*This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("MAR"). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.*

# Touchstar plc

## Final Results for the year ended 31 December 2022

*Strong results for the year, net cash up 46% and encouraging outlook for 2023*

The Board of Touchstar plc ((AIM: TST) "Touchstar", the "Company" or the "Group"), suppliers of mobile data computing solutions and managed services to a variety of industrial sectors, is pleased to announce its final results for the twelve months ended 31 December 2022 ("FY22" and "Period").

**Key financials**

| | **2022** | **2021** | **% increase** |
|---|---|---|---|
| **Revenue** | £6,743,000 | £6,104,000 | up 10.5% |
| **Margin** | 61.7% | 59.5% | Up 220bps |
| **EBITDA** | £1,334,000 | £1,072,000 | up 24.4% |
| **Profit after tax** | £558,000 | £341,000 | up 63.6% |
| **Earnings per share ("EPS")** | 6.58p | 4.02p | Up 63.7% |
| **Net cash** | £3,476,000 | £2,380,000 | up 46.1% |
| **Order book at year end** | £1,700,000 | £600,000 | up 183.3% |
| **Recurring revenue** | £2,688,000 | £2,322,000 | up 15.8% |

**FY22 financial highlights**

- Total revenue up 10.5% to £6,743,000 (2021: £6,104,000)
    - Recurring revenue growth continues to outpace growth in overall revenue up 15.8% to £2,688,000 (2021: £2,322,000)
    - Recurring revenue accounted for 39.9% of total revenue (2021: 38.0%)
- Margins improve 220 basis points in 2022 to 61.7% (2021: 59.5%)
- Growth in revenue and higher margins enhanced profitability.
    - After tax profit growth of 63.6% to £558,000 (2021: £341,000)
    - Profits before tax up 103.9% to £422,000 (2021: £207,000)
    - EPS rose by 63.7% to 6.58p (2021: 4.02p)
    - EBITDA increased of 24.4% to £1,334,000 (2021: £1,072,000)
    - Strong free cash generation of £1,096,000 in 2022 (2021: £609,000)
    - Net cash of £3,476,000 at year end 2022 (2021: £2,380,000)
    - Cash per share of 41p at year end (2021: 28p)

- New order intake continued to build throughout 2022, the order book ended the year end up 183.3% at £1,700,000 (2021: £600,000)

**Outlook and strategic progress**

- Attention of the business is to continue the delivery of excellent service to our customers.
- The buoyant level of the year end order book and trading momentum underpins the prospects for 2023.
- Strong momentum for another year of improved financial performance.
    - Further growth in total revenue.
    - Recurring revenue that is over 39.9% of total revenue.
    - Maintained healthy margins and net cash generation.
- Accelerating investment in the long-term organic growth potential of the business creating a platform for expansion and further sustainable growth.
    - Enter new territories through leveraging existing customer relationships.
    - Commence strategy to create an international distribution channel of our products and services through development of local relationships and distribution partnerships.
- Opportunities are being identified to enhance our products and enter new markets by potential bolt-on acquisitions.
- Once capital reduction process is approved by the courts, which we expect to take place during the course of 2023, it is the Board's current intention to increase shareholder value by using excess cash by way of the introduction of a dividend and via a share buyback programme.

**Commenting today, Ian Martin, Chairman of Touchstar, said:** *"2022 was a year of strong progress for Touchstar. The outlook for 2023 is very positive. We have a growth strategy, an experienced and well-motivated leadership team excited by the potential to continue to grow across the Group. Deploying organically generated capital into highly attractive opportunities in our existing markets and starting to roll out a growth strategy internationally".*

For further information, please contact:

| | | |
|---|---|---|
| **Touchstar plc** | Ian Martin/ Mark Hardy | 0161 874 5050 |
| **WH Ireland** - *Nominated adviser and broker* | Mike Coe/ Sarah Mather | 0207 220 1666 |


Information on Touchstar plc can be seen at: www.touchstarplc.com

touchstar plc

# CHAIRMANS STATEMENT

**Overview**

It was a good year for Touchstar, and another strong performance was delivered in FY22. It is testament to our focus on the fundamentals of great customer service, expert delivery, forward thinking product development and proactive management that we not only achieved a positive financial outcome but built upon our forward momentum.

