CHAIRMAN'S STATEMENT

I am very pleased to report an excellent set of trading results for our first financial period as an Alternative Investment Market listed company, with pre-tax profits up by 25% to £1.048 million compared with £0.841 million in the previous year. Turnover rose by 25% to £7.7 million, with growth achieved in all areas of operations. Basic earnings per share increased by 11.6% to 7.7 pence per share, based upon the weighted average of 9,504,169 shares in issues, compared with 6.9 pence per share based on the weighted average of 8,330,000 shares in issue in the previous year.

A beneficial change in sales mix has resulted in an improvement in gross margin to 50.8% up by 2.8% on last year. All core sales activities have shown strong growth over last year with software sales up 34%, consulting services up 32% and annual maintenance revenues up by 13%.

There has been an increase in administrative expenses of 36% which largely reflects an increase in the number of employees which at the end of the period totalled 67, an increase of 24% on the position a year ago. This is a consequence of our policy to strengthen both the sales and consulting services departments, which are the engine rooms of our future expansion.

The group's strong and liquid balance sheet continues to benefit from the positive cash generative nature of the company's operations. This, in conjunction with our active programme of evaluation of potential acquisitions, will allow the group to benefit from expansion opportunities as they arise.

The Board is recommending a final dividend of 0.67 pence per ordinary share, to be paid on 4 August 1999 to shareholders registered at the close of business on 9 July 1999. This makes a total dividend for the year of 1.0 pence per ordinary share.

The current year has started well and I am confident that the group will enjoy another year of progress.

The board joins me in thanking the management and employees for their contribution to a successful period.

Philip Birch
Chairman

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the period from 30 March 1998 (the date on which the company was incorporated) to 31 March 1999.

PRINCIPAL ACTIVITIES

Touchstone Group plc (formerly Law 949 Ltd) is a holding company.

The principal activity of its trading subsidiary, Touchstone Computers Ltd, during the financial period was that of the supply and support of computerised accounting systems.

BUSINESS REVIEW

Law 949 Ltd was incorporated on 30 March 1998 and changed its name to Touchstone Group Ltd on 9 June 1998. On 4 June 1998, as part of a group reconstruction, Touchstone Group Ltd became the holding company of Touchstone Computers Ltd and re-registered as a public limited company. In July 1998, Touchstone Group plc was admitted to the Alternative Investment Market.

The combination of Touchstone Group plc and Touchstone Computers Ltd has been accounted for by the merger method of accounting as detailed in Financial Reporting Standard 6: Mergers and Acquisitions and Schedule 4 (A) of the Companies Act 1985 on the basis that it meets the criteria set out in paragraph 13 of that Standard with respect to group reconstructions.

A review of the group's business and developments for the period ended 31 March 1999 is set out in the Chairman's Statement.

YEAR 2000

During the last twelve months the group has given the consideration of the potential impact of the millennium on the group's customers and internal systems, a high priority.

A compliance steering committee has been established which has constructed a database to co-ordinate information on customers identified as being users of non-compliant systems. An action plan has been implemented to bring to the attention of these customers the benefits of compliant systems and also to actively promote millennium compliance generally. The response from customers has been positive and encouraging.

We continue to advise those remaining customers who are not yet compliant, on the availability of upgrades to compliant systems, by means of specific direct communication. In addition we have an ongoing programme of advice on the subject, which is made available to all our customers through the provision of website information, regular mailshots, product User Group meetings, and product newsletters.

Whilst it is not possible to guarantee that no Year 2000 problems will remain, the directors are confident that the majority of the group's customers should be well prepared.

The directors consider the group's internal systems are now compliant. The cost of the Year 2000 compliance team to date has not been material. The progress on all the above measures continues to be monitored by the board.

PROPOSED INTRODUCTION OF THE EURO

The group recognises the importance of the potential impact of the Euro in the event of the introduction of the single European currency. Currently the directors believe that the impact of this would not significantly impact on our internal business systems and we are confident that the strength of our product offering in this area would lead to greater future business benefits.

