

## Letter to all Shareholders

5<sup>th</sup> December 2012

Dear Shareholder,

### Interim Results – 6 months to 30<sup>th</sup> September 2012 (H1FY13)

This letter provides shareholders with a brief unaudited update of Touchstone Group plc's performance for the 6-month period to 30<sup>th</sup> September 2012. A short summary of interim trading figures is also attached as an appendix to this note.

The impact of disposing of various business units in recent years continues to influence overall Group results. As a consequence, turnover has declined during the period to £8.59m ('11: £10.32m), adjusted Operating Profits reduced to £536k ('11: £907K) and headcount reduced to 130 ('11: 140).

Fortunately, trading at a continuing operations level improved during the period resulting in an increase in like-for-like turnover of 13% to £8.59m ('11: £7.58m), adjusted Operating Profits increasing by 12% to £536k ('11: £479k) with total headcount increasing by 10% to 130 ('11: 118).

The Group no longer has a requirement to provide details of its earnings per share performance having de-listed from AIM. However, to assist, the Board can confirm that Basic and Diluted adjusted Earnings per share<sup>2</sup> for the period decreased to 3.3p ('11: 4.3p).

The Group's balance sheet continues to strengthen with Net Current Assets increasing to £6.16m (Sept '11: £5.61m, March '12: £5.95m). Net Cash Balances remain healthy but have reduced slightly to £5.84m (Sept '11: £5.88m, March '12: £6.72m). During the period £440k of cash reserves were distributed to shareholders by way of a 3.5p final dividend. A further £630k was allocated to the Touchstone Employee Share Ownership Trust (ESOT) as a loan to facilitate the purchase by the ESOT of 1.2m shares on behalf of Touchstone employees.

### Divisional Analysis

Following shareholder requests for more information on underlying operations, the Board is able to confirm the following:

#### Touchstone FMS Ltd ('TFMS')

This unit was previously named Touchstone Ltd and is this year celebrating its 30<sup>th</sup> anniversary. TFMS is the Group's largest and oldest subsidiary and supplies sophisticated financial management solutions to mid-sized operations using core technologies from a range of suppliers including: Infor, Proactis and Professional Advantage.

During the period, TFMS generated turnover of £4.52m ('11: £3.84m) and produced adjusted operating profit margins of 9.6%. Including certain allocated central staff, TFMS employs 56 staff and is based out of the Groups' Central London and Watford offices.

Further details on TFMS can be found on its recently launched website: [www.touchstonefms.co.uk](http://www.touchstonefms.co.uk)

### Touchstone (CI) Ltd ('TCI')

This unit supplies tailored business solutions principally to the off-shore Trust & Company and Funds Administration sector. These solutions have Microsoft Dynamics NAV technologies at their core with significant additional functionality added by TCI to address the specific requirements of its niche market.

During the period TCI generated turnover of £2.55m ('11: £2.26m) and produced adjusted operating margins of 8.7%. TCI employs 45 staff based out of offices in Jersey (Channel Isles) and Sydney (Australia).

Further details on TCI can be found on its website: [www.touchstone.je](http://www.touchstone.je)

### Touchstone CRM Ltd ('TCRM')

This unit supplies sophisticated Customer Relationship Management (CRM) solutions to a range of different size organisations using core technology from Microsoft Dynamics CRM.

During the period TCRM generated turnover of £1.52m ('11: £1.48m) and produced adjusted operating profit margins of 10.3%. Including certain allocated central staff, TCRM employs 26 staff and is principally based out of the Groups' Watford office.

Further details on TCRM can be found on its recently launched website: [www.touchstonecrm.co.uk](http://www.touchstonecrm.co.uk)

### Current Trading

Economic conditions continue to extend sales cycles. This aside, all operational units are trading positively with strong order books and sales pipelines in good health.

### **Interim Dividend**

The Board has decided to increase the interim dividend to 2p ('11: 1.5p) which will consume £252k of cash reserves ('11: £189k). The record and payment dates for the interim dividend will be 7<sup>th</sup> December 2012 and 4<sup>th</sup> January 2013 respectively.

### **Other Matters**

Copies of all updates and financial statements are available for download from the investor section of the Group's corporate website. Registered shareholders can obtain access to this area by simply going on-line to [www.touchstone.co.uk](http://www.touchstone.co.uk)

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

With kind regards,

**Touchstone Group Plc**

Keith Birch  
Chief Executive

## Touchstone Group Plc

### Interim Results - 30<sup>th</sup> September 2012

#### Group Results

Turnover	▼ 17% to £8.59m ('11: £10.32m)
Raw Gross Margin <sup>1</sup>	▲ 63.4% ('11: 63.3%)
Operating Profits <sup>2</sup>	▼ 41% to £536k ('11: £907k)
Adjusted Basic EPS <sup>2</sup>	▼ 3.3p ('11: 4.3p)
Headcount	▼ 6% to 130 ('11: 140)
Net Current Assets	▲ £6.16m (Sept '11: £5.61m, March '12: £5.95m)
Net Cash Balances	▼ £5.84m (Sept '11: £5.88m, March '12: £6.72m)
Proposed Dividend	▲ 2p ('11: 1.5p)

#### Continuing Operations

Turnover	▲ 13% to £8.59m ('11: £7.58m)
Raw Gross Margin <sup>1</sup>	▼ 63.4% ('11: 64.1%)
Operating Profits <sup>2</sup>	▲ 12% to £536k ('11: £479k)
Headcount	▲ 10% to 130 ('11: 118)

<sup>1</sup> From Management Accounts (i.e. before cost of sale adjustments for employees involved in fee-based work)

<sup>2</sup> Before depreciation, amortisation, share-based payments and exceptional items