Registered Number SC005543

touchstar plc

Annual report and financial statements

for the year ended 31 December 2021

Annual report and financial statements
for the year ended 31 December 2021

Contents

touchstar plc

Chairman's statement for the year ended 31 December 2021

Introduction

I am pleased to report that Touchstar has delivered a strong set of results, above market expectations, for the year ended 31 December 2021 ("FY2021"), against what has been a challenging backdrop in the world's economy. Profit after tax is up 290% to £341,000 (2020: £87,000) and there has been EBITDA growth of £218,000 to £1,072,000 (2020: £854,000).

The Group has displayed its resilience in the face of the global COVID-19 pandemic and has seen a positive change in business strength with the new and more profitable revenue streams coming to the fore.

The Company reports a strong year-end cash balance, net of the Coronavirus Business Interruption Loan, of £2,380,000 and a year-end order book of £646,000 which means the Group is well placed to build on last year's performance, we look forward to delivering further strategic progress.

Financial review

Revenue for the year ended 31 December 2021 increased 3.7% to £6,104,000 (2020: £5,886,000). Very pleasingly recurring revenue increased 14% to £2,322,000 (2020: £2,037,000) and represented 37.4% of total revenue (2020: 34.6%). The development of recurring revenue is a key to our strategy and future success- as of 8 April 2022, run rate recurring revenue had increased further to £2,550,000.

It was also pleasing to see the Group experience a healthy recovery in the areas that had been most impacted by the pandemic in 2020. Nevertheless unsurprisingly, the overall rate of growth was held back in the early part of the year by the suspension of awards of large projects in the petrochemical distribution sector due to the re-emergence of the pandemic. Major projects in this area tend to have lead times of 9-12 months, and it was only in the second half of 2021 that new major projects began being confirmed for 2022 and beyond, thus revenue in this sector reduced in 2021.

The order book at year end 2021 stood 36% higher at £646,000 compared to the prior year end level of £475,000.

Gross margins increased in 2021 to 59.5% (2020: 52.0%) driven by a higher level of software sales and operational efficiency.

Overhead costs increased by 8.9% as expected in 2021 to £3.5 million (2020: £3.1 million). This comparison excludes the benefits of the Coronavirus Job Retention Scheme which totalled £44,000 in 2021 (2020: £146,000).

Total spend on research and development during the year amounted to £935,000 (2020: £760,000), of which £460,000 (2020: £429,000) has been capitalised, as we invested in additional software modules in the proof of delivery product set.

The positive effects of both higher revenue and improved margins had a dramatic effect upon profitability with earnings before interest tax and amortisation and depreciation (EBITDA) increasing to £1,072,000 (2020: £854,000), operating profit before share based payments increasing to £233,000 (2020: £39,000) and profit before tax increasing to £207,000 (2020: £23,000).

Chairman's statement for the year ended 31 December 2021 (continued)

Due to our R&D expenditure we again benefitted from a tax credit being £134,000 (2020: £64,000) such that our profit for the year increased 292% to £341,000 from £87,000. This translated into a similar rise in earnings per share to 4.02p (2020: 1.03p).

As of 31 December 2021, we remained debt free and our cash, net of overdraft and the £135,000 Coronavirus Business Interruption Loan, was a very healthy £2,380,000 a rise of approximately £609,000 from the prior year position of £1,771,000. This nevertheless understates the strength of the underlying cash generation from the business; in 2021 cash was applied to the normalisation of trade and other payables as we unwound deferred amounts due under the Government's support packages to business.

Operational review

Whilst the Group and general business environment continued to work within COVID-19 policies and restrictions, Touchstar saw a positive change in business strength with the new and more profitable revenue streams coming to the fore; including, increased software licence charges and software development for bespoke work as well as charging professional fees for services delivered. As a result, the business experienced a growth in revenue and profitability. Those areas of the business that had experienced the more dramatic slowdowns in 2020, saw strong and positive recovery during 2021, namely, product sales more associated with Capital expenditure in Logistics and the ability to commence with onsite work in the Access Control marketplace, which otherwise had been restricted in 2020.

During the year, the Group continued to enhance the customer driven functionality of its software solutions. Our in-house developed software, utilising modern cloud-based services, has played a major part in customer gains and retention. In addition, the Group's specialist and robust hardware, where margins continue to be healthy, gives us a real competitive advantage in the proof of delivery market. The TS3200 Android rugged tablet has and is playing an important part in the continued success and adoption of our solutions.

Retention of customers, as well as securing new clients, is a key focus for the Group. The business is currently benefiting from many of its existing clients going through the process of an upgrade cycle with us – a testament to our ongoing service and support. This provides the opportunity to increase the recurring revenue as they adopt the latest licence-based solution. We now have around 8 major clients operating on the new platform and another 8 existing clients in the throes of either pilot or roll out phase over the coming 12 to18 months.

During 2021 there were challenges in the timely supply of product and components within the supply chain, but the Group successfully navigated its way through. We expect these challenges will continue in 2022 and therefore we will require the same continued focus to mitigate and reduce any impacts that may arise.

Alongside the software developments, we continue to enhance our product sets within the hardware element of our solution. All devices now designed and supplied utilise the Android operating system – the defacto choice worldwide.

The dynamics of the team within the business evolve and change too. The Group now has a central support team for all products, operating out of our Manchester office and we continue to build on our UK in-house software development and test team. These investments are now necessary given the solution set we now own and supply to the marketplace.

touchstar plc

Chairman's statement for the year ended 31 December 2021 (continued)

Strategy

The objective remains to execute our strategy effectively; delivering organic growth, margin improvement, building Software as a Service ("SaaS") revenues at an even faster rate, and achieving higher levels of profitability.

The Board believes Touchstar has the medium-term potential of sustaining annual double digit top line growth from our existing businesses driven by:

- Existing customers upgrading to mobile cloud-based solutions
- Capture of new customers
- Introduction of enhanced products and solutions
- Introduction of more professional services

In addition, we expect the growth rate of recurring revenue to continue to outpace total revenue growth, as SaaS revenues build. Professional services and licences are predominantly annual charges and thereby we envisage recurring revenue will continue to grow and strengthen within the Group. The target is for recurring revenue to account for 40% of total revenue by the end of 2022.

We expect the revenue stream will continue to strengthen in high margin areas such as licences, professional services, and software development - further enhancing the earnings and building the Group's strength in the medium and long term

Current trading and prospects

We intend to build upon the considerable progress made last year. Over the last two years the consistent message has been that in 2022 the underlying growth rate in all the Group's businesses should harmonise and return to normalised trading patterns.