The order book at year end stood at £1,700,000 which gives us a solid starting position to 2023. In our largest market of petrochemical distribution there continues to be favourable market conditions and robust demand which is encouraging. In Q4 of 2022 alone we took in £2.4m of new orders across our businesses.

We continue to invest in our products and technology capabilities to enable us to serve our customers as best we can – it is our reputation for service, market expertise and our deep relationship with our customers that is the foundation of the business to date, it is these assets that now offer an opportunity for growth into international markets. To succeed we must continue to have a willingness to innovate, continually evolve, and have the ambition to create a sustainable larger business.

**Business review**

FY22 was a year of solid underlying performance in many ways, but in particular the growth in both turnover and profit is as a result of the investments made in the product set over the last few years. Our product portfolio is developing and moving ahead with rich functionality, allowing us to secure new business whilst maintaining our existing client base effectively.

We successfully launched and deployed the latest robust android based mobile tablet for the key market area in which we operate. The enhancements are predominantly in speed performance of the device and improved connectivity options. Whilst the hardware element of our product set is important, it is no longer the dominant force in our product offering. The success of the cloud-based software applications we have developed has reduced our reliance on the hardware side of the business. We are now a complete solutions business, differentiating us from many of our competitors. Improved margin and increased recurring revenue is an exact result of the introduction of complete solution sales. Total recurring revenue grew by 15.8% in FY22, including the software licence revenue element which achieved 30.9% growth year on year.

The strength of our strong product set has resulted in a growing and healthy order bank during FY22 and this continues into 2023. This provides us with a strong confidence level for the business going forward, as it allows us to securely move forward with expansion plans to continue the sales growth and achievements of the last three years.

With the level of cash we have and with cash generation also becoming more predictable, we are now accelerating investment in the long-term organic growth potential of the business by seeking to:

- increase sales through increased innovation of our products and solutions;
- expand into new territories through development of local relationships and partnerships;
- put in place the skills and structure to tender for larger, complex contracts; and
- enter into new vertical sectors by adaption of existing products and solutions

In particular, we are concentrating efforts on overseas sales and are confident this will start to bear fruit in 2023. We have selected a number of European countries and have engaged with the British consulate in two countries already. To date this is showing positive signs of success. The Group is now in a stronger position to undertake non-organic growth too, and an acquisition of either a product set or a company in the relevant fields we specialise in will be considered strategically.

**Financial results**

| | 2022 | 2021 | % Change |
|---|---|---|---|
| **Revenue** | £6,743,000 | £6,104,000 | +10.5% |
| **Gross margin** | 61.7% | 59.5% | +220 basis points |
| **Pre-tax profit** | £422,000 | £207,000 | +103.9% |
| **Post tax profit** | £558,000 | £341,000 | +63.6% |
| **Earnings per share (EPS)** | 6.58p | 4.02p | +63.7% |

Revenue grew 10.5% in FY22 to £6,743,000, much of this growth was came from the successfully securing major project contracts in the petrochemical distribution sector, which, as we expected, returned to normalised levels in FY22.

An increased percentage of software sales continued to drive progression in gross margins which rose a further 220 basis points in FY22 to 61.7%.

Costs rose to £3,722,000 in FY22 (2021: £3,449,000) which reflects a general inflationary pressure on costs within the business. Through effective management the increase in costs of 6.7% was lower than the growth rate of 10.5% in revenue, so the business achieved productivity gain in FY22.

Growth in revenue, tight control of costs and higher margins resulted in improved financial returns with pre-tax profits up by 103.9% to £422,000. A strategy of continued investment in the business meant we again benefitted from a tax credit, which in FY22 totalled £136,000 (2021: £134,000). So, in FY22 both earnings per share and profits after tax increased by about 64% to 6.58p and £558,000 respectively.

| | 2022 | 2021 | % Change |
|---|---|---|---|
| **Recurring revenue** | £2,688,000 | £2,322,000 | +15.8% |
| **Recurring revenue as % of total revenue** | 39.9% | 38.0% | +190 Basis Points |

As we had anticipated recurring revenue growth outpaced the increase in total revenue which enabled the Company to meet expectations of recurring revenue moving to 40% of total revenues. This increases our quality of earnings and makes for a more predictable outcome and underpins performance in future years.

