**Registered Number SC005543**

touchstar plc

# Annual report and financial statements

# for the year ended 31 December 2023

touchstar plc

# Annual report and financial statements for the year ended 31 December 2023

## Contents

# Chairman's statement for the year ended 31 December 2023

The progress that Touchstar has made in the last few years ensures that the business continues to evolve with a clear strategy to drive organic growth and enhance our long-term market position. Strong operational delivery in 2023 has resulted in another period of improved financial performance. To build on this progress we remain committed to three things that run through the whole business. First, we will maintain the best customer service we can to our customers. Second, we will invest into our products, services and platforms to keep Touchstar relevant into the future. Finally, we will continue to work to gain operational efficiency, aligning our cost structure with our revenue growth.

## Capital Management - Dividend and Share Buybacks

The Board recommends a final ordinary dividend of 1.5p per share (FY22: nil). Together with the interim dividend of 1.0p (FY22: nil) paid in December 2023, this makes a total ordinary dividend for the year of 2.5p (FY22: nil). This is covered just over three times by underlying basic earnings per share and our aim is to increase the dividend in line with growth in earnings per share.

Subject to the approval of shareholders at the Annual General Meeting, the final ordinary dividend of 1.5p per share will be paid on 19 July 2024 to shareholders on the register on 21 June 2024. The ex-dividend date will be 20 June 2024.

The Company intends to continue purchasing its own shares, subject to the approval of shareholders at the Annual General Meeting. The Company has again budgeted for up to £300,000 for share buybacks in 2024 although the exact level will be dependent upon availability of shares and the price. The maximum price payable must not exceed 105% of the average of the closing middle market price per ordinary share for the previous five days.

## The Board

As previously reported, I have informed the board of my wish to stand down as a director and chair of the Company during 2024. Progress has been made to identify and recruit the right person to lead the next stage of development of the Company and to ensure a seamless transition.

## People

It is the people within the business that are central in the progress we continue to make, and I would like to thank them not just for their contribution this year but throughout my time as Chair. It has been a pleasure and a privilege.

## Looking Ahead

2023 was not a straightforward year and in some ways that makes it even more satisfying that we achieved the objectives we set ourselves. It gives us more confidence that the plans we have put in place will deliver in the future. Our strategy has clarity, we are in robust financial health, have good market positioning providing an opportunity for long term growth.

## Business review

The Group's operations remain focused on the logistics, transport distribution and secure access control markets. 2023 saw healthy activity levels in the business areas we operate in. This was largely due to customer adoption of the latest technologies and a consolidated push into cross selling between customers of all the products we supply. The fact that we offer a complete package within our areas means we can provide cost effective solutions whilst maintaining our margins.

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# Chairman's statement for the year ended 31 December 2023 (continued)

## Business review (continued)

We had some marked successes in our strategic plans. Sales outside of the UK showed a marked improvement over 2022. Sales in this market achieved just over £712,000, 9.8% of Turnover (FY22: £89,000, 1.3% of turnover) and was all associated with the Proof of Delivery solutions we supply. The sales were a mix of new and existing customers. We have a number of export opportunities in 2024 too.
2023 also saw the start of our planned expansion in the Access Control world. The marketing and supplying of fire alarm systems, and increased activity in promoting CCTV systems, helped to secure a large £250,000 installation of a CCTV system in the period at an existing client's factory. We continue to build on accessing Government department requirements and have recently signed up to a government backed portal that provides access to tenders within the national and local government.

For several years, Touchstar have adopted AI in its effort to increase capability and efficiency. Primarily utilised in the marketing department for content creation and blogging, we are now seeing AI evolving with big improvements in machine learning to provide a positive contribution to speedier product development. Whilst AI is not fool proof and can still produce challenges, it is envisaged productivity will be increased as it upskills our developers. The Microsoft engine we are adopting will allow us to maintain our IPR and operates within the cyber security of 27001 certification, as it utilises the Azure platform security policies. Post the period end Touchstar independently gained full Cyber Essentials plus certification, something demanded by customers and imperative for a software organisation.

## Financial results

Touchstar delivered a solid set of results in 2023. It was a year in which the business continued to make progress despite a benign economic background. Further improvement was made in financial performance highlighting the resilience of the business model our strategy has developed.

| | FY 23 | FY 22 | Variance |
|---|---|---|---|
| Revenue | £7,224,000 | £6,743,000 | +7.1% |
| Operating profit | £599,000 | £438,000 | +36.8% |
| Interest and finance costs | Received £76,000 | Cost (£16,000) | +£92,000 |
| Profit before tax | £675,000 | £422,000 | +60% |
| Tax | Charge (£36,000) | Credit £136,000 | (£172,000) |
| Profit after tax | £639,000 | £558,000 | +14.5% |
| Basic earnings per share | 7.63p | 6.58p | +16.0% |
| Dividend per share | 2.5p | nil | +2.5p |

Revenue increased 7.1% to £7,224,000 (FY22: £6,743,000). Growth was driven by new customers gains and upgrading by the existing customer base. The larger petrochemical distribution installations were predominately weighted in the first half of 2023, a change from the prior year.

| | FY 23 | FY 22 | % Change |
|---|---|---|---|
| Recurring revenue | £2,921,000 | £2,687,000 | +8.7% |

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# Chairman's statement for the year ended 31 December 2023 (continued)

## Financial results (continued)

Growth in recurring revenue, as expected, outpaced the overall rate of growth in total sales. For 2023 recurring revenue represented 40.4% of total sales ( FY22: 39.8%). The business strategy is to continue to build the level of recurring revenues in both absolute terms and in relation to total sales.

| | H1 23 | H2 23 | FY 23 | H1 22 | H2 22 | FY 22 | FY23 on FY22 Change |
|---|---|---|---|---|---|---|---|
| Gross margin | 55.4 % | 63.6% | 59.3% | 59.8% | 63.3% | 61.7% | (240 basis points) |

Gross Margins regularised in the second half of 2023 as the distorting effects of the low margin sale previously reported in H1 23, which flattered revenue in H1 23 but reduced overall margin, worked through the financials. It is pleasing to report that, as expected, Gross Margins returned to a trend of underlying improvement, rising to 63.6% in H2 23 ( H2 22 : 63.3%).

| | FY 23 | FY 22 | % Change |
|---|---|---|---|
| Administrative expenses | £3,637,000 | £3,676,000 | (1.1%) |

A tight control was kept on overheads, the business realised productivity improvement and managed higher revenues from a lower expense base.

Profitability accelerated in the second half of 2023 as margins regularised and expenses were controlled, allowing revenue growth to flow to the bottom line. Pre-tax profits rose by 60% to £675,000 (FY22: £422,000).

After a long period of receiving the benefits of tax credits Touchstar became a tax paying entity in 2023. A tax charge of £36,000 (FY 22: tax credit £136,000) resulted in a more modest rise in FY 23 post-tax profits of 14.5% to £639,000 (FY 22: £558,000).

Earnings per share rose by 16.0% to 7.63p in FY 23 (FY 22: 6.58p) driven by greatly improved profitability further enhanced by the positive effects of our share buyback programme. The company bought back a total of 275,000 shares in 2023 (FY22: nil) at a total cost of £252,000 ( average cost per share of 91p). The total number of shares with voting rights was therefore reduced to 8,200,277(FY22 : 8,475,277)

EBITDA remained solid in 2023 at £1,336,000 ( FY 22 : £1,334,000) as the increase in operating profit of £161,000 was negated by the decrease in depreciation and amortisation.

| | FY 23 | FY 22 | Change |
|---|---|---|---|
| Operating Profit before interest and tax | £599,000 | £438,000 | +£161,000 |
| Amortisation | £532,000 | £677,000 | (£145,000) |
| Depreciation – owned assets | £46,000 | £60,000 | (£14,000) |
| Depreciation – leased assets | £159,000 | £159,000 | nil |
| Spend on Research and Development (R&D) | £972,000 | £1,029,000 | (£57,000) |
| R & D Capitalisation | £583,000 | £565,000 | +£18,000 |

Amortisation and depreciation release in 2023 was £737,000, a much lower level than the £896,000 in 2022 as historical high CAPEX spend in 2018 on subcontracted services and in the ERP system has all been fully depreciated. CAPEX spending on R & D is expected to increase again but not to return to FY 18 levels.

# Chairman's statement for the year ended 31 December 2023 (continued)

## Financial results (continued)

| | FY 23 | FY 22 | Change |
|---|---|---|---|
| Cash net of overdraft | £3,005,000 | £3,476,000 | (£471,000) |
| Cash per Share | 36.6p | 41.0p | (4.4p) |
| Cash returned to shareholders | £334,000 | nil | +£334,000 |

The balance sheet remains strong. Cash and cash per share at year end was lower than the prior year due to three reasons. First, in 2023 the Company returned £334,000 to shareholder (FY22: nil) through share buybacks costing £252,000 and a dividend paid costing £82,000. Secondly, a delayed customer go-live date deferred until 2024 and therefore delay in recognising recurring revenue, and thirdly some customer payments received in early January 2024 rather than December 2023.

The order book, which we now report inclusive of recurring revenues due in the forthcoming year, stood at £3,611,000 at the year end (FY22: £4,441,000) . This is made up of contracted recurring revenue due of £2,917,000 (FY22: £2,823,000) and new orders of £694,000 (FY22: £1,618,000). We have noticed that customers have returned to more of a "just in time" behaviour rather than a more aggressive order placement strategy seen in the period of heightened supply chain concerns.

## Current trading and outlook

The Board's expectation for 2024 remains unchanged. The year has started to plan and if it continues 2024 should be another year of:

- growth in revenue;
- recurring revenue growth outpacing total revenue growth;
- margins at a healthy level;
- project sales to be second half weighted;
- cash to be generated by the operations;
- investment in future growth prospects;
- preservation of a solid balance sheet; and
- progressive dividend to shareholders.

In addition, the Board aims to continue to build its overseas business. Overseas revenue accounted for 9.8% of total revenue in FY23 (FY 22: 1.3%).

Our strong financial position continues to support our organic growth plans. We will maintain the discipline that has delivered profitable growth and good capital returns to date. We remain confident in the future.