2022 has started well, with a healthy opening order book followed by a strong first quarter of trading. Short-term prospects are being tempered somewhat by a level of inactivity which we believe is a momentary reaction to the present economic and global uncertainty, with orders being held up, not lost. So far, we have been able to balance the pressures on costs by increasing prices in a targeted and appropriate manner, this will need to be constantly assessed and reviewed during the year.

Realistically the combination of the geo-political instability, inflationary pressures and higher interest rates will inevitability result in hesitancy in corporate decision making. The assumption made is that this year will see some subdued levels of macro-economic growth and investment. Currently there has been no material change to the business from the distressing and sad situation in Ukraine – our thoughts and hopes are with the innocent people caught up in that conflict.

Whilst we have tempered our enthusiasm in the short-term, the Board believes that the steps we have taken will see growth in revenue and EBITDA continue in 2022, driving further progress in our financial performance.

Chairman's statement for the year ended 31 December 2021 (continued)

Distributable reserves

The directors would like to have the ability to consider returning value to shareholders either via share buybacks or the payment of dividends. However, to be able to do this company law requires the Company to have positive distributable reserves. At present the Company does not have positive distributable reserves due the deficit on its retained earning reserve which as at 31 December 2021 stood at £2,236,000. The Directors are consulting with the Company's advisers over how best to eliminate this deficit which they believe can be through a combination of dividend payments from the Company's underlying subsidiaries and a capital reduction**.**

Concluding thoughts

The Board's strategy is clear and remains consistent. We must capitalise on the forward momentum gained, using internally generated cash to support our rate of organic growth, innovate our products, enhance our solutions, invest in our people, increase returns to shareholders and become a better business.

The Company has made good progress over the last two years despite the impacts of COVID-19. Touchstar has already become a much more resilient focussed, coherent, high-quality business with true growth potential. This has only happened through the dedication, hard work and talent of the people within the Group. Thank you to all - it is greatly appreciated.

The Board is committed to creating and delivering value that reflects the prospects and embedded value within the business. With the Company's cash reserves, a strong balance sheet, growing revenues and especially recurring revenues that will allow us to increasingly position the company as a software business, the Board is confident of the Company's prospects and of increasing shareholder value.

I Martin

Executive Chairman

25 April 2022

touchstar plc

Strategic report for the year ended 31 December 2021

Business review and principal activities

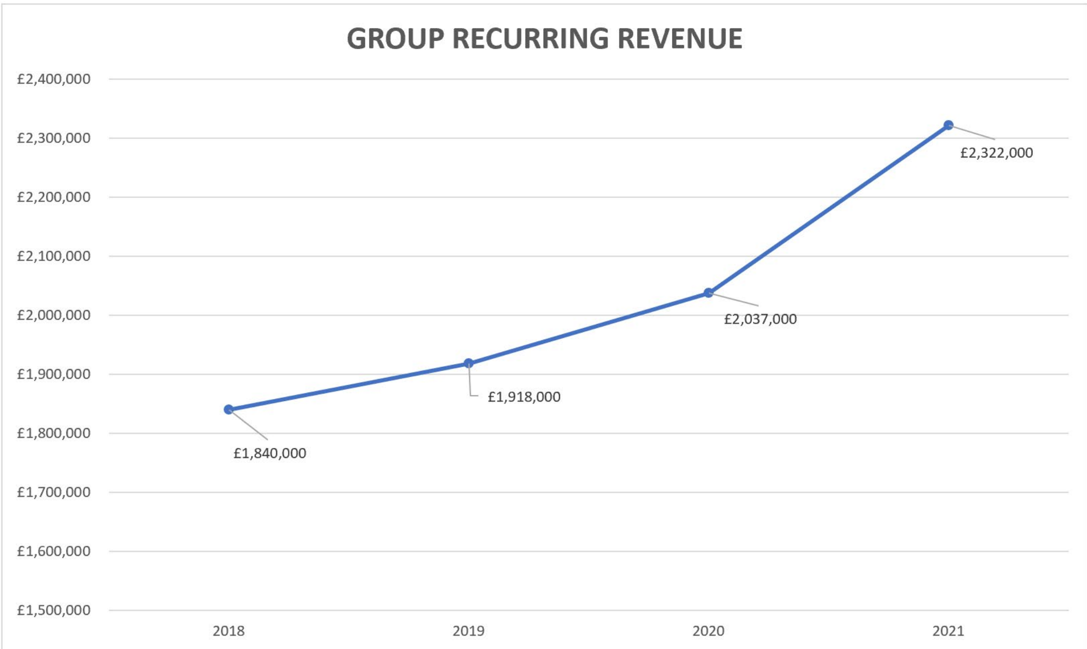
The Group supplies, installs and maintains licenced software applications and hardware solutions for mobile applications in the transport, logistics and access control industries. We continue to develop and enhance the Group's product portfolio and whilst we continue to supply our core and the more traditional product set, the new complete solutions allow for increased revenues, greater business stability and profitability for the future.

Profitability

Whilst the business and general environment continued to work within Covid policies and restrictions, which impacted the Group performance, 2021 has seen a strategic change in business strength with the new and more profitable revenue streams coming to the fore. Despite the reduction in face-to-face meetings, the business experienced a modest growth in sales turnover on the previous year of around 4%. Cash generation remained healthy with the Group year-end cash position in excess of £2.5 million, and the business made £341,000 profit after Tax, close to 300% increase over 2020 profit of £87,000.

Total recurring revenue

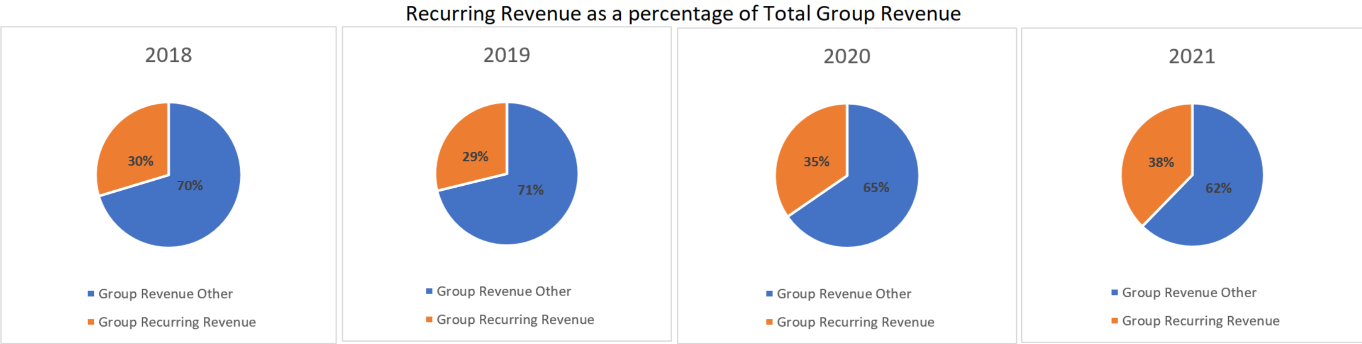
During 2021, the decision to supply and support complete solutions has further strengthened the Group. Recurring revenue is now a valuable asset within the Groups business. 2020 saw total recurring revenue increase by 6% on 2019 and this trend continues. In 2021 recurring revenue increased 14% on 2020. This change in strategy is making a positive impact into the performance and underlying value of the business. In 2021, the Groups recurring revenue equated to 38% of turnover and the Board envisage this percentage will continue increasing.



