

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or about what action to take, you are recommended immediately to seek your own professional advice from your stockbroker, solicitor, accountant or other appropriately qualified independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are taking advice in the United Kingdom or, if you are taking advice in another jurisdiction, from another appropriately authorised independent financial adviser.**

If you have sold or otherwise transferred all of your Ordinary Shares, please forward this document together with the accompanying Proxy Form but not any personalised Tender Form at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. However, these documents should not be forwarded or transmitted into any Restricted Jurisdiction. If you have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain these documents and contact immediately the bank, stockbroker or other agent through whom the transfer or sale was effected.

Brewin Dolphin, which is authorised and regulated in the United Kingdom by the UK Financial Services Authority, is acting exclusively for the Company and for no-one else in connection with the Tender Offer and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Brewin Dolphin or for providing advice in relation to the matters described in this document.

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## **TOUCHSTONE GROUP PLC**

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 03537238)

### **Cancellation of Admission of Ordinary Shares to trading on AIM**

### **Tender Offer by Brewin Dolphin to purchase Ordinary Shares**

### **Approval of Waiver of Rule 9 of the Takeover Code**

**and**

### **Notice of General Meeting**

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The availability of the Tender Offer to Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdiction in which they are located. Persons who are not resident in the United Kingdom should read the paragraph headed "Overseas Shareholders" in the letter from the Chairman of the Company set out in Part 1 of this document and the paragraph headed "Overseas Shareholders" in Part 2 of this document and should inform themselves about, and observe, any applicable legal or regulatory requirements.

The Tender Offer is not being made, and will not be made, directly or indirectly, in or into, or by use of the mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce, or any facilities of a national, state or other securities exchange, of any Restricted Jurisdiction and participation in the Tender Offer will not be permissible by any such use, means, instrumentality or facility or from or within any Restricted Jurisdiction.

Accordingly, unless otherwise determined by Brewin Dolphin and permitted by applicable law and regulation, neither this document nor the accompanying Tender Form nor any related document, is being, or may be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed, or sent in, into or from any Restricted Jurisdiction, and persons receiving this document, the accompanying Tender Form and/or any related document (including without limitation, trustees, nominees or custodians) must not mail or otherwise forward, distribute or send it in, into or from such Restricted Jurisdiction, as to do so may invalidate any purported acceptance of the Tender Offer. Any person (including, without limitation, trustees, nominees or custodians) who would, or otherwise intends to, or who may have a contractual or legal obligation to, forward this document together with the accompanying Tender Form and/or any related document to any jurisdiction outside the United Kingdom, should seek appropriate advice before taking any action.

You should read the whole of this document, but your attention is drawn, in particular, to the letter to Shareholders from the Chairman of the Company set out in Part 1 of this document. This letter explains the background to and reasons for the Proposals.

The Tender Offer will close at 1.00 p.m. on 16 October 2009 and will only be available to Qualifying Shareholders on the Register at the Tender Offer Record Date. If you wish to sell Ordinary Shares held in certificated form under the Tender Offer, you should complete the Tender Form in accordance with the instructions set out in Part 2 of this document and on the Tender Form and return it, together with your share certificate(s), to the Receiving Agent at Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received no later than 1.00 p.m. on 16 October 2009.

Acceptances of the Tender Offer in respect of Ordinary Shares held in uncertificated form (i.e. in CREST) should be made electronically through CREST so that the TTE instruction settles no later than 1.00 p.m. on 16 October 2009.

Notice convening the General Meeting to be held at the offices of Brewin Dolphin, 12 Smithfield Street, London EC1A 9BD at 11.00 a.m. on 12 October 2009 is set out at the end of this document. A Proxy Form for use at the General Meeting is enclosed with this document. Whether or not you intend to be present at the General Meeting, please complete and sign the Proxy Form, in accordance with the instructions printed on it, and return it to the Registrar at Capita Registrars, Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible by post or (during normal business hours only) by hand but, in any event, so as to arrive no later than 11.00 a.m. on 10 October 2009. The completion and return of a Proxy Form will not preclude you from attending and voting in person at the General Meeting, or any adjournment thereof.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Tender Offer Opens	16 September 2009
Latest time and date for receipt of Proxy Forms for the General Meeting	11.00 a.m. on 10 October 2009
General Meeting	11.00 a.m. on 12 October 2009
Latest time and date for receipt of Tender Forms and TTE instructions in relation to the Tender Offer	1.00 p.m. on 16 October 2009
Tender Offer Record Date	5.00 p.m. on 16 October 2009
Announcement of the results of the Tender Offer	19 October 2009
Cheques despatched and CREST accounts credited in respect of proceeds due under the Tender Offer	by 26 October 2009
CREST accounts credited with, and share certificates despatched in respect of, revised holdings of Ordinary Shares following the Tender Offer	by 26 October 2009
Last day of dealings in Ordinary Shares on AIM	27 October 2009
Expected date of Cancellation	with effect from 7.00 a.m. on 28 October 2009

- (1) If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders through a Regulatory Information Service.
- (2) All references to time in this document are to London time, unless otherwise stated.

## DEFINITIONS

<b>“1985 Act”</b>	the Companies Act 1985;
<b>“2006 Act”</b>	the Companies Act 2006;
<b>“AIM”</b>	AIM, a market operated by the London Stock Exchange plc;
<b>“AIM Admission”</b>	the admission of the Ordinary Shares to trading on AIM;
<b>“AIM Rules”</b>	the AIM rules for companies published by the London Stock Exchange plc from time to time;
<b>“Approved Share Option Scheme”</b>	the Approved Share Option Plan adopted by the Company on 15 June 1998;
<b>“Birch Concert Party”</b>	the following persons who, for the purposes of the Takeover Code, are deemed to be acting in concert: Keith Birch, David Birch, Philip Birch, Catherine Birch, Christopher Birch, James Birch and Joanna Birch;
<b>“Board” or “Directors”</b>	the directors of the Company as at the date of this document whose names are set out in paragraph 2 of Part 5 of this document;
<b>“Brewin Dolphin”</b>	Brewin Dolphin Limited;
<b>“Business Day”</b>	any day other than a Saturday, Sunday or public holiday on which banks are open in the City of London for the transaction of general commercial business;
<b>“Cancellation”</b>	the cancellation of the AIM Admission;
<b>“Capita Registrars”</b>	a trading name of Capita Registrars Limited;
<b>“certificated” or “in certificated form”</b>	Ordinary Shares not recorded on the Register as being held in uncertificated form in CREST;
<b>“Company” or “Touchstone”</b>	Touchstone Group plc;
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations);
<b>“CREST Member”</b>	a person who has been admitted by Euroclear as a system member (as defined in the CREST Regulations);
<b>“CREST Participant”</b>	a person who is, in relation to CREST, a system-participant (as defined in the CREST Regulations);
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755);
<b>“CREST Sponsor”</b>	a CREST Participant admitted to CREST as a CREST sponsor;
<b>“CREST Sponsored Member”</b>	a CREST Member admitted to CREST as a CREST sponsored member;
<b>“Employee Benefit Trust” or “EBT”</b>	the employee share ownership trust as constituted by a trust deed originally entered into between the Company and Regulas Trustees Limited (as trustee) dated 24 August 1999 to assist, inter alia, the Company in satisfying obligations in respect of options issued to certain employees of the Company;
<b>“EBT Trustee”</b>	Kleinwort Benson (Guernsey) Trustees Limited, as trustee of the Employee Benefit Trust;

“Euroclear”	Euroclear UK & Ireland Limited (formerly CRESTCo Limited);
“General Meeting”	the General Meeting of the Company convened for 11.00 a.m. on 12 October 2009 by the Notice and any adjournment thereof;
“Group”	the Company and its subsidiary undertakings from time to time;
“HMRC”	Her Majesty’s Revenue & Customs;
“Independent Directors”	the Directors other than Keith Birch and David Birch;
“Independent Shareholders”	Shareholders other than members of the Birch Concert Party;
“Notice”	the notice of the General Meeting, which is set out at the end of this document;
“Optionholders”	persons who hold options to acquire Ordinary Shares under the Approved Share Option Scheme and/or the Unapproved Share Option Scheme;
“Ordinary Shares” or “Ordinary Share Capital”	ordinary shares of 10 pence nominal value each in the capital of the Company;
“Overseas Shareholder”	a Shareholder who is resident in, or a citizen of, a jurisdiction outside the United Kingdom;
“Panel”	the Panel on Takeovers and Mergers;
“Participant ID”	the identification code or membership number used in CREST to identify a particular CREST Member or other CREST Participant;
“Proposals”	the Cancellation, the Tender Offer and the Rule 9 Waiver, as described in this document;
“Proxy Form”	the form of proxy enclosed with this document for use at the General Meeting or any adjournment thereof;
“Qualifying Shareholders”	Shareholders who are entitled to participate in the Tender Offer, being Shareholders on the Register at 5.00 p.m. on the Tender Offer Record Date who are not Restricted Shareholders;
“Receiving Agent”	Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU;
“Register”	the register of members of the Company;
“Registrar”	Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 OGA;
“Regulatory Information Service”	any of the services approved by the London Stock Exchange plc for the distribution of AIM announcements and included within the list maintained on the website of the London Stock Exchange plc;
“Repurchase Agreement”	the agreement dated 16 September 2009 as described in this document between the Company and Brewin Dolphin for the repurchase by the Company of the Ordinary Shares purchased by Brewin Dolphin pursuant to the Tender Offer (or otherwise a corresponding number of Ordinary Shares);
“Resolutions”	the resolutions to be proposed at the General Meeting, as set out in the Notice and a reference to a “ <b>Resolution</b> ” shall be construed accordingly;

<b>“Restricted Jurisdiction”</b>	each of the United States, Canada, Australia, New Zealand, South Africa and Japan and any other jurisdiction where the mailing of this document into or inside or from such jurisdiction would constitute a violation of the laws of such jurisdiction;
<b>“Restricted Shareholder”</b>	a Shareholder with a registered address in a Restricted Jurisdiction;
<b>“Rule 9 Waiver”</b>	the waiver by the Panel, subject to approval by Independent Shareholders voting on a poll, of the obligations of Rule 9 of the Takeover Code in respect of the Birch Concert Party, and Keith Birch individually, as described in this document;
<b>“Shareholders”</b>	holders of Ordinary Shares;
<b>“Takeover Code”</b>	the City Code on Takeovers and Mergers;
<b>“tender” and “tendered”</b>	refers to tenders by Shareholders of Ordinary Shares pursuant to the Tender Offer;
<b>“Tender Form”</b>	the tender form issued with this document to Qualifying Shareholders for use in respect of Ordinary Shares held in certificated form;
<b>“Tender Offer”</b>	the invitation by Brewin Dolphin to Qualifying Shareholders to tender Ordinary Shares for sale to Brewin Dolphin on the terms and subject to the conditions set out in this document and, in the case of certificated Ordinary Shares only, in the Tender Form;
<b>“Tender Offer Closing Date”</b>	1.00 p.m. on 16 October 2009;
<b>“Tender Offer Price”</b>	the price of 23 pence per Ordinary Share, being the price at which Brewin Dolphin is to purchase Ordinary Shares under the Tender Offer;
<b>“Tender Offer Record Date”</b>	5.00 p.m. on 16 October 2009;
<b>“TFE instruction”</b>	a transfer from escrow instruction (as defined by the CREST manual issued by Euroclear);
<b>“TTE instruction”</b>	a transfer to escrow instruction (as defined by the CREST manual issued by Euroclear);
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland;
<b>“uncertificated” or “uncertificated form”</b>	Ordinary Shares which are recorded on the Register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST; and
<b>“Unapproved Share Option Scheme”</b>	the Unapproved Share Option Plan adopted by the Company on 15 June 1998.

In this document:

- (a) references to any provision of any legislation include any amendment, modification, re-enactment or extension thereof;
- (b) **“subsidiary undertaking”** shall have the meaning given to it in the 2006 Act; and
- (c) words importing the singular shall include the plural and vice versa and words importing the masculine gender shall include the feminine or neutral gender.

## PART 1

### LETTER FROM THE CHAIRMAN OF TOUCHSTONE GROUP PLC

#### TOUCHSTONE GROUP PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with number 03537238)

Directors:

David Thompson, Non-Executive Chairman  
Keith Birch, Managing Director  
David Birch, Commercial Director and Company Secretary  
Christian Butler, Finance Director  
Adrian McNay, Group Board Director

Registered office:

Third Floor  
Triton Square  
London  
NW1 3DX

16 September 2009

*To Shareholders and, for information only, Optionholders*

Dear Shareholder

#### **Cancellation, Tender Offer, Rule 9 Waiver and Notice of General Meeting**

##### **1. Introduction**

On 17 June 2009, the Company announced that it was evaluating proposals that would be put to Shareholders for their approval, which would encompass a cancellation of the AIM Admission and, depending upon the cash-flow needs of the business, a limited buy-back of Ordinary Shares at an appropriate price.

On 8 July 2009, the Company further announced that the Board was at an advanced stage of its reflections and hoped to place detailed proposals before Shareholders over the following 4 to 6 weeks.

The Board have now carefully considered the current position and propose that:

- the AIM Admission should be cancelled; and
- Brewin Dolphin under the Tender Offer purchase up to 3,861,500 Ordinary Shares at a price of 23 pence per share which shares, or a corresponding number of Ordinary Shares, will, on the following Business Day, be purchased from Brewin Dolphin by the Company and cancelled. This is to allow Shareholders who do not wish to, or may not, hold shares in a company that is not publicly traded to dispose of or reduce their interest in the Company.

Under the Tender Offer, a maximum of 3,861,500 Ordinary Shares, representing approximately 30 per cent. of the current issued Ordinary Share Capital, may be purchased. Having reviewed the financial position of the Group, the Independent Directors have made the decision to limit the Tender Offer to 30 per cent. of the issued Ordinary Shares at a maximum aggregate price of £888,145, to ensure that the Group has sufficient cash reserves to meet its ongoing working capital requirements and commitments following completion of the Proposals.

