Touchstone Group plc

Annual report and financial statements

Registered number 3537238

31 March 2010

Contents

Company information

Directors	DRT Thompson – Non–Executive Chairman KGJ Birch – Chief Executive DP Birch – Commercial Director C Butler – Finance Director A McNay – Group Director
Registered office	3rd Floor No 1 Triton Square London NW1 3DX
Secretary	D Birch
Auditors	Baker Tilly UK Audit LLP The Clock House 140 London Road Guildford, Surrey GU1 1UW
Bankers	National Westminster Bank Plc North London Business Centre PO Box 6333 2/3 Upper Street London N1 0QE

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2010.

Principal activities

Touchstone Group plc is a holding company.

The principal activity of its trading subsidiaries during the financial year was the provision of integrated business software and associated consulting and support services.

Business Review

The following business review has been provided by the directors in accordance with the Companies Act.

Against the backdrop of a tough economy, it was good to see that although there was a small decline in revenues in the year there has been an improvement in profitability. This has largely been due to control of the cost base, and a reduction in the staff and establishment costs. Unfortunately the year's good result was blemished by a large bad debt in the last quarter.

The trading performance has continued into the new financial year.

During the second half of the year the company was de-listed, coming off AIM in November 2009. This involved making a tender offer to those shareholders that did not wish to retain their holding in a private company.

As part of the de-listing the company purchased 266,116 , of its own, ordinary shares of £0.10 each, being 2.1% of the called up share capital, for £0.23 each and totalling £61,207.

The Board uses a range of performance indicators to monitor and manage the business and ensure focus is maintained on the key priorities of the Group.

The Key Performance Indicators ("KPIs"), which are set at board level, have been devised to allow the Board and shareholders to monitor the Group as a whole.

The performance indicators which the Board currently considers to be the most important are as follows:

	31 March 2010	31 March 2009
1. Revenue	£26.9m	£28.5m
2. Gross Profit Margin	£12.5m (46.4%)	£11.6m (40.6%)
3. Adjusted EBITDA*	£1.7m	£1.0m
4. Cash and cash equivalents	£2.3m	£1.7m
5. Working capital (net current assets)	£1.8m	£1.4m
6. Final Staff headcount at year end	172 FTEs	209 FTEs

*Adjusted EBITDA is Operating profit stated prior to depreciation, amortisation and impairment of intangibles, re-organisation and termination of contract and one-off professional costs.

Actual performance in respect of these KPIs is provided in the consolidated income statement on page 9 and the consolidated statement of financial position on page 10.

Future Developments

The Group's new operating structure has helped re-shape Group performance and deliver a return to healthier trading levels. Whilst, the Board will continue to investigate expansion opportunities as they arise, it is hoped that continued business improvements will help the Board deliver a progressive dividend policy.

Risk management and internal controls

Disclosures can be found in the Statement of directors' responsibilities on page 7, and note 21, Financial Instruments, on page 27.

Senior management are aware of their responsibility for managing risks within the business. Risk is regularly reviewed at board level to ensure that risk management is being implemented and monitored effectively. The board policy is to ensure that the business is run effectively and appropriately, bearing in mind the requirements for timely decision making and commercial reality.

Insurance policies are regularly reviewed to ensure these are adequate and appropriate, in line with the nature, size and complexity of the business.

Directors' report *(continued*)

Through management reports, risks are highlighted and monitored to identify potential business risk areas and to quantify and address the risk wherever possible.

Key risks impacting the Group include:

Recruitment and retention of quality staff

The Group's success is dependent on its ability to continue to retain and recruit suitably qualified, high calibre staff. The board actively monitors retention rates, internal and external staff surveys and reward packages to manage and reduce this risk.

Maintaining service margins

It is vitally important that the Group maintains service margins, particularly in the increasingly competitive market place that it currently faces. Project managers rigorously monitor project plans, budgets and milestones to ensure this risk factor is kept closely under review.

Integration of acquisitions

Historically the Group has been acquisitive and has a good track record for integrating the acquisitions it has made. Careful planning of acquisitions and integration strategies is undertaken at the earliest possible stage in the acquisition to mitigate this risk.

Intellectual property rights

A significant element of the Group's business relies on the use of its own intellectual property. Whilst the Group relies on trademark, copyright and other intellectual property laws to establish and protect its rights there can be no guarantee that its proprietary rights will not be challenged, invalidated or infringed in some way. Risks are mitigated through due diligence on acquisition, trademark registration and protection.

Dependence on authors

Historically, as a software reseller, the Group has been dependent on a small number of software authors to provide the software products it resells. If some of these authors were to develop financial instability this could have an adverse impact on the Group's business, results and financial position. Additionally these authors could exert influence on pricing which could adversely affect the group's profits. The Group mitigates this risk by monitoring financial performance of its authors and having strong, lasting relationships with them. The Group's strategy has also been to diversify its product and services portfolio, which now includes "blue chip" global software providers such as Microsoft, to reduce the concentration of its reliance. Services now make up 70% of the Group's revenue.

Proposed Dividend

The directors have not proposed a final ordinary dividend in respect of the current financial year (2009: Nil per share), however a special dividend of 1.5p per share is proposed, making a total dividend for the year of 3p per share (2009: Nil per share).

The interim dividend of 1.5p (2009: Nil per share) declared during the year resulted in a sum of £189,000 being paid to shareholders in respect of the year ended 31 March 2010 (2009: Nil). No final dividend was declared or proposed during the year ended 31 March 2009. However, £219,000 was paid to shareholders during the year ended 31 March 2009 in respect to the 1.7p per share final dividend proposed for the year ended 31 March 2008.