As of 8 April 2022, run rate recurring revenue had increased further to £2,550,000.

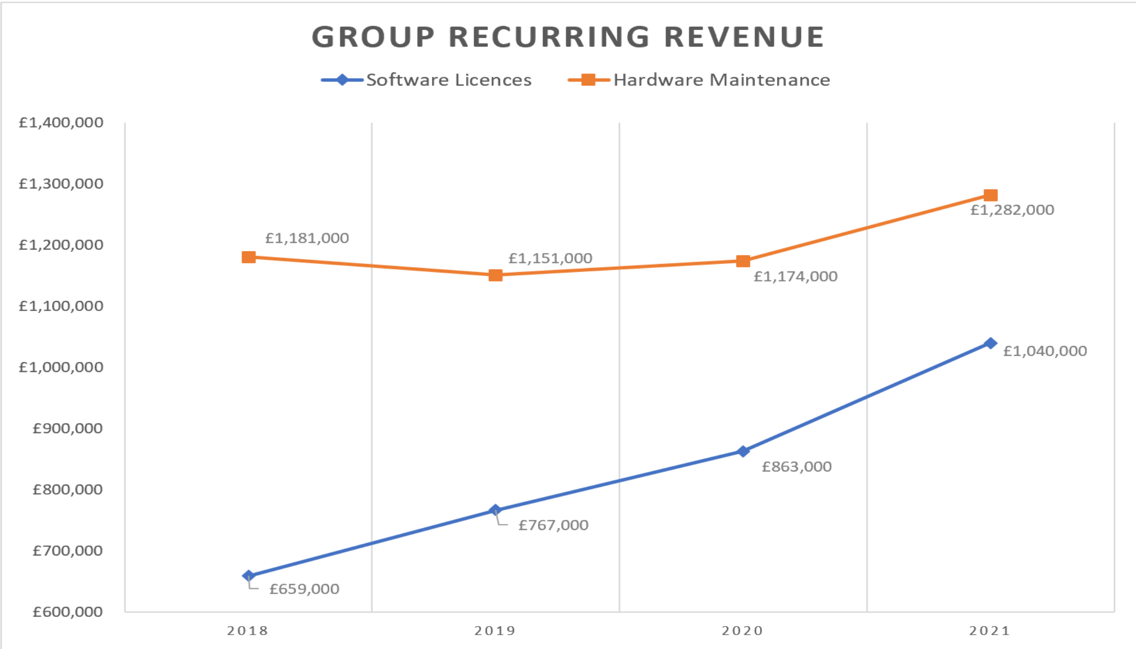
Strategic report for the year ended 31 December 2021 (continued)

The chart below demonstrates the consistent strategic progression of building the business's recurring revenue over the previous years:



Software Licence Recurring Revenue

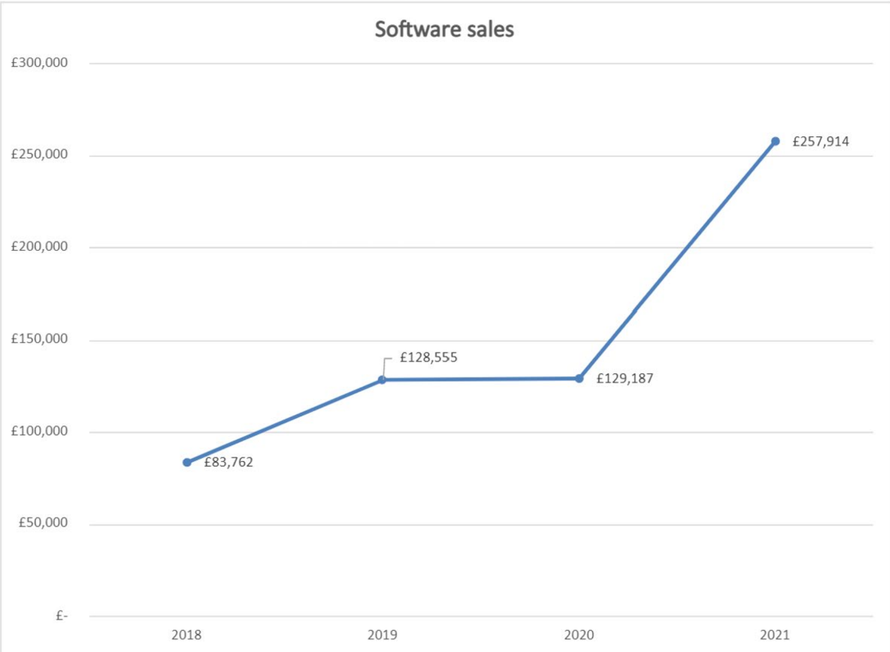
Whilst the Group enjoyed an increase of 14% in total recurring revenue over previous years, the predominant impact in growth of this type of profitable revenue has come from software licence, a key strategic goal. Recurring revenue in software licences grew a marked 18% over 2020 performance. This key area of growth will continue to increase as the change in our business strategy takes effect. If growth in total revenue continues as expected, we anticipate software licence revenue to exceed hardware recurring revenue in 2022 and grow further still in 2023 and beyond.



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 and profit line of the Group. This move has allowed us to increase the sales of software development as customers require tweaks and modifications to our standard products to suit their operation. The chart below illustrates the past 4 years of software development sales, demonstrating an increase of over 200% in this time.

Customers requested Software Developments



We continue to secure large contracts with blue chip companies across the UK and Europe. 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. Combining increases of recurring revenue and the above software development charges has now led to improved Gross margin, of 59% of the group turnover in 2021 (52% in 2020). As of 8 April 2022, software development and support fees booked and to be invoiced in 2022 stood at £184,000.

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 2021 (continued)

Business environment (continued)

At the start of 2021, the UK and most of the world were still experiencing strict lockdowns and restrictions. The uplift in general business terms in the latter part of 2020 were diminished in the first quarter of 2021. The restriction and general approach to the Covid pandemic during 2021 had an effect on the business. By the year end of 2021, Touchstar saw marked improvements in the two product areas, that had subdued performance in 2019; namely Warehouse & Logistics and Access Control. Both these areas saw strong recovery. The Transport and Logistics systems (proof of Delivery solution) generally have longer lead times from enquiry to order placement and as such had a lower level of sales in 2021, due to the 2020 Covid country shutdowns, where new projects being sanctioned was low and thus enquiries dropped.

