

## TOUCH GROUP PLC

('Touch Group' or 'the Company')

### PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007 (UNAUDITED)

Touch Group plc, the international business-to-business publishing group, today announces its unaudited preliminary results for the year ended 31 December 2007 ('the period').

#### HIGHLIGHTS

- \* Sale of the majority of investment in Touch Local for £2 million.
- \* Proceeds of sale used to fund investment in core publishing business.
- \* Establishment of in-house Medical Communications Team.
- \* Agreement signed with the British Medical Journal Publishing Group.
- \* Strong balance sheet and growing forward order book for 2008.
- \* We reduced our continuing operating loss before investment impairment significantly to £560,000 compared to £1,490,000 in 2006. This was after considerable investment into our publishing business infrastructure during 2007.

For further information please contact:

Touch Group plc  
Vincent Isaacs  
Executive Chairman

Tel: 020 7452 5222

Hansard Group  
Vikki Krause

Tel: 020 7245 1100

#### CHAIRMAN'S STATEMENT

It is with pleasure that I present Touch Group's results for the year ended 31 December 2007. The results reflect a year where the business completed its transformation into a dynamic international business-to-business publishing company, demonstrating that our resolve to focus and invest purely in our core businesses of Medical and Energy is enabling the Company to enact our strategic priorities, in spite of the deteriorating conditions that most other sectors are currently experiencing.

In line with this approach, the majority of our holding in Touch Local was disposed for £2 million in cash. The decision to dispose of the shares allowed the Company to focus all its efforts and resources on growing our publishing business. Concurrently, we have taken a prudent view and have chosen to write down the carrying value of our remaining 3.75 per cent holding in Touch Local. The sale, coupled with the write down, has created an impairment charge of £362,000. We have also taken the decision to write down our investment in Mediazest, which has created a further impairment charge of £193,000.

The sale of shares in Touch Local provided the Company with sufficient liquidity to implement the completion of our core strategy of investing in quality products and services designed for major institutions. The transaction enabled us to commit to entirely replacing and renewing our information technology structure and, to help take our business forward, we have installed further state of the art control and information tools. As a result of the cash raised on the disposal, no shareholder dilution is required until such time as a suitable acquisition target is found.

To solidify our goal of becoming a major player in the business-to-business publishing sector with our Touch Briefings business, we have engendered the ethos in our sales force to nurture long-term relationships with our clients rather than individual non-recurring sales. The

## **TOUCH GROUP PLC**

results are immediately apparent as our renewal rates and future order book have increased substantially.

### **MEDICAL COMMUNICATIONS TEAM**

To bolster our already substantial product offering, we established a new in-house Medical Communications team earlier in the year. Working in tandem with our in-house researchers and core editorial team, the strengthened group is successfully driving leading-edge content across our published products both in print and online. In addition, the enhanced capabilities of the team have provided a quality of service and integrity that is attracting highly regarded medical professionals to write leading articles for our journals. A direct benefit of these advances is the increasing level of interest from major pharmaceutical companies that support our journals.

### **BRITISH MEDICAL JOURNAL ('BMJ') PUBLISHING GROUP LTD DISTRIBUTION AGREEMENT**

As a testament to our rapidly growing prominence within the sector, earlier in the year we successfully negotiated an agreement with the BMJ Publishing Group Limited, the publishing arm of the British Medical Association. The extensive, mutually beneficial agreement involves an exchange of shared distribution channels, links and mutual promotion.

### **PROPERTY**

As part of the final disengagement with Touch Local, we moved our offices to a new purpose built environment. This commitment was completed at a fraction of the anticipated cost.

### **OUTLOOK**

Thanks to the investment in our technology infrastructure, we are now delivering all business-to-business communications electronically through our e-books. The increased online capability is anticipated to add considerably to our revenue going forward.

In addition, the strategy we implemented two years ago of working with our clients from the point at which they allocate their spending budgets is now paying dividends. The outcome of investing heavily has resulted in a strong and growing forward order book, far in excess of our previous achievements. We are now part of the budgeting process of most of our major clients and it is on this secure platform that we will capitalise on our position.

