

TOUCH GROUP PLC
(‘Touch’ or ‘the Group’)

Interim Report for the Six Months Ended 30 September 2010

Touch Group plc, the international business-to-business publishing group, today announces its unaudited interim results for the six-month period ended 30 September 2010

Highlights

- **Turnover down 6% £2,689,000 (£2,870,000)**
- **Trading loss* reduced by 31% £471,000 (£686,000)**
- **Operating loss reduced by 49% £471,000 (£916,000)**
- **Gross Margins increased to 54.7% (44.5%)**
- **Orders Carried Forward up 10% £2,543,000 (£2,319,000)**
- **Continued focus on a balanced range of revenue streams**

Note: comparators for 6 months to 30 September 2009

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

Chairman’s Statement

It is encouraging to see that operating losses were reduced by 49%. The strength of our team has driven these challenging changes through.

Our strategy, which is firmly in place, is designed to achieve profitability. However, to achieve our goals we still need to generate more revenue and at the same time maintain our gross profit margins.

Stuart Winship, our CEO, and his managers are fully credited with building a team that is becoming acknowledged and recognised as a “knowledge provider” to the pharmaceutical industry. Our targeted areas of Medical Communications, Online, Medical Content Research, for the Pharmaceutical Device and Diagnostic Industries are gathering momentum. The focus on improving margins is beginning to show results. Gross margins improved to 54.7% due to a combination of increased digital distribution of the journals and greater online margins. Our bespoke medical communications product, which is a highly tailored set of core solutions in four key areas that include Medical Publications, Education Materials, Medical Publishing and Online Solutions, generates high gross and operating margin. Further, repeat business is making an increasingly important contribution to our turnover figure, and we expect this to continue going forward. We are working hard to increase volume.

We are going forward with an increasing pipeline of high value and strategic opportunities which are starting to be fulfilled. This includes the expansion of the R&D Pharma Publications and Digital offerings. Whilst our

Trading Review

	Six months ended 30 September 2010	Six months ended 30 September 2009
Clinical publications	£1,871,000	£1,915,000
Energy publications	£160,000	£281,000
Barter revenues	£285,000	£414,000
Medical communications	£373,000	£260,000
Total Turnover	£2,689,000	£2,870,000

The revenue breakdown shows that the clinical publications revenues remain at similar levels to the prior year. Energy as a division of publications was down due to one journal being deferred into the second half in order to coincide with a major event. Barter revenues (non cash) were reduced due to more media partnerships being actioned online. Medical communications revenues (including online projects) were up by 44% reflecting the expanding initiatives in this area.

Gross margins improved to 54.7% due to a combination of increased digital distribution of the journals and greater online margins. Administrative expenses remained level at £1.9 million and unlike prior year there was no impairment (2009 - £230,000). The resulting operating loss of £478,000 represents a 45% reduction on the prior period loss (2009 - £874,000).

As of 30th September 2010 the group had cash at bank of £86,000 and availability to draw down a further £350,000 under the invoice financing facility.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 30 September 2010 £'000	Unaudited Six months ended 30 September 2009 £'000	Audited 15 months ended 31 March 2010 £'000
CONTINUING OPERATIONS			
Revenue	2,689	2,870	5,692
Cost of sales	(1,219)	(1,592)	(2,712)
GROSS PROFIT	1,470	1,278	2,980
Administrative expenses	(1,948)	(1,922)	(4,857)
Other operating expenses-impairment	-	(230)	(267)
OPERATING LOSS	(478)	(874)	(2,144)
Investment revenue	13	-	3
Finance costs	(6)	(42)	(57)
LOSS BEFORE TAX	(471)	(916)	(2,198)
Tax	-	-	-
LOSS FOR THE PERIOD	(471)	(916)	(2,198)
There is no other profit or loss for the period, therefore the comprehensive loss for the period is £471,000 (£916,000)			
LOSS PER SHARE			
	Pence	Pence	Pence
Basic	(0.3)	(0.8)	(1.7)
Diluted	(0.3)	(0.8)	(1.7)

All of the articles are clarified as continuing.

