Registered Number SC005543

touchstar plc

Annual report and financial statements

for the year ended 31 December 2020

Annual report and financial statements for the year ended 31 December 2020

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Chairman's statement for the year ended 31 December 2020

"Everyone has a plan until they get hit" – Mike Tyson

2020 was certainly not an ordinary year. Despite the turbulent context Touchstar rose to the challenge, demonstrated strong operational resilience and did what we believed to be right for staff, clients and shareholders. The business delivered an impressive positive set of financial results, was profitable and saw our year end cash net of borrowings figure increase by £921,000 to £1,771,000.

In early 2020 life abruptly changed in unimaginable ways for our staff, customers and Touchstar as the Covid -19 (C-19) pandemic shook the world.
Management had the foresight to realise early on the full scale and implications of C-19 on society and the economy in general, enabling us to take quick and decisive action.

We have sought to ensure our communication throughout has been clear and consistent. The primary focus for the company was to look after the health and well-being of staff, support customers and manage cash. Our stated ambition was not just to be a survivor of this crisis, but to emerge with solid finances, improved products, all our talent in situ and renewed energy. We still remain on track to achieve this.

Touchstar has made a better-than-expected start to 2021. As this year progresses we anticipate the conduct of business to become more straightforward, which is why we are optimistic of better outcomes. As we have said before, we do not expect to benefit from an entire year of ordinary levels of trading until 2022.

On behalf of all shareholders, I would like to thank all my colleagues for what was accomplished in 2020. It was a phenomenal collective achievement and something you should all rightly be very proud of – it is greatly appreciated.

Financial Results

Touchstar results for the year ended 31 December 2020 (FY2020) demonstrate the quality, and the strength of the business as well as its resilience.

When considering this year's financial results perspective needs to be applied. The year being reported contained only two months of typical trading being the first two. We came into 2020 with a clear strategy, solid balance sheet and strong order book – then the world changed.

As expected the second half of 2020 was marginally weaker than the first six months. Touchstar benefits from a high and growing level of recurring revenue and repeat business as well as loyal customers. The C -19 crisis unsurprisingly caused disruption. It takes time to regain new sales momentum lost to those "missing months" of lockdown, constant interruption and heightened uncertainty. This revenue stream is now beginning to build again and at the year end the order book stood at £475,000 (FY2019: £1,200,000). Throughout the crisis sales have continued to be secured and the order intake has remained relatively stable.

Revenue from continuing operations for the year declined 11.5% to £5,886,000 (FY2019: £6,654,000). This was a creditable result and above our expectation as we all adapted to a rapidly evolving environment and new ways of working.

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Chairman's statement for the year ended 31 December 2020 (continued)

As we have previously highlighted, 70% of our revenue is generated from sectors deemed as "essential" during the UK lockdowns. The relative resilience of our Fuel Delivery and Warehouse/Logistics business compensating for the Access Control and Podstar divisions which are exposed to the less essential sectors of the economy.

Margins improved slightly to 52% (FY2019: 51.80%).

We entered 2020 a more streamlined business with a significantly reduced cost base. Overhead costs declined to £3,166,000 (FY2019: £4,095,000) – a £929,000 decrease. This excludes the additional savings of £146,000 in the form of the Coronavirus Job Retention Scheme.

Touchstar was profitable for the year. We achieved an operating profit of £39,000 (FY2019: loss (£648,000)). On an after-tax basis the profit was £87,000 (FY2019: loss (£345,000)). This translates into EPS of 1.03p (FY2019: loss (4.07p)/ EPS including discontinued operations (5.91p)).

Cash generation was very strong. The year-end cash less overdraft position improved by £1,071,000 over the year to £1,920,000 (2019: £850,000). This impressive outcome is testament to our culture of placing great importance on cash management. The underlying business contributed £763,000 of free cash in the period, and the year-end position benefitted further from both a £150,000 Coronavirus Business Interruption Loan (meaning cash less debt stood at £1,771,000 (2019: £850,000)), and a deferral of one quarter VAT until March 2021 totalling £157,000.

Looking Ahead - Current Trading and the Future

I am optimistic about Touchstar's future. Life has been abnormal for so long – talk of a "return to normal" seems misplaced. C-19 has been a catalyst for profound adjustment and fundamental reassessment, accelerating the trends already embedded in business, transforming society, and altering aspects of human behaviour for good.

Touchstar is well positioned as business moves to digitise and embrace an e -commerce model. Our customers facilitate online transactions, using Touchstar to enable data to be captured, moved seamlessly, and used. Additionally, the Company has traditional virtues of having no net debt, a strongly cash generative business model and a loyal customer base – this is an enviable place to be.

Throughout the crisis Touchstar continued to make advances, demonstrated vividly by these results. Ironically we seem to be a better placed business exiting this pandemic than at the point of entry.

In 2020 we executed a simple strategy successfully, in what were extraordinary times. I am proud that we protected our people, supported our customers, won new orders and turned sales into cash.

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Chairman's statement for the year ended 31 December 2020 (continued)

We are upbeat for 2021 and hopeful of making continued progress. Signs of component shortages and strain are evident within our supply chains, to date we have successfully managed this issue and the first quarter has certainly started better than we had expected.