**I Martin**
**Chairman**
**16 April 2024**

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# Strategic report for the year ended 31 December 2023

## Business review and principal activities

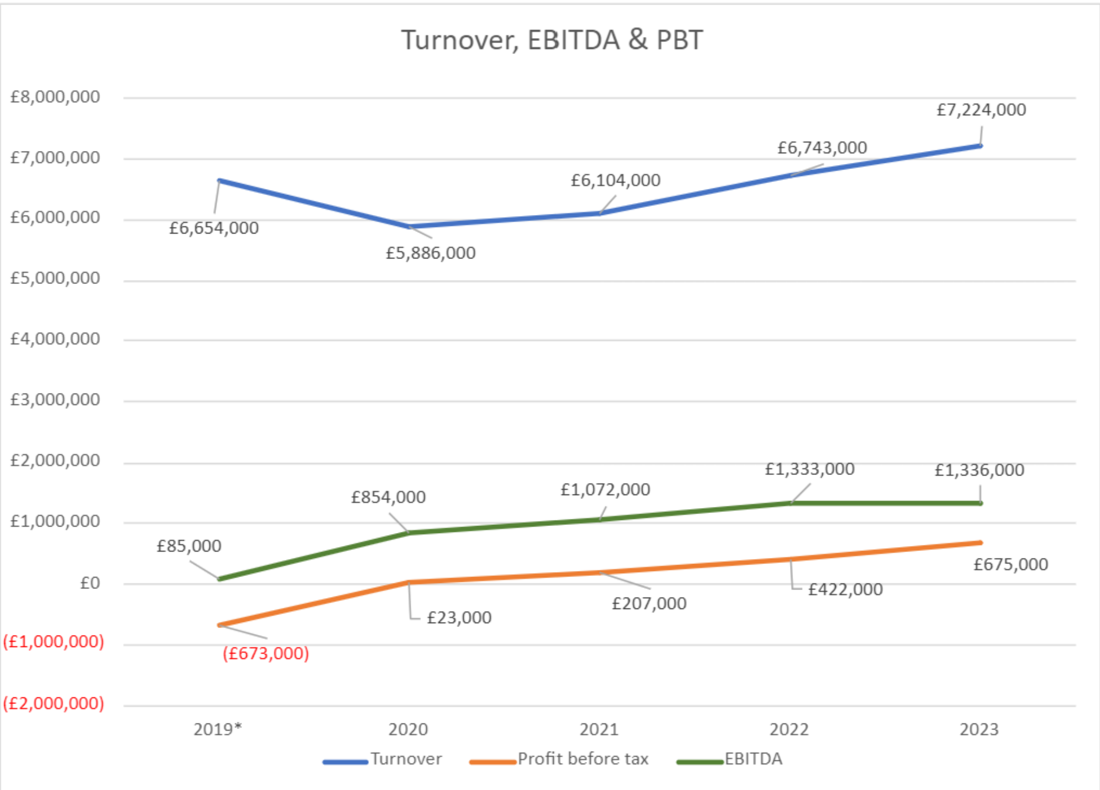
The Group supplies, installs and maintains licenced software applications and hardware solutions for mobile applications in the transport, logistics and access control industries. We continue to develop and enhance the Group's product portfolio and whilst we supply our core and the more traditional product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

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

### Turnover & Profitability

A year-on-year steady improvement in sales & profitability. This bodes well for the future of the business, with more profitable revenue streams replacing lesser margin revenue types.

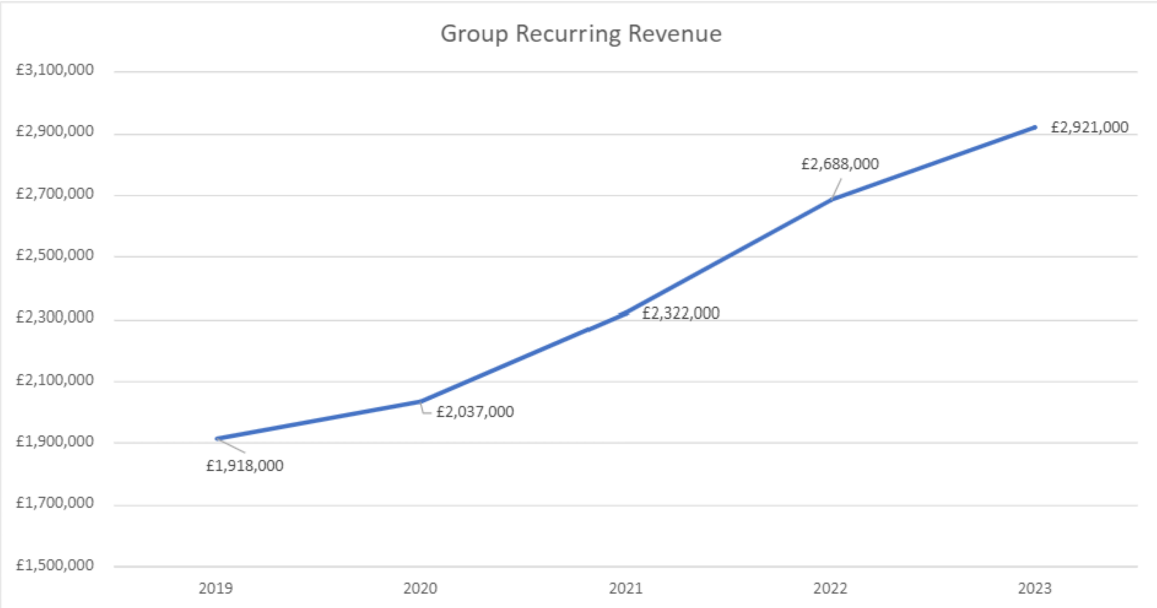
The business sales turnover grew at 7.1% over 2022. Cash generation also continues to remain healthy with the Group's year-end cash position a little over £3.0 million, after paying a dividend in the year and transacting share buy backs. The business made £675,000 profit before tax, a 60% increase over the 2022 pre-tax profit of £422,000. EBITDA remained at a similar level to 2022, largely due to some increase in staffing costs and product mix variation.



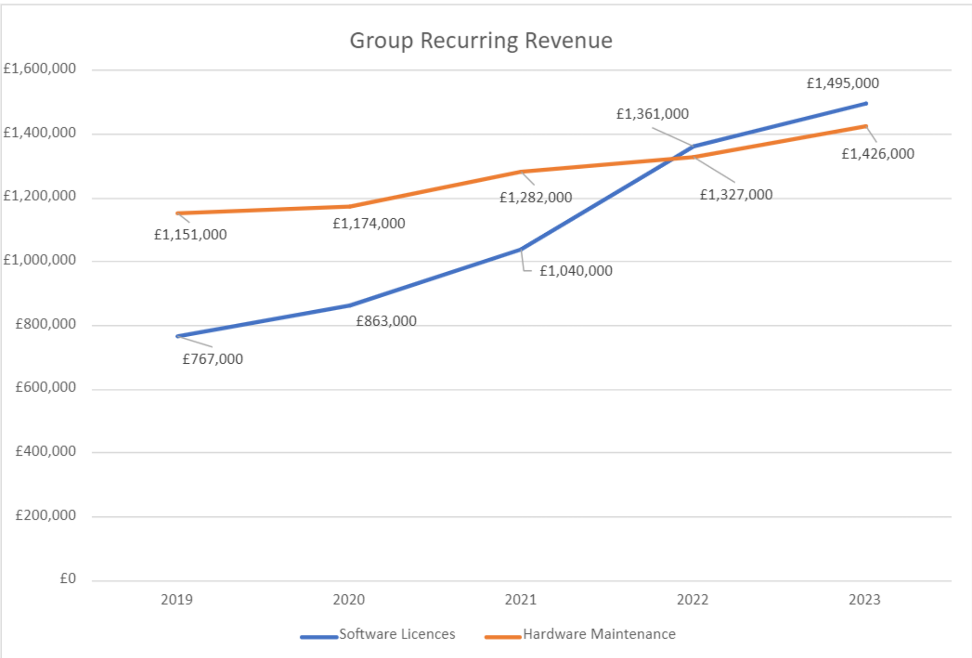

** continuing operations*

## Recurring Revenue

Recurring revenue is now the valuable asset we all envisaged, following our strategic review in 2018. 2023 saw total recurring revenue increase by an additional 9% - a continuing and positive trend. This success is making a positive impact into the performance and underlying value of the business. In 2023, the Group's recurring revenue equated to 40% of turnover.



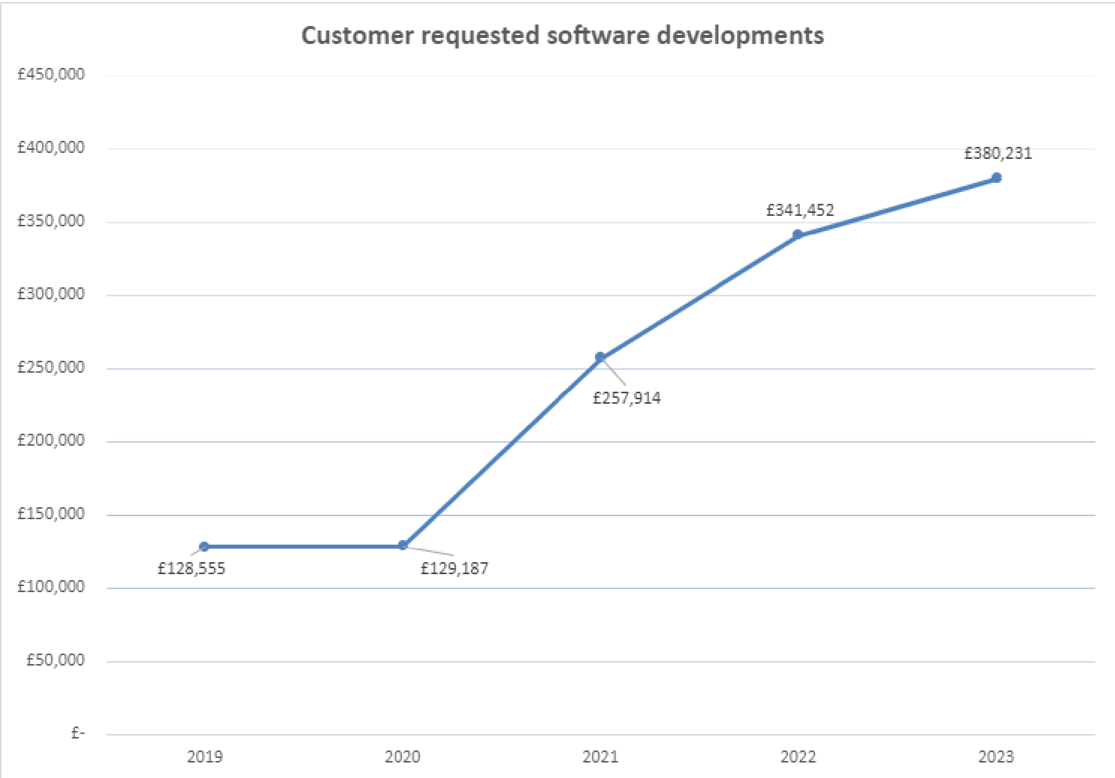

Whilst the Group enjoyed an increase of 8.7% in total recurring revenue over the previous year, the predominant impact in growth of this type of profitable revenue continues to be in the form of software licences, a key strategic objective. Importantly, it is positive that both forms of revenue remain steady and growing healthily – the embodiment of a total managed serviced offering.