Policy and practice on payment of creditors

The Group's policy is to pay suppliers in accordance with terms and conditions agreed when orders are placed. Although the Group does not follow any code or standard on payment policy, where payment terms have not been specifically agreed, invoices dated in one calendar month are paid close to the end of the following month. At 31 March 2010 there were 40 days purchases in Group trade payables (2009:57 days). The Company did not have any trade payables at 31 March 2010 (2009:£nil).

Treasury and funding activities

The Group's financial instruments comprise cash and short term deposits, bank borrowing facilities and various items such as trade receivables and trade payables that arise directly from its operations. No material foreign currency transactions are entered into and no foreign currency balances are held.

The Group finances its operations primarily through retained profits. Bank borrowing facilities only comprise of an overdraft facility. The overdraft facility has not been utilised in the current year or the preceding year due to the Group having use of surplus cash balances throughout those years.

As such, it has no significant interest rate risk or liquidity risk.

Directors' report (*continued*)

Directors:

The Directors who held office during the year were as follows:

DRT Thompson
KGJ Birch
DP Birch
C Butler
A McNay

Environmental policy

Recognising that the Group's operations are themselves of minimal environmental impact, the Group's environmental policy is to:

- Meet the statutory requirements placed on us.
- Apply good environmental practice both in our business operations and in the development of systems and products for our customers, recognising, however, that we are contractually obliged to conform with our customers' requirements.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Employment policies

The Group places great emphasis on providing equality of opportunity for all employees and in particular ensures that fair selection and development procedures apply. The aim of the policy is to ensure that no job applicant or employee receives less favourable treatment on the grounds of age, sex, sexual orientation, disability, marital status, colour, religion, or ethnic origin.

Research and development expenditure

During the year the group expended £595,000 (2009: £1,182,000) on software product development activities, of which £21,000 (2009: £677,000) was capitalised.

Auditors

The auditor, Baker Tilly UK Audit LLP, Chartered Accountants, has indicated its willingness to continue in office.

By order of the Board

KGJ Birch
Director

3rd Floor
No 1 Triton Square
London
NW1 3DX

2010

Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. The directors have elected under company law to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The group financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position and the performance of the group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period.

In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law, the directors are also responsible for preparing a Directors' Report that complies with that law.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Touchstone Group plc

We have audited the group and parent company financial statements ("the financial statements") on pages 9 to 33. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As more fully explained in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/UKNP.

Opinion on the financial statements
In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2010 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

COLIN ROBERTS ACA (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
140 London Road
Guildford
Surrey GU1 1UW
2010

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2010

	Note	**For year ended 31st March 2010 £000**	For year ended 31st March 2009 £000
Revenue	*2*	**26,859**	28,527
Cost of sales		**(14,397)**	(16,934)
Gross profit		**12,462**	11,593
Administration expenses before depreciation, amortisation and impairment, re-organisation costs and termination of contract and one off professional costs		**(10,765)**	(10,614)
Depreciation	*3,11*	**(197)**	(215)
Amortisation and impairment of intangible fixed assets	*3,10*	**(1,026)**	(575)
Re-organisation costs	*3*	**-**	(379)
Termination of contract and one-off professional costs	3	**(452)**	(159)
Total administrative expenses		**(12,440)**	(11,942)
Operating Profit before depreciation, amortisation and impairment, re-organisation costs and termination of contract and one off professional costs		**1,697**	1,003
Depreciation	*3,11*	**(197)**	(215)
Amortisation and impairment of intangible fixed assets	*3,10*	**(1,026)**	(575)
Re-organisation costs	*3*	**-**	(379)
Termination of contract and one-off professional costs	3	**(452)**	(159)
Operating profit/(loss)		**22**	(349)
Finance income	*6*	**5**	33
Finance expenses	*7*	**(16)**	(48)
Profit/(loss) before taxation		**11**	(364)
Income tax charge/(credit)	*8*	**(34)**	16
Total comprehensive loss for the year attributable to the owners of the parent		**(23)**	(348)
		=======	=======

All of the above results are from continuing operations.

Consolidated Statement of Financial Position

at 31 March 2010 ***(Company Registration Number: 3537238)***

	Note	**31 March 2010 £000**	31 March 2009 £000
ASSETS			
Non - Current			
Property, plant and equipment	*11*	**359**	287
Goodwill	*10*	**6,036**	6,161
Other intangible assets	*10*	**1,904**	2,641
Investments	*12*	**53**	53
		8,352	9,142
Current assets			
Inventories	*13*	**33**	32
Trade and other receivables	*14*	**8,705**	9,745
Cash and cash equivalents		**2,309**	1,743
		11,047	11,520
Total Assets		**19,399**	20,662
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent			
Share Capital	*18*	**(1,260)**	(1,287)
Share premium reserve		**(3,829)**	(3,829)
Capital redemption reserve		**(46)**	(19)
Retained earnings		**(4,582)**	(4,855)
		(9,717)	(9,990)
Non- current Liabilities			
Deferred tax liabilities	*17*	**(217)**	(375)
Trade and other payables	*16*	**(214)**	(206)
		(431)	(581)
Current Liabilities			
Interest bearing loans and borrowings	*15*	**-**	(217)
Trade and other payables	*15*	**(9,175)**	(9,816)
Current tax liabilities	*15*	**(76)**	(58)
		(9,251)	(10,091)
Total Equity and Liabilities		**(19,399)**	(20,662)