The Tender Offer is being made to Qualifying Shareholders who are on the Register at the Tender Offer Record Date. Qualifying Shareholders may tender any or all of their Ordinary Shares in the Tender Offer, but are not obliged to tender any of their Ordinary Shares if they do not wish to do so. The Company has received irrevocable undertakings not to tender any Ordinary Shares under the Tender Offer from Shareholders holding in aggregate 5,730,178 Ordinary Shares, representing approximately 44.5 per cent. of the current issued Ordinary Shares. The effect of these undertakings is that although the Tender Offer is limited to 30 per cent. of the issued Ordinary Shares, ignoring any Ordinary Shares held by Restricted Shareholders, the Qualifying Shareholders who may participate in the Tender Offer hold in aggregate 55.5 per cent. of the issued Ordinary Shares meaning that Qualifying Shareholders may tender at least 54.1 per cent. of their holdings without being scaled back.

However, in addition to the irrevocable undertakings not to tender Ordinary Shares referred to above, the Company has received letters of intention not to tender Ordinary Shares from the holders of 982,529 Ordinary Shares, representing a further 7.6 per cent. of the issued Ordinary Share Capital.

On the assumption that all holders of Ordinary Shares in respect of whom irrevocable undertakings and letters of intention have been received, do not tender their Ordinary Shares, the remaining Qualifying Shareholders would hold in aggregate 47.9 per cent. of the issued Ordinary Share Capital. In these circumstances Qualifying Shareholders would be able to tender at least 62.7 per cent. of their holdings without being scaled back.

Assuming that the Tender Offer is taken up in full, the Birch Concert Party and Keith Birch individually, would, in the absence of a waiver under Rule 9 of the Takeover Code, be required to make an offer to acquire the balance of the Ordinary Shares not owned by them. The Panel has agreed, however, to waive the obligation on the members of the Birch Concert Party to make a general offer, subject to approval by the Independent Shareholders on a poll. The Tender Offer is therefore conditional upon such approval being obtained from the Independent Shareholders.

This letter sets out the background to and reasons for, and provides further details of, the proposed Cancellation, Tender Offer and Rule 9 Waiver and explains why the Independent Directors consider the Proposals to be in the best interests of the Company and Independent Shareholders as a whole.

The approval of Shareholders to resolutions to implement the Proposals is being sought at the General Meeting to be held at 11.00 a.m. on 12 October 2009. The Notice, which convenes the General Meeting at which the Resolutions will be proposed, is set out at the end of this document.

Shareholders should note that unless all the Resolutions are approved at the General Meeting, the Tender Offer will lapse. However, if the resolution approving the Cancellation is passed, it is the Company's intention to proceed with the Cancellation whether or not the other Proposals are approved by Shareholders.

### ***Background to and reasons for the Proposals***

The Directors believe that the costs and regulatory requirements associated with maintaining the AIM Admission are a significant burden on the Company's financial resources. These costs include fees paid to the Company's nominated adviser and broker and registrars, annual fees paid to the London Stock Exchange plc, costs relating to public announcements, additional fees and expenses of Directors, accountants and lawyers engaged to provide accountancy and legal services in connection with maintaining the AIM Admission. The Company estimates that if the Cancellation takes place the Group will as a result save up to approximately £100,000 per annum.

Furthermore, the Board believe that maintaining the AIM Admission is, and would continue to be, a significant burden and drain on management time. As at 15 September 2009 (the latest practicable date prior to the publication of this document), the Company had a market capitalisation of £2.64 million. Given the size of the Company, the Board believe that a disproportionate amount of management time is spent dealing with AIM related matters and issues. The Board believe that Shareholders would be better served if the Directors and key management were permitted to focus on the underlying business without the time drag and other commitments which the Directors believe are an inevitable part of operating in a public market arena.

In addition to the direct and indirect costs involved in maintaining the AIM Admission, the Board consider few benefits accrue to the Company or Shareholders from the AIM Admission and in particular:

- the Company has seen limited trading volume in Ordinary Shares, with an average daily volume of approximately 19,275 shares over the three months ending 31 August 2009;
- save for consideration shares issued to vendors of companies in connection with acquisitions, the Company has rarely utilised AIM to raise equity capital for its expansion and has no plans to do so;
- the Board consider that, given its size, the Company is, without significant corporate activity, currently unlikely to benefit from any new institutional investors or additional analyst interest in the secondary market;
- the Directors believe that the current share price fails to adequately value the underlying Group operations and have little confidence that the underlying value of Group operations will be fully appreciated whilst the Company retains its AIM Admission.

The Board have considered other options with a view to returning value to Shareholders whilst the Company maintains its AIM Admission. The Board believe, however, that given the current financial climate coupled with the depressed market valuation, it is likely to be difficult to sell all or part of the Group at a valuation which adequately values the underlying business.

If the Cancellation is approved by Shareholders, the Directors intend to operate the underlying business with a view to returning long term value to Shareholders. The Directors believe that returning value to Shareholders will be easier to achieve if the Cancellation is approved. For example, if the Cancellation is approved the Company would no longer be subject to the AIM Rules. This would enable the Company to consider selling an operating subsidiary, unit or asset in order to return value to Shareholders without the additional burden and costs of publishing a circular and obtaining Shareholder approval, which would be required if the transaction exceeded 75 per cent. of any of the AIM Rules class tests.

For the reasons set out above, the Board have concluded that it would be in the best interests of the Company and Shareholders as a whole if the AIM Admission were to be cancelled.

If the resolution to approve the Cancellation is passed, it is the intention of the Company to proceed with the Cancellation whether or not the other Proposals are approved.

The Board recognise that some Shareholders may not be able or willing to continue to hold Ordinary Shares following the Cancellation. The Tender Offer gives such Shareholders (if they are Qualifying Shareholders) an opportunity, depending on the take up of the Tender Offer, to dispose of or reduce their interest in the Company. Those Qualifying Shareholders who wish to continue holding Ordinary Shares following the Cancellation may do so.

## **2. Information on Touchstone**

Touchstone provides integrated business software and consultancy services to companies primarily in the UK. The Group provides a broad range of services and software applications including: ERP, CRM, Financial Management, Procurement/Spend Control, and Business Intelligence to clients in specialist sectors including: Commodity Trading, Construction, Energy, Financial Services, High Tech, Hospitality & Leisure, Not for Profit, Media & Publishing, Professional Services, Rental and Wealth Management. Clients include Speedy Hire, Jarvis, RNID and PwC.

## **3. Trading update**

The Board have been encouraged by a number of new contract wins in recent months and Touchstone has also been selected as preferred supplier on several significant projects. However, whilst certain divisions are experiencing encouraging levels of demand, the Board believe that general market conditions remain challenging. The Board believe that the recent introduction of a more effective operational structure coupled with a review of overheads has ensured that the Group is in better shape and should be ideally placed to respond once general market conditions improve. The Board can also confirm that the Group is trading ahead of the comparative period last year and is in line with market expectations for the current financial period.

## **4. Cancellation**

In accordance with the AIM Rules, the Cancellation is conditional on the consent of not less than 75 per cent. of the votes cast by Shareholders at a general meeting. Such consent will be sought through Resolution 1. Assuming Resolution 1 is passed, the Cancellation is expected to take effect from 7.00 a.m. on 28 October 2009.

The principal effects that the Cancellation would have on Shareholders are as follows:

- there would no longer be a formal market mechanism enabling Shareholders to trade their Ordinary Shares through the market (although the existing CREST facility is expected to remain in place and the Board intends to set up a matched bargain settlement facility for the Ordinary Shares). Accordingly, while the Ordinary Shares will remain freely transferable, they may be more difficult to sell compared to shares of companies admitted to trading on AIM. It may also be more difficult for Shareholders to determine the market value of their shareholdings in the Company at any given time;
- the Company would not be bound to announce material events, administrative changes or material transactions nor to announce interim or final results;
- the Company would no longer be required to comply with any of the additional corporate governance requirements applicable to companies admitted to trading on AIM;

- the Company would no longer be subject to the Disclosure Rules and Transparency Rules of the UK Financial Services Authority and would therefore no longer be required specifically to disclose major shareholdings in the Company;
- the Company would no longer be subject to the AIM Rules. Shareholders would therefore no longer be afforded the protections given by the AIM Rules. Such protections include the requirement to be notified of certain events including, amongst other things, substantial transactions (the size of which results in a 10 per cent. threshold being reached under any one of the class tests) and related party transactions and the requirement to obtain shareholder approval for reverse takeovers (the size of which results in a 100 per cent. threshold being reached under any one of the class tests) and fundamental changes in the Company's business including disposals exceeding 75 per cent. under any of the class tests; and
- the Cancellation might have either positive or negative taxation consequences for Shareholders.

However, following the Cancellation:

- the Company would remain subject to English company law, which requires shareholder approval for certain matters;
- the Company would remain a public limited company and will still be required to hold annual general meetings;
- the Company intends to continue to have at least one non-executive director to help oversee corporate governance;
- the Company intends to continue to communicate information about the Company (including annual accounts and updates as to significant new contract wins) to its Shareholders;
- the Company intends to provide a bi-annual business update for Shareholders; and
- as a public limited company, the Company would remain subject to the provisions of the Takeover Code.

The Board continues to believe that dividends should be paid in accordance with the Group's cash flow requirements whilst maintaining an appropriate level of dividend cover and sufficient cash reserves for future investment opportunities. The Board would anticipate future dividend policy to be at least in line with the Company's public market record. To this end, the Group's dividend record shows that dividends of approximately £3.35 million have been distributed to Shareholders in the ten year period since 1998 when the Company became a publicly traded company. Over the same period, distributable profits (being adjusted profits after tax) have been approximately £15.5 million giving a dividend to distributable profits ratio of approximately 22 per cent.

Subject to existing contractual obligations, the Board intend to pay management and employees' salaries and benefits that are commensurate with industry practice and, assuming the Cancellation occurs, the Company's status as an off-market company.

Whilst the Board believe that the Cancellation is in the best interests of the Company and the Shareholders as a whole, it recognises that the Cancellation may make it more difficult for Shareholders to buy and sell Ordinary Shares should they so wish. Accordingly, the Board intends to set up a matched bargain settlement facility to enable Shareholders to trade the Ordinary Shares. Under this facility, it is intended that Shareholders or persons wishing to trade Ordinary Shares will be able to leave an indication with the facility provider that they are prepared to buy or sell at an agreed price. If the matched bargain settlement facility is able to match that order with an opposite sell or buy instruction, the facility provider will contact both parties and then effect the bargain. Shareholders who do not have their own broker may need to register with the facility provider as a new client. This can take some time to process and therefore Shareholders who consider they are likely to use this facility are encouraged to commence it at the earliest opportunity. Once the facility has been arranged, details will be made available to Shareholders on the Company's website at [www.touchstone.co.uk](http://www.touchstone.co.uk).

Shareholders who are in any doubt about their tax position should consult their own professional independent adviser immediately.

**Shareholders should be aware that if the Cancellation takes effect, they will at that time cease to hold shares in a Company whose shares are admitted to trading on AIM and the matters set out above will automatically apply to the Company from the date of the Cancellation.**

## **5. Tender Offer**

The Tender Offer is being made available to all Qualifying Shareholders who are on the Register on the Tender Offer Record Date. Qualifying Shareholders have the opportunity to tender some or all of their Ordinary Shares (subject to the maximum aggregate number of Ordinary Shares which may be purchased under the Tender Offer of 3,861,500 Ordinary Shares) for 23 pence in cash per Ordinary Share. The Ordinary Shares purchased under the Tender Offer (or a corresponding number of Ordinary Shares) will be cancelled once purchased by the Company pursuant to the terms of the Repurchase Agreement.

The Company has received irrevocable undertakings not to tender any Ordinary Shares under the Tender Offer from Qualifying Shareholders holding in aggregate 5,730,178 Ordinary Shares, representing approximately 44.5 per cent. of the issued Ordinary Shares. In practical terms, this means that although the Tender Offer has been limited to 30 per cent. of the Ordinary Shares, such Ordinary Shares can be tendered only by Qualifying Shareholders holding 55.5 per cent. of the current issued share capital of the Company (subject to the maximum aggregate number of Ordinary Shares which may be purchased pursuant to the Tender Offer of 3,861,500 Ordinary Shares).

However, in addition to the irrevocable undertakings not to tender Ordinary Shares referred to above, the Company has received letters of intention not to tender Ordinary Shares from the holders of 982,529 Ordinary Shares, representing a further 7.6 per cent. of the issued Ordinary Share Capital.

On the assumption that all holders of Ordinary Shares in respect of whom irrevocable undertakings and letters of intention have been received, do not tender their Ordinary Shares, the remaining Qualifying Shareholders would hold in aggregate 47.9 per cent. of the issued Ordinary Share Capital. In these circumstances Qualifying Shareholders would be able to tender at least 62.7 per cent. of their holdings without being scaled back.

Qualifying Shareholders do not have to tender any Ordinary Shares if they do not wish to do so.

Full details of the Tender Offer, including the terms and conditions on which it is made, are set out in Part 2 of this document and, in the case of certificated Ordinary Shares only, the accompanying Tender Form.

The Independent Directors consider that the Tender Offer:

- provides an opportunity for Qualifying Shareholders to tender their Ordinary Shares prior to the Cancellation;
- allows Qualifying Shareholders the opportunity to dispose of Ordinary Shares, in a tax-efficient manner (depending on their individual circumstances), free of dealing costs and stamp duty (which will be borne by the Company);
- gives Qualifying Shareholders the ability to tender all or some Ordinary Shares held by them (but subject in either case to scaling back in the event that the Tender Offer is over-subscribed) or to tender none of their Ordinary Shares, depending on their own liquidity requirements and their view of the prospects of the Company going forward; and
- provides a return of cash now, compared to the alternative of being exposed to the financial risks of the ongoing operations of the Company.

The current issued share capital of the Company at 15 September 2009, being the last Business Day prior to the posting of this document, was 12,871,686 Ordinary Shares (excluding Ordinary Shares held in treasury).