During this period, we continued to enhance customer driven functionality to the Software solutions. We continued with product development plans and focussed on building more solid and robust solutions for existing and future customers. Our in-house developed software solutions, utilising modern cloud-based services, have played a massive role in the Groups development. Specialist hardware, where margins continue to be healthy, gives us a real competitive advantage in the fuel delivery market and our TS3200 Android rugged tablet is key to the continued success and adoption of our solutions.

In the Warehouse and Logistics market, the Group provides mobile computing solutions for warehouse operations for both truck-mounted and hand-held applications. These solutions communicate using wireless technology and provide real time data. This technology improves supply chain management and significantly reduces warehouse operating costs. In 2021, after a Covid hit sales result in 2020, this product set performed well in 2021 and has formed some solid key account relationships.

The Group designs and supplies Access Control Systems for industrial and retail environments. This sector was also heavily affected by the pandemic lockdowns of 2020. In 2021 the activity in this area improved markedly and success was seen with new clients being added to the customer list.

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.

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 2021 (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 note 2.1 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.

As detailed in note 4, during the year ended 31 December 2021 approximately £932,000 (2020: £nil) of the consolidated entity's external revenue was derived from sales to one customer however this was not deemed of critical importance to the ongoing success of the Group, this was a larger project which produces ongoing revenue at much lower levels than that generated in 2021.

In the opinion of the directors there no issues or uncertainties around sustainability of the relationship.

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 20.

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. See table below detailing each stakeholder along with why and how we engage with each.

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

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

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

Strategic report for the year ended 31 December 2021 (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 2021 (continued)

Key performance indicators

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

Recurring revenue

This KPI has been a major strategic focus for the Group over the past 3 to 5 years. A key aspect of the business was to, not only increase the level of recurring revenue as part of overall sales but also generate new types of recurring revenue, namely charging for ongoing licencing (SaaS – Software as a Service), use of our new suite of Android software solutions whilst still offering the traditional hardware support/maintenance contracts. This has come to fruition with recurring revenue for 2021 increasing by 14% with further double-digit point increases expected in future years.

Sales and order pipeline

Considering the impact of the pandemic over the past eighteen months the Group bore a modest increase in turnover of £218,000 from £5,886,000 in 2020 to £6,104,000 in 2021. The Group pipeline remains strong for all its new hardware and software solutions, legacy products are still required by some of our existing customers, however more are upgrading to the new Android solutions. This in turn generates an increase in recurring revenue. Order book at the year-end stood at £646,000 being 36% higher than 2020. The management also actively monitor this KPI to justify the continued development of the Groups product suite.

Understanding our customer needs and expectations is of primary importance in securing orders and future proofing recurring revenue. Previously, software development was primarily outsourced to non-UK development consultants. Over the past eighteen months there has been modification to the Group's software development strategy. The management believed that a hybrid of UK employed, and non-UK consultant developers provide a more balanced understanding thereby efficiently developing the software solutions sought by existing and prospective customers. The Group development team now consists of 10 UK employed developers supported by 9 non-UK developers.

Gross margin

The world markets have recently experienced increased delivery costs and product/component shortages which in turn drive a rise in prices throughout the supply chain. Hardware margins have been increasingly affected and discovering new ways of mitigating these price increases has been challenging. However, even in light of these challenges, gross margins have increased from 52% in 2020 to 59.5% (2020: 52%) driven by a higher level of software sales along with implementation of operational efficiencies.

Cash

Cash generation continues to be of primary importance to the business and remains strong. Cash balances, net of overdraft and the £135,000 CBILs was £2,380,000 compared with £1,771,000 for FY2020.

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.

Strategic report for the year ended 31 December 2021 (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 recent global challenges.

On behalf of the board

M W Hardy
Chief Executive Officer
25 April 2022

Directors' report for the year ended 31 December 2021

The directors present their Directors' report and the audited financial statements of the Group and the Group for the year ended 31 December 2021.

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 2021 (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 2021 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.

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.

Meetings of the Board and committees

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.

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.

The Remuneration and Audit Committees are held on an annual basis.
All members required to attend the relevant meeting did attend.
Details of remuneration paid to each director during the year can be found in note 8.

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 2021 (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 2021 (continued)

Dividends

The directors do not recommend a final dividend (2020: £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 2021.

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 2021 (continued)

Purchase of own shares

The Group did not purchase any of its own shares in 2021.

Shares issued during the year

No shares were issued in 2021.

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 £935,000 (2020: £760,000), of which £460,000 (2020: £429,000) has been capitalised.

Statutory records

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

Substantial shareholdings

As of 4 April 2022, 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%
Interactive Investor Services Ltd	1,114,961	13.16%
Thomas William George Charlton	935,000	11.03%
Chelverton Growth Trust plc	850,000	10.03%
Charles Stanley & Co	483,786	5.71%
Killik & Co	401,500	4.74%
R D McDougall	368,500	4.35%
Unicorn Asset Management	289,995	3.42%
Robert & Virginia Millington	262,727	3.10%

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

Directors' report for the year ended 31 December 2021 (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 2021 there were no significant concentrations of credit risk (2020: £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.

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 2021	**Less than one year £'000**	**Between one and four years £'000**
Bank overdraft	**1,388**	**-**
Trade and other payables (note 22)	**1,332**	**-**
Other borrowings (note 24)	**30**	**105**
At 31 December 2020		
Bank overdraft	1,256	-
Trade and other payables	1,246	-
Other borrowings	15	135

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 2021 (continued)

Capital risk management (continued)

The gearing ratios at 31 December 2021 and 2020 were as follows:

	2021	2020
	£'000	£'000
Net debt	-	-
Total equity	2,319	1,978
Total capital	2,319	1,978
Gearing ratio	-%	-%

As at 31 December 2021, borrowings (which constitute PLC bank overdraft andCBILs) 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 (2020 - 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
25 April 2022

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
25 April 2022

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 2021 which comprise a consolidated income statement, a consolidated statement of financial position, a consolidated and company statements of financial position, a consolidated statement of changes in equity, a company statement of changes in equity, a consolidated and company statements of cash flows and notes to the Group financial statements, including a summary of significant accounting policies. . The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards.

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 2021 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards]; 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.