# Strategic report for the year ended 31 December 2023 (continued)

## Software development and configuration services

As we embrace in house IPR owned solutions, the product evolves as we add more customers. This allows us to control our own direction and develop the product and modules to be a more powerful product set for the marketplace. The move to in house development has allowed us to continue increasing the sales of bespoke software development and support services, as customers require tweaks and modifications to our standard products to suit their operation. The chart below illustrates the increases in chargeable software development and support over previous years.




## Gross Margin

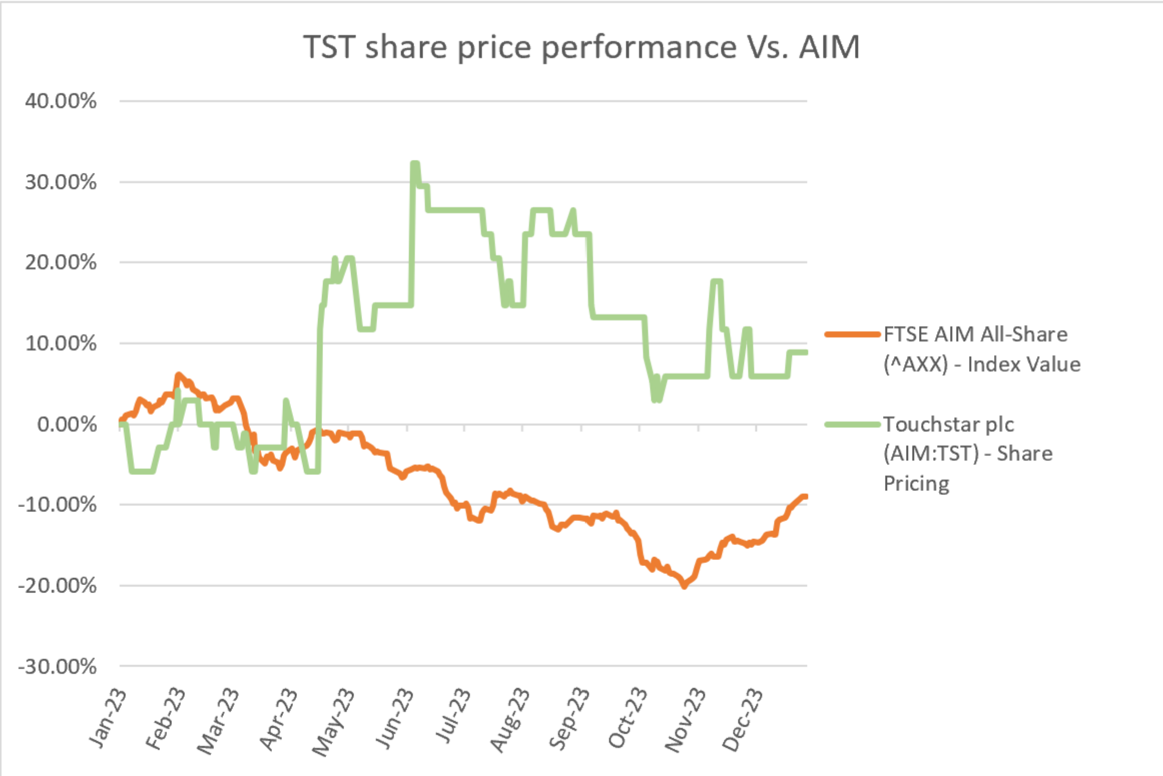
The combination of the increases in recurring and the above software development revenues continues to provide a healthy gross margin for the Company, of 59.3% % of Group turnover in 2023 up from a little over 51% five years ago.

# Strategic report for the year ended 31 December 2023 (continued)

### Shareholder Value

As our stock is openly traded on the London Stock Exchange, and enhancing shareholder value is a key element within the Company's strategy. EPS increased to 7.63 pence, up from 6.58 pence in 2022, a continued positive trend from five years ago when the EPS was in a negative position.

This increasing valuation of the businesses KPIs, has allowed the Touchstar share price to continue to outperform its peers on the London Stock Exchange (AIM). The share price movement during the trading year of 2023 increased a modest 9% up again from the 13% gain in the previous year. The price at the end of the year settled at 92.5 pence a share having peaked at over £1.10 during the year.




## 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.

2023 saw a healthy activity in the business sectors we operate in, largely due to customer adoption of the latest technologies and a consolidated push into cross selling between customers of all the products we supply. The fact that we offer a complete package within our areas means we can provide costs effective solutions whilst maintaining our margins.

## Business environment (continued)

Our in-house developed cloud-based software solutions and services, continue to play a massive role in the Group's development and success. Combined one stop solution, continues to be a key differentiator in the market and has assisted in our growth.

The Group's Access Control Systems for industrial and retail environments continue to improve and customer loyalty is a reward of our support ethos. We have expanded our offerings to include other features within access security, such as car number plate recognition, the integration of facial recognition door entry devices and CCTV solutions.

## Strategy

The Group's overriding strategy is to achieve attractive and sustainable rates of growth and returns through organic means, by providing a continually developing and relevant product set to the market. The Group is in a stronger position to build on non-organic growth, as our cash reserve grows and our credibility strengthens, an acquisition of either a product or a company in the relevant fields we specialise, will be considered seriously.

### Expanding the sales opportunities with product additions and geographic penetration

Touchstar had a strong result in 2023, with sales outside the UK. Sales in this market achieved just over £700,000 where in 2022 this figure was £89,000. The sales were a mix of new and existing customers. We also have a number of export opportunities for 2024. Touchstar is exploring the US market in 2024, with some modest expenditure in promotion, that will allow us to assess activity and potential for Touchstar product in this market.

Touchstar has been active in expanding the product sets in certain areas of our business. 2023 saw the start of our expansion in the Access Control market with marketing and supplying fire alarm systems, and increased activity in promoting CCTV systems, which followed on from our successes in the previous year. This resulted with a large £250,000 installation of a CCTV system in 2023, to an existing client's factory.

We continue to build on accessing Government department requirements and have signed up to a government backed portal that provides access to tenders within the national and local government. These government contracts tend to be larger than the norm within the industry.

### Utilising AI in the Touchstar company development

For several years, Touchstar has adopted AI in its effort to increase capability and efficiency. Primarily utilised in the marketing department for content creation and blogging, we have seen an uplift in our ability to feed more news into the marketplace.

More recently as AI evolves and with improvements in the machine learning of AI, we are now seeing a positive contribution evolving to allow speedier product development. Touchstar has commenced the analysis for the adoption of AI in the assisting of software code development. Whilst AI is not full proof and can still produce challenges, it is envisaged productivity will be increased as it upskills our developers. Touchstar, with the adoption of the Microsoft tool, GitHub copilot, utilising Azure based technologies (Azure being the cloud hosted by Microsoft and adopted by Touchstar for their product set), can make some real productivity gains by reducing development times in the software department.

## Strategy (continued)

### Utilising AI in the Touchstar company development (continued)

The AI Github engine works as a coding assistant for the developer, it scans code and suggests more effective ways to write or construct it, thereby reducing bugs and frustrations for developers. The checking of the code also optimises best practise development and checks for security lapses to eliminate weaknesses in the code constructs. The adoption of the Microsoft Github was largely driven by its utilisation of the Azure security encryption scripts and thus compliant with Touchstar's present Cyber security policies. The Git hub is compliant with ISO27001 security principles and policy.

Another important aspect of adopting Github co-pilot from Microsoft is all software developed with the engine remain the IPR of Touchstar – eliminating copycat software. All software developed with the Github engine remains private and does not enter the public domain unlike the usual **AI** model.

### Organic growth

We continue to secure new customers, which adds to the user base. The introduction of new products and the implementation of new modules and adopting latest technologies results enables a continued push for organic growth of the sales revenue line. The Directors are confident this approach will continue to generate additional sales revenues and further secure our position in a competitive market.

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

To augment further organic growth, we have embarked on expanding sales outside the UK mainland with sales and marketing initiatives in specific regions, where we believe we can get the quickest wins. These are predominantly activities in Europe, but modest investment in promotion is being adopted for the US market place.

We are looking to a partner channel increase awareness to end users in certain product sets. This will also will assist in us entering new applications by utilising our existing product set.

### Product range

The Group product range includes elements in three core areas; 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 superior to the competition, who typically rely on elements of third-party product to construct their solution and aftersales support programme.

## 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. The principal risks are summarised below:

### *1. People*

The principal asset of the Group is the commitment and skill of its people. A loss or failure to attract key personnel could impact the ability of the Group to execute on its strategy, causing adverse reputational, operational and financial challenges. This is an ongoing risk due to shortage of talent. This might make it more difficult to recruit and retain talent to support our growth plans. 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 incentive 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 current business and how they may be incorporated in designs of future product offerings.

### *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 external global economic challenges 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 2023 approximately £740,000 (2022: £800,000) of the consolidated entity's external revenue was derived from sales to one customer, although this was not deemed of critical importance to the ongoing success of the Group. This customer accounts for 10% of the Group revenue and is a mixture of recurring revenue and ad-hoc orders.

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

## Principal risks and uncertainties (continued)

*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 25.

## Corporate responsibilities

The global events over recent years has highlighted more than ever the need for businesses to operate in a socially responsible and environmentally sustainable way and to look after their staff by providing a safe working environment. Touchstar conducts its activities to the highest ethical standards and expect customers and suppliers to embrace these same principles.

### Environment

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.

The Group aims to do this by abiding by the requirements of accepted international standards and codes of practice which affect the sectors in which the businesses operate, minimise consumption through recycling or reuse of materials where possible and encouraging efficient use of energy and utilities throughout the business.

Touchstar is actively replacing its existing motor fleet with a combination of hybrid and fully electric vehicles, where practical, along with the installation of electric charging points at its head office in Manchester.

### Colleagues

Touchstar's key asset is its employees. The Group holds in high regard and actively encourages teamwork, striving to take personal responsibility, having a constructive attitudes, and working hard to deliver positive results for customers, colleagues and stakeholders alike. Personal training and development is encouraged, creating a more sustainable workforce and is very proud of its low attrition rates with the average length of tenure being over 10 years.

## Ethical business practices

**Human Rights**
Touchstar fully recognises and supports the protection of Human Rights, The Bill of Human Rights and the Core Conventions in International Labour Organisation (ILO), which have been supplemented by additional nationally granted rights.

# Strategic report for the year ended 31 December 2023 (continued)

## Ethical business practices (continued)

**Anti-corruption and bribery**
It is the Group's policy to conduct all its business in an honest and ethical manner. It takes a zero-tolerance approach to bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships wherever it operates - implementing and enforcing effective systems to counter bribery.

Touchstar will uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which it operates. As a UK plc, the Group remains bound by the laws of the UK, including the Bribery Act 2010, in respect of its conduct.

**Modern slavery**
Touchstar has a zero-tolerance approach to modern slavery and will act ethically and with integrity in all its business dealings and relationships.

**Diversity and inclusion**
Creating a diverse, inclusive, and positive place for colleagues to work is a core focus for the Group. It also fosters an environment that enhances innovation, creativity, and productivity.