CONSOLIDATED BALANCE SHEET

	Unaudited As at 30 September 2010 £'000	Audited As at 31 March 2010 £'000
NON-CURRENT ASSETS		
Intangible assets	267	343
Property, plant and equipment	810	868
Investments	18	18
	<u>1,095</u>	<u>1,229</u>
CURRENT ASSETS		
Inventories	442	337
Trade and other receivables	1,843	1,374
Cash and cash equivalents	86	993
	<u>2,371</u>	<u>2,704</u>
TOTAL ASSETS	<u>3,466</u>	<u>3,933</u>
CURRENT LIABILITIES		
Trade and other payables	(1,423)	(1,322)
Borrowings	(245)	(260)
	<u>(1,668)</u>	<u>(1,582)</u>
NET CURRENT ASSETS	<u>703</u>	<u>1,122</u>
NON-CURRENT LIABILITIES		
Obligations under finance leases	(5)	-
Other	(638)	(688)
Total liabilities	<u>(2,311)</u>	<u>(2,270)</u>
NET ASSETS	<u>1,155</u>	<u>1,663</u>
EQUITY		
Issued share capital	1,619	1,619
Share premium account	4,475	4,475
Other reserve	300	300
Retained loss	(5,239)	(4,731)
TOTAL EQUITY	<u>1,155</u>	<u>1,663</u>

STATEMENT OF CONSOLIDATED CASH FLOWS

	Six months ended 30 September 2010	Six months ended 30 September 2009	Audited 15 months ended 31 March 2010
		£'000	£'000
Cash flows from operating activities	(859)	206	27
Investing activities			
Interest received	13	-	3
Acquisition of plant, property and equipment	(31)	(61)	(859)
Compensation received for relocation	-	-	820
Acquisition of intangible assets	-	(36)	(84)
Net cash used in investing activities	(18)	(97)	(120)
Financing activities			
Interest and similar expenses paid	(7)	(50)	(57)
Repayment of borrowings	(15)	5	(190)
Invoice debt finance acquired/(repaid)	-	-	(244)
Finance lease borrowings acquired	-	-	-
Repayment of obligations under finance leases	(8)	-	(15)
New shares issued	-	-	1,061
Net cash from financing activities	(30)	(45)	555
Net increase/(decrease) in cash and cash equivalents	(907)	64	462
Cash and cash equivalents at beginning of period	993	194	531
Cash and cash equivalents at period end	86	258	993

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

These accounts comply with relevant accounting standards and have been prepared on a consistent basis using the accounting policies set out in the Annual Report and Accounts for the 15 months ended 31 March 2010.

2. NATURE OF INFORMATION

The interim accounts for the six months ended 30 September 2010 and the comparative figures for the six months ended 30 September 2009 have not been audited by the Company's auditors.

The financial statements for the 15 months ended March 2010 have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors on such accounts was unqualified and did not contain any statement under sections 237(2) or 237(3) of the Companies Act 1985.

3. LOSS PER SHARE

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

	Unaudited Six months ended 30 September 2010	Unaudited Six months ended 30 September 2009	Audited 15 months ended 31 March 2010
	£'000	£'000	£'000
Earnings:			
Earnings for the purposes of basic and diluted earnings per share	(471)	(916)	(2,198)
Number of shares:	Shares	Shares	Shares
Weighted average number of shares for the purposes of basic and diluted earnings per share	161,858,588	117,858,588	127,961,378

Some 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.

4. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	6 months ended 30 September 2010	6 months ended 30 September 2009	Audited 15 months ended 31 March 2010
	£'000	£'000	£'000
Operating loss for the period:	(478)	(874)	(2,144)
Adjustments for:			
Depreciation of property, plant and equipment	89	81	195
Amortisation of intangibles	77	65	166
Impairment	-	-	230
Share based payment charge/(credit)	-	-	-

Operating cash flows before movements in working capital	(312)	(728)	(1,553)
Increase in inventories	(105)	171	(25)
Reduction/(Increase) in receivables	(978)	1,243	2,027
Decrease in payables	535	(480)	(422)
Net cash from operating activities	<u>(859)</u>	<u>206</u>	<u>27</u>

5. AVAILABILITY OF ACCOUNTS

Copies of these interim results are available from Touch Group plc, Saffron House, 6-10 Kirby Street, London EC1N 8TS. Alternatively a downloadable version is available from the following web address: www.touchbriefings.com/reports.htm.