

TOUCH GROUP PLC

(‘Touch Group’ or ‘the Company’)

PRELIMINARY RESULTS FOR THE 15 MONTHS ENDED 31 MARCH 2010 (UNAUDITED)

Touch Group plc, the international business-to-business publishing group, today announces its unaudited preliminary results for the 15 months ended 31 March 2010.

Highlights

- Turnover down to £5,692,000 (12 months 2008: £6,290,000)
- Trading loss* of £1,877,000 (12 months 2008: £603,000)
- Gross margins remain strong at 52.4% (2008: 47.6%)
- Increase in orders Carried Forward to £2,863,000 (2008: £1,400,000)
- Sales force now 40 strong, up 70% from average in 2009
- Refocus of activities to a more balanced range of revenue streams

* “Trading loss” refers to operating loss before impact of investment impairments, fixed asset impairments, share based payment charges and credits and other operating income.

Commenting on the results, Vincent Isaacs, the Chairman of Touch Group commented: “This period has been one of transition and strategic change for the Group in a difficult trading environment. We have refocused and repositioned the business to ensure we cater much better for the demands of a highly intelligent and discerning readership and customer base. This transition has been painful, but we have made great progress in turning the business around. We have established new journals, new clients and new marketing activities which will benefit the forthcoming trading year.”

For further information please contact:

Touch Group plc

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Executive Chairman

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CHAIRMAN'S STATEMENT

As I reported in March, we had a year to December 2009 of significantly reduced revenues which led to a loss of £1.6 million.

Whilst we have taken action in a number of major areas, in particular with respect to revenue generation, due to the long lead time in the core medical business, the actions we took did not have a beneficial impact until the beginning of our new year in April 2010.

We had revenue of £5.7 million for the 15 months ended 31 March 2010 (12 months ended 31 December 2008: £6.3 million) which was materially below our expected levels and substantially below the prior year. This depleted level of revenue translated into a loss for the 15 month period ended 31 March 2010 of £2.2 million (12 months ended 31 December 2008: £0.77 million).

In December 2009 we raised £780,000 from a Placing which we did with a group of our major Shareholders. Their investment and support for our new strategy enabled us to take the action we have.

We have focussed strongly on continuing the actions set out in our March announcement to address the key revenue issues, these being:

- Establishing and empowering strong sales leadership.
- Increasing our core sales force. We have, as at today, a core team of 40, up from the average number of 23 in 2009.
- Strengthening our medical communications team.
- Diversifying and increasing our revenue streams from the core medical publications.

Progress in these areas has been good and order based revenues in the four months to July 2010 are up 32% on prior year. As at 31 July 2010 we had forward orders of £2.2 million (July 2009: £1.4m) in the core journal business and £0.6 million (July 2009: £0.1m) of medical communication projects.

We have continued to focus on establishing and building on our trading relationships with our major pharmaceutical clients such as GSK, Novartis, Lantheus, Solvay and Bayer. We are also extending our relationships with organisations that support the healthscience industry such as Oracle, Siemens and GE Healthcare. Not only are we doing more core journal business with these clients but we are also successfully extending our services to include additional revenue streams such as online marketing and educational programmes and medical communication projects.

We have also taken steps to strengthen other key elements of our business. We are

- Strengthening our distribution of journals (in print, online and e-book) by building on our relationships with the key clinical associations. This helps us ensure that our publications are read by the most relevant audience.
- Increasing the readership of our articles online by extending our online presence. We now have 10 therapy specific portals such as touchpsychiatry, touchcardiology etc. where all of our content is available to the therapy specialists. We are also extending our online distribution through other websites such as Doctors.net.uk, the UK's largest professional network of doctors, with over 50,000 active doctors each week.
- Building our Advisory Panels on the journals. Through their guidance we can ensure that the journals cover the most relevant and educational content for the specialist readership.
- Extending our database of key opinion leaders who provide the articles to ensure that we commission the best articles possible.
- Increasing the frequency of our publications to ensure that the articles are as timely and relevant as possible.

We are now gathering momentum, all of these initiatives are benefiting the coming year as we continue to build the business.

I would like to take this opportunity of thanking our shareholders for their continued support and look forward to reporting increasingly better news as we go forward.

