

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

**Unaudited Second Interim Report for the Six Months Ended 31 December 2009**

Following the change in accounting reference date to 31 March Touch Group plc, the international business-to-business publishing group, today announces its second unaudited interim results for the six-month period ended 31 December 2009.

**Highlights**

- **Turnover down 23%** £2,604,000 (H208: £3,385,000)
- **Trading loss\* up 83%** £521,000 (H208: £284,000)
- **Orders Carried Forward up 25%** £1,755,000 (H208: £1,400,000)
- **Sales Force now 39 strong up 70% from average in 2009**
- **Refocus on a balanced range of revenue streams**
- **Successful capital raising of £780,000 during this period has positioned the Group strongly for growth.**

\* “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.

**Trading Review**

The period has been one of transition. We have also established new journals, new clients and new marketing activities which will benefit the forthcoming trading year. However, looking back, the twelve months ended 31 December 2009 was a period of difficult trading generally and strategic change for the Company in particular resulting in turnover for the second six months of 2009 of £2,604,000 some 23% lower than the equivalent period in the prior year. This shortfall compounded the shortfall in revenue in the first six months of 2009 with the result that for the full year ended 31 December 2009 revenue amounted to £4,711,000, down 25% on the prior year.

The revenue breakdown shows that the principal shortfall in revenue was in the core clinical publications where revenues were 30% lower than the prior year.

	<b>Year ended 31 December 2009</b>	<b>Year ended 31 December 2008</b>
Clinical publications	£3,249,000	£4,669,000
Energy publications	£536,000	£581,000
Barter revenues	£497,000	£788,000
Medical communications	£236,000	£184,000
Online	£193,000	£68,000
<b>Total Turnover</b>	<b>£4,711,000</b>	<b>£6,290,000</b>

The revenue shortfall compared to the prior year was across our major markets of the US and Europe as demonstrated below, with Europe down 24% and the USA down 20%.

	<b>Year ended 31 December 2009</b>	<b>Year ended 31 December 2008</b>
Europe (excl UK)	£2,313,000	£3,029,000
USA	£1,801,000	£2,242,000
United Kingdom	£463,000	£646,000
Rest of World	£134,000	£373,000
<b>Total Turnover</b>	<b>£4,711,000</b>	<b>£6,290,000</b>

The revenue shortfall was caused by three key factors:

- A seriously depleted salesforce. From the Autumn of 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 publications 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 publication. We are, therefore, addressing the critical need to close the selling for a publication much earlier, coupled with a reinforced emphasis on our advertising and reprint sales.

Whilst we had forecast an increase in revenue in 2009 over 2008, and had a realistic expectation of profit, the substantial reduction in revenues of 25% has led to the loss for the six months of £590,000 and a loss for the year of £1.6 million.

## **Action Taken**

We have taken the steps and continue to make further operational changes to address the key revenue issues and achieve our aim of producing sustainable profits. These steps include:

- Establishing and empowering strong sales leadership.
- Recruiting for and substantially increasing our Core sales force which includes both our Clinical and Energy teams. We have been successful in attracting a very high quality of recruit with appropriate qualifications, a programme which is ONGOING. We have, as of today, a Core team of 39, up from the average level of 23 in 2009.
- Completing the recruitment of our medical communications team. We are now resourced to deliver a significantly higher level of revenue than 2009 and have carry forward orders for 2010 worth over £250,000 in our Medical Communication Division.
- Putting in place the mechanism to ensure that we maximise our core medical publications revenue opportunities from advertising and reprints.

In our results for the six months to 30 June 2009 we said our cost base would fall. These savings have and are being redeployed into the revenue generating areas of our business.

Whilst we have identified issues and taken action to deal with the major revenue issues experienced in 2009, due to the long lead time in the core medical business, we do not expect these actions to have a beneficial impact on the three months ended 31 March 2010 but they have set our year commencing 1 April 2010 for the best start.

In December 2009 the Company strengthened its balance sheet by raising £780,000 of additional equity at the mid market price from existing institutional shareholders. The result is that we are now well capitalised to implement our business plan.