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 1999 there were 69 days purchases in group trade creditors. There is no equivalent figure for the company at 31 March 1999 as the company itself not have any trade creditors at that date. This situation is due to the group's trade being conducted through Touchstone Computers Ltd with Touchstone Group plc acting as a holding company.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office during the period were as follows:

P Birch - Chairman	(appointed 4 June 1998)
DD de Carle	(appointed 4 June 1998)
DRT Thompson	(appointed 8 June 1998)
KGJ Birch	(appointed 4 June 1998)
DP Birch	(appointed 4 June 1998)
C Butler	(appointed 5 February 1999)
Huntsmoor Ltd	(appointed 30 March 1998, resigned 4 June 1998)
Huntsmoor Nominees Ltd	(appointed 30 March 1998, resigned 4 June 1998)

The directors who held office at the end of the financial period had the following interests in the ordinary shares of group companies according to the register of directors' interests:

	Company	Class of share	Interest at end of period	Interest at date of appointment
P Birch *	Touchstone Group plc	Ordinary	2,152,624	2,562,000
DD de Carle	Touchstone Group plc	Ordinary	23,500	-
DRT Thompson	Touchstone Group plc	Ordinary	9,500	-
KGJ Birch **	Touchstone Group plc	Ordinary	3,050,547	3,682,000
DP Birch	Touchstone Group plc	Ordinary	1,728,257	2,086,000
C Butler	Touchstone Group plc	Ordinary	2,485	2,485

* The interests of Philip Birch include 30,000 ordinary shares held on behalf of his immediate family.

** The interests of Keith Birch include 252,000 ordinary shares held as a trustee of the TCL Settlement Trust 1998.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial period except as indicated below:

	At start of period	Number of options during the period Granted	Exercised	At end of period	Exercise price (pence)	Market price at date of exercise (pence)	Date from which exercisable	Expiry date
C Butler	-	15,000	-	15,000	105p	-	July 2001	July 2008

POLITICAL AND CHARITABLE CONTRIBUTIONS

The group made no political contributions during the period. Donations to the Marie Curie Cancer Care fund (a UK charity) amounted to £1,000 in the period.

AUDITORS

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

KGJ Birch
Director

5/6 Beauchamp Court
Victors Way
High Barnet
Herts EN5 5TZ

9th June 1999

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG Audit Plc
PO Box 695
8 Salisbury Square
London EC4Y 8BB
United Kingdom

REPORT OF THE AUDITORS TO THE MEMBERS OF TOUCHSTONE GROUP PLC (FORMERLY LAW 949 LTD)

We have audited the financial statements on pages 6 to 23.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 1999 and of the profit of the group for the period from 30 March 1998 (the date of incorporation) to 31 March 1999 and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc
Chartered Accountants
Registered Auditor

9th June 1999

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31 MARCH

	Note	Period ended 31 March 1999 £000	Year ended 31 March 1998 £000
Continuing operations			
Turnover	*1,2*	**7,663**	6,154
Cost of sales		**(3,773)**	(3,201)
Gross profit		**3,890**	2,953
Administrative expenses		**(2,952)**	(2,177)
Operating profit		**938**	776
Interest receivable	*6*	**114**	69
Interest payable and similar charges	*7*	**(4)**	(4)
Profit on ordinary activities before taxation	*2-7*	**1,048**	841
Tax on profit on ordinary activities	*8*	**(320)**	(265)
Profit on ordinary activities after taxation		**728**	576
Dividends paid and proposed	*9*	**(98)**	(1,100)
Retained profit/(loss) for the period	*19*	**630**	(524)
Earnings per share - basic	*10*	**7.7p**	6.9p
Earnings per share - diluted	*10*	**7.6p**	n/a

The consolidated financial statements have been prepared on the merger accounting basis, in accordance with the accounting policy summarised in note 1.

The results disclosed in the consolidated profit and loss account are on an historical cost basis.

The group has no recognised gains or losses other than those reported in the consolidated profit and loss account. Accordingly, a statement of total recognised gains and losses has not been prepared.

CONSOLIDATED BALANCE SHEET AT 31 MARCH

	Note	**1999 £000**	**1999 £000**	1998 £000	1998 £000
Fixed assets					
Tangible assets	*11*		**222**		243
Current assets					
Stocks	*13*	**64**		13	
Debtors	*14*	**2,966**		2,544	
Cash at bank and in hand		**2,972**		1,571	
		6,002		4,128	
Creditors: amounts falling due within one year	*15*	**(1,527)**		(1,649)	
Net current assets			**4,475**		2,479
Total assets less current liabilities			**4,697**		2,722
Accruals and deferred income					
Deferred income	*16*	**(1,829)**		(1,595)	
Accruals	*16*	**(597)**		(571)	
			(2,426)		(2,166)
Net assets			**2,271**		556
Capital and reserves					
Called up share capital	*18*		**976**		833
Share premium account	*19*		**942**		-
Other reserves	*19*		**(823)**		(823)
Profit and loss account	*19*		**1,176**		546
Equity shareholders' funds			**2,271**		556

The consolidated financial statements have been prepared on the merger accounting basis, in accordance with the accounting policy summarised in note 1.

