Group.	• Evaluation and feedback processes for employees and management • Competitive rewards packages • Encouraging employee training and development • Flat structure communication with Board
Regulatory bodies	The Group's operations are subject to a wide range of laws, regulations, and listing requirements including data protection, tax, employment, environmental and health and safety legislation, along with contractual terms.	• Group website • RNS announcements • Annual Report • Direct contact with regulators • Compliance updates at Board Meetings • Consistent risk review

Strategic report for the year ended 31 December 2019 (continued)

Our Customers	Our customers have unique requirements that require diligence and trust in our offering. We aim to listen to and engage with our customers on a regular basis to ensure that we understand their needs and can provide solutions that address them. We ensure that information is easily accessible and customer concerns are dealt with in a timely and professional manner.	• Continual review of feedback from customers to ensure satisfaction • Dedicated team for Client Services and Operations to ensure consumer concerns are addressed • Face to face meetings with customers to further develop relationships.
Our Suppliers	We have a number of key partners and suppliers with whom we have built strong relationships with and strongly value. We establish effective engagement channels to ensure our relationships remain collaborative and forward focused, and to foster relationships of mutual trust and loyalty.	• Building strong partnerships with suppliers through open two-way dialogue and regular face to face meetings. • Relationships with suppliers allow the ongoing review and monitoring of their performance levels

The above statement should be read in conjunction with the rest of the Strategic Report and the Directors' Report.

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Strategic report for the year ended 31 December 2019 (continued)

Key performance indicators

The Group have adopted both financial and non-financial measures to achieve a balanced view of performance.

Sales and order pipeline	To justify continued development expenditure the forecast order pipeline for our various products is actively monitored. During the year turnover increased by £221,000 from £6,898,000 in 2018 to £7,119,000 in 2019. As reported in 2018, the Onboard pipeline for NOVOStar was very light compared to our remaining product pipeline and therefore the decision was taken by the Board early 2019 to significantly reduce costs with support for our existing clients being moved to our main offices in Manchester. An opportunity arose and the Onboard Retail operation was eventually sold on 6 November 2019 (see note 29 for Discontinued operation). Underlying revenue growth for the Groups continuing operations was 8% amounting to £468,000. This growth is indicative of the successful three-year investment programme with pipeline for our continuing solutions remaining strong.
Gross margin	Gross margins for continuing operations increased slightly to 51.8% (2018: 49.8%) as the business moves towards a more software and end to end solution-based provider.
Cash	Cash generation continues to be of prime importance to the business, with a net increase of £554,000 for 2019. Net cash generation for 2018 amounted to £632,000 which included £1,228,000 from issue of share capital. Cash generation enables effective use of our working capital, continued development and minimises the reliance on external facilities. The Group has successfully reduced the level of OD facility requirement from £1m down to £300,000. The year ended with the Group being in a positive cash position of £850,000 compared to £296,000 at the end of 2018.
Customer retention	Retention of customers nearing the end of their contract is of significant importance for the Group. The business is benefiting from many of its existing clients going through the process of an upgrade cycle with us. We also have a number of returning customers upgrading to our new solution, which is testament to our ongoing quality service and support offering and thus enhancing the future pipeline for the Group.
Recurring revenue	An important aspect of the business is to generate new types of recurring revenue, namely charging for ongoing licencing, use of our new suite of software solutions along with the traditional hardware support/maintenance contracts. It is our intention to increase recurring revenue to become a more significant portion of our future turnover.

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Strategic report for the year ended 31 December 2019 (continued)

Future outlook

Across all markets serviced by the Group there is a sustained drive to reduce costs and to improve customer service. This can only be achieved by continued investment in the most modern technologies providing instantaneous information between back office applications and field-based functions. The Group recognises that competition will continue to impose challenges on margins. With investment in product offering, however, a robust commercial approach to the marketplace and above all a strong desire to succeed, we are confident about our prospects, even amidst the challenges currently imposed by the COVID-19 pandemic.

On behalf of the board

M W Hardy
Chief Executive Officer
27 May 2020

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Directors' report for the year ended 31 December 2019

The directors present their Directors' report and the audited financial statements of the Group and the Group for the year ended 31 December 2019.

Quoted Companies Alliance Code

As an AIM listed Group, the Group is required to adopt a recognised corporate governance code and disclose any deviations from the chosen code. The Group has decided to adopt the Quoted Companies Alliance ("QCA") code. High standards of Corporate Governance are a key priority of the Board and details of how the Group addresses key governance issues are set out in the Corporate Governance section of its website by reference to the 10 principles of Corporate Governance developed by the QCA.
http://www.touchstarplc.com/about/governance

Business model and strategy

The Group's vision, together with its partners, is to create innovative data capture solutions that enhance business intelligence for our client base. Touchstar's mission is to deliver innovative products and solutions on a 'turnkey' basis, underpinned by an unparalleled attention to detail and customer-centred philosophy.

To achieve this, the Group will focus on five key business strategies;

- Further penetrating existing markets by forging stronger customer and partner relationships, including alliances with independent software vendors and third-party hardware manufacturers
- Expanding into new markets, where the Group will offer compelling solutions set to meet specific sector / geographical customer requirements
- Inspiring Touchstar personnel and clients by building on the Group's track record of high-performance teamwork and collaboration
- Intensifying R&D innovation throughout the organisation and delivering unsurpassed quality and performance in the Group's products and solutions
- Maximising operational effectiveness with lean, world-class operations underpinned by an investment in personnel, appropriate technologies and business tools to improve functional performance across the Group

This strategy is intended to deliver long-term growth in shareholder value.

Effective risk management

The Board has an established Audit, Remuneration, and Executive Committees.