In order to provide equal employment and advancement opportunities to all individuals, employment decisions at Touchstar are based on merit, qualifications and abilities.

Except where required by law, employment practices will not be influenced or affected by an applicant's or employee's race, colour, religion, gender, national origin, political affiliation, marital status, sexual orientation, age, or any other characteristic protected by law. This policy governs all aspects of employment, including selection, job assignment, compensation, discipline, termination, and access to benefits and training.

**Health & safety**
Touchstar is committed to maintaining high standards of health and safety. Following on from the Group's response to the global pandemic it remains committed to ensuring the physical safety and positive mental health of all colleagues now and in the future. Where at all possible employees are offered hybrid working.

**Social**
As a technology business, the Group’s success is built on the intellectual capital of our people, and the pride they feel in working for the Group. The aim of the management team is to enable, empower and strengthen our employees through the creation of a positive working culture in which employees feel engaged and motivated.

As a people-led, technology-driven business, innovation is driven from personal interaction throughout the Group. A combination of home and office working, in which employees are able to work from home, but also come into the office in teams so as to foster relationship building, personal development and creative interaction. We have found hybrid working to be an essential component of our employer offering with both existing and potential employees viewing it as a key factor in joining and staying with Touchstar.

# Strategic report for the year ended 31 December 2023 (continued)

## 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  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.

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.

**Section 172 Statement (continued)**

| Stakeholder | Why we engage | How we engage and decisions made |
|---|---|---|
| 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<br>• Annual Report<br>• Group website<br>• Shareholder circulars<br>• AGM<br>• RNS announcements<br>• Press releases<br>• Re-introduction of progressive dividend payment<br>• Share buy-backs approved and initiated<br>• Drive to increase shareholder earnings via a year on year increase in Earning per Share |
| 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<br>• Continue to provide competitive rewards packages<br>• Encouraging employee training and development<br>• Flat structure communication with Board<br>• Provide flexible working conditions and support |
| 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<br>• RNS announcements<br>• Annual Report<br>• Direct contact with regulators<br>• Compliance updates at Board Meetings<br>• Consistent risk review |

## Section 172 Statement (continued)

| Stakeholder | Why we engage | How we engage and decisions made |
|---|---|---|
| **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<br>• Dedicated team for Client Services and Operations to ensure consumer concerns are addressed<br>• 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.<br>• Relationships with suppliers allow the ongoing review and monitoring of their performance levels |

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

# Strategic report for the year ended 31 December 2023 (continued)

## Key performance indicators

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

| Annual Recurring Revenue £2,921,000 | ARR as a % of Total Revenue 40.4% | Total Revenue Sales and order pipeline £7,224,000 |
|---|---|---|
| ARR is an important metric as it is an indicator of valuation of software companies. Investors value the certainty of knowing that there is consistent revenue which will recur year after year from customers who derive benefit from Touchstar's products.<br>Recurring revenue has again increased by 8.7% on 2022 £2,688,000. | ARR as a % of total revenue indicates our progress to improve the quality of revenues by making a higher percentage of them recurring revenues. This includes the upgrade of customers from the legacy CE software to innovative cloud-based environment integrating with our Android applications as well as adding new customers on a term licence ARR basis, whilst still offering the traditional hardware/support maintenance contracts, providing a customer with an end-to-end solution. | Turnover in 2023 increase by 7.1% from £6,743,000 in 2022. Sales and order pipeline is an important KPI. The management actively monitor this 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 ARR. |
| **EPS 7.63p** | **Dividend 2.5p** | **Cash £3,005,000** |
| This KPI provides the shareholder with a return value on their investment. Over the past 5 years this KPI has increased consistently from negative 5.91p to a return of 7.63p, an increase of 13.54p per share. | It has been over 10 years since the Company was in a position to pay dividends, the Board's confidence in the future is reflected in the recent dividend return to shareholders. The dividend is a key metric, as many shareholders value a cash payment distribution. This metric is one that is considered extensively by the Board and balanced against the need to invest surplus cash into growing the business. | Cash is a key metric as it provides assurance on our ability to invest to grow the business as well as provide returns to our shareholders in the form of dividends and share buy-backs. It is also a comfort to customers from a vendor risk perspective. |

# Strategic report for the year ended 31 December 2023 (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 continuing global challenges.

**On behalf of the board**

**M W Hardy**
**Chief Executive Officer**
**16 April 2024**

touchstar plc

# Statement of Corporate governance

## 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.

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.

# Statement of Corporate governance (continued)

## Board of directors

During 2023 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.
N Rourke was appointed director on 12 December 2023 increasing the number of executive directors to two.

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.

There were five Board meeting held during the year. All members required to attend the relevant meeting did attend except for 6 December where Mark Hardy could not attend, a follow up meeting was held on 19 December at which all directors were in attendance.

Details of remuneration paid to each director during the year can be found in note 8.

# Statement of Corporate governance (continued)

## 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.

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 and responsibility

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.

# Statement of Corporate governance (continued)

## 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 2023.

## 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.

### N M Rourke – Chief Finance Officer

Natasha is a certified accountant, a fellow member of ACCA with 20 years' experience within the Group. Prior to joining Touchstar, Natasha spent 17 years in audit practice.

# Audit Committee report for the year ended 31 December 2023

Audit Committee membership

- John Christmas (Chair)
- Ian Martin

I am pleased to present the report of the Audit Committee for the year ended 31 December 2023.

The Audit Committee comprises two Non-Executive Directors of the Company, both of whom served for the entirety of the year. The Committee is chaired by myself, John Christmas and met once during the year under review. It operates under formal terms of reference, which are available on request from the Company Secretary or at the AGM. The Committee provides a forum for reporting by the Group's auditors. By invitation, the meetings are also attended by the CEO and CFO.

The Audit Committee is responsible for reviewing a wide range of financial matters including ensuring that the financial performance of the Group is adequately measured and controlled, correctly represented, reported to, and understood by the Board. The Audit Committee advises the Board on the appointment of external auditors and on their remuneration, both for audit and non-audit work, and discusses the nature and scope of their audit.

The Audit Committee liaises with the auditors at least once a year without any Executive Directors present.

The Audit Committee includes one financially qualified member as recognised by the Consultative Committee of Accountancy Bodies. All Audit Committee members are expected to be financially literate. Following the above, the Audit Committee has recommended to the Board that Haysmacintyre LLP is re-appointed.

The two main issues that the Audit Committee are concerned with are in relation to revenue recognition and the carrying value of intangible assets being development costs. The Committee review the Group's revenue recognition policies to ensure they are compliant with current accounting standards. In addition, the Committee monitors the intangible carrying value in the Group for any indications of impairment.

Auditor Independence

To ensure auditor independence, consideration is given to their integrity and the objective approach of the audit process. The use of non-audit services is not considered to be significant, and amounts paid in respect of these are disclosed in note 6.

I am satisfied that the Committee has satisfactorily discharged its duties in the year in accordance with its terms of reference, which are reviewed annually.

John Christmas
Chair of the Audit Committee
16 April 2024

touchstar plc

# Remuneration Committee report for the year ended 31 December 2023

Remuneration Committee membership

- Ian Martin (Chair)
- John Christmas

I am pleased to present the report of the Remuneration Committee for the year ended 31 December 2023.

The Remuneration Committee comprises two Non-Executive Directors of the Company, both of whom served for the entirety of the year. The Committee is chaired by myself, Ian Martin and met once during the year under review. It is responsible for reviewing and determining the policy of the Group on executive remuneration including specific remuneration packages for each of the Executive members of the Board, pension rights and compensation payments. The Committee is also responsible for monitoring compliance with the implementation by the Group of the legal requirements and, so far as reasonably practical, recommendations and guidelines relating to Directors' remuneration.

None of the Committee has any personal financial interest (other than as shareholders or as noted in the Directors' report), conflicts of interests arising from cross- directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board. No Director plays any part in any discussion about his or her own remuneration.

For 2023, the Remuneration Committee has continued to operate a simple remuneration structure made up of basic salary, pensions and benefits, annual performance-related bonuses, and share options. As in prior years, a proportion of executive remuneration has been based on performance, designed to align executive pay with shareholder interests. In this respect, the Committee has assessed the performance of the Executive Director for the year reported against the targets set a year ago, set performance targets for the following financial year and made recommendations to the Board on the overall packages for the Executive Directors.

Following the shareholder approval granted at our 2020 AGM, the third of four grants under the Long-Term Incentive Plan (LTIP) was issued early January 2024. Providing further alignment with wider shareholder experience, these will vest two/three years after grant, subject to the satisfaction of performance criteria based on Total Shareholder Return (TSR) and growth in recurring revenue over the same period. See note 8 for details of remuneration paid and options issued to directors during the period.

I am satisfied that the Committee has appropriately discharged its duties in the year in accordance with its responsibilities and encourage you to read the Directors Remuneration Report on the following pages.

Ian Martin
Chair of the Remuneration Committee
16 April 2024

# Directors’ report for the year ended 31 December 2023

The directors present their annual report and the audited financial statements of the Group for the year ended 31 December 2023 which should be read in conjunction with the Strategic Report on pages 5 to 18. The Corporate Governance Statement set out on pages 19 to 22 forms part of this report.

## Incorporation

Touchstar plc is a company incorporated in Scotland and its registered number is SC005543.

## Dividends

An interim dividend of 1p per share was paid on 7 December 2023 (2022: £Nil). The directors are recommending a final dividend of 1.5p per share (2022: £Nil).

## Purchase of own shares

The Group purchased 275,000 of its own shares during 2023, these are being held in treasury (2022: Nil).

## Shares issued during the year

No shares were issued in 2023.

## 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 £972,000 (2022: £1,029,000), of which £583,000 (2022: £565,000) has been capitalised.

## Post balance sheet event

On 4 January 2024 the Group issued 211,000 share options (note 29).

## Future outlook

The Group's future outlook and opportunities are referred to in the Strategic report on page 5.

## Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out above and the risks and uncertainties summarised. The Group and Company has sufficient financial resources to cover budgeted future cash-flows and has contracts in place with customers and suppliers across different geographic areas and industries. As a consequence of these factors, the Directors believe that the Group is well placed to manage its business risks successfully.

Having reviewed the future plans and projections for the business, the Directors believe that the Group and Company and its subsidiary undertakings have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. Refer to note 2.1 Basis of preparation for further details.

In accordance with the Companies Act s414 c(11) information in relation to the business and risks is shown in the Strategic Report.

## 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' report for the year ended 31 December 2023 (continued)

## 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.

## Substantial shareholdings

As of 27 March 2024, 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 | 830,250 | 10.1% |
| Interactive Investor Services Ltd | 1,237,023 | 15.1% |
| Thomas William George Charlton | 935,000 | 11.4% |
| Robert & Virginia Millington | 575,802 | 7.0% |
| Charles Stanley & Co | 534,792 | 6.5% |
| Killik & Co | 409,000 | 5.0% |
| R D McDougall | 368,500 | 4.5% |
| Hargreaves Lansdown Stockbrokers | 385,756 | 4.7% |
| Unicorn Asset Management | 289,995 | 3.5% |

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.

