

## TOUCH GROUP PLC

('Group' or 'the Company')

### UNAUDITED PRELIMINARY RESULTS FOR THE 12 MONTHS ENDED 31 MARCH 2011

Touch Group plc, the international business-to-business publishing group, today announces its unaudited preliminary results for the 12 months ended 31 March 2011.

#### Business and financial developments

- Turnover for the 12 month period was £4.79 million (15 months 2010: £5.69 million)
- The loss for the 12 month period was £1.50 million (15 months 2010: £2.20 million)
- Trading loss\* of £1.5 million (15 months 2010: £1.88 million)
- Gross margins remain strong at 50.5% (2010: 52.4%)
- Increase in orders carried forward to £2.94 million (2010: £2.86 million);
- As at period end the Group had net assets of £0.87 million (2010: £1.66 million), with cash and cash equivalents of £0.32 million (2010: £0.99 million).
- The Company continues its efforts to correct and strengthen its balance sheet, details of which are set out below and in note 1b) to the accounts

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

#### **Funding requirements**

It will not surprise shareholders that 2011 has been an extremely challenging year for Touch. As previously announced, the Company completed a secondary placement of 48,333,333 ordinary shares raising £725,000 in February 2011. These funds have been used to enhance and extend our digital assets with the intention of furthering the development of the Company's Medical Education and Communications Division, expanding our Pharma and Energy Divisions, and for general working capital purposes allowing us to focus on developing the business further. However, in order to meet its obligations as they fall due the Company will be required to raise additional capital. Shareholders should be aware that without the additional funding, the Company will in due course not be able to meet its obligations as they fall due.

In addition, given the economic environment some ongoing funding uncertainties remain. Whilst the Directors have instituted measures to preserve cash and secure additional funding these circumstances create material uncertainties over future funding results and cashflows.

The Directors have had discussions with certain other providers of finance about additional facilities and subsequent to year end an unsecured loan of £215,000 has been made available by Mr Vincent Isaacs, Executive Chairman during June 2011. The loan attracts an interest rate of 3.25 per cent per annum. The loan provided by Mr Isaacs and the interest payable thereon is classified as a related party transaction. The independent directors considered the loan to be in the best interests of the Company and shareholders as a whole. Having subsequently consulted with the Company's nominated adviser, the

independent directors are of the view that the terms of the loan were fair and reasonable insofar as its shareholders are concerned.

Discussions with other providers of finance remain ongoing and the Directors continue to pursue alternative sources of funding in the event that the anticipated facilities, which the Directors expect to secure, are not forthcoming,

The Directors have concluded that the combination of these circumstances represent a material uncertainty that casts significant doubt upon the Group's and the Company's ability to continue as a going concern. Nevertheless, the Directors have a reasonable expectation that the Group and the Company will have adequate resources to continue in operational existence for the foreseeable future.

The Chairman Statement and the Operating and Financial Review, which are contained below and form part of this announcement, include further important information and disclosures; the announcement should be read in its entirety.

For further information please contact:

Touch Group plc

Vincent Isaacs

Executive Chairman

Tel: 0207 452 5222

Shore Capital and Corporate Limited

Nominated Advisor to the Company

Anita Ghanekar

Tel: 0207 408 4090

Edward Mansfield

## **CHAIRMAN'S STATEMENT**

Looking at our figures it is not readily apparent that we have achieved a significant year. However, In February we successfully completed a placing of £725,000 ("Placing") at current market price. The success of this Placing was not just raising money but demonstrated the support we have from our major shareholders for the 21<sup>st</sup> century business that we are seeking to establish, and their agreement of our ongoing strategy, confident that future rewards will be significant. We have stuck to our guns and increased our investment into online distribution of knowledge and content and supporting systems using our journals as one of our distribution bases as the world moves from print to digital. We believe our commitment to this digitalised strategy and direction will, in the coming year, be proven right. However, we are now more than ever operating in a financial climate that is devastating.

The move from the printed word to online, mobile devices and websites has been inexorable. This has been due not only to general trend in the distribution of all information but also by savvy customer demand to have quicker access to the success or otherwise of advertising and market initiatives, where return on investment can be quickly demonstrated online by the sophisticated reports that can be generated.

