Touchstone Group plc

Annual report and financial statements

Registered number 03537238

31 March 2013

Contents

Company information

Directors	DRT Thompson	– Non–Executive Chairman
	KGJ Birch	– Chief Executive
	DP Birch	– Commercial Director
	C Butler	– Finance Director

Registered office

3rd Floor
Triton Square
London
NW1 3DX

Secretary

DP Birch

Auditor

Baker Tilly UK Audit LLP
3rd Floor
One London Square
Cross Lanes
Guildford, Surrey
GU1 1UN

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 2013.

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.

The Board are pleased to report that the Group's UK-based operations have all performed in-line or ahead of expectation. However, a poor last quarter in our Off-shore unit has taken the shine off what we hoped would be a good year.

Overall Group turnover showed a modest increase of 8.3% to £17.6m compared to continuing operation results for FY12 (2012: £16.2m). On a similar basis, Gross Profits are flat at £8.65m (2012: £8.65m).

The Group's Jersey and Australia units have each had a disappointing last quarter having experienced a number of significant project delays and deferments. Consequently, together they produced a loss for FY13 as a whole having contributed a healthy proportion of overall Group profits in previous years.

Due to this loss, adjusted Group operating profits (EBITDA) decreased sharply during the year to £0.53m (2012: £1.47m). The Board has therefore decided to make an exceptional provision of £118k against these loss-making units to ensure that their respective resources are appropriately balanced to meet current contracted commitments.

During the year there had been total amortisation and impairment charges for the Group as a whole were £162k (2012: £0.8m).

Net results for the Group after accounting for financial charges, depreciation, amortisation and profits on business unit disposal but before tax result in a profit of £ 0.2m (2012: £1.5m).

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 2013	31 March 2012
1. Revenue	**£17.6 m**	£16.2m
2. Gross Profit (Margin %)	**£8.7m (49.2 %)**	£8.7m (53.4%)
3. Adjusted EBITDA*	**£ 0.5 m**	£1.47m
4. Cash and cash equivalents	**£ 6.2 m**	£6.7m
5. Working capital (net current assets)	**£4.86 m**	£5.9m
7. Average Staff headcount during year	**147 FTE's**	128 FTE's

*Adjusted EBITDA is Operating profit stated prior to bank interest and charges, depreciation, amortisation and impairment of intangible fixed assets and exceptional costs.

Actual performance in respect of these KPIs is provided in the Consolidated Statement of Comprehensive Income on page 8 and the Consolidated Statement of Financial Position on page 9.

Directors' report *(continued*)

Cash Distribution

Distributions - Dividends

In December 2012, the Board declared an interim dividend of 2.0p per share (2012: 1.5p), this dividend consumed £227k of Group cash reserves (2012: £189k).

The Board has previously referenced that total ordinary dividends should be a proportion of distributable profits achieved in the year. Due to a poor second half performance, the Board does not feel that it is appropriate to distribute more than already committed in the interim dividend. Accordingly, the Board will not be proposing a final dividend (2012: 3.5p) and the total Ordinary dividend for the year as whole will therefore be 2p (2012: 5p).

Distributions - Capital

In July '12, the Board advanced £613k to the Trustees of the Touchstone Employee Share Trust (ESOT). Following this, the ESOT successfully acquired 1.2m shares being 10% of issued share capital at a price determined by willing sellers of 51.5p per share. These shares were acquired on behalf of Group employees.

The Board acknowledges that the Group continues to benefit from healthy cash reserves. Therefore, having allocated sufficient cash resources for on-going operational, dividend distribution and business development purposes, the Board now feels that a proportion of remaining cash is available for distribution to shareholders.

Accordingly, the Board is now developing proposals that should result in cash being distributed to shareholders by way of a Strike Price Tender Offer. Additionally, for those shares not being tendered, the proposals will also set out a special dividend alternative. The Board is currently consulting with the Panel in relation to the waiver needed to implement the Strike Price Tender Offer and will circulate the proposals once that process is complete.

Current Trading

Despite continuing tough market conditions, the Board is hopeful that all operational units will show good progress during the year ahead.

The Board would like to thank all management and staff for their sterling efforts throughout the year and to all the Group's customers for their business and on-going loyalty.

Risk management and internal controls

Disclosures can be found in the Statement of Directors' responsibilities on page 6, and note 21, Financial Instruments, on page 29.

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.

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.

Directors' report *(continued)*

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 proportion 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 and INFOR, to reduce the concentration of its reliance. Services now make up 84% of the Group's revenue.

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 2013 there were 31 days' purchases in Group trade payables (2012: 50 days). The Company did not have any trade payables at 31 March 2013 (2012: £nil).

Treasury and funding activities

The Group's financial instruments comprise cash and short term deposits, and various items such as trade receivables and trade payables that arise directly from its operations.