The Group receives regular feedback from its external auditors on the state of its risk management and internal controls. The Board does not consider it to be appropriate to have its own internal audit function at the present time, given the Group's size and nature of its business.

The annual budget setting process examines all areas of the Group's operations both operationally and financially.

Directors' report for the year ended 31 December 2019 (continued)

The Group has clear, documented procedures in place to assess and progress opportunities arising, whether for process improvement, product enhancement, new business or any other matter.

Board of directors

During 2019 the Board was comprised of a non-executive Chairman, two executive directors, and an independent non-executive director. On 1 December 2019 one of the executive directors, Jon Hall, retired as a director and employee. The Board considers that of its two non-executive directors, only one is independent however they are considered independent in terms of character and judgement in how they conduct their roles, giving a balance between executive and non-executive directors.

The Chairman is responsible for leading the Board, facilitating the effective contribution of all members and ensuring that it operates effectively in the interests of the shareholders. The Chief Executive Officer is responsible for the leadership of the business and implementation of the strategy. The Group Secretary is responsible, on behalf of the Chairman, for ensuring that all Board and Committee meetings are conducted properly, that the Directors receive the appropriate information prior to the meeting, for ensuring that governance requirements are considered and implemented and for accurately recording each meeting. The Directors may have access to independent professional advice, where needed, at the Group's expense.

The Board has established Audit, Remuneration and Executive Committees, each of which conducted their duties throughout the year. The Audit Committee scrutinise the planned scope of the annual audit as well as monitoring the independence of the auditors. The Remuneration Committee assess the remuneration of Directors and senior staff and ensured this was appropriate and consistent with the interests of shareholders and the business. The Executive Committee managed the operation and strategy of the business throughout the financial year, in regular consultation with the Board.

A description of the roles of the Directors is included on the website. The directors are aware of, and committed to, the time requirements needed to fulfil their roles. Directors are required to devote such time and effort to their duties as is required to secure their proper discharge and, for Non-Executive Directors, this typically entails one or two days of meetings per month as well as reading and preparation time.

Frequency of meetings

The Board meets at least four times a year with relevant information distributed to the Directors in advance of each meeting.
All members attended each meeting held during the year.
The Board makes decisions on all material matters including long term and commercial strategy, annual operating and capital budgets along with capital and financial structure.

Board Performance

The Board judges its own performance by reference to the Group's progress against the targets set out in the Group's strategic plan.

Directors' report for the year ended 31 December 2019 (continued)

The Group undertakes regular monitoring of personal and corporate performance using agreed key performance indicators and detailed financial reports. Responsibility for assessing and monitoring the performance of the executive directors lies with the Chairman and the independent non-executive director.

The Board and the Remuneration Committee evaluate the Board performance, including but not limited to Board balance, Board skills and remuneration, to ensure that the Board is fit for purpose and is appropriate for the Group's ongoing development and growth.

Corporate culture

The Board is committed to embodying and promoting a sound corporate culture and has endorsed various policies which require ethical behaviour of staff and relevant counterparties.

The Board and management conduct themselves ethically at all times and promote a culture in line with the standards set out on the website.

Communication with shareholders and other relevant stakeholders

The Board attaches great importance to providing shareholders with clear and transparent information on the Group's activities, strategies and financial position, in addition to having regard to its obligations as a quoted public Group and the AIM Rules.

The Group holds meetings with significant shareholders on a regular basis and regards the Annual General Meeting as a good opportunity to communicate directly with shareholders via an open question and answer session.

The Group lists contact details on its website should shareholders wish to communicate with the Board. All announcements and results, including those released via RNS and RNS Reach, are available on the Group's website.

Employees

The Group recognises that the contribution made by its skilled and committed workforce is the business's most valuable asset. The Group will continue to provide its people with a challenging environment and to provide rewards which recognise their achievements. The Group recognises that the needs of the business will continue to change. As such, training is and will continue to be offered such that employees are able to enhance their skill base to assist the business in meeting future challenges.

The Group has an established policy of encouraging the employment of disabled persons wherever this is practicable and endeavours to ensure that disabled employees benefit from training and career development programmes in common with all other employees. The Group's policy includes, where practicable, the continued employment of those who may become disabled during their employment.

Directors' report for the year ended 31 December 2019 (continued)

Dividends

The directors do not recommend a final dividend (2017: £Nil).

Financial instruments

The Group's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and exchange rate risk. The policies set by the Board of Directors are implemented by the Group's finance department and are detailed in note 3 to the Group financial statements for the year ended 31 December 2019.

Board of directors

The directors who held office during the year and to the date of this report are given below:

I P Martin - Chairman

Ian has worked in the Insurance and Media industries for over 30 years. More recently, as Chairman and CEO of Avesco (2002 to 2012) the quoted provider to the event and broadcast industry, Ian led the transformation of the company from a faltering company to a vibrant business, with revenues rising from around £50 million to £140 million and a profit that grew at a compound profit of 20% per annum.
Prior to this period, Ian has held board positions at Ascot Underwriting and Brockbank Group plc, where he was CEO and he helped form Admiral Insurance the FT 100 Company. Ian also holds a number of executive and non-executive directorships, including as a non-executive Director of Chelverton Growth.

M W Hardy - Chief Executive Officer

Mark joined the company in 1992 and has been involved in the mobile communications market since graduating from University with a BA Honours degree in Business Studies in 1986. Prior to joining the company, Mark worked for American based companies and was instrumental in driving sales of high-tech products into developing markets.
With overall responsibility for the commercial running of Touchstar since 1997, Mark remains extremely active in the sales and key account management aspects of the business.