If the Tender Offer is fully taken up by Qualifying Shareholders, resulting in the purchase of 3,861,500 Ordinary Shares:

- there will be a reduction in the issued Ordinary Share Capital to 9,010,186 Ordinary Shares (excluding Ordinary Shares held in treasury); and

- the distributable reserves of the Company, as referenced in the audited accounts of the Company for the year ended 31 March 2009, will be reduced from approximately £1.39 million to approximately £501,855 (excluding professional fees incurred in connection with the Proposals and stamp duty). The distributable reserves of the Group, as referenced in the audited accounts of the Company for the year ended 31 March 2009, will be reduced from approximately £4.85 million to approximately £3.96 million (excluding professional fees incurred in connection with the Proposals and stamp duty).

The Tender Offer is conditional, amongst other things, on the passing of each of the Resolutions, including Resolution 1 approving the Cancellation.

Under the Tender Offer:

- Brewin Dolphin will purchase Ordinary Shares that are validly tendered up to a maximum number of 3,861,500 Ordinary Shares (equivalent to an aggregate value of approximately £888,145);
- all Qualifying Shareholders are being given the opportunity to participate;
- Qualifying Shareholders can tender none, all or some of their Ordinary Shares (subject to scaling back in the event that the Tender Offer is over-subscribed);
- all Ordinary Shares purchased by Brewin Dolphin will be purchased at a price of 23 pence per Ordinary Share (subject to rounding down to the nearest penny) free of commissions and dealing charges;
- all Ordinary Shares purchased by Brewin Dolphin (or a corresponding number of Ordinary Shares) will be subsequently purchased by the Company at a price of 23 pence per Ordinary Share under the terms of the Repurchase Agreement; and
- all Ordinary Shares purchased by the Company from Brewin Dolphin under the terms of the Repurchase Agreement will be cancelled and will not rank for any dividends declared after, or whose record date is after, the date of this document.

The Independent Directors reserve the right to terminate the Tender Offer at any time on or before announcement of the result of the Tender Offer if, having been advised by Brewin Dolphin; they conclude that its implementation is no longer in the best interests of the Company and Independent Shareholders as a whole or if the purchase of Ordinary Shares by the Company may have adverse fiscal consequences (whether by reason of any change in legislation, practice, circumstances or otherwise) for the Company and/or Independent Shareholders as a whole which were unexpected.

If the Tender Offer is terminated, the Company will make an announcement through a Regulatory Information Service that such is the case.

## **6. City Code on Takeovers and Mergers**

### **6.1. *Dispensation from Rule 9 of the Takeover Code***

Under Rule 9 of the Takeover Code, any person who acquires an interest (as defined in the Takeover Code) in shares which, taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carries 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

An offer under Rule 9 must be in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

Under Rule 37 of the Takeover Code, when a company purchases its own voting shares, any resulting increase in the percentage of shares carrying voting rights in which a person or group of persons acting in concert is interested will be treated as an acquisition for the purpose of Rule 9 of the Takeover Code (although a shareholder who is neither a director nor acting (or presumed to be acting) in concert with a director will not normally incur an obligation to make a general offer under Rule 9).

The current interests in Ordinary Shares of the Birch Concert Party and the percentages of the voting rights in the Company attributable to such interests are:

<i>Person</i>	<i>No. of Ordinary Shares</i>	<i>%</i>
Keith Birch*	2,846,797	22.117
David Birch	1,628,257	12.650
Philip Birch**	1,127,624	8.760
Catherine Birch	500	0.004
Christopher Birch	0	0
James Birch	0	0
Joanna Birch	0	0
Total	<u>5,603,178</u>	<u>43.531</u>

\* The interests of Keith Birch include 98,250 Ordinary Shares (0.76% of the issued Ordinary Share Capital) held as trustee of the TCL Settlement Trust 1998.

\*\* The interests of Philip Birch include 30,000 Ordinary Shares (0.23% of the issued Ordinary Share Capital) held as trustee for his three children: Christopher Birch, James Birch and Joanna Birch.

If the Company repurchases Ordinary Shares pursuant to the Tender Offer and at such time the voting rights attributable to the interests in Ordinary Shares of the Birch Concert Party continued to exceed 30 per cent. of the voting rights of the Company or as a result of the Tender Offer an individual's interest increased to more than 30 per cent. of such voting rights, an obligation under Rule 9 of the Takeover Code would arise on one or more of the members of the Birch Concert Party to make a cash offer for the current issued Ordinary Shares not already owned by them.

If the maximum possible number of Ordinary Shares is purchased pursuant to the Tender Offer (being 3,861,500 Ordinary Shares) and assuming no disposals of Ordinary Shares by any member of the Birch Concert Party and no issues of Ordinary Shares by the Company in the meantime, the interests in Ordinary Shares of the Birch Concert Party and the percentages of the voting rights in the Company attributable to such interests would be:

<i>Person</i>	<i>No. of Ordinary Shares</i>	<i>%</i>
Keith Birch*	2,846,797	31.6
David Birch	1,628,257	18.07
Philip Birch**	1,127,624	12.51
Catherine Birch	500	0.005
Christopher Birch	0	0
James Birch	0	0
Joanna Birch	0	0
Total	<u>5,603,178</u>	<u>62.18</u>

\* The interests of Keith Birch include 98,250 Ordinary Shares (0.76% of the issued Ordinary Share Capital) held as trustee of the TCL Settlement Trust 1998.

\*\* The interests of Philip Birch include 30,000 Ordinary Shares (0.23% of the issued Ordinary Share Capital) held as trustee for his three children: Christopher Birch, James Birch and Joanna Birch.

**The Panel has agreed, however, to waive the obligation to make a general offer that would otherwise arise as a result of the repurchase by the Company of its shares pursuant to the Tender Offer, subject to the approval of the Independent Shareholders on a poll. Accordingly, Resolution 3 is being proposed at the General Meeting and will be taken on a poll.**

**Following completion of the Tender Offer, the members of the Birch Concert Party will between them hold more than 50 per cent. of the Company's voting share capital and may, accordingly, increase their aggregate interests in Ordinary Shares without incurring any obligation under Rule 9 to make a general offer. However, individual members of the Birch Concert Party will not be able to increase their percentage interest in Ordinary Shares through or between a Rule 9 threshold without Panel consent.**

**If the Birch Concert Party's holding in the Company is reduced at any point in the future to less than 50 per cent., whilst remaining interested in 30 per cent. or more of the Company's voting share capital, any subsequent increase in the Birch Concert Party's interest in Ordinary Shares would be subject to Rule 9 of the Takeover Code.**

### **Brewin Dolphin Rule 9 Waiver**

In addition under the Tender Offer Brewin Dolphin will purchase, as principal, voting shares in the Company which could result in Brewin Dolphin coming to have an interest in such shares carrying 30 per cent or more of the voting rights of the Company. Brewin Dolphin has unconditionally undertaken that, promptly following such purchase, it will sell all those shares, acquired pursuant to the Tender Offer, to the Company for cancellation and the Company has unconditionally undertaken to buy all such shares. Brewin Dolphin has undertaken that so far as they are interested in the tendered shares that they will not exercise any rights attached to those shares. Accordingly, a waiver has been obtained from the Panel in respect of the application of Rule 9 to the purchase by Brewin Dolphin of the ordinary shares under the Tender Offer.

### **6.2. *The intentions of the Birch Concert Party***

The members of the Birch Concert Party have each confirmed to the Company that they are not proposing, following any increase in their percentage interests in Ordinary Shares or voting rights as a result of a repurchase of Ordinary Shares by the Company in connection with the Tender Offer, to seek any significant change in the composition of the Board or the general nature of the Company's business.

The members of the Birch Concert Party have also each confirmed that their intentions regarding the future of the Company's business, their intentions regarding the locations of the Company's places of business and their intentions regarding the continued employment of its employees and management (and those of its subsidiaries) will not be altered as a result of any increase in their percentage interests in Ordinary Shares or voting rights as a result of a repurchase of Ordinary Shares by the Company in connection with the Tender Offer nor will there be any redeployment of the fixed assets of the Company as a result of such an increase.

### **6.3. *The members of the Birch Concert Party***

#### **Keith Birch**

Keith Birch joined Touchstone Limited (previously "Touchstone Computers Limited") in May 1982 and became Managing Director in 1986. In June 1998, Touchstone Limited became a wholly owned subsidiary of the Company pursuant to a share exchange and Keith became Managing Director of the Company. He is responsible for the Group's growth during this period and development as an IT group.

#### **David Birch**

David Birch joined Touchstone Limited (previously "Touchstone Computers Limited") in January 1986 and became a director of the Company and Company Secretary in 1998. Prior to this David was an executive at William Davies Limited and Wimpey (Homes) Group Limited, with involvement in large project implementation. David Birch is the brother of Keith Birch.

#### **Philip Birch**

Philip Birch joined Touchstone Limited (previously "Touchstone Computers Limited") as Non-Executive Chairman in 1986. At that time, he was also Chairman and Chief Executive of Ward White Group plc, which owned Halfords, Payless DIY and AG Stanley, and which was subsequently acquired by The Boots Company plc in 1989. Philip was appointed Non-Executive Chairman of the Company in 1998 and played a significant role in the Company's successful AIM Admission that same year. Philip chaired the Board for five years until his retirement at age 70 in 2003. Philip Birch is the father of Keith and David Birch.

### **Catherine Birch**

Catherine Birch is the mother of Keith and David Birch.

### **Christopher Birch**

Christopher Birch is the son of Philip Birch.

### **James Birch**

James Birch is the son of Philip Birch.

### **Joanna Birch**

Joanna Birch is the daughter of Philip Birch.

## **7. Position of the Company following implementation of the Proposals**

Following the Cancellation, the Company would remain a public limited company subject to English company law, which requires, amongst other things, that the Company must:

- prepare and publish annual audited accounts; and
- hold annual general meetings.

In addition, as a public limited company, the provisions of the Takeover Code would continue to apply to the Company.

As mentioned, the Board continues to believe that dividends should be paid in accordance with the Group's cash flow requirements whilst maintaining an appropriate level of dividend cover and sufficient cash reserves for future investment opportunities.

Subject to existing contractual obligations, the Board intend to pay management and employees' salaries and benefits that are commensurate with industry practice and, assuming the Cancellation occurs, the Company's status as an off-market company.

## **8. General Meeting**

Implementation of the Cancellation and the Tender Offer, and approval of the Rule 9 Waiver, require the approval of Shareholders at a general meeting. Accordingly, there is set out at the end of this document a notice convening the General Meeting.

At the General Meeting, the following resolutions will be proposed:

1. Resolution 1 – a special resolution to authorise the cancellation of the AIM Admission;
2. Resolution 2 – a special resolution to authorise the Company to make market purchases of up to a maximum number of 3,861,500 Ordinary Shares from Brewin Dolphin at a fixed price of 23 pence per Ordinary Share pursuant to the Tender Offer. The authorisation will be conditional on the Cancellation and the Rule 9 Waiver each having been approved;
3. Resolution 3 – an ordinary resolution to approve the waiver of Rule 9 of the Takeover Code for the purpose of the Tender Offer. This Resolution will be taken on a poll and only the Independent Shareholders will be entitled to vote.

Each of Resolutions 1 and 2 are proposed as special resolutions which means they must be approved by not less than 75 per cent. of votes cast by Shareholders at the General Meeting. Resolution 3 is proposed as an ordinary resolution and must be passed by more than 50 per cent. of the votes cast by Independent Shareholders at the General Meeting.

**For the reasons explained above, the Board believe that it would be in the best interests of the Company and Shareholders as a whole if the AIM Admission were to be cancelled. Accordingly, if Shareholders pass Resolution 1 to approve the Cancellation, it is the intention of the Company to proceed with the Cancellation whether or not Resolutions 2 and 3 are passed by Shareholders.**

**The Independent Directors recognise, however, that some Shareholders may not be able or willing to continue to hold Ordinary Shares following any Cancellation and have therefore proposed the Tender Offer to give Qualifying Shareholders an opportunity to dispose of or reduce their interest in the Company (subject to the maximum aggregate number of Ordinary Shares which may be purchased pursuant to the Tender Offer of 3,861,500 Ordinary Shares).**

**In order for the Tender Offer to take place, however, Resolutions 2 and 3 must be passed. If these Resolutions are not passed by the requisite majority it will not be possible for the Tender Offer to take place.**

**If the Cancellation is approved but the Tender Offer does not take place, Shareholders who wish to sell Ordinary Shares will need to do so either through the matched bargain settlement facility which the Company intends to set up following Cancellation, or independently.**

## **9. Irrevocable Undertakings and Letters of Intent**

The Company has received irrevocable undertakings not to tender any Ordinary Shares under the Tender Offer and to vote in favour of Resolutions 1 and 2 and abstain from voting on Resolution 3 from the members of the Birch Concert Party (other than Christopher Birch, James Birch and Joanna Birch who do not hold any Ordinary Shares) in respect of their holdings of, in aggregate, 5,603,178 Ordinary Shares, representing approximately 43.53 per cent. of the issued Ordinary Shares.

The Company has received irrevocable undertakings not to tender any Ordinary Shares under the Tender Offer and to vote in favour of the Resolutions, from those Independent Directors who hold Ordinary Shares, in respect of their holdings of, in aggregate, 32,000 Ordinary Shares, representing approximately 0.25 per cent. of the issued Ordinary Shares. All Independent Directors have irrevocably undertaken, subject to their fiduciary duties as directors of the Company, to recommend to Shareholders to vote in favour of the Resolutions.

The Company has received irrevocable undertakings not to tender any Ordinary Shares under the Tender Offer and to vote in favour of the Resolutions from the EBT Trustee in respect of its holdings of 95,000 Ordinary Shares, representing approximately 0.74 per cent. of the issued Ordinary Shares.

The Company has also received letters of intent from certain other Shareholders holding, in aggregate, 982,529 Ordinary Shares, representing approximately 7.6 per cent. of the issued Ordinary Shares, indicating that it is their current intention not to tender any Ordinary Shares under the Tender Offer and to vote in favour of the Resolutions at the General Meeting.