The Group finances its operations primarily through retained profits.

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

Directors:

The Directors who have held office since 1 April 2012 are as follows:

DRT Thompson
KGJ Birch
DP Birch
C Butler

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.

Directors' report *(continued*)

Disclosure of information to auditor

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 auditor is 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

The Group undertakes software product development activities in the normal course of its business, none of these costs have been capitalised during the year.

Auditor

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
Triton Square
London
NW1 3DX

5th July 2013

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

The Directors are responsible for preparing the Directors' Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and 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 IFRS as adopted by the EU to present fairly the financial position and 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 the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgments and accounting 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; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the 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.

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 8 to 37. 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 auditor
As more fully explained in the Directors' Responsibilities Statement set out on page 6, 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 and express an opinion on 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/private.cfm.

Opinion on 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 2013 and of the Group's profit 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 matter 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 FCA (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
3rd Floor
One London Square
Cross Lanes
Guildford
Surrey GU1 1UN

9th July 2013

Consolidated Statement of Comprehensive Income
for the year ended 31 March 2013

	Note	**2013 £000**	2012 £000
Revenue	*2*	**17,567**	16,218
Cost of sales		**8,917**	7,565
Gross profit		**8,650**	8,653
Administration expenses before specific expenses		**8,117**	7,185
Depreciation	*3,12*	**99**	101
Amortisation and impairment of intangible fixed assets	*3,11*	**162**	802
Exceptional costs	*3*	**118**	-
Total administrative expenses		**8,496**	8,088
Operating profit before specific expenses below:		**533**	1,468
Depreciation	*3,12*	**99**	101
Amortisation and impairment of intangible fixed assets	*3,11*	**162**	802
Exceptional costs	*3*	**118**	-
Operating profit		**154**	565
Loss from discontinued operations	*8*	-	(580)
Profit on disposal of business	*8*	-	1,519
Finance income	*6*	**40**	6
Finance expenses	*7*	**(5)**	(4)
Profit before taxation		**189**	1,506
Income tax charge	*9*	**(139)**	(277)
Profit for the year		**50**	1,229
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		**50**	1,229
		=======	=======
Total comprehensive income for the year attributable to:			
Owners of the parent		**50**	1,229
Non-controlling interests		**-**	-
Total comprehensive income for the year		**50**	1,229
		=======	=======

Turnover and operating profit for the year relates to the company's continuing operations.

Consolidated Statement of Financial Position

at 31 March 2013 ***(Company Registration Number: 03537238)***

	Note	**31 March 2013 £000**	31 March 2012 £000
ASSETS			
Non – current assets			
Goodwill	*11*	**2,985**	2,985
Other intangible assets	*11*	**368**	530
Property, plant and equipment	*12*	**221**	210
Financial asset investments	*13*	**58**	53
		3,632	3,778
Current assets			
Trade and other receivables	*14*	**6,318**	6,679
Cash and cash equivalents	*21*	**6,194**	6,719
		12,512	13,398
Total assets		**16,144**	17,176
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent			
Share Capital	*18*	**(1,260)**	(1,260)
Share premium reserve		**(3,829)**	(3,829)
Capital redemption reserve		**(46)**	(46)
Retained earnings		**(3,226)**	(4,414)
		(8,361)	(9,549)
Attributable to non-controlling interest		**-**	-
Total equity		**(8,361)**	(9,549)
Non- current liabilities			
Deferred tax liabilities	*17*	**(85)**	(127)
Trade and other payables	*16*	**(49)**	(50)
		(134)	(177)
Current liabilities			
Trade and other payables	*15*	**(7,451)**	(7,191)
Current tax liabilities	*15*	**(198)**	(259)
		(7,649)	(7,450)
Total equity and liabilities		**(16,144)**	(17,176)

These financial statements on pages 8 to 37 were approved by the Board of Directors and authorised for issue on 5th July 2013 and were signed on its behalf by:

KGJ Birch - *Director*

Consolidated Statement of Changes in Equity

for the year ended 31 March 2013

Attributable to the owners of the parent

	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total controlling interests £'000	Non-controlling interests £'000	TOTAL EQUITY £'000
Balance at 1 April 2011 Brought forward	1,260	3,829	46	3,873	9,008	(34)	8,974
Changes in equity for the year ended 31 March 2012:							
Disposal of subsidiary in the year	-	-	-	-	-	34	34
Profit for the year	-	-	-	1,229	1,229	-	1,229
Other comprehensive income	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	-	1,229	1,229	34	1,263
Transactions with owners in their capacity as owners: Dividends	-	-	-	(688)	(688)	-	(688)
Balance Carried Forward At 31 March and 1 April 2012	1,260	3,829	46	4,414	9,549	-	9,549
Changes in equity for the year ended 31 March 2013:							
Profit for the year	-	-	-	50	50	-	50
Other comprehensive income	-	-	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,260	3,829	46	4,464	9,599	-	9,599
Investment in own shares by Employee Share Ownership Trust	-	-	-	(613)	(613)	-	(613)
Transactions with owners in their capacity as owners: Dividends	-	-	-	(625)	(625)	-	(625)
Balance Carried Forward At 31 March 2013	**1,260**	**3,829**	**46**	**3,226**	**8,361**	**-**	**8,361**

Share Capital
Represents the nominal value of shares in issue.