These financial statements on pages 9 to 33 were approved by the Board of Directors and authorised for issue On July 2010 and were signed on its behalf by:

KGJ Birch - *Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2010

	ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT				
	Share capital £'000	**Share premium reserve £'000**	**Capital redemption reserve £'000**	**Retained earnings £'000**	**TOTAL EQUITY £'000**
Balance at 1 st April 2008 Brought forward	1,249	3,440	19	5,121	9,829
Changes in equity for the year ended 31st March 2009:					
Loss for the year	-	-	-	(348)	(348)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	(348)	(348)
Transactions with owners in their capacity as owners:					
Dividends	-	-	-	(219)	(219)
Issue of share capital	38	389	-	-	427
Share based payment charge	-	-	-	24	24
Allocations of treasury shares to fund acquisition	-	-	-	277	277
Balance Carried Forward At 31st March and 1 st April 2009	**1,287**	**3,829**	**19**	**4,855**	**9,990**
Changes in equity for the year ended 31st March 2010:					
Loss for the year	**-**	**-**	**-**	**(23)**	**(23)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**-**	**-**	**-**	**(23)**	**(23)**
Transactions with owners in their capacity as owners:					
Dividends	**-**	**-**	**-**	**(189)**	**(189)**
Purchase of own shares	**(27)**	**-**	**27**	**(61)**	**(61)**
Balance Carried Forward At 31st March 2010	**1,260**	**3,829**	**46**	**4,582**	**9,717**
	======	======	======	======	======

The capital redemption reserve arose due to the repurchase of its own shares by the company during this and prior years. It represents an amount equivalent to the nominal share capital of the shares purchased.

Consolidated Statement of Cash flows
for the year ended 31 March 2010

	Note	**Year Ended 31 March 2010 £000**	Year Ended 31 March 2009 £000
Profit/(loss) for the year before tax		**11**	(364)
Amortisation of intangible assets		**571**	575
Impairment of intangibles		**455**	-
Depreciation		**197**	215
Share option cost		**-**	24
Operating cash flows before movements in working capital		**1,234**	450
Increase in inventory		**(1)**	(6)
Decrease in trade and other receivables		**896**	2,997
Decrease in trade and other payables		**(632)**	(930)
Net finance cost		**11**	15
Decrease in provisions		**-**	(60)
Cash flow from operating activities			
Cash generated from operations		**1,508**	2,466
Interest paid		**(16)**	(48)
Income taxes paid		**(173)**	(323)
Net cash generated from operating activities		**1,319**	2,095
Cash flows from investing activities			
Acquisitions of subsidiaries (net of cash acquired)		**-**	(835)
Net purchase of property, plant and equipment	*11*	**(270)**	(160)
Interest received		**5**	33
Capitalised software development		**(21)**	(677)
Net cash used in investing activities		**(286)**	(1,639)
Cashflows from financing activities			
(Repayments) of borrowings		**(217)**	(217)
Dividends paid	*9*	**(189)**	(219)
Cash paid for purchase of own shares		**(61)**	-
Net cash used from financing activities		**(467)**	(436)
Net increase in cash and cash equivalents	*20*	**566**	20
Cash and cash equivalents at the beginning of the year	*20*	**1,743**	1,723
Cash and cash equivalents at the end of the year	*20*	**2,309**	1,743

Additional information: Acquisition of subsidiaries – reconciliation of significant non cash transactions

	2009 £000
Contingent consideration accrued at 1 April 2008	1,746
Shares issued in settlement of contingent consideration	(427)
Treasury shares utilised in settlement of contingent consideration	(277)
Cash paid (net of cash acquired)	(835)
Over accrual of deferred consideration released – disposal of goodwill (note 10)	207

Notes (forming part of the financial statements)

1 Accounting policies

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Touchstone Group Plc (the "Company") is a company incorporated and domiciled in the UK.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") all prepared in Sterling. The parent company financial statements present information about the Company as a separate entity and not about its group.

The group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 29-33.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these group financial statements.

Going concern

The Directors have reviewed the projections for the forth coming 12 month period from the date of signing of these financial statements and based on the level of existing cash, projected income and expenditure, the Directors are satisfied that the Company and Group have adequate resources to continue in business for the foreseeable future, as a result the directors consider it appropriate for the financial statements to be prepared on a going concern basis.

Basis of consolidation

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date irrespective of the extent of any minority interest.

Subsidiaries are entities controlled by the group. Control is achieved when the group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated on consolidation.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment losses.

Depreciation is charged so as to write off the cost of assets to their estimated residual values over their estimated useful lives on the following bases:

Leasehold Improvements	20% straight line
Fixtures and fittings	20% reducing balance
Computer equipment	over 3 years straight line

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Notes *(continued)*

GOODWILL

Goodwill arising on consolidation represents the excess of the cost of acquisition over the group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition.

Goodwill on acquisition of subsidiaries is separately disclosed from other intangible assets.

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Goodwill is allocated to cash generating units for the purpose of impairment testing.

On disposal of a subsidiary the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the amount previously calculated under UK GAAP subject to being tested for impairment at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Negative goodwill arising on an acquisition is recognised immediately in profit or loss.