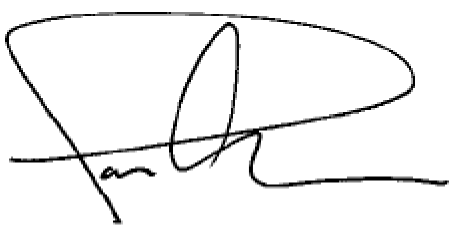
The fact that social disruption continues is not a surprise to us. The first half of the year will contain the headwinds of this current lockdown and restrictions. One has to be confident that scientific advancement and vaccines are overcoming this virus - the tide is turning. After a year of being somewhat cynical at what I saw as over optimism in high places I now feel we have a realistic roadmap out of this crisis, within broadly achievable and deliverable timeframes.

Our cautious approach has served us well but we remain alert. This is not a time to dwell on how successfully we have navigated our way to this point, but instead to focus on Touchstar in a post crisis world – ensuring we capitalise fully on gains made and everyone's hard work.

The prospects for 2022 are encouraging. There are signs of renewed activity from our customer base, confidence is returning, decisions previously put on hold are now being made – next year could be a time when the true value of the Touchstar business model is validated. As this goal is achieved, we will remain disciplined. Any capital deemed surplus to requirements that cannot produce adequate returns within the business will be returned to shareholders

Our ambition is not just to be a participant in a short-term recovery or be a beneficiary of a temporary bounce back from the pandemic, but to create real value. The world is at an inflection point, and digital technology will be key to defining what comes next. The strategy for Touchstar is to continue to extend its digital capabilities, grow and capture more of an exciting, fast developing and vibrant future.

We move forward with confidence, optimism and determination.



I Martin
Executive Chairman
21 April 2021

Strategic report for the year ended 31 December 2020

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. We continue to develop and enhance the Group's product portfolio and whilst we continue to supply our core and the more traditional product set, the new complete solutions allow for increased revenues, greater stability and profitability for the future.

2020 was a challenging year due to the disruption caused by Covid 19. Whilst we commenced 2020 with a very strong order book, one not experienced for a number of years, the Board took immediate and decisive actions within the business, to minimise the Covid impact; by reducing costs in many areas. These reductions of around 22% on 2019, included savings in the development, marketing and sales departments for around a 3-month period during 2020. This strengthened our balance sheet and allowed us to continue to operate in a healthy state. Although turnover for 2020 declined around 11% on 2019 results, we remained profitable and cash generative.

Albeit turnover in 2020 was reduced with the impact of Covid pandemic, the strategic decision to supply and support complete solutions is now bearing fruit. In 2020 we saw our annual recurring revenues with software licences in our Proof of Delivery systems rise by 15% on 2019. Besides this annual recurring revenue increase, the growth in solution sales brings further benefits of increased margin revenue with additional fees for professional services and customer specific software modifications now occurring on a monthly basis.

As we have now become a more focussed software and solution orientated business, we have strengthened the technical and professional services team to provide the best support for our product delivery. Whilst we continue to grow sales in the solutions area, we still recognise the continuing value that the existing legacy product sets bring to the business, albeit we are managing down our business reliance on these.

All the Touchstar software products we now offer are in house owned (IPR) which eliminates our reliance on third party suppliers and provides maximum flexibility in growing the sales opportunity. 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; already we are experiencing good results within the marketplace.

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 plan 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 2020 (continued)

Business environment (continued)

Following a buoyant start to the year, the first quarter sales of 2020 were up on previous years, however the Covid pandemic inevitably had an impact on the healthy sales momentum we were experiencing. The first 8 weeks of the lockdown in the second quarter was completely devoid of business activity. However, during the months of August through to November activity resumed and the sales improved. Although business activity is continual the advent of a lockdown does impact activity along with business confidence and a slowdown is evident.

During this period, we continued to enhance customer driven functionality to the Software solutions. The products are now functionally rich and as a result, additional requirements requested by customers become justifiably chargeable. Consequently, we are seeing an upturn in revenue generated by software modifications/enhancements.

Our in-house developed software solutions, utilising modern cloud-based services, have 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. During the period we updated the in-house devices to the latest Android operating system and commenced the next generation of development for the equipment.

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. Early 2020 saw an immediate sales reduction but recovered well in the last quarter of the year. The latest Android devices have been well received and proving reliable and functional. Whilst we still sell the Windows CE devices, it is expected this diminish during 2021 as we retire them from our product portfolio.

The Group designs and supplies Access Control Systems for industrial and retail environments. This sector was the worst affected by the pandemic lockdowns as installation of such systems require on site visits. 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 2020. We now offer modern and standard interfaces to customers' additional 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.

Organic growth

During the year, we secured a number of new customers. There is no doubt without the pandemic, the business would have secured more new customers, which is a fundamental part of organic growth. The latest technologies that we have implemented into our solutions have assisted in growing our business into new sales avenues, in terms of software and managed services. 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 2020 (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 as contracts 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 2020 (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 28, 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 12.

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.

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Strategic report for the year ended 31 December 2020 (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

Our Customers	Our customers have individual 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.

