

13<sup>th</sup> April 2010

Dear Shareholder,

Touchstone's year-end finished on 31<sup>st</sup> March and concludes the Group's 28<sup>th</sup> year of trading.

At this pre-audit stage, and whilst overall turnover levels are slightly down on last year, it is pleasing to report that improving gross margins and better cost control have had a positive impact and should result in operating profits being comfortably ahead of last year. Further, the Group is now totally debt free and cash balances are ahead of last year, even after paying a resumed interim dividend in late March.

One slight blot on the landscape was news received on 23<sup>rd</sup> March that a large Dynamics AX client, Jarvis plc, had been placed into Administration owing the Group over £400k. We will continue to press hard for full recovery but are concerned by a lack of positive news. As a consequence, the Board will be taking a prudent view which could result in a full provision being made for the entire amount. Fortunately, operating profits should still be ahead of last year having made full provision for the debt.

We hope to provide shareholders with a further update later in the summer once the audit is complete and any recovery process with Jarvis plc's Administrators is determined.

Kind regards,

Keith Birch  
Chief Executive