Further details of the irrevocable undertakings and letters of intent are set out in Part 5 of this document.

## **10. Treatment of Optionholders**

The Company operates two share option schemes, the Approved Share Option Scheme and the Unapproved Share Option Scheme.

As at 15 September 2009, the latest practicable date prior to the date of this document, there were unexercised options to acquire up to 121,549 Ordinary Shares pursuant to the Approved Share Option Scheme and unexercised options to acquire up to 328,329 Ordinary Shares pursuant to the Unapproved Share Option Scheme.

Neither the Tender Offer nor the Cancellation will have the effect of increasing or accelerating the right to exercise any option or of accelerating the lapse of any option.

However, following the implementation of the Proposals, the Directors intend to review their strategy in relation to share based incentives for employees and, if appropriate, may put forward proposals in this respect.

## **11. Taxation**

A general guide to the tax position of Shareholders under current UK law and HMRC practice in respect of the Tender Offer is set out in Part 3 of this document. Shareholders should note that the information on taxation set out in Part 3 of this document is a general guide only and all Shareholders are strongly advised to consult their independent professional advisers about their own personal tax position.

## 12. Overseas Shareholders

The Tender Offer is not available to Shareholders with a registered address in the United States, Canada, Australia, New Zealand, South Africa or Japan or any other Restricted Jurisdiction. Overseas Shareholders should note that they should satisfy themselves that they have fully observed any applicable legal requirements under the laws of their relevant jurisdiction if they tender Ordinary Shares in the Tender Offer. The attention of Shareholders with registered addresses outside the United Kingdom is drawn to the paragraph headed “Overseas Shareholders” in Part 2 of this document.

## 13. Action to be taken – General Meeting

Shareholders will find enclosed a Proxy Form for use in connection with the General Meeting. Whether or not you intend to be present at the meeting, you are requested to complete the Proxy Form in accordance with the instructions printed on it and return it by post or (during normal business hours only) by hand to Capita Registrars, Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible and, in any event, so as to be received by **no later than 11.00 a.m. on 10 October 2009**.

The completion and return of a Proxy Form will not preclude Shareholders from attending the General Meeting should they wish to do so.

## 14. Action to be taken – Tender Offer

The procedure for tendering your Ordinary Shares depends on whether Ordinary Shares are held in certificated or uncertificated form.

### *Ordinary Shares held in certificated form*

Qualifying Shareholders who hold Ordinary Shares in certificated form and who wish to tender all or any of their Ordinary Shares should complete the Tender Form in accordance with the instructions printed on it (including a witnessed signature) and set out in Part 2 of this document and return it by post or (during normal business hours only) by hand to the Receiving Agent, Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. A prepaid envelope (for use in the UK only) is enclosed for this purpose.

Shareholders who hold their Ordinary Shares in certificated form should also return their share certificate(s) and/or other documents of title in respect of the shares tendered.

Completed Tender Forms must be received by **no later than 1.00 p.m. on 16 October 2009**.

### *Ordinary Shares held in uncertificated form (that is, in CREST)*

Qualifying Shareholders who hold their Ordinary Shares in uncertificated form and who wish to tender all or any of their Ordinary Shares should tender electronically through CREST so that the TTE instruction settles **no later than 1.00 p.m. on 16 October 2009**.

Further details of the procedures for tendering and settlement are set out in Part 2 of this document.

Qualifying Shareholders who do not wish to sell any Ordinary Shares under the Tender Offer should take no action in relation to the Tender Form and should not make a TTE instruction.

## 15. Further information

If you have any queries then please contact Capita Registrars on 0871 664 0321 from within the UK or on + 44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes.

For legal reasons, the Receiving Agent will not be able to give advice on the merits of the Proposals or provide legal, financial or personal taxation advice and, accordingly, for such advice you should consult your stockbroker, solicitor, accountant, bank manager or other independent professional adviser.

Brewin Dolphin is not permitted to give any advice to any Shareholders on the Tender Offer including acceptance thereof, or to provide any additional information or to provide financial, legal or tax advice of any kind in connection with the Tender Offer.

Brewin Dolphin, which is authorised and regulated in the United Kingdom by the UK Financial Services Authority, has given and not withdrawn its written consent to the issue of this document with the inclusion of its name in the form and context in which it appears.

Under the Disclosure Rules and Transparency Rules of the UK Financial Services Authority, substantial Shareholders are required to notify the Company of their interests in Ordinary Shares. Following the Tender Offer, the interests of Shareholders when taken as a percentage of the current issued Ordinary Share Capital may change, which may in turn give rise to an obligation to make a new or revised notification.

## **16. Recommendation**

Neither of Keith Birch and David Birch has taken part in any decision by the Board relating to any proposal to seek the Rule 9 Waiver from the Panel since it is, inter alia, their potential interests in Ordinary Shares that are the subject of the Rule 9 Waiver. Nor will any member of the Birch Concert Party vote on Resolution 3.

The Board consider the Cancellation to be in the best interests of the Company and Shareholders as a whole. Accordingly, the Board recommend that you vote in favour of Resolution 1 relating to the Cancellation as those members of the Board who hold Ordinary Shares have irrevocably agreed to do in respect of their holdings of, in aggregate, 4,507,054 Ordinary Shares, representing in aggregate approximately 35.02 per cent. of the Company's current issued Ordinary Share Capital.

The Independent Directors, who have been so advised by Brewin Dolphin, consider the Tender Offer and the Rule 9 Waiver to be fair and reasonable and in the best interests of the Company and Independent Shareholders as a whole. In providing advice to the Independent Directors, Brewin Dolphin has taken into account the commercial assessment of the Independent Directors.

Accordingly, the Independent Directors recommend that you vote in favour of Resolutions 2 and 3 relating to the Tender Offer and the Rule 9 Waiver, as those Independent Directors who hold Ordinary Shares have irrevocably agreed to do in respect of their holdings of, in aggregate, 32,000 Ordinary Shares, representing in aggregate approximately 0.25 per cent. of the Company's current issued Ordinary Share Capital.

The Independent Directors make no recommendation to Shareholders in relation to participation in the Tender Offer itself. Whether or not Qualifying Shareholders decide to tender all or any of their Ordinary Shares will depend, amongst other things, on their view of the Company's prospects and their own individual circumstances, including their tax position. In making their decisions, Qualifying Shareholders are recommended to consult their duly authorised independent advisers.

## PART 2

### TERMS AND CONDITIONS OF THE TENDER OFFER

Shareholders who do not wish to participate under the Tender Offer need take no action.

#### 1. Introduction

Qualifying Shareholders on the Register on the Tender Offer Record Date are being invited to tender their Ordinary Shares for purchase by Brewin Dolphin on the terms and subject to the conditions set out in this document and, in the case of certificated Ordinary Shares only, in the Tender Form. The Company will, in turn, repurchase from Brewin Dolphin the Ordinary Shares purchased by Brewin Dolphin pursuant to the Tender Offer (or otherwise a corresponding number of Ordinary Shares). All of the Ordinary Shares purchased by the Company will be cancelled.

#### 2. Terms of the Tender Offer

2.1. The Tender Offer is conditional upon the following (together, the “**Tender Conditions**”):

- (a) the passing of each of the Resolutions;
- (b) Brewin Dolphin being satisfied that the Company has paid funds to Brewin Dolphin in accordance with the terms of the Repurchase Agreement (to hold on trust for the Company pending completion of the Tender Offer), sufficient to allow Brewin Dolphin to complete the purchase of the Ordinary Shares to be acquired by Brewin Dolphin pursuant to the Tender Offer;
- (c) Brewin Dolphin being satisfied that the Company is in a position to purchase all Ordinary Shares which it is required to purchase from Brewin Dolphin out of profits available for distribution (as defined in section 830 of the 2006 Act);
- (d) the Repurchase Agreement not having been terminated in accordance with its terms; and
- (e) the Tender Offer not having been terminated in accordance with paragraph 2.22 of this Part 2.

Brewin Dolphin will not purchase the Ordinary Shares pursuant to the Tender Offer unless the Tender Conditions have been satisfied. The Tender Conditions may not be waived by Brewin Dolphin or the Company. If any of the above conditions is not satisfied by 7.00 a.m. on 19 October 2009 (or such later time and date as the Company and Brewin Dolphin may agree), the Tender Offer will not proceed and will lapse.

- 2.2. All Ordinary Shares tendered by Shareholders under the Tender Offer will be tendered at a price of 23 pence per Ordinary Share. Ordinary Shares may not be tendered at any other price. The aggregate amount received by each Shareholder in respect of Ordinary Shares validly tendered will be rounded down to the nearest penny.
- 2.3. Subject to the terms of the Tender Offer, Brewin Dolphin will purchase Ordinary Shares tendered by Qualifying Shareholders under the Tender Offer at the Tender Offer Price on 19 October 2009.
- 2.4. The total number of Ordinary Shares purchased pursuant to the Tender Offer will not exceed 3,861,500 Ordinary Shares (equivalent to a maximum total amount payable of approximately £888,145).
- 2.5. The Tender Offer is only available to Qualifying Shareholders on the Register on the Tender Offer Record Date and is only being made in respect of the number of Ordinary Shares registered in those Shareholders’ names at such time.
- 2.6. Tender Forms once duly completed (for Ordinary Shares held in certificated form) and submitted to the Receiving Agent and TTE instructions which have settled (for Ordinary Shares held in uncertificated form) will become irrevocable and cannot be withdrawn. All questions as to the validity (including time of receipt) will be determined by Brewin Dolphin, in its sole discretion, which determination shall be final and binding (except as otherwise required under applicable law). None of

the Company, Brewin Dolphin nor any other person is or will be obliged to give notice of any defects or irregularities and none of them will incur any liability for failure to give such notice.

- 2.7. The Tender Offer will close at 1.00 p.m. on the Tender Offer Closing Date and no Tender Forms or TTE instructions received after that time will be accepted.
- 2.8. All or any part of a holding of Ordinary Shares may be tendered. Only whole numbers of Ordinary Shares may be tendered and, in the event of scaling back, successful tenders will be rounded down to the nearest whole number of Ordinary Shares in accordance with paragraph 2.18 of this Part 2.
- 2.9. Ordinary Shares successfully tendered under the Tender Offer will be sold to Brewin Dolphin fully paid and free from all liens, charges, equitable interests and encumbrances and with all rights attaching to the same. Ordinary Shares successfully tendered under the Tender Offer (or a corresponding number of Ordinary Shares) will be sold by Brewin Dolphin to the Company through the facilities of the London Stock Exchange plc and will subsequently be cancelled and will not rank for any dividends, distribution or other equity related rights declared by the Company after that date.
- 2.10. All tenders of Ordinary Shares held in certificated form must be made on the Tender Form duly completed in accordance with the procedures set out below and on the Tender Form (which constitute part of the terms of the Tender Offer).
- 2.11. All tenders of Ordinary Shares held in uncertificated form must be made by the input and settlement of an appropriate TTE instruction in CREST in accordance with the procedure set out below and the relevant procedures in the CREST manual.
- 2.12. A tender will only be valid if the procedures contained in this document and, for Shareholders who hold Ordinary Shares in certificated form, in the Tender Form, or, as applicable, for Shareholders who hold Ordinary Shares in uncertificated form, the relevant parts of the CREST manual, are complied with.
- 2.13. The Tender Offer will be governed by, and construed in accordance with, English law and the delivery of a Tender Form or the input of a TTE instruction by a Shareholder will constitute submission to the jurisdiction of the English courts.
- 2.14. The result of the Tender Offer and, if applicable, the extent to which tenders will be scaled down, is expected to be announced by Brewin Dolphin and the Company on 19 October 2009.
- 2.15. All documents and remittances sent by or to Shareholders and all instructions made by or on behalf of a Shareholder in CREST relating to the Tender Offer will be sent at the relevant Shareholder's own risk. If the Tender Offer does not become unconditional, or does not proceed, and lapses, in respect of Ordinary Shares held in certificated form, Tender Forms, certificates and other documents of title will be returned by post to Shareholders not later than five Business Days after the date of such lapse, or, in the case of Ordinary Shares held in uncertificated form (that is, in CREST), the Receiving Agent will provide instructions to Euroclear to transfer all Ordinary Shares held in escrow by TFE instruction to the original available balances to which those Ordinary Shares relate.
- 2.16. If part only of a holding of Ordinary Shares is successfully tendered pursuant to the Tender Offer, the relevant Shareholder will be entitled to receive the following:
  - (a) if Ordinary Shares are held in certificated form, a certificate in respect of the unsold Ordinary Shares; or
  - (b) if Ordinary Shares are held in uncertificated form (that is, in CREST), the transfer by the Receiving Agent by TFE instruction to the original available balances of those unsold Ordinary Shares.
- 2.17. Further copies of the Tender Form may be obtained on request from the Receiving Agent at Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
- 2.18. If the aggregate of valid tenders from Qualifying Shareholders exceeds 3,861,500 Ordinary Shares, tenders from Qualifying Shareholders will be scaled back pro rata (with the scaled back number of Ordinary Shares being rounded down to the nearest whole number), to ensure that the total number of

Ordinary Shares purchased pursuant to the Tender Offer does not exceed 3,861,500 Ordinary Shares. The basis of scaling back will be pro rata to the number of Ordinary Shares tendered. The decision of Brewin Dolphin as to the treatment of fractions or other issues arising from any scaling back will be conclusive and binding on all Shareholders.