J L Christmas - Non-Executive Director

John is a chartered accountant with over 20 years' experience as finance director of UK listed businesses, most recently at Avesco Group plc, whom he joined in 2004.
He was Group Finance Director at Boosey & Hawkes plc and previously held positions as Group Finance Director at MediaKey plc and Video Arts Ltd.

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Directors' report for the year ended 31 December 2019 (continued)

Purchase of own shares

The Group did not purchase any of its own shares in 2019.

Shares issued during the year

No shares were issued in 2019.

Research and development

The Group is continually developing its products and services to meet the increasing demands of the markets in which the Group operates. During the year, the Group incurred total research and development costs of £1,150,000 (2018: £1,519,000), of which £708,000 (2018: £900,000) has been capitalised.

Statutory records

The Company is registered in Scotland and its registered number is SC005543.

Substantial shareholdings

As at 4 May 2020, the Company had been notified of the following interests representing 3% or more of the issued ordinary share capital:

	Ordinary shares	Percentage of ordinary share capital
I P Martin	805,250	9.50%
Thomas William George Charlton	935,000	11.03%
Chelverton Growth Trust plc	850,000	10.03%
Interactive Investor Trading Ltd	545,703	6.44%
Killik & Co	378,000	4.46%
R D McDougall	368,500	4.35%
Charles Stanley & Co	317,789	3.75%
Unicorn Asset Management	290,000	3.42%
Halifax Share Dealing	262,794	3.10%

Except for those disclosed above, the directors are not aware of any shareholding which represents 3% or more of the present issued ordinary share capital of the Company.

Directors' report for the year ended 31 December 2019 (continued)

Matters covered in the Strategic report

Statutory disclosures required under Company law within the Directors' report are included where relevant in the Strategic report.

Directors' indemnities

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, principally with respect to the euro and the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

Natural hedging occurs through the matching of foreign currency income, expenditure and commitments. When projected foreign currency balances are not anticipated to be covered through this natural matching process, the Group may choose to enter into forward foreign exchange contracts through its bankers and other financial institutions.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

(b) Credit risk

The Group has a customer credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

At 31 December 2019 there were no significant concentrations of credit risk (2018: £nil). The maximum exposure to credit risk is represented by the carrying amount of each financial asset included in the balance sheet. Management does not expect any losses from non-performance by these counterparties. Due to the nature of the Group's business, credit risk is assessed on a customer by customer basis prior to entering into contractual arrangements and on an expected credit loss basis in line with IFRS9. See note 2.1 for impact assessment.

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Directors' report for the year ended 31 December 2019 (continued)

Financial risk management (continued)

(c) Liquidity risk

The Group maintains short-term cash deposits and unutilised banking facilities to mitigate any liquidity risk it may face. Management monitors rolling forecasts of the Group's liquidity reserves on the basis of forecast cash flow.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Impact on discounting is not deemed material/relevant in respect of trade and other payables since this relates predominantly to deferred revenue for which the cash has already been received and the balance is being released to the income statement in line with the contract.

At 31 December 2019	**Less than one year £'000**	**Between one and four years £'000**
Bank overdraft	**2,293**	**-**
Trade and other payables	**1,465**	**-**
Contract liabilities	**1,322**	**208**

At 31 December 2018		
Bank overdraft	1,816	-
Trade and other payables	1,444	-
Contract liabilities	1,365	188

Lease liabilities have been presented within Liabilities as a result of the Group's implementation of IFRS 16. Note 31 provides specific detail on adjustments.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

Directors' report for the year ended 31 December 2019 (continued)

Capital risk management (continued)

The gearing ratios at 31 December 2019 and 2018 were as follows:

	2019	2018
	£'000	£'000
Net debt	**-**	-
Total equity	**1,891**	2,392
Total capital	**1,891**	2,392
Gearing ratio	**-%**	13%

As at 31 December 2019, borrowings (which constitute bank overdrafts) were entirely offset by positive cash balances, meaning the Group had no net debt, and therefore no gearing ratio, at the reporting date (2018 no gearing ratio).

Fair value estimation

The carrying value, less impairment provision of trade receivables and payables are assumed to approximate to their fair value. The carrying values of borrowings approximate to their fair value due to their short-term maturity.

Disclosure of information to auditors

Each director at the date of approval of this report confirms that:

- so far as each director is aware, there is no relevant audit information (that is, information needed by the auditors in connection with preparing their report) of which the auditors are unaware; and
- each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

This statement is given and should be interpreted in accordance with the provision of Section 418 of the Companies Act 2006.

Independent auditors

The auditors, Haysmacintyre LLP, have indicated their willingness to continue in office, and a resolution that they be reappointed will be proposed at the Annual General Meeting.

By order of the Board

N M Rourke
Company Secretary
27 May 2020

touchstar plc

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors of the ultimate parent company are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of directors’ responsibilities in respect of the financial statements (continued)

Each of the directors, whose names and functions are listed in the Directors' Report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and result of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

N M Rourke
Company Secretary
27 May 2020

Independent auditors' report to the members of Touchstar plc

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Touchstar plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019 which comprise a consolidated income statement, a consolidated and company statement of financial position, a consolidated statement of changes in equity, a company statement of changes in equity, a consolidated and company cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, Touchstar plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2019 and of the group's loss for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern – Group and company

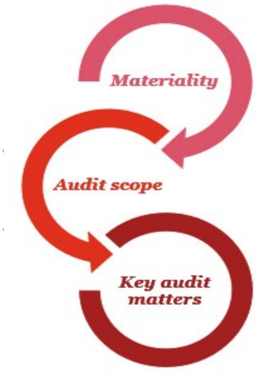
In forming our opinion on the group and company financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's and company's ability to continue as a going concern. The group's forecast for the 12 months from approval of these financial statements contains assumptions over the growth of the existing business and the achievements of cost saving measures. Each of these items is subject to a level of uncertainty, particularly given the economic uncertainty caused by the COVID-19 pandemic. If the group's forecast is not achieved, there is a risk that the group will require further funding and if this situation materialised, the bank could choose to withdraw the on demand overdraft facilities. Without these facilities, and without alternative finance being obtained, the group and company will be unable to meet their liabilities as they fall due. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were unable to continue as a going concern.