Share premium reserve
Represents amounts subscribed for share capital in excess of nominal value, net of directly attributable issue costs.

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

Retained earnings
Represents the cumulative profit and loss net of distribution to owners.

Consolidated Statement of Cash flows

for the year ended 31 March 2013

	Note	**Year Ended 31 March 2013**	Year Ended 31 March 2012
		£000	£000
Continuing operations			
Profit for the year before tax		**189**	567
Amortisation and impairment of intangible assets		**162**	802
Depreciation		**99**	101
Net finance income		**(35)**	(2)
Operating cash flows before movements in working capital		**415**	1,468
Discontinued operations			
Profit for the year before tax		**-**	939
Amortisation and impairment of intangible assets		**-**	550
Depreciation		**-**	10
Profit on sale of business		**-**	(1,519)
Operating cash flows from discontinued operations before movements in working capital		**-**	(20)
Decrease in trade and other receivables		**262**	711
Increase/(decrease) in trade and other payables		**259**	(538)
Movement in working capital		**521**	173
Cash flows from operating activities			
Cash generated from operations		**936**	1,621
Interest paid		**(5)**	(4)
Income taxes paid		**(143)**	(347)
Net cash generated from operating activities		**788**	1,270
Cash flows from investing activities			
Proceeds from sale of business (net of cash disposal)		**-**	2,773
Purchase of property, plant and equipment	*12*	**(110)**	(119)
Interest received		**40**	6
Purchase of intangible asset		**-**	(536)
Purchase of investments		**(5)**	-
Net cash used in investing activities		**(75)**	2,124
Cash flows from financing activities			
Investment in own shares by Employee Benefit Trust	*26*	**(613)**	-
Dividends paid	*10*	**(625)**	(688)
Net cash used from financing activities		**(1,238)**	(688)
Net increase in cash and cash equivalents	*20*	**(525)**	2,706
Cash and cash equivalents at the beginning of the year	*20*	**6,719**	4,013
Cash and cash equivalents at the end of the year	*20*	**6,194**	6,719

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 33-37.

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 forthcoming 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 the Group have adequate resources to continue for a period of at least 12 months from the date of signing of these financial statements, 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.

Non-controlling interests are measured at the proportional share of the net assets of the relevant subsidiaries.

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 or 20% - $33^{1}/_{3}$% straight line
Computer equipment	over 3 years straight line

Depreciation expense is included in administration expenses in the Statement of Comprehensive Income.

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 the Consolidated Statement of Comprehensive Income.

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 directly attributable 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 five 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.

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 reporting 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.

Notes *(continued)*

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL (Continued)

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 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.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR RESALE

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell and presented separately in the Statement of Financial Position from other assets and liabilities.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset or disposal group is available for immediate sale in its present condition, management are committed to the sale and expect the asset or disposal group to qualify for recognition as a completed sale within one year from the date of classification.

Assets and liabilities of subsidiaries that the Company has a committed plan to sell, which will result in loss of control, are classified as held for sale even if the Company retains a non-controlling interest.

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's Statement of Financial Position when the Group has become a party to the contractual provisions of the instrument.

Financial asset 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 instruments

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.

INTEREST IN OWN SHARES

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

Notes *(continued)*

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.

EMPLOYER FINANCED RETIREMENT BENEFIT SCHEMES (EFRBS)

In the prior year the Company's subsidiary (Touchstone Limited) established an employer financed retirement benefit scheme for the benefit of its officers, employees and their wider families, The Touchstone Limited Employer Financed Retirement Benefit Scheme ("the Scheme").

In the prior year the Company's subsidiary also established an employer financed retirement benefit scheme for the benefit of its officers, employees and their wider families, The Touchstone Limited Decanting EFRBS ("the Second Scheme").

The Group does not include the assets and liabilities of the Schemes on its balance sheet to the extent that it considers that it will not retain any future economic benefit from the assets of the Schemes and will not have the control of the rights or other access to those future economic benefits.

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 reporting 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 Statement of Comprehensive Income, 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 reporting date, the monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing on the reporting date.

Gains and losses arising on translation are included in the Statement of Comprehensive Income for the period.

Notes *(continued)*

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 10 – Consolidated Financial Statements
IFRS 11 – Joint Arrangements
IFRS 12 – Disclosure of Interests in Other Entities
IAS 1 – Presentation of Financial Statements
IAS 32 – Financial Instruments: Presentation

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.