The pharma world, in line with many other markets, is increasingly demanding. Driven by regulation and a difficult market economy all marketing, advertising and medical spend needs multi distribution and clear definition of the target markets and who the readers are, where they are; the demand is for positive response from each initiative. The barriers to entry, always high, are now immense.

This is the world that is now confronting us. The majors in our field are spending multi millions to seek to create and develop the systems that are fit for service in today's cyber space world. We are there, which is being demonstrated by the ongoing relationships that we have now established and are building with some of the largest and most demanding multi-nationals in the world.

Because of the exacting demands of our customers for reports and the information that they require from us, which is voluminous, dealing with them on a manual and semi-manual basis has in the past seriously limited our ability to go forward and undertake further commissions. We have now successfully automated our systems, so the cutting, slicing and presenting of our essential data and reports is now becoming an automatic procedure, whereas previously it was one requiring manual attention exhausting our resources by taking both considerable time and the attention of skilled personnel.

**This year we have successfully ticked many boxes:**

- Moved appropriate journals from print to online;
- Automation - Has taken out 95% of the manual application;
- Publishing – Successfully increased the frequency across our portfolio and established two new areas;
- Information distribution through our CRM – Successful implementation across the floor improving sales knowledge, data retention and security;
- Information Technology – Rationalised our server structures to increase security and increase bandwidth with cost savings whilst, at the same time, moving to a higher level, thus increasing flexibility; and
- The expansion of our online portfolio to cover 18 therapy areas.

**Intellectual Property**

We have an extensive wholly owned digital library of articles which, over the years, have been producing a stream of income with clients seeking reprints. This business generates an 80% margin.

<b>2008</b>	-	<b>£450,000</b>
<b>2009</b>	-	<b>£600,000</b>
<b>2010</b>	-	<b>£720,000</b>

Notwithstanding this income we have been seeking for some time the right strategy to monetise this ever increasing asset more effectively. We have now established the way forward. This will increase the received benefits from our library considerably.

We have just launched a new web portal, [touchhealthsciences.com](http://touchhealthsciences.com), and an exciting new journal called iHealth Connections.

This initiative is one of the most important we have ever undertaken, one that we have been working on for some considerable period of time. It relates to treatment and medicine of the future which is both radical and uplifting, revealing tomorrow's world. It is all about personalised treatment, a world where you just don't take an aspirin, you take an aspirin designed for you.

Our new peer-reviewed journal, iHealth Connections, explores the opportunities and challenges in the rapidly emerging field of health sciences, where healthcare and life sciences connect. The first issue was led by Guest Editor-in-Chief, Richard O'Day, President of the Drug Information association. He is also Professor of Clinical Pharmacology, University of New South Wales and St Vincent's Hospital, Sydney which brings together some of the best voices in health sciences.

With [touchhealthsciences.com](http://touchhealthsciences.com) you will have online access to Touch Briefings extensive health sciences portfolio, from drug discovery to clinical development and safety, and health outcomes.

[touchhealthsciences.com](http://touchhealthsciences.com) delivers the content that management believe will define the e-Healthcare era.

To launch our initiative we were invited to attend and exhibit at the Annual Congress of the Drug Information Association (DIA) which ran in Chicago from 20<sup>th</sup> June to 24<sup>th</sup> June 2011. It is the most important and prestigious event of its kind and it is supported by all of the majors i.e. Oracle, Cognizant, Medidata, IBM, Hewlett Packard, SAS, Microsoft, Quintiles, Parexel, EMC Corporation etc.

The Touch initiative of linking life science with healthcare was met with both acclaim and strong interest in partnering in ongoing and future initiatives from both areas.

Whilst we now look forward to an exciting and positive financial year we have to temper our enthusiasm and optimism against the reality of operating in a very difficult financial climate.

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Discussions with other providers of finance remain ongoing and the Directors continue to pursue alternative sources of funding in the event that the anticipated facilities, which the Directors expect to secure, are not forthcoming,

The Directors have concluded that the combination of these circumstances represent a material uncertainty that casts significant doubt upon the Group's and the Company's ability to continue as a going concern. Nevertheless, the Directors have a reasonable expectation that the Group and the Company will have adequate resources to continue in operational existence for the foreseeable future.