Given the timing and execution risks associated with achieving the forecast and therefore remaining within the on demand overdraft facility, the Directors have drawn attention to this as a material uncertainty relating to going concern in the basis of preparation.

Independent auditors’ report to the members of Touchstar plc (continued)

Our audit approach

Overview



- Overall group materiality: £60,000 (2018: £60,000), based on 8% of loss before tax.
- Overall company materiality: £17,000 (2018: £17,000), based on 1% of Net Liabilities.

- We conducted our audit work over three financially significant companies within the Group.

- Recoverability of capitalised development costs
- Going concern
- Revenue recognition
- IFRS 16 adoption

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors’ professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determined the matters described below to be the key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

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Independent auditors' report to the members of Touchstar plc (continued)

Key audit matter	*How our audit addressed the key audit matter*
Recoverability of capitalised development costs The Group has capitalised development costs of £1,499,000. This represents costs incurred on development projects that meets the criteria as set out in 'IAS 38: Intangible assets'. The decision whether to capitalise and how to determine the period of economic benefit requires some judgement, including an assessment of the commercial viability of the project, and the prospect of future sales.	Costs capitalised represent both internal staff costs (time) capitalised, as well as third party costs. These costs are allocated on a project basis. For internal staff costs capitalised, we have understood the employees' specific roles and work, and the allocation between project and non-project activities. We have discussed these allocations with management. Third party costs capitalised have been agreed to invoice. The nature of these costs have been tested to confirm they are used in viable projects. In addition, we have understood the status of each project, and compared this to the requirements of IAS 38 to ensure that capitalisation is appropriate. We have challenged managements' assessment of the commercial viability of each active project, to ensure that capitalised costs are recoverable.
Going concern Due to the continued losses made there is a risk that the Group may not be a going concern. Furthermore, the PLC relies on an on demand overdraft facility which the bank could choose to withdraw. Without access to alternative finance the Group and Company may be unable to meet their liabilities as they fall due.	We reviewed cash flow forecasts prepared by management. We checked the arithmetic integrity of the cash flow models and challenged the inherent assumptions. We appraised the Group's latest order book and reviewed the forecasts against post year-end management accounts to gain comfort over their accuracy.
Revenue recognition The Group earned revenue of £7,119,000 in the year. There is a risk that revenue is recognised inappropriately and not in accordance with IFRS 15.	We agreed revenue to cash received in order to gain comfort over its occurrence. We also agreed a sample of revenue to evidence of customer acceptance. We performed testing over cut-off and also recalculated and corroborated a sample of deferred revenue items.
IFRS 16 adoption The Group adopted IFRS 16 on the 1st January 2019. This led to the recognition of a £522,000 right of use asset at the year end along with a £589,000 lease liability. There is a degree of judgement and complexity involved in implanting this new standard, particularly around the discount rate used and the treatment of existing lease incentives.	We reviewed the calculations prepared by management to ensure they complied with IFRS 16. We reviewed a sample of lease agreements to check they were accounted for correctly in the client's IFRS 16 model. We assessed the disclosure of the IFRS 16 transition to ensure it was complete and accurate.

Independent auditors' report to the members of Touchstar plc (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group comprises three financially significant companies: two principal trading companies and one holding company, all of which are based in the UK. We performed audits of the three financially significant companies in the Group, giving us the evidence we needed for our opinion on the Group financial statements. All work was performed by the Group engagement team.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	***Company financial statements***
Overall materiality	£60,000 (2018: £67,000).	£17,000 (2018: £16,200).
How we determined it	8% of loss before tax	1% of Net Liabilities.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, loss before tax is a primary measure used by the shareholders in assessing the performance of the group, and is a generally accepted auditing benchmark.	We believe that net liabilities is a primary measure used by the shareholders in assessing the performance of the entity given the company is a holding company and so does not trade. Net liabilities is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that was less than our overall group materiality. The range of materiality allocated across components was between £17,000 and £60,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £3,000 (Group audit) (2018: £3,300) and £850 (Company audit) (2018: £800) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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Independent auditors' report to the members of Touchstar plc (continued)

Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise

Independent auditors' report to the members of Touchstar plc (continued)

Auditors' responsibilities for the audit of the financial statements (continued)
from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Laura Mott (Senior Statutory Auditor)
for and on behalf of Haysmacintyre LLP
Chartered Accountants and Statutory Auditors
London
27 May 2020

touchstar plc

Consolidated income statement for the year ended 31 December 2019

	Note	2019 £'000 Continuing operations	2019 £'000 Discontinued operations	2019 £'000 **TOTAL**	2018 £'000 Continuing operations	2018 £'000 Discontinued operations	2018 £'000 TOTAL
Revenue	4	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 administrative expenses	5	(197)	(215)	(412)	-	(334)	(334)
Operating loss	6	(648)	(156)	**(804)**	(725)	(591)	(1,316)
Finance costs	11	(25)	-	**(25)**	(4)	-	(4)
Loss before income tax		(673)	(156)	**(829)**	(729)	(591)	(1,320)
Income tax credit	12	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 (note 13):

