Touchstone Group plc

Annual report and financial statements

Registered number 03537238

31 March 2016

Contents

Company information	1
Strategic Report	2
Directors' Report	4
Statement of Directors' responsibilities in respect of the Annual Report and the Financial Statements	6
Independent auditor's report to the members of Touchstone Group plc	7
Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Financial Position	9
Consolidated Statement of Changes in Equity	10
Consolidated Statement of Cash flows	11
Notes (forming part of the financial statements)	12
Parent Company UK GAAP Accounts and Notes	29
Notes to the Parent Company Financial Statements	30

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 £000	Year Ended 31 March 2015 £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.