Vincent Isaacs

Executive Chairman

27 September 2011

## **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. The Group published 66 titles in the 12 month period to 31 March 2011 compared to 52 titles in the 15 months to March 2010.

### **Business Overview**

The Group generated revenue for the 12 month period of £4.79 million (2010 – 15 months: £5.69 million) from continuing operations and a gross margin of 50.5% (2010 – 15 months: 52.4%). On a 12 month pro rata basis turnover increased by 5% compared to the prior period.

The Energy publications produced revenues of £0.57 million for the 12 months compared to £0.72 million for the 15 months in 2010. On a 12 month pro rata basis this represents a small 1% reduction compared to 2010 levels.

Reprint revenues at £0.63 million for the 12 months compared to the £0.75 million for the 15 months in 2010. On a 12 month comparative this represents a 5% increase compared to 2010 levels.

Medical Communications revenues (which include both bespoke projects and revenues generated from

online) were £0.45 million for the 12 months ended 31 March 2011. This compares to £0.46 million for the 15 months in 2010 and a 21% increase on a comparative 12 month period.

European revenues (including the UK) were £2.86 million for the 12 months ended 31 March 2011 compared to £3.23 million for the 15 months ended 31 March 2010. On a pro rata 12 month basis this represents an 11% increase. US revenues were £1.75 million compared to £2.25 million which on a pro rata basis was a 3% reduction.

Sales on an order basis (rather than the statutory published basis) were £4.84 million compared to £5.75 million. On a pro rata 12 month basis this represents a 5% increase.

As at 31 March 2011 the Group had forward orders of £2.94 million compared to forward orders of £2.86 million as at 31 March 2010.

Administrative expenses for the 12 month period were £3.92 million (2010 – 15 months: £4.86 million). On a pro rata 12 months this represents a 1% increase on the prior period.

In the prior period, asset impairments of £0.3 million were recognised.

The operating loss for the 12 month period to 31 March 2011 was £1.50 million (2010 – 15 months: £2.14 million). The adjusted operating loss, which excludes investment impairments, other operating income and share based payment charges was £1.50 million for the 12 month period (2010 – 15 months: £1.88 million).

The loss for the 12 month period to 31 March 2011 was £1.50 million (2010 – 15 months: £2.20 million) which resulted in a loss per ordinary share of 0.9 pence (2010 – 15 months: 1.7 pence).

## **Balance Sheet and Cash Flows**

As at period end the Group had net assets of £0.87 million (2010: £1.66 million), with cash and cash equivalents of £0.32 million (2010: £0.99 million).

## **FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

### **Capital Risk Management**

The Group aims to manage its overall capital so as to ensure that companies within the Group continue to operate as going concerns, whilst providing an adequate return to shareholders.

The Group's capital structure represents the equity attributable to the shareholders of the company together with borrowings and cash and cash equivalents. The structure is reviewed on a quarterly basis to ensure that an appropriate level of gearing is being used.

## **Risk Management Objectives**

The Group manages financial risks relating to the companies within the Group largely through its invoice finance arrangements with Close Invoice Finance Limited. Consequently credit insurance is provided on 90% of gross export debts, whilst domestic debts are fully protected. As at 31 March 2011 29% of total debts were protected under the scheme.

The principal risks to which the Group is exposed are market risk (including currency risk, interest rate risk, and cash flow risk), credit risk, and liquidity risk.

## **Market Risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The principal ways in which the Group is exposed to such fluctuations are through currency risk and interest rate risk.

## **Currency Risk Management**

The Group publishes its financial statements in sterling and conducts business in two main foreign currencies (US dollars and Euros). As a result, it is subject to foreign currency exchange risk due to exchange rate movements which affect the Group's transaction costs.

In the period £1.8 million of revenue was invoiced in US dollars whilst £1.5 million was invoiced in Euros. US and Euro rate cards are reviewed by the company on a quarterly basis and regulated on a regular basis in order to ensure exchange rates are managed. Exchange gains realised in the period amounted to £0.08 million.

## **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 Close Invoice Finance Limited, which enables the

drawdown of up to 60% 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 £245,000 (2010: £260,000) attracts a fixed rate of interest of 7% per annum on £95,000 and 3% on £150,000, payable for the term of the loan.