	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	Share premium account	Retained earnings	Total equity
	£'000	**£'000**	**£'000**	**£'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	Share premium account	Retained earnings	Total equity
	£'000	**£'000**	**£'000**	**£'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
	Note	**£'000**	£'000	**£'000**	£'000
Non-current assets					
Intangible assets	14	**1,499**	1,352	**-**	-
Property, plant and equipment	16	**175**	228	**-**	-
Right-of-use assets	16	**522**	-	**-**	-
Deferred tax assets	18	**111**	157	**-**	-
		2,307	1,737	**-**	-
Current assets					
Inventories	19	**891**	1,210	**-**	-
Trade and other receivables	20	**1,317**	1,928	**1,189**	706
Corporation tax receivable		**344**	487	**-**	-
Cash and cash equivalents	21	**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	22	**1,465**	1,444	**58**	50
Contract liabilities	23	**1,322**	1,365	**-**	-
Borrowings	24	**2,293**	1,816	**2,293**	1,816
Lease liabilities	25	**171**	-	**-**	-
		5,251	4,625	**2,351**	1,866
Non-current liabilities					
Deferred tax liabilities	18	**234**	269	**-**	-
Contract liabilities	23	**208**	188	**-**	-
Lease liabilities	25	**418**	-	**-**	-
		860	457	**-**	-
Total liabilities		**6,111**	5,082	**2,351**	1,866

Consolidated and Company statement of financial position as at 31 December 2019 (continued)

		Group		Company	
		2019	2018	**2019**	2018
	Note	**£’000**	£’000	**£’000**	£’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	26	**424**	424	**424**	424
Share premium	26	**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

The notes on pages 33 to 66 are an integral part of these Group financial statements.

The Company reported a loss for the financial year of £2,000 (2018: £3,476,000).

The Group and Company financial statements on pages 28 to 66 were approved by the Board of Directors on 27 May 2020 and were signed on its behalf by:

M W Hardy
Director
Registered number Scotland: SC005543

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

		Group		Company	
	Note	**2019**	2018	**2019**	2018
		£'000	£'000	**£'000**	£'000
Cash flows from operating activities					
Operating loss		**(804)**	(1,316)	**4**	(3,465)
Depreciation	16	**264**	70	**-**	-
Amortisation	14	**498**	379	**-**	-
Development expenditure impairment	14	**-**	334	**-**	
Development expenditure loss on disposal	14	**29**	-	**-**	-
Gain on disposal of PPE		**(10)**			
Net effect of capitalised leases		**68**	-	**-**	-
Investment impairment	15	**-**	-	**-**	3,474
Movement in:					
Inventories	18	**319**	177	**-**	-
Trade and other receivables	19	**647**	328	**(483)**	(479)
Trade and other payables and contract liabilities	21,22	**(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	14	**(674)**	(929)	**-**	-
Purchase of property, plant and equipment	16	**(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	20	**850**	296	**(2,293)**	(1,816)

Notes to the Group financial statements for the year ended 31 December 2019

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 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and Company financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The annual report and financial statements of the Company and the Group have been prepared in accordance with IFRS as adopted by the European Union (IFRS), IFRS IC interpretations, the Companies Act 2006 applicable to companies reporting under IFRSs and the AIM rules for companies. The annual report and financial statements have been prepared under the historic cost convention.

The annual report and financial statements have been prepared on a going concern basis. 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 changes in shareholders' equity.

The presentational currency of the Group and Company is pounds sterling. The Company's functional currency is pounds sterling. All amounts included in these financial statements are rounded to the nearest thousand pounds sterling, except where explicitly stated otherwise.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

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).

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

2 Summary of accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern (continued)

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.

2 Summary of accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policies and disclosures

New standards, amendments to standards or interpretations adopted by the Group and Company

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended standards and interpretations during the year that are applicable to the Group or Company, effective for the first time for periods beginning on (or after) 1 January 2019. New standards impacting the Group that have been adopted in the annual financial statements for the year ended 31 December 2019, and which have given rise to changes in the Group's accounting policies are:

- IFRS 16 Leases (effective 1 January 2019)

Impact of 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.

2 Summary of accounting policies (continued)

2.1 Basis of preparation (continued)

IFRS 16 Leases (continued)

The Company has entered into leasing arrangements for properties and motor vehicles during the year ended 31 December 2019, which will be impacted by the new standard.

The Company adopted IFRS 16 effective 1 January 2019 on a modified retrospective basis. Accordingly, prior year financial information has not been restated and will continue to be reported under IAS 17: Leases. The right-of-use asset and lease liability have been recognised on the Statement of Financial Position and have initially been measured at the present value of remaining lease payments, with the right-of-use asset being subject to certain adjustments.

The effect of changes made on 1 January 2019 for the adoption of IFRS 16 Leases is detailed within note 30.

The following standards have been published but are not yet effective, and in the opinion of the Directors will not have a material impact on the Group's financial statements:

- IAS 1 Presentation of Financial Statements (effective 1 January 2020)
- IAS 12 Income Taxes (effective 1 January 2020)

2.2 Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The financial statements consolidate the accounts of Touchstar plc and all of its subsidiary undertakings. Intra-Group sales and profits are eliminated fully on consolidation.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

In accordance with IFRS 8 operating segments are reported in a manner consistent with the internal reporting provided to the directors who are considered to be the chief operating decision makers (CODM). The CODM's, who are deemed to be the executive board i.e. Directors, are responsible for allocating resources and assessing performance of the operating segments, these have been identified as the Executive Board. The Executive Board considers that the Group comprises one segment, being the supply and maintenance of real time electronic data systems, and this is how results are reported to the Executive Board.