| | 2022 | 2021 | % Change |
|---|---|---|---|
| **EBITDA** | £1,334,000 | £1,072,000 | +24.4% |
| **Spend on Research & Development (R&D)*** | £1,029,000 | £936,000 | + 9.9% |
| **R & D Capitalised** | £565,000 | £461,000 | +22.6% |

*(* inclusive of amounts capitalised)*

EBITDA increased by 24.4% driven by improved profitability. Touchstar continued to invest in the business with spend in R&D rising to £1,029,000 which represents 15.3% of revenue (2021: 15.3%). Capitalisation returned to more normalised levels following the pandemic.

| | 2022 | 2021 | Change |
|---|---|---|---|
| **Net cash** ** | £3,476,000 | £2,380,000 | +£1,096,000 (+46.1%) |
| **Free cash generation** | £1,096,000 | £609,000 | +£487,000 (+80.0%) |
| **Cash per share** | 41p | 28p | +13p per share |

*(**Net cash is exclusive of the CIBLs balance in 2021 which was subsequently fully repaid during FY22)*

Cash generation continues to be strong with £1,096,000 of free cash generated in FY22 including the full repayment of CIBLs in July 2022. This strengthened further the balance sheet with net cash ending the year at £3,476,000, equivalent to 41p per share.

The order book ended the year end at £1,700,000 (2021: £600,000) an increase of 183.3% over the prior year. This reflects the normalisation of trading across our markets, and buoyancy in the petrochemical distribution market in particular.

**Capital management**

As we stated in our trading update in January with the level of cash and the cash generation of the business becoming more predictable the Board feel it is appropriate not only to invest in the long-term organic growth potential of the business, but to also to consider bolt on acquisitions and develop a clear route for the enhancing shareholder value.

To have the ability to consider increasing to returning value to shareholders, either via share buybacks or the payment of dividends, company law requires the Company to have positive distributable reserves. At present the Company does not have positive distributable reserves due to the deficit on its retained earning reserve which as of 31 December 2022 stood at £2,376,000 (2021: £2,696,000). The Directors are close to achieving a pathway to eliminate this deficit through combining dividend payments from the Company's underlying subsidiaries, profitable trading, and a capital reduction via a court process.

It is hoped to be in a position to pay dividends and start a share buyback programme in 2023.

**The Board**

It is with a sense of achievement that I have informed the Board of my intention to step down as Chair during 2024, or earlier if a suitable successor is found. An important job for a chair is knowing when to make a transition, and to make sure it is seamless. The time is right for me, as I know the business needs someone with a longer timeframe than mine to evolve the business to the next level, and ensure it fully fore fills the potential it has.

I am happy that the business is in such a good place, has excellent management, is strongly capitalised, and has considerable growth opportunity.

**Our people**

I would like to thank all our colleagues for their outstanding collective contribution not only in producing such a good performance in 2022, but also for the part they have played in successfully navigating the challenges of the past few years. The strong position the Company finds itself is not down to chance, it is due to their focus, skills, hard work, conviction, and a culture to keep doing the right thing.

Thank you – I have a deep fondness for what is developing into a special business.

**Current trading and outlook**

The level of demand we are seeing combined with the level of the order book going into 2023 underpins the confidence that the strong start to 2023 results in another good year for the business.

Touchstar in in good shape with a customer service lead approach and a proven cash generative business model. We have a clear focus, robust financial position and ambition that supports our plans for long term sustainable growth.

We remain positive in the long-term potential of our business.

**I Martin**
**Chairman**
**17 April 2023**

## CEO STRATEGIC REVIEW

**Turnover & profitability**

The planned strategic change in the business direction over the past 3-5 years is now evident, with a year-on-year steady improvement in profitability. The real strength for the business is the hard evidence that new and more profitable revenue streams are coming to the fore. The business turnover grew at a healthy rate of 10.5% over FY21 (more than double the growth rate of FY20 to FY21 of 3.7%). Cash generation also continues to remain healthy with the Group's year-end net cash position at £3.5 million. The business made £558,000 profit after tax, a 63.6% increase over the FY21 post tax profit of £341,000. EBITDA grew by 24.4%, from £1,072,000 in FY21 to £1,334,000.

