

## **Letter to all Shareholders**

17<sup>th</sup> April 2012

Dear Shareholder,

### **Important Shareholder Message - Matched Bargain Facility Update**

My last shareholder update letter of 14<sup>th</sup> December 2011 highlighted concerns that few shareholders had successfully used the JP Jenkins managed Matched Bargain Facility ('MBF'), this despite a number expressing a strong desire to sell their shares.

I am therefore writing to all shareholders to outline plans that should assist those shareholders who may be considering selling their shares.

### **Background**

Touchstone Group plc's shares were delisted from AIM in October 2009. At that time the AIM Cancellation proposals included a Tender Offer of 23p which represented a premium of approximately 30% to the share price prior to the proposals being announced.

The JP Jenkins managed facility was established in March 2010 to provide shareholders with an alternative trading environment following the Group's de-list. However, and despite the efforts of JP Jenkins, it is disappointing to report that only 13,870 shares from two separate transactions have been traded through the facility in the intervening period. The last trade reported on the facility was transacted in August 2011 at a price of 31p per share.

The Board has considered whether the annual costs of maintaining this facility are appropriate to the benefits provided but acknowledges that closing the facility may cause difficulty to those shareholders who may wish to exit at some stage in the future. Accordingly, arrangements have been agreed to extend the current service for a further 3 months to 30<sup>th</sup> June 2012 in order to gauge the success of the approach outlined below.

### **Introduction of a willing buyer**

Over the last 2 years, JP Jenkins has been contacted by a number of shareholders expressing an interest in selling their shares. However, the absence of sufficient buyers willing to offer an acceptable buy-price is felt to have prevented many shareholders from concluding a transaction.

To overcome this, Touchstone's Employee Share Ownership Trust ('ESOT') with financial support provided by the Group, is prepared to stand-in as a willing buyer. By doing so, it is felt that interested shareholders can be provided with a practical exit opportunity. Such shares that are acquired by the ESOT will then be held on Trust for the benefit of current and future employees of the Group.

JP Jenkins has been instructed to initially canvass shareholders over the next 4 weeks and in doing so, try and establish a practical sale price that could appeal to the majority of those wishing to sell. Should this median sale price be agreeable to the Trustees, JP Jenkins will then be instructed to conclude trades at this price. Shareholders should note that the ESOT is limited by the number of shares that it can acquire and also the funds available to the process.

It is possible that, as part of this process, JP Jenkins may detect greater demand than their potential buy-order can purchase. In this event, JP Jenkins will be instructed to conclude transactions on a pro-rata basis but with priority given to those shareholders with less than 10,000 shares who wish to sell their entire shareholding. Additionally, to help shareholders, trades concluded as part of this process will be commission-free with JP Jenkins normal fee being settled by the Trustees directly.

The Board has been advised that the normal use of the MBF by Touchstone shareholders should be suspended whilst this assessment and acquisition process is being conducted. Once the process is complete, the MBF will be re-instated whereupon the sum total of the shares sold and the final price achieved can then be published.

It is hoped that by acting as a willing buyer, the ESOT acquisition process may encourage willing buyers to consider using the MBF in the future. As a result, the costs of maintaining the facility can then be better justified. However, shareholders should note that the continued absence of willing buyers in the period ahead may result in the facility being closed.

### **Contact Details**

Shareholders interested in selling shares should contact JP Jenkins directly at:

JP Jenkins  
3rd Floor, 3 London Wall Buildings  
London, EC2M 5SY  
T: +44 (0)20 7562 3388  
Contact: Barry Jenkins or Paul Brown  
E: [barry.jenkins@jpenkins.co.uk](mailto:barry.jenkins@jpenkins.co.uk) or [Paul.brown@jpenkins.co.uk](mailto:Paul.brown@jpenkins.co.uk)  
W: [www.jpenkins.co.uk](http://www.jpenkins.co.uk)

Alternatively, shareholders can e-mail [investors@touchstone.co.uk](mailto:investors@touchstone.co.uk) indicating the number of shares that are being considered for sale and some idea of the minimum price required together with a telephone contact number. These details will then be forwarded to JP Jenkins who will make contact directly.

### **Approvals**

The Board have been advised and the Panel on Mergers and Acquisitions (the 'Panel') have confirmed, that any increase in the ESOT shareholding will not increase the relative holding of the Birch Family Concert Party (the 'Concert Party') who together own approximately 44% of the Group. In providing their confirmation, the Panel have been assured that no members of the Concert Party are beneficiaries of the ESOT. Further, should this situation change in the future, the appropriate shareholder and Panel approvals will be sought.

### **Current Trading**

The Group has recently completed its 30<sup>th</sup> year of trading and expects to release its audited results for the year to March 2012 (FY12) in late July 2012. In advance, the Board can confirm that trading conditions have been challenging over the last 12 months and are expected to remain so for the year ahead.

Despite these conditions, the Board is pleased to confirm that unaudited turnover generated from continuing operations is marginally improved on last year with adjusted EBITDA broadly in-line with the prior year.

A copy of this letter together with all recent trading updates and financial statements are available for download from the investor section of the Group's corporate website.

<http://www.touchstone.co.uk/investornews>.

If shareholders have any difficulty accessing the investor section of the website or have any queries whatsoever please do e-mail [investors@touchstone.co.uk](mailto:investors@touchstone.co.uk) and we will endeavour to respond ASAP.

With kind regards,  
**Touchstone Group Plc**

Keith Birch  
Chief Executive