

11th April 2007

TOUCH GROUP PLC

PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006 (UNAUDITED)

Touch Group plc ('Touch' or 'the Company'), the international business-to-business publishing group, today announces its unaudited preliminary results for the year ended 31 December 2006.

Summary

- Successful divestment of Group's online search division, Touch Local
- Completed operational restructuring with subsequent focus on the Group's business-to-business publishing division, Touch Briefings
- Appointment of Dr Theresa Saklatvala (Head of Touch Briefings) as Group CEO
- Successful raising of £1.8 million and £0.7 million by way of a placing in December and April 2006, respectively;
- Increase in turnover from continuing operations for the year of 12%, £5.8 million (2005: restated – £5.2 million)
- Operating loss from continuing operations of £4.3 million (2005: restated* - £2.4 million)
- Operating loss from continuing operations excluding investment impairments £1.5m (2005: restated* - £1.8 million)
- Loss for the year of £0.8 million after a £4.4 million exceptional profit (2005: restated* - loss of £2.2 million after a £1.3 million exceptional profit from the disposal of Touch Vision)
- Basic loss per share of 1.1p (2005: restated* – 3.3p)
- Adjusted basic before exceptional item loss per share of 7.0p (2005: restated* - 5.3p, Note 4)
- Year end net assets of £6.0 million (2005: restated* - £4.5 million)

* As restated for the adoption of FRS 20: "Share-based Payment" – see note 1.

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Chairman's Statement – 1st Section

It is with pleasure that I report on what has been a period of significant change and development for the Group. Throughout 2006 we have focused our efforts on achieving two principal goals.

The first of these was to safeguard the long-term future of our online search division, Touch Local. Through the latter stages of 2005 and the first half of 2006 it became apparent that the potential for Touch Local was substantial but its cash requirement had become too great for the Group to cope with. Therefore, it was decided that the best course of action to enable Touch Local to realise its potential whilst enabling the Group to continue to profit from growth in the business was to secure external funding. This was achieved in October with the successful sale of a 55% interest in Touch Local to Benchmark Capital Europe in a transaction that valued the business at £13 million. This secured £7m for the on-going growth of Touch Local and left the Group with a minority interest in the business of 27.5%, after a 17.5% allocation of equity to management to ensure adequate incentive to take the business through its phase of growth and expansion. Following the sale to Benchmark the Group no longer bears any financial responsibility for the business and, as a result, has reduced its continuing cost base by approximately 40%.

Realising our Investments

Our two holdings, Mediazest and Touch Local, will be realised when the opportunity and time is right.

The second of our goals for 2006 was to realign and focus our specialist business-to-business publishing division, Touch Briefings.

I am very pleased to report that, under the stewardship of Dr Saklatvala, the division has gone from a position of fragility to one of strength, and the Group's focus on what is now our sole operating business is already yielding encouraging results. It is testament to the effectiveness and commercial success of a number of the initiatives put into place by Dr Saklatvala that she was recently appointed as Group CEO.

Below, I go into further detail on the commercial activities of Touch Briefings, its new products and its potential but first, for the purpose of clarity, I provide a brief history of the Group leading up to our focus on becoming a premier business-to-business publishing house.

In January 2004:

The Group's trading name was Ambient plc and it was a principal holding company of four separate operating businesses:

- Touch Local: one of the UK's leading online local business directories
- Touch Vision: a specialist audiovisual advertising business
- Moneybox plc: an owner and operator of ATMs; and
- Touch Briefings: our international publishing business.

In March 2004:

Moneybox plc was demerged from the Group and sold with a subsequent return to Group shareholders of £29 million.

In June 2004:

The Group was renamed Touch Group plc.

In September 2005:

The holding company sold a second operating business, Touch Vision. £530,000 was brought into the treasury and we continue to retain an equity interest in the purchasing company, Mediazest plc. As a result of the sale, the Group owns 4.4 million shares in Mediazest plc (AIM:MDZ.L), which represents 19.3% of the enlarged share capital of the company currently valued at circa £259,000.

In October 2006:

Benchmark, a firm of international venture capitalists, invested £7 million into the Group's online directory business Touch Local for a total equity stake of 55%, thus providing the liquidity necessary for the future development of the business. We also provided a 17.5% stake in Touch Local to the Local Management team to ensure the highest level of commitment to the future success of the business.