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

2 Summary of accounting policies (continued)

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in sterling, which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

2.5 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to reduce an asset's cost to its residual value over its estimated useful life, as follows:

Plant and machinery	over 2-5 years
Fixtures, fittings, tools and equipment	over 4-5 years

Residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2 Summary of accounting policies (continued)

2.6 Intangible assets

Development expenditure

Development expenditure is stated at historic cost less accumulated amortisation. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditure that does not meet the criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development expenditure is recorded as an intangible asset and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises actual costs incurred in bringing each product to its present location and condition as follows:

- Raw materials and consumables: Purchase cost on a weighted average basis
- Work in progress and finished goods: Cost of direct materials

The cost of work in progress and finished goods excludes direct labour and related production overheads as the directors consider that this element is not material.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Provision is made where necessary for obsolete, slow moving and defective inventory.

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

2 Summary of accounting policies (continued)

2.8 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Under IFRS 9, effective from 1 January 2019, the Group elected to use the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables and contract assets that result from transactions that are within the scope of IFRS 15, irrespective of whether they contain a significant financing component or not.

Under the new accounting standard, the Group continues to establish a provision for impairment of trade receivables when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. In addition, IFRS 9 requires the group to consider forward looking information and the probability of default when calculating expected credit losses. The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The Group considers reasonable and supportable customer-specific and market information about past events, current conditions and forecasts of future economic conditions when measuring expected credit losses.

The amount of the provision is the difference between the carrying amount and the present value of estimated future cashflows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within ‘administrative costs’. When a trade receivable is uncollectable, it is written off against the allowance account for the trade receivables. Subsequent recoveries of amounts previously written off are credited against ‘administrative costs’ in the Income Statement.

They are included within current assets, except where the receivables are expected to be settled in more than 12 months in which case they are classified as non-current assets.

2.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts where applicable are shown within borrowings in current liabilities on the balance sheet and where appropriate the right of offset has been taken.

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

2 Summary of accounting policies (continued)

2.10 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.11 Trade and other payables

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities.

Trade payables are recognised at fair value and subsequently held at amortised cost.

2.12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2 Summary of accounting policies (continued)

2.13 Current and deferred tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profits or losses. Deferred income tax is determined using tax rates (and laws) that have been substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2.14 Employee benefits

(a) Pension obligations

The Group operates various pension schemes. The schemes are generally funded through payments to insurance companies. The Group has only defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group pays contributions to privately administered pension insurance plans on a contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payment is available.

(b) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

2 Summary of accounting policies (continued)

2.15 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Group. All Group revenue is derived from contracts with customers.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the relevant entity and the Group has satisfied its performance obligations as laid out in contracts with its customers. Any revenue received from customers in advance of the Group satisfying its performance obligations is classified as a contract liability and carried in the Statement of Financial Position until it is appropriate to recognise the corresponding revenue.

Revenue recognised over time relates to fixed term maintenance and software contracts and is recognised on a straight-line basis over the life on an agreement. All other revenue relates to Group activities that are recognised at a point in time, with consideration falling due as performance obligations are satisfied within pre-existing credit terms.

Transaction prices are determined with references to contracted consideration. No element of financing is deemed present as sales are typically made with 30-90-day credit terms, which is consistent with market practice. Where longer term arrangements do arise, the impact of the time value of money on contract liabilities is considered immaterial and therefore no adjustment is made to reflect this.

2.16 Leases

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 rate provided by the Groups bankers, Barclays.

Lease payments included in the measurement of the lease liability comprise:

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.

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

2 Summary of accounting policies (continued)

2.16 Leases

The Company did not make any such adjustments during the periods presented.

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 as described in note 16.

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.

2.17 Dividend distribution

Any annual final dividend is not provided for until approved at the Annual General Meeting, whilst interim dividends are charged in the period they are paid.

2.18 Exceptional items

Items which are both material and non-recurring in nature are presented as exceptional items so as to provide a better indication of the Group's underlying business performance and are shown separately on the face of the income statement.

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

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 Segmental information

The Group has two trading subsidiaries, Touchstar ATC Limited and Touchstar Technologies Limited, however the Executive Board who are deemed to be the CODMs consider that both companies are engaged in the same market and therefore the Executive Board review the results of the Group as a whole.

Consequently, the Executive Board regard the Group as operating in one segment, being the supply and maintenance of real time electronic data systems. All of the Group's revenue, expenses, results, assets and liabilities are in respect of the supply and maintenance of real time electronic data systems and are presented on pages 27 to 31.

All revenue is generated within the UK. A geographical analysis of revenue delivered by destination is given below:

	2019	2018
	£'000	£'000
UK	**6,329**	6,027
Europe	**530**	689
Rest of World	**260**	182
	7,119	6,898

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

5 Exceptional costs

	2019	2018
	£'000	£'000
Restructuring expenses:		
Redundancy costs	**229**	-
Onerous lease costs	**154**	-
Development expenditure impairment (note 14)	**29**	334
	412	334

6 Operating loss

	2019	2018
	£'000	£'000
Operating loss is stated after charging:		
Depreciation:		
Owned assets (note 16(a))	**79**	70
Leased assets (note 16(b))	**185**	-
Development expenditure amortisation (note 14)	**498**	379
Exceptional costs (note 5)	**412**	334
Operating lease rentals:		
Plant and machinery	**-**	156
Land and buildings	**-**	151
Research and development expenditure	**442**	619
Cost of inventories recognised as an expense	**2,076**	2,372
Write down of inventory as an expense	**142**	186
Staff costs (note 8)	**2,890**	3,306
Loss on foreign exchange	**16**	9

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

7 Auditors' remuneration

During the year the Group obtained the following services from the Company's auditors at costs as detailed below:

	2019	2018
	£'000	£'000
Audit services:		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	**10**	9
Fees payable to the Company's auditors for other services:		
Audit of subsidiaries pursuant to legislation	**31**	36
Other assurance services	**8**	-
Tax compliance	**10**	-
	59	45

8 Employee benefit expense

The average monthly number of persons (including directors) employed by the Group and Company during the year was:

	Group	
	2019	2018
	Number	Number
Administrative, management and sales	**38**	64
Manufacturing	**24**	14
	62	78

	2019	2018
	£'000	£'000
Staff costs for the above persons were:		
Wages and salaries	**2,717**	3,216
Social security costs	**328**	373
Other pension costs – defined contribution plans	**127**	140
	3,172	3,729

As at 31 December 2019 the Group and Company had accrued pension costs of £14,000 (2018: £19,000). Staff costs are inclusive of capitalised salaries amounting to £282,000 (2018: £423,000).