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 and intangible assets of £3,353k (2012: £3,515k) has been tested for impairment by comparing the amount of goodwill and intangible assets 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.

- Revenue of £7.2m (2012: £7.2m) relates to income received from maintenance contacts. The income is spread over the contractual period which involves some degree of estimation. Revenue received in advance is accounted for as deferred income and released as appropriate.

- Deferred tax liabilities of £85k (2012: £127k) 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.

2 Revenue

The Group's turnover and profit 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:

	2013		2012	
	Total	Continuing	Discontinued	Total
	£000	£000	£000	£000
Software	**2,689**	2,374	351	2,725
Consultancy	**7,305**	7,459	1,160	8,619
Maintenance and support	**7,230**	6,058	1,148	7,206
Other (e.g. hardware and rechargeable costs)	**343**	327	51	378
Total Revenue	**17,567**	16,218	2,710	18,928

Notes *(continued)*

3 Profit before taxation

	2013 **£000**	2012 £000
Profit before taxation has been arrived at after charging/(crediting):		
Services provided by the company's auditors and its associates:		
Audit of parent Company and consolidated accounts	**22**	25
Audit of the subsidiaries	**18**	17
Non-audit services	**8**	7
Depreciation and other amounts written off property, plant and equipment: **	**99**	111
Amortisation of intangible assets**	**162**	367
Impairment of goodwill and intangible assets**	**-**	985
Foreign exchange gains	**(38)**	(4)
Hire of land and buildings – operating leases	**430**	341
Exceptional costs*	**118**	-
Employer Financed Retirement Benefit Scheme Contribution	**-**	315
Profit on sale of business and operations	**-**	(1,519)

*In March 2013, following a Board review of the subsidiary operations, there was a decision taken to re-organise the Group's businesses. These costs relate to the reduction in staff numbers. FY2013 was the first annual loss incurred by the subsidiary since joining the group in December 2005.

**The amounts stated as charged to the income statement in relation to depreciation, amortisation and impairment during 2012, relate to the total amount charged for continued and discontinued operations. The split of charges for continued and discontinued operations are disclosed in note 12 and 11 respectively.

4 Remuneration of Directors

Aggregate emoluments in respect of qualifying services amounted to £248,000 (2012: £401,000).

No further amounts (2012: £315,200) have been paid to The Touchstone Limited Employer Financed Retirement Benefit Scheme.

Emoluments of the highest paid Director (excluding pension contributions) were £127,610 (2012: £178,900). Amounts paid by the Group in respect of his pension contributions were £19,656 (2012: £19,656). No further amounts (2012: £143,701), by way of a salary sacrifice arrangement, have been paid to The Touchstone Limited 2012 Employer Financed Retirement Benefit Scheme in respect of the highest paid director. He currently holds no share options or entitlement to share options.

Total pension contributions of £37,346 (2012: £37,346) were made to the Executive Directors' personal pension plans. There are three executive Directors who all are accruing pension benefits (2012- three).

The Directors are also considered to be key management.

Notes *(continued)*

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	
	2013	2012
Management	**9**	8
Administration	**14**	16
Sales, support and technical	**97**	104
	120	128

The aggregate payroll costs of these persons were as follows:

	2013	2012
	£000	£000
Wages and salaries	**6,355**	7,114
Social security costs	**716**	778
Other pension costs (see note 23)	**416**	376
	7,487	8,268

6 Finance income

	2013	2012
	£000	£000
Bank interest	**40**	6

7 Finance expense

	2013	2012
	£000	£000
Bank interest	**5**	4

Notes *(continued)*

8 Discontinued operations and assets and liabilities classified as held for sale

Touchstone AX

On 1 April 2011 the Group disposed of its trade and assets in Touchstone AX ("TAX"), a cash generating unit for consideration of £357,000, making a loss on disposal in the prior year of £251,000.

Touchstone GP

On 2 June 2011 the Group disposed of its trade and assets in Touchstone GP ("TGP"), a cash generating unit for a consideration of £2.25m, making a profit on disposal in the prior year of £1,032,000.

Touchstone Navision Limited

On 30 November 2011, the Group disposed of its 60% holding in Touchstone Navision Limited ("TNAV") for a consideration of £837,000, of which £400,000 was deferred, to be received over 20 months. This deferred consideration is included in trade and other receivables in note 14. The Group realised a profit on disposal in the prior year of £738,000.

