

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

Results for the year ended 31 December 2023

Strong operational delivery in 2023 has resulted in another period of improved financial performance

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 results for the twelve months ended 31 December 2023 ("FY23" and "Period").

Key financials

	FY23	FY22	Change
Total revenue	£7,224,000	£6,743,000	+7.1%
Recurring revenue	£2,921,000	£2,687,000	+8.7%
Pre - tax profit	£675,000	£422,000	+60.0%
Profit after tax	£639,000	£558,000	+14.5%
Basic earnings per share	7.63p	6.58p	+16.0%
Total dividend per share	2.5p	0.0p	+2.5p
EBITDA	£1,336,000	£1,334,000	+0.15%

FY23 financial highlights

- Total revenue up 7.1% driven by recurring revenue growth of 8.7%.
- Pre-tax profits increased by 60% as margins normalised.
- Profit after tax improved by 14.5% as the Group became tax paying.
- Earnings per share, enhanced by the share buyback programme, rose 16% to 7.63p.
- Robust cash position maintained with year-end cash of £3.0m (FY22: £3.4m) equivalent to 36.6p per share (FY22: 41.0p per share)
- Return of surplus cash to shareholders by way of dividend and purchasing 275,000 Ordinary Shares via share buybacks.
- Final dividend of 1.5p per share recommended (FY22: nil), bringing total dividends for the period to 2.5p per share for FY23 (FY22: nil).

Outlook and strategic progress

- The Board's expectation for 2024 remains unchanged. 2024 has started to plan and if it continues sets up another year of:
 - growth in revenue;
 - recurring revenue growth outpacing total revenue growth;
 - margins at a healthy level;
 - cash to be generated by the operations;

- investment in future growth prospects;
 - preservation of a solid balance sheet; and
 - progressive dividend to shareholders.
- The Board aim to build upon the foundations of another successful year to create a meaningful overseas business. Overseas revenue accounted for 9.8% of total revenue in FY23 (FY22: 1.3%).
- Certified Cyber Essentials Plus has been achieved and we are working towards ISO 27001.
- The breakthrough in artificial intelligence ("AI") means we are fast approaching another time of transition. The Company is working to position its future solutions to embrace this change and take advantage of what AI presents in improving our solutions and our productivity.
- Cross selling product sets to existing customers across the company.

Ian Martin, Chairman of Touchstar commented: *"2023 has resulted in another period of improved financial performance. To build on this progress we remain committed to providing the best customer service we can to our customers, investing into our products, services and platforms and continue to work to gain operational efficiency, aligning our cost structure with our revenue growth."*

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

CHAIRMAN'S STATEMENT

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. 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 chairman 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 Chairman. 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.

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 has 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.

	FY23	FY22	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.

	FY23	FY22	% Change
Recurring revenue	£2,921,000	£2,687,000	+8.7%

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	FY23	H1 22	H2 22	FY22	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%).

	FY23	FY22	% Change
Administrative expenses	£3,637,000	£3,676,000	(1.1%)

A tight control was kept on overheads as 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 (FY22: tax credit £136,000) resulted in a more modest rise in FY23 post-tax profits of 14.5% to £639,000 (FY22: £558,000).

Earnings per share rose by 16.0% to 7.63p in FY23 (FY22: 6.58p) driven by principally by improved profitability and 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 stable in 2023 at £1,336,000 (FY22: £1,334,000) as the increase in operating profit of £161,000 was negated by the decrease in depreciation and amortisation.

	FY23	FY22	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.

	FY23	FY22	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 spent £334,000 (FY22: nil) to enhance shareholder value 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 (FY22: 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 prospects of the Group.



I Martin
Chairman
16 April 2024

CEO STRATEGIC REVIEW

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 movement in depreciation and amortisation.

Turnover, EBITDA & PBT

	FY19*	FY20	FY21	FY22	FY23
Group turnover	£6,654,000	£5,886,000	£6,104,000	£6,743,000	£7,224,000
EBITDA	£85,000	£854,000	£1,072,000	£1,334,000	£1,336,000
Profit before tax	£(345,000)	£87,000	£341,000	£558,000	£675,000

(* 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.

Group recurring revenue

	FY19	FY20	FY21	FY22	FY23
Group recurring revenue by year	£1,918,000	£2,037,000	£2,322,000	£2,688,000	£2,921,000
<i>% Increase year on year</i>	Up 4.2%	up 6.2%	up 14.0%	Up 15.8%	up 8.7%

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.

Group recurring revenue

	FY19	FY20	FY21	FY22	FY23
Software licences	£767,000	£863,000	£1,040,000	£1,361,000	£1,495,000
<i>Increase year on year</i>	Up 16.4%	up 12.5%	up 20.5%	up 30.9%	up 9.8%
Hardware maintenance	£1,151,000	£1,174,000	£1,282,000	£1,327,000	£1,426,000
<i>Movement year on year</i>	down 2.5%	Up 2.0%	up 9.2%	up 3.5%	up 7.5%

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.