## 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

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.

# Directors' report for the year ended 31 December 2023 (continued)

## Financial risk management (continued)

**(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 2023 there were no significant concentrations of credit risk (2022: £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.

**(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 2023** | **Less than one year £'000** | **Between one and four years £'000** |
|---|---|---|
| **Trade and other payables** (note 23) | **1,191** | **-** |

| At 31 December 2022 | | |
|---|---|---|
| Bank overdraft | 985 | - |
| Trade and other payables | 1,491 | - |

# Directors' report for the year ended 31 December 2023 (continued)

## 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.

The gearing ratios at 31 December 2023 and 2022 were as follows:

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| Net debt | **-** | - |
| Total equity | **3,263** | 2,933 |
| Total capital | **3,263** | 2,933 |
| **Gearing ratio** | **-%** | -% |

As at 31 December 2023, borrowings (which constitute PLC bank overdraft) 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 (2022 - 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.

# Directors’ report for the year ended 31 December 2023 (continued)

## 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**
**16 April 2024**

# 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 United Kingdom and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom. 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 United Kingdom have been followed for the Group financial statements and IFRSs as adopted by the United Kingdom 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 United Kingdom, 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 United Kingdom, 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**
**16 April 2024**

# 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 2023 which comprise the Consolidated income statement, the Consolidated and Company statements of financial position, the Consolidated and Company statement of changes in equity, the Consolidated and Company statements of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and 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 2023 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 obtained sufficient appropriate audit evidence 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 the group operates.

The Group comprises three financially significant companies: two principal trading companies and one holding company, all of which are based in the UK and constitute full scope audit components. We performed audits of the three components 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.

**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.

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

| Key Audit Matter | How our scope addressed this matter |
| --- | --- |
| ***Recoverability of capitalised development costs***<br><br>The Group recognises intangible assets of £1,137,000 (2022: £1,087,000). This represents costs incurred on development projects that are assessed to meet the criteria as set out in 'IAS 38: Intangible assets'.<br><br>The decision whether to capitalise and how to determine the period of economic benefit requires judgement, including an assessment of the commercial viability of the project, and the prospect of future sales.<br><br>There is a risk that development costs have been inappropriately capitalised and therefore intangibles assets are materially overstated. | Costs capitalised represent both internal staff time costs capitalised, as well as third party costs. These costs are allocated on a project basis.<br><br>For a sample of material internal staff costs capitalised, we have gained an understanding of the employees' specific roles and work, and the allocation of that work between project development and other activities.<br><br>To assess the appropriateness of these capitalised amounts we have discussed and challenged these allocations with management and with individual employees.<br><br>Salaries of staff engaged in development activities were substantively tested by cross checking to audited payroll reports.<br><br>A sample of third-party costs capitalised have been agreed to supporting documentation including understanding the appropriateness of capitalising 100% of time where applicable. The nature of these costs has been tested to confirm they are used in viable projects and that the underlying work meets development cost capitalisation criteria.<br><br>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.<br><br>We have critically examined management's evaluation of the commercial feasibility of each ongoing project, to assess whether the capitalized costs are recoverable and to identify any indications of impairment. |
| ***Revenue recognition***<br><br>The Group recognised revenue of £7,224,000 (2022: £6,743,000) in the year.<br><br>There is a risk that revenue is recognised inappropriately and not in accordance with IFRS 15.<br><br>There is a cut-off risk with incentives to overstate revenue near or around year end and consider Q4 sales to be exposed to error. | We substantively tested a sample of revenue transactions to assess the recognition of the revenue streams in line with IFRS 15.<br><br>As part of this assessment we examined appropriate supporting document to evidence satisfaction of the performance obligations by the group. In addition, the sampled revenue entries were agreed to cash receipts per the bank statements. We noted there were no changes on revenue recognition policy from prior year.<br><br>The revenue per the company's bill and hold arrangements was agreed to an external customer confirmation to ascertain the necessary attributes that support the satisfaction of the performance obligations for such arrangements.<br><br>For significant customers identified in the year, we have separately assessed the revenue recognition in line with IFRS 15 criteria.<br><br>We used data analytics identify unusual double entry pairings impacting revenue to cash flow of transactions for the year.<br><br>We performed testing over cut-off and also recalculated and corroborated a sample of deferred revenue items for occurrence and completeness. |

# 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*** | £145,000 (2022: £133,000). | £25,750 (2022: £38,750). |
| ***Performance materiality*** | £87,000 (2022: £99,600) | £15,450 (2022: £29,000) |
| ***How we determined it*** | 2% of forecasted revenue (2022: 2% of forecasted revenue) | 5% of forecasted equity (2022: 5% forecasted equity). |
| ***Rationale for benchmark applied*** | Revenue has been used as the benchmark of materiality as this is a key KPI of the growing business to increase recurring revenue.<br>Furthermore, AIM institutional and retail shareholders will base some of their decisions on consensus forecasts and how the company is performing against these with revenue and adjusted profit being the main drivers of the forecasts.<br>Performance materiality is used to detect errors at a higher precision level and has been based on 60% (2022: 75%) of draft overall materiality The performance materiality percentages takes into account the risk profile of an AIM listed group. | We believe that equity 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. Equity is a generally accepted auditing benchmark.<br>Performance materiality is used to detect errors at a higher precision level and has been based on 60% (2022: 75%) of draft overall materiality. The performance materiality percentage takes into account the risk profile of an AIM listed group. |

**Conclusions relating to going concern**
In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the director's assessment of the entity's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and reviewing the cash flow forecasts and budgets produced by management
- Reviewing the mathematical accuracy of the budgets
- Reviewing the management's forecasts in light of our understanding of the business and current wider economic conditions and challenging the key assumptions within the forecasts
- Considering and assessing the appropriateness of management's sensitivities and testing resilience of these to an unfavourable future operation scenario.

The key observations of our assessment are that the Group has generated sufficient cash resources to counter the impact of reasonably adverse financial performance scenarios. This ensures that it can continue its operations as a going concern without recourse to external funding.

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.

# 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 30, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

touchstar plc

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

**Auditor's responsibilities for the audit of the financial statements (continued)**
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

**Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud**
Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory requirements for the company and trade regulations such as health and 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, income 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 to revenue and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Inquiries with nominated advisors for any known non-compliance;
- 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;
- Evaluating management's controls designed to prevent and detect irregularities;
- Identifying and testing accounting journal entries, in particular those journal entries in particular for the final quarter of the year which exhibited the characteristics we had identified as possible indicators of irregularities; and
- Challenging assumptions and judgements made by management in their critical accounting estimates

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.

Laura Mott

**Laura Mott (Senior Statutory Auditor)**
**For and on behalf of Haysmacintyre LLP, Statutory Auditors**
**16 April 2024**

**10 Queen Street Place**
**London**
**EC4R 1AG**

## Consolidated income statement for the year ended 31 December 2023

| | Note | 2023 £'000 | 2022 £'000 |
|---|---|---|---|
| Revenue | 4 | **7,224** | 6,743 |
| Cost of sales | | **(2,937)** | (2,583) |
| **Gross profit** | | **4,287** | 4,160 |
| Distribution costs | | **(51)** | (46) |
| Administrative expenses | | **(3,637)** | (3,676) |
| Operating profit before share-based payment provision | | **658** | 490 |
| Share-based payment provision included in administrative expenses | 7(b) | **(59)** | (52) |
| **Operating profit** | 5 | **599** | 438 |
| Finance income | 10 | **85** | - |
| Finance costs | 10 | **(9)** | (16) |
| **Profit before income tax** | | **675** | 422 |
| Income tax (charge)/credit | 11 | **(36)** | 136 |
| **Profit for the year attributable to the owners of the parent** | | **639** | 558 |

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

| | 2023 | 2022 |
|---|---|---|
| Basic | **7.63p** | 6.58p |
| Diluted | **7.58p** | n/ a |

The exercise price of all share options granted at 31 December 2023 were below the average market share of ordinary shares during the period to 31 December 2023 and therefore deemed dilutive. During 2022 the exercise price was higher than the average market share price and therefore deemed to be anti-dilutive (n/a).

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 2023 relating to continuing operations.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Company income statement. The profit for the Company is detailed in the Statement of financial position and the Company statement of changes in shareholders' equity.

# Consolidated statement of changes in equity for the year ended 31 December 2023

| | Note | Share capital £'000 | Treasury shares £'000 | Share premium account £'000 | Share based payment Reserves £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2022 | | 424 | - | 1,119 | 6 | 776 | 2,325 |
| Cost of capital reduction in subsidiary | | - | - | - | - | (2) | (2) |
| Total Comprehensive income (profit for the year) | | - | - | - | 52 | 558 | 610 |
| **At 31 December 2022** | | 424 | - | 1,119 | 58 | 1,332 | 2,933 |
| Dividend | | - | - | - | - | (82) | (82) |
| Purchase of own shares | 27 | - | (252) | - | - | - | (252) |
| Cost of capital reduction | 27 | - | - | - | - | (34) | (34) |
| Share based payment charge | 27 | - | - | - | 59 | - | 59 |
| **Transactions with shareholders** | | - | (252) | - | 59 | (116) | (309) |
| Total Comprehensive income (profit for the year) | | - | - | - | - | 639 | 639 |
| Capital reduction | | - | - | (1,119) | - | 1,119 | - |
| **At 31 December 2023** | | **424** | **(252)** | **-** | **117** | **2,974** | **3,263** |

The notes on pages 43 to 76 are an integral part of these Group financial statement.