### 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.

	12 months ended 31 March 2011	15 months ended 31 March 2010
<b>Adjusted operating loss</b> * (£'000)	(1,499)	(1,877)
<b>Adjusted EPS</b> * (pence)	(0.9)	(1.5)
<b>Sales orders</b> (£'000):	4,844	5,747
<b>Revenue by type</b> (£'000):		
- Core medical publications	2,587	3,026
- Core energy publications	569	717
- Medical communications	449	462
- Reprints	632	754
- Barter transactions (non-cash sales)	557	733
<b>Core non-barter revenue per issue</b> (£'000)	48	72
<b>Total non-barter revenue per employee</b> (£'000)	54	64
<b>Gross profit margin</b> (%)	50.5	52.4

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 12 months ended 31 March 2011 (15 months ended 31 March 2010)

		12 months ended 31 March 2011	15 months ended 31 March 2010
	Notes	£'000	£'000
<b>CONTINUING OPERATIONS</b>			
Revenue		4,794	5,692
Cost of sales		(2,375)	(2,712)
<b>GROSS PROFIT</b>	<b>2</b>	<b>2,419</b>	<b>2,980</b>
Administrative expenses		(3,918)	(4,857)
Other operating expenses – impairment		-	(267)
<b>OPERATING LOSS</b>	<b>2, 3</b>	<b>(1,499)</b>	<b>(2,144)</b>
Investment revenue		22	3
Finance costs		(19)	(57)
<b>LOSS BEFORE TAX</b>		<b>(1,496)</b>	<b>(2,198)</b>
Tax		-	-
<b>LOSS FOR THE PERIOD</b>		<b>(1,496)</b>	<b>(2,198)</b>

There is no other profit or loss for the year, therefore the comprehensive loss for the period is £1,496,000.

### LOSS PER SHARE

Basic	(0.9)p	(1.7)p
Diluted	(0.9)p	(1.7)p

All of the activities are classified as continuing.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the 12 months ended 31 March 2011 (15 months ended 31 March 2010)

	<b>Share Capital £'000</b>	<b>Share Premium £'000</b>	<b>Merger Reserve £'000</b>	<b>Retained Earnings £'000</b>	<b>Total £'000</b>
As at 1 January 2009	1,112	3,922	300	(2,533)	2,801
Loss for the period	-	-	-	(2,198)	(2,198)
New shares issued	507	553	-	-	1,060
As at 1 April 2010	1,619	4,475	300	(4,731)	1,663
Loss for the period	-	-	-	(1,496)	(1,496)
New shares issued	483	221	-	-	704
As at 31 March 2011	2,102	4,696	300	(6,227)	871

**CONSOLIDATED BALANCE SHEET**

As at 31 March 2011 (31 March 2010)

	Note	2011 £'000	2010 £'000
<b>NON-CURRENT ASSETS</b>			
Intangible assets		319	343
Property, plant and equipment		730	868
Investments		18	18
		<u>1,067</u>	<u>1,229</u>
<b>CURRENT ASSETS</b>			
Inventories		478	337
Trade and other receivables		1,433	1,374
Cash and cash equivalents		315	993
		<u>2,226</u>	<u>2,704</u>
<b>TOTAL ASSETS</b>		<u><u>3,293</u></u>	<u><u>3,933</u></u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		(1,601)	(1,322)
Borrowings		(245)	(260)
		<u>(1,846)</u>	<u>(1,582)</u>
<b>NET CURRENT ASSETS</b>		<u>380</u>	<u>1,122</u>
<b>NON-CURRENT LIABILITIES</b>			
Other		(576)	(688)
<b>TOTAL LIABILITIES</b>		<u><u>(2,422)</u></u>	<u><u>(2,270)</u></u>
<b>NET ASSETS</b>		<u><u>871</u></u>	<u><u>1,663</u></u>
<b>EQUITY</b>			
Share capital		2,102	1,619
Share premium account		4,696	4,475
Merger reserve		300	300
Retained loss		(6,227)	(4,731)
<b>TOTAL EQUITY</b>		<u><u>871</u></u>	<u><u>1,663</u></u>