Customer requested software developments

	FY19	FY20	FY21	FY22	FY23
Customer requested software developments by year	£128,600	£129,200	£257,900	£341,400	£380,200
<i>Increase year on year</i>	Up 53.5%	up 0.5%	up 99.6%	up 32.4%	up 11.4%

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 50.2% % of Group turnover in FY23, up from a little over 41% five years ago.

healthy gross margin for the Company, of 59.5% % of Group turnover in FY23 up from a little over 51% five years ago.

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

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 FY22, 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 FY23 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.

Consolidated income statement for the year ended 31 December 2023

	2023
	£'000
Revenue	7,224
Cost of sales	(2,937)
Gross profit	4,287
Distribution costs	(51)
Administrative expenses	(3,637)
Operating profit before share-based payment provision	658
Share-based payment provision included in administrative expenses	(59)
Operating profit	599
Finance income	85
Finance costs	(9)
Profit before income tax	675
Income tax (charge)/credit	(36)
Profit for the year attributable to the owners of the parent	639

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

	2023
Basic	7.63p
Diluted	7.58p

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

	Share capital £'000	Treasury shares £'000	Share premium account £'000	Share based payment Reserves £'000
At 1 January 2022	424	-	1,119	6
Cost of capital reduction in subsidiary	-	-	-	-
Total Comprehensive income (profit for the year)	-	-	-	52
At 31 December 2022	424	-	1,119	58
Dividend	-	-	-	-
Purchase of own shares	-	(252)	-	-
Cost of capital reduction	-	-	-	-
Share based payment charge	-	-	-	59
Transactions with shareholders	-	(252)	-	59
Total Comprehensive income (profit for the year)	-	-	-	-
Capital reduction	-	-	(1,119)	-
At 31 December 2023	424	(252)	-	117

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

	Share capital £'000	Treasury shares £'000	Share premium account £'000	Share based payment Reserves £'000	R e
At 1 January 2022	424	-	1,119	6	
Total Comprehensive income (profit for the year)	-	-	-	52	
At 31 December 2022	424	-	1,119	58	
Dividend	-	-	-	-	
Purchase of own shares	-	(252)	-	-	
Cost of capital reduction	-	-	-	-	
Share based payment charge	-	-	-	59	
Transactions with shareholders	-	(252)	-	59	
Total Comprehensive income (profit for the year)	-	-	-	-	
Capital reduction	-	-	(1,119)	-	
At 31 December 2023	424	(252)	-	117	

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

Group

		2023	2022
		£'000	£'000
Non-current assets			
Intangible assets		1,137	1,087
Investments		-	-
Property, plant and equipment		66	94
Right-of-use assets		225	299
Deferred tax assets		20	46
		1,448	1,526
Current assets			
Inventories		1,153	967
Trade and other receivables		1,199	975
Corporation tax receivable		18	18
Cash and cash equivalents		3,005	4,461
		5,375	6,421
Total assets		6,823	7,947
Current liabilities			
Trade and other payables		1,191	1,491
Contract liabilities		1,938	2,022
Borrowings		-	985
Lease liabilities		149	157
		3,278	4,655
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

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

		Group	
		2023	2022
	Note	£'000	£'000
Capital and reserves attributable to owners of the parent			
Retained earnings		2,974	1,332
Share capital	28	424	424
Treasury shares	27	(252)	(252)

treasury shares	21	(234)	-
Share based payment reserve	27	117	58
Share premium	27	-	1,119
Total equity		3,263	2,933
Total equity and liabilities		6,823	7,947

Consolidated and Company cash flow statement for the year ended 31 December 2023

	Group	
	2023	2022
	£'000	£'000
Operating activities		
Operating Profit/(loss)	599	438
<i>Adjustments for:</i>		
Depreciation	205	218
Amortisation	532	677
Share-based payment provision	59	52
<i>Movement in:</i>		
Inventories	(187)	(92)
Trade and other receivables	(224)	86
Trade and other payables and contract liabilities	(398)	390
Cash generated from/(used in) operations	586	1,769
Interest received	85	-
Interest paid	(9)	(16)
Corporation tax received	-	148
Net cash generated from operating activities	662	1,901
Investing activities		
Addition of intangible assets	(583)	(565)
Purchase of property, plant and equipment	(17)	(60)
Net cash used in investing activities	(600)	(625)
Financing activities		
Dividend paid	(82)	-
Purchase of own shares	(252)	-
Cost of capital reduction	(34)	(2)
Dividend received from subsidiary	-	-
Repayment of business loan	-	(135)
Principal elements of lease payments	(165)	(178)
Net cash generated from financing activities	(533)	(315)
Net (decrease)/increase in cash and cash equivalents	(471)	961
Cash and cash equivalents at start of the year	3,476	2,515
Cash and cash equivalents at end of the year	3,005	3,476

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 2023 have been prepared in accordance with the accounting policies set out in the annual report and the accounts for the year ended 31 December 2022.