# Company statement of changes in equity for the year ended 31 December 2023

| | Note | Share capital £'000 | Treasury shares £'000 | Share premium account £'000 | Share based payment Reserves £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|
| At 1 January 2022 | | 424 | - | 1,119 | 6 | (2,696) | (1,147) |
| Total Comprehensive income (profit for the year) | | - | - | - | 52 | 320 | 372 |
| **At 31 December 2022** | | 424 | - | 1,119 | 58 | (2,376) | (775) |
| Dividend | | - | - | - | - | (82) | (82) |
| Purchase of own shares | 27 | - | (252) | - | - | - | (252) |
| Cost of capital reduction | 27 | - | - | - | - | (34) | (34) |
| Share based payment charge | 27 | - | - | - | 59 | - | 59 |
| **Transactions with shareholders** | | - | (252) | - | 59 | (116) | (309) |
| Total Comprehensive income (profit for the year) | | - | - | - | - | 1,591 | 1,591 |
| Capital reduction | | - | - | (1,119) | - | 1,119 | - |
| **At 31 December 2023** | | **424** | **(252)** | **-** | **117** | **218** | **507** |

The notes on pages 43 to 76 are an integral part of these Group financial statement.

touchstar plc

# Consolidated and Company statements of financial position as at 31 December 2023

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2023** | 2022 | **2023** | 2022 |
| | Note | **£'000** | £'000 | **£'000** | £'000 |
| **Non-current assets** | | | | | |
| Intangible assets | 14 | **1,137** | 1,087 | **-** | - |
| Investments | 15 | **-** | - | **95** | 47 |
| Property, plant and equipment | 16 | **66** | 94 | **-** | - |
| Right-of-use assets | 17 | **225** | 299 | **-** | - |
| Deferred tax assets | 19 | **20** | 46 | **2** | 3 |
| | | **1,448** | 1,526 | **97** | 50 |
| **Current assets** | | | | | |
| Inventories | 20 | **1,153** | 967 | **-** | - |
| Trade and other receivables | 21 | **1,199** | 975 | **239** | 415 |
| Corporation tax receivable | | **18** | 18 | **-** | - |
| Cash and cash equivalents | 22 | **3,005** | 4,461 | **292** | - |
| | | **5,375** | 6,421 | **531** | 415 |
| **Total assets** | | **6,823** | 7,947 | **628** | 465 |
| **Current liabilities** | | | | | |
| Trade and other payables | 23 | **1,191** | 1,491 | **121** | 255 |
| Contract liabilities | 24 | **1,938** | 2,022 | **-** | - |
| Borrowings | 25 | **-** | 985 | **-** | 985 |
| Lease liabilities | 26 | **149** | 157 | **-** | - |
| | | **3,278** | 4,655 | **121** | 1,240 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 19 | **90** | 80 | **-** | - |
| Contract liabilities | 24 | **130** | 144 | **-** | - |
| Lease liabilities | 26 | **62** | 135 | **-** | - |
| | | **282** | 359 | **-** | - |
| **Total liabilities** | | **3,560** | 5,014 | **121** | 1,240 |

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# Consolidated and Company statement of financial position as at 31 December 2023 (continued)

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2023** | 2022 | **2023** | 2022 |
| | Note | **£'000** | £'000 | **£'000** | £'000 |
| **Capital and reserves attributable to owners of the parent** | | | | | |
| Retained earnings | | **2,974** | 1,332 | **218** | (2,376) |
| Share capital | 28 | **424** | 424 | **424** | 424 |
| Treasury shares | 27 | **(252)** | - | **(252)** | - |
| Share based payment reserve | 27 | **117** | 58 | **117** | 58 |
| Share premium | 27 | **-** | 1,119 | **-** | 1,119 |
| **Total equity** | | **3,263** | 2,933 | **507** | (775) |
| **Total equity and liabilities** | | **6,823** | 7,947 | **628** | 465 |

The notes on pages 43 to 76 are an integral part of these Group financial statements.

The Company reported a profit for the financial year of £1,591,000 (2022: £320,000).

The Group and Company financial statements on pages 37 to 76 were approved by the Board of Directors on 16 April 2024 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 2023

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | **2023** | 2022 | **2023** | 2022 |
| | | **£'000** | £'000 | **£'000** | £'000 |
| **Operating activities** | | | | | |
| Operating Profit/(loss) | | **599** | 438 | **(8)** | (1) |
| *Adjustments for:* | | | | | |
| Depreciation | 16,17 | **205** | 218 | **-** | - |
| Amortisation | 14 | **532** | 677 | **-** | - |
| Share-based payment provision | 7(b) | **59** | 52 | **11** | 10 |
| *Movement in:* | | | | | |
| Inventories | 20 | **(187)** | (92) | **-** | - |
| Trade and other receivables | 21 | **(224)** | 86 | **176** | 47 |
| Trade and other payables and contract liabilities | 23,24 | **(398)** | 390 | **(134)** | 160 |
| **Cash generated from/(used in) operations** | | **586** | 1,769 | **45** | 216 |
| Interest received | | **85** | - | - | - |
| Interest paid | | **(9)** | (16) | **-** | (4) |
| Corporation tax received | | **-** | 148 | **-** | - |
| **Net cash generated from operating activities** | | **662** | 1,901 | **45** | 212 |
| **Investing activities** | | | | | |
| Addition of intangible assets | 14 | **(583)** | (565) | **-** | - |
| Purchase of property, plant and equipment | 16 | **(17)** | (60) | **-** | - |
| **Net cash used in investing activities** | | **(600)** | (625) | **-** | - |
| **Financing activities** | | | | | |
| Dividend paid | | **(82)** | - | **(82)** | - |
| Purchase of own shares | 27 | **(252)** | - | **(252)** | - |
| Cost of capital reduction | 27 | **(34)** | (2) | **(34)** | - |
| Dividend received from subsidiary | | **-** | - | **1,600** | 326 |
| Repayment of business loan | | **-** | (135) | **-** | (135) |
| Principal elements of lease payments | | **(165)** | (178) | **-** | - |
| **Net cash generated from financing activities** | | **(533)** | (315) | **1,232** | 191 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(471)** | 961 | **1,277** | 403 |
| Cash and cash equivalents at start of the year | | **3,476** | 2,515 | **(985)** | (1,388) |
| **Cash and cash equivalents at end of the year** | 22 | **3,005** | 3,476 | **292** | (985) |

# Notes to the Group financial statements for the year ended 31 December 2023

## 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 United Kingdom adopted 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 2023, the Group held unencumbered cash of £3,005,000 (2022: £3,476,000), after considering overdraft balances as presented in note 22. In July 2022 the company fully repaid Coronavirus Business Interruption Loan as the management deciding this funding was no longer required. The Group still holds an undrawn £200,000 on demand overdraft facility as of 31 December 2023 (also £nil in April 2024).

# Notes to the Group financial statements for the year ended 31 December 2023 (continued)

## 2 Summary of accounting policies (continued)

### 2.1 Basis of preparation (continued)

**Going concern (continued)**

The directors remain confident in the business, the skillset employed in its dedicated staff, solid product set and loyal customer base.

External global economic challenges continue to impact business during 2023, nonetheless, Group sales increased on 2022 by 7.1%, margins decreased slightly from 61.7% in 2022 to 59.5%, in 2023 due to product mix, however the increase in sales along with tight control of costs resulted in a profit after tax of £639,000 (2022: £558,000).

The Group continues to benefit from a supportive bank who have provided the borrowing facility since 2005. Group has reduced its reliance on the facility provided by the bank and since early 2023 has an average of £1,600,000 placed on deposit thereby generating cash via receivable interest. 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 2023, and in the opinion of the Directors will not have a material impact on the Group's financial statements:

- Disclosure of Accounting Policies
  (Amendments to IAS 1 Presentation of Financial
  Statements and IFRS Practice Statement 2 Making Materiality Judgements)
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

# Notes to the Group financial statements for the year ended 31 December 2023 (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):

- At the date of authorisation of these financial statements the following standards and amendments to standards, which have not been applied in these financial statements, were in issue, but not yet effective:
- Amendment to IFRS 16 'Leases on sale and leaseback' (effective for accounting periods beginning on or after 1 January 2024).
- Amendment to IAS 1 'Non-current liabilities with covenants' (effective for accounting periods beginning on or after 1 January 2024).
- Amendment to IAS 7 and IFRS 7 'Supplier finance' (effective for accounting periods on or after 1 January 2024 – with transitional reliefs in the first year).
- Amendments to IAS 21 'Lack of Exchangeability' (effective for accounting periods on or after 1 January 2024 – early adoption is available).
- The Company does not believe that there will be a material impact on the financial statements or the amounts reported from the adoption of these standards.*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.

# Notes to the Group financial statements for the year ended 31 December 2023 (continued)

## 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.

# Notes to the Group financial statements for the year ended 31 December 2023 (continued)

## 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 2023 (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.

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

### 2.10 Share capital

Ordinary shares are classified as equity.

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

# Notes to the Group financial statements for the year ended 31 December 2023 (continued)

## 2 Summary of accounting policies (continued)

### 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.

### 2.13 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 Summary of accounting policies (continued)

## 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.

## 2.15 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 Summary of accounting policies (continued)

## 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 24 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).

Bill-and-hold arrangements arise when a customer is billed for goods that are ready for delivery, but the reporting entity does not ship the goods to the customer until a later date. Revenue is recognized when control of the goods transfers to the customer.

For a customer to have obtained control of a product in a bill-and-hold arrangement, all of the following criteria must be met:

a. The reason for the bill-and-hold arrangement must be substantive (for example, the customer has requested the arrangement).
b. The product must be identified separately as belonging to the customer.
c. The product currently must be ready for physical transfer to the customer.
d. The entity cannot have the ability to use the product or to direct it to another customer.

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.

# Notes to the Group financial statements for the year ended 31 December 2023 (continued)

## 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 as a separate line as ‘Lease liabilities’ 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 as such along with 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 17.

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..

# 2 Summary of accounting policies (continued)

## 2.19 Treasury shares

From time to time the Company purchases its own shares for the purpose of satisfying the future exercising of outstanding share options. These shares are held in treasury and are shown as a reduction in the Company's reserves.

Consideration paid/received for the purchase/sale of treasury shares is recognised directly in equity. The cost of treasury shares held is presented as a separate reserve (the "treasury share reserve"). Any excess of the consideration received on the sale of treasury shares over the weighted average cost of the shares sold is credited to retained earnings.

## 2.20 Share-based payments

Periodically the Group offers share options to employees. The Group has conformed with the requirements of IFRS 2 "Share-Based Payment" for share options issued after 7 November 2002 and unvested at 31 December 2023. Those options are measured at fair value using the Black-Scholes model and management’s best estimates. Values from this method are expensed on a straight-line basis over the vesting period of the options. Options vest only when the Remuneration Committee is satisfied that the vesting criteria has been met, and are settled subsequently by equity shares in the parent company and unless the Board, at its discretion, agrees to settle in cash.

# Notes to the Group financial statements for the year ended 31 December 2023 (continued)

## 3 Critical accounting estimates and judgements

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

**(a) Development expenditure**
The Group recognises costs incurred on development projects as an intangible asset which satisfies the requirements of IAS 38. The calculation of the costs incurred includes the percentage of time spent by certain employees on the development project. The decision whether to capitalise and how to determine the period of economic benefit of a development project requires an assessment of the commercial viability of the project and the prospect of selling the project to new or existing customers (see note 14).

**(b) Impairment of intangibles**
Judgement is required in determining both the useful economic life of the asset along with any impairment, notably intangible software development costs. Useful economic life is based on the life expectancy of software licences and 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 14).

**(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 20).

**(d) Allowance for expected credit losses**
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, and forward-looking information that is available.
After due consideration of the assumptions detailed above, no credit loss provision was considered necessary for the year ended 31 December 2023 (2022: nil) (note 21).

# Notes to the Group financial statements for the year ended 31 December 2023 (continued)

## 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 37 to 40.

All revenue is generated within the UK.