In the prior year, the following net assets were disposed:

	Touchstone AX	**Touchstone GP**	**Touchstone NAV**	**Total**
	£000	£000	£000	£000
Goodwill	-	1,662	150	1,812
Other intangible assets	7	-	240	247
Property, plant and equipment	51	65	11	127
Trade and other receivables	1,545	65	717	2,327
Cash and cash equivalents	179	-	271	450
Total assets held for sale	**1,782**	**1,792**	**1,389**	**4,963**
Trade and other payables	(1,174)	(574)	(1,290)	(3,038)
Total liabilities held for sale	**(1,174)**	**(574)**	**(1,290)**	**(3,038)**
Net assets of disposal group	**608**	**1,218**	**99**	**1,925**

Notes *(continued)*

8 Discontinued operations and assets and liabilities classified as held for sale (Continued)

In the prior year the discontinued operations generated a cash outflow of £20,000.

The results of the cash generating units classified as discontinued operations were as follows:

		2012		
	TAX £000	TGP £000	TNAV £000	Total £000
Revenue	82	714	1,914	2,710
Cost of sales	-	(453)	(1,605)	(2,058)
Gross profit	82	261	309	652
Administrative expenses	-	(408)	(264)	(672)
Depreciation	-	-	(10)	(10)
Amortisation and impairment	-	(550)	-	(550)
Exceptional costs	-	-	-	-
Operating profit/(loss)	82	(697)	35	(580)
Finance costs	-	-	-	-
Profit/(loss) before tax	82	(697)	35	(580)
Income tax expense	-	-	-	-
Profit/(loss) on ordinary activities after tax	82	(697)	35	(580)
Profit/(loss) on disposal of subsidiary	(251)	1,032	738	1,519
Total profit/(loss) for the year from discontinued activities	(169)	335	773	939

Notes *(continued)*

9 Taxation

	2013	2012
	£000	£000
Recognised in the income statement		
- current year charge on continuing operations	**184**	248
- adjustment in respect of prior years	**(3)**	-
- on discontinued operations	**-**	86
Current tax charge	**181**	334
Deferred Tax movement	**(42)**	(57)
Total tax charge	**139**	277

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2011: higher) than the standard rate of corporation tax in the UK of 24% (2012: 26%). The differences are explained below:

	2013	2012
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**187**	1,506
Current tax at 24% (2012: 26%)	**45**	392
Effects of:		
Expenses not deductible for tax purposes and other adjustments	**7**	2
Effect of depreciation in excess of capital allowances	**(52)**	(64)
Amortisation and impairment of goodwill	**-**	209
Losses/(profits) not chargeable to UK corporation tax	**142**	(65)
Tax adjustment on capital disposals	**-**	(178)
Other tax adjustments	**-**	(19)
Adjustment in respect of prior years	**(3)**	-
Total tax charge (see above)	**139**	277

10 Dividends

	2013 £000	2012 £000
Equity shares:		
Interim dividend paid in respect of current year (2013: 2p per share, 2012: 1.5 per share)	**227**	188
Final dividend paid in respect of prior year but not recognised as liabilities in that year (2013: 3.5p per share, 2012: 1.5p per share)	**398**	188
Special dividend paid in respect of prior year but not recognised as liabilities in that year (2012: Nil per share)	**-**	312

The Directors have not proposed a final ordinary dividend in respect of the current financial year (2012: 3.5p per share).

The interim dividend of 2p (2012: 1.5p per share) declared during the year resulted in a sum of £227,000 being paid to shareholders in respect of the year ended 31 March 2013 (2012: £188,000).

No special dividend is proposed in the current year making a total dividend for the year of 2p per share (2012: 5p per share).

The Employee Share Ownership Trust waived the dividend due from the Company on its shares.

Notes *(continued)*

11 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 1 April 2011	582	1,540	976	3,098	5,471	8,569
Disposals	(300)	-	-	(300)	(829)	(1,129)
Additions	536	-	-	536	-	536
Balance as at 1 April 2012 and as at 31 March 2013	818	1,540	976	3,334	4,642	7,976
Amortisation and impairment						
Balance as at 1 April 2011	236	1,308	795	2,339	830	3,169
Amortisation for the year	112	232	23	367	-	367
Disposals	(60)	-	-	(60)	-	(60)
Impairment in the year	-	-	158	158	827	985
Balance at 1 April 2012	288	1,540	976	2,804	1,657	4,461
Amortisation for the year	162	-	-	162	-	162
Balance at 31 March 2013	450	1,540	976	2,966	1,657	4,623
Net Book Value						
At 31 March 2013	**368**	**-**	**-**	**368**	**2,985**	**3,353**
At 31 March 2012	**530**	**-**	**-**	**530**	**2,985**	**3,515**
At 31 March 2011	346	232	181	759	4,641	5,400

The impairments during the prior year relate to the write down of certain Touchstone AX Limited's, Touchstone GP Limited's and Touchstone NAV Limited's intangible assets and goodwill on transfer to assets held for sale during FY2011, which were disposed of during FY2012.

Amortisation expense is included within administration expenses in the Statement of Comprehensive Income.

