Touchstone Group plc

Annual report and financial statements

Registered number 03537238

31 March 2016

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	RSM 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	

Group Strategic Report

Business Review

The following business review has been provided by the directors in accordance with the Companies Act 2006.

The Group has achieved a reasonable year's growth with a healthy improvement in trading margins, albeit some operational units fell short of management expectations.

The opportunities to sell and deliver new solutions during the year improved as the economic recovery in most sectors gathered pace. As a consequence overall Group turnover has improved, finishing up on last year to £19.8m (2015: £19.4m).

The Group's Gross Profit increased during the year by 8% to £10.9m (2015: £10.1m). This improvement is due, in part, to a policy of reducing the use of external freelance resource for the delivery of client projects.

At an adjusted level, EBITDA increased by over 22% to £1.87m (2015: £1.53m). The Group's net results before tax but after exceptional items, financial charges, depreciation and amortisation increased by over 43% to £1.78m (2015: £1.25m).

The Group no longer has a requirement to provide details of its earnings per share performance having de-listed from AIM in 2009. However, to assist, the Board can confirm that Basic adjusted* Earnings per share for the period have increased to 19.08p (2015:15.6p).

The Group's liquidity position remains strong with Cash Balances of £5.7m (2015: £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 2016	31 March 2015
1. Revenue	**£19.84m**	**£19.41m**
2. Gross Profit (Margin %)	**£10.9m (55%)**	**£10.1m (51.9%)**
3. Adjusted EBITDA*	**£1.87m**	**£1.53m**
4. Cash and cash equivalents	**£5.7m**	**£5.0m**
5. Working capital (net current assets)	**£4.02m**	**£ 3.13m**
6. Average salaried Staff headcount during year	**133 FTEs**	**126 FTEs**
7. Total staff including Contractors @ year end	**145 Staff**	**141 Staff**

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

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.

Principal Risks and uncertainties:

The principal risks and uncertainties facing the group are broadly grouped as competitive, author and staff related:

Competitive risks

The Group has contracts with a number of major customers that are subject to periodic reviews, often resulting in competitive tender. However, the Board believe that the group's diversity of both customers and products substantially mitigate any uncertainties that caused the renewal of these contracts. Additionally, 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.

Group Strategic report (continued)

Author risk:

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. Services now make up 83% of the Group's revenue.

Staff risk:

The Group's success is dependent on its ability 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.

Future developments of the Group:

The directors continue to invest in growth of all of the Group business units. In the coming year, the Group will specifically target investment in the BI space along with expansion into new markets for the Wealth management software. During the coming year both the Jersey and London office leases expire and new offices have already been found and secured in St Helier.

Approved by the Board of directors and signed on its behalf by:

KGJ Birch

Director

18th July 2016

Directors' report

The Directors present their annual report and the audited financial statements for the year ended 31 March 2016.

Directors:

The Directors who have held office since 1 April 2015 are as follows:

DRT Thompson
KGJ Birch
DP Birch
C Butler

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.

Touchstone Group plc is incorporated and domiciled in the United Kingdom.

A review of the business's performance is presented in the Strategic report.

Cash Distribution

Distributions - Dividends

In December 2015, the Board declared an interim dividend of 3.0p per share (2015: 2.5p), and with the Final dividend for last year declared in July 2015 these dividends consumed £825k of Group cash reserves (vs total dividends paid in 2015: £575k).

The Board has previously referenced that total ordinary dividends should be a proportion of distributable profits achieved in the year. Due to a reasonable second half performance, the Board will be proposing a final dividend of 7p per share (2015: 6p) and the total Ordinary dividend for the year as whole will therefore be 10p (2015: 8.5p).

Current Trading

With improving, but still at times testing 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.

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 2016 there were 33 days' purchases in Group trade payables (2015: 33 days). The Company did not have any trade payables at 31 March 2016 (2015: £nil).

Treasury and funding activities

The Group's financial instruments comprise cash, 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' report (continued)

Environmental policy

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

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

Disclosure of information to 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, RSM UK Audit LLP (formerly Baker Tilly UK Audit LLP), Chartered Accountants, has indicated its willingness to continue in office.