Crucially, during 2007 we substantially increased our Intellectual Property ('IP'). As the single most important asset of a publishing business, IP resides in the quality content against which we trade, in the processes by which we interact with our clients, in the knowledge and skills that are fed into our business through our staff, and also in the many relationships with medical associations we have established, including the British Medical Association. Furthermore, our commitment to investing in people, infrastructure and technology at this stage of the Company's development has facilitated the products and competencies needed to thrive and we are now in the position to better anticipate market demand for content in a print/electronic media mix. We have greatly enhanced the value of Touch Briefings by focussing on these fundamentals.

### **WHERE WE ARE**

We are in the right market places. All our ducks are in a row. We are now able to deliver.

VINCENT ISAACS  
EXECUTIVE CHAIRMAN  
31 March 2008

## **CHIEF EXECUTIVE'S SUMMARY**

Touch Briefings is a growing international business, however, as with most companies operating on a world-wide scale, we have felt an impact from the market uncertainties caused by the global financial markets. This manifested itself in the late deferral of a number of key contracts from the last quarter of 2007 into the start of 2008. Although the timing of this revenue change negatively impacted our year-end results, I am pleased to report that, because of the strength of the two market places we operate in and the relationships we have established, those deferred contracts are now coming through; in the first two months of 2008 revenues have increased by 30 per cent in comparison to the same period last year.

## TOUCH GROUP PLC

That the forward order book remains strong vindicates our firm belief that we are positioned in the right markets with the right products.

At Touch Briefings, being at the forefront of technological advances in the publishing field is a fundamental part of our business strategy. To that end, we now deliver all of our content electronically, using our e-book technology. While we will continue to distribute printed journals, which do much to reinforce the Touch Briefings brand, delivering our content electronically has enabled us to more than double our average distribution, without incurring traditional levels of print and distribution costs. This technological initiative, along with our improved online capability, will be an increasing contributor in driving revenue growth.

## INTELLECTUAL PROPERTY

The commercial value of a publishing house resides in the intellectual property that it owns. Unlike contract printers, as a publishing house our value is generated by the content that we produce, own and publish. We vigorously cultivate a philosophy that 'what we publish we own and as we publish reviews written by key opinion leaders what we own is valuable'.

The establishment of meaningful relationships with major institutional clients in the healthcare and energy sectors – for whom we provide cutting edge content – is steadily boosting the value of our intellectual property. Combined with our editorial commissioning and writing skills, a fast growing online presence and now a highly-acclaimed in-house design team with our entire offering supported by state-of-the-art information technology, Touch Briefings provides a superior product with a quality of service second to none.

All of the above is enhanced by our partnerships with the majority of the leading medical associations globally. The agreement with the British Medical Journal, the exclusive journal of the British Medical Association, to exchange content, distribution channels and to encourage mutual promotion, exemplifies the professionalism with which we are regarded. Relationships we have with all our partner associations are contributing to the breath-taking rate of growth we are experiencing in our company.

As the results of our work become more and more apparent, this will result in increasing market awareness of the true value of Touch Briefings.

Dr. THERESA SAKLATVALA  
CHIEF EXECUTIVE OFFICER  
31 March 2008

**TOUCH GROUP PLC**

**CONSOLIDATED INCOME STATEMENT**  
For the year ended 31 December 2007 (Unaudited)

	31 December 2007 £'000	31 December 2006 (Restated) £'000
<b>CONTINUING OPERATIONS</b>		
Revenue	5,677	5,824
Cost of sales	(3,436)	(3,777)
<b>GROSS PROFIT</b>	<u>2,241</u>	<u>2,047</u>
Other operating income	450	-
Administrative expenses	(3,252)	(3,540)
Other operating expenses – investment impairment	(555)	(2,774)
<b>OPERATING LOSS</b>	<u>(1,116)</u>	<u>(4,267)</u>
Loss on disposal of investment	(1,188)	-
Finance costs	(13)	9
<b>LOSS BEFORE TAX</b>	<u>(2,317)</u>	<u>(4,258)</u>
Tax	-	-
<b>LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS</b>	<u>(2,317)</u>	<u>(4,258)</u>
<b>DISCONTINUED OPERATIONS</b>		
Profit for the period from discontinued operations	-	3,468
<b>LOSS FOR THE PERIOD</b>	<u>(2,317)</u>	<u>(790)</u>
<b>LOSS PER SHARE</b>		
From continuing operations:		
Basic	<u>(2.1)p</u>	<u>(5.8)p</u>
Diluted	<u>(2.1)p</u>	<u>(5.8)p</u>
From continuing and discontinued operations:		
Basic	<u>(2.1)p</u>	<u>(1.1)p</u>
Diluted	<u>(2.1)p</u>	<u>(1.1)p</u>