Included within amortisation and impairment in the prior year was amounts relating to continuing operations of £802,000, and discontinued operations of £550,000, totalling £1,352,000.

Notes *(continued)*

11 Goodwill and other intangible assets (Continued)

Disposals of goodwill in the prior year related to the sale of the Group's share in Touchstone Navision during the year and the disposal of intangible assets with the sale of Touchstone GP business.

The additions in the prior year relate to the acquisition of the customer relationships from a purchase made by the group during the year.

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% (2011: 5%). Management estimates the discount rate reflecting current market assessment of the time value of money and risks specific to the business.

12 Property, Plant and Equipment

	Fixtures, fittings, computer equipment and leasehold improvements
Cost	**£000**
Balance as at 1 April 2011	2,803
Additions	119
Disposals	(26)
Balance at 1 April 2012	2,896
Additions	110
Balance at 31 March 2013	3,006
Depreciation	
Balance as at 1 April 2011	2,590
Depreciation charge for the year	111
Disposals	(15)
Balance at 1 April 2012	2,686
Depreciation charge for the year	99
Balance at 31 March 2013	2,785
Net book value	
At 31 March 2013	**221**
At 31 March 2012	210
At 31 March 2011	213

Included within depreciation in the prior year was depreciation relating to continuing operations of £101,000 and discontinued operations of £10,000, totalling £111,000.

Depreciation expense is included in administration expenses in the Statement of Comprehensive Income.

Notes *(continued)*

13 Financial asset investments

Group	£000
Cost	
Balance as at 1 April 2011 to 31 March 2012	145
Additions	5
Balance as at 31 March 2013	150
Impairment Provision	
Balance as at 1 April 2011 to 31 March 2013	(92)
Net book value	
At 31 March 2013	**58**
At 31 March 2012	53
At 31 March 2011	53

Touchstone FMS Ltd holds 116,000 (2012: 116,000) shares in Proactis Plc representing a 0.38% shareholding and 25,000 (2012: 25,000) shares in Management Consulting plc representing a 0.01% shareholding. The listed investments had a market value of £33,000 as at 31 March 2013 (2012: £39,750).

14 Trade and other receivables

	2013 **£000**	2012 £000
Trade receivables	**2,828**	3,135
Other debtors	**190**	400
Income tax	**-**	99
Prepayments and accrued income	**3,300**	3,045
	6,318	6,679

Included within prepayments and accrued income are deferred maintenance costs of £1,589,000 (2012: £1,587,000) of which £22,000 are deferred for more than one year (2012: £27,000). 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

	2013	2012
	£000	£000
Trade and other payables:		
Trade payables	**768**	1,208
Other creditors including tax and social security	**937**	676
Accruals and deferred income	**5,746**	5,307
	7,451	7,191
Current tax liability:		
Income tax	**198**	259
	7,649	7,450

16 Non-current liabilities

	2013	2012
	£000	£000
Trade and other payables		
Deferred income	**49**	50

17 Deferred tax liabilities

	2013	2012
	£000	£000
Recognised Deferred tax liabilities		
Intangible assets	**85**	127

Movement in Deferred tax

	At 1 April 2011 £000	Recognised income £000	At 31 March and 1 April 2012 £000	Recognised income £000	**At 31 March 2013 £000**
Intangible assets	184	(57)	127	(42)	**85**

Notes *(continued)*

18 Share capital

	2013	2012
Authorised		
Ordinary shares of 10p each	**14,210,000**	14,210,000

	2013 **£000**	2012 £000
Allotted, called up and fully paid		
12,605,570 ordinary shares of 10p each (2012: 12,605,570)	**1,260**	1,260

19 Commitments

Future minimum lease payments under non-cancellable operating lease rentals are in aggregate as follows:

	2013 Land and buildings £000	2012 Land and buildings £000
Group		
Amounts due:		
Within one year	**344**	395
In the second to fifth years inclusive	**1,070**	1,576
Over five years	**19**	111
	1,433	2,082

The above commitments relate to four (2012: four) offices lease rentals that are of varying fixed terms over the next 8 years.

20 Analysis of net funds

	At beginning of year £000	Cash flow £000	**At end of year £000**
Cash and short term deposits	6,719	(525)	**6,194**

Short term bank deposits are included within the caption ‘cash and cash equivalents’ in the Statement of Financial Position.

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: Financial asset investments, trade and other receivables, cash, trade and other payables, all of which are stated at their fair value which does not vary materially from their book value.