***Turnover, EBITDA & PAT***

| | 2019* | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| **Group turnover** | £6,654,000 | £5,886,000 | £6,104,000 | £6,743,000 |
| **EBITDA** | £85,000 | £854,000 | £1,072,000 | £1,334,000 |
| **Profit after tax** | £(345,000) | £87,000 | £341,000 | £558,000 |

*(* continuing operations)*

**Recurring revenue**

Recurring revenue is now the valuable asset we all envisaged, following our strategic review in 2018. FY22 saw total recurring revenue increase by 15.8% - a continuing and positive trend. This success is making a positive impact into the performance and underlying value of the business. In FY22, the Groups recurring revenue equated to 39.9% of turnover and the Board envisage this percentage will continue increasing.

***Group recurring revenue***

| | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| **Group recurring revenue by year** | £1,918,000 | £2,037,000 | £2,322,000 | £2,688,000 |
| *% Increase year on year* | *Up 4.2%* | *up 6.2%* | *up 14.0%* | *up 15.8%* |

**Software licence recurring revenue**

Whilst the Group enjoyed an increase of 16% in total recurring revenue over previous year, the predominant impact in growth of this type of profitable revenue has come from software licence, a key strategic objective. Recurring revenue in software licences grew a marked 30.9% over FY21 performance. This key area of growth will continue to increase as the change in our business strategy takes effect. As we alluded to in FY21, the growth line in software licence revenue has now exceeded hardware recurring revenue and is expected to grow further still in 2023 and beyond.

***Group recurring revenue***

| | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| **Software licences** | £767,000 | £863,000 | £1,040,000 | £1,361,000 |
| *Increase year on year* | *Up 16.4%* | *up 12.5%* | *up 20.5%* | *up 30.9%* |
| **Hardware maintenance** | £1,151,000 | £1,174,000 | £1,282,000 | £1,327,000 |
| *Movement year on year* | *down 2.5%* | *Up 2.0%* | *up 9.2%* | *up 3.5%* |

All the complete solutions the Company now offers, consist of a majority of inhouse owned software and hardware (Touchstar IPR) which eliminates our reliance on third party suppliers and provides maximum flexibility in growing the sales and profit line of the Group. This move has allowed us to increase the sale of software development 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.

***Customer requested software developments***

| | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| **Customer requested software developments by year** | £128,600 | £129,200 | £257,900 | £341,400 |
| *Increase year on year* | *Up 53.5%* | *up 0.5%* | *up 99.6%* | *up 32.4%* |

**Gross margin**

We continue to secure large contracts with blue chip companies across the UK. The strategy to supply a SaaS (Software as a Service) model to the industry is now widely accepted. This now provides consistent recurring revenue greater than in previous years. Combining increases of recurring revenue and the above software development charges continues to provide a healthy gross margin for the Company, of 61.7% of the Group's turnover in FY22 (FY21: 59.5%).

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

**Shareholder value**

The year-on-year improvements in the business has contributed significantly to shareholder value as we continue this positive trend. EPS increased over 60% from 4.02 pence to 6.58 pence in 2022. In a turbulent year of company stock valuations, Touchstar share price has outperformed the market and sector as a whole. The share price movement during the trading year of 2022 increased a modest 13.3% from 75 pence to 85 pence per share.

**Consolidated income statement for the year ended 31 December 2022**

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Revenue | **6,743** | 6,104 |
| Cost of sales | **(2,583)** | (2,472) |
| **Gross profit** | **4,160** | 3,632 |
| Distribution costs | **(46)** | (49) |
| Administrative expenses | **(3,676)** | (3,400) |
| Other operating income | **-** | 44 |
| Operating profit before share-based payment provision | **490** | 233 |
| Share-based payment provision included in administrative expenses | **(52)** | (6) |
| **Operating profit** | **438** | 227 |
| Finance costs | **(16)** | (20) |
| **Profit before income tax** | **422** | 207 |
| Income tax credit | **136** | 134 |
| Profit for the year attributable to the owners of the parent | **558** | 341 |