OTHER INTANGIBLE ASSETS

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the group's software product development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- the product or process is technically and commercially feasible; and
- sufficient resources are available to complete the development and to either sell or use the asset.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Software and development

Intangible assets such as Software and its development are measured initially at the time costs incurred and amortised on a straight line basis over their estimated useful lives. This is currently estimated as five years.

Intellectual property rights

Intangible assets such as intellectual property rights are measured initially at their purchase cost and amortised on a straight-line basis over their estimated useful lives. This is currently estimated as ten years.

Customer relationships

Intangible assets such as Customer relationships are measured initially at their purchase cost and amortised on a straight line basis over their estimated useful lives. This is currently estimated as ten years.

Notes *(continued)*

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL

Intangible assets acquired as part of an acquisition are capitalised at their fair value where this can be reliably measured.

At each balance sheet date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated on a first-in first-out basis. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the group's balance sheet when the group has become a party to the contractual provisions of the instrument.

Investments

Investments are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Investments are classified as available-for-sale, and are measured at subsequent reporting dates at their fair value. Gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period.

Trade receivables

Trade receivables are classified as loans and receivables and initially recognised at fair value and then carried at amortised cost. Amounts may then be reduced by appropriate allowances for estimated irrecoverable amounts as necessary and any reduction is recognised in the profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, and other short-term bank deposits held by the group. Bank overdrafts are presented within current liabilities.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Notes *(continued)*

Interest bearing borrowings

Bank borrowings are initially recognised at fair value and then subsequently measured at amortised cost using the effective interest rate method. Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables

Trade payables are initially recognised at fair value and then carried at amortised cost.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

LEASING

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, Value Added Tax and other sales related taxes. Sales of goods are recognised when goods are delivered and title has passed.

The group's main revenue categories are as follows:

Software sales

Revenue from direct software sales to end-users is recognised once a non-cancellable purchase order or contract has been received, the product has been delivered and the customer has been invoiced.

Maintenance revenues

Maintenance revenues are recognised over the period of the contract on a pro-rata basis.

Professional services

Revenue from professional services is recognised following provision of those services on an hours completed basis and on a project percentage complete basis.

Cost of sales

Cost of sales consists of supplier costs, payroll and direct costs associated with the provision of IT services to the customers.

SHARE-BASED PAYMENTS

The group has applied the requirements of IFRS 2: Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 April 2006.

The group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest.

Fair value is measured by use of an option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Notes *(continued)*

INTEREST IN OWN SHARES

The group has an Employee Benefit Trust (EBT) to assist with the obligations under share option. The EBT is consolidated as if it were a subsidiary undertaking. Shares in the group held by the EBT are stated at cost and are disclosed as a deduction from equity.

RETIREMENT BENEFIT COSTS

The company operates neither a defined contribution nor a defined benefit pension scheme but makes contributions to employees personal pension schemes. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

Adopted IFRS not yet applied

At the date of authorisation of the consolidated financial statements the following standards and interpretations, which have not been applied in these consolidated financial statements, were in issue but not yet effective:

IFRS 3 – Business Combinations
IFRS 7 – Financial Instruments: Disclosure
IAS 27 – Consolidated and Separate Financial Statements
IAS 28 – Investments in Associates
IAS 31 – Investments in Joint Ventures
IAS 32 – Financial Investments: Presentation
IAS 39 – Financial Investments: Recognition and Measurement
IFRIC 17 – Distribution of Non Cash Assets to Owners

The directors anticipate the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the group when the relevant standards and interpretations come into effect.

TAXATION

The tax expense represents the sum of the current tax and the deferred tax elements.

The current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in jointly controlled entities, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax is recognised on temporary differences between the tax rate on profits earned in foreign subsidiaries and the tax rates charged on remittance of those profits to the United Kingdom

FOREIGN CURRENCIES

Transactions in currencies other than sterling, the presentational and functional currency of the Group, are recorded at the rates of exchange prevailing on the dates of the transactions.

Items included in the financial statements of each of the Group's entities are measured using the functional currency of that entity. At the balance sheet date, the monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing on the balance sheet date.

Gains and losses arising on translation are included in the income statement for the period.

Notes *(continued)*

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

- Goodwill has been tested for impairment by comparing the amount of goodwill against a multiple of forecast profit and/or revenue expected to be generated in the future by the appropriate asset, cash-generating unit, or business segment.

- The fair value of share-based payments is measured using an option pricing model which inherently makes use of significant estimates and assumptions concerning the future applied by the directors.

- Deferred tax assets and liabilities are assessed on the basis of assumptions regarding the future, the likelihood that assets will be realised and liabilities will be settled, and estimates as to the timing of those future events and as to the future tax rates that will be applicable.

- Provisions for loss making fixed price contracts represent the difference between expected costs to complete and revenue yet to be recognised.

2 Segmental information

The Group's turnover and losses before tax principally arise from its activities in the UK and Ireland. Turnover and profits before tax arising in Ireland are not material. The Group has one principal class of business, the provision of integrated business software and consulting services associated with these solutions, however revenue can be split into the following categories:

	2010	2009
Revenues	**£000**	£000
Software	**4,592**	3,491
Consultancy	**12,139**	14,531
Maintenance and support	**9,770**	10,052
Other (e.g. Hardware and rechargeable costs)	**358**	453
Totals	**26,859**	28,527

3 Profit/(loss) before taxation

	2010	2009
	£000	£000
Profit/(loss)before taxation is stated after charging:		
Services provided by the company's auditors and its associates:		
Audit of parent Company and consolidated accounts:		
Audit	**25**	25
Subsidiaries:		
Audit	**13**	13
Depreciation and other amounts written off Property, plant and equipment:		
Owned	**197**	215
Amortisation of intangible assets	**571**	575
Impairment of goodwill and intangible assets	**455**	-
Foreign exchange gains	**6**	(115)
Hire of land and buildings – operating leases	**428**	499
Termination of contract and one-off Professional costs*	**452**	159
Re-organisation costs	**-**	379

*Includes fees received by the auditors and its associates of £nil for non audit services during the year (2009: £29,000). These fees were incurred in relation to an aborted corporate transaction during the year.

