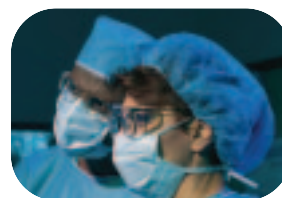
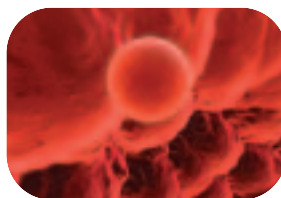
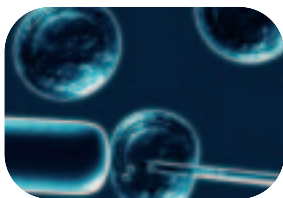


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OPERATING DIVISIONS



TOUCH BRIEFINGS

www.touchbriefings.com

Touch Briefings is a content-led, international publishing company, comprising a portfolio of business-to-business publications through which Touch harnesses best practice in scientific, technical, medical (STM) and B2B publishing in biomedical, pharmaceutical and energy sectors. The printed publications are complemented by a series of vertical websites that meet its customers' e-marketing needs, making Touch Briefings a unique combination of printed and online content.

Combining in-house commissioned review and analysis content from key opinion leaders with contractual distribution agreements with learned societies, Touch Briefings provides the link between product/service providers and their target audience. Publishing an article with Touch Briefings broadcasts the prestige of our authors among their international peer groups and industry leaders.

Touch Briefings has the benefit of a thriving client base, comprising government bodies, foreign direct and portfolio investors and multinational corporations. The client base stands at 1,400 companies, including 130 Fortune 500 companies.

Having invested in ensuring the quality and independence of its content and having grown the scope and frequency of titles in its target sectors, further Touch Briefings growth is secured through the creation of a Bespoke Publishing Service, as well as through the refinement and development of its online services.

Touch Briefings acknowledges the fundamental importance of its ability to offer its highly valued clients a suite of business opportunities, both print and online, and, to this end, has focused on working closely with them in the development of its online products. Six vertical sites have been launched in the clinical specialities of cardiology, neurology, oncology, gastroenterology, endocrinology and respiratory disease, as well as one vertical site in the energy sector covering oil and gas. The online team is making exciting headway in the exacting tasks of constantly refreshing content of the highest educational value to the clinical communities, and of negotiating advertising/sponsorship deals in an industry fraught with regulatory constraints.

www.touchcardiology.com
www.touchneurology.com
www.touchoncology.com
www.touchgastroenterology.com
www.touchendocrinedisease.com
www.touchrespiratorydisease.com
www.touchoilandgas.com

CHAIRMAN'S STATEMENT

Including the CEO Summary



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 while 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 £7 million for the ongoing 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 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.

CHAIRMAN'S STATEMENT (continued)



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 and gas and energy sectors. Sixty-five per cent of our business is conducted in the US 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 portfolios. 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.

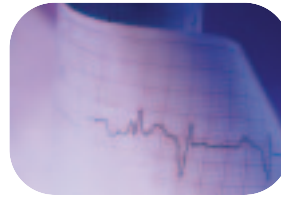
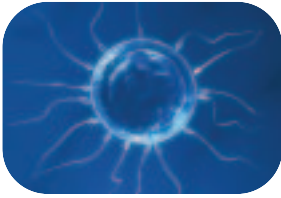
Energy Sector Division

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

CHAIRMAN'S STATEMENT (continued)



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 Conclusion

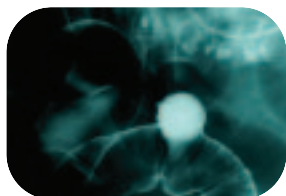
In the second half of 2006 we established the team, led by our Chief Executive Officer Dr Theresa Saklatvala, that has transformed the Company, structurally, operationally and strategically, leading to significant growth in sales throughout the business. We are now a professionally managed, talent-led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



OPERATING REVIEW



Group Review

The Group generated turnover of £5.8 million (2005: £5.2 million) from continuing operations. The turnover from discontinued operations of £3.3 million (2005: £4.2m) represents the trading of the Touch Local business for the period to 26 October 2006.

The 2005 turnover from discontinued operations also includes the turnover for Touch Local for the year along with the trading from the Vision business for the period to 27 September 2005, when it was sold to MediaZest plc.

The operating loss for the year from continuing operations was £4.3 million (2005 restated*: £2.4 million). The loss from discontinued operations of £0.9 million is the result for the Touch Local business for the period until part-disposal. The loss from discontinued operations in 2005 of £1.2 million was made up of the results from Touch Local and Touch Vision.