- 2.19. All questions as to the number of Ordinary Shares tendered and the validity, form, eligibility (including the time of receipt) and acceptance for payment of any tender of Ordinary Shares under the Tender Offer will be determined by Brewin Dolphin in its sole discretion, which determination shall be final and binding on all parties except as otherwise required under applicable law. Brewin Dolphin reserves the absolute right to reject any or all tenders it determines not to be in proper form or the acceptance of payment for which may, in the opinion of Brewin Dolphin, be unlawful. Brewin Dolphin also reserves the absolute right to waive any of the terms or conditions of the Tender Offer (other than the Tender Conditions) and any defect or irregularity in the tender of any particular Ordinary Shares or any particular holder thereof. Unless Brewin Dolphin determines otherwise, no tender of Ordinary Shares will be deemed to be validly made until all defects or irregularities have been cured or waived. In the event of a waiver, the consideration under the Tender Offer will not be despatched (in respect of Ordinary Shares in certificated form) or made by way of CREST payment (in respect of Ordinary Shares in uncertificated form) to the relevant Shareholder until after (in the case of Ordinary Shares in certificated form) the Tender Form is complete in all respects and the share certificate(s) and/or other document(s) of title satisfactory to Brewin Dolphin have been received or (in the case of Ordinary Shares in uncertificated form) the relevant TTE instruction has settled. None of the Receiving Agent, Brewin Dolphin, the Company nor any other person is or will be obliged to give notice of any defects or irregularities in any tender and none of them will incur any liability for failure to give any such notice.
- 2.20. Ordinary Shares will be purchased under the Tender Offer free of all commissions and dealing charges.
- 2.21. The failure of any person to receive a copy of this document or the Tender Form shall not invalidate any aspect of the Tender Offer.
- 2.22. The Independent Directors reserve the right to terminate the Tender Offer at any time on or before announcement of the result of the Tender Offer if, having been advised by Brewin Dolphin, they conclude that its implementation is no longer in the best interests of the Company and Independent Shareholders as a whole or if the purchase of Ordinary Shares by the Company may have adverse fiscal consequences (whether by reason of any change in legislation, practice, circumstances or otherwise) for the Company and/or Independent Shareholders as a whole which were unexpected. If the Tender Offer is terminated the Directors will not proceed with the Cancellation and the Company will make an announcement through a Regulatory Information Service that such is the case.

### **3. Overseas Shareholders**

- 3.1. Overseas Shareholders should inform themselves about and observe any applicable or legal regulatory requirements. If you are in any doubt about your position, you should consult your professional adviser in the relevant jurisdiction.
- 3.2. The making of the Tender Offer in, or to persons resident in, jurisdictions outside the United Kingdom or to persons who are citizens, residents or nationals of other countries may be affected by the laws of the relevant jurisdiction. Shareholders who are not resident in the United Kingdom, or who are citizens, residents or nationals of countries outside the United Kingdom should inform themselves about and observe any applicable legal requirements. It is the responsibility of any Overseas Shareholder wishing to take up the Tender Offer to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes or other requisite payments due in such jurisdiction. Any Overseas Shareholder will be responsible for any such transfer or other taxes or other requisite payments by whomsoever payable and the Company, the Registrars and Brewin Dolphin and any person acting on their behalf shall be fully indemnified and held harmless by such Shareholder for any such transfer or other taxes or other requisite payments such person may be required to pay. No steps have been taken to qualify the Tender Offer or to authorise the extending of the Tender Offer or the distribution of the Tender Form in any territory outside the United Kingdom.

- 3.3. In particular, the Tender Offer is not being made directly or indirectly in, into or from or by use of the mail or by any means or instrumentality (including, without limitation, facsimile transmission, telex, and telephone) of interstate or foreign commerce, or any facility of a national securities exchange, of the United States, Canada, Australia, New Zealand, Japan or South Africa or any other Restricted Jurisdiction and the Tender Offer cannot be accepted by any such use, means, instrumentality or facility from within the United States, Canada, Australia, New Zealand, Japan or South Africa or any other Restricted Jurisdiction. Accordingly, copies of this document, the Tender Form and any related documents are not being and must not be mailed or otherwise distributed or sent in, into, or from the United States, Canada, Australia, New Zealand, Japan or South Africa or any other Restricted Jurisdiction, including to Shareholders with registered addresses in the United States, Canada, Australia, New Zealand, Japan or South Africa or any other Restricted Jurisdiction, or to persons who are custodians, nominees or trustees holding Ordinary Shares for persons in the United States, Canada, Australia, New Zealand, Japan or South Africa or any other Restricted Jurisdiction. Persons receiving such documents (including, without limitation, custodians, nominees and trustees) should not distribute, send or mail them in, into or from the United States, Canada, Australia, New Zealand, Japan or South Africa or any other Restricted Jurisdiction or use such mails or any such means, instrumentality or facility in connection with the Tender Offer, and doing so will render invalid any related purported acceptance of the Tender Offer. Persons wishing to accept the Tender Offer should not use such mails or any such means, instrumentality or facility for any purpose, directly or indirectly, relating to acceptance of the Tender Offer. Envelopes containing a Tender Form should not be postmarked in or otherwise despatched from the United States, Canada, Australia, New Zealand, Japan or South Africa or any other Restricted Jurisdiction and all accepting Shareholders must provide addresses outside the United States, Canada, Australia, New Zealand, Japan or South Africa or any other Restricted Jurisdiction for the remittance of cash or return of Tender Forms and share certificates.
- 3.4. If, in connection with making the Tender Offer, notwithstanding the restrictions described above, any person (including, without limitation, custodians, nominees and trustees), whether pursuant to a contractual or legal obligation or otherwise, forwards this document, the Tender Form or any related documents in, into or from the United States, Canada, Australia, New Zealand, Japan or South Africa or any other Restricted Jurisdiction or uses the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce, or any facility of a national securities exchange, of the United States, Canada, Australia, New Zealand, Japan or South Africa or any other Restricted Jurisdiction in connection with such forwarding, such persons should:
- (a) inform the recipient of such fact;
  - (b) explain to the recipient that such action may invalidate any purported acceptance by the recipient; and
  - (c) draw the attention of the recipient to this section of this document.
- 3.5. The provisions in this paragraph and/or any other terms of the Tender Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by Brewin Dolphin in its absolute discretion but only if Brewin Dolphin is satisfied that such waiver, variation or modification will not constitute or give rise to a breach of applicable securities or other law. Subject to this, the provisions in this paragraph headed “Overseas Shareholders” supersede any terms of the Tender Offer inconsistent therewith. References to a Shareholder shall include references to the persons executing a Tender Form and in the event of more than one person executing Tender Forms, the provisions in this paragraph shall apply to them jointly and severally.

#### **4. Procedure for tendering**

##### **4.1. *Different procedures for certificated and uncertificated Ordinary Shares***

If you hold Ordinary Shares in certificated form, you may only tender such Ordinary Shares by completing and returning the Tender Form, in accordance with the instructions printed thereon and set out in paragraph 4.2 below.

If you hold Ordinary Shares in uncertificated form (that is, in CREST) you may only tender such Ordinary Shares by TTE instruction in accordance with the procedure set out in paragraph 4.3 below and, if those Ordinary Shares are held under different member account IDs, you should send a separate TTE instruction for each member account ID.

#### **4.2. *Ordinary Shares held in certificated form***

To participate in the Tender Offer, Shareholders holding Ordinary Shares in certificated form must complete, sign, have witnessed and return the Tender Form in accordance with these instructions and the instructions on the Tender Form.

The following instructions should be read together with the notes on the Tender Form.

To take up the Tender Offer in respect of Ordinary Shares held in certificated form, you must complete Box 2 and sign and have witnessed Box 3 of the accompanying Tender Form in accordance with the instructions thereon.

You should complete separate Tender Forms for Ordinary Shares held in certificated form but under different designations. Additional copies of the Tender Form can be obtained from the Receiving Agent.

Completed, signed and witnessed Tender Forms, together with your share certificates and/or other documents of title, should be sent by post in the accompanying reply-paid envelope (for use in the UK only) or (during normal business hours only) delivered by hand to the Receiving Agent at Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU **as soon as possible and, in any event, so as to be received no later than 1.00 p.m. on the Tender Offer Closing Date. No tenders received after that time will be accepted.** Duly completed Tender Forms sent by any of the means set out above and received signed and complete in all respects by the prescribed time will be treated as tenders of Ordinary Shares in accordance with the terms and conditions of the Tender Offer. No acknowledgement of receipt of documents will be given.

The completed and signed Tender Form should be accompanied by the relevant share certificate(s) and/or other document(s) of title.

The instructions on the Tender Form shall be deemed to form part of the terms of the Tender Offer.

If you have lost your share certificate and/or other document of title, you should write to the Registrars at Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 OGA for a letter of indemnity in respect of the lost share certificate and/or other document of title. When completed in accordance with the instructions given, such indemnity should be returned by post or (during normal business hours only) by hand to the Receiving Agent at Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received as soon as possible and, in any event, no later than 1.00 p.m. on the Tender Offer Closing Date. A fee may be payable by the Shareholder in respect of each letter of indemnity.

If you are in any doubt as to the procedure for acceptance, please telephone Capita Registrars on 0871 664 0321 from within the UK or on + 44 20 8639 3399 if calling from outside the UK. Calls to the 0871 664 0321 number cost 10 pence per minute from a BT landline. Other network providers' costs may vary. Lines are open 9.00 a.m. to 5.00 p.m. (London time) Monday to Friday (except UK public holidays). Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Receiving Agent will not be able to give advice on the merits of the Tender Offer or provide legal, financial or personal taxation advice and, accordingly, for such advice you should consult your stockbroker, solicitor, accountant, bank manager or other independent professional adviser.

By signing and returning a Tender Form, you will be deemed to have appointed Brewin Dolphin as your agent in respect of the tender process. Brewin Dolphin will therefore issue a contract note on behalf of all Shareholders whose Ordinary Shares are so purchased under the Tender Offer and will remit the cash consideration to Capita Registrars with instructions that such consideration be remitted to Shareholders in accordance with the instructions set out on the Tender Form.

#### 4.3. *Ordinary shares in uncertificated form (that is, in CREST)*

If your Ordinary Shares are in uncertificated form, to tender such shares under the Tender Offer you should take (or procure the taking of) the action set out below to transfer (by means of a TTE instruction) the number of Ordinary Shares you wish to tender under the Tender Offer to the relevant escrow account specifying Capita Registrars (in its capacity as a CREST Participant under Capita Registrar's Participant ID and Member Account ID as referred to below) as the escrow agent, **as soon as possible and in any event so that the transfer to escrow settles by no later than 1.00 p.m. on the Tender Offer Closing Date. Please note that settlement cannot take place on weekends or bank holidays (or other times at which the CREST system is non-operational) and you should therefore ensure you time the input of any TTE instructions accordingly.**

The input and settlement of a TTE instruction in accordance with this paragraph shall constitute an offer to Brewin Dolphin to sell to it the number of Ordinary Shares at the price indicated on the terms of the Tender Offer by transferring such shares to the relevant escrow account as detailed below.

If you are a CREST Sponsored Member, you should refer to your CREST Sponsor before taking any action. Only your CREST Sponsor will be able to send the TTE instruction to Euroclear in relation to the Ordinary Shares which you wish to tender. The Corporate Action Number is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST.

To tender Ordinary Shares you should send (or, if you are a CREST Sponsored Member, procure that your CREST Sponsor sends) a TTE instruction to Euroclear in relation to such shares.

The TTE instruction must be properly authenticated in accordance with Euroclear's specifications and must contain, in addition to the other information that is required for the TTE instruction to settle in CREST, the following details:

- the number of Ordinary Shares to be transferred to the relevant escrow account;
- your Member Account ID;
- your Participant ID;
- the Participant ID of the Receiving Agent, in its capacity as a CREST receiving agent, which is RA10;
- the Member Account ID of the Receiving Agent, which is TOUCHSTO. The input and settlement of a TTE instruction in accordance with this paragraph (which has not been validly withdrawn) shall constitute an offer to Brewin Dolphin to sell to it the number of Ordinary Shares at the Tender Offer Price on the terms of the Tender Offer, by transferring such shares to the relevant escrow account as detailed above;
- the ISIN number in respect of the Ordinary Shares, which is GB0003058137;
- the intended settlement date. This should be as soon as possible and in any event no later than 1.00 p.m. on the Tender Offer Closing Date;
- the contact name and telephone number inserted in the shared note field;
- the corporate action number for the Tender Offer, which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST; and
- input with a standard delivery instruction priority of 80.

After settlement of the TTE instruction, you will not be able to access the Ordinary Shares concerned for any transaction or charging purposes, notwithstanding that they will be held by Capita Registrars as the escrow agent until completion or lapse of the Tender Offer. If the Tender Offer becomes unconditional, Capita Registrars will transfer the successfully tendered Ordinary Shares to Brewin Dolphin, returning any Ordinary Shares not successfully tendered to you.

You are recommended to refer to the CREST manual published by Euroclear for further information on the CREST procedures outlined below.

You should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST Sponsor) to enable a TTE instruction relating to your Ordinary Shares to settle prior to 1.00 p.m. on the Tender Offer Closing Date. In this connection you are referred in particular to those sections of the CREST manual concerning practical limitations of the CREST system and timings.

The Company and/or Brewin Dolphin will make an appropriate announcement if any of the details contained in this paragraph relating to settlement in CREST are materially altered.

#### **4.4. *Deposits of Ordinary Shares into, and withdrawals of Ordinary Shares from, CREST***

Normal CREST procedures (including timings) apply in relation to any Ordinary Shares that are, or are to be, converted from uncertificated to certificated form or vice versa during the course of the Tender Offer (whether such conversion arises as a result of a transfer of Ordinary Shares relating to the Tender Offer or otherwise). Shareholders who are proposing to convert any Ordinary Shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person with a holding in or acquiring the Ordinary Shares as a result of the conversion to take all necessary steps in connection with the take up of the Tender Offer (in particular, as regards delivery of share certificates and/or other documents of title or transfers to an escrow balance as described above) prior to 1.00 p.m. on the Tender Offer Closing Date, whether in certificated or uncertificated form.

#### **4.5. *Validity of tenders***

##### **(a) Tender Forms**

Brewin Dolphin reserves the right to treat as valid only Tender Forms which are received entirely in order by 1.00 p.m. on the Tender Offer Closing Date and which are accompanied by the relevant share certificate(s) and/or other document(s) of title or a satisfactory indemnity in lieu thereof in respect of the entire number of Ordinary Shares tendered.