These financial statements were approved by the board of directors on 9th June 1999 and were signed on its behalf by:

KGJ Birch
Director

BALANCE SHEET
AT 31 MARCH

	Note	1999 £000	1999 £000
Fixed assets			
Investments	*12*		**833**
Current assets			
Cash at bank and in hand		**1,153**	
Creditors: amounts falling due within one year	*15*	**(66)**	
Net current assets			**1,087**
Net assets			**1,920**
Capital and reserves			
Called up share capital	*18*		**976**
Share premium account	*19*		**942**
Profit and loss account	*19*		**2**
Equity shareholders' funds			**1,920**

These financial statements were approved by the board of directors on 9th June 1999 and were signed on its behalf by:

KGJ Birch
Director

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH

	Note	1999 £000	1998 £000
CASH FLOW STATEMENT			
Cash flow from operating activities	*21*	**1,108**	1,003
Returns on investments and servicing of finance	*22*	**110**	65
Taxation		**(272)**	(337)
Capital expenditure and financial investment	*22*	**(98)**	(122)
Equity dividends paid		**(532)**	(600)
Cash inflow before management of liquid resources and financing		**316**	9
Management of liquid resources	*22*	**(650)**	70
Financing	*22*	**1,085**	-
Increase in cash in the period		**751**	79

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS (NOTE 23)

	1999 £000	1998 £000
Increase in cash in the period	**751**	79
Cash inflow/(outflow) from increase/(decrease) in liquid resources	**650**	(70)
Change in net funds resulting from cash flows	**1,401**	9
Movement in net funds in the period	**1,401**	9
Net funds at the start of the period	**1,571**	1,562
Net funds at the end of the period	**2,972**	1,571

RECONCILIATIONS OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS FOR THE PERIOD ENDED 31 MARCH

	Group		Company
	1999	1998	**1999**
	£000	£000	**£000**
Profit for the financial period	**728**	576	**100**
Dividends	**(98)**	(1,100)	**(98)**
Retained profit/(loss) for the financial period	**630**	(524)	**2**
New share capital subscribed net of issue costs (see note 18)	**1,085**	-	**1,918**
Net addition to /(reduction in) equity shareholders' funds	**1,715**	(524)	**1,920**
Opening shareholders' funds	**556**	1,080	**-**
Closing equity shareholders' funds	**2,271**	556	**1,920**

NOTES
(FORMING PART OF THE FINANCIAL STATEMENTS)

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group'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.

Law 949 Ltd (now Touchstone Group plc) was incorporated on 30 March 1998 and the period ended 31 March 1999 represents the company's first period of trading. As a result, there are no comparative figures for the company.

The consolidated figures of Touchstone Group plc reflect the group's activities for the period 30 March 1998 to 31 March 1999. The comparative consolidated figures for the group are for the year ended 31 March 1998 and reflect the adoption of merger accounting (see below and note 12).

BASIS OF CONSOLIDATION

On 4 June 1998, as part of a group reconstruction, Touchstone Group Ltd (now Touchstone Group plc) became the holding company of Touchstone Computers Ltd. The financial statements of this group have been prepared using merger accounting principles in accordance with Financial Reporting Standard 6: Mergers and Acquisitions and Schedule 4 (A) of the Companies Act 1985.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account. The company's profit for the financial period is disclosed in note 19 to these financial statements.

INVESTMENTS

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

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets over their estimated useful economic lives as follows:

Fixtures and fittings	-	20% reducing balance
Computer equipment	-	$33\frac{1}{3}$% straight line
Motor vehicles	-	25% straight line

1 Accounting policies (continued)

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

The company operates neither a defined contribution nor a deferred benefit pension scheme but makes contributions to employees' personal pension schemes. The amount charged to the profit and loss account represents the contributions payable to employees' personal pension schemes in respect of the accounting period.