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

9 Directors' emoluments

	2019	2018
	£'000	£'000
Aggregate emoluments	**408**	425
Pension costs – defined contribution plans	**10**	10
	418	435

Three of the four Directors are remunerated through the parent company. One Director is remunerated through its subsidiary Touchstar Technologies Limited. There have been no pay rises attributed to the directors in either periods.

The emoluments of the individual Directors were as follows:

	2019	2018
	£'000	£'000
Salaries, fees and bonuses:		
Executive directors		
I P Martin	**50**	50
M W Hardy	**207**	205
J S Hall (retired 1 December 2019)	**133**	142
Non-executive directors		
J L Christmas	**28**	28
	418	425

Salaries and fees are inclusive of car allowances for M W Hardy and J S Hall of £21,000 and £nil (2018: £18,000 and £9,000).

M W Hardy is also accruing benefits under a defined contribution pension scheme. No other directors receive contributions to any pension scheme.

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

10 Key management compensation

Key management consists of the directors and three key departmental managers (2018: three).

	2019	2018
	£'000	£'000
Wages and salaries	**689**	678
Social security costs	**49**	81
Pension costs – defined contribution plans	**25**	21
	763	780

11 Finance costs

	2019	2018
	£'000	£'000
Interest and finance charges paid/payable for lease liabilities	**19**	-
Bank interest	**6**	4
Total Finance costs	**25**	4

12 Income tax credit

	2019	2018
	£'000	£'000
Corporation tax		
Current tax	**(326)**	(468)
Adjustments in respect of prior years	**(13)**	(37)
Deferred tax	**12**	101
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.

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

12 Income tax credit (continued)

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:

	2019	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 less than/(in excess of) 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

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

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.

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

13 (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) (note 5).

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)**	**8,475**	**(916)**	**8,374**
Exceptional costs (note 5)	**412**		**334**	
Adjusted EPS				
(Loss)/earnings attributable to owners of the parent before exceptional items	**(89)**	**8,475**	**(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.

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

14 Intangible assets

	Group		
	Goodwill	Development expenditure	Total
	£'000	£'000	£'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 (2018: £379,000) is included within administrative expenses in the income statement.

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

14 Intangible assets (continued)

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.

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

15 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2019 and 31 December 2019	**19,798**
Accumulated amortisation and impairment	
At 1 January 2019	19,798
Impairment	-
At 31 December 2019	**19,798**
Net book value	
31 December 2019	**-**
31 December 2018	-

The Parent Company has the following wholly owned trading subsidiary undertakings, incorporated and operating in Great Britain, which are registered in England and Wales:

Name of company and registered address	Nature of business	Description of shares held
Touchstar Technologies Limited 7 Commerce Way, Trafford Park, Manchester, M17 1HW	Real time electronic data systems	100,000 ordinary £1 shares
Touchstar ATC Limited Maple Barn, Beeches Farm Road, Uckfield, TN22 5QD	Real time electronic data systems	140,000 ordinary £1 shares
NOVO IVC Limited 7 Commerce Way, Trafford Park, Manchester, M17 1HW	Dormant	600,000 ordinary £1 shares
Belgravium Limited 7 Commerce Way, Trafford Park, Manchester, M17 1HW	Dormant	6,000,000 ordinary £1 shares
Access Fire and Security Limited 7 Commerce Way, Trafford Park, Manchester, M17 1HW	Dormant	4 ordinary £1 shares

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

16 (a) Property, plant and equipment

	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost			
At 1 January 2018	522	436	958
Additions	40	21	61
Disposals	(217)	(73)	(290)
At 31 December 2018	345	384	729
Additions	13	13	26
Disposals	-	52	52
At 31 December 2019	**358**	**449**	**807**
Accumulated depreciation			
At 1 January 2018	440	281	721
Charge for the year	14	56	70
Disposals	(217)	(73)	(290)
At 31 December 2018	237	264	501
Charge for the year	31	48	79
Disposals	-	52	52
At 31 December 2019	**268**	**364**	**632**
Net book value			
At 1 January 2018	82	155	237
At 31 December 2018	108	120	228
At 31 December 2019	**90**	**85**	**175**

Depreciation expenditure of £79,000 (2018: £70,000) is included within administrative expenses in the income statement.

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

16 (b) 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.

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

17 (a) Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

		Group		Company	
	note	**2019** **£'000**	2018 £'000	**2019** **£'000**	2018 £'000
Financial assets					
Trade and other receivables	20	**1,086**	1,696	**1,189**	706
Cash and cash equivalents	21	**3,143**	2,112	**-**	-
Total		**4,229**	3,808	**1,189**	706

		Group		Company	
		2019 **£'000**	2018 £'000	**2019** **£'000**	2018 £'000
Financial liabilities					
Trade and other payables (excluding tax and social security payable)	22	**1,049**	1,028	**58**	50
Contract liabilities	23	**1,530**	1,553	**-**	-
Borrowings	24	**2,293**	1,816	**2,293**	1,816
Total		**4,872**	4,397	**2,351**	1,866

17 (b) Credit quality of financial assets

Credit risk is managed on a Group basis and arises from cash and cash equivalents and credit exposures to customers. For banks, only independently rated parties with a minimum rating of 'A' are acceptable. The Group has dealt with one (2018: one) bank during the year. For customers the directors consider that, based on the historical information about default rates and the current strength of customer relationships, a number of which are recurring long-term customers, the credit quality of financial assets that are neither past due nor impaired is good.