**TOUCH GROUP PLC**

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**

For the year ended 31 December 2007 (Unaudited)

	31 December 2007	31 December 2006
	£'000	£'000
Retained loss for the financial year	(2,317)	(790)
Transfer from other reserves	-	6,216
<b>TOTAL RECOGNISED INCOME AND EXPENSE RELATING TO THE YEAR</b>	<u><u>(2,317)</u></u>	<u><u>5,426</u></u>

**TOUCH GROUP PLC**

**CONSOLIDATED BALANCE SHEET**

As at 31 December 2007 (Unaudited)

	31 December 2007	31 December 2006 (Restated)
	£'000	£'000
<b>NON-CURRENT ASSETS</b>		
Intangible assets	294	313
Property, plant and equipment	422	536
Investments	149	3,842
	<u>865</u>	<u>4,691</u>
<b>CURRENT ASSETS</b>		
Inventories	165	100
Trade and other receivables	3,000	2,849
Cash and cash equivalents	1,771	1,695
	<u>4,936</u>	<u>4,644</u>
<b>TOTAL ASSETS</b>	<u><u>5,801</u></u>	<u><u>9,335</u></u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	(1,650)	(2,587)
Borrowings	(650)	(50)
	<u>(2,300)</u>	<u>(2,637)</u>
<b>NET CURRENT ASSETS</b>	<u>2,636</u>	<u>2,007</u>
<b>NON-CURRENT LIABILITIES</b>		
Borrowings	-	(650)
<b>TOTAL LIABILITIES</b>	<u><u>(2,300)</u></u>	<u><u>(3,287)</u></u>
<b>NET ASSETS</b>	<u><u>3,501</u></u>	<u><u>6,048</u></u>
<b>EQUITY</b>		
Share capital	1,112	1,112
Share premium account	3,922	3,922
Merger reserve	300	300
Retained (loss)/earnings	(1,833)	714
<b>TOTAL EQUITY</b>	<u><u>3,501</u></u>	<u><u>6,048</u></u>

**TOUCH GROUP PLC**

**CONSOLIDATED CASH FLOW STATEMENT**  
For the year ended 31 December 2007 (Unaudited)

	Year ended 31 December 2007	Year ended 31 December 2006 (Restated)
	£ 000s	£ 000s
Net cash outflow from operating activities	<u>(1,778)</u>	<u>(2,411)</u>
Investing activities		
Interest received	60	42
Interest and similar expenses paid	(73)	(33)
Disposal of discontinued operation	-	71
Disposal of investments	1,950	-
Acquisition of plant, property and equipment	(11)	(66)
Acquisition of intangible assets	-	(160)
Net cash from / (used in) investing activities	<u>1,926</u>	<u>(146)</u>
Financing activities		
Proceeds from issue of share capital	-	2,473
Payment of transaction costs	-	(65)
Repayment of borrowings	(50)	-
New loans acquired	-	700
Capital lease repayments	(22)	(25)
Net cash (used in) / from financing activities	<u>(72)</u>	<u>3,083</u>
Net increase in cash and cash equivalents	76	526
Cash and cash equivalents at beginning of year	<u>1,695</u>	<u>1,169</u>
Cash and cash equivalents at year end	<u><u>1,771</u></u>	<u><u>1,695</u></u>

# TOUCH GROUP PLC

## NOTES TO THE PRELIMINARY ANNOUNCEMENT (Unaudited)

### 1 BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards ("IFRS").

#### *IFRS 1 exemptions*

IFRS 1 'First time adoption of International Financial Reporting Standards' sets out procedures that the Group must follow when IFRS is adopted for the first time as the basis for preparing Group consolidated financial statements. It provides a number of exemptions that are available on first time adoption to assist companies in the transition to reporting under adopted IFRS. The following exemptions have been taken:

- Business combinations prior to 1 January 2006 have not been restated to comply with IFRS 3 'Business Combinations'

#### *Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the group controlled by Touch Group plc and its subsidiaries (the 'Group'). Control is achieved where the Group has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or sold are included in the consolidated financial statements from the date control commences to the date control ceases, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenditure are eliminated on consolidation.