Research and development expenditure

Expenditure on research and development is written off in the profit and loss account in the year in which it is incurred.

Stocks

Stocks are stated at the lower of purchase cost, calculated on a first-in first-out basis, and net realisable value.

Maintenance revenue

Maintenance revenue is recognised over the period of the contract on a pro-rata basis. That portion of contracted maintenance revenue relating to periods after the year end is included in deferred income.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

2 SEGMENTAL INFORMATION

All of the group's turnover and profits before tax arise from its activities in the UK alone.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

		1999	1998
		£000	£000
Profit on ordinary activities before taxation is stated after charging:			
Auditors' remuneration:			
Group	- audit	**16**	10
	- fees paid to the auditors and their associates in respect of other services	**20**	15
Company	- audit	**2**	-
Depreciation and other amounts written off tangible fixed assets:			
Owned		**109**	106

4 REMUNERATION OF DIRECTORS

	1999	1998
	£000	£000
Directors' emoluments		
Remuneration for services as executives	**-**	316
Emoluments for services as directors	**249**	6
	249	322

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid director was £113,439 *(1998: £182,000)*.

5 STAFF NUMBERS AND COSTS

The average number of persons employed by the group (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	1999	1998
Management	**6**	4
Administrative	**9**	6
Sales, support and technical	**44**	39
	59	49

The aggregate payroll costs of these persons were as follows:

	1999	1998
	£000	£000
Wages and salaries	**2,460**	2,020
Social security costs	**250**	213
Other pension costs *(see note 24)*	**37**	16
	2,747	2,249

6 INTEREST RECEIVABLE - GROUP

	1999	1998
	£000	£000
Bank interest	**114**	69

7 INTEREST PAYABLE AND SIMILAR CHARGES - GROUP

	1999	1998
	£000	£000
Bank charges	**4**	4

8 TAXATION

	1999 £000	1998 £000
UK corporation tax at 31% *(1998: 31%)*	**320**	265

9 DIVIDENDS

	1999 £000	1998 £000
Equity shares:		
Interim dividend paid (0.33p per share)	**32**	600
Final dividend proposed (0.67p per share)	**66**	500
Total dividend (1.0 p per share)	**98**	1,100

10 EARNINGS PER ORDINARY SHARE

	1999	1998
Basic EPS is based on		
- group profit after tax	**£728,000**	£576,000
- weighted average number of shares	**9,504,169**	8,330,000
Diluted EPS is based on		
- group profit after tax	**£728,000**	n/a
- weighted average number of shares	**9,544,981**	n/a

The weighted average number of shares on which the 1998 comparative basic EPS was calculated reflects the 8,330,000 shares in issue immediately after the capital reconstruction that took place on 4 June 1998.

The weighted average number of shares on which the 1999 basic EPS was calculated reflects the 8,330,000 shares in issue immediately after the capital reconstruction that took place on 4 June 1998 plus the 1,428,572 shares which were subsequently issued on the Alternative Investment Market.

The weighted average number of shares on which the 1999 diluted EPS was calculated is in accordance with Financial Reporting Standard 14: Earnings per share, and uses the assumption that the capital reconstruction which took place on 4 June 1998 is backdated to 1 April 1998. The calculation reflects an average share price for the period since the company's flotation to 31 March 1999 of £1.1335 and the two company share option schemes in place:

a) there are 235,000 of employee share options, exercisable at the allocation price of £1.05, these are exercisable in 2001, at the earliest, depending on the company's performance; and

b) there is a sharesave scheme with Yorkshire Building Society, which has options in 3 years on 102,323 shares. The funds saved will be offered to purchase the shares at 84p being a discount of 20% on the allocation price of £1.05.

11 TANGIBLE FIXED ASSETS

	Fixtures, fittings, and equipment £000	**Motor vehicles** £000	**Total** £000
Group			
Cost			
At beginning of period	542	100	642
Additions	88	-	88
At end of period	630	100	730
Depreciation			
At beginning of period	353	46	399
Charge for period	85	24	109
At end of period	438	70	508
Net book value			
At 31 March 1999	**192**	**30**	**222**
At 30 March 1998	189	54	243

12 FIXED ASSET INVESTMENTS

	Shares in group undertaking £000
Company	
Cost	
At beginning of period	-
Additions	**833**
At end of period	**833**
Provisions	
At beginning and end of period	-
Net book value	
At 31 March 1999	**833**
At 30 March 1998	-