Strategic report for the year ended 31 December 2020 (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 from continuing operations decreased by £768,000 from £6,654,000 in 2019 to £5,886,000 in 2020. The large order book at the beginning of 2020 gave credence to the fact there is underlying acceptance of the Groups new solutions. The C-19 pandemic undoubtedly had an impact on the 2020 expected growth as it did for so many businesses however orders continued to be won, albeit at a slightly slower pace than late 2019 and early 2020. When the pandemic struck the management team carried out a review of its existing customer portfolio which established that 70% of the Group's revenue derived from 'essential services'.

The Group pipeline remains strong for all its new hardware and software solutions, with our legacy products still required by many of our existing customers.

Gross margin

Gross margins for continuing operations increased slightly to 52% (2019: 51.8%) as the business continues its journey towards a more software and end to end solution-based provider.

Cash

Cash generation continues to be of prime importance to the business, generating an increase of £1,071,000 for 2020. Net of debt (loan £150,000) and deferred VAT of £157,000from March 2020 the level of free cash generated amounted to £764,000. The Group continues to reduce its reliance on the use of the OD facility (level available £200,000).

The year ended with the Group being in a positive cash position of £1,921,000 compared to £850,000 at the end of 2019.

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 2020 (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
21 April 2021

Directors' report for the year ended 31 December 2020

The directors present their Directors' report and the audited financial statements of the Group and the Group for the year ended 31 December 2020.

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 2020 (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 2020 the Board was comprised of a non-executive Chairman, one executive director, and an independent non-executive director. 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 2020 (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 2020 (continued)

Dividends

The directors do not recommend a final dividend (2019: £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 2020.

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.

Directors' report for the year ended 31 December 2020 (continued)

Purchase of own shares

The Group did not purchase any of its own shares in 2020.

Shares issued during the year

No shares were issued in 2020.

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 £760,000 (2019: £1,115,000), of which £429,000 (2019: £708,000) has been capitalised.

Statutory records

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

Substantial shareholdings

As of 24 March 2021, 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	683,480	8.06%
Killik & Co	401,500	4.74%
R D McDougall	368,500	4.35%
Charles Stanley & Co	471,266	5.56%
Unicorn Asset Management	290,000	3.42%
Hargreaves Lansdown	290,535	3.43%
A J Bell Securities	262,100	3.09%

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 2020 (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 2020 there were no significant concentrations of credit risk (2019: £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.

Directors' report for the year ended 31 December 2020 (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 2020	Less than one year £'000	Between one and four years £'000
Bank overdraft	**1,256**	**-**
Trade and other payables (note 22)	**1,246**	**-**
Other borrowings (note 24)	**15**	**135**
At 31 December 2019		
Bank overdraft	2,293	-
Trade and other payables	1,465	-

Lease liabilities have been presented within Liabilities as a result of the Group's implementation of IFRS 16 in 2019.

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 2020 (continued)

Capital risk management (continued)

The gearing ratios at 31 December 2020 and 2019 were as follows:

	2019	2019
	£'000	£'000
Net debt	**-**	-
Total equity	**1,978**	1,891
Total capital	**1,978**	1,891
Gearing ratio	**-%**	-%

As at 31 December 2020, borrowings (which constitute PLC bank overdraft and CIBLs) were entirely offset by positive cash balances within the subsidiary companies, meaning the Group had no net debt, and therefore no gearing ratio, at the reporting date (2019 - 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
21 April 2021

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
21 April 2021

Independent auditors' report to the members of Touchstar plc

Opinion

We have audited the financial statements of Touchstar plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise a consolidated statement of comprehensive income, a consolidated statement of financial position, a company statement of financial position, a consolidated statement of changes in equity, a company statement of changes in equity, a consolidated statement of cash flows and a company statement of cash flows 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, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with 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 those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included review of the Group's budgets and cashflow forecasts and supporting information such as order books.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

An overview of 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. 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.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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) we identified, 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 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.

Key audit matter	***How our audit addressed the key audit matter***
Recoverability of capitalised development costs	
The Group has capitalised development costs of £1,350,000. 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. A sample of third party costs capitalised have been agreed to supporting documentation. 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 management’s assessment of the commercial viability of each active project, to consider whether capitalised costs are recoverable.
Going concern and Covid-19	
Due to historical losses made and the impact of Covid-19 on operations, there is a risk that the Group may not be a going concern. Furthermore, the PLC has previously relied 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 management’s going concern assessment, including budgets and cash flow projections. 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 £5,886,000 in the year. There is a risk that revenue is recognised inappropriately and not in accordance with IFRS 15.	We agreed cash received to revenue in order to gain comfort over its occurrence and completeness. 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.

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

Our application of 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	£58,000 (2019: £60,000).	£15,000 (2019: £17,000).
How we determined it	1% of turnover (2019: 8% of loss before tax)	1% of Net Liabilities.
Rationale for benchmark applied	Based on the benchmarks used in the annual report, turnover 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 £15,000 and £41,000. 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 £2,900 (Group audit) (2019: £3,000) and £750 (Company audit) (2019: £850) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

• the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

• the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory requirements for AIM listed companies, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006, corporation tax, payroll tax and sales tax.