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

| | **2022** | 2021 |
|---|---|---|
| Basic | **6.58p** | 4.02p |

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 2022 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 2022

| | Share capital | Share premium account | Share based payment Reserves | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2021 | 424 | 1,119 | - | 435 | 1,978 |
| Profit for the year | - | - | 6 | 341 | 347 |
| **At 31 December 2021** | 424 | 1,119 | 6 | 776 | 2,325 |
| Cost of capital reduction in subsidiary | - | - | - | (2) | (2) |
| Profit for the year | - | - | 52 | 558 | 610 |
| **At 31 December 2022** | **424** | **1,119** | **58** | **1,332** | **2,933** |

### Company statement of changes in equity for the year ended 31 December 2022

| | Share capital | Share premium account | Share based payment reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2021 | 424 | 1,119 | - | (2,702) | (1,159) |
| Profit for the year | - | - | 6 | 6 | 12 |
| **At 31 December 2021** | 424 | 1,119 | 6 | (2,696) | (1,147) |
| Profit for the year | - | - | 52 | 320 | 372 |
| **At 31 December 2022** | **424** | **1,119** | **58** | **(2,376)** | **(775)** |

**Consolidated and Company statements of financial position as at 31 December 2022**

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **Non-current assets** | | | | |
| Intangible assets | **1,087** | 1,198 | **-** | - |
| Investments | **-** | - | **47** | 5 |
| Property, plant and equipment | **94** | 94 | **-** | - |
| Right-of-use assets | **299** | 399 | **-** | - |
| Deferred tax assets | **46** | 81 | **3** | 3 |
| | **1,526** | 1,772 | **50** | 8 |
| **Current assets** | | | | |
| Inventories | **967** | 865 | **-** | - |
| Trade and other receivables | **975** | 1,071 | **415** | 462 |
| Corporation tax receivable | **18** | 166 | **-** | - |
| Cash and cash equivalents | **4,461** | 3,903 | **-** | - |
| | **6,421** | 6,005 | **415** | 462 |
| **Total assets** | **7,947** | 7,777 | **465** | 470 |
| **Current liabilities** | | | | |
| Trade and other payables | **1,491** | 1,333 | **255** | 94 |
| Contract liabilities | **2,022** | 1,762 | **-** | - |
| Borrowings | **985** | 1,418 | **985** | 1,418 |
| Lease liabilities | **157** | 169 | **-** | - |
| | **4,655** | 4,682 | **1,240** | 1,512 |
| **Non-current liabilities** | | | | |
| Deferred tax liabilities | **80** | 251 | **-** | - |
| Contract liabilities | **144** | 172 | **-** | - |
| Borrowings | **-** | 105 | **-** | 105 |
| Lease liabilities | **135** | 242 | **-** | - |
| | **359** | 770 | **-** | 105 |
| **Total liabilities** | **5,014** | 5,452 | **1,240** | 1,617 |

**Consolidated and Company statement of financial position as at 31 December 2022 (continued)**

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **Capital and reserves attributable to owners of the parent** | | | | |
| Retained earnings at beginning of year | **776** | 435 | **(2,696)** | (2,702) |
| Cost of capital reduction in subsidiary | **(2)** | - | **-** | - |
| Profit/(loss) for the year | **558** | 341 | **320** | 6 |
| Retained earnings at end of year | **1,332** | 776 | **(2,376)** | (2,696) |
| Share capital | **424** | 424 | **424** | 424 |
| Share based payment reserve | **58** | 6 | **58** | 6 |
| Share premium | **1,119** | 1,119 | **1,119** | 1,119 |
| **Total equity** | **2,933** | 2,325 | **(775)** | (1,147) |
| **Total equity and liabilities** | **7,947** | 7,777 | **465** | 470 |