##### **(b) Validity of Electronic Tenders**

A Tender Form which is received in respect of Ordinary Shares held in uncertificated form will not constitute a valid tender and will be disregarded. Shareholders holding Ordinary Shares in uncertificated form who wish to tender such shares should note that a TTE instruction will only be a valid tender as at the Tender Offer Closing Date, if it has settled before 1.00 p.m. on that date.

An appropriate announcement will be made if any of the details contained in this paragraph are altered.

##### **(c) General**

Notwithstanding the completion of a valid Tender Form or settlement of a TTE instruction, as applicable, the Tender Offer may lapse in accordance with the conditions set out above.

The decision of Brewin Dolphin as to which Ordinary Shares have been validly tendered shall be conclusive and binding on all Shareholders.

If you are in any doubt as to how to complete the Tender Form or as to the procedure for making an electronic tender please contact Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. You are reminded that, if you are a CREST sponsored member, you should contact your CREST sponsor before taking any action.

Shareholders should note that once tendered Ordinary Shares may not be sold, transferred, charged or otherwise disposed of.

## **5. Effect of Tender**

### **5.1. Tender Forms**

Each Shareholder by whom or, as applicable, on whose behalf a Tender Form is executed and lodged, including a Tender Form which is treated by Brewin Dolphin as valid, irrevocably undertakes, represents, warrants and agrees to and with Brewin Dolphin (so as to bind him, his personal representatives, heirs, successors and assigns) that:

- (a) the execution of the Tender Form shall constitute an offer to Brewin Dolphin to sell to it such number of certificated Ordinary Shares as are inserted in Box 2 of the Tender Form or deemed to be tendered, in each case on and subject to the terms and conditions set out or referred to in this document and the Tender Form and that, once lodged, such tender shall be irrevocable;
- (b) such Shareholder has full power and authority to tender, sell, assign or transfer the Ordinary Shares in respect of which such offer is accepted (together with all rights attaching thereto) and, when the same are purchased by Brewin Dolphin, Brewin Dolphin will acquire such Ordinary Shares with full title guarantee and free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto, on or after the Tender Offer Closing Date, including the right to receive all dividends and other distributions declared, paid or made after that date;
- (c) such execution and lodgement, shall, subject to the Tender Offer becoming unconditional, constitute the irrevocable appointment of each of Brewin Dolphin and any director or officer of Brewin Dolphin as such Shareholder's agent, and an irrevocable instruction to them as such, to:
  - (i) complete and execute any and all instruments of transfer and/or other documents or forms and take any and all actions which are necessary or, in such agent's absolute discretion, desirable to give effect to the purchase and cancellation of the Ordinary Shares the subject of the Tender Form;
  - (ii) deliver such instruments of transfer and/or other documents or forms at the discretion of the agent, together with the share certificates and/or other documents of title relating to such Ordinary Shares, for registration within six months of the Tender Offer becoming unconditional and to do all such other acts and things as may in the opinion of such agent be necessary or expedient for the purpose of, or in connection with, the Tender Offer and to vest in Brewin Dolphin or its nominee(s) or such other person(s) Brewin Dolphin may direct such Ordinary Shares;
  - (iii) procure the purchase of the Ordinary Shares which are the subject of the Tender Form and sell such Ordinary Shares to the Company for cancellation; and
  - (iv) despatch or otherwise make payment of the proceeds of sale in respect of the purchased Ordinary Shares in accordance with the settlement provisions set out below;
- (d) such Shareholder shall not take any action which would prevent the Company or the Registrars from cancelling the Ordinary Shares tendered under the Tender Offer;
- (e) such Shareholder agrees to ratify and confirm each and every act or thing which may be done or effected by Brewin Dolphin or any of its directors or officers or any person nominated by Brewin Dolphin or any of its directors or officers or the Company or any of its directors in the proper exercise of their or his powers and/or authorities hereunder;

- (f) such Shareholder with a holding of Ordinary Shares in certificated form will deliver to the Receiving Agent their share certificate and/or other document of title in respect of the Ordinary Shares referred to in sub-paragraph (a) above, or an indemnity acceptable to Brewin Dolphin in lieu thereof, or will procure the delivery of such document(s) to such person(s) as soon as possible thereafter and, in any event, by no later than 1.00 p.m. on the Tender Offer Closing Date;
- (g) the provisions of the Tender Form form part of the terms and conditions of the Tender Offer;
- (h) such Shareholder shall do all such acts and things as shall be necessary or expedient and execute any additional documents deemed by Brewin Dolphin to be desirable, in each case to complete the purchase of the Ordinary Shares and/or to perfect any of the authorities expressed to be given hereunder;
- (i) such Shareholder has observed the laws of all relevant jurisdictions, obtained any requisite consents, complied with all applicable formalities, that the invitation under the Tender Offer may be made to him under the laws of the relevant jurisdiction, and has not taken or omitted to take any action which would otherwise result in Brewin Dolphin or the Company acting in breach of any applicable legal or regulatory requirement in respect of the purchase of the Ordinary Shares tendered by him under the Tender Offer;
- (j) such Shareholder has not received or sent copies or originals of this document, the Tender Form or any related documents in, into or from the United States, Canada, Australia, New Zealand, Japan or South Africa or any other Restricted Jurisdiction and has not otherwise utilised in connection with the Tender Offer, directly or indirectly, the mails or any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce, or of any facility of a national securities exchange, of the United States, Canada, Australia, New Zealand, Japan or South Africa or any other Restricted Jurisdiction; that this document or the Tender Form have not been mailed or otherwise sent in, into or from the United States, Canada, Australia, New Zealand, Japan or South Africa or any other Restricted Jurisdiction and such Shareholder is accepting the Tender Offer from outside the United States, Canada, Australia, New Zealand, Japan or South Africa or any other Restricted Jurisdiction;
- (k) the despatch of a cheque to a Shareholder as referred to in paragraph 6 of this Part 2 headed "Settlement", will discharge fully any obligation of Brewin Dolphin to pay such Shareholder the consideration to which he is entitled under the Tender Offer;
- (l) on execution a Tender Form takes effect as a deed; and
- (m) the execution of a Tender Form constitutes such Shareholder's submission to the jurisdiction of the courts of England and Wales in relation to all matters arising out of or in connection with the Tender Offer or the Tender Form.

A reference in this paragraph to a Shareholder includes a reference to the person or persons executing a Tender Form and in the event of more than one person executing a Tender Form, the provisions of this paragraph will apply to them jointly and severally.

## **5.2. *Electronic Tenders***

Each Shareholder by whom, or on whose behalf, a TTE instruction which is treated by Brewin Dolphin and the Company as valid is made irrevocably undertakes, represents, warrants and agrees to and with Brewin Dolphin (so as to bind him, his personal representatives, heirs, successors and assigns) that:

- (a) the input of the TTE instruction shall constitute an offer to sell to Brewin Dolphin such number of Ordinary Shares as are specified in the TTE instruction or deemed to be tendered, in each case, on and subject to the terms and conditions set out or referred to in this document and the TTE instruction and that, once the TTE instruction has settled, such tender shall be irrevocable;

- (b) such Shareholder has full power and authority to tender, sell, assign or transfer the Ordinary Shares in respect of which the Tender Offer is accepted (together with all rights attaching thereto) and, when the same are purchased by Brewin Dolphin, Brewin Dolphin will acquire such Ordinary Shares with full title guarantee and free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto, on or after the Tender Offer Closing Date, including the right to receive all dividends and other distributions declared, paid or made after that date;
- (c) the input of the TTE instruction, which has effect as a tender under the Tender Offer, will, subject to the Tender Offer becoming unconditional, constitute the irrevocable appointment of the Receiving Agent as such Shareholder's escrow agent and an irrevocable instruction and authority to the escrow agent: (i) subject to the Tender Offer becoming unconditional, to transfer to itself and then to transfer to Brewin Dolphin by means of CREST (or to such person or persons as Brewin Dolphin may direct) all of the Relevant Shares (as defined below); and (ii) if the Tender Offer does not become unconditional and lapses or is terminated, or there are Ordinary Shares which have not been successfully tendered under the Tender Offer, as promptly as practicable after the lapsing or termination of the Tender Offer, or the unsuccessful tender, to transfer the Relevant Shares back to the original available balances from which those Ordinary Shares came. For the purposes of this paragraph **Relevant Shares** means Ordinary Shares in uncertificated form and in respect of which a transfer or transfers to escrow has or have been effected pursuant to the procedures described in this Part 2;
- (d) such Shareholder shall not take any action which would prevent the Company or the Registrars from cancelling the Ordinary Shares tendered under the Tender Offer;
- (e) such Shareholder agrees to ratify and confirm each and every act or thing which may be done or effected by Brewin Dolphin and/or the Receiving Agent or any of their respective directors or officers or any person nominated by Brewin Dolphin or the Receiving Agent or any of their respective directors or officers or the Company or any of its directors in the proper exercise of their respective powers and/or authorities hereunder;
- (f) if, for any reason, any Ordinary Shares in respect of which a TTE instruction has been made are, prior to 1.00 p.m. on the Tender Offer Closing Date, converted into certificated form, the Electronic Tender in respect of such Ordinary Shares shall cease to be valid and the Shareholder will need to comply with the procedures for tendering Ordinary Shares in certificated form as set out in this Part 2 in respect of the Ordinary Shares so converted, if he wishes to make a valid tender of such Ordinary Shares pursuant to the Tender Offer;
- (g) such Shareholder shall do all such acts and things as shall be necessary or expedient and execute any additional documents deemed by Brewin Dolphin to be desirable, in each case to complete the purchase of the Ordinary Shares and/or to perfect any of the authorities expressed to be given hereunder;
- (h) such Shareholder has observed the laws of all relevant jurisdictions, obtained any requisite consents, complied with all applicable formalities, that the invitation under the Tender Offer may be made to him under the laws of the relevant jurisdiction, and has not taken or omitted to take any action which would otherwise result in Brewin Dolphin or the Company acting in breach of any applicable legal or regulatory requirement in respect of the purchase of the Ordinary Shares tendered by him under the Tender Offer;
- (i) such Shareholder has not received or sent copies or originals of this document, the Tender Form or any related documents in, into or from the United States, Canada, Australia, New Zealand, Japan or South Africa or any other Restricted Jurisdiction and has not otherwise utilised in connection with the Tender Offer, directly or indirectly, the mails or any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce, or of any facility of

a national securities exchange, of the United States, Canada, Australia, New Zealand, Japan or South Africa or any other Restricted Jurisdiction at the time of the input of the relevant TTE instruction; that the TTE instruction has not been sent from the United States, Canada, Australia, New Zealand, Japan or South Africa or any other Restricted Jurisdiction and such Shareholder is accepting the Tender Offer from outside the United States, Canada, Australia, New Zealand, Japan or South Africa or any other Restricted Jurisdiction;

- (j) the creation of a payment obligation in favour of such Shareholder's payment bank in accordance with the CREST payment arrangements as referred to in paragraph 6 of this Part 2 headed "Settlement" will, to the extent of the obligations so created, discharge fully any obligation of Brewin Dolphin to pay to such Shareholder the consideration to which he is entitled under the Tender Offer; and
- (k) the input of the TTE instruction constitutes such Shareholder's submission to the jurisdiction of the courts of England and Wales in relation to all matters arising out of or in connection with the Tender Offer.

## **6. Settlement**

Settlement of the consideration to which any Shareholder is entitled pursuant to tenders accepted by Brewin Dolphin as complete in all respects will be made by the dispatch of cheques or CREST messages as follows:

### **6.1. *Ordinary Shares in certificated form***

Where an accepted tender relates to Ordinary Shares held in certificated form, cheques for the consideration due will be despatched by the Receiving Agent by first class post to the person or agent whose name and address (outside the United States, Canada, Australia, New Zealand, Japan or South Africa or any other Restricted Jurisdiction) is set out in Box 1 or Box 4 of the Tender Form or, if none is set out, to the registered address of the tendering Shareholder or, in the case of joint holders, the registered address of the first named Shareholder. All payments will be made in pounds sterling by cheque, drawn on a branch of a UK clearing bank.

### **6.2. *Ordinary Shares in uncertificated form (that is, in CREST)***

Where a purchase relates to Ordinary Shares held by Shareholders in uncertificated form, the consideration due will be paid through CREST, by the Receiving Agent (on behalf of Brewin Dolphin, or, as the case may be, the Company) procuring the creation of a payment obligation in favour of the payment banks of accepting Shareholders in accordance with the CREST payment arrangement.

## PART 3

### UNITED KINGDOM TAXATION

#### 1. Introduction

The comments below are intended only as a general guide to the current tax position under the laws of the United Kingdom and practice of HMRC in respect of Shareholders who are resident in the United Kingdom for tax purposes and who hold their Ordinary Shares beneficially as investments and not on trading account. Companies within the charge to corporation tax in the United Kingdom are assumed not to fall within Chapter 7 of the Corporation Tax Act 2009 in respect of Ordinary Shares.

Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the United Kingdom should consult their professional adviser.

In addition, Shareholders who have claimed reliefs under the Enterprise Investment Scheme or the Corporate Venturing Scheme, or who are Venture Capital Trusts, are strongly recommended to consult their own professional advisers immediately for advice on the tax implications of the Tender Offer.

#### 2. The Tender Offer

Since Brewin Dolphin should be acting as principal, a Shareholder who tenders Ordinary Shares to Brewin Dolphin pursuant to the Tender Offer should be treated, for the purposes of United Kingdom taxation of chargeable gains (“CGT”), as though he had sold them in the ordinary way to a third party.

Therefore, if the Ordinary Shares are held as a capital asset by the Shareholder, the sale should constitute a disposal for the purposes of CGT and, depending on the Shareholder’s particular circumstances (including the availability of any exemptions, reliefs and allowable losses), a chargeable gain or an allowable loss could therefore arise for a Shareholder.

A Shareholder whose allowable expenditure in relation to his Ordinary Shares exceeds his gross proceeds of sale will realise a capital loss. If an allowable loss arises to a Shareholder on the sale of Ordinary Shares pursuant to the Tender Offer, such Shareholder is recommended to seek professional advice on the potential utilisation of such allowable loss.