By order of the Board

KGJ Birch
Director

18th July 2016

3rd Floor
Triton Square
London
NW1 3DX

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

The Directors are responsible for preparing the Strategic Report and the Directors' Report and the 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 for the company financial statements state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the company financial statements;
- 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 35. 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), including FRS 101 "Reduced Disclosure Framework".

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 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 Financial Reporting Council's website at http://www.frc.org.uk/auditscopeukprivate

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 2016 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.

Emphasis of matter – consolidation of subsidiary undertaking
In forming our opinion on the financial statements which is not modified, we have considered the adequacy of the disclosures made in note 25 to the financial statements concerning the accounting for the subsidiary undertaking FMS BI Limited. Whilst the arrangements were not formalised, the directors have accounted for the undertaking as a subsidiary since the entity's inception for the reasons disclosed in note 25. The impact of FMS BI Limited on the group's results is disclosed in note 25 to the financial statements.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and 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 RSM UK AUDIT LLP (formerly Baker Tilly UK Audit LLP), Statutory Auditor
Chartered Accountants
3rd Floor
One London Square
Cross Lanes
Guildford
Surrey GU1 1UN
20 July 2016

Consolidated Statement of Comprehensive Income
for the year ended 31 March 2016

	Note	2016 £000	2015 £000
Revenue	2	**19,835**	19,412
Cost of sales		**(8,926)**	(9,344)
Gross profit		**10,909**	10,068
Administration expenses before specific expenses		**(9,044)**	(8,540)
Depreciation	3,10	**(86)**	(86)
Amortisation and impairment of intangible fixed assets	3,9	-	(194)
Total administrative expenses		**(9,130)**	(8,820)
Operating profit before specific expenses below:		**1,865**	1,528
Depreciation	3,10	**86**	86
Amortisation and impairment of intangible fixed assets	3,9	-	194
Operating profit		**1,779**	1,248
Finance income	6	**18**	11
Profit before taxation		**1,797**	1,259
Income tax charge	7	**(45)**	(36)
Profit		**1,752**	1,223
Other comprehensive income, net of tax		-	-
Total comprehensive income		**1,752**	1,223
Total comprehensive income attributable to:			
Owners of the parent		**1,715**	1,223
Non-controlling interest		**37**	-
		1752	1,223

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

Consolidated Statement of Financial Position

at 31 March 2016 ***(Company Registration Number: 03537238)***

	Note	31 March 2016 £000	31 March 2015 £000
ASSETS			
Non – current assets			
Goodwill	*9*	**2,985**	2,985
Other intangible assets	*9*	**-**	-
Property, plant and equipment	*10*	**154**	147
Financial asset investments	*11*	**58**	58
		3,197	3,190
Current assets			
Trade and other receivables	*12*	**6,541**	6,787
Cash and cash equivalents	*19*	**5,684**	5,031
		12,225	11,818
Total assets		**15,422**	15,008
EQUITY AND LIABILITIES			
Equity attributable to the owners of the parent			
Share capital	*16*	977	977
Share premium reserve		3,829	3,829
Capital redemption reserve		280	280
Retained earnings		2,091	1,201
		7,177	6,287
Minority interest		37	-
Total equity		7,214	6,287
Non- current liabilities			
Deferred tax liabilities	*15*	-	-
Trade and other payables	*14*	-	33
		-	33
Current liabilities			
Trade and other payables	*13*	8,208	8,645
Current tax liabilities	*13*	-	43
		8,208	8,688
Total equity and liabilities		15,422	15,008

These financial statements on pages 8 to 35 were approved by the Board of Directors and authorised for issue On 18th July 2016 and were signed on its behalf by:

KGJ Birch - *Director*

Consolidated Statement of Changes in Equity
for the year ended 31 March 2016

	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total attributable to equity holders of parent £'000	Non-controlling interest £'000	TOTAL EQUITY £'000
Balance at 1 April 2014 and Brought Forward At 31 March 2014	977	3,829	280	489	5,575	-	5,575
Changes in equity for the year ended 31 March 2015:							
Total comprehensive income for the year	-	-	-	1,223	1,223	-	1,223
Total comprehensive income for the year	977	3,829	280	1,712	6,798	-	6,798
Utilisation of ESOT shares	-	-	-	64	64	-	64
Transactions with owners in their capacity as owners:							
Dividends	-	-	-	(575)	(575)	-	(575)
Balance Carried Forward At 31 March 2015	977	3,829	280	1,201	6,287	-	6,287
Changes in equity for the year ended 31 March 2016:							
Total comprehensive income for the year	-	-	-	1,715	1,715	37	1,752
Total comprehensive income for the year	977	3,829	280	2,916	8,002	37	8,039
Dividends	-	-	-	(825)	(825)	-	(825)
Balance Carried Forward At 31 March 2016	**977**	**3,829**	**280**	**2,091**	**7,177**	**37**	**7,214**