Reorganisation costs were incurred relating to a reduction in the Group's staff numbers.

Notes *(continued)*

4 Remuneration of Directors

Aggregate emoluments in respect of qualifying services amounted to £626,133 (2009: £625,000). Emoluments of the highest paid Director (excluding pension contributions) were £211,996 (2009:£208,000). Amounts paid by the Group in respect of his pension contributions were £19,656 (2009: £23,000). He holds no share options or entitlement to share options.

In addition to the above a further £60,000 of remuneration was voted, this amount remains unpaid and will be paid in the current year.

Total pension contributions of £45,396 (2009: £48,000) were made to the Executive Directors' personal pension plans. There are four executive directors who all are accruing pension benefits (2009- four).

The directors are also considered to be key management.

5 Staff numbers and costs

The average monthly number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2010	2009
Management	**12**	17
Administrative	**20**	22
Sales, support and technical	**157**	184
	189	223

The aggregate payroll costs of these persons were as follows:

	2010	2009
	£000	£000
Wages and salaries	**7,680**	9,905
Social security costs	**950**	1,262
Other pension costs (see note 23)	**315**	444
Share option costs	**-**	24
	8,945	11,635

6 Finance Income

	2010	2009
	£000	£000
Bank interest	**5**	33

7 Finance expenses

	2010	2009
	£000	£000
Bank interest paid	**16**	48

Notes *(continued)*

8 Taxation

	2010 **£000**	2009 £000
Recognised in the income statement		
- current year charge/(credit)	**158**	(80)
- adjustment to tax charge in respect of previous period	**34**	-
Current tax charge/(credit)	**192**	(80)
- Deferred Tax movement (Origination and reversal of temporary differences)	**(158)**	64
Total tax charge/(credit)	**34**	(16)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2009: lower) than the standard rate of corporation tax in the UK of 28% (2009: 28%). The differences are explained below:

	2010 **£000**	2009 £000
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	**11**	(364)
Current tax at 28% (2009: 28%)	**3**	(102)
Effects of:		
Expenses not deductible for tax purposes and other adjustments	**94**	5
Effect of depreciation in excess of capital allowances	**8**	17
Amortisation and impairment of goodwill	**125**	-
Profits not chargeable to UK corporation tax	**(57)**	-
Utilisation of brought forward tax losses	**(15)**	-
Adjustments to tax charge in respect of previous periods	**(34)**	-
Deferred tax movement (origination and reversal of temporary tax differences)	**158**	64
Total tax (credit) (see above)	**(34)**	(16)

9 Dividends

	2010 **£000**	2009 £000
Equity shares:		
Interim dividend paid in respect of current year (2010: 1.5p per share, 2009: Nil per share)	**189**	-
Final dividend paid in respect of prior year but not recognised as liabilities in that year (2009: Nil per share, 2008: 1.7p per share)	**-**	219

The company waived the dividend due on the shares held by the Employee Share Ownership Trust and those held in treasury.

The directors have not proposed a final ordinary dividend in respect of the current financial year (2009: Nil per share), however a special dividend of 1.5p per share is proposed, making a total dividend for the year of 3p per share (2009: Nil per share).

Notes *(continued)*

10 Goodwill and other intangible assets

	Customer Relation-ships	Intellectual Property	Software Development	Total Other Intangible Assets	Goodwill	Total Intangible Assets
	£000	£000	£000	£000	£000	£000
Cost						
Balance as at 1st April 2008	975	1,640	926	3,541	6,368	9,909
Disposals	-	-	-	-	(207)	(207)
Additions	-	-	677	677	-	677
Balance at 1st April 2009	975	1,640	1,603	4,218	6,161	10,379
Disposals	-	-	-	-	-	-
Additions	-	-	21	21	143	164
Balance as at 31 March 2010	975	1,640	1,624	4,239	6,304	10,543
Amortisation and impairment						
Balance as at 1st April 2008	130	668	204	1,002	-	1,002
Amortisation for the year	97	164	314	575	-	575
Balance at 1st April 2009	227	832	518	1,577	-	1,577
Amortisation for the year	98	175	298	571	-	571
Impairment in the year	-	-	187	187	268	455
Balance at 31 March 2010	325	1,007	1,004	2,335	268	2,603
Net Book Value						
At 31 March 2010	**650**	**633**	**621**	**1,904**	**6,036**	**7,940**
At 31 March 2009	748	808	1,085	2,641	6,161	8,802
At 31 March 2008	845	972	722	2,539	6,368	8,907

The addition in the year relates to adjustments in respect of deferred consideration for prior period acquisitions.

Notes *(continued)*

Goodwill and other intangible assets

The Group has been in recent years increasing spending resources on developing software. The group feels this expenditure will materially add to the future revenue generating opportunities opening up for the Group, and has in the year to 31 March 2010 capitalised those costs that meet the criteria as set out in IAS 38. The Group has incurred software development expenditure which met the capitalisation criteria as outlined in the accounting policies, and £21,000 (2009: £677,000) has been capitalised.