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

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to the posting of inappropriate journal entries during the final quarter of the year and also management bias in accounting estimates. Audit procedures performed by the engagement team included:

− Inspecting correspondence with regulators and tax authorities;
− Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
− Identifying and testing journals, in particular journal entries posted by management in the final quarter of the year; and
– Challenging assumptions and judgements made by management in their critical accounting estimates

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Christopher Cork

Christopher Cork (Senior Statutory Auditor)
For and on behalf of Haysmacintyre LLP, Statutory Auditors
21 April 2021

10 Queen Street Place
London
EC4R 1AG

Consolidated income statement for the year ended 31 December 2020

	Note	**2020 £'000 Continuing operations**	2019 £'000 Continuing operations	Discontinued operations	Total
Revenue	4	**5,886**	6,654	465	7,119
Cost of sales		**(2,827)**	(3,207)	(70)	(3,277)
Gross profit		**3,059**	3,447	395	3,842
Distribution costs		**(41)**	(55)	-	(55)
Administrative expenses		**(3,125)**	(4,040)	(551)	(4,591)
Other operating income	6	**146**	-	-	-
Operating profit/ (loss) before exceptional items		39	(451)	59	(392)
Exceptional costs included in administrative expenses	5	-	(197)	(215)	(412)
Operating profit/(loss)	6	**39**	(648)	(156)	(804)
Finance costs	11	**(16)**	(25)	-	(25)
Profit/(loss) before income tax		**23**	(673)	(156)	(829)
Income tax credit	12	**64**	328	-	328
Profit/(loss) for the year attributable to the owners of the parent		**87**	(345)	(156)	(501)

Earnings/(loss) per ordinary share (pence) attributable to owners of the parent during the year (note 13):

	2020	2019 Continuing operations	Discontinuing operations	Total
Basic	**1.03P**	(4.07)p	(1.84)p	(5.91)p
Adjusted	**1.03P**	(1.74)p	0.69p	(1.05)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.
All activity in 2020 relating to continuing operations.

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 profit 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 2020

	Share capital	Share premium account	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 1 January 2019	424	1,119	849	2,392
Loss for the year	-	-	(501)	(501)
At 31 December 2019	424	1,119	348	1,891
Profit for the year	-	-	87	87
At 31 December 2020	424	1,119	435	1,978

Company statement of changes in equity for the year ended 31 December 2020

	Share capital	Share premium account	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
At 1 January 2019	424	1,119	(2,703)	(1,160)
Loss for the year	-	-	(2)	(2)
At 31 December 2019	424	1,119	(2,705)	(1,162)
Profit for the year	-	-	3	3
At 31 December 2020	424	1,119	(2,702)	(1,159)

Consolidated and Company statements of financial position as at 31 December 2020

		Group		Company	
		2020	2019	**2020**	2019
	Note	**£'000**	£'000	**£'000**	£'000
Non-current assets					
Intangible assets	14	**1,350**	1,499	**-**	-
Property, plant and equipment	16	**121**	175	**-**	-
Right-of-use assets	16	**479**	522	**-**	-
Deferred tax assets	18	**63**	111	**3**	-
		2,013	2,307	**3**	-
Current assets					
Inventories	19	**714**	891	**-**	-
Trade and other receivables	20	**1,010**	1,317	**474**	1,189
Corporation tax receivable		**110**	344	**-**	-
Cash and cash equivalents	21	**3,177**	3,143	**-**	-
		5,011	5,695	**474**	1,189
Total assets		**7,024**	8,002	**477**	1,189
Current liabilities					
Trade and other payables	22	**1,246**	1,465	**230**	58
Contract liabilities	23	**1,485**	1,322	**-**	-
Borrowings	24	**1,271**	2,293	**1,271**	2,293
Lease liabilities	25	**163**	171	**-**	-
		4,165	5,251	**1,501**	2,351
Non-current liabilities					
Deferred tax liabilities	18	**215**	234	**-**	-
Contract liabilities	23	**177**	208	**-**	-
Borrowings	24	**135**	-	**135**	-
Lease liabilities	25	**354**	418	**-**	-
		881	860	**135**	-
Total liabilities		**5,046**	6,111	**1,636**	2,351

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Consolidated and Company statement of financial position as at 31 December 2020 (continued)

		Group		Company	
		2020	2019	**2020**	2019
	Note	**£'000**	£'000	**£'000**	£'000
Capital and reserves attributable to owners of the parent					
Retained earnings at beginning of year		**348**	849	**(2,705)**	(2,703)
Profit/(loss) for the year		**87**	(501)	**3**	(2)
Retained earnings at end of year		**435**	348	**(2,702)**	(2,705)
Share capital	26	**424**	424	**424**	424
Share premium	26	**1,119**	1,119	**1,119**	1,119
Total equity		**1,978**	1,891	**(1,159)**	(1,162)
Total equity and liabilities		**7,024**	8,002	**477**	1,189

The notes on pages 31 to 60 are an integral part of these Group financial statements.

The Company reported a profit for the financial year of £3,000 (2019: loss £2,000).