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 2014 and prior years. It represents an amount equivalent to the nominal share capital of the shares purchased.

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

Consolidated Statement of Cash flows
for the year ended 31 March 2016

	Note	Year Ended 31 March 2016	Year Ended 31 March 2015
		£000	£000
Continuing operations			
Profit for the year before tax		**1,797**	1,259
Amortisation and impairment of intangible assets		-	194
Depreciation		**86**	86
Net finance income		**(18)**	(11)
Operating cash flows before movements in working capital		**1,865**	1,528
Decrease/(increase) in trade and other receivables		**358**	(371)
(Decrease)/increase in trade and other payables		**(470)**	620
Movement in working capital		**(112)**	249
Cash flows from operating activities			
Cash generated from operations		**1,753**	1,777
Income taxes paid		**(200)**	(100)
Net cash generated from operating activities		**1,553**	1,677
Cash flows from investing activities			
Purchase of property, plant and equipment	*10*	**(93)**	(85)
Interest received		**18**	11
Receipt from ESOT		-	64
Net cash used in investing activities		**(75)**	(10)
Cash flows from financing activities			
Dividends paid	*8*	**(825)**	(575)
Net cash used from financing activities		**(825)**	(575)
Net increase in cash and cash equivalents	*18*	**653**	1,092
Cash and cash equivalents at the beginning of the year	*18*	**5,031**	3,939
Cash and cash equivalents at the end of the year	*18*	**5,684**	5,031

Notes (forming part of the financial statements)

1 Accounting policies

BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

The Group financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company financial statements in accordance with UK GAAP; these are presented on pages 29-35.

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 (also see note 25).

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.

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 in other comprehensive income, 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)*

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, and the product has been delivered to the customer.

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 amongst other matters 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.

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)*

ISSUED IFRS & IAS 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:

IAS 16 - Property, Plant and Equipment
IAS 38 - Intangible Assets
IFRS 11 - Joint Arrangements
IFRS 9 - Financial instruments
IFRS 15 - Revenue from contracts with customers

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 £2,985k (2015: £2,985k) have 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. Management consider that there are sufficient revenues and profits in the group such that the carrying value is fully recoverable (see note 9).

- Revenue of £8.3m (2015: £7.9m) 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.

- Management have used their judgement and experience to determine that they have control over FMS BI Limited and have therefore consolidated it as a subsidiary (see note 25).

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, however revenue can be split into the following categories:

	2016	2015
	£000	£000
Software	**3,076**	3,573
Consultancy	**8,276**	7,756
Maintenance and support	**8,314**	7,884
Other (e.g. hardware and rechargeable costs)	**169**	199
Total Revenue	**19,835**	19,412

Notes *(continued)*

3 Profit before taxation

	2016 £000	2015 £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	**24**	22
Audit of the subsidiaries	**19**	18
Non-audit services	**135**	5
Depreciation and other amounts written off property, plant and equipment:	**86**	86
Amortisation of intangible assets	**-**	194
Foreign exchange gains	**38**	17
Hire of land and buildings – operating leases	**328**	400

4 Remuneration of Directors

Aggregate emoluments in respect of qualifying services amounted to £646,907 (2015: £639,500). Social security contributions were £70,001 (2015: £76,707).

Emoluments of the highest paid Director (excluding pension contributions) were £296,222 (2015: £306,531). Amounts paid by the Group in respect of his pension contributions were £23,748 (2015: £23,438). He currently holds no share options or entitlement to share options.

Total pension contributions of £45,412 (2015: £44,821) were made to the Executive Directors' personal pension plans. There are three executive Directors who all are accruing pension benefits (2015- three).