The exceptional gain in the year of £4.4 million was from the part-disposal of the Touch Local business. On 26 October 2006, Benchmark Capital Europe invested £7 million into the Local business in return for a 55% equity stake.

The exceptional gain in 2005 of £1.3 million was from the disposal of the Touch Vision business. The business was sold on 27 September 2005 to MediaZest plc. The Group received 4.4 million shares, currently valued at £0.3 million, and cash of £0.53 million.

Touch Briefings

Touch Briefings provides independent market intelligence and analysis, offering a comprehensive range of market-specific publications and online communities. It specialises in delivering in-depth business and technical information to international organisations. Revenues are generated through content sponsorship and the sale of advertising space in these publications and websites.

The following provides an overview of 2006 performance.

The company is now the sole operational constituent of the Group and in 2006 enjoyed another year of organic revenue growth. Turnover for the year was £5.8 million (2005: £5.2 million). At the year end the company carried £0.7 million of sales orders in to 2007, the majority of which will be recognised as turnover in the first half of the year.

The Briefings client base includes 130 of the Fortune 500 list of corporations, many of whom we have traded with for several years. Approximately 56% of 2006 revenue (2005: 55%) came from US companies.

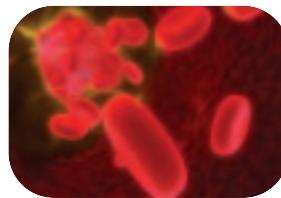
Sixty-five titles were published in 2006 (2005: 32 titles), which is a significant achievement and testament to the entrepreneurial and professional culture that now prevails. Twelve new titles were launched in the year and 19 titles yielded second editions for the first time. A Bespoke Publishing division has augmented the Briefings title range, which now covers much of the energy and pharmaceutical sectors. This new revenue stream is expected to contribute significantly in 2007, as well as helping the company identify opportunities and establish expertise in other market sectors.

Briefings achieved a gross margin of 35% in 2006 (2005: 35%). This result is particularly pleasing in light of the investment in new titles and biannual editions made during the year.

Administrative expenses for the year were £3.5 million excluding investment impairments (2005 restated*: £3.6 million). However, this number includes central overhead costs, which relate solely to the Touch Local business. For example, during the year approximately £0.6 million of salary costs were incurred, none of which will be suffered in 2007. We estimate that the continuing administrative expense associated with the Local business, and therefore not to be incurred in 2007, is in the region of £0.9 million.

Our Verticals have been transformed into online communities with up-to-date content for therapeutic professionals. The verticals offer scope to generate revenue from both conventional web advertising, such as banner adverts, and – more importantly – by offering opportunities for potential advertisers to ‘sponsor’ a space which has a clinical focus. The first Verticals were www.touchcardiology.com and www.touchoilandgas.com, which both generate revenue. They were followed in 2006 by Verticals for the oncology, respiratory, endocrine, neurology and gastroenterology communities, all of which are expected to contribute revenue in 2007.

OPERATING REVIEW (continued)



Touch Local

Touch Local is an online marketing services company specialising in local business directories, local search and search engine marketing. On 26 October 2006, the Group secured £7 million of new funding for the business. In divesting the majority of its stake the Group has provided the necessary liquidity for Touch Local's future development, while removing any further cash burden from the Group.

Turnover up to the date of the transaction amounted to £3.3 million (2005: £2.2 million).

The Group now holds a 27.5% interest in Touch Local.

Balance Sheet and Cash Flows

As at year end the Group had net assets of £6.0 million (2005 restated*: £4.5 million); funds of £1.0 million were available and there was £0.7 million on deposit in two escrow accounts, a £576,000 rental deposit on our London Head Office and £200,000 temporarily held in support of Touch Local's merchant account for its online and call centre activity. The escrow amounts were not available for use within the Group; however, the £200,000 will become accessible from April 2007 onwards.

In December 2006 the Group successfully raised £1.8 million by way of a placing with institutional and private investors. The proceeds of this fund raising, after a £0.3 million repayment of debt and the settlement of pre-disposal Touch Local-related liabilities, have been earmarked for an anticipated increase in the Group's working capital requirement as it continues to grow its publishing business. In April 2006 the Group also raised £0.7 million by way of a placing of 8,437,500 new ordinary shares.