Fair values of financial assets and liabilities

The totals for each category of financial instrument, measured in accordance with IAS 39 as detailed in the accounting policies, are as follows:

2013	Assets at fair value through profit or loss designated upon initial recognition £000	Amortised cost £000	**Total £000**
Non-current financial assets			
Financial asset investments	58	-	**58**
Current financial assets			
Trade and other receivables	-	6,318	**6,318**
Cash and cash equivalents	-	6,194	**6,194**
Total assets	58	12,512	**12,570**

2013	Other financial liabilities at amortised cost £000	Other non-financial liabilities £000	**Total £000**
Non-current financial liabilities			
Trade and other payables	49	-	**49**
Deferred tax liabilities	-	85	**85**
Current financial liabilities			
Trade and other payables	7,451	-	**7,451**
Current tax liability	198	-	**198**
Total liabilities	7,698	85	**7,783**

2012	Assets at fair value through profit or loss designated upon initial recognition £000	Amortised cost £000	**Total £000**
Non-current financial assets			
Financial asset investments	53	-	**53**
Current financial assets			
Trade and other receivables	-	6,679	**6,679**
Cash and cash equivalents	-	6,719	**6,719**
Total assets	53	13,398	**13,451**

Notes *(continued)*

21 Financial instruments (Continued)

2012	Other financial liabilities at amortised cost £000	Other non-financial liabilities £000	**Total £000**
Non-current financial liabilities			
Trade and other payables	50	-	**50**
Deferred tax liabilities	-	127	**127**
Current financial liabilities			
Trade and other payables	7,191	-	**7,191**
Current tax liability	259	-	**259**
Total liabilities	7,500	127	**7,627**

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 2013 or 31 March 2012.

Fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Where a quoted price in an active market is available, the fair value is based on the quoted price at the end of the reporting period. In the absence of a quoted price in an active market, the Group determines fair value using a valuation technique that makes use of observable market inputs.

Financial assets are measured at fair value in the statement of financial position in accordance with the fair value hierarchy required by IFRS 7.

The fair value hierarchy has the following levels:
- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices)
  or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets held at fair value are measured at level 1 using the fair value hierarchy as they relate entirely to listed equity securities which have been issued by publicly traded companies, in the UK and other foreign markets.

Fair values for these securities have been determined by reference to their quoted bid prices at the reporting date.

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 comprise 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 2013 £205,000 (2012: £37,500) of the Group's trade receivables were exposed to risk in countries other than the United Kingdom.

Notes *(continued)*

21 Financial instruments (Continued)

The ageing of trade receivables at the reporting date was:

	2013			2012		
	Gross £000	**Provided £000**	**Total £000**	Gross £000	Provided £000	Total £000
Outstanding less than 90 days	**2,705**	**-**	**2,705**	2,764	(35)	2,729
Outstanding more than 90 days	**207**	**(84)**	**123**	513	(107)	406
	2,912	**(84)**	**2,828**	3,277	(142)	3,135

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. To mitigate this risk management monitor cash levels on a regular basis.

Currency risk

No analysis of currency risk resulting from financial assets and liabilities is presented at 31 March 2013 and 31 March 2012 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 2013.

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.

Capital Management

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will continue to trade profitably in the foreseeable future. The Group also aims to maximise its capital structure to minimise its cost of capital.

22 Share based payments

At the reporting 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, subject to the Group meeting certain performance criteria in the period preceding exercise.

Notes *(continued)*

22 Share based payments (Continued)

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

	2013 Weighted average exercise price	**2013 Number of options**	2012 Weighted average exercise price	2012 Number of options
Outstanding at the beginning of the period	**105p**	**147,500**	161p	262,500
Lapsed during the period	**-**	**(57,500)**	-	(115,000)
Outstanding at the end of the period	**94p**	**90,000**	105p	147,500
Exercisable at the end of the period	**94p**	**90,000**	105p	147,500

During the period as there were no options exercised, the weighted average share price at the date of exercise was not applicable (2012: not applicable).

The options outstanding at the year end have an exercise price in the range of 93p to 95.5p 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 exercise 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.

No expense has been recognised for the period arising from share based payments (2012: Nil), due to all share options being vested.

Notes *(continued)*

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 £416,000 (2012: £376,000).

Employer Financed Retirement Benefit Scheme

In order to motivate and incentivise its officers and employees, the company's subsidiary established two employer financed retirement benefit schemes for the benefit of the Company's officers, employees and their wider families, The Touchstone Limited 2012 EFRBS ("the Scheme") and The Touchstone Limited Decanting EFRBS ("the Second Scheme"). The Scheme contributions made during the year amounted to £Nil (2012: £311,900). The Second Scheme contributions made during the year amounted to £Nil (2012: £100). Because the value created in the Schemes are held on terms which are discretionary and no earmarking has yet taken place, it is not considered that these amounts can be regarded as directors' remuneration and, therefore, these amounts have been excluded from the overall figure above and the remuneration of the highest paid director

24 Related party transactions

During the year dividends were paid to directors as follows:

	Shareholding	**Dividend per share**	**Total dividend**
	No.		**£**
KGT Birch	2,814,047	5.5p	£154,773
DP Birch	1,628,257	5.5p	£89,554
C Butler	36,370	5.5p	£2,000
DRT Thompson	9,500	5.5p	£523

25 Contingent liabilities

From time to time the group receives claims in the normal course of business and in respect of corporate transactions. The outcome of such claims are uncertain and the directors have included provision which they believe are adequate for any on-going claims.