The Directors are also considered to be key management.

5 Staff numbers and costs

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

	Number of employees 2016 No	2015 No
Management	**9**	9
Administration	**15**	14
Sales, support and technical	**109**	103
	133	126

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	**7,470**	7,419
Social security costs	**826**	827
Other pension costs (see note 21)	**599**	529
	8,895	8,775

6 Finance income

	2016 £000	2015 £000
Bank interest	**18**	11

Notes *(continued)*

7 Taxation

	2016 £000	2015 £000
Recognised in the income statement		
- current year charge on continuing operations	45	112
- adjustment in respect of prior years	-	(37)
Current tax charge/ (recovery)	45	75
Deferred Tax movement	-	(39)
Total tax charge / (recovery)	45	36

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below:

	2016 £000	2015 £000
Current tax reconciliation		
Profit on ordinary activities before tax	1,702	1,259
Current tax at 20% (2015: 21%)	341	264
Effects of:		
Effect of depreciation in excess of capital allowances	(6)	4
Amortisation and impairment of goodwill	-	(39)
Profits not chargeable to UK corporation tax	(291)	(156)
Over provision in respect of prior years	-	(37)
Non-deductible expenditure	1	-
Total tax charge (see above)	45	36

8 Dividends

	2016 £000	2015 £000
Equity shares:		
3p Interim dividend paid in respect of current year (2015: 2.5p per share)	275	225
5p Final dividend paid in respect of prior year and so not recognised as liabilities in that year (2015: 4p per share)	550	350

The Directors have proposed a final ordinary dividend in respect of the current financial year 7p per share (2015: 6p per share).

There was an interim dividend of 3p per share declared during the year (2015: 2.5p per share).

The Employee Share Ownership Trust waived the dividend of £53,831 due from the Company on its shares (2015 - £74,425).

Notes *(continued)*

9 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 2014 & 2015	818	1,540	976	3,334	4,642	7,976
Balance as at 31 March 2016	818	1,540	976	3,334	4,642	7,976
Amortisation and impairment						
Balance as at 1 April 2014	624	1,540	976	3,140	1,657	4,797
Amortisation for the year	194	-	-	194	-	194
Balance at 1 April 2015	818	1,540	976	3,334	1,657	4, 991
Amortisation for the year	-	-	-	-	-	-
Balance at 31 March 2016	818	1,540	976	3,334	1,657	4,991
Net Book Value						
At 31 March 2016	-	-	-	-	**2,985**	**2,985**
At 31 March 2015	-	-	-	-	2,985	2,985
At 31 March 2014	194	-	-	194	2,985	3,179

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

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 have been determined based on a value in use calculation. Senior management have based these calculations on current approved budgeted cash flows which are projected over the next twelve months. 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% (2014: 5%). Management estimates the discount rate reflecting current market assessment of the time value of money and risks specific to the business.

Notes *(continued)*

10 Property, Plant and Equipment:

	Fixtures, fittings, computer equipment and leasehold improvements
Cost	**£000**
Balance at 1 April 2014	848
Additions	85
Disposals	-
Balance at 31 March 2015	933
Additions	93
Disposals	(168)
Balance at 31 March 2016	858
Depreciation	
Balance at 1 April 2014	700
Depreciation charge for the year	86
Disposals	-
Balance at 31 March 2015	786
Depreciation charge for the year	86
Disposals	(168)
Balance at 31 March 2016	704
Net Book Value	
At 31 March 2016	**154**
At 31 March 2015	147
At 31 March 2014	148

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

Notes *(continued)*

11 Financial asset investments

Group	
	£000
Cost	
Balance from 31 March 2014 to 31 March 2016	150
Impairment Provision	
Balance from 1 April 2014 to 31 March 2016	(92)
Net book value	
At 31 March 2016	**58**
At 31 March 2015	58
At 31 March 2014	58

Touchstone FMS Ltd holds 116,000 (2015: 116,000) shares in Proactis Plc representing a 0.38% shareholding and 25,000 (2015: 25,000) shares in Management Consulting plc representing a 0.01% shareholding. The listed investments had a market value of £157,450 as at 31 March 2016 (2015: £110,720).