None of the financial assets that are fully performing have been renegotiated in the last twelve months.

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

18 Deferred tax

18.1 Deferred tax asset

	Group		Company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
At 1 January	**157**	168	**-**	7
(Charged)/credited to income	**(46)**	(11)	**-**	(7)
At 31 December	**111**	157	**-**	-

The deferred tax asset for the Group relates to unused tax losses of £804,000 (2018: £802,000).

18.2 Deferred tax liability

There has been a movement of £35,000 in the deferred tax liability during the year.

	2019	2018
	£'000	£'000
At 1 January	**269**	179
Charged to income statement	**(35)**	90
At 31 December	**234**	269

Deferred tax (liability)/asset analysis:

	2019	2018
	£'000	£'000
Amount in respect of fixed assets	**(234)**	(269)
Amount in respect of losses	**111**	157

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

19 Inventories

	2019	2018
	£'000	£'000
Raw materials and consumables	584	934
Finished goods and goods for resale	456	456
Provision	(149)	(180)
	891	1,210

The cost of inventories recognised as an expense amounted to £2,076,000 included within cost of sales (2018: £2,372,000). Provisions of £142,000 were recognised in the income statement within cost of sales (2018: £131,000). No finished goods are held at fair value less cost to sell (2018: £nil).

20 Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Trade receivables	1,086	1,694	-	-
Amounts owed by subsidiary undertakings	-	-	1,175	693
Prepayments and accrued income	231	232	9	11
Other debtors	-	2	5	2
	1,317	1,928	1,189	706

The amounts owed by subsidiary undertakings are interest free, unsecured and repayable on demand.

The fair value of trade and other receivables is the same as the book value. No provision for impairment of trade receivables has been made (2018: £nil).

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2019, trade receivables of £4,000 (2018: £95,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2019	2018
	£'000	£'000
Up to 3 months past due	4	22
Over 3 months past due	-	73

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

20 Trade and other receivables (continued)

As of 31 December 2019, £nil of trade receivables (2018: £nil) were impaired and provided for. No bad debt expenses (2018: £nil) has been recognised in the income statement.

The carrying amount of the trade and other receivables denominated in the following currencies is:

	Group		Company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Sterling	**1,237**	1,868	**1,189**	706
Euros	**80**	36	**-**	-
Australian dollars	**-**	24	**-**	-
	1,317	1,928	**1,189**	706

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

21 Cash and cash equivalents

	Group		Company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand	**3,143**	**2,112**	**-**	-
Less : bank overdraft (included within borrowings note 24)	(2,293)	(1,816)	**(2,293)**	(1,816)
	850	**296**	**(2,293)**	(1,816)

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

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

22 Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Trade payables	**542**	802	**20**	**13**
Other taxes and social security	**416**	416	**-**	**-**
Other payables	**73**	28	**-**	**-**
Customer deposits	**154**	25	**-**	**-**
Accruals	**280**	173	**38**	**37**
	1,465	1,444	**58**	**50**

Amounts owed to subsidiary undertakings are interest free, unsecured and repayable on demand.

23 Contract liabilities

The group has recognised the following liabilities related to contracts with customers:

	31 December 2019	31 December 2018
	£'000	£'000
Current liabilities:		
Contract liabilities	**1,322**	1,365
Non-current contract liabilities:		
Contract liabilities	**208**	188
Total contract liabilities	**1,530**	1,553

Contract liabilities relate to unsatisfied performance obligations from maintenance and software licensing contracts.

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

24 Borrowings

	Group		Company	
	2019	2018	**2019**	2018
	£'000	£'000	**£'000**	£'000
Total borrowings	**2,293**	1,816	**2,293**	1,816

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

The Group bank overdraft facility is secured by a bond and floating charge over the entire assets of the Group. At 31 December 2019, the Group had total committed undrawn facilities of £350,000 (2018: £980,000).

The Group now operates within a £300,000 net overdraft facility which takes into account both the gross cash position of each Group entity netted off against any borrowings. As at the 31 December 2019, this represents the net cash balance of £850,000 (2018: £296,000) in Note 21.

The Company and its subsidiaries have given a guarantee in relation to the overdraft facilities extended to The Group.

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

25 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:

	Notes	**2019** **£'000**	1 January 2019 £'000 *
Right-of-use assets			
Buildings		**438**	579
Vehicles		**84**	148
	16(b)	**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 30.

ii) Amounts recognised in the statement of profit or loss

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

	Notes	**2019** **£'000**	2018 £'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	-

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

26 Reserves

The following describes the nature of each reserve within equity:

Reserve	**Description and purpose**
Share premium	Amount subscribed for share capital in excess of nominal value.
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

27 Share capital and share premium

Group and company	**Number of shares (thousands)**	**Ordinary shares £'000**	**Share premium £'000**	**Total £'000**
At 1 January 2019 and 31 December 2019	**8,475**	**424**	**1,119**	**1,543**

29 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 £'000	2018 £'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)

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

29 Discontinued operation (continued)

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 **£'000**	31 December 2018 £'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)

30 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 25 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. The new accounting policies are disclosed in note 2.

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%.

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

30 Changes in accounting policies (continued)

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.

Notes to the Group financial statements for the year ended 31 December 2019 (continued)

30 Changes in accounting policies (continued)

(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.

31 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.

Group Information

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