In December 2006:

In order to address certain legacy issues associated with the historic development of Touch Local and to replenish the working capital reserves of the Group, we raised a further £1.8 million by way of a placing with, among others, Schroder Investment Management Ltd and Herald Investment Trust.

CHIEF EXECUTIVE'S SUMMARY

Our exclusive operational interest, Touch Briefings, is an international business-to-business publishing company on both online and print platforms, specialising in the pharmaceutical and healthcare sectors, as well as the nuclear, oil & gas and energy sectors. Sixty-five per cent of our business is conducted in the USA and 35% in Europe, mainly with Fortune 500 companies.

We are now able to take a more sophisticated 21st century approach to the distribution of our publishing products, through the application of e-book technology, to be rolled out in the first half of 2007. This is a major advance in meeting the e-expectations of our markets and at the same time secures compliance with the global associations through whom we distribute.

By the very nature of this delivery format, response rate, which is a key driver of repeat rate and traffic to our online verticals (a key driver of e-sales), will be significantly enhanced.

The Business Publications Audit (BPA) process for our clinical titles continues and will enhance sales through agency partners particularly in the all-important US markets, who require proof of distribution of our controlled circulation products. This process also lends to the Touch Briefings brand a further stamp of professionalism as perceived by the markets we serve.

As the revenue potential and the subsequent content investment for the online Touch Verticals became more explicit, the strategic decision was taken at the beginning of September 2006 to concentrate on the six largest clinical sectors. These have now established themselves as content-rich resources to complement and enhance the Briefings, Key Accounts and Bespoke Publications divisions. As the nurturing and enriching of the content specific to the six therapeutic categories on which they focus has continued, awareness of the e-marketing expectations of our clients is being translated into advertising and revenue opportunities. Sales have started to result.

New Initiatives

As previously mentioned we have a number of new initiatives, detailed below.

Publication Strategy

Ninety per cent of 2007 revenue will come from the pharmaceutical and healthcare sector. This is being driven by an expansion of the clinical titles in range and frequency, with all EU and US editions covering all 16 clinical specialities published semi-annually. For the first time, Touch Briefings offers advertising clients 100% access coverage to their niche markets.

Editorial Focus

In keeping with our mission to grow Touch Briefings as a content-led STM business-to-business publisher, a thoroughly revamped editorial department has succeeded in preparing titles up to three months in advance of sales activity. This represents a fundamental shift in the way Touch Briefings creates and sells opportunities within its products, with the business-critical by-product of extending the sales cycle to within one week of publication.

Key Accounts Division

The Key Accounts Division has delivered significant business into both the 2006 and 2007 portfolio. Through the application of knowledge resulting from deepening commercial relationships with our clients in the healthcare and pharmaceutical sectors, because of the more in-depth approach, previously under-utilised budgets have been discovered and are beginning to contribute to increasing sales levels. Competencies in speed and flexibility within our Editorial and Production departments have succeeded in meeting and exceeding client expectation, setting new standards within our industry.

Energy Sector Division

During 2006, our Energy Division, which serves to capitalise on a large and growing market sector at the same time as diversifying our publishing portfolio, has been revitalised. Operationally, it represents the speed with which Touch Briefings has been able to translate entrepreneurial aspirations into standalone business units capable of delivering increased sales and higher gross margins.

Bespoke Publications Division

Established in August 2006, our Bespoke Publications Division is set to expand in the first half of 2007 in response to the level of business interest generated through the second half of 2006. This division has delivered on the two aims that drove its creation: to generate revenue from new market sectors; and to retain revenue from clients for whom display advertising has ceased to factor in their marketing strategy. The order book for 2007 continues to grow, with new and repeat clients.

DR THERESA SAKLATVALA
CHIEF EXECUTIVE OFFICER

CHAIRMAN'S STATEMENT – 2ND SECTION

In the second half of 2006 we established the team led by our Chief Executive Officer, Dr Theresa Saklatvala, that has transformed the Company, structurally, operationally and strategically, leading to significant growth in sales throughout the business. We are now a professionally managed, talent-led business that faces 2007 with energy, focus and a range of leading products and services.

Our Associate Directors, coupled with our Senior Managers, are leading all the initiatives set out in this report. 2007 is theirs to deliver.