Interest Rate Risk

During the year the Group entered into a £1 million unsecured loan agreement. These funds were used to finance the immediate working capital requirements of the Group after finalising the Local deal. At the year end £0.7 million of borrowing remained, on which a fixed rate of 7% per annum is payable for the term of the loan.

Liquidity Risk

In May 2006 the Group entered into an invoice finance agreement with HSBC Invoice Finance (UK) Limited, enabling a drawdown of up to 60% against sales invoices. In March 2007 HSBC improved the facility, enabling a drawdown of up to 80% against sales invoices.

Changes to the Financial Reporting Framework

The Group is required to adopt FRS 20 'Share-based Payment' 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. 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.

In line with AIM guidelines, the Group intends to adopt International Financial Reporting Standards (IFRS) for the financial year ending 31 December 2007. We are preparing for a review of the requirements of IFRS and their likely impact on the Group's financial position and aim to update shareholders ahead of our 2007 interim results notice.

* As restated for the adoption of FRS 20: 'Share-based payment'; see note 12.

BOARD OF DIRECTORS



Vincent Isaacs
Executive Chairman

Vincent has been Executive Chairman of Touch Group plc since founding the Group in July 1997. Prior to this, Vincent was Founder, Chairman and Chief Executive of General Portfolio Group plc, an insurance company that was sold to GAN SA, a French government-controlled company, for £289 million in 1990. Vincent was one of the founders of Moneybox and chaired the company to June 2002. Vincent is also a Director of Touch Local Limited.

Theresa Saklatvala, PhD
Chief Executive Officer

Theresa joined the main board of Touch Group plc on 17 November 2006 and was subsequently appointed to the position of CEO on 17 January 2007. Theresa has held senior managerial positions in various business-to-business publishing companies, including Reed Elsevier and Informa, in the 17 years prior to joining Touch Group.



Stuart Winship, FCA
Chief Financial Officer

Stuart became CFO and a main board director of Touch Group plc on 12 July 2004. Before joining Touch Group, Stuart was an Audit Partner with Deloitte & Touche LLP, one of the big four professional services firms. Prior to joining Deloitte & Touche LLP, Stuart was a Partner with Arthur Andersen in London. Stuart's experience encompasses providing audit services, fund raising, debt and equity financial re-engineering, both at a small cap and FTSE level. Stuart is also CFO and Director of Touch Local Limited.

Darren Drew, FCCA
Finance Director

Since joining Touch Group plc in April 2001, Darren has worked in a number of financial and operational positions, including that of Group Financial Controller since July 2004. Prior to that, Darren worked for P&O's property and events group.



BOARD OF DIRECTORS (continued)



Neil Brown

Non-Executive Director

Neil is a founding partner in Subito Partners and is an investor in a number of growing technology businesses. He is a former director of Apax Partners where he was head of the financial services team. Neil was involved with a wide range of online businesses and led Apax's successful investment in Moneybox plc. A former partner of Coopers & Lybrand, Neil has over 20 years of experience in international M&A markets.

Nicholas Levene

Non-Executive Director

Nick joined the board of Touch Group plc on 28 February 2007. Nick, who has over 20 years of experience within the equity and derivatives markets, is Managing Director of Integrated Financial Products Limited and acts as Deputy Chairman of Bramdean Asset Management and Vice Chairman of Leyton Orient Football Club.



Robert Lorenz, MD, FACS

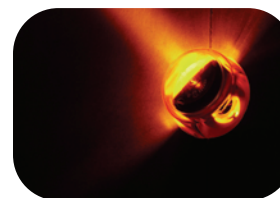
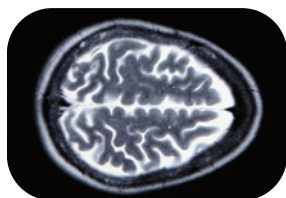
Non-Executive Director

Robert is a senior executive and head and neck surgeon at the non-profit foundation the Cleveland Clinic. There, he holds an administrative position in the third-ranking medical institution in the US, which employs 37,000 staff and has annual revenue of US\$4.3 billion. He has extensive publishing experience, having co-authored more than 60 scientific publication and book chapters, and he sits on the editorial board of three medical journals. He brings with him experience in the Internet medical industry, having worked as a consultant with Medsite.com prior to that company becoming public. He also works extensively with US pharmaceutical companies, holding the position of programme co-ordinator for his regional professional society.



Lionel Ross FCA resigned on 26 May 2006. Emre Berkin resigned on 20 November 2006. Mark Horrocks resigned on 17 January 2007.
Tamer Ozmen resigned on 26 October 2006. Tim Brier resigned on 14 December 2006.