The Group and Company financial statements on pages 27 to 60 were approved by the Board of Directors on 21 April 2021 and were signed on its behalf by:

M W Hardy
Director
Registered number Scotland: SC005543

touchstar plc

Consolidated and Company cash flow statement for the year ended 31 December 2020

		Group		Company	
	Note	**2020**	2019	**2020**	2019
		£'000	£'000	**£'000**	£'000
Cash flows from operating activities					
Operating Profit/(loss)		**39**	(804)	**3**	4
Depreciation	16	**227**	264	**-**	-
Amortisation	14	**588**	498	**-**	-
Development expenditure loss on disposal	14	**-**	29	**-**	-
Gain on disposal of PPE		**-**	(10)	**-**	-
Net effect of capitalised leases		**-**	68	**-**	-
Movement in:					
Inventories	19	**177**	319	**-**	-
Trade and other receivables	20	**307**	647	**715**	(483)
Trade and other payables and contract liabilities	22,23	**(86)**	(36)	**172**	8
Cash generated from/(used in) operations		**1,252**	975	**890**	(471)
Interest paid		**(16)**	(25)	**(3)**	(6)
Corporation tax received		**326**	481	**-**	-
Net cash generated from/(used in) operating activities		**1,562**	1,431	**887**	(477)
Cash flows from investing activities					
Addition of intangible assets	14	**(439)**	(674)	**-**	-
Purchase of property, plant and equipment	16	**(20)**	(26)	**-**	-
Proceeds from sale of property, plant & equipment		**-**	10	**-**	-
Net cash used in investing activities		**(459)**	(690)	**-**	-
Cash flows from financing activities					
Proceeds from issue of business loan		**150**	-	**150**	-
Principal elements of lease payments		**(182)**	(187)	**-**	
Net cash generated from financing activities		**(32)**	(187)	**150**	-
Net increase/(decrease) in cash and cash equivalents		**1,071**	554	**1,037**	(477)
Cash and cash equivalents at start of the year		**850**	296	**(2,293)**	(1,816)
Cash and cash equivalents at end of the year	21	**1,921**	850	**(1,256)**	(2,293)

Notes to the Group financial statements for the year ended 31 December 2020

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 of 31 December 2020, the Group held cash of £1,921,000 (after taking into account overdraft balances as presented in note 21), with unencumbered net cash of £1,771,000 after taking into account the £150,000 Coronavirus Business Interruption Loan. The Group also had an undrawn £200,000 on demand overdraft facility as of 31 December 2020 (also £nil in April 2021).

Notes to the Group financial statements for the year ended 31 December 2020 (continued)

2 Summary of accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern (continued)

The Touchstar management continues to demonstrate its ability to proactively respond to both internal and external challenges it has faced, non-more so than those encountered over the past twelve months.
As with many other businesses, the Group has found itself navigating the past year through unprecedented economic events due to the COVID-19 pandemic.
The directors remain confident in the business, the skillset employed in its dedicated staff, solid product set and loyal customer base.
The C-19 pandemic, had a significant impact on 2020 Group sales with continuing operations revenue contracting by 11.5% in 2020.
In early 2020, because of the imminent pandemic, management took swift, decisive action and responded quickly, by reducing costs and incorporating sweeping self-help measures in the form of a Coronavirus Business Interruption loan, grants & funding where possible.
A full assessment of the Group's customer base was carried out in March 2020 where the findings concluded that a significant proportion of the customer base was largely unaffected by the pandemic.
During 2020 the business was not required to temporarily shut down and there were no substantial curtailments to the entity's activities. Customer behaviour, beyond the initial shock reaction to the pandemic in April, was not significantly affected.
The Company continues to benefit from a supportive bank who have provided the borrowing facility since 2005. Over the past eighteen months the Group has significantly reduced its reliance on the facility provided by the bank. In assessing the Company's ability to continue as a going concern, the Board has reviewed the Group's cash flow and profit forecasts taking account of this reduced reliance on any facilities. The impact of potential risks and related sensitivities to the forecasts were considered in assessing the likelihood of additional facilities being required in the future
The directors have at the time of approving the financial statements, a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

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.

The following standards became effective on 1 January 2020, 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
- IAS 12 Income Taxes

Notes to the Group financial statements for the year ended 31 December 2020 (continued)

2 Summary of accounting policies (continued)

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.

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.

Notes to the Group financial statements for the year ended 31 December 2020 (continued)

2 Summary of accounting policies (continued)

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.

2.6 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.

Notes to the Group financial statements for the year ended 31 December 2020 (continued)

2 Summary of accounting policies (continued)

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.

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.

Notes to the Group financial statements for the year ended 31 December 2020 (continued)

2 Summary of accounting policies (continued)

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.

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.

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 including but not limited to Installations, spares, repairs and system sales, 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 Group as a lessee

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

The lease liability is included in 'Payables' 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.

2 Summary of accounting policies (continued)

2.16 Leases (continued)

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 2020 (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.

(c) Stock provisions
Judgement is required in relation to the appropriate provision to be made for the write down of slow moving or obsolete inventory. Such provisions are made based on the assessment of the Group's prospective sale of inventories and their net realisable value, which are subject to estimation uncertainty.