VINCENT ISAACS
EXECUTIVE CHAIRMAN

10th April 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2006 (Unaudited)

	Notes	31 December 2006 £'000	31 December 2005 (Restated*) £'000
TURNOVER			
Continuing operations		5,824	5,202
Discontinued operations	2	3,280	4,224
		<u>9,104</u>	<u>9,426</u>
Cost of sales		(5,725)	(5,384)
GROSS PROFIT		<u>3,379</u>	<u>4,042</u>
Administrative expenses		(5,810)	(6,979)
Administrative expenses – investment impairment		(2,774)	(634)
Total administrative expenses		<u>(8,584)</u>	<u>(7,613)</u>
OPERATING LOSS			
Continuing operations		(4,267)	(2,419)
Discontinued operations		(938)	(1,152)
		<u>(5,205)</u>	<u>(3,571)</u>
Profit on disposal of subsidiary	3	4,406	1,291
Interest receivable		42	114
Interest payable		(33)	(5)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>(790)</u>	<u>(2,171)</u>
Tax on loss on ordinary activities		-	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(790)</u>	<u>(2,171)</u>
LOSS FOR THE FINANCIAL PERIOD	4	<u>(790)</u>	<u>(2,171)</u>
LOSS PER ORDINARY SHARE			
Basic	4	(1.1)p	(3.3)p
Diluted	4	(1.1)p	(3.3)p
LOSS FROM CONTINUING OPERATIONS PER ORDINARY SHARE			
Basic	4	(5.8)p	(3.5)p
Diluted	4	(5.8)p	(3.5)p

The accompanying notes are an integral part of this consolidated profit and loss account.

* As restated for the adoption of FRS 20: “Share-based Payment” – see note 1

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2006 (Unaudited)

	31 December 2006	31 December 2005
	£'000	(Restated*) £'000
Retained loss for the financial period	(790)	(2,171)
Transfer from other reserves	6,216	-
Loss on foreign currency translation	-	(8)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE PERIOD	5,426	(2,179)
Prior year adjustment for FRS 20: "Share-based Payment"	201	-
TOTAL RECOGNISED GAINS AND LOSSES SINCE THE LAST ANNUAL REPORT DUE TO A PRIOR PERIOD ADJUSTMENT FOR FRS 20: "Share-based Payment"	5,627	(2,179)

* As restated for the adoption of FRS 20: "Share-based Payment" – see note 1

CONSOLIDATED BALANCE SHEET
As at 31 December 2006 (Unaudited)

	31 December 2006	31 December 2005 (Restated*)
	£'000	£'000
FIXED ASSETS		
Intangible assets		
- Goodwill	-	498
- Development costs, patents and trademarks	313	811
	<u>313</u>	<u>1,309</u>
Tangible assets	536	602
Investments	3,842	1,241
	<u>4,691</u>	<u>3,152</u>
CURRENT ASSETS		
Stocks	100	168
Debtors	2,849	3,381
Cash at bank and in hand	1,695	1,169
	<u>4,644</u>	<u>4,718</u>
CREDITORS: amounts falling due within one year	(2,637)	(3,299)
NET CURRENT ASSETS	<u>2,007</u>	<u>1,419</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>6,698</u>	<u>4,571</u>
CREDITORS: amounts falling due after more than one year	(650)	(23)
NET ASSETS	<u>6,048</u>	<u>4,548</u>
CAPITAL AND RESERVES		
Called up share capital	1,112	668
Share premium account	3,922	1,958
Other reserve	300	6,536
Own shares held by ESOT	-	(20)
Profit and loss account	714	(4,594)
SHAREHOLDERS' FUNDS	<u>6,048</u>	<u>4,548</u>

* As restated for the adoption of FRS 20: "Share-based Payment" – see note 1

STATEMENT OF MOVEMENTS ON RESERVES

For the year ended 31 December 2006 (Unaudited)

Group

	Issued share capital	Share premium account	Other reserve	ESOT shares	Profit and loss account	Year Ended 31 December 2006	Year Ended 31 December 2005
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At beginning of the period as previously stated	668	1,958	6,536	(20)	(4,795)	4,347	4,375
Prior year adjustment for FRS 20: "Share- based Payment"	-	-	-	-	201	201	77
At beginning of the period as restated	668	1,958	6,536	(20)	(4,594)	4,548	4,452
Retained loss for the period	-	-	-	-	(790)	(790)	(2,171)
Foreign currency translation movement	-	-	-	-	-	-	(8)
Share option compensation charge	-	-	-	-	(56)	(56)	-
Issue of share capital	444	1,964	-	-	-	2,408	2,010
FRS 20: Share- based payment	-	-	-	-	(62)	(62)	265
Other	-	-	(6,236)	20	6,216	-	-
At end of period	1,112	3,922	300	-	714	6,048	4,548