#### *Share based payment*

The Group issues equity-settled share-based payments to certain employees. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense with a corresponding increase in equity. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Fair value is measured using the Black Scholes model.

### 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 (in the prior year until 26 October 2006) are shown as discontinued. The operating loss from discontinued operations in the prior year was £910,000 and the profit on disposal was £4,378,000 giving a net profit for the period from discontinued operations of £3,468,000.

The Directors considered that the Group did not exercise significant influence over the affairs of Touch Local and had therefore reflected the interest as an investment.

The Group subsequently sold the majority of its investment in Local for £2,000,000 cash, retaining a 3.75% stake.

## TOUCH GROUP PLC

### 3 DISPOSALS

#### LOSS ON PART-DISPOSAL OF INVESTMENT

The exceptional loss in year of £1.2 million was from the part disposal of the investment in Touch Local Limited on 17 December 2007. Touch Group plc ("the Group") received £2.0 million cash and retained a minority interest of 3.75% of the shares of Touch Local, which was subsequently impaired in full. The cost of disposal amounted to £50,000.

#### PROFIT ON DISPOSAL OF SUBSIDIARY

The exceptional gain in the previous year of £4.4 million was from the part disposal of the Touch Local business on 26 October 2006. On that date the Group announced that it had agreed with Benchmark Capital Europe ("Benchmark") a £7 million investment into Touch Local a wholly owned subsidiary of the Group, which retained a 27.5% interest in Local.

### 4 LOSS PER ORDINARY SHARE

	Year Ended 31 December 2007	Year Ended 31 December 2006 (Restated)
	£'000	£'000
From continuing and discontinued operations:		
The calculation of the basic and diluted earnings per share is based on the following data:		
<i>Earnings</i>		
Earnings for the purpose of basic and diluted earnings per share	<u>(2,317)</u>	<u>(790)</u>
<i>Number of shares</i>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>111,191,921</u>	<u>73,782,537</u>
From continuing operations:		
Net loss attributable to equity holders of the parent	(2,317)	(790)
Adjustments to exclude profit for the period from discontinued operations	<u>-</u>	<u>(3,468)</u>
Earnings from continuing operations for the purpose of basic and diluted earnings per share excluding discontinued operations	<u>(2,317)</u>	<u>(4,258)</u>
	Year Ended 31 December 2007	Year Ended 31 December 2006 (Restated)
	£'000	£'000
From discontinued operations:		
Basic	<u>nil</u>	<u>4.7p</u>
Diluted	<u>nil</u>	<u>4.7p</u>

### 5 NOTES TO THE CASH FLOW STATEMENT

## TOUCH GROUP PLC

	31 December 2007 £'000	31 December 2006 (Restated) £'000
Operating loss for the year:		
- Continuing	(1,116)	(4,267)
- Discontinued	-	(910)
	<u>(1,116)</u>	<u>(5,177)</u>
Adjustments for		
Depreciation of tangible assets	86	110
Amortisation of intangible assets	58	178
Investment impairment	555	2,774
Share based payment credit	<u>(230)</u>	<u>(62)</u>
Operating cash flows before movements in working capital	(647)	(2,177)
(Increase)/decrease in stocks	(65)	68
Increase in debtors	(151)	(743)
(Decrease)/increase in creditors	<u>(915)</u>	<u>441</u>
Net cash outflow from operating activities	<u><u>(1,778)</u></u>	<u><u>(2,411)</u></u>

## 6 COPIES OF REPORT

This preliminary announcement, which does not constitute statutory accounts, has been extracted from the unaudited statutory financial statements of the Group for the year ended 31 December 2007.

Copies of the Group's audited statutory accounts for the year ended 31 December 2007 will be dispatched to shareholders and the AIM team in mid-April. Copies will also be available to the public on request at the company's office.