### 4.1 Geographical information

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| UK | **6,512** | 6,654 |
| Europe | **694** | 89 |
| Rest of World | **18** | - |
| | **7,224** | 6,743 |

### 4.2 Major customers

During the year ended 31 December 2023 approximately £743,000 (2022: £803,000) of the consolidated entity's external revenue was derived from sales to one customer.

### 4.3 Analysis of revenue

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| Recognised at a point in time | **4,303** | 4,055 |
| Recognised over time (recurring revenue) – note 24 | **2,921** | 2,688 |
| | **7,224** | 6,743 |

# Notes to the Group financial statements for the year ended 31 December 2023 (continued)

## 5 Operating profit

| | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| Operating loss is stated after charging/(crediting): | | |
| Depreciation: | | |
| Owned assets (note 16) | **46** | 60 |
| Leased assets (note 17) | **159** | 159 |
| Development expenditure amortisation (note 14) | **532** | 677 |
| Share-based payment provision (note 5) | **59** | 52 |
| Research and development expenditure | **390** | 464 |
| Cost of inventories recognised as an expense | **1,894** | 1,541 |
| Write down of inventory as an expense | **45** | 60 |
| Staff costs (note 7) | **2,668** | 2,578 |
| Loss/(Profit) on foreign exchange | **4** | (1) |

## 6 Auditors' remuneration

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

| | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| Audit services: | | |
| Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements | **40** | 22 |
| Fees payable to the Company's auditors for other services: | | |
| Audit of subsidiaries pursuant to legislation | **25** | 38 |
| Other assurance services | **4** | 3 |
| | **69** | 63 |

touchstar plc

# Notes to the Group financial statements for the year ended 31 December 2023 (continued)

## 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 | |
|---|---|---|
| | **2023 Number** | 2022 Number |
| Administrative, management and sales | **40** | 38 |
| Production and technical | **16** | 15 |
| | **56** | 53 |

| | **2022 £'000** | 2022 £'000 |
|---|---|---|
| **Staff costs for the above persons were:** | | |
| Wages and salaries | **2,518** | 2,340 |
| Social security costs | **279** | 285 |
| Other pension costs – defined contribution plans | **120** | 121 |
| Share-based payments provision | **59** | 52 |
| | **2,976** | 2,798 |

As at 31 December 2023 the Group and Company had accrued pension costs of £19,000 (2022: £29,000). Staff costs are inclusive of capitalised salaries amounting to £308,000 (2022: £220,000).

**(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 performance conditions, are met pertaining to profit after tax and recurring revenue growth as defined in the Plan. 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 2023:

| | Group | |
|---|---|---|
| | **2023 Number** | 2022 Number |
| At 1 January | **422,000** | 211,000 |
| Granted during the year | **-** | 211,000 |
| At 31 December | **422,000** | 422,000 |

The assessed fair value at grant date of options granted during the year ended 31 December 2023 was £0.30 per option (2022: £0.30). The fair value at grant date is 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 to the year ended 31 December 2023:

| **Grant date** | **18 Nov 2021** | **18 Nov 2021** | **21 Sep 2022** | **21 Sep 2022** |
|---|---|---|---|---|
| Vesting period ends | Term A 30 Jun 2023 | Term B 30 Jun 2024 | Term A 30 Jun 2024 | Term B 30 Jun 2025 |
| No of shares granted | 105,500 | 105,500 | 105,500 | 105,500 |
| Share price at date of grant | £0.85 | £0.85 | £0.775 | £0.775 |
| Volatility | 50% | 50% | 33% | 33% |
| Risk-free rate | 1% | 1% | 3.3% | 3.3% |
| Exercise price at date of grant | £0.85 | £0.85 | £0.775 | £0.775 |
| Exercise period ends | 17 Nov 2031 | 17 Nov 2031 | 20 Sep 2032 | 20 Sep 2032 |
| Weighted average remaining contractual life | 6.06 years | 6.06 years | 6.15 years | 6.15 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, £59,000 (2022: £52,000) 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.

## 8 Directors' emoluments

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| Aggregate emoluments | **296** | 301 |
| Pension costs – defined contribution plans | **-** | - |
| | **296** | 301 |

All three Directors are remunerated through the parent company.

The emoluments of the individual Directors were as follows:

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| Salaries and bonuses: | | |
| I P Martin | **52** | 50 |
| M W Hardy | **212** | 224 |
| J L Christmas | **29** | 27 |
| N M Rourke | **3** | - |
| | **296** | 301 |

N M Rourke was appointed director on 12 December 2023, salaries and bonuses relate to the period of directorship only.

Salaries and fees are inclusive of car allowance for M W Hardy of £9,000 (2022: £7,000).

N M Rourke is accruing pension contributions at a rate of 10% of salary.

During the year the bonus awarded to M W Hardy, not paid at 31 December 2023 was £18,000. (Paid 31 December 2022: £20,000).

No share options were granted during the year. Of the 422,000 total share options granted 76,000 were granted to M W Hardy and 40,000 to N M Rourke. The share-based provision recognised during the year relating to the options granted to the directors amounted to £11,300 (2022: £9,400).

# Notes to the Group financial statements for the year ended 31 December 2023 (continued)

## 9 Key management compensation

Key management consists of the directors and three key departmental managers (2022: three).

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| Wages and salaries | **582** | 545 |
| Social security costs | **68** | 70 |
| Pension costs – defined contribution plans | **28** | 34 |
| | **678** | 649 |

During the year the bonuses awarded to key management, not paid at 31 December 2023 was £28,500. (Paid 31 December 2022: £23,000).

## 10 Finance income and costs

| | **2023** | 2022 |
|---|---|---|
| **(a) Finance income** | **£'000** | £'000 |
| Bank interest received | 85 | - |
| | | |
| **(b) Finance costs** | | |
| Lease interest | **9** | 12 |
| Bank interest | **-** | 4 |
| | **9** | 16 |

## 11 Income tax credit

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| **Corporation tax** | | |
| Deferred tax charged/(released) | **36** | (136) |

Corporation tax is calculated at a hybrid rate of 23.5% (2022: 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 2023 (continued)

## 11 Income tax credit (continued)

**Factors affecting the tax credit for the year**

The charge for the year can be reconciled to the reported profit as follows:

| | 2023<br>£'000 | 2022<br>£'000 |
|---|---|---|
| **Profit before income tax** | **675** | 422 |
| **Multiplied by the calculated hybrid rate of corporation tax in the UK of 23.52% (2022: standard rate 19%)** | **159** | 80 |
| Effects of: | | |
| Items not deductible for tax purposes | **14** | 12 |
| Enhanced research and development deduction | **(214)** | (225) |
| Tax losses for current year unrecognised | **66** | - |
| Difference between writing-down allowances and depreciation | **(8)** | 20 |
| Release of previously unrecognised tax losses | **19** | 5 |
| Adjustment to deferred tax arising from changes in tax rate | **-** | (28) |
| **Total tax charge/(credit) for the year** | **36** | (136) |

**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 2023). 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%.

## 12 Dividends

During the year an interim dividend of 1p per share was paid (2022: nil). The board recommends a final dividend of 1.5p per share (2022: nil). Together with the interim dividend of 1p, paid in December 2023, gives a total dividend for the year of 2.5p (2022: nil).

# Notes to the Group financial statements for the year ended 31 December 2023 (continued)

## 13 Earnings per share

The calculation of earnings per share is based on profit attributable to owners of the parent and the weighted average number of ordinary shares in issue during the year.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares arising from share options granted to employees where the exercise price is less than the market price of the Company's ordinary shares at the year end.

No options were issued during 2023 (2022: 211,000 options with an exercise price of 77.5p).

| | **2023** | 2022 |
|---|---|---|
| Basic | **7.63p** | 6.58p |
| Diluted | **7.58p** | n/a |

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

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| **Earnings attributable to owners of the parent** | **639** | 558 |

| | **2023 No.** | 2022 No. |
|---|---|---|
| Basic weighted average number of shares, excluding own shares, in issue | **8,371,477** | 8,475,077 |
| Dilutive effect of share options | **54,108** | - |
| **Dilutive weighted average number of shares, excluding own shares, in issue** | **8,425,555** | 8,475,077 |

## Notes to the Group financial statements for the year ended 31 December 2023 (continued)

### 14 Intangible assets

| | Group | | |
|---|---|---|---|
| | Goodwill £'000 | Development expenditure £'000 | Total £'000 |
| **Cost** | | | |
| At 1 January 2021 | 8,591 | 3,083 | 11,674 |
| Additions | - | 565 | 565 |
| Disposal | - | (33) | (33) |
| At 31 December 2022 | 8,591 | 3,615 | 12,206 |
| Additions | - | 583 | 583 |
| Disposal | - | (16) | (16) |
| **At 31 December 2023** | **8,591** | **4,182** | **12,773** |
| | | | |
| **Accumulated amortisation** | | | |
| At 1 January 2022 | 8,591 | 1,885 | 10,476 |
| Amortisation charge | - | 677 | 677 |
| Disposal | - | (34) | (34) |
| At 31 December 2022 | 8,591 | 2,528 | 11,119 |
| Amortisation charge | - | 532 | 532 |
| Disposal | - | (15) | (15) |
| **At 31 December 2023** | **8,591** | **3,045** | **11,636** |
| | | | |
| **Net book value** | | | |
| **At 31 December 2023** | **-** | **1,137** | **1,137** |
| At 31 December 2022 | - | 1,087 | 1,087 |
| At 1 January 2022 | - | 1,198 | 1,198 |

Amortisation of £532,000 (2022: £677,000) is included within administrative expenses in the income statement.

# Notes to the Group financial statements for the year ended 31 December 2023 (continued)

## 14 Intangible assets (continued)

**Development expenditure**

The calculation of the costs incurred includes third party developers along with the percentage of time spent by certain employees on hardware and software development for deployment in business operations. The decision whether to capitalise and how to determine the period of economic benefit of a development project requires an assessment of the commercial viability of the project and the prospect of selling the project to new or existing customers.

Management determined budgeted sales growth based on historic performance and its expectations of market development via each product set's underlying pipeline.

A review of future cashflows for each of the product sets did not result in any impairment.

Development expenditure has been capitalised on an ongoing basis and therefore has a remaining useful economic life ranging from 0 to 5 years.

# Notes to the Group financial statements for the year ended 31 December 2023 (continued)

## 15 Investments

| | Shares in subsidiary undertakings £'000 |
|---|---|
| **Cost** | |
| At 1 January 2022 | 11,630 |
| Addition | 42 |
| At 31 December 2022 | 11,672 |
| Addition | 48 |
| At 31 December 2023 | **11,720** |
| **Accumulated amortisation** | |
| **At 1 January and 31 December 2023** | **11,625** |
| **Net book value** | |
| **At 31 December 2023** | **95** |
| At 31 December 2022 | 47 |
| At 1 January 2022 | 5 |

The additions in 2022 and 2023 relate to the share-based options granted to employees of the subsidiaries (note 7).