Goodwill acquired in a business combination is allocated to a single cash generating unit (CGU) as the business operates as a single segment. The recoverable amounts of this cash-generating unit has been determined based on a value in use calculation. Senior management have based these calculations on current approved budgeted cash flows. The growth rates are based on management estimates of the industry growth rates for the activities being undertaken by the CGU. The discount rate applied to cash flow projections is a pre-tax rate of 5%
(2009: 5%). Management estimates the discount rate reflecting current market assessment of the time value of money and risks specific to the business.

The impairment in the period relates to the write down of certain CGU's which senior management consider to be their recoverable amount.

11 Property, Plant and Equipment

	Fixtures, fittings, equipment and leasehold improvements
Cost	**£000**
Balance as at 1st April 2008	2,655
Additions	160
Disposals	(8)
Balance at 1st April 2009	2,807
Additions	270
Disposals	(4)
Balance at 31st March 2010	3,073
Depreciation	
Balance as at 1st April 2008	2,313
Depreciation charge for the year	215
Disposals	(8)
Balance at 1st April 2009	2,520
Depreciation charge for the year	197
Disposals	(3)
Balance at 31st March 2010	2,714
Net book value	
At 31st March 2010	**359**
At 31st March 2009	287
At 31st March 2008	342

Notes *(continued)*

12 Investments

	Assets available for sale
Group	
	£000
Cost	
Balance as at 1 April 2008 to 31 March 2010	145
Impairment Provision	
Balance as at 1 April 2008 to 31 March 2010	(92)
Net book value	
At 31 March 2010	**53**
At 31 March 2009	53
At 31 March 2008	53

Touchstone Group Plc holds 116,000 shares in Proactis Plc, a listed investment, representing a 0.38% shareholding.

13 Inventories

	2010	2009
	£000	£000
Goods held for resale	**33**	32

These inventories relate to software licences. The costs of software goods sold by the group during the year amounted to £4,592,000 (2009: £3,491,000)

14 Trade and other receivables

	2010	2009
	£000	£000
Trade receivables	**4,933**	5,020
Other debtors	**106**	368
Prepayments and accrued income	**3,666**	4,357
	8,705	9,745

Included within prepayments and accrued income are deferred maintenance costs of £2,090,000 (2009: £2,566,000) of which £124,000 are deferred for more than one year (2009: £165,000). The Group defers maintenance revenue and the associated maintenance costs and recognises them over the period the service is provided.

Notes *(continued)*

15 Current liabilities

	2010	2009
	£000	£000
Trade and other payables:		
Trade payables	**1,323**	2,218
Other creditors including tax and social security	**1,689**	1,138
Accruals	**-**	608
Deferred income	**6,163**	5,852
	9,175	9,816
Current tax liability		
Income	**76**	58
Interest Bearing Loans and Other liabilities		
Bank loan	**-**	217
	9,251	10,091

Deferred income represents that portion of contracted maintenance revenue relating to periods after the year end

16 Non-current liabilities

	2010	2009
	£000	£000
Trade and other payables		
Deferred income	**214**	206

Notes *(continued)*

17 Deferred tax assets and Liabilities

Recognised Deferred tax liabilities

	Liabilities	
	2010	2009
	£000	£000
Intangible assets	**(217)**	(277)
Profits earned in overseas subsidiaries	**-**	(98)
	(217)	(375)

Movement in Deferred tax

	At 1st April 2008	Recognised in Income	At 31st March and 1st April 2009	Recognised in Income	**At 31st March 2010**
	£000	£000	£000	£000	**£000**
Intangible assets	(311)	34	(277)	60	**(217)**
Profits earned in overseas subsidiaries	-	(98)	(98)	98	-
	(311)	(64)	(375)	158	**(217)**

18 Called up share capital

	2010	2009
	£000	£000
Allotted, called up and fully paid		
12,605,570 ordinary shares of 10p each (2009: 12,871,686)	**1,260**	1,287

During the year the company purchased 266,116, of its own, ordinary shares of £0.10.

Notes *(continued)*

19 Commitments

Minimum lease payments under non-cancellable operating leases are as follows:

	2010		2009	
	Land and Buildings	**Other**	Land and buildings	Other
Group	**£000**	**£000**	£000	£000
Operating leases which expire:				
Within one year	**-**	**-**	-	-
In the second to fifth years inclusive	**623**	**-**	1,145	5
Over five years	**909**	**-**	1,015	-
	1,532	**-**	2,160	5

The above commitments relate to five (2009: five) offices lease rentals that are of varying fixed terms over the next 8 years.

20 Analysis of net funds

	At beginning of year	**Cash flow**	**At end of year**
	£000	£000	£000
Cash and short term deposits	1,743	566	2,309
Fixed term loan Finance	(217)	217	-
Total	**1,526**	**783**	**2,309**

Short term bank deposits are included within the caption ‘cash and cash equivalents’ in the balance sheet, and the loan is separately disclosed under current liabilities.

Notes *(continued)*

21 Financial instruments

An outline of the Group's approach to financial instruments is given in the Directors' report. The Group holds the following financial assets and liabilities: Investments available for sale, Trade and other receivables, Cash, Trade and other payables and interest bearing loans, all of which are stated at their fair value which is materially the same as their carrying amounts.