	Country of incorporation	Principal activity	Class and percentage of shares held Group	Company
Subsidiary undertakings				
Touchstone Computers Ltd	England and Wales	Supply and support of computerised accounting systems	-	**100%**
Support Centre Ltd	England and Wales	Dormant	**100%**	
Cedar T.P. Support Ltd	England and Wales	Dormant	**100%**	

On 4 June 1998, Law 949 Ltd (now Touchstone Group plc) acquired the entire issued share capital of 1,190 ordinary shares, each with a £1 nominal value, of Touchstone Computers Ltd. The consideration was 8,329,980 ordinary shares of 10p each in Law 949 Ltd.

The aggregate amount of the capital and reserves of Touchstone Computers Ltd at 31 March 1998, the date of the last audited accounts of the company, was £556,000. Its profit after taxation for the year ended 31 March 1998 was £534,000.

The combination of Touchstone Group plc and Touchstone Computers Ltd has been accounted for by the merger method of accounting in accordance with Financial Reporting Standard 6: Mergers and Acquisitions and Schedule 4 (A) of the Companies Act 1985, on the basis that it meets the criteria set out in paragraph 13 of that Standard with respect to group reconstructions.

The investment in Touchstone Computers Ltd has been recorded at the nominal value of the shares issued by Law 949 Ltd in accordance with the provisions of Section 131 and Section 133 of the Companies Act 1985.

Support Centre Ltd and Cedar T.P. Support Ltd are subsidiaries of Touchstone Computers Ltd.

Unless otherwise stated, all companies operate in their country of incorporation.

NOTES (CONTINUED)

13 STOCKS

	Group 1999 £000	Group 1998 £000	Company 1999 £000
Work in progress	**64**	13	**-**

14 DEBTORS

	Group 1999 £000	Group 1998 £000	Company 1999 £000
Trade debtors	**2,236**	1,902	**-**
Other debtors	**172**	144	**-**
Prepayments and accrued income	**558**	498	
	2,966	2,544	**-**

Included within prepayments and accrued income are deferred maintenance costs of £22,000 which are deferred for more than one year *(1998: £25,000)*.

Included within Other debtors is Advance Corporation Tax of £150,000 *(1998: £125,000)*.

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 1999 £000	Group 1998 £000	Company 1999 £000
Trade creditors	**842**	607	**-**
Corporation tax	**313**	115	**-**
Other creditors including tax and social security	**105**	225	**-**
Value Added Tax	**201**	202	**-**
Dividend proposed	**66**	500	**66**
	1,527	1,649	**66**

16 ACCRUALS AND DEFERRED INCOME

	Group		Company
	1999	1998	**1999**
	£000	£000	**£000**
Deferred income:			
Amounts falling due within one year	**1,756**	1,514	**-**
Amounts falling due after more than one year	**73**	81	**-**
	1,829	1,595	**-**
Accruals:			
Amounts falling due within one year	**597**	571	**-**
	2,426	2,166	**-**

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

17 PROVISIONS FOR LIABILITIES AND CHARGES

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1999		1998	
	Provided	**Unprovided**	Provided	Unprovided
	£000	**£000**	£000	£000
Group				
Difference between accumulated depreciation and amortisation and capital allowances	**-**	**(15)**	-	(13)

18 CALLED UP SHARE CAPITAL

	1999	1998
	£000	£000
Authorised		
14,210,000 ordinary shares of 10p each	**1,421**	1,421
Allotted, called up and fully paid		
9,758,572 ordinary shares of 10p each	**976**	833

On 4 June 1998, the company issued 8,329,980 shares, with a nominal value of 10p each (and £832,998 in total), to the shareholders of Touchstone Computers Ltd in exchange for their interests (being equal to the entire issued share capital) in Touchstone Computers Ltd.

In July 1998, the company floated on the Alternative Investment Market of the London Stock Exchange, raising £1,500,000 through the issue of 1,428,572 ordinary shares, with a nominal value of 10p each (and £142,857 in total), to investors. Professional fees relating to the share issue of £415,000 were written off against the resultant share premium account of £1,357,000 leaving a balance of £942,000.