touchstar plc

## Consolidated and Company cash flow statement for the year ended 31 December 2022

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **Cash flows from operating activities** | | | | |
| Operating profit | **438** | 226 | **(1)** | 1 |
| Depreciation | **218** | 233 | **-** | - |
| Amortisation | **677** | 612 | **-** | - |
| Share-based payment provision | **52** | 6 | **52** | 6 |
| Movement in: | | | | |
| Inventories | **(102)** | (151) | **-** | - |
| Trade and other receivables | **96** | (60) | **47** | (80) |
| Trade and other payables and contract liabilities | **390** | 358 | **160** | (36) |
| **Cash generated from/(used in) operations** | **1,769** | 1,224 | **258** | (109) |
| Interest paid | **(16)** | (20) | **(4)** | (3) |
| Corporation tax received | **148** | 97 | **-** | - |
| **Net cash generated from operating activities** | **1,901** | 1,301 | **254** | (112) |
| **Cash flows from investing activities** | | | | |
| Addition of intangible assets | **(565)** | (460) | **-** | - |
| Investment in subsidiaries | **-** | - | **(42)** | (5) |
| Purchase of property, plant and equipment | **(60)** | (50) | **-** | - |
| **Net cash used in investing activities** | **(625)** | (510) | **(42)** | (5) |
| **Cash flows from financing activities** | | | | |
| Repayment of business loan | **(135)** | (15) | **(135)** | (15) |
| Dividends from subsidiaries | **-** | - | **326** | - |
| Principal elements of lease payments | **(178)** | (182) | **-** | - |
| **Net cash generated from financing activities** | **(313)** | (197) | **191** | (15) |
| **Net increase/(decrease) in cash and cash equivalents** | **961** | 594 | **403** | (132) |
| Cash and cash equivalents at start of the year | **2,515** | 1,921 | **(1,388)** | (1,256) |
| **Cash and cash equivalents at end of the year** | **3,476** | 2,515 | **(985)** | (1,388) |

## 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 AIM. The address of its registered office is 1 George Square, Glasgow, G2 1AL.

## 2 Basis of preparation

The final results for the year ended 31 December 2022 have been prepared in accordance with the accounting policies set out in the annual report and the accounts for the year ended 31 December 2021.

The Group Financial Statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union, IFRS IC interpretations and the Companies Act 2006 applicable to companies reporting under IFRSs and the AIM Rules for Companies. The Group Financial Statements have been prepared under the historical cost convention.

While the financial information included in this final announcement has been computed in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The accounting policies used in preparation of this final announcement have remained unchanged from those set out in the Group's 2021 statutory financial statements other than those described below. They are also consistent with those in the Group's statutory financial statements for the year ended 31 December 2022 which have yet to be published. The final results for the year ended 31 December 2022 were approved by the Board of Directors on 17 April 2023.

The financial information set out in this final announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2022 but is derived from those financial statements which were approved by the Board of Directors on 17 April 2023. The Auditors have reported on the Group's statutory financial statements and their report was unqualified and (ii) did not contain a statement under section 498(2) or 498(3) Companies Act 2006. The statutory financial statements for the year ended 31 December 2022 have not yet been delivered to the Registrar of Companies and will be delivered following the Company's Annual General Meeting.

The comparative figures are derived from the Group's statutory financial statements for the year ended 31 December 2021 which carried an unqualified audit report, did not contain a statement under section 498(2) or 498(3) Companies Act 2006 and have been filed with the Registrar of Companies.

**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 2022, the Group held unencumbered cash of £3,476,000 (2021: £2,515,000), after considering overdraft balances as presented in note 21. The Company fully repaid Coronavirus Business Interruption Loan in July 2022 as the management decided this funding was no longer required. The Group still holds an undrawn £200,000 on demand overdraft facility as of 31 December 2022 (also £nil in April 2023).

The Touchstar management continues to demonstrate its ability to proactively respond to both internal and external challenges it faces, non-more so than those encountered over the past three years.
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 2022, nonetheless, Group sales increased on 2021 by over 10%, margins grew from 59.5% in 2021 to 61.7% in 2022 driven by richer margin sales and operational efficiencies, along with tight control of costs, resulted in a profit after tax of £558,000 (2021: £341,000).

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 the year end has placed £2,000,000 on deposit thereby generating cash via interest receivable. 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.

## 3 Critical accounting estimates and judgements

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

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

**(b) Impairment of intangibles**
Judgement is required in 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.

**(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.

**(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, the impact of the Coronavirus (COVID-19) pandemic 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 2022 (2021: nil) (note 20).