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 companies in the Group, giving us the evidence we needed to form 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 £1,198,000. 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 and challenged these allocations with management and with employees. A sample of third-party costs capitalised have been agreed to supporting documentation. The nature of these costs has 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. On completion of our audit procedures, we conclude that the company's intangible assets are stated and disclosed accurately in all material aspects.
Revenue recognition	
The Group earned revenue of £6,104,000 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 transactions to appropriate evidence of customer acceptance. We performed testing over cut-off and also recalculated and corroborated a sample of deferred revenue items.

touchstar plc

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	£122,000 (2020: £58,000).	£57,350 (2020: £15,000).
How we determined it	2% of turnover (2020: 1% of turnover)	5% of Net Liabilities (2020: 1% 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 £48,000 and £73,000. 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 £6,100 (Group audit) (2020: 2,900) and £2,867 (Company audit) (2020: £750) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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.

touchstar plc

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

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.

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 23, 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.

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

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 health & safety and employment law, and 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.

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
25 April 2022

10 Queen Street Place
London
EC4R 1AG

Consolidated income statement for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Revenue	4	**6,104**	5,886
Cost of sales		**(2,472)**	(2,827)
Gross profit		**3,632**	3,059
Distribution costs		**(49)**	(41)
Administrative expenses		**(3,400)**	(3,125)
Other operating income	**5**	**44**	146
Operating profit before share-based payment provision		**233**	39
Share-based payment provision included in administrative expenses	7(b)	**(6)**	-
Operating profit	5	**227**	39
Finance costs	10	**(20)**	(16)
Profit before income tax		**207**	23
Income tax credit	11	**134**	64
Profit for the year attributable to the owners of the parent		**341**	87

Earnings per ordinary share (pence) attributable to owners of the parent during the year (note 12):

	2021	2020
Basic	**4.02p**	1.03p

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 2021 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.

touchstar plc

Consolidated statement of changes in equity for the year ended 31 December 2021

	Share capital £'000	Share premium account £'000	Share based payment Reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020	424	1,119	-	348	1,891
Profit for the year	-	-	-	87	87
At 31 December 2020	424	1,119	-	435	1,978
Profit for the year	-	-	6	341	347
At 31 December 2021	**424**	**1,119**	**6**	**776**	**2,325**

Company statement of changes in equity for the year ended 31 December 2021

	Share capital £'000	Share premium account £'000	Share based payment reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2020	424	1,119	-	(2,705)	(1,162)
Profit for the year	-	-	-	3	3
At 31 December 2020	424	1,119	-	(2,702)	(1,159)
Profit for the year	-	-	6	6	12
At 31 December 2021	**424**	**1,119**	**6**	**(2,696)**	**(1,147)**

touchstar plc

Consolidated and Company statements of financial position as at 31 December 2021

		Group		Company	
		2021	2020	**2021**	2020
	Note	**£’000**	£’000	**£’000**	£’000
Non-current assets					
Intangible assets	13	**1,198**	1,350	**-**	-
Investments	14	**-**	-	**5**	-
Property, plant and equipment	15	**94**	121	**-**	-
Right-of-use assets	16	**399**	479	**-**	-
Deferred tax assets	18	**81**	63	**3**	3
		1,772	2,013	**8**	3
Current assets					
Inventories	19	**865**	714	**-**	-
Trade and other receivables	20	**1,071**	1,010	**462**	474
Corporation tax receivable		**166**	110	**-**	-
Cash and cash equivalents	21	**3,903**	3,177	**-**	-
		6,005	5,011	**462**	474
Total assets		**7,777**	7,024	**470**	477
Current liabilities					
Trade and other payables	22	**1,333**	1,246	**94**	230
Contract liabilities	23	**1,762**	1,485	**-**	-
Borrowings	24	**1,418**	1,271	**1,418**	1,271
Lease liabilities	25	**169**	163	**-**	-
		4,682	4,165	**1,512**	1,501
Non-current liabilities					
Deferred tax liabilities	18	**251**	215	**-**	-
Contract liabilities	23	**172**	177	**-**	-
Borrowings	24	**105**	135	**105**	135
Lease liabilities	25	**242**	354	**-**	-
		770	881	**105**	135
Total liabilities		**5,452**	5,046	**1,617**	1,636

touchstar plc

Consolidated and Company statement of financial position as at 31 December 2021 (continued)

		Group		Company	
		2021	2020	**2021**	2020
	Note	**£'000**	£'000	**£'000**	£'000
Capital and reserves attributable to owners of the parent					
Retained earnings at beginning of year		**435**	348	**(2,702)**	(2,705)
Profit/(loss) for the year		**341**	87	**6**	3
Retained earnings at end of year		**776**	435	**(2,696)**	(2,702)
Share capital	26	**424**	424	**424**	424
Share based payment reserve	26	**6**	-	**6**	-
Share premium	26	**1,119**	1,119	**1,119**	1,119
Total equity		**2,325**	1,978	**(1,147)**	(1,159)
Total equity and liabilities		**7,777**	7,024	**470**	477

The notes on pages 35 to 67 are an integral part of these Group financial statements.

The Company reported a profit for the financial year of £6,000 (2020: £3,000).

The Group and Company financial statements on pages 30 to 67 were approved by the Board of Directors on 25 April 2022 and were signed on its behalf by:

M W Hardy
Director
Registered number Scotland: SC005543

Consolidated and Company cash flow statement for the year ended 31 December 2021

		Group		Company	
	Note	**2021**	2020	**2021**	2020
		£'000	£'000	**£'000**	£'000
Cash flows from operating activities					
Operating Profit		**226**	39	**1**	3
Depreciation	15,16	**233**	227	**-**	-
Amortisation	13	**612**	588	**-**	-
Share-based payment provision	7(b)	**6**	-	**6**	-
Movement in:					
Inventories	19	**(151)**	177	**-**	-
Trade and other receivables	20	**(60)**	307	**(80)**	715
Trade and other payables and contract liabilities	22,23	**358**	(86)	**(36)**	172
Cash generated from/(used in) operations		**1,224**	1,252	**(109)**	890
Interest paid		**(20)**	(16)	**(3)**	(3)
Corporation tax received		**97**	326	**-**	-
Net cash generated from operating activities		**1,301**	1,562	**(112)**	887
Cash flows from investing activities					
Addition of intangible assets	13	**(460)**	(439)	**-**	-
Investment in subsidiaries	14	**-**	-	**(5)**	-
Purchase of property, plant and equipment	15	**(50)**	(20)	**-**	-
Net cash used in investing activities		**(510)**	(459)	**(5)**	-
Cash flows from financing activities					
Proceeds from issue of business loan		**(15)**	150	**(15)**	150
Principal elements of lease payments		**(182)**	(182)	**-**	-
Net cash generated from financing activities		**(197)**	(32)	**(15)**	150
Net increase/(decrease) in cash and cash equivalents		**594**	1,071	**(132)**	1,037
Cash and cash equivalents at start of the year		**1,921**	850	**(1,256)**	(2,293)
Cash and cash equivalents at end of the year	21	**2,515**	1,921	**(1,388)**	(1,256)

Notes to the Group financial statements for the year ended 31 December 2021

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 United Kingdom (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 2021, the Group held cash of £2,515,000 (after considering overdraft balances as presented in note 21), with unencumbered net cash of £2,380,000 after taking into account the £135,000 Coronavirus Business Interruption Loan. The Group also had an undrawn £200,000 on demand overdraft facility as of 31 December 2021 (also £nil in April 2022).