19 SHARE PREMIUM AND RESERVES

	Group		
	Share premium account £000	**Other reserves** £000	**Profit and loss account** £000
At beginning of period	-	(823)	546
Retained profit for the period	-	-	630
Premium on share issues, less expenses	942	-	-
At end of period	942	(823)	1,176

	Company		
	Share premium account £000	**Other reserves** £000	**Profit and loss account** £000
At beginning of period	-	-	-
Retained profit for the period	-	-	2
Premium on share issues, less expenses	942	-	-
At end of period	942	-	2

The company's profit for the financial period before dividends was £100,000.

The figure of £(823,000) within 'Group - Other reserves' represents the difference arising on consolidation, under merger accounting rules, 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 together with the share premium of £9,000.

The cumulative amount of goodwill written off to the profit and loss account is £42,000.

20 COMMITMENTS

(a) Capital commitments at the end of the financial period, for which no provision has been made, are as follows:

	Group		Company
	1999	1998	**1999**
	£000	£000	**£000**
Contracted	**70**	-	**-**

(b) Annual commitments under non-cancellable operating leases are as follows:

	1999		1998	
	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	**64**	-	-	-
Over five years	**83**	-	75	-
	147	-	75	-

The annual commitments of £147,000 reflect the impact of a rent review on 30 April 1999 in respect of one of the premises occupied by the group which set a rent of £83,000 for the next 5 years. The other premises leased by the group for £64,000 per annum will not be subject to a rent review within the next 3 years.

	1999	
	Land and buildings	**Other**
Company	**£000**	**£000**
Operating leases which expire:		
Within one year	**-**	**-**
In the second to fifth years inclusive	**-**	**-**
Over five years	**-**	**-**
	-	**-**

21 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASHFLOWS

	1999 £000	1998 £000
Continuing activities		
Operating profit	**938**	776
Depreciation	**109**	106
(Increase)/decrease in stocks	**(51)**	93
(Increase) in debtors	**(397)**	(556)
Increase in creditors	**509**	584
Net cash inflow from operating activities	**1,108**	1,003

22 ANALYSIS OF CASHFLOWS

	1999 £000	**1999 £000**	1998 £000	1998 £000
Returns on investment and servicing of finance				
Interest received	**114**		69	
Interest paid	**(4)**		(4)	
Net cash inflow for returns on investment and servicing of finance		**110**		65
Capital expenditure and financial investment				
Purchase of tangible fixed assets	**(88)**		(131)	
Sale of tangible fixed assets	**-**		19	
Purchase of fixed asset investment	**(10)**		(10)	
Net cash outflow for capital expenditure and financial investment		**(98)**		(122)
Management of liquid resources				
Cash movement on short term bank deposits		**(650)**		70
Financing				
Issue of ordinary share capital		**1,085**		-

23 ANALYSIS OF NET CASHFLOW

	At beginning of period £000	Cash flow £000	At end of period £000
Cash in hand, at bank	121	751	872
Short-term bank deposits	1,450	650	2,100
Total	**1,571**	**1,401**	**2,972**

24 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 £37,113 *(1998: £16,492)*.

25 RELATED PARTY DISCLOSURES

In the period ended 31 March 1999, there were no material related party transactions requiring disclosure under Financial Reporting Standard 8: Related party disclosures.

26 ULTIMATE CONTROLLING PARTY

The ultimate controlling party is the Birch family, whose shareholdings are as disclosed in the Directors' Report.

COMPANY INFORMATION

Directors	Philip Birch - Non-executive Chairman Keith Birch - Managing Director David Birch - Commercial Director Christian Butler - Finance Director David de Carle - Non-executive Director David Thompson - Non-executive Director
Registered Office	5/6 Beauchamp Court Victors Way High Barnet Herts EN5 5TZ
Registered Company Number	3537238
Secretary	David Birch
Nominated Adviser	KPMG Corporate Finance 8 Salisbury Square London EC4Y 8BB
Nominated Broker	Sutherlands Limited Dashwood House 69 Old Broad Street London EC2M 1NX
Solicitors	Taylor Joynson Garrett Carmelite 50 Victoria Embankment Blackfriars London EC4Y 0DX
Auditors	KPMG Audit Plc 8 Salisbury Square London EC4Y 8BB
Bankers	National Westminster Bank plc North London Business Centre PO Box 6333 2/3 Upper Street London N1 0QE
Registrars	IRG plc Bourne House 34 Beckenham Road Beckenham Kent BR3 4TU