#### 3. Anti-avoidance provisions

You should be aware of the anti-avoidance provisions at Chapter 1, Part XVII of the Income and Corporation Taxes Act 1988 and Chapter 1, Part 13 of the Income Tax Act 2007, which HMRC may apply where they have reason to believe that a person obtains a tax advantage in consequence of a “transaction in securities”.

Were HMRC to seek to apply any of these provisions to the proceeds of sale of a Shareholder’s Ordinary Shares, the general effect would be to tax some or all of such proceeds as income. These rules only apply in certain circumstances and do not apply where it can be shown that the transaction in question was entered into for bona fide commercial reasons and that such transaction did not have as its main object or one of its main objects the obtaining of a tax advantage. In view of these restrictions on the application of the anti-avoidance provisions, no application has been made by the Company for clearance from HMRC in respect of the application of the above provisions. Shareholders are advised to take independent advice as to the potential application of the above provisions in light of their own particular circumstances.

#### 4. Stamp Duty and Stamp Duty Reserve Tax

Except in relation to depositary receipt arrangements or clearance services where special rules apply:

- no stamp duty or stamp duty reserve tax (“SDRT”) will be payable by Shareholders on the proceeds payable to Shareholders by Brewin Dolphin under the Tender Offer; and
- stamp duty at the rate of 0.5 per cent. (rounded up to the nearest £5) of the total price payable by the Company to Brewin Dolphin will be payable by the Company on the purchase of the Ordinary Shares under the Repurchase Agreement. This cost will be borne by the Company and will not be charged to tendering Shareholders.

## PART 4

### FINANCIAL INFORMATION

#### Historical Financial Information

Please refer to the enclosed consolidated accounts of the year ended Company for 31 March 2009. Copies of the consolidated accounts of the Company for each of the two years ended 31 March 2007 and 31 March 2008 are available at:

[http://www.touchstone.co.uk/about\\_us/investor\\_relations/reports.aspx](http://www.touchstone.co.uk/about_us/investor_relations/reports.aspx)

Any Shareholder, person with information rights or other recipient of this document may request a hard copy of the consolidated accounts of the Company for each of the two years ended 31 March 2007 and 31 March 2008. No hard copies of these documents will be sent to any such person unless they request it. Any request should be made by e-mail to Chris Butler at [Chris.Butler@Touchstone.co.uk](mailto:Chris.Butler@Touchstone.co.uk) or by telephone on +44 (0)20 7121 4700.

Copies of the consolidated accounts of the Company for each of the two years ended 31 March 2007 and 31 March 2008 have been delivered to the Registrar of Companies in England and Wales and contained unqualified audit reports (not containing a statement under section 237(2) or (3) of the 1985 Act) under section 235 of the 1985 Act. A copy of the consolidated accounts of the Company for the year ended 31 March 2009 will be delivered to the Registrar of Companies in England and Wales within the statutory timeframes for so doing.

## PART 5

### ADDITIONAL INFORMATION

#### 1. Responsibility

- 1.1. The Directors, whose names are set out in paragraph 2 below, accept responsibility for the information contained in this document (other than that relating to members of the Birch Concert Party and their immediate families, related trusts and connected persons and save that Keith Birch and David Birch do not accept responsibility for the recommendation relating to the Tender Offer and the Rule 9 Waiver). To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document for which they respectively accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2. The members of the Birch Concert Party, being Keith Birch, David Birch, Philip Birch, Catherine Birch, Joanna Birch, James Birch and Christopher Birch, accept responsibility for the information contained in this document relating to them and their immediate families, related trusts and connected persons. To the best of the knowledge and belief of the members of the Birch Concert Party, who have taken all reasonable care to ensure that such is the case, the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. Directors of the Company and registered office

The current directors of the Company and their respective positions are as follows:

<i>Name</i>	<i>Position</i>
David Thompson	Non-Executive Chairman
Keith Birch	Managing Director
David Birch	Commercial Director and Company Secretary
Christian Butler	Finance Director
Adrian McNay	Group Board Director

The Company's registered office is at Third Floor, Triton Square, London NW1 3DX.

#### 3. Disclosure of interests and dealings

##### *Definitions*

3.1. For the purposes of this paragraph 3:

- (a) “**acting in concert**” has the meaning attributed to it in the Takeover Code;
- (b) “**arrangement**” includes any indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;
- (c) “**associate**” of any company includes:
- (i) its parent, subsidiaries and fellow subsidiaries, their associated companies, and companies of which any such parent, subsidiaries, fellow subsidiaries or associated companies are associated companies (for this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of “associated company” status);
  - (ii) its connected advisers and persons controlling, controlled by or under the same control as such connected advisers;
  - (iii) its directors and the directors of any company covered in (i) above (together in each case with their close relatives and related trusts); and
  - (iv) its pension funds or the pension funds of a company covered in (i) above;

- (d) “**connected adviser**” has the meaning attributed to it in the Takeover Code;
- (e) “**connected person**” means any person whose interests in relevant securities the relevant director is taken to be interested in pursuant to Part 22 of the 2006 Act and related regulations;
- (f) “**control**” means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the interest or interests give de facto control;
- (g) “**dealing**” or “**dealt**” includes the following:
  - (i) the acquisition or disposal of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of voting rights attached to relevant securities, or of general control of relevant securities;
  - (ii) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any relevant securities;
  - (iii) subscribing or agreeing to subscribe for relevant securities;
  - (iv) the exercise or conversion, whether in respect of new or existing relevant securities, of any relevant securities carrying conversion or subscription rights;
  - (v) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to relevant securities;
  - (vi) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and
  - (vii) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;
- (h) “**derivative**” includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security;
- (i) “**disclosure date**” means 15 September 2009, being the latest practicable date prior to the posting of this document;
- (j) “**disclosure period**” means the period commencing on 16 September 2008, being the date 12 months prior to the date of the posting of this document and ending on the disclosure date;
- (k) “**exempt principal trader**” or “**exempt fund manager**” has the meaning attributed to it in the Takeover Code;
- (l) being “**interested**” in relevant securities includes where a person:
  - (i) owns relevant securities;
  - (ii) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to relevant securities or has general control of them;

- (iii) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire relevant securities or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
- (iv) is party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them;
- (m) “**relevant company**” means, in relation to a company, its parent, subsidiaries and fellow subsidiaries, their associated companies, and companies of which such parent, subsidiaries, fellow subsidiaries or associated companies are associated companies (for this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of “associated company” status);
- (n) “**relevant securities**” means shares in the Company (or derivatives referenced thereto) and securities convertible into, rights to subscribe for and options (including traded options) in respect thereof;
- (o) “**short position**” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

*Interests in relevant securities*

3.2. As at the close of business on the disclosure date:

- (a) the interests of the Directors and their respective immediate families, related trusts and connected persons, all of which are beneficial unless stated, in relevant securities (excluding options which are disclosed in paragraph (b) below) were as follows:

<i>Name</i>	<i>Number of Ordinary Shares</i>
David Thompson	9,500
Keith Birch and family*	3,974,921
David Birch and family*	2,756,381
Christian Butler	22,500

\* This interest includes 1,127,624 Ordinary Shares held by his father, Philip Birch, and 500 Ordinary Shares held by his mother, Catherine Birch

- (b) the following options over Ordinary Shares had been granted to the Directors and their respective immediate families, related trusts and connected persons under the Approved Share Option Scheme and the Unapproved Share Option Scheme and remained outstanding:

<i>Name</i>	<i>Option Scheme</i>	<i>Number of Ordinary Shares</i>	<i>Exercise Price (pence)</i>
Christian Butler	Approved Share Option Scheme	10,594	134.5p
Christian Butler	Unapproved Share Option Scheme	136,406	93p or more
Adrian McNay	Approved Share Option Scheme	27,272	110p
Adrian McNay	Unapproved Share Option Scheme	72,728	110p or more

- (c) the EBT Trustee is the beneficial holder of 95,000 Ordinary Shares which it holds on trust for the benefit of Group employees for the purposes, inter alia, of satisfying options granted to Group employees; and

- (d) the interests of Brewin Dolphin, as nominee for its clients, were as follows:

<i>Name</i>	<i>Number of Ordinary Shares</i>
Brewin Nominees Limited*	119,156
Giltspur Nominees Ltd a/c BUNS*	88,708

\* This company is a subsidiary of Brewin Dolphin Limited

3.3. As at the close of business on the disclosure date, save as disclosed in paragraph 6.1 of Part 1 of this document and in this Part 5:

- (a) no member of the Birch Concert Party had any interest in or right to subscribe for, or had any short position in relation to, any relevant securities, nor had any of them dealt in any relevant securities during the disclosure period;
- (b) no person acting in concert with the Birch Concert Party had an interest in or a right to subscribe for, or had any short position in relation to, any relevant securities, nor had any such person dealt in any relevant securities during the disclosure period;
- (c) none of the Directors (including any members of such directors' respective immediate families, related trusts or connected persons) had an interest in or a right to subscribe for, or had any short position in relation to, any relevant securities;
- (d) no relevant company had any interest in, or right to subscribe for, or had any short position in relation to, any relevant securities;
- (e) no pension fund of the Company or of a relevant company had any interest in or right to subscribe for, or had any short position in relation to, any relevant securities;
- (f) no employee benefit trust of the Company or of a relevant company had any interest in or right to subscribe for, or had any short position in relation to, any relevant securities;
- (g) no connected adviser to the Company or to a relevant company or to a person acting in concert with the Company, nor any person controlling, controlled by or under the same control as any such connected adviser (except for an exempt principal trader or exempt fund manager) had any interest in or right to subscribe for, or had any short position in relation to, any relevant securities;
- (h) the Company has not redeemed or purchased any relevant securities during the disclosure period;
- (i) there were no arrangements which existed between the Company or any associate of the Company and any other person;
- (j) there were no arrangements which existed between the Birch Concert Party, or any person acting in concert with the Birch Concert Party, and any other person;
- (k) neither the Birch Concert Party nor any person acting in concert with the Birch Concert Party had borrowed or lent any relevant securities, save for any borrowed shares which have either been on-lent or sold; and
- (l) neither the Company nor any person acting in concert with the Company had borrowed or lent any relevant securities, save for any borrowed shares which have either been on-lent or sold.

#### 4. Market quotations

The following table shows the closing middle market quotations of Ordinary Shares, as derived from the AIM Supplement to the Daily Official List of the London Stock Exchange plc on the first business day of each of the six months immediately before the date of this document and on 15 September 2009, being the latest practicable date prior to the posting of this document.

<i>Date</i>	<i>Price per Ordinary Share (pence)</i>
1 April 2009	18
1 May 2009	20.5
1 June 2009	20.5
1 July 2009	17.5
3 August 2009	17.5
1 September 2009	21
15 September 2009	20.5

#### 5. Irrevocable Undertakings and Letters of Intent

- 5.1. The members of the Birch Concert Party (other than Christopher Birch, James Birch and Joanna Birch who do not hold any Ordinary Shares) have irrevocably undertaken not to tender any Ordinary Shares under the Tender Offer and to vote in favour of Resolutions 1 and 2 and abstain from voting on Resolution 3 at the General Meeting in respect of their entire holdings amounting to, in aggregate, 5,603,178 Ordinary Shares, representing approximately 43.53 per cent. of the current issued Ordinary Shares.

The following table shows the number of Ordinary Shares in which each of the relevant members of the Birch Concert Party had an interest on the date of the irrevocable undertaking given by that member, and in respect of which an irrevocable undertaking was given:

<i>Name</i>	<i>Number of Ordinary Shares</i>
Keith Birch	2,846,797
David Birch	1,628,257
Philip Birch	1,127,624
Catherine Birch	500

- 5.2. The Independent Directors who hold Ordinary Shares (being David Thompson and Christian Butler) have irrevocably undertaken not to tender any Ordinary Shares under the Tender Offer and to vote in favour of the Resolutions at the General Meeting in respect of their entire beneficial holdings. Those holdings amount to, in aggregate 32,000 Ordinary Shares, representing approximately 0.25 per cent. of the current issued Ordinary Shares. All Independent Directors have also agreed, subject to their fiduciary duties as directors of the Company, to recommend to Shareholders to vote in favour of the Resolutions.

The following table shows the number of Ordinary Shares in which each of the relevant Independent Directors had an interest on the date of the irrevocable undertaking given by him, and in respect of which an irrevocable undertaking was given:

<i>Director</i>	<i>Number of Ordinary Shares</i>
David Thompson	9,500
Christian Butler	22,500

- 5.3. The EBT Trustee has irrevocably undertaken not to tender any Ordinary Shares under the Tender Offer and to vote in favour of the Resolutions at the General Meeting in respect of its entire beneficial holdings, amounting to 95,000 Ordinary Shares, representing approximately 0.74 per cent. of the current issued Ordinary Shares.

- 5.4. The following Shareholders have indicated their intention not to tender any Ordinary Shares under the Tender Offer and to vote in favour of the Resolutions at the General Meeting in respect of their entire beneficial holdings. Those holdings amount to, in aggregate 982,529 Ordinary Shares, representing approximately 7.6 per cent. of the current issued Ordinary Shares:

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>
David Norwood	410,000
Adam Bager	266,627
Richard Wayne	130,250
Helen Wayne	130,249
Tom Castelein	30,420
Barbara Castelein	14,983

## **6. Material contracts**

Other than the contracts summarised below, no member of the Group has entered into any material contracts (being contracts outside of the ordinary course of business) in the two years prior to the date of this document.

- 6.1. On 9 April 2009, Touchstone Limited entered into a business sale agreement with Touchstone Nav Limited pursuant to which Touchstone Limited transferred its UK-based Navision software business to Touchstone NAV Limited.

Touchstone NAV Limited was incorporated on 25 March 2009 and Touchstone Limited is the registered holder of 60 per cent. of the shares held in Touchstone NAV Limited. The balance of the shares is held by Peter Lingham and Ian Humphries.

The consideration for the disposal comprises a cash payment based on a three year earn-out up to a maximum sum of £300,000.

- 6.2. On 9 April 2009, Touchstone Limited entered into a shareholders agreement with Peter Lingham, Ian Humphries and Touchstone NAV Limited in relation to Touchstone NAV Limited.