The group has exposure to several forms of risk through its use of financial instruments. Details of these risks and the group's policies for managing these risks are included below:

Credit Risk

The Group's financial assets for disclosure purposes comprises investments available for sale, trade and other receivables, and cash at bank and short-term bank deposits. The cash at bank and short term bank deposits are ordinarily placed with the Group's bankers with the interest income obtained being based on variable market rates.

The Group's credit risk is primarily attributable to its trade receivable. The amounts presented in the balance sheet represent the maximum credit risk to the group.

The Group's policy is to only provide financial guarantees to wholly-owned subsidiaries.

At 31 March 2010 £678,000(2009- £515,000) of the Group's trade receivables were exposed to risk in countries other than the United Kingdom.

The ageing of trade receivables at the reporting date was:

	2010		2009	
	Gross £000	**Provided £000**	Gross £000	Provided £000
Outstanding less than 90 days	**4,314**	**176**	4,160	-
Outstanding more than 90 days	**1,263**	**468**	1,173	313
	5,577	**644**	5,333	313

Provision against trade receivables are made in accordance with Group policy based on an ageing analysis of overdue receivables and any other indication which suggest an impairment

Liquidity risk

Liquidity risk is the risk that the group is unable to meet its financial obligations as they fall due. The group has in place a bank overdraft facility of £1,000,000 which is renewed annually, with the next renewal due in February 2011. No amount had been drawn down in respect of this at either 31 March 2010 or 31 March 2009.

Financial liabilities

The Group obtained a long term business loan of £650,000 to finance the acquisition of ETC Global in March 2007. This was repayable in 36 equal monthly instalments, and £Nil (2009: £217,000) was outstanding at the balance sheet date.

Fair values of financial assets and liabilities

The Directors consider that there is no material difference between the book value and fair value of the Group's financial assets and liabilities at either 31 March 2010 or 31 March 2009.

Currency risk

No analysis of currency risk resulting from financial assets and liabilities is presented at 31 March 2010 and 31 March 2009 as all balances were in sterling. Overseas customers associated with the Group's Jersey operation generally contract in sterling, although during the year there were some customers who were invoiced in foreign currencies. There were no significant foreign currency balances outstanding at 31 March 2010.

Share capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the company. For further details of share capital see note 18.

Sensitivity analysis

Management have considered the impact of changes in interest rates and have concluded that such changes would not have a material impact on the Group's profit before tax.

Notes *(continued)*

22 Share based payments

At the balance sheet date, the Group operated two share option schemes, an Inland Revenue approved scheme and an unapproved scheme. Qualifying directors and certain employees of the Group are eligible to participate in the approved and unapproved schemes.

Certain employees, on invitation, are entitled to participate in an Inland Revenue approved scheme up to a value of £30,000 and thereafter an unapproved scheme. Consistent with the rules of the schemes the vesting of options is generally contingent on continued employment for a period of at least three years, and the employee then has a ten year period within which to exercise. The options can only be exercised if, during the period of three consecutive financial years immediately preceding the date of exercise, the adjusted EPS of the Group exceeds the percentage growth in the retail price index over that same period by at least 2%. Exercise price is determined at market rate being the average of the previous 3 days closing price.

The number and weighted average exercise prices of share options are as follows:

	2010 Weighted average exercise price	**2010 Number of options**	2009 Weighted average exercise price	2009 Number of options
Outstanding at the beginning of the period	**131p**	**449,879**	131p	537,436
Granted during the period	**-**	**-**	-	-
Forfeited during the period	**-**	**-**	-	(87,557)
Exercised during the period	**-**	**-**	-	-
Lapsed during the period	**-**	**27,500**	-	-
Outstanding at the end of the period	**161p**	**422,379**	131p	449,879
Exercisable at the end of the period	**131p**	**404,736**	120p	432,236

During the period as there were no options exercised, the weighted average share price at the date of exercise was not applicable (2009: Nil).

The options outstanding at the year end have an exercise price in the range of 93p to 197p and a weighted average contractual life of 4 years.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a Black-Scholes model, assumptions for which are based on the following:

- The contractual life of the options is in accordance with the scheme rules, which vest after three years, the maximum vesting period is ten years,
- The expected volatility is wholly based on historic volatility, adjusted for any expected changes to future volatility due to publicly available information,
- The expected dividend yield is wholly based on historic yield,
- The risk free rate is based on national government bonds.

The total expenses recognised for the period arising from share based payments are as follows:

	2010 £000	2009 £000
Equity settled share based payments	**-**	24

23 Pension Scheme

The Group does not operate an occupational pension scheme but makes a percentage contribution of qualifying salary to certain employees' personal pension schemes. The amount charged to the profit and loss account in respect of such contributions was £315,000 (2009: £444,000).