Vincent Isaacs

Executive Chairman

27 August 2010

OPERATING AND FINANCIAL REVIEW

Introduction

Touch Group plc ('the Group') is a leading publisher of independent market intelligence and analysis, offering a comprehensive range of market-specific peer-review journals, medical communication services and online communities. It specialises in delivering in-depth scientific and technical information to international organisations. We published 52 titles in the 15 month period to 31 March 2010 compared to 68 titles in the 12 months of 2008.

Business Overview

The Group generated revenue for the 15 month period of £5.7 million (12 months – 2008: £6.3 million) from continuing operations and a gross margin of 52.3% (2008: 47.6%). The significantly reduced revenues are in the main from our core clinical publications where published revenues for the 15 month period were £3.7 million compared to £4.6 million for the 12 month period in 2008. On a pro rata 12 month basis clinical publication revenues have fallen by 18%.

The fall in revenues was caused by:

- A seriously depleted salesforce. From Autumn 2008 we lost a number of sales personnel which resulted in reduced sales. The retained salesforce was not able to increase its level of business to compensate for this.
- The core publication business. We became overly focussed on one revenue stream, that of supported content at the expense of advertising and reprint revenues.
- Underestimating the level of operational change. We moved the business model to one where content support is the major revenue stream. The transition has created a significant period of time between the order and the delivery of the particular publications. We have addressed the critical need to close the selling for a publication much earlier. We also have a reinforced emphasis on our advertising and reprint sales.

The Energy publications produced revenues of £0.7 million for the 15 months compared to £0.6 million for the 12 months in 2008. On a 12 month pro rata basis this represents a small 1-2% reduction compared to of 2008 levels.

Reprint revenues at £0.8 million for the 15 months compared to the £0.6 million for the 12 months in 2008. On a 12 month comparative this represents a 4% reduction compared to 2008 levels.

Medical Communications revenues (which include both bespoke projects and revenues generated from online) were £0.5 million for the 15 months ended 31 March 2010. This compares to £0.2 million for the 12 months in 2008 and a 100% increase on a comparative 12 month period.

Administrative expenses for the 15 month period were £4.8 million (2008 – 12 months: £3.7 million). On a pro rata 12 months this represents a 6% increase on 2008. Administrative expenses includes one off redundancy costs of £0.2 million.

In addition, asset impairments of £0.3 million (2008: £0.1 million) were recognised.

The operating loss for the 15 month period to 31 March 2010 was £2.1 million (2008 – 12 months: £0.773 million). The adjusted operating loss, which excludes investment impairments, other operating income and share based payment charges was £1.9 million for the 15 month period (2008 – 12 months: £0.603 million).

The loss for the 15 month period to 31 March 2010 was £2.2 million (2008 – 12 months: £0.769 million) which resulted in a loss per ordinary share of 1.7 pence (2008 – 12 months 0.7 pence).

The adjusted loss per share for the 15 month period was 1.5 pence (2008 – 12 months 0.5 pence).

Balance Sheet and Cash Flows

In December 2009 the Company strengthened its balance sheet by raising £780,000 of additional equity.

As at the period end the Group had net assets of £1.7 million (2008: £2.8 million); cash funds of £1.0 million (2008: £0.5 million) were available.

Credit Risk

Credit risk is the risk that a counter-party will cause a financial loss to the Group by failing to discharge its obligation to the Group.

The Group manages its exposure to this risk by applying bank approved limits to the amount of credit exposure to any one counter-party and employs strict minimum credit worthiness criteria as to the choice of counter-party, thereby ensuring that there are no significant concentrations of credit risk.

Liquidity Risk

The Group has in place an invoice finance agreement with HSBC Invoice Finance (UK) Limited, which enables the drawdown of up to 70% of eligible sales invoices raised for published titles. The purpose of this facility is to help The Group manage the working capital requirements of its current publishing schedule.

Interest Rate Risk

The outstanding loan balance of £260,000 (2008: £450,000) attracts a fixed rate of interest of 7% per annum on £110,000 and 3% on £150,000, payable for the term of the loan. At 31 March 2010, the Group had drawn down £277,000 (2008:£364,000) on its invoice finance facility, which attracts interest equal to HSBC Bank plc's sterling base rate.