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:

	2020	2019
	£'000	£'000
UK	**5,393**	6,329
Europe	**433**	530
Rest of World	**60**	260
	5,886	7,119

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Notes to the Group financial statements for the year ended 31 December 2020 (continued)

5 Exceptional costs

	2020	2019
	£'000	£'000
Restructuring expenses:		
Redundancy costs	**-**	229
Onerous lease costs	**-**	154
Development expenditure impairment (note 14)	**-**	29
	-	412

6 Operating profit

	2020	2020
	£'000	£'000
Operating loss is stated after charging:		
Depreciation:		
Owned assets (note 16(a))	**74**	79
Leased assets (note 16(b))	**153**	185
Development expenditure amortisation (note 14)	**588**	498
Exceptional costs (note 5)	**-**	412
Research and development expenditure	**331**	442
Cost of inventories recognised as an expense	**1,687**	2,152
Write down of inventory as an expense	**259**	142
Staff costs (note 8)	**2,221**	2,890
(Profit)/loss on foreign exchange	**(5)**	16
Other operating income:		
HMRC Job Retention Scheme grant funding	**146**	-

7 Auditors' remuneration

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

	2020	2019
	£'000	£'000
Audit services:		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	**13**	10
Fees payable to the Company's auditors for other services:		
Audit of subsidiaries pursuant to legislation	**32**	31
Other assurance services	**3**	8
Tax compliance	**-**	10
	48	59

8 Employee benefit expense

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

	Group	
	2020	2019
	Number	Number
Administrative, management and sales	**33**	38
Production and technical	**16**	24
	49	62

	2020	2019
	£'000	£'000
Staff costs for the above persons were:		
Wages and salaries	**2,046**	2,717
Social security costs	**229**	328
Other pension costs – defined contribution plans	**117**	127
	2,392	3,172

As at 31 December 2020 the Group and Company had accrued pension costs of £18,000 (2019: £14,000). Staff costs are inclusive of capitalised salaries amounting to £171,000 (2019: £282,000).

9 Directors' emoluments

	2020	2019
	£'000	£'000
Aggregate emoluments	**254**	418
Pension costs – defined contribution plans	**10**	10
	264	428

All three Directors are remunerated through the parent company.

The emoluments of the individual Directors were as follows:

	2020	2019
	£'000	£'000
Salaries, fees and bonuses:		
Executive directors		
I P Martin	**44**	50
M W Hardy	**186**	207
J S Hall (retired 1 December 2019)	**-**	133
Non-executive directors		
J L Christmas	**25**	28
	255	418

Salaries and fees are inclusive of car allowance for M W Hardy of £23,000 (2019: £21,000).

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 2020 (continued)

10 Key management compensation

Key management consists of the directors and three key departmental managers (2019: three).

	2020	2019
	£'000	£'000
Wages and salaries	**486**	689
Social security costs	**57**	81
Pension costs – defined contribution plans	**29**	25
	572	795

11 Finance costs

	2020	2019
	£'000	£'000
Interest and finance charges paid/payable for lease liabilities	**18**	19
Bank interest	**(2)**	6
Total Finance costs	**16**	25

12 Income tax credit

	2020	2019
	£'000	£'000
Corporation tax		
Current tax	**(92)**	(326)
Adjustments in respect of prior years	**-**	(13)
Deferred tax	**28**	11
Total tax credit	**(64)**	(328)

Corporation tax is calculated at 19% (2019: 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 2020 (continued)

12 Income tax credit (continued)

Factors affecting the tax credit for the year

The tax credit for the year is same as (2019: same as) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020	2019
	£'000	£'000
Profit/(loss) before income tax	**23**	(829)
Multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	**4**	(158)
Effects of:		
Items not deductible for tax purposes	**1**	2
Enhanced research and development deduction	**(167)**	(248)
Adjustments in respect of prior years	**-**	(13)
Losses surrendered through R&D tax credit	**29**	100
Capital allowances claimed in year less than/(in excess of) depreciation	**28**	(11)
Adjustment to deferred tax arising from changes in tax rate	**41**	-
Total tax credit for the year	**(64)**	(328)

Factors affecting the future tax charge

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2020 (on 22 July 2020). These include the cancellation of the reduction in the main rate to 17% from 1 April 2020, thereby keeping the corporation tax rate at 19% after 1 April 2020.

In March 2021, the budget announced the intention to increase the corporation tax rate from 19% to 25%. 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 19%.

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Notes to the Group financial statements for the year ended 31 December 2020 (continued)

13 Earnings/(losses) per share

	2020	2019		
		Continuing operations	Discontinuing operations	Total
Basic	**1.03P**	(4.07)p	(1.84)p	(5.91)p
Adjusted	**1.03P**	(1.74)p	0.69p	(1.05)p

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. The calculation of adjusted earnings per share excludes exceptional costs of £nil (2019: £412,000) (note 5).