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006 (Unaudited)

		Year Ended 31 December 2006 £'000	Year Ended 31 December 2005 £'000
Net cash outflow from operating activities	5	(2,411)	(1,814)
Returns on investments and servicing of finance	6	9	89
Capital expenditure and financial investment	6	(226)	(737)
Acquisitions and disposals	6	71	530
Cash outflow before financing		(2,557)	(1,932)
Financing	6	3,083	2,003
Increase in cash in the period	7	526	71

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

1. FINANCIAL INFORMATION AND BASIS OF PREPARATION

a) Financial information

The financial information set out in the announcement does not constitute the company's statutory accounts for the year ended 31 December 2006 or the year ended 31 December 2005. The financial information for the year ended 31 December 2005 is derived from the statutory accounts for that year which have been delivered to the Registrar of Companies and subsequently restated for FRS 20 "Share-based Payments". The auditors reported on the accounts for the year ended 31 December 2005; their report was unqualified and did not contain a statement under s237(2) or (3) Companies Act 1985. However, an "emphasis of matter" paragraph was included in the 2005 accounts in respect of going concern due to the uncertainty over the company's forecast and the need for further funding. The statutory accounts for the year ended 31 December 2006 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement. The directors have prepared this announcement on the going concern basis. The statutory accounts for year ended 31 December 2006 will be delivered to the Registrar of Companies following the company's annual general meeting.

b) Basis of preparation

The financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards. The principal accounting policies are consistent with those detailed in the prior year financial statements, with the exception of FRS 20 "Share-based Payments", which is referred to below.

c) Share-based payments

The Group is required to adopt FRS 20 "Share-based Payments" for the first time for accounting periods commencing on or after 1 January 2006. FRS 20 requires the Group to recognise an expense in respect of the granting of options over shares to employees and Directors. This expense, which is calculated by reference to the fair value of the options granted, is recognised on a straight-line basis over the vesting period based on the Group's estimate of options that will eventually vest. The Directors have used a Black-Scholes model to estimate the value of options granted in the current and prior periods.

The profit and loss account for the year ended 31 December 2005 has been restated to include a charge of £141,000. The net effect has been to increase shareholders' funds by £201,000. The profit and loss account for the year ended 31 December 2006 includes a credit of £62,000.

2. DISCONTINUED OPERATIONS

On 26 October 2006 the Touch Local business was sold, with the Group retaining a 27.5% interest. The results for Touch Local until 26 October 2006 are shown as discontinued. The results for Touch Local in the prior year are also shown as discontinued.

The Directors consider that Touch Group plc does not exercise significant influence over the affairs of Touch Local and have therefore reflected the interest as an investment.

On 27 September 2005 the Touch Vision business was sold. The results for Touch Vision in the prior year are shown as discontinued.

3. PROFIT ON DISPOSAL OF SUBSIDIARIES

On 25 October 2006 Touch Group plc announced that it had agreed with Benchmark Capital Europe ("Benchmark") a £7 million investment into Touch Local Limited (formerly Touch (GoE) plc), a wholly owned subsidiary of the Group. As part of the transaction, Benchmark subscribed for shares, representing 55% of the issued share capital of Touch Local Limited on a fully diluted basis, thereby implying a valuation of the Touch Local business of £12.7 million. An allocation of shares has also

been made for the management of Touch Local Limited. Touch Group plc retained an interest of 27.5% of the shares of Touch Local limited.

Tangible fixed asset investments are shown at cost less provision for impairment. Touch Group plc's investment in Touch Local cost £5.4 million, this being the debtor balance owed to Group at the time of the transaction. The Benchmark shareholding ranks in priority to Touch Group plc's shareholding in the event of a sale of Touch Local to the extent that the first £7 million of consideration is paid to Benchmark. The following £5.7 million is then paid to Touch Group plc, after which the proceeds are paid in the relative percentages. After carrying out an impairment review the Directors consider £3.5 million to be an appropriate carrying value.