12 Trade and other receivables

	2016	2015
	£000	£000
Trade receivables	**3,355**	3,792
Other debtors	**145**	20
Prepayments and accrued income	**3,041**	2,975
	6,541	6,787

13 Current liabilities

	2016	2015
	£000	£000
Trade and other payables:		
Trade payables	**1,069**	841
Other creditors including tax and social security	**989**	1,243
Accruals and deferred income	**6,150**	6,561
	8,208	8,645
Current tax liability:		
Income tax	**-**	43
	8,208	8,688

Notes *(continued)*

14 Non-current liabilities

	2016 £000	2015 £000
Trade and other payables		
Deferred income	-	33

15 Deferred tax liabilities

	2016 £000	2015 £000
Recognised deferred tax liabilities		
Intangible assets	-	-

Movement in deferred tax

	At 1 April 2014 £000	Recognised Income £000	At 31 March and 1 April 2015 £000	Recognised Income £000	**At 31 March 2016 £000**
Intangible assets	39	(39)	-	-	-

16 Share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
9,772,237 ordinary shares of 10p each (2015: 9,772,237)	977	977

	2016	2015
Authorised		
Ordinary shares of 10p each	14,210,000	14,210,000

Notes *(continued)*

17 Commitments

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

	2016 Land and Buildings £000	2015 Land and buildings £000
Group		
Amounts due:		
Within one year	**278**	381
In the second to fifth years inclusive	**133**	412
	411	793

The above commitments relate to four (2015: four) offices lease rentals that are of varying fixed terms over the next 5 years.

18 Analysis of net funds

2016:	At beginning of year £000	Cash flow £000	**At end of year £000**
Cash and short term deposits	5,031	653	**5,684**

2015:	At beginning of year £000	Cash flow £000	**At end of year £000**
Cash and short term deposits	3,939	1,092	**5,031**

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

19 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, which are stated at their fair value, and trade and other receivables, cash, trade and other payables, which are stated at amortised cost.

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:

2016

	Assets Available For sale £000	Loans and receivables £000	**Total £000**
Non-current financial assets			
Financial asset investments	58	-	**58**
Current financial assets			
Trade and other receivables	-	3,763	**3,763**
Cash and cash equivalents	-	5,684	**5,684**
Total assets	58	9,447	**9,505**

Notes *(continued)*

19 Financial instruments (continued)

2016	Other financial liabilities at amortised cost £000
Non-current financial liabilities	
Trade and other payables	-
Current financial liabilities	
Trade and other payables	**3,411**
Total liabilities	**3,411**

2015	Assets Available For sale £000	Loans and Receivables £000	Total £000
Non-current financial assets			
Financial asset investments	58	-	**58**
Current financial assets			
Trade and other receivables	-	4,174	**4,174**
Cash and cash equivalents	-	5,031	**5,031**
Total assets	58	9,205	**9,263**

2015	Other financial liabilities at amortised cost £000
Non-current financial liabilities	
Trade and other payables	**33**
Current financial liabilities	
Trade and other payables	**3,313**
Total liabilities	**3,346**

Notes *(continued)*

19 Financial instruments (Continued)

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 financial years' ended 31 March 2016 or 31 March 2015.

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 (see note 19) in accordance with the fair value hierarchy required by IFRS 13.

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 (see note 11).

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 2016 £123,380 (2015: £320,000) of the Group's trade receivables were exposed to risk in countries other than the United Kingdom.

The ageing of trade receivables at the reporting date was:

	2016			2015		
	Gross £000	**Provided £000**	**Total £000**	Gross £000	Provided £000	Total £000
Outstanding less than 90 days	**3,174**	**-**	**3,174**	2,976	-	2,976
Outstanding more than 90 days	**318**	**(137)**	**181**	601	(105)	496
	3,492	**(137)**	**3,355**	3,577	(105)	3,472

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. Debtor days for the year are 62 days (2015: 71 days).

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.

Notes *(continued)*

19 Financial instruments (Continued)

Currency risk

Overseas customers associated with the Group's operations generally contract in sterling, although during the year there were some customers who were invoiced in foreign currencies. There were £123,000 sterling equivalent balances in US$ at 31 March 2016 and £506,000 sterling equivalent in AUS$. Of these balances there was currency of sterling equivalent of £149,000 that was outstanding more than 90 days old. There was foreign currency of sterling equivalent of £147,000 outstanding more than 90 days at 31 March 2015.