Key Performance Indicators

As part of the Group's performance management strategy a number of key performance indicators are used. In addition the Board regularly monitors revenue mix (by stream, title and employee), cash flow and overhead commitments.

	15 months ended 31 March 2010	12 months ended 31 December 2008
Adjusted operating loss * (£'000)	(1,877)	(603)
Adjusted EPS * (pence)	(1.47)	(0.5)
Sales orders (£'000):	5,747	5,809
Revenue by type (£'000):		
- Core medical publications	3,026	4,008
- Core energy publications	717	581
- Medical Communications	462	184
- Reprints	754	627
- Barter transactions (non-cash sales)	733	890
Core non-barter revenue per issue (£'000)	72	76
Total non-barter revenue per employee (£'000)	64	59
Gross profit margin (%)	52.4	47.6

* Adjusted for other operating income, investment impairments and share based payment charges and credits

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 15 months ended 31 March 2010 (12 months ended 31 December 2008)

	15 months ended 31 March 2010	12 months ended 31 December 2008
	£'000	£'000
CONTINUING OPERATIONS		
Revenue	5,692	6,290
Cost of sales	(2,712)	(3,296)
GROSS PROFIT	2,980	2,994
Administrative expenses	(4,857)	(3,668)
Other operating expenses – impairment	(267)	(99)
OPERATING LOSS	(2,144)	(773)
Investment revenue	3	44
Finance costs	(57)	(40)
LOSS BEFORE TAX	(2,198)	(769)
Tax	-	-
LOSS FOR THE PERIOD	(2,198)	(769)

There is no other profit or loss for the year, therefore the comprehensive loss for the period is £2,198,000

LOSS PER SHARE

Basic	(1.7)p	(0.7)p
Diluted	(1.7)p	(0.7)p

All of the activities are classified as continuing.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 15 months ended 31 March 2010 (12 months ended 31 December 2008)

	Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Retained Earnings £'000	Total £'000
As at 1 January 2008	1,112	3,922	300	(1,833)	3,501
Loss for the period	-	-	-	(769)	(769)
Credited to equity for share based payments	-	-	-	71	71
Share compensation charge	-	-	-	(2)	(2)
As at 1 January 2009	1,112	3,922	300	(2,533)	2,801
Loss for the period	-	-	-	(2,198)	(2,198)
Debited for equity for share based payments	-	-	-	-	-
New shares issues	507	553	-	-	1,060
As at 31 March 2010	1,619	4,475	300	(4,731)	1,663

CONSOLIDATED BALANCE SHEET

As at 31 March 2010 (31 December 2008)

	31 March 2010 £'000	31 December 2008 £'000
NON-CURRENT ASSETS		
Intangible assets	343	425
Property, plant and equipment	868	434
Investments	18	50
	<u>1,229</u>	<u>909</u>
CURRENT ASSETS		
Inventories	337	312
Trade and other receivables	1,374	3,162
Cash and cash equivalents	993	531
	<u>2,704</u>	<u>4,005</u>
TOTAL ASSETS	<u><u>3,933</u></u>	<u><u>4,914</u></u>
CURRENT LIABILITIES		
Trade and other payables	(1,322)	(1,645)
Borrowings	(260)	(450)
	<u>(1,582)</u>	<u>(2,095)</u>
NET CURRENT ASSETS	<u>1,122</u>	<u>1,910</u>
NON-CURRENT LIABILITIES		
Obligations under finance leases	-	(18)
Other	(688)	-
TOTAL LIABILITIES	<u><u>(2,270)</u></u>	<u><u>(2,113)</u></u>
NET ASSETS	<u><u>1,663</u></u>	<u><u>2,801</u></u>
EQUITY		
Share capital	1,619	1,112
Share premium account	4,475	3,922
Merger reserve	300	300
Retained loss	(4,731)	(2,533)
TOTAL EQUITY	<u><u>1,663</u></u>	<u><u>2,801</u></u>

STATEMENT OF CONSOLIDATED CASH FLOWS

For the period 15 months ended 31 March 2010 (12 months ended 31 December 2008)