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

	2020		2019	
	Earnings £'000	**Weighted average number of shares (in thousands)**	Earnings £'000	Weighted average number of shares (in thousands)
Basic EPS				
Profit/(loss) attributable to owners of the parent	**87**	**8,475**	**(501)**	**8,475**
Exceptional costs (note 5)	**-**		**412**	
Adjusted EPS				
Earnings/(loss) attributable to owners of the parent before exceptional items	**87**	**8,475**	**(89)**	**8,475**

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 2020 (continued)

14 Intangible assets

	Group		
	Goodwill £'000	Development expenditure £'000	Total £'000
Cost			
At 1 January 2019	9,904	4,135	14,039
Additions	-	674	674
Disposal	-	(1,947)	(1,947)
At 31 December 2019	9,904	2,862	12,766
Additions	-	439	439
Disposal	(1,313)	-	(1,313)
At 31 December 2020	**8,591**	**3,301**	**11,892**
Accumulated amortisation			
At 1 January 2019	9,904	2,783	12,687
Amortisation charge	-	498	498
Disposal	-	(1,918)	(1,918)
At 31 December 2019	9,904	1,363	11,267
Amortisation charge	-	588	588
Disposal	(1,313)	-	(1,313)
At 31 December 2020	**8,591**	**1,951**	**10,542**
Net book value			
At 31 December 2020	**-**	**1,350**	**1,350**
At 1 January 2019	-	1,352	1,352
At 31 December 2019	-	1,499	1,499

Disposal of goodwill relates to the dissolution of the three dormant subsidiary undertakings during 2020.

Amortisation of £588,000 (2019: £498,000) is included within administrative expenses in the income statement.

Notes to the Group financial statements for the year ended 31 December 2020 (continued)

14 Intangible assets (continued)

Development expenditure

The calculation of the costs incurred includes third party developers along with the percentage of time spent by certain employees on hardware and software development for deployment in business operations. 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 2020 (continued)

15 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January 2020	19,798
Disposal	(8,172)
At 31 December 2020	**11,625**
Accumulated amortisation	
At 1 January 2020	19,798
Disposal	(8,172)
At 31 December 2020	**11,625**
Net book value	
31 December 2020 and 31 December 2019	-

Disposal relates to the dissolution of three dormant subsidiary undertakings during 2020.

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

Notes to the Group financial statements for the year ended 31 December 2020 (continued)

16 (a) Property, plant and equipment

	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost			
At 1 January 2019	345	384	729
Additions	13	13	26
Disposals	-	(52)	(52)
At 31 December 2019	358	345	703
Additions	12	8	20
Disposals	(55)	(5)	(60)
At 31 December 2020	**315**	**348**	**663**
Accumulated depreciation			
At 1 January 2019	237	264	501
Charge for the year	31	48	79
Disposals	-	(52)	(52)
At 31 December 2019	268	260	528
Charge for the year	34	40	74
Disposals	(48)	(12)	(60)
At 31 December 2020	**254**	**288**	**542**
Net book value			
At 31 December 2020	**61**	**61**	**121**
At 1 January 2019	108	120	228
At 31 December 2019	90	85	175

Depreciation expenditure of £74,000 (2019: £79,000) is included within administrative expenses in the income statement.

Notes to the Group financial statements for the year ended 31 December 2020 (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
Additions	-	121	121
Disposal	-	(122)	(122)
At 31 December 2020	**579**	**211**	**790**
Accumulated depreciation			
At 1 January 2019	-	-	-
Charge for the year	80	105	185
Impairment	61	23	84
At 31 December 2019	141	128	269
Charge for the year	82	71	153
Disposal	-	(111)	(111)
At 31 December 2020	**223**	**88**	**311**
Net book value			
At 31 December 2020	**356**	**123**	**479**
At 31 December 2019	438	84	522

Depreciation expenditure of £153,000 (2019: £185,000) is included within administrative expenses in the income statement.

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Notes to the Group financial statements for the year ended 31 December 2020 (continued)

17 (a) Financial instruments by category

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

		Group		Company	
	note	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Financial assets					
Trade and other receivables	20	**1,010**	1,317	**474**	1,189
Cash and cash equivalents	21	**3,177**	3,143	**-**	-
Total		**4,187**	4,460	**474**	1,189

		Group		Company	
		2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Financial liabilities					
Trade and other payables (excluding tax and social security payable)	22	**1,246**	1,465	**230**	58
Borrowings	24	**1,406**	2,293	**1,406**	2,293
Total		**2,652**	3,758	**1,636**	2,351

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 (2019: 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 2020 (continued)

18 Deferred tax

18.1 Deferred tax asset

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
At 1 January	**111**	157	**-**	-
(Charged)/credited to income	**(48)**	(46)	**3**	-
At 31 December	**63**	111	**3**	-

The deferred tax asset for the Group relates to unused tax losses of £804,000 (2019: £804,000).

18.2 Deferred tax liability

There has been a movement of £19,000 (2019: £35,000) in the deferred tax liability during the year.