Notes to the Group financial statements for the year ended 31 December 2021 (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 two years.
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 continued to impact business during 2021, nonetheless, Group sales still increased on 2020 by a modest £218,000, margins grew from 52% in 2020 to 59.5% in 2021 driven by richer margin sales and operational efficiencies, along with tight control of costs, resulted in a profit after tax of £341,000.
The Group continues to benefit from a supportive bank who have provided the borrowing facility since 2005. Over the past eighteen months the Group has 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 removing completely 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 2021 (continued)

2 Summary of accounting policies (continued)

2.1 Basis of preparation (continued)

Changes in accounting policies and disclosures (continued)

New standards, interpretations and amendments not yet effective

At the date of approval of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue, but not yet effective (and in some cases had not been adopted by the EU):

- Amendment to IFRS 3 Business Combinations – Reference to the Conceptual Framework – effective 1 January 2022*
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets – effective 1 January 2022*
- Annual Improvements to IFRS Standards 2018-2020 Cycle – effective 1 January 2022*
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Amendments to IAS 1: Classification of Liabilities as Current or Non-current – Deferral of Effective Date – effective 1 January 2023*
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies – effective 1 January 2023*
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors –Definition of Accounting Estimates – effective 1 January 2023*

*Not yet endorsed in the UK

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 Summary of accounting policies (continued)

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.

2.5 Property, plant and equipment

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

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

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

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

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

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

2 Summary of accounting policies (continued)

2.6 Intangible assets

Development expenditure

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

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

Other development expenditure that does not meet the criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development expenditure is recorded as an intangible asset and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years (note 5).

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost relating to raw materials, consumables, work on progress and finished goods comprises actual costs incurred in bringing each product to its present location and condition within each trading subsidiary as follows:

- **Touchstar ATC Limited:**
  Purchase cost and cost of direct materials using standard cost
- **Touchstar Technologies Limited:**
  Purchase cost and cost of direct materials using first in/first out (FIFO) basis

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

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

Notes to the Group financial statements for the year ended 31 December 2021 (continued)

2 Summary of accounting policies (continued)

2.8 Trade and other receivables

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

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

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

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

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

2.9 Cash and cash equivalents

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

Notes to the Group financial statements for the year ended 31 December 2021 (continued)

2 Summary of accounting policies (continued)

2.10 Share capital

Ordinary shares are classified as equity.

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

2.11 Trade and other payables

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

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

2.12 Borrowings

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

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

2 Summary of accounting policies (continued)

2.13 Current and deferred tax

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

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

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

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

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

2.14 Employee benefits

(a) Pension obligations

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

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

(b) Profit-sharing and bonus plans

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

2 Summary of accounting policies (continued)

2.15 Share-based payments

The group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted based on the performance of the group as defined in the Plan.

When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with corresponding credit to equity in the parent entity accounts.

2.16 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 (see note 23 Contract liabilities).

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 (see note 4 Revenue).

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 Summary of accounting policies (continued)

2.17 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.

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.

2.18 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.

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 (see note 13).

(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 (see note 13).

(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 (see note 19).

4 Revenue

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 30 to 34.

All revenue is generated within the UK.

4.1 Geographical information

	2021	2020
	£'000	£'000
UK	**5,752**	5,393
Europe	**333**	433
Rest of World	**19**	60
	6,104	5,886

4.2 Major customers

During the year ended 31 December 2021 approximately £932,000 (2020: £nil) of the consolidated entity's external revenue was derived from sales to one customer.

4.3 Analysis of revenue

	2021	2020
	£'000	£'000
Recognised at a point in time	**3,782**	3,788
Recognised over time (recurring revenue) – note 23	**2,322**	2,098
	6,104	5,886

Notes to the Group financial statements for the year ended 31 December 2021 (continued)

5 Operating profit

	2021 £'000	2020 £'000
Operating loss is stated after charging:		
Depreciation:		
Owned assets (note 16(a))	**77**	74
Leased assets (note 16(b))	**156**	153
Development expenditure amortisation (note 14)	**612**	588
Share-based payment provision (note 5)	**6**	-
Research and development expenditure	**475**	331
Cost of inventories recognised as an expense	**1,494**	1,687
Write down of inventory as an expense	**93**	259
Staff costs (note 7)	**2,366**	2,221
(Profit)/loss on foreign exchange	**(8)**	(5)
Other operating income:		
HMRC Job Retention Scheme grant funding	**44**	146

6 Auditors' remuneration

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

	2021 £'000	2020 £'000
Audit services:		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	**15**	13
Fees payable to the Company's auditors for other services:		
Audit of subsidiaries pursuant to legislation	**35**	32
Other assurance services	**3**	3
	53	48

7 Employee remuneration

(a) Employee benefits expense

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

	Group	
	2021	2020
	Number	Number
Administrative, management and sales	**35**	33
Production and technical	**15**	16
	50	49

	2021	2020
	£’000	£’000
Staff costs for the above persons were:		
Wages and salaries	**2,199**	2,046
Social security costs	**245**	229
Other pension costs – defined contribution plans	**109**	117
	2,553	2,392

As at 31 December 2021 the Group and Company had accrued pension costs of £21,000 (2020: £18,000). Staff costs are inclusive of capitalised salaries amounting to £193,000 (2020: £171,000).

(b) Share-based employee remuneration

The Touchstar plc EMI Share Option Plan (Plan) was approved by the shareholders at the Annual 2021 AGM on 23 June 2021. It is a share-based payment scheme for employee remuneration which will be settled in equity.

The Plan is part of the remuneration package for Group employees as selected by the Group’s Remuneration Committee. Options under this Plan will vest if certain performance conditions, as defined in the Plan are met. Participants in this Plan must be employed until the end of the agreed vesting period unless deemed as ‘good employees’ by the Group’s Remuneration Committee on leaving. Upon vesting, each option allows the holder to purchase each allocated share at the market price determined at the grant date.

7 Employee remuneration (continued)

(b) Share-based employee remuneration (continued)

The number of options granted during the year and outstanding at 31 December 2021 was 211,000 (2020: n/a). These shares had not vested as at 31 December 2021.

The assessed fair value at grant date of options granted during the year ended 31 December 2021 was £0.35 per option (2020: £n/a). The fair value at grant date is independently determined using the Black-Scholes model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the risk-free interest rate for the term of the option, and the annualised volatility of Touchstar plc's shares.