	15 months ended 31 March 2010	12 months ended 31 December 2008
	£'000	£'000
Cash flows from operating activities	<u>27</u>	<u>(1,130)</u>
Investing activities		
Interest received	3	44
Acquisition of plant, property and equipment	(859)	(98)
Compensation received for relocation	820	-
Acquisition of intangible assets	(84)	(219)
Net cash used in investing activities	<u>(120)</u>	<u>(273)</u>
Financing activities		
Interest and similar expenses paid	(57)	(40)
Repayment of borrowings	(190)	(200)
Invoice debt finance acquired/(repaid)	(244)	364
Finance lease borrowings acquired	-	56
Repayment of obligations under finance leases	(15)	(17)
New shares issued	1,061	-
Net cash from financing activities	<u>555</u>	<u>163</u>
Net increase/(decrease) in cash and cash equivalents	462	(1,240)
Cash and cash equivalents at beginning of year	<u>531</u>	<u>1,771</u>
Cash and cash equivalents at year end	<u><u>993</u></u>	<u><u>531</u></u>

NOTES TO THE PRELIMINARY ANNOUNCEMENT

1 BASIS OF PREPARATION

The financial information set out in the preliminary announcement does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985, but is derived from those accounts. While the financial information in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards (IFRS), this announcement does not itself contain sufficient information to comply with IFRS. The IFRS accounting policies applied in respect of the current period and prior years have previously been disclosed with the exception of the following:

New Standards and Interpretations

In the current financial period, the Group has adopted IAS 1 "Presentation of Financial Statements"

(revised 2007) and IFRS 8 “Operating Segments”. The main change affecting Touch Group plc as a result of adopting IAS 1 (revised) required the presentation of a statement of changes in equity as a primary statement, separate from the income statement and statement of comprehensive income. As a result, a consolidated statement of changes in equity has been included as a primary statement, showing changes in each component of equity for each period presented. The main change in adopting IFRS 8 is to disclose segmental performance as management assess performance.

Going Concern

As discussed in the Chairman’s Statement and the Operating and Financial Review, the Company has suffered a significant reduction in revenues in the 15 months ended 31 March 2010 which has resulted in a £2.2 million loss for the period and has had to implement a number of significant actions to reverse this trend.

The level of success of these actions in increasing revenues combined with the current economic conditions creates uncertainty, particularly over the level of demand for our products and services, and our ability to convert our sales opportunities.

The Company’s forecasts and projections, after taking into account reasonable assumptions with respect to trading performance, show that the Company should be able to operate within the current levels of funding available. However, the margin of forecast cash reserves over forecast requirements is not large and inherently there can be no certainty in relation to these matters. The current funding provided by the Company’s bankers is not guaranteed for twelve months from the date of approval of these financial statements; however, there are no indications that the current facilities will not continue to be provided for this period of time.

Having fully considered the above matters, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

2 LOSS PER ORDINARY SHARE

	15 months ended 31 March 2010	12 months ended 31 December 2008
	£’000	£’000

The calculation of the basic and diluted earnings per share is based on the following:

Earnings

Earnings for the purpose of basic and diluted earnings per share	(2,198)	(769)
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Number of shares

Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	127,961,378	111,191,921
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Share options granted to employees could potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share as they are anti-dilutive for the period presented.

3 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	15 months ended 31 March 2010 £'000	12 months ended 31 December 2008 £'000
Operating loss for the period:	(2,144)	(773)
Adjustments for		
Depreciation of property, plant and equipment	195	86
Amortisation of intangibles	166	88
Impairment	230	99
Share based payment charge/(credit)	-	71
Operating cash flows before movements in working capital	(1,553)	(429)
Increase in inventories	(25)	(146)
Reduction/(Increase) in receivables	2,027	(526)
Decrease in payables	(422)	(29)
Net cash from operating activities	<u>27</u>	<u>(1,130)</u>

4. ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE 15 MONTHS ENDED 31 MARCH 2010

The audited Annual Report and Financial Statements for the 15 months ended 31 March 2010 will be sent to shareholders and published at www.touchbriefings.com/reports.htm before 31 August 2010

Copies of this announcement may be obtained from the Company's Registered Office at Saffron House, 6-10 Kirby Street, London EC1N 8TS.