On 27 September 2005 the Group completed the sale of the Touch Vision business to Mediazest plc. Initial consideration was £700,000 in cash and 4,411,764 ordinary shares in Mediazest plc, which equates to 19.3% of the ordinary share capital of the company. The shares were acquired at 42.5p. The carrying value of this investment has subsequently been impaired to £342k, reflecting the 7.75p share price as at 31 December 2006. As at 30 March 2007 the share price of Mediazest ordinary shares was 5.88p. The Directors have satisfied themselves that the carrying value of the investment is appropriate.

4. LOSS PER ORDINARY SHARE

	Year Ended 31 December 2006 £'000	Year Ended 31 December 2005 (Restated*) £'000
Earnings:		
Retained loss for the year	(790)	(2,171)
Profit on disposal of subsidiary	<u>(4,406)</u>	<u>(1,291)</u>
Loss before exceptional items for the year	<u>(5,196)</u>	<u>(3,462)</u>
Continued earnings		
Retained loss for the year	(790)	(2,171)
Profit on disposal of subsidiary	(4,406)	(1,291)
Operating loss from discontinued operations	938	1,152
Loss before exceptional items for the year	<u>(4,258)</u>	<u>(2,310)</u>
Weighted average number of ordinary shares:		
For basic loss per share	73,782,537	65,257,974
For diluted loss/profit per share	73,782,537	65,257,974
Loss per ordinary share		
Basic	(1.1)p	(3.3)p
Diluted	(1.1)p	(3.3)p
Adjusted	(7.0)p	(5.3)p
Loss from continuing operations per ordinary share:		
Basic and diluted	(5.8)p	(3.5)p

* As restated for the adoption of FRS 20: "Share-based Payment" – see note 1

5. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year Ended 31 December 2006 £'000	Year Ended 31 December 2005 (Restated *) £'000
Operating loss	(5,205)	(3,571)
Depreciation of tangible assets	110	208
Amortisation of intangible assets and goodwill	206	130
Investment impairment	2,774	634
Share based payment (credit)/charge	(62)	265
Decrease in stocks	68	417
Increase in debtors	(743)	(938)
Increase in creditors	441	1,041
Net cash outflow from operating activities	<u>(2,411)</u>	<u>(1,814)</u>

* As restated for the adoption of FRS 20: "Share-based Payment" – see note 1

6. ANALYSIS OF CASH FLOWS

	Year Ended 31 December 2006 £'000	Year Ended 31 December 2005 £'000
<i>Returns on investments and servicing of finance</i>		
Interest received	42	95
Interest paid	(27)	(6)
Interest element of finance lease payments	(6)	-
Net cash inflow	<u>9</u>	<u>89</u>
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(65)	(176)
Purchase of intangible fixed assets	(161)	(561)
Net cash outflow	<u>(226)</u>	<u>(737)</u>
<i>Acquisitions and disposals</i>		
Disposal of subsidiary	71	530
Net cash inflow	<u>71</u>	<u>530</u>
<i>Financing</i>		
Issue of ordinary shares	2,473	2,053
Costs associated with issue of ordinary shares	(65)	(50)
Loans	700	-
Capital element of finance lease payments	(25)	-
Net cash inflow	<u>3,083</u>	<u>2,003</u>

7. ANALYSIS AND RECONCILIATION OF NET FUNDS

	At 31 December 2005 £'000	Cash flows £'000	At 31 December 2006 £'000
Cash at bank and in hand	1,169	526	1,695
Obligations under finance leases	(54)	31	(23)
Debt due within one year	-	(50)	(50)
Debt due after one year	-	(650)	(650)
Net funds	<u>1,115</u>	<u>(143)</u>	<u>972</u>

	Year Ended 31 December 2006 £'000	Year Ended 31 December 2005 £'000
Increase in cash in the year	526	71
Repayment of debt and lease financing	31	-
Change in net funds resulting from cash flows	<u>557</u>	<u>71</u>
Increase in debt financing	(700)	(54)
Change in net funds resulting from non-cash flows	<u>(700)</u>	<u>(54)</u>
Change in net funds	(143)	17
Net funds at beginning of year	1,115	1,098
Net funds at end of year	<u>972</u>	<u>1,115</u>