Parent Company UK GAAP Accounts and Notes

Parent Company balance sheet

at 31 March 2010 ***(Company Registration Number: 3537238)***

	Note	**2010**		2009	
		£000	**£000**	£000	£000
Fixed assets					
Investments	25		**11,108**		11,108
Current assets					
Debtors	*26*	**890**		661	
Cash at bank and in hand		**2**		-	
		892		661	
Creditors: amounts falling due within one year	*27*	**(4,844)**		(4,406)	
Net current liabilities			**(3,952)**		(3,745)
Total assets less current liabilities			**7,156**		7,363
Net assets			**7,156**		7,363
Capital and reserves					
Called up share capital	*18*		**1,260**		1,287
Share premium account	*28*		**3,829**		3,829
Capital redemption reserve	*28*		**46**		19
Other reserves	*28*		**843**		843
Profit and loss account	*28*		**1,178**		1,385
Shareholders' funds			**7,156**		7,363

These financial statements were approved by the Board of Directors on July 2010 and were authorised for issue and signed on its behalf by:

KGJ Birch
Director

Reconciliations of movements in equity shareholders' funds

for the year ended 31 March 2010

	Company	
	2010	2009
	£000	£000
Profit for the financial year	**43**	549
Share option charge	**-**	24
New share capital issued net of issue costs	**-**	427
Treasury shares utilised	**-**	277
Purchase of own shares	**(61)**	-
Dividends	**(189)**	(219)
Net (decrease)/increase in equity shareholders' funds	**(207)**	1,058
Opening shareholders' funds	**7,363**	6,305
Closing shareholders' funds	**7,156**	7,363

Notes to the parent company financial statements (forming part of the financial statements)

24 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements:

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. Under section 408 of the Companies Act 2006 the company is exempt from the requirement to present its own profit and loss account. Under Financial Reporting Standard 1 the Company is exempt from the requirements to prepare a cash flow statement on the grounds that it is included within the consolidated accounts.

To provide a true and fair view in the accounts of Touchstone Group plc a departure is required from the requirements of the Companies Act 2006.

As of the 1st April 2008 the whole of the business and assets of Touchstone Enterprise Solutions Ltd (TES) and ETC Global Business Solutions Ltd (ETC) have been transferred into operations within Touchstone Limited. TES and ETC ceased to trade from this date as an independent subsidiaries of the group.

As the goodwill and assets associated with these subsidiaries have not left the Group but have enhanced the value of Touchstone Group plc's investment in Touchstone Ltd the carrying value of TES and ETC has been transferred to the investment in Touchstone Limited in the balance sheet of Touchstone Group plc.

In the opinion of the Directors, the transfer of the trade and assets and liabilities has not impaired the associated goodwill. This departure has no impact on the consolidated position of the Group.

Share-based payments

The share option programme allows employees to acquire shares of the Company. The fair value of options granted after November 2002 and those not yet vested as at 1 April 2006 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

Where the Company grants options over its own shares to the employees of its subsidiaries, it recognises an increase in the cost of investment in its subsidiaries equivalent to the equity settled share based payment charge recognised in its subsidiary's financial statements, with the corresponding credit being recognised directly in equity.

Interest in own shares

Interests in own shares held represent the cost of shares in the Company held by the trustees of the Employee Benefit Trust and are disclosed as a deduction from shareholders funds in accordance with the UITF Abstract 38: 'Accounting for ESOP Trusts'. As at 31 March 2010 and 2009 the trust held 95,000 shares with a nominal value of £9,500 (2009: £9,500). As at 31 March 2010 none of the above shares have been conditionally gifted to employees of the Group.

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less any provision for impairment.

Notes *(continued)*

25 Investments

Company	**Shares in group undertaking £000**
Cost	
At beginning and end of the year	11,108
Provisions	
At beginning and end of year	-
Net book value	
At 31 March 2010	**11,108**
At 31 March 2009	11,108

The Fixed asset investments of the Group company comprise of the following companies:

	Country of incorporation	**Principal Activity**	**Class and percentage of shares held Company**
Direct subsidiary undertakings			Ordinary shares
Touchstone Ltd	England and Wales	Supply and support of business software	100%
Touchstone ES Ltd (previously Global Business Solutions Ltd) – (Dormant)	England and Wales	Supply and support of business software	100%
Touchstone Vorsprung (Isle of Man Project) Ltd – (Dormant)	England and Wales	Supply and support of business software	100%
Touchstone Vorsprung Ltd – (formerly Vorsprung Business solutions)	England and Wales	Supply and support of business software	100%
Touchstone Channel Islands (TCI) Ltd	Jersey	Supply and support of business software	100%
ETC Global Business Solutions Ltd (Dormant)	England and Wales	Supply and support of business software	100%
Indirect subsidiary undertakings			
Touchstone NAV Ltd	England and Wales	Supply and support of business software	60%

26 Debtors

	2010	2009
	£000	£000
Amounts owed by Group undertakings	**890**	661

27 Creditors falling due within one year

	2010	2009
	£000	£000
Amounts owed to Group undertakings	**4,799**	4,406
Accruals and other creditors	**45**	-
	4,844	4,406

28 Share premium and reserves:

Company	**Share premium account £000**	**Capital Redemption Reserve £000**	**Other Reserves £000**	**Profit and loss account £000**
At beginning of year	3,829	19	843	1,385
Repurchase of own shares	-	27	-	(61)
Retained profit for the year	-	-	-	43
Dividends	-	-	-	(189)
				-
At end of year	**3,829**	**46**	**843**	**1,178**

The Company's profit for the financial year was £61,000 *(*2009: £330,000*)*.

The company's 'other reserves' opening figure of £843,000 represents the difference arising between the nominal value of the shares issued by Touchstone Group plc of £833,000 and the nominal value of the Touchstone Computers Ltd shares received in exchange of £1,000 and the share premium of £9,000, together with the premium on shares issued for the total consideration on acquisition of Chartland Associates plc of £843,000.

The capital redemption reserve arose due to the repurchase of own shares by the company during this and prior years. It represents an amount equivalent to the nominal share capital of the shares repurchased.