The model inputs for options granted during the year ended 31 December 2021 included:

Grant date	**18 Nov 2021**
Vesting period ends	Term A 30 Jun 2023
	Term B 30 Jun 2024
Share price at date of grant	£0.85
Volatility	50%
Risk-free investment rate	1%
Fair value per option at grant date	£0.41
Exercise price at date of grant	£0.85
Exercise period ends	Term A 30 Jun 2023/17 Nov 2031
	Term B 30 Jun 2024/17 Nov 2031
Weighted average remaining contractual life	6.06 years

The underlying expected price volatility was determined by reference to the historical data of Touchstar plc shares over the past 12 months. No special features inherent to the options granted were incorporated into measurements of fair value.

In total, £6,000 (2020: £n/a) of employee remuneration expense (all of which related to equity-settled share-based payment transactions) has been included in the income statement and credited to the Share-based payment reserve.

Notes to the Group financial statements for the year ended 31 December 2021 (continued)

8 Directors' emoluments

	2021	2020
	£'000	£'000
Aggregate emoluments	**292**	254
Pension costs – defined contribution plans	**-**	10
	292	264

All three Directors are remunerated through the parent company.

The emoluments of the individual Directors were as follows:

	2021	2020
	£'000	£'000
Salaries and bonuses:		
Executive directors		
I P Martin	**50**	44
M W Hardy	**215**	186
Non-executive directors		
J L Christmas	**27**	25
	293	255

Salaries and fees are inclusive of car allowance for M W Hardy of £2,000 (2020: £23,000).

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

During the year 31 December 2021 M W Hardy was awarded and paid a bonus amounting to £16,000 (2020: £5,000.

Of the 211,000 share options granted during the year, 40,000 were granted to M W hardy.

Notes to the Group financial statements for the year ended 31 December 2021 (continued)

9 Key management compensation

Key management consists of the directors and three key departmental managers (2020: three).

	2021	2020
	£'000	£'000
Wages and salaries	**543**	486
Social security costs	**66**	57
Pension costs – defined contribution plans	**23**	29
	632	572

10 Finance costs

	2021	2020
	£'000	£'000
Interest and finance charges paid/payable for lease liabilities	**17**	18
Bank interest	**3**	(2)
Total Finance costs	**20**	16

11 Income tax credit

	2021	2020
	£'000	£'000
Corporation tax		
Current tax	**(147)**	(92)
Adjustments in respect of prior years	**(5)**	-
Deferred tax	**18**	28
Total tax credit	**(134)**	(64)

Corporation tax is calculated at 19% (2020: 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 2021 (continued)

11 Income tax credit (continued)

Factors affecting the tax credit for the year

The tax credit for the year is same as (2020: same as) the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021	2020
	£'000	£'000
Profit before income tax	**207**	23
Multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	**39**	4
Effects of:		
Items not deductible for tax purposes	**2**	1
Enhanced research and development deduction	**(213)**	(167)
Adjustments in respect of prior years	**(5)**	-
Losses surrendered through R&D tax credit	**46**	29
Capital allowances claimed in year less than/(in excess of) depreciation	**20**	28
Previously unrecognised tax losses used to reduce current tax expense	**(71)**	-
Adjustment to deferred tax arising from changes in tax rate	**48**	41
Total tax credit for the year	**(134)**	(64)

Factors affecting the future tax charge

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 (on 2 February 2022). This included the maintaining of the current corporation tax rate of 19%.

The budget also announced an increase in rate from 19% to 25% from April 2023. Therefore, deferred taxes at the balance sheet date have been measured at the enacted tax rate of 25%.

Notes to the Group financial statements for the year ended 31 December 2021 (continued)

12 Earnings/(losses) per share

	2021	2020
Basic	**4.02p**	1.03p
Diluted	**N/A**	N/A

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 Group issued 211,000 options with an exercise price of 85p during the year. Given the exercise price of these options, they are considered anti-dilutive and therefore no diluted EPS is presented.

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

	2021		2020	
	Earnings £'000	**Weighted average number of shares (in thousands)**	Earnings £'000	Weighted average number of shares (in thousands)
Basic EPS				
Profit attributable to owners of the parent	**341**	**8,475**	**87**	**8,475**
Adjusted EPS				
Earnings attributable to owners of the parent before share-based payment provision	**341**	**8,475**	**87**	**8,475**

Notes to the Group financial statements for the year ended 31 December 2021 (continued)

13 Intangible assets

	Group		
	Goodwill £'000	Development expenditure £'000	Total £'000
Cost			
At 1 January 2020	9,904	2,862	12,766
Additions	-	439	439
Disposal	(1,313)	-	(1,313)
At 31 December 2020	8,591	3,301	11,892
Additions	-	460	460
Disposal	-	(678)	(678)
At 31 December 2021	**8,591**	**3,083**	**11,674**
Accumulated amortisation			
At 1 January 2020	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
Amortisation charge	-	612	612
Disposal	-	(678)	(678)
At 31 December 2021	**8,591**	**1,885**	**10,476**
Net book value			
At 31 December 2021	**-**	**1,198**	**1,198**
At 1 January 2020	-	1,499	1,499
At 31 December 2020	-	1,350	1,350

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

Amortisation of £612,000 (2020: £588,000) is included within administrative expenses in the income statement.

Notes to the Group financial statements for the year ended 31 December 2021 (continued)

13 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.

touchstar plc

Notes to the Group financial statements for the year ended 31 December 2021 (continued)

14 Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 January and 31 December 2021	**11,625**
Accumulated amortisation	
At 1 January and 31 December 2021	**11,625**
Net book value	
31 December 2021 and 31 December 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

touchstar plc

Notes to the Group financial statements for the year ended 31 December 2021 (continued)

15 Property, plant and equipment

	Plant and machinery £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost			
At 1 January 2020	358	345	703
Additions	12	8	20
Disposals	(55)	(5)	(60)
At 31 December 2020	315	348	663
Additions	37	13	50
Disposals	(87)	(49)	(136)
At 31 December 2021	**265**	**312**	**577**
Accumulated depreciation			
At 1 January 2020	268	260	528
Charge for the year	34	40	74
Disposals	(48)	(12)	(60)
At 31 December 2020	254	288	542
Charge for the year	36	41	77
Disposals	(87)	(49)	(136)
At 31 December 2021	**203**	**280**	**483**
Net book value			
At 31 December 2021	**62**	**32**	**94**
At 1 January 2020	61	61	121
At 31 December 2020	90	85	175

Depreciation expenditure of £77,000 (2020: £74,000) is included within administrative expenses in the income statement.