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 registration number | Nature of business | Description of shares held |
|---|---|---|
| **Touchstar Technologies Limited**<br>**04731086**<br>7 Commerce Way, Trafford Park, Manchester, M17 1HW | Real time electronic data systems | 100,000 ordinary £1 shares |
| **Touchstar ATC Limited**<br>**00955977**<br>7 Commerce Way, Trafford Park, Manchester, M17 1HW | Real time electronic data systems | 140,000 ordinary £1 shares |

Touchstar ATC Limited is exempt from the requirement of an individual audit by virtue of Companies Act Section 479A.

# Notes to the Group financial statements for the year ended 31 December 2023 (continued)

## 16 Property, plant and equipment

| | Plant and machinery £'000 | Fixtures, fittings, tools and equipment £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2022 | 265 | 312 | 577 |
| Additions | 29 | 31 | 60 |
| Disposals | (39) | (5) | (44) |
| At 31 December 2022 | 255 | 338 | 593 |
| Additions | 9 | 8 | 17 |
| Disposals | (21) | - | (21) |
| **At 31 December 2023** | **243** | **346** | **589** |
| **Accumulated depreciation** | | | |
| At 1 January 2022 | 203 | 280 | 483 |
| Charge for the year | 41 | 19 | 60 |
| Disposals | (39) | (5) | (44) |
| At 31 December 2022 | 205 | 294 | 499 |
| Charge for the year | 26 | 20 | 46 |
| Disposals | (22) | - | (22) |
| **At 31 December 2023** | **209** | **314** | **523** |
| **Net book value** | | | |
| **At 31 December 2023** | **34** | **32** | **66** |
| At 31 December 2022 | 50 | 44 | 94 |
| At 1 January 2022 | 62 | 32 | 94 |

Depreciation expenditure of £46,000 (2022: £60,000) is included within administrative expenses in the income statement.

# Notes to the Group financial statements for the year ended 31 December 2023 (continued)

## 17 IFRS 16 Right of use assets

| | Premises £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2022 | 577 | 289 | 866 |
| Additions | - | 59 | 59 |
| Disposals | (67) | (38) | (105) |
| At 31 December 2022 | 510 | 310 | 820 |
| Additions | - | 86 | 86 |
| Disposal | - | (38) | (38) |
| **At 31 December 2023** | **510** | **358** | **868** |
| | | | |
| **Accumulated depreciation** | | | |
| At 1 January 2022 | 312 | 155 | 467 |
| Charge for the year | 82 | 77 | 159 |
| Disposals | (67) | (38) | (105) |
| At 31 December 2022 | 327 | 194 | 521 |
| Charge for the year | 82 | 77 | 159 |
| Disposal | - | (37) | (37) |
| **At 31 December 2023** | **409** | **234** | **643** |
| | | | |
| **Net book value** | | | |
| **At 31 December 2023** | **101** | **124** | **225** |
| At 31 December 2022 | 183 | 116 | 299 |
| At 1 January 2022 | 265 | 134 | 399 |

Depreciation expenditure of £159,000 (2022: £159,000) is included within administrative expenses in the income statement.

# Notes to the Group financial statements for the year ended 31 December 2023 (continued)

## 18 (a) Financial instruments by category

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

| | | Group | | Company | |
|---|---|---|---|---|---|
| | note | **2023 £'000** | 2022 £'000 | **2023 £'000** | 2022 £'000 |
| **Financial assets** | | | | | |
| Trade and other receivables | 21 | **957** | 768 | **1** | 6 |
| Cash and cash equivalents | 22 | **3,005** | 4,461 | **292** | - |
| **Total** | | **3,962** | 5,229 | **293** | 6 |

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | **2023 £'000** | 2022 £'000 | **2023 £'000** | 2022 £'000 |
| **Financial liabilities** | | | | | |
| Trade and other payables (excluding tax and social security payable) | 23 | **1,191** | 1,491 | **121** | 255 |
| Borrowings | 25 | **-** | 985 | **-** | 985 |
| **Total** | | **1,191** | 2,476 | **121** | 1,240 |

## 18 (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 (2022: 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 2023 (continued)

## 19 Deferred tax

### 19.1 Deferred tax asset

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **£'000** | £'000 | **£'000** | £'000 |
| At 1 January | **46** | 81 | **3** | **3** |
| (Charged) to income statement | **(26)** | (35) | **(1)** | - |
| **At 31 December** | **20** | 46 | **2** | 3 |

The deferred tax asset for the Group relates to unused tax losses of £800,000 (2022: £904,000).

### 19.2 Deferred tax liability

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| At 1 January | **80** | 251 |
| Charged/(credited) to income statement | **10** | (171) |
| **At 31 December** | **90** | 80 |

### Deferred tax (liability)/asset analysis:

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| Amount in respect of fixed assets | **(90)** | (80) |
| Amount in respect of losses | **20** | 46 |

# Notes to the Group financial statements for the year ended 31 December 2023 (continued)

## 20 Inventories

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Raw materials and consumables | **662** | 669 |
| Finished goods and goods for resale | **558** | 393 |
| Provision | **(67)** | (95) |
| | **1,153** | 967 |

The cost of inventories recognised as an expense amounted to £1,894,000 included within cost of sales (2022: £1,541,000). Provision expenses of £45,000 were recognised in the income statement within cost of sales (2022: £60,000). No finished goods are held at fair value less cost to sell (2022: £nil).

## 21 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2023 £'000** | 2022 £'000 | **2023 £'000** | 2022 £'000 |
| Trade receivables | **957** | 768 | **1** | 6 |
| Amounts owed by subsidiary undertakings | **-** | - | **238** | 398 |
| Prepayments and accrued income | **242** | 207 | **-** | 11 |
| | **1,199** | 975 | **239** | 415 |

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 (2022: £nil).

Trade receivables that are less than three months past due are not considered impaired. As of 31 December 2023, trade receivables of £nil (2022: £nil) 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:

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Up to 3 months past due | **1** | 2 |

# Notes to the Group financial statements for the year ended 31 December 2023 (continued)

## 21 Trade and other receivables (continued)

As of 31 December 2023, £nil of trade receivables (2022: £nil) were impaired and provided for. No bad debt expenses (2022: £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 | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Sterling | **957** | 927 | **239** | 415 |
| Euros | **-** | 48 | **-** | - |
| | **957** | 975 | **239** | 415 |

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.

## 22 Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Cash at bank and in hand | **3,005** | 4,461 | **292** | - |
| Less: bank overdraft (note 25) | **-** | (985) | **-** | (985) |
| | **3,005** | 3,476 | **292** | (985) |

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

The Company holds cash on deposit included as cash and cash equivalents. The amount held on 95-day notice deposit at 31 December 2023 was £1,563,000 (2022: £nil) earning interest at a rate of 3.55% per annum over base.

# Notes to the Group financial statements for the year ended 31 December 2023 (continued)

## 23 Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Trade payables | **479** | 429 | **4** | 10 |
| Other taxes and social security | **364** | 587 | **50** | 118 |
| Amounts owed to subsidiary undertakings | **-** | - | **-** | 90 |
| Other payables | **44** | 63 | **-** | - |
| Customer deposits | **42** | 247 | **-** | - |
| Accruals | **262** | 165 | **67** | 37 |
| | **1,191** | 1,491 | **121** | 255 |

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

## 24 Contract liabilities

| | **2023** | 2022 |
|---|---|---|
| | **£'000** | £'000 |
| At beginning of year | **2,166** | 1,934 |
| Invoiced | **2,823** | 2,920 |
| Released to income statement | **(2,921)** | (2,688) |
| **At end of year** | **2,068** | 2,166 |

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

| | | |
|---|---|---|
| **Due to be released within one year** | **1,938** | 2,022 |
| **Due to be released in more than one year** | **130** | 144 |

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 2023 (continued)

## 25 Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2023** | 2022 | **2023** | 2022 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **Current borrowings:** | | | | |
| Bank overdraft | **-** | 985 | **-** | 985 |

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 2023, the Group had total committed undrawn facilities of £200,000 (2022: £200,000).

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 2023, this represents the net cash and cash equivalents balance of £3,005,000 (2022: £3,476,000) in Note 22.

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

## Notes to the Group financial statements for the year ended 31 December 2023 (continued)

### 26 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 | **2023 £'000** | 2022 £'000 |
|---|---|---|---|
| **Right-of-use assets** | | | |
| Buildings | | **101** | 183 |
| Vehicles | | **124** | 116 |
| | 17 | **225** | 299 |

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| **Lease liabilities** | | |
| Current | **149** | 157 |
| Non-current | **62** | 135 |
| | **211** | 292 |

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:

| | **2023 £'000** | 2022 £'000 |
|---|---|---|
| **Lease liabilities (undiscounted)** | | |
| Not later than one year | **156** | 165 |
| Between one year and five years | **74** | 150 |
| | **230** | 315 |

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

## Notes to the Group financial statements for the year ended 31 December 2023 (continued)

### 26 Leases (continued)

**ii) Amounts recognised in the statement of profit or loss**

| | Notes | 2023 £'000 | 2022 £'000 |
|---|---|---|---|
| **Depreciation charge of right-of-use assets** | | | |
| Buildings | | **82** | 82 |
| Vehicles | | **77** | 77 |
| | 6 | **159** | 159 |

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

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Interest expense (included in finance cost) | **9** | 12 |
| Expense relating to short-term leases (included in administrative expenses) | **25** | 22 |

### 27 Reserves

**i) 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. |
| ***Treasury shares*** | Weighted average cost of own shares held in treasury. |

## Notes to the Group financial statements for the year ended 31 December 2023 (continued)

### 27 Reserves (continued)

**ii) The following describes the nature of each transaction within equity:**

| Reserve transactions | Description and purpose |
|---|---|
| ***Purchase of own shares*** | During the year the Group purchased 275,000 of its own shares with a fair value of £252,000, these are being held in treasury (2022: Nil). |
| ***Capital reduction*** | On 19 April 2023, under a Capital Reduction Scheme, the Company by Special Resolution reduced its share premium account. This resulted in an increase in retained earnings amounting to £1,119,000. This process was confirmed by Order of the Board of Touchstar plc and certified by the Registrar of Companies.<br><br>The costs in relation to the capital reduction amounted to £34,000. These costs have not been included in the Income statement. Based on CA2006 s641, thesecost have been charged directly to equity via the retained earnings reserve. |

### 28 Share capital

**Group and Company**

| | **2023 Number** | **2023 £'000** | 2022 Number | 2022 £'000 |
|---|---|---|---|---|
| Ordinary shares of 5p each | **8,475,077** | **424** | 8,475,077 | 424 |

All shares are authorised, issued and fully paid up.

### 29 Post balance sheet event

On 4 January 2024 211,000 share options were granted with an exercise price of 95p per share. This is the third part of a four-year plan approved by shareholders at the AGM held on 23 June 2021.

# Group Information

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