Under the terms of the shareholders agreement Touchstone Limited acquired a 60 per cent. interest in the share capital of Touchstone NAV Limited. The balance of the shares is held by Peter Lingham and Ian Humphries.

The shareholders agreement includes a number of matters that require the consent of Touchstone Limited, a right in favour of any shareholder who owns in excess of 50 per cent. of the shares to require other shareholders to sell their shares if it accepts a bona fide offer from a third party, a right in favour of all shareholders to have an offer extended to them in the event that an offer is accepted by a shareholder holding in excess of 50 per cent. of the shares, and a right for Touchstone Limited to purchase the shares held by Peter Lingham and Ian Humphries if they cease to be consultants to Touchstone NAV Limited.

Under the terms of the shareholders agreement, Touchstone Limited agreed to make a loan available to Touchstone NAV Limited of up to £135,000 of which £60,000 was drawn down on completion of the transaction referred to in paragraph 6.1 of this Part 5 with the £75,000 balance to be drawn down in October 2009 provided that Touchstone Limited agree that the further sum should be advanced. The loan is secured by a debenture granted in favour of Touchstone Limited and is repayable on demand. Interest accrues on the loan at 5 per cent. per annum and is payable in half yearly intervals.

- 6.3. On 16 September 2009, the Company entered into the Repurchase Agreement with Brewin Dolphin.

Under the terms of the Repurchase Agreement the Company has agreed to purchase from Brewin Dolphin, for cancellation, the Ordinary Shares purchased by Brewin Dolphin under the Tender Offer (or otherwise a corresponding number of Ordinary Shares) on the Business Day following such purchase by Brewin Dolphin.

The Repurchase Agreement contains limited warranties given by the parties to each other and an indemnity given by the Company to Brewin Dolphin in respect of any breach or alleged breach of the warranties, agreements, undertakings or other obligations of the Company under the Repurchase Agreement.

The Repurchase Agreement can be terminated by Brewin Dolphin or the Company in certain specified circumstances prior to the date of announcement of the results of the Tender Offer, including as a result of the breach of any of the warranties or undertakings given. Brewin Dolphin also has the right to terminate the Repurchase Agreement where there has been a material adverse development or occurrence.

## **7. Service contracts and letters of appointment of Directors**

- 7.1. David Thompson was appointed a director of the Company on 8 June 1998 and on 30 June 1998 David entered into a letter of appointment with the Company pursuant to which he was appointed as Non-Executive Director of the Company for a fee of £10,000 per annum. The letter of appointment includes no fixed term and is subject to renewal for periods to be agreed by both parties. David then took on the role of Non-Executive Chairman of the Company in 2003 following Philip Birch's retirement.
- 7.2. Keith Birch entered into a service agreement with the Company dated 29 June 1998 pursuant to which he is employed as Managing Director of the Company. Both parties can terminate the agreement by 12 months' notice. Subject to this notice period, there is no fixed term for the contract. Keith Birch is currently paid a salary of £196,560 per annum. In addition, he is entitled to a personal pension contribution equal to 10 per cent. of basic salary and bonus, car allowance of £12,000 per annum, business petrol expenses and reimbursement of private fuel, life insurance up to four times annual salary and an entitlement to participate in the Company's accident insurance scheme. Discretionary bonuses are payable from time to time based on recommendations by the Company's Remuneration Committee. No bonuses were recommended for the financial year ended 31 March 2009.
- 7.3. David Birch entered into a service agreement with the Company dated 29 June 1998 pursuant to which he is employed as Commercial Director of the Company. Both parties can terminate the agreement by 12 months' notice. Subject to this notice period, there is no fixed term for the contract. David Birch is currently paid a salary of £108,108 per annum. In addition, he is entitled to a personal pension contribution equal to 10 per cent. of basic salary and bonus, car allowance of £12,000 per annum, business petrol expenses and reimbursement of private fuel, life insurance up to four times annual salary and an entitlement to participate in the Company's accident insurance scheme. Discretionary bonuses are payable from time to time based on recommendations by the Company's Remuneration Committee. No bonuses were recommended for the financial year ended 31 March 2009.
- 7.4. Christian Butler entered into a service agreement with the Company dated 19 March 1999 pursuant to which he is employed as Finance Director of the Company. Both parties can terminate the agreement by six months' notice. Subject to this notice period, there is no fixed term for the contract. Christian Butler is currently paid a salary £114,660 per annum. In addition he is entitled to a personal pension contribution equal to 6 per cent. of basic salary, car allowance of £12,000 per annum, reimbursement of reasonable monthly fuel costs and life insurance up to four times annual salary. Discretionary bonuses are payable from time to time based on recommendations by the Company's Remuneration Committee. No bonuses were recommended for the financial year ended 31 March 2009.
- 7.5. Adrian McNay entered into a service agreement with Touchstone Limited (being a wholly-owned subsidiary of the Company) dated 16 November 2005 pursuant to which he is employed as Managing Director of Touchstone Limited. Both parties can terminate the agreement by six months' notice. Subject to this notice period, there is no fixed term for the contract. Adrian McNay is currently paid a salary of £141,750 per annum. In addition he is entitled to a personal pension contribution equal to 6 per cent. of basic salary, car allowance of £12,000 per annum, reimbursement of reasonable monthly fuel costs, life insurance up to four times annual salary and an entitlement to participate in Touchstone's private medical expenses insurance scheme. Discretionary bonuses are payable from time to time based on recommendations by the Company's Remuneration Committee. No bonuses were recommended for the financial year ended 31 March 2009.
- 7.6. There have been no new service contracts or amendments to Directors' existing service contracts within the period of six months preceding the date of this document.

## **8. Bases of calculation and sources of information**

- 8.1. The value attributed to the current issued Ordinary Share Capital is based upon the 12,871,686 Ordinary Shares in issue on 15 September 2009, being the latest practicable date prior to the posting of this document (not taking into account any Ordinary Shares which are the subject of options).

8.2. Unless otherwise stated, the financial information concerning the Company has been extracted from the audited annual report and accounts for the Company for the period ended 31 March 2009.

8.3. References to a percentage of Ordinary Shares are based on the number of Ordinary Shares in issue as set out in paragraph 8.1 above.

## **9. Material changes**

Save as disclosed in paragraph 3 of Part 1 of this document, there has been no material change in the financial or trading position of the Group since 31 March 2009, being the date to which the last audited consolidated accounts of the Company were prepared.

## **10. Funding arrangements**

The Tender Offer funding arrangements will not depend to any significant extent on the business of the Company.

## **11. Other information**

11.1. Brewin Dolphin has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name and its advice to the Independent Directors in the form and context in which they are included.

11.2. No agreement, arrangement or understanding (including any compensation arrangement) exists between any member of the Birch Concert Party or any person acting in concert with any of them for the purposes of the Proposals and any of the Directors or recent directors, shareholders or recent shareholders of the Company, or any person interested or recently interested in shares of the Company, having any connection with, or dependence upon, the Proposals.

11.3. There is no agreement, arrangement or understanding whereby the beneficial ownership of any of the Ordinary Shares held by the Birch Concert Party will be transferred to any other person, although the Ordinary Shares are freely transferable.

11.4. All of the Ordinary Shares purchased pursuant to the Tender Offer (or otherwise a corresponding number of Ordinary Shares) will be cancelled and the current issued share capital of the Company will be reduced by the nominal amount of the Ordinary Shares so cancelled.

## **12. Documents available for inspection**

Copies of the following documents will be available for inspection at the offices of Rosenblatt Solicitors, 9-13 St. Andrew Street, London EC4A 3AF, during normal business hours on each Business Day from the date of posting of this document to the date of the General Meeting:

12.1. the Memorandum and Articles of Association of the Company;

12.2. the audited consolidated accounts of the Company for the financial years ended 31 March 2007, 31 March 2008 and 31 March 2009;

12.3. the Directors' service contracts and/or letters of appointment with the Company referred to in paragraph 7 of this Part 5;

12.4. the consent letter from Brewin Dolphin referred to in paragraph 11.1 of this Part 5;

12.5. copies of the material contracts referred to in paragraph 6 of this Part 5;

12.6. copies of the irrevocable undertakings referred to in paragraph 5 of this Part 5; and

12.7. copies of the letters of intent referred to in paragraph 5 of this Part 5.

## TOUCHSTONE GROUP PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 03537238)

### NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Touchstone Group plc (the “**Company**”) will be held at 12 Smithfield Street, London EC1A 9BD at 11.00 a.m. on 12 October 2009 to consider and, if thought fit, to pass the following resolutions of which Resolutions 1 and 2 will be proposed as special resolutions and Resolution 3 will be proposed as an ordinary resolution:

#### SPECIAL RESOLUTIONS

1. THAT the cancellation of the admission of the ordinary shares of 10 pence each in the capital of the Company (“**Ordinary Shares**”) to trading on the AIM market operated by the London Stock Exchange plc be and is approved.
2. THAT, conditional on the passing of Resolutions 1 and 3 set out in this notice, the Company be and is generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the “**2006 Act**”) to make market purchases (within the meaning of section 693(4) of the 2006 Act ) of ordinary shares of 10 pence each in the capital of the Company (“**Ordinary Shares**”), following the completion of a tender offer made by Brewin Dolphin Limited for Ordinary Shares on the terms set out or referred to in the circular issued by the Company of which this notice forms part (a copy of which was produced to the meeting and initialled by the chairman for identification), provided that:
  - (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 3,861,500;
  - (b) the price which may be paid for an Ordinary Share shall be 23 pence, exclusive of all expenses, which shall be both the maximum and the minimum price for the purpose of section 701 of the 2006 Act; and
  - (c) unless previously renewed, revoked or varied this authority expires on 08 January 2009 save that the Company may before such expiry enter into a contract to purchase Ordinary Shares which will or may be completed or executed wholly or partly after such expiry and the Company may make a purchase of such shares after such expiry.

#### ORDINARY RESOLUTION

3. THAT the waiver granted by the Panel on Takeovers and Mergers, described in the circular issued by the Company of which this notice forms part (a copy of which was produced to the meeting and initialled by the chairman for identification), of the obligations that would otherwise arise under Rule 9 of the City Code on Takeovers and Mergers for Keith Birch, David Birch, Philip Birch, Catherine Birch, Joanna Birch, James Birch and Christopher Birch to make a general offer to the shareholders of the Company as a result of any market purchases by the Company of Ordinary Shares pursuant to the authority sought by Resolution 2 set out in this notice be and is approved.

Dated 16 September 2009

Registered office:

Third Floor  
Triton Square  
London  
NW1 3DX

BY ORDER OF THE BOARD

David Birch  
Company Secretary

## Notes:

### *Entitlement to Attend and Vote*

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, entitlement to attend and vote at the General Meeting, and the number of votes that may be cast, will be determined by reference to the Company's register of members:

- (a) at 6.00 p.m. on 10 October 2009; or
- (b) if the meeting is adjourned, 48 hours before the time of the adjourned meeting.

Changes to the register of members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.

### *Right to Appoint a Proxy*

2. Members entitled to attend and vote at the General Meeting are entitled to appoint some other person(s) of their choice as their proxy to exercise all or any of their rights to attend, speak and vote (on a show of hands and on a poll) on their behalf at the General Meeting. A proxy need not be a member of the Company, but must attend the meeting to represent you.
3. A member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to the same shares.
4. A proxy form, which may be used to make such appointment and give proxy instructions, accompanies this notice. If you do not receive a proxy form and believe that you should have one, please contact the Company's registrar, Capita Registrars Limited, on 0871 664 0321. Calls cost 10p a minute plus network extras, lines are open 9.00 a.m. to 5.00 p.m. Monday to Friday (except UK public holidays).

### *Procedure for Appointing a Proxy*

5. If you wish to appoint multiple proxies, please contact Capita Registrars Limited using the contact details in note 4 to request additional proxy forms. Alternatively, the proxy form may be photocopied before completion.
6. To be effective, any proxy form must be completed, signed and received by the Company's registrar, Capita Registrars Limited, Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU by post or (during normal business hours only) by hand no later than 48 hours before the time for holding the General Meeting (or any adjourned meeting). It should be accompanied by any power of attorney or other authority under which it is signed (or a copy of such power or authority notarially certified or certified in some other way approved by the Company's board of directors).
7. Proxy forms may **not** be submitted via the Company's website or via any e-mail address set out on the Company's website.
8. The return of a completed proxy form will not prevent a member from attending the General Meeting and voting in person.
9. In the case of joint holders, the signature of only one of the joint holders is required on the proxy form, but the names of all joint holders should be stated. The vote (whether in person or by proxy) of the first named on the register of members of the Company will be accepted to the exclusion of the other joint holders.
10. In the case of a corporation, the proxy form must be given under its common seal or signed on its behalf by a duly authorised officer or an attorney.
11. A "Vote Withheld" option is provided on the proxy form to enable you to instruct your proxy not to vote on any particular resolution. However, it should be noted that a "Vote Withheld" in this way is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution.

### *CREST*

12. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the Company's registrar, Capita Registrars (Participant ID RA10), by 11.00 a.m. on 10 October 2009. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Capita Registrars is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means. CREST Personal Members or other CREST sponsored members, and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

### ***Corporate Representatives***

13. A member which is a corporation is entitled to appoint one or more persons to act as the corporate representative or representatives at the meeting and to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual member.

### ***Poll Vote***

14. Voting on Resolution 3 will be conducted on a poll of independent shareholders to comply with the requirements of the Panel on Takeovers and Mergers.

### ***Communication***

15. Except as provided above, members who have general queries about the General Meeting should call the Capita Registrars helpline on 0871 664 0321 (or from outside the United Kingdom +44 20 8639 3399). Calls cost 10p a minute plus network extras, lines are open 9.00 a.m. to 5.00 p.m. Monday to Friday (except UK public holidays). No other method of communication will be accepted.
16. You may not use any electronic address provided either in this notice or any related documents (including the Chairman's letter and proxy form) to communicate with the Company for any purposes other than those expressly stated.