## 4 Analysis of revenue

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| Recognised at a point in time | **4,055** | 3,782 |
| Recognised over time (recurring revenue) | **2,688** | 2,322 |
| | **6,743** | 6,104 |

## 5 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.

The number of options granted during the year and outstanding at 31 December 2022:

| | **Group** | |
|---|---|---|
| | **2022** | 2021 |
| | **Number** | Number |
| At 1 January | **211,000** | - |
| Granted during the year | **211,000** | 211,000 |
| At 31 December | **422,000** | 211,000 |

The assessed fair value at grant date of options granted during the year ended 31 December 2022 was £0.30 per option (2021: £0.35). The fair value at grant date is independently determined using the Black-Scholes model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the risk-free interest rate for the term of the option, and the annualised volatility of Touchstar plc's shares.

The model inputs for options granted during the year ended 31 December 2022 included:

| **Grant date** | **18 Nov 2021** | **18 Nov 2021** | **21 Sep 2022** | **21 Sep 2022** |
|---|---|---|---|---|
| Vesting period ends | Term A<br>30 Jun 2023 | Term B<br>30 Jun 2024 | Term A<br>30 Jun 2024 | Term B<br>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, £52,000 (2021: £6,000) 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.

## 6.1 Income tax credit

| | **2022** | 2021 |
|---|---|---|
| | **£’000** | £’000 |
| **Corporation tax** | | |
| Current tax | **-** | (147) |
| Adjustments in respect of prior years | **-** | (5) |
| Deferred tax | **(136)** | 18 |
| Total tax credit | **(136)** | (134) |

Corporation tax is calculated at 19% (2021: 19%) of the estimated assessable profit for the year. This is the weighted average tax rate applicable for the year.

## 6.2 Factors affecting the tax credit for the year

The tax credit for the year is same as (2021: same as) the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

| | **2022** | 2021 |
|---|---|---|
| | **£'000** | £'000 |
| **Profit before income tax** | **422** | 207 |
| **Multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)** | **80** | 39 |
| Effects of: | | |
| Items not deductible for tax purposes | **12** | 2 |
| Enhanced research and development deduction | **(225)** | (213) |
| Adjustments in respect of prior years | **-** | (5) |
| Losses surrendered through R&D tax credit | **-** | 46 |
| Capital allowances claimed in year less than/(in excess of) depreciation | **20** | 20 |
| Previously unrecognised tax losses used to reduce current tax expense | **5** | (71) |
| Adjustment to deferred tax arising from changes in tax rate | **(28)** | 48 |
| **Total tax credit for the year** | **(136)** | (134) |

**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%.

## 7 Earnings/(losses) per share

| | **2022** | 2021 |
|---|---|---|
| Basic | **6.58p** | 4.02p |
| Diluted | **n/a** | n/a |

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. The Group issued 211,000 (2021: 211,000) options with an exercise price of 77.5p (2021: 85p) during the year. Given the exercise price of these options, they are considered anti-dilutive and therefore no diluted EPS is presented.

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

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **Earnings £'000** | **Weighted average number of shares (in thousands)** | Earnings £'000 | Weighted average number of shares (in thousands) |
| **Basic EPS** | | | | |
| Profit attributable to owners of the parent | **558** | **8,475** | **341** | **8,475** |
| **Adjusted EPS** | | | | |
| Earnings attributable to owners of the parent before share-based payment provision | **610** | **8,475** | **347** | **8,475** |

## 8 Intangible assets

| | Group | | |
|---|---|---|---|
| | Goodwill £'000 | Development expenditure £'000 | Total £'000 |
| **Cost** | | | |
| At 1 January 2021 | 8,591 | 3,301 | 11,892 |
| Additions | - | 460 | 460 |
| Disposal | - | (678) | (678) |
| At 31 December 2021 | 8,591 | 3,083 | 11,674 |
| Additions | - | 565 | 565 |
| Disposal | - | (33) | (33) |
| **At 31 December 2022** | **8,591** | **3,615** | **12,206** |
| | | | |
| **Accumulated amortisation** | | | |
| At 1 January 2021 | 8,591 | 1,951 | 10,542 |
| Amortisation charge | - | 612 | 612 |
| Disposal | - | (678) | (678) |
| At 31 December 2021 | 8,591 | 1,885 | 10,476 |
| Amortisation charge | - | 677 | 677 |
| Disposal | - | (34) | (34) |
| **At 31 December 2022** | **8,591** | **2,528** | **11,119** |
| | | | |
| **Net book value** | | | |
| **At 31 December 2022** | **-** | **1,087** | **1,087** |
| At 1 January 2021 | - | 1,350 | 1,350 |
| At 31 December 2021 | - | 1,198 | 1,198 |

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

Amortisation of £677,000 (2021: £612,000) is included within administrative expenses in the income statement.