The Group Financial Statements have been prepared in accordance with the International Financial Reporting

The Group financial statements have been prepared in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the United Kingdom, 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 2023 which have yet to be published. The final results for the year ended 31 December 2023 were approved by the Board of Directors on 16 April 2024.

The financial information set out in this final announcement does not constitute the Group's statutory financial statements for the year ended 31 December 2023 but is derived from those financial statements which were approved by the Board of Directors on 16 April 2024. 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 2023 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 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).

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. The 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.

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 2023 (2022: nil).

4 Analysis of revenue

Recognised at a point in time

Recognised over time (recurring revenue)

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 2023:

	N
At 1 January	42
Granted during the year	
At 31 December	42

On 4 January 2024 the Group issued a further 211,000 share options.

6.1 Income tax

Corporation tax

Deferred tax charged/(released)

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.

6.2 Factors affecting the tax credit for the year

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

	2023 £'000
Profit before income tax	
Multiplied by the calculated hybrid rate of corporation tax in the UK of 23.52% (2022: standard rate 19%)	
Effects of:	
Items not deductible for tax purposes	
Enhanced research and development deduction	
Tax losses for current year unrecognised	
Difference between writing-down allowances and depreciation	
Release of previously unrecognised tax losses	
Adjustment to deferred tax arising from changes in tax rate	-
Total tax credit for the year	

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 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).

8 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
Basic	7.63p
Diluted	7.58p

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

	2023 £'000
Earnings attributable to owners of the parent	639
	2023 Number
Basic weighted average number of shares, excluding own shares, in issue	8,371,471
Dilutive effect of share options	54,108
Dilutive weighted average number of shares, excluding own shares, in issue	8,425,579

9 Intangible assets

	Goodwill £'000	Group Developme expenditu £'000
Cost		
At 1 January 2022	8,591	
Additions	-	
Disposal	-	
At 31 December 2022	8,591	
Additions	-	
Disposal	-	
At 31 December 2023	8,591	
	Accumulated amortisation	
At 1 January 2022	8,591	
Amortisation charge	-	
Disposal	-	
At 31 December 2022	8,591	
Amortisation charge	-	
Disposal	-	
At 31 December 2023	8,591	
Net book value		
At 31 December 2023	-	
At 31 December 2022	-	
At 1 January 2022	-	

Amortisation of £532,000 (2022: £677,000) 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.

10 Property, plant and equipment

	Plant and machinery £'000	Fixtures, fittings, tools & equipment £'000
Cost		
At 1 January 2022	265	
Additions	29	
Disposals	(39)	
At 31 December 2022	255	
Additions	9	
Disposals	(21)	
At 31 December 2023	243	
Accumulated depreciation		
At 1 January 2022	203	
Charge for the year	41	
Disposals	(39)	
At 31 December 2022	205	
Charge for the year	26	
Disposals	(22)	
At 31 December 2023	209	
Net book value		
At 31 December 2023	34	
At 31 December 2022	50	
At 1 January 2022	62	

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

11 IFRS 16 Right of use assets

	Premises £'000	Motor vehicles £'000
--	-------------------	-------------------------

Cost	Premises £'000	Motor v £'0
At 1 January 2022	577	
Additions	-	
Disposals	(67)	
At 31 December 2022	510	
Additions	-	
Disposal	-	
At 31 December 2023	510	

Accumulated depreciation

At 1 January 2022	312
Charge for the year	82
Disposal	(67)
At 31 December 2022	327
Charge for the year	82
Disposal	-
At 31 December 2023	409

Net book value

At 31 December 2023	101
At 31 December 2022	183
At 1 January 2022	265

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

12 Cash and cash equivalents

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

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.

13 Borrowings

Group

	2023 £'000	2022 £'000
Current borrowings:		
Bank overdraft	-	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 12.

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

14 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 Incentive Scheme.
Retained earnings	All other net gains and losses and transactions with dividends) not recognised elsewhere.
Treasury shares	Weighted average cost of own shares held in treasury.

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 of £252,000, these are being held in treasury (2022: 275,000 shares of £252,000)
Capital reduction	On 19 April 2023, under a Capital Reduction Scheme Special Resolution reduced its share premium account. increase in retained earnings amounting to £1,119,000. confirmed by Order of the Board of Touchstar plc at Registrar of Companies. The costs in relation to the capital reduction amounted to £641, these costs have not been included in the Income statement. s641, these costs have been charged directly to equity earnings reserve.

15 Share capital

	Group and Company		
	2023 Number	2023 £'000	2022 Number
Ordinary shares of 5p each	8,475,077	424	8,475,077

All shares are authorised, issued and fully paid up.

16 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.



This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@seg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

FR BLGDSGXBDGSL