## STATEMENT OF CONSOLIDATED CASH FLOWS

For the period 12 months ended 31 March 2011 (15 months ended 31 March 2010)

	<b>12 months ended 31 March 2011 £'000</b>	<b>15 months ended 31 March 2010 £'000</b>
<b>Cash flows from operating activities</b>	<b>(932)</b>	<b>27</b>
<b>Investing activities</b>		
Interest received	22	3
Acquisition of plant, property and equipment	(37)	(859)
Compensation received for relocation	-	820
Acquisition of intangible assets	(119)	(84)
<b>Net cash used in investing activities</b>	<b>(134)</b>	<b>(120)</b>
<b>Financing activities</b>		
Interest and similar expenses paid	(19)	(57)
Repayment of borrowings	(15)	(190)
Invoice debt finance acquired/(repaid)	(272)	(244)
Repayment of obligations under finance leases	(13)	(15)
New shares issued	707	1,061
<b>Net cash from financing activities</b>	<b>388</b>	<b>555</b>
Net increase/(decrease) in cash and cash equivalents	(678)	462
<b>Cash and cash equivalents at beginning of year</b>	<b>993</b>	<b>531</b>
<b>Cash and cash equivalents at year end</b>	<b>315</b>	<b>993</b>

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **1 SIGNIFICANT ACCOUNTING POLICIES**

#### **(a) Basis of Preparation**

The consolidated financial statements of Touch Group plc have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, Standing Interpretations Committee (SIC) interpretations and International Financial Reporting Interpretation Committee (IFRIC) interpretations issued by the International Accounting Standards Board (IASB) and the Companies Act 2006 applicable to companies reporting under IFRS.

Touch Group plc is listed on AIM and is incorporated and domiciled in the UK. The address of its registered office is Saffron House, 6-10 Kirby Street, London EC1N 8TS.

The consolidated financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

#### **(b) Going Concern**

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement and the Operating and Financial review. The principal risks and uncertainties facing the business are described in the Operating and Financial Review.

As discussed in the Chairman's Statement and Operating and Financial Review, the current economic climate is very challenging and the Company has suffered a significant loss of £1.5 million in the 12 months ended 31 March 2011 and, whilst the Company has implemented a number of significant actions to address this, 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.

It will not surprise shareholders that 2011 has been an extremely challenging year for Touch. As previously announced, the Company completed a secondary placement of 48,333,333 ordinary shares raising £725,000 in February 2011. These funds have been used to enhance and extend our digital assets with the intention of furthering the development of the Company's Medical Education and Communications Division, expanding our Pharma and Energy Divisions, and for general working capital purposes allowing us to focus on developing the business further. However, in order to meet its obligations as they fall due the Company will be required to raise additional capital. Shareholders should be aware that without the additional funding, the Company will in due course not be able to meet its obligations as they fall due.

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For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

**(c) New Standards and Interpretations**

There are no new standards and interpretations adopted by the Group in the financial year.

**(d) Standards not affecting the reported results of financial position**

The following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

- **IFRS 1** First time adoption of International Financial Reporting Standards;
- **IFRS 2** Share based payments;
- **IFRS 5** Non-current Assets Held for Sale and Discontinued Operations;
- **IFRS 8** Operating segments;
- **IAS 1** Presentation of Financial Statements;
- **IAS 7** Statement of Cashflows;
- **IAS 17** Leases;
- **IAS 36** Impairment of Assets;
- **IAS 39** Financial Instruments: Recognition and Measurement;
- **IFRIC 8** Scope of IFRS 2;
- **IFRIC 11** IFRS 2- Group and Treasury share transactions;
- **IAS 32** Financial Instruments and Presentation.