	2020	2019
	£'000	£'000
At 1 January	**234**	269
Charged to income statement	**(19)**	(35)
At 31 December	**215**	234

Deferred tax (liability)/asset analysis:

	2020	2019
	£'000	£'000
Amount in respect of fixed assets	**(215)**	(234)
Amount in respect of losses	**63**	111

Notes to the Group financial statements for the year ended 31 December 2020 (continued)

19 Inventories

	2020	2019
	£'000	£'000
Raw materials and consumables	**326**	584
Finished goods and goods for resale	**560**	456
Provision	**(172)**	(149)
	714	891

The cost of inventories recognised as an expense amounted to £1,687,000 included within cost of sales (2019: £2,152,000). Provisions of £259,000 were recognised in the income statement within cost of sales (2019: £142,000). No finished goods are held at fair value less cost to sell (2019: £nil).

20 Trade and other receivables

	Group		**Company**	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Trade receivables	**818**	1,086	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**467**	1,175
Prepayments and accrued income	**192**	231	**7**	9
Other debtors	**-**	-	**-**	5
	1,010	1,317	**474**	1,189

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 (2019: £nil).

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2020, trade receivables of £37,000 (2019: £4,000) 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:

	2020	2019
	£'000	£'000
Up to 3 months past due	**37**	4

Notes to the Group financial statements for the year ended 31 December 2020 (continued)

20 Trade and other receivables (continued)

As of 31 December 2020, £nil of trade receivables (2019: £nil) were impaired and provided for. No bad debt expenses (2019: £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	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Sterling	**966**	1,237	**474**	1,189
Euros	**44**	80	**-**	-
	1,010	1,317	**474**	1,189

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	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand	**3,177**	3,143	**-**	-
Less: bank overdraft (included within borrowings note 24)	**(1,256)**	(2,293)	**(1,256)**	(2,293)
	1,921	850	**(1,256)**	(2,293)

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 2020 (continued)

22 Trade and other payables

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Trade payables	**431**	542	**12**	**20**
Other taxes and social security	**477**	416	**178**	**-**
Other payables	**56**	73	**-**	**-**
Customer deposits	**61**	154	**-**	**-**
Accruals	**221**	280	**40**	**38**
	1,246	1,465	**230**	**58**

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

23 Contract liabilities

	2020	**2019**
	£'000	**£'000**
At beginning of year	1,530	1,553
Invoiced	2,230	2,280
Released	(2,098)	(2,303)
At end of year	**1,662**	**1,530**

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

Due to be released within one year	**1,485**	1,322
Due to be released in more than one year	**177**	208

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 2020 (continued)

24 Borrowings

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Current borrowings:				
Bank overdraft	**1,256**	2,293	**1,256**	2,293
Other loans	**15**	-	**15**	-
	1,271	2,293	**1,271**	2,293

	Group		Company	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Non-current borrowings:				
Bank overdraft	**-**	-	**-**	-
Other loans	**135**	-	**135**	-
	135	-	**135**	-

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 2020, the Group had total committed undrawn facilities of £350,000 (2019: £350,000).

The Group now operates within a £200,000 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 2020, this represents the net cash balance of £1,921,000 (2019: £850,000) in Note 21.

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

Other loans relate to the Coronavirus Business Interruption Loan repayable monthly over six years; first payment to commence on the 12-month anniversary of drawdown.

The loan is guaranteed by the UK Government under the Coronavirus Business Interruption Loan Scheme with interest payable monthly on commencement of loan repayment. The rate of interest is 4.19% per annum above the Bank of England floating rate.

Notes to the Group financial statements for the year ended 31 December 2020 (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	**2020** **£'000**	2019 £'000
Right-of-use assets			
Buildings		**356**	438
Vehicles		**123**	84
	16(b)	**479**	522

	2020 **£'000**	2019 £'000
Lease liabilities		
Current	**163**	171
Non-current	**354**	418
	517	589

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

ii) Amounts recognised in the statement of profit or loss

	Notes	**2020** **£'000**	2019 £'000
Depreciation charge of right-of-use assets			
Buildings		**82**	74
Vehicles		**71**	111
	6	**153**	185

Notes to the Group financial statements for the year ended 31 December 2020 (continued)

25 Leases (continued)

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

	2020	2019
	£'000	£'000
Interest expense (included in finance cost)	**18**	19
Expense relating to short-term leases (included in administrative expenses)	**25**	23

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 2020 and 31 December 2020	**8,475**	**424**	**1,119**	**1,543**

Group Information

Registered Number in Scotland SC005543

Touchstar plc
7 Commerce Way
Trafford Park
Manchester
M17 1HW
T: +44 (0) 1274 741860
E: investor@touchstar.com
www.touchstar.com

Secretary and Registered Office
N M Rourke
1 George Square
Glasgow
G2 1AL

Independent Statutory Auditors
Haysmacintyre LLP
10 Queen St Place
London
EC4R 1AG

Bankers
Barclays Corporate Bank
2nd Floor
1 Park Row
Leeds
LS1 5AB

Solicitors
Harrison Clark Rickerbys Limited
Overross House
Ross Park
Ross-On-Wye
Herefordshire
HR9 7US

Stockbroker and Financial Advisors
WH Ireland Limited
3rd Floor
Royal House
28 Sovereign Street
Leeds
LS1 4BJ

Registrars
Nevilles Registrars Ltd
Neville House
18 Laurel Lane
Halesowen
B63 3DA