**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.

## 9 Property, plant and equipment

| | Plant and machinery £'000 | Fixtures, fittings, tools and equipment £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2021 | 315 | 348 | 663 |
| Additions | 37 | 13 | 50 |
| Disposals | (87) | (49) | (136) |
| At 31 December 2021 | 265 | 312 | 577 |
| Additions | 29 | 31 | 60 |
| Disposals | (39) | (5) | (44) |
| **At 31 December 2022** | **255** | **338** | **593** |
| | | | |
| **Accumulated depreciation** | | | |
| At 1 January 2021 | 254 | 288 | 542 |
| Charge for the year | 36 | 41 | 77 |
| Disposals | (87) | (49) | (136) |
| At 31 December 2021 | 203 | 280 | 483 |
| Charge for the year | 41 | 19 | 60 |
| Disposals | (39) | (5) | (44) |
| **At 31 December 2022** | **205** | **294** | **499** |
| | | | |
| **Net book value** | | | |
| **At 31 December 2022** | **50** | **44** | **94** |
| At 31 December 2021 | 62 | 32 | 94 |
| At 1 January 2021 | 61 | 60 | 121 |

Depreciation expenditure of £60,000 (2021: £77,000) is included within administrative expenses in the income statement.

## 10 IFRS 16 Right of use assets

| | Premises £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2021 | 577 | 213 | 790 |
| Additions | - | 76 | 76 |
| At 31 December 2021 | 577 | 289 | 866 |
| Additions | - | 59 | 59 |
| Disposal | (67) | (38) | (105) |
| **At 31 December 2022** | **510** | **310** | **820** |
| | | | |
| **Accumulated depreciation** | | | |
| At 1 January 2021 | 230 | 81 | 311 |
| Charge for the year | 82 | 74 | 156 |
| At 31 December 2021 | 312 | 155 | 467 |
| Charge for the year | 82 | 77 | 159 |
| Disposal | (67) | (38) | (105) |
| **At 31 December 2022** | **327** | **194** | **521** |
| | | | |
| **Net book value** | | | |
| **At 31 December 2022** | **183** | **116** | **299** |
| At 1 January 2021 | 347 | 132 | 479 |
| At 31 December 2021 | 265 | 134 | 399 |

Depreciation expenditure of £159,000 (2021: £156,000) is included within administrative expenses in the income statement.

## 11 Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Cash at bank and in hand | **4,461** | 3,903 | **-** | - |
| Less: bank overdraft (included within borrowings note 12) | **(985)** | (1,388) | **(985)** | (1,388) |
| | **3,476** | 2,515 | **(985)** | (1,388) |

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

## 12 Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **Current borrowings:** | | | | |
| Bank overdraft | **985** | 1,388 | **985** | 1,388 |
| Other loans | **-** | 30 | **-** | 30 |
| | **985** | 1,418 | **985** | 1,418 |

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 2022, the Group had total committed undrawn facilities of £200,000 (2021: £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 2022, this represents the net cash balance of £3,476,000 (2020: £2,515,000) in Note 11.

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

Other loans relate to the Coronavirus Business Interruption Loan repayable monthly over six years; first payment commenced on the 12-month anniversary of drawdown, July 2021.

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

## 13 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:

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| **Right-of-use assets** | | |
| Buildings | **183** | 274 |
| Vehicles | **116** | 125 |
| | **299** | 399 |

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| **Lease liabilities** | | |
| Current | **157** | 169 |
| Non-current | **135** | 242 |
| | **292** | 411 |

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:

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| **Lease liabilities (undiscounted)** | | |
| Not later than one year | **165** | 171 |
| Between one year and five years | **150** | 240 |
| | **315** | 411 |

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

touchstar plc

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

| | 2022 | 2021 |
|---|---|---|
| | £'000 | £'000 |
| **Depreciation charge of right-of-use assets** | | |
| Buildings | **165** | 82 |
| Vehicles | **150** | 74 |
| | **315** | 156 |