Parent Company UK GAAP Accounts and Notes

Parent Company balance sheet
at 31 March 2013 ***(Company Registration Number: 03537238)***

	Note	**2013**		2012	
		£000	**£000**	£000	£000
Fixed assets					
Investments	*27*		**8,107**		8,107
Current assets					
Debtors	*28*	**2,432**		1,820	
Cash at bank and in hand		**17**		1	
		2,449		1,821	
Creditors: amounts falling due within one year	*29*	**(3,593)**		(3,340)	
Net current liabilities			**(1,144)**		(1,519)
Total assets less current liabilities			**6,963**		6,588
Net assets			**6,963**		6,588
Capital and reserves					
Called up share capital	*18*		**1,260**		1,260
Share premium account	*30*		**3,829**		3,829
Capital redemption reserve	*30*		**46**		46
Other reserves	*30*		**843**		843
Profit and loss account	*30*		**985**		610
Shareholders' funds			**6,963**		6,588

These financial statements were approved by the Board of Directors on 5th July 2013 and were authorised for issue and signed on its behalf by:

KGJ Birch
Director

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

26 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.

Going concern

The directors have considered the deficiency of net assets in the Company and having regard to the level of cash reserves held by the subsidiary undertakings which this Company controls, projections for the forthcoming 12 month period from the date of signing these financial statements the Directors are satisfied that the Company has adequate resources to continue for the foreseeable future, as a result the Directors consider it appropriate for the financial statements to be prepared on a going concern basis.

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'.

Employee Share Ownership Trust

In June 2012 the Employee Share Ownership Trust acquired 1,149,887 shares from a member of shareholders at a cost of £613,000.

As at 31 March 2013 the trust held 1,244,887 shares (2012: 95,000 shares) with a nominal value of £124,489 (2012: £9,500). As at 31 March 2013 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 to the parent company financial statements (forming part of the financial statements)

27 Investments

Company	**Shares in group undertaking £000**
Cost	
At 1 April 2012 and at 31 March 2013	9,289
Provisions	
At 1 April 2012 and at 31 March 2013	(1,182)
Net book value	
At 31 March 2012 and at 31 March 2013	8,107

The fixed asset investments of the company comprise the following companies:

Direct subsidiary undertakings	**Country of incorporation**	**Principal Activity**	**Class and percentage of shares held Company Ordinary shares**
Touchstone FMS Limited	England and Wales	Supply and support of business software	100%
Touchstone (CI) Limited	Jersey	Supply and support of business software	100%
Touchstone CRM Limited	England and Wales	Supply and support of business software	100%
Touchstone AX Limited	England and Wales	Supply and support of business software	100%
Touchstone GP Limited	England and Wales	Dormant	100%
Touchstone ES Limited	England and Wales	Dormant	100%

The shares in subsidiary undertakings carry full voting rights.

28 Debtors

	2013 £000	2012 £000
Amounts owed by Group undertakings	**1,819**	1,820
Other debtors	**613**	-
	2,432	1,820

Notes *(continued)*

29 Creditors falling due within one year

	2013 £000	2012 £000
Amounts owed to Group undertakings	**3,578**	3,329
Accruals and other creditors	**15**	11
	3,593	3,340

30 Share premium and reserves:

Company	**Share premium account £000**	**Capital Redemption Reserve £000**	**Other Reserves £000**	**Profit and loss account £000**	**Total £000**
At beginning of year	3,829	46	843	610	5,328
Profit for the year	-	-	-	1,000	1,000
Dividends	-	-	-	(625)	(625)
At end of year	**3,829**	**46**	**843**	**985**	**5,703**

The Company's profit for the financial year was £1,000,000 (2012: £500,000).

The Company's 'other reserves' 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.

31 Reconciliation of movements in shareholders' funds

	2013 £000	2012 £000
Profit for the financial year	**1,000**	500
Dividends	**(625)**	(688)
Net addition/(depletion) in shareholders' funds	**375**	(188)
Opening shareholders' funds	**6,588**	6,776
Closing shareholders' funds	**6,963**	6,588

32 Related Party Transactions

The company has taken advantage of the exemptions provided by Financial Reporting Standards Number 8 'Related Party Disclosures' and has not disclosed transactions entered into between two or more members of a group, provided that any subsidiary undertaking which is party to the transaction is wholly owned by a member of that group.

33 Post balance sheet event

On the 2nd July 2013 the Board of Touchstone FMS Limited approved a dividend of £3m to be paid up to it's parent company Touchstone Group Plc. This Dividend will be paid in July 2013.