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 16.

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.

20 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.

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

	2016 Weighted average exercise price	**2016 Number of options**	**2015 Weighted average exercise price**	**2015 Number of options**
Outstanding at the beginning of the period	-	-	**93p**	**50,000**
Lapsed during the period	-	-	-	**(50,000)**
Outstanding at the end of the period	-	**NIL**	-	**NIL**
Exercisable at the end of the period	-	**NIL**	-	**NIL**

There are now no remaining options following the lapsing of the last remaining options during the prior year ended 31 March 2015.

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 (2015: Nil), due to all share options being vested.

Notes *(continued)*

21 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 £597,000 (2015: £529,000).

22 Related party transactions

Expenditure of £199,137 (2015: £nil) was recharged to FMS BI Limited by Touchstone FMS Limited in the year.

Dividends to Directors:
During the year dividends were paid to directors as follows:

	Shareholding	Dividend per share	Total dividend
	No.		£
KGT Birch (Final 2015)	2,642,705	6.0p	£158,562
KGT Birch (Interim 2016)	2,642,705	3.0p	£79,281
DP Birch (Final 2015)	1,674,507	6.0p	£100,470
DP Birch (Interim 2016)	1,674,507	3.0p	£50,235
C Butler (Final 2015)	102,620	6.0p	£6,158
C Butler (Interim 2016)	102,620	3.0p	£3,078
DRT Thompson (Final 2015)	10,750	6.0p	£645
DRT Thompson (Interim 2016)	10,750	3.0p	£323

23 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 2016 ***(Company Registration Number: 03537238)***

	Note	2016		2015	
		£000	**£000**	£000	£000
Fixed assets					
Investments	*25*		**8,107**		8,107
Current assets					
Debtors	*26*	**3,578**		2,432	
Cash at bank and in hand		**30**		9	
		3,608		2,441	
Creditors: amounts falling due within one year	*27*	**(4,410)**		(4,378)	
Net current liabilities			**(802)**		(1,937)
Total assets less current liabilities			**7,305**		6,170
Net assets			**7,305**		6,170
Capital and reserves					
Called up share capital	*16*		**977**		977
Share premium account			**3,829**		3,829
Capital redemption reserve			**329**		329
Other reserves			**843**		843
Profit and loss account			**1,327**		192
Equity attributable to the owners of the company			**7,305**		6,170

These financial statements on pages 29 to 35 were approved by the Board of Directors on 18th July 2016 and were authorised for issue and signed on its behalf by:

KGJ Birch
Director

Parent Company Statement of Changes in Equity
for the year ended 31 March 2016

	Share capital £'000	Share premium reserve £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	TOTAL EQUITY £'000
Balance at 1 April 2014 and Brought Forward At 31 March 2014	977	3,829	329	843	767	6,745
Changes in equity for the year ended 31 March 2015:						
Total comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	977	3,829	329	843	767	6,745
Transactions with owners in their capacity as owners:						
Dividends	-	-	-	-	(575)	(575)
Balance Carried Forward At 31 March 2015	977	3,829	329	843	192	6,170
Changes in equity for the year ended 31 March 2016:						
Total comprehensive income for the year	-	-	-	-	1,960	1,960
Total comprehensive income for the year	977	3,829	329	843	2,152	8,130
Dividends	-	-	-	-	(825)	(825)
Balance Carried Forward At 31 March 2016	**977**	**3,829**	**329**	**843**	**1,327**	**7,305**

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 2014 and prior years. It represents an amount equivalent to the nominal share capital of the shares purchased.

Other reserves
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.

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

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

24 Accounting policies

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

Company information

Touchstone Group Plc is a company limited by shares incorporated in England and Wales. The registered office is 3rd Floor, 1 Triton Square, London, NW1 3DX.