Our balance sheet includes Current Liabilities Trade and Other Payables of £2.584m (2008: £1.45m) of which £820,000 (2009-£0) relates to compensation received from the government relating to the property move. This compensation creditor is being amortised to the profit and loss account to match the depreciation charge on the assets acquired with compensation .

On 11 February we appointed Stuart Winship as CEO, moving him from his position as CFO. Stuart brings to this all important role not only his financial expertise honed as a former Partner with Arthur Andersen and Deloitte, but considerable skills in online marketing coupled with a depth of knowledge of our Medical and Energy publishing. He has been given and accepted the remit to drive revenue growth and cash generation.



## CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited Six months ended 31 December 2009 £'000	Unaudited Six months ended 31 December 2008 £'000	Unaudited Year ended 31 December 2009 £'000
<b>CONTINUING OPERATIONS</b>				
Revenue	3	2,325	3,385	4,711
Cost of sales		(1,057)	(1,839)	(2,404)
<b>GROSS PROFIT</b>		<b>1,268</b>	<b>1,546</b>	2,307
Administrative expenses	3	(1,816)	(1,824)	(3,648)
Other operating expenses-impairment		-	(99)	(230)
<b>OPERATING LOSS</b>		<b>(548)</b>	<b>(377)</b>	(1,571)
Investment revenue		3	13	3
Finance costs		(45)	(19)	(53)
<b>LOSS BEFORE TAX</b>		<b>(590)</b>	<b>(383)</b>	(1,621)
Tax		-	-	-
<b>LOSS FOR THE PERIOD</b>		<b>(590)</b>	<b>(383)</b>	(1,621)
<b>LOSS PER SHARE</b>	4	Pence	Pence	Pence
Basic		(0.49)	(0.34)	(1.36)
Diluted		(0.49)	(0.34)	(1.36)

## CONSOLIDATED BALANCE SHEET

	Notes	Unaudited As at 31 December 2009 £'000	Audited As at 31 December 2008 £'000
<b>NON-CURRENT ASSETS</b>			
Intangible assets		389	425
Property, plant and equipment		893	434
Investments		55	50
		<u>1,337</u>	<u>909</u>
<b>CURRENT ASSETS</b>			
Inventories		440	312
Trade and other receivables		2,102	3,162
Cash and cash equivalents		1,247	531
		<u>3,789</u>	<u>4,005</u>
<b>TOTAL ASSETS</b>		<u>5,126</u>	<u>4,914</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		(2,589)	(1,645)
Borrowings		(260)	(450)
		<u>(2,849)</u>	<u>(2,095)</u>
<b>NET CURRENT ASSETS</b>		<u>940</u>	<u>1,910</u>
<b>NON-CURRENT LIABILITIES</b>			
Obligations under finance leases		(3)	(18)
<b>NET ASSETS</b>		<u>2,274</u>	<u>2,801</u>
<b>EQUITY</b>			
Issued share capital	5	1,619	1,112
Share premium account	5	4476	3,922
Other reserve		300	300
Retained loss		(4,121)	(2,533)
<b>TOTAL EQUITY</b>		<u>2,274</u>	<u>2,801</u>

## CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months ended 31 December 2009	Unaudited Six months ended 31 December 2008	Unaudited Year ended 31 December 2009
	£'000	£'000	£'000
Operating loss for the period	(548)	(377)	(1,571)
<b>Adjustments for</b>			
Depreciation of property, plant and equipment	84	37	151
Amortisation of intangibles	90	58	108
Fixed asset impairment	-	-	230
Investment impairment	-	99	-
Share based payment charge	27	47	33
Operating cash flows before movements in working capital	(347)	(136)	(1,049)
(Increase) / decrease in inventories	(168)	33	(128)
(Increase) / decrease in receivables	313	(323)	898
Increase / (decrease) in payables	283	(35)	124
<b>Cash flows from operating activities</b>	<b>81</b>	<b>(461)</b>	<b>(155)</b>
<b>Investing activities</b>			
Interest received	-	13	3
Interest and similar expenses paid	(41)	(19)	(53)
Acquisition of plant, property and equipment	(820)	(90)	(840)
Compensation received for relocation	820	-	820
Acquisition of intangible assets	(72)	(179)	(72)
<b>Net cash used in investing activities</b>	<b>(113)</b>	<b>(275)</b>	<b>(142)</b>
<b>Financing activities</b>			
New borrowings	-	-	275
Repayment of borrowings	(365)	(50)	(365)
Invoice debt financing acquired	568	364	157
Finance lease borrowings acquired	-	56	13
Finance lease borrowings repaid	(13)	-	(13)
Capital lease repayments	(10)	(8)	(15)
New shares issued	761	-	961
<b>Net cash from financing activities</b>	<b>941</b>	<b>362</b>	<b>1,013</b>
Net increase/(decrease) in cash and cash equivalents	909	(374)	716
Cash and cash equivalents at beginning of period	338	905	531
<b>Cash and cash equivalents at period end</b>	<b>1,247</b>	<b>531</b>	<b>1,247</b>

## 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 2008.

### 2. NATURE OF INFORMATION

The interim accounts for the six months ended 31 December 2009 and the comparative figures for the six months ended 31 December 2008 and the figures for the twelve months ended 31 December 2009 have not been audited by the Company's auditors.

The financial statements for the twelve months ended 31 December 2008 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. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### Business Segments

The revenue and operating loss of the Group are derived solely from continuing operations. The directors consider that the business operates within one business segment, that of multimedia marketing.

Included within administrative expenses is a share based payment charge of £27,000 for the six months to 31 December 2009, £47,000 for the six months to 31 December 2008 and £30,000 for the 12 months ended 31 December 2009.

#### Geographical Segments

	Unaudited Six months ended 31 December 2009	Unaudited Six months ended 31 December 2008	Unaudited Year ended 31 December 2009
	£'000	£'000	£'000
<b>Revenue by destination:</b>			
Rest of Europe	1,130	1,511	2,313
U.S.A	982	1,112	1,801
United Kingdom	145	517	463
Rest of World	68	245	134
	<b>2,325</b>	<b>3,385</b>	<b>4,711</b>
<b>Operating loss by destination:</b>			
Rest of Europe	(266)	(178)	(658)
U.S.A	(231)	(131)	(495)
United Kingdom	(34)	(38)	(362)
Rest of World	(17)	(30)	(56)
	<b>(548)</b>	<b>(377)</b>	<b>(1,571)</b>
<b>Segment total assets:</b>			
All United Kingdom	<b>5,126</b>	<b>4,914</b>	<b>5,126</b>

## NOTES TO THE INTERIM FINANCIAL STATEMENTS (continued)

### 4. LOSS PER SHARE

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

	Unaudited Six months ended 31 December 2009	Unaudited Six months ended 31 December 2008	Unaudited Year ended 31 December 2009
	£'000	£'000	£'000
<b>Earnings:</b>			
Earnings for the purposes of basic and diluted earnings per share	(590)	(383)	(1,621)
<b>Number of shares:</b>	<b>Shares</b>	<b>Shares</b>	<b>Shares</b>
Weighted average number of shares for the purposes of basic and diluted earnings per share	121,465,145	111,191,921	119,580,200

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.

### 5. SHARE CAPITAL

On 6<sup>th</sup> January 2009 the Company issued 6,666,667 shares of 1 pence nominal value at a price of 3 pence per share, raising £0.2 million in funding for the business.

On 16<sup>th</sup> December 2009 the Company raised £780,000 before expenses in cash by way of a Placing of 39,000,000 new ordinary shares of 1 pence nominal value at a price of 2 pence per share. In addition, Vincent Isaacs, the Company's Executive Chairman, converted £100,000 which was part of a loan previously made by him to the Company into 5,000,000 new ordinary shares at a price of 2 pence per share.

### 6. 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](http://www.touchbriefings.com/reports.htm).