At the date of authorisation of these financial statements, a number of new IFRS Standards and IFRIC Interpretations have been issued which are not yet effective for the period ended 31 March 2011 and which have not been adopted early. These are listed below:

- **IFRS 1** First time Adoption of International Financial Reporting Standards;
- **IFRIC 19** Extinguishing Financial Liabilities with Equity Instruments;
- **IFRIC 14** IAS 19 – The Limit on A defined Benefit Asset, Minimum Funding Requirements and their Interaction;
- **IAS 24** Related Party Disclosures;
- **IFRS 3** Business Combinations;
- **IFRS 7** Financial Instruments: Disclosures;
- **IFRS 1** First-time Adoption of International Financial Reporting Standards;
- **IAS 1** Presentation of Financial Statements;
- **IAS 34** Interim Financial Reporting;
- **IFRIC 13** Customer Loyalty Programmes;
- **IFRS 7** Amendments to IFRS 7: Disclosures – Transfers of Financial Assets;
- **IFRS 1** Amendments to IFRS 1: Severe hyperinflation and Removal of Fixed Dates for First-

- |   |   |
|---|---|
|   | time Adopters   |
| - | <b>IAS 12</b> Deferred Tax: Recovery of Underlying Assets;  |
| - | <b>IFRS 9</b> Financial Instruments;                        |
| - | <b>IFRS 9</b> Financial Instruments;                        |
| - | <b>IFRS 10</b> Consolidated financial statements;           |
| - | <b>IFRS 11</b> Joint arrangements;                          |
| - | <b>IFRS 12</b> Disclosure of interests in other entities;   |
| - | <b>IFRS 13</b> Fair value measurement;                      |
| - | <b>IAS 27</b> Separate financial statements;                |
| - | <b>IAS 28</b> Investments in associates and joint ventures. |

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

#### *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.

#### *Critical Accounting Estimates and Judgements*

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. Due to inherent uncertainty involved in making estimates and assumptions, actual outcomes could differ from those assumptions and estimates. The critical judgements that have been made in arriving at the amounts recognised in the Group's financial statements and the key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are discussed below.

In determining the fair value of equity settled share-based payments and the related charge to the income statement, the Group makes assumptions about future events and market conditions. In particular, judgement must be made as to the likely number of shares that will vest, and the fair value of each award granted. The fair value is determined using the Black-Scholes valuation model which is dependent on further estimates, including the Group's future dividend policy, employee turnover, the timing with which options will be exercised and the future volatility in the price of the Group's shares. Such assumptions are based on publicly available information and reflect market expectations and advice taken from qualified personnel. Different assumptions about these factors to those made by the Group could materially affect the reported value of share based payments.

#### *Revenue Recognition*

Revenue is measured at the fair value of consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other-sales related taxes.

##### *a. Sales of goods*

Revenue in respect of advertising services and editorial sponsorship is recognised on publication.

*b. Sales of services*

Revenue in respect of online advertising and subscriptions is recognised on a straight-line basis over the period of subscription. Any unrecognised element is carried within deferred revenue.

*c. Barter transactions*

Revenue and costs in respect of barter transaction for advertising are recognised only where there is persuasive evidence at which, if it had not been exchanged, the advertising would have been sold for cash in a similar transaction.

*Leased assets*

Where assets are financed by leasing agreements where the risks and rewards are substantially transferred to the group ("finance leases") the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. Depreciation on leased assets is charged to the income statement on the same basis as owned assets.

Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the income statement.

Leases where substantially all the risks and rewards of ownership of assets remain with the lessor are accounted for as operating leases and are accounted for on a straight line basis over the term of the lease.

*Taxation*

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full using the balance sheet liability method. Deferred tax is the future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities shown on the balance sheet. Deferred tax assets and liabilities are not recognised if they arise in the following situations: the initial recognition of goodwill; or the initial recognition of assets and liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of recovery or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantially enacted at the balance sheet date.

The group does not recognise deferred tax liabilities or deferred tax assets on temporary differences associated with investments in subsidiaries as it is not considered probable that the temporary differences will reverse in the foreseeable future. It is the group's policy to reinvest undistributed profits arising in group companies.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. The carrying amount of the deferred tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

*Intangible assets*

Intangible assets acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Intangible assets are amortised on a straight-line basis over their useful lives in accordance with IAS 38 'Intangible Assets'. Assets are amortised over their estimated useful lives. A review is carried out at each financial year end and with changes in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' considered if necessary. The estimated useful lives are as follows:

- Acquired publishing rights 20 years

- Online development costs 3-5 years

Development costs are capitalised only where the costs are directly related to the creation of an asset, are separately identifiable and where the future profits from that asset will exceed the costs capitalised. Development costs cease to be capitalised when the asset starts to generate revenues.

#### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss. Depreciation is provided to write off the cost less estimated residual value of non-current assets by equal instalments over their estimated useful economic lives as follows:

- Leasehold improvements over the remaining life of the lease
- Plant, vehicles and equipment 3-7 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, the term of the relevant lease.

#### *Compulsory Purchase Order Compensation*

Fixed assets acquired using funds received from the Government under the compulsory purchase order on the Group's previous head office are capitalised within the relevant fixed asset category at cost. A balance, equivalent to the compensation received and used to acquire these assets is shown within creditors, and is being amortised to the profit and loss account so as to match the depreciation charge on the related fixed assets. The creditor balance is split between less than one year and greater than one year to reflect the periods in which the creditor will be released.

#### *Impairment of assets*

A review is carried out at the end of each financial period end to determine if any assets have suffered an impairment loss. If such indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Impairment losses are recognised in the income statement when an asset's carrying value exceeds its recoverable amount.

#### *Inventories – work in progress*

Inventories are stated at the lower of cost and net realisable value. Work in progress consists of costs incurred relating to unpublished material and deferred revenue at the period end.

#### *Financial instruments*

Financial assets and liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

#### *Borrowings:*

Interest bearing borrowings and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and incremental costs directly attributable to the issue, are accounted for on an accruals basis as part of finance expenses in the income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period that they arise.

#### *Trade receivables*

Trade receivables are reflected net of estimated provisions for doubtful client accounts. The provision is based on historic collection patterns and with reference to the ageing of certain balances.

#### *Trade payables*

Trade payables are measured at fair value.

#### *Share based payments*

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.

#### *Investments*

Non-current investments are shown at cost less provision for impairment. A review is carried out at the end of each financial period end to determine if any assets have suffered an impairment loss.

## **2 LOSS PER ORDINARY SHARE**

	<b>12 months ended 31 March 2011 £'000</b>	<b>15 months ended 31 March 2010 £'000</b>
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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	<b>(1,496)</b>	<b>(2,198)</b>
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#### **Number of shares**

Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<b>167,435,511</b>	<b>127,961,378</b>
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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 STATEMENT OF CONSOLIDATED CASHFLOWS**

	<b>12 months ended 31 March 2011 £'000</b>	<b>15 months ended 31 March 2010 £'000</b>
<b>Loss before tax for the period:</b>	<b>(1,496)</b>	<b>(2,198)</b>
<b>Adjustments for</b>		
Investment revenue	<b>(22)</b>	<b>(3)</b>
Finance costs	<b>19</b>	<b>57</b>
Depreciation of property, plant and equipment	<b>175</b>	<b>195</b>
Amortisation of intangibles	<b>143</b>	<b>166</b>
Impairment	<b>-</b>	<b>230</b>

Operating cash flows before movements in working capital	(1,181)	(1,553)
Increase in inventories	(141)	(25)
Reduction/(Increase) in receivables	216	2,027
Decrease in payables	174	(422)
Net cash from operating activities	<u>(932)</u>	<u>27</u>

#### 4 RELATED PARTY NOTE

The only intra-group transaction is the application of management charges of £957,000 (2010: £1,203,000). A £1,000,000 provision was made during the year against amounts owed to Touch Group plc from its subsidiary companies. At the end of the year Touch Group plc was owed an aggregate sum of £3,000,000 (2010: £2,890,000) by its subsidiary companies.

At the end of the year the Group had £245,000 (2010: £260,000) of outstanding borrowings with organisations for which a Group director acts as a trustee and has a non-beneficial interest. Interest is charged at a rate of 7% per annum on £95,000 and 3% on £150,000.

In June 2011 an unsecured loan of £215,000 was made to the Company by Mr Vincent Isaacs, Executive Chairman. Interest on the loan is charged at 3.25% per annum. The loan provided by Mr Isaacs and the interest payable thereon is classified as a related party transaction. The independent directors considered the loan to be in the best interests of the Company and shareholders as a whole. Having subsequently consulted with the Company's nominated adviser, the independent directors are of the view that the terms of the loan were fair and reasonable insofar as its shareholders are concerned.