Notes to the Group financial statements for the year ended 31 December 2021 (continued)

16 IFRS 16 Right of use assets

	Premises £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 January 2020	579	212	791
Additions	-	121	121
Disposal	-	(122)	(122)
At 31 December 2020	579	211	790
Additions	-	76	76
Disposal	-	-	-
At 31 December 2021	**579**	**287**	**866**
Accumulated depreciation			
At 1 January 2020	141	128	269
Charge for the year	82	71	153
Disposal	-	(111)	(111)
At 31 December 2020	223	88	311
Charge for the year	82	74	156
Disposal	-	-	-
At 31 December 2021	**305**	**162**	**467**
Net book value			
At 31 December 2021	**274**	**125**	**399**
At 1 January 2020	438	84	522
At 31 December 2020	356	123	479

Depreciation expenditure of £156,000 (2020: £153,000) is included within administrative expenses in the income statement.

Notes to the Group financial statements for the year ended 31 December 2021 (continued)

17 (a) Financial instruments by category

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

		Group		Company	
	note	**2021** **£'000**	2020 £'000	**2021** **£'000**	2020 £'000
Financial assets					
Trade and other receivables	20	**1,070**	1,010	**462**	474
Cash and cash equivalents	21	**3,903**	3,177	**-**	-
Total		**4,973**	4,187	**462**	474

		Group		Company	
		2021 **£'000**	2020 £'000	**2021** **£'000**	2020 £'000
Financial liabilities					
Trade and other payables (excluding tax and social security payable)	22	**1,332**	1,246	**94**	230
Borrowings	24	**1,523**	1,406	**1,523**	1,406
Total		**2,855**	2,652	**1,617**	1,636

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 (2020: 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 2021 (continued)

18 Deferred tax

18.1 Deferred tax asset

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
At 1 January	**63**	111	**3**	-
Credited/(charged) to income	**18**	(48)	**-**	3
At 31 December	**81**	63	**3**	3

The deferred tax asset for the Group relates to unused tax losses of £521,000 (2020: £804,000).

18.2 Deferred tax liability

There has been a movement of £36,000 (2020: £19,000) in the deferred tax liability during the year.

	2021	2020
	£'000	£'000
At 1 January	**215**	234
Charged to income statement	**36**	(19)
At 31 December	**251**	215

Deferred tax (liability)/asset analysis:

	2021	2020
	£'000	£'000
Amount in respect of fixed assets	**(251)**	(215)
Amount in respect of losses	**81**	63

Notes to the Group financial statements for the year ended 31 December 2021 (continued)

19 Inventories

	2021	2020
	£'000	£'000
Raw materials and consumables	**480**	326
Finished goods and goods for resale	**469**	560
Provision	**(84)**	(172)
	865	714

The cost of inventories recognised as an expense amounted to £1,494,000 included within cost of sales (2020: £1,687,000). Provisions of £93,000 were recognised in the income statement within cost of sales (2020: £259,000). No finished goods are held at fair value less cost to sell (2020: £nil).

20 Trade and other receivables

	Group		**Company**	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Trade receivables	**882**	818	**-**	-
Amounts owed by subsidiary undertakings	**-**	-	**455**	467
Prepayments and accrued income	**188**	192	**7**	7
Other debtors	**-**	-	**-**	-
	1,070	1,010	**462**	474

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 (2020: £nil).

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2021, trade receivables of £nil (2020: £37,000) 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:

	2021	2020
	£'000	£'000
Up to 3 months past due	**-**	37

Notes to the Group financial statements for the year ended 31 December 2021 (continued)

20 Trade and other receivables (continued)

As of 31 December 2021, £nil of trade receivables (2020: £nil) were impaired and provided for. No bad debt expenses (2020: £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	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Sterling	**1,070**	966	**462**	474
Euros	**-**	44	**-**	-
	1,070	1,010	**462**	474

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	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Cash at bank and in hand	**3,903**	3,177	**-**	-
Less: bank overdraft (included within borrowings note 24)	**(1,388)**	(1,256)	**(1,388)**	(1,256)
	2,515	1,921	**(1,388)**	(1,256)

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

touchstar plc

Notes to the Group financial statements for the year ended 31 December 2021 (continued)

22 Trade and other payables

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Trade payables	**462**	431	**15**	12
Other taxes and social security	**453**	477	**26**	178
Other payables	**50**	56	**-**	-
Customer deposits	**158**	61	**-**	-
Accruals	**209**	221	**53**	40
	1,332	1,246	**94**	230

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

23 Contract liabilities

	2021	2020
	£'000	£'000
At beginning of year	1,662	1,530
Invoiced	2,594	2,230
Released to income statement	(2,322)	(2,098)
At end of year	**1,934**	1,662

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

Due to be released within one year	**1,762**	1,485
Due to be released in more than one year	**172**	177

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 2021 (continued)

24 Borrowings

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Current borrowings:				
Bank overdraft	**1,388**	1,256	**1,388**	1,256
Other loans	**30**	15	**30**	15
	1,418	1,271	**1,418**	1,271

	Group		Company	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Non-current borrowings:				
Bank overdraft	**-**	-	**-**	-
Other loans	**105**	135	**105**	135
	105	135	**105**	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 2021, the Group had total committed undrawn facilities of £200,000 (2020: £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 2021, this represents the net cash balance of £2,515,000 (2020: £1,921,000) 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 commenced on the 12-month anniversary of drawdown, July 2021.

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.

touchstar plc

Notes to the Group financial statements for the year ended 31 December 2021 (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	**2021 £'000**	2020 £'000
Right-of-use assets			
Buildings		**274**	356
Vehicles		**125**	123
	16(b)	**399**	479

	2021 £'000	2020 £'000
Lease liabilities		
Current	**169**	163
Non-current	**242**	354
	411	517

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

Contractual undiscounted cash flows are due as follows:

	2021 £'000	2020 £'000
Lease liabilities (undiscounted)		
Not later than one year	**171**	171
Between one year and five years	**240**	357
	412	527

There is not considered to be any significant liquidity risk by the Group in respect of leases.

touchstar plc

Notes to the Group financial statements for the year ended 31 December 2021 (continued)

25 Leases

ii) Amounts recognised in the statement of profit or loss

	Notes	**2021** **£'000**	2020 £'000
Depreciation charge of right-of-use assets			
Buildings		**82**	82
Vehicles		**74**	71
	6	**156**	153

Notes to the Group financial statements for the year ended 31 December 2021 (continued)

25 Leases (continued)

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

	2021	2020
	£'000	£'000
Interest expense (included in finance cost)	**17**	18
Expense relating to short-term leases (included in administrative expenses)	**18**	25

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.
Share-based payment reserve	Provision for options granted under the Group Enterprise Management Incentive Scheme.
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 2021 and 31 December 2021	**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