Accounting Convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Reduced disclosures

In accordance with FRS 102, the Company has taken advantage of the exemptions from the following disclosure requirements;

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a Statement of Cash Flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' & Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches; details of hedges, hedging fair value changes recognised in profit and loss and in other comprehensive income; and
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

First time adoption of FRS 102

These company financial statements are the first consolidated and company financial statements of Touchstone Group Plc prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

Some of the FRS 102 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from previous UK GAAP. Consequently, the directors have amended certain accounting policies to comply with FRS 102. The directors have also taken advantage of certain exemptions from the requirements of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'.

Comparative figures have been restated to reflect the adjustments made, except to the extent that the directors have taken advantage of exemptions to retrospective application of FRS 102 permitted by FRS 102 Chapter 35 'Transition to this FRS'. Adjustments are recognised directly in retained earnings at the transition date.

Going concern

The directors have considered the net current liabilities 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.

Functional and presentational currencies

The financial statements are presented in sterling which is also the functional currency of the company.

Turnover

Turnover represents the amount of dividends received from subsidiary companies.

Notes *(continued)*

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial instruments

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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 company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Notes *(continued)*

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

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 based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is recognised on income and expenses from subsidiaries, associates, branches and interests in jointly controlled entities, that will be assessed to or allow for tax in a future period except where the company is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination and the amounts that can be deducted or assessed for tax. The deferred tax recognised is adjusted against goodwill.

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'.

Notes *(continued)*

Employee Share Ownership Trust

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

During the year the trust transferred 200,380 shares to staff and as a result as at 31 March 2016 the trust held 581,196 shares (2015: 781,576 shares) with a nominal value of £58,120 (2014: £78,208). As at 31 March 2016 none of the remaining shares have been conditionally gifted to employees of the Group.

25 Investments

Company	Shares in group undertaking £000
Cost	
At 1 April 2015 and at 31 March 2016	9,289
Provisions	
At 1 April 2015 and at 31 March 2016	(1,182)
Net book value	
At 31 March 2015 and at 31 March 2016	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%
FMS BI Limited (formerly Touchstone GP Limited)	England and Wales	Supply and support of business software	50%
Touchstone ES Limited	England and Wales	Dormant	100%

The shares in subsidiary undertakings carry full voting rights.

Touchstone AX Limited, a subsidiary until 2013, was put into a creditors' voluntary liquidation in 2014. This process should be completed later in 2016.

Notes *(continued)*

25 Investments (continued)

FMS BI Limited

FMS BI Limited contributed the following to the group's results;

	2016	2015*
	£'000	£'000
Revenue	845	565
Gross profit	485	245
Admin expenses	411	194
Operating profit	74	51

* In the prior year the FMS BI Limited business was conducted directly by the group with a commission being paid to the current minority.

The Group has accounted for FMS BI Limited ("FMS BI") as a subsidiary undertaking throughout the period from its inception in April 2015. Whilst the arrangements were not formalised and a controlling shareholding was not finally obtained until 15th July 2016, the directors believe they had control of the entity throughout the period for the following reasons:

- Touchstone, by virtue of their appointed director, had management control of FMS BI in respect of day to day decision making which did not require approval of the other director or shareholder
- The other shareholder has not vetoed, or attempted to veto any Touchstone management decisions
- Day to day financial control of the Company is carried out by Touchstone staff, using Touchstone IT systems and on Touchstone premises
- The Company bank account is controlled by Touchstone
- All supplier and customer contracts are signed by Touchstone management
- All projects are managed by Touchstone
- Staff resource provided by the other shareholder does not play a significant role in the management of FMS BI.

Control was formally ratified on 15th July2016 when Touchstone's shareholding was increased to 51%. In addition, subsequent to the year end, the minority shareholder agreed to sell their remaining shareholding to Touchstone in its entirety.

26 Debtors

	2016	2015
	£000	£000
Amounts owed by Group undertakings	**3,028**	1,883
Other debtors	**550**	549
	3,578	2,432

27 Creditors falling due within one year

	2016	2015
	£000	£000
Amounts owed to Group undertakings	**4,390**	4,360
Accruals and other creditors	**20**	18
	4,410	4,378

28 Parent Company results:

As permitted by s408 Companies Act 2006, the Company has not presented its own statement of comprehensive income. The Company's profit for the financial year was £1,960,000 (2015: £NIL).

29 Related Party Transactions

The company has taken advantage of the exemptions not to disclose 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.