DIRECTORS' REPORT



The directors present their report and the audited financial statements for the year ended 31 December 2006.

Principal Activities

The group's principal activities are in multimedia marketing.

Review of the Business and Future Developments

The review of the business and future developments are covered in the Chairman's Statement and the Operating Review.

Results and Dividends

The audited financial statements for the year ended 31 December 2006 are set out on pages 14 to 36.

The loss for the period after taxation amounted to £790,000 (2005 restated*: £2,171,000).

The directors do not recommend any dividend (2005: nil).

* As restated for the adoption of FRS 20: 'Share-based payment'; see note 12.

Disposal of Touch Local

On 26 October 2006 Touch Local Limited (formerly Touch (GoE) plc) was sold. Details of the disposal are set out in notes 7 and 25 to the accounts.

Directors and their Interests

Directors who held office at 31 December 2006 had the following interests in the shares of the company:

Ordinary Shares of 1p

	31 December 2006		31 December 2005	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
V J Isaacs	10,784,438	13,728,921	8,646,938	7,833,891
S Winship	512,500	–	200,000	–
M I Horrocks	1,860,720	–	235,720	–
N G Brown	312,500	–	–	–

As at date of appointment, Darren Drew had a beneficial interest of 62,400 shares in the company.

Details of share options held by directors under Option Schemes were as set out below:

Touch Group plc Discretionary Share Option Scheme

	Note	Date Granted	Exercise Price	Exercisable		Ordinary Shares of 1p	
				From	To	31 December 2006	31 December 2005
S Winship	a	05/08/04	10.25p	05/08/07	05/08/14	–	1,463,414
T Saklatvala	a	03/11/06	6.25p	03/11/09	03/11/16	250,000	–
T Saklatvala	b	29/12/06	5.50p	29/12/09	29/12/16	1,000,000	–
D P Drew	a c	08/06/04	10.00p	08/06/07	08/06/14	150,000	150,000
D P Drew	b c	14/12/06	5.38p	14/12/09	14/12/16	250,000	–

a Touch Group plc Discretionary Share Option Scheme

b Enterprise Management Incentive Scheme

c As at date of appointment

Supplier Payment Policy

The company's policy is to settle terms of payment with suppliers when agreeing terms for each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the company at 31 December 2006 were equivalent to 40 days (2005: 45 days), purchases based on an average daily amount invoiced by suppliers during the year.

Employee Policy

The Group operates a policy of non-discrimination in respect of ethnicity and disabled persons and encourages the personal and professional development of all persons working for the Group.

Charitable and Political Contributions

During the year the Group made no charitable or political donations.

Auditors

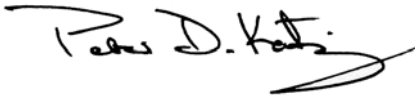
Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

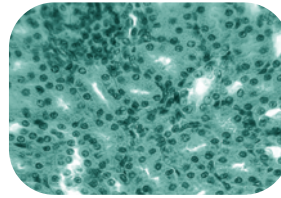
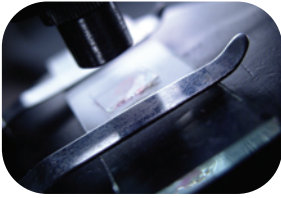
Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



Peter D Katz
Company Secretary
18 May 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES



The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Touch Group plc:

We have audited the group and parent company financial statements of Touch Group plc for the year ended 31 December 2006, which comprise the Group Profit and Loss account, the Group and Company Balance Sheets, the Group Cash Flow statement, the Group Statement of Total Recognised Gains and Losses and the related notes numbered 1 to 29. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the Directors' report is consistent with the financial statements. In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the group's and company circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2006 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors, London

18 May 2007

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2006

		31 December 2006	31 December 2005 (Restated*)
	Notes	£'000	£'000
TURNOVER			
Continuing operations	2	5,824	5,202
Discontinued operations	2	3,280	4,224
		9,104	9,426
Cost of sales		(5,725)	(5,384)
GROSS PROFIT		3,379	4,042
Administrative expenses		(5,810)	(6,979)
Administrative expenses – investment impairment		(2,774)	(634)
Total administrative expenses		(8,584)	(7,613)
OPERATING LOSS	2, 4		
Continuing operations		(4,267)	(2,419)
Discontinued operations		(938)	(1,152)
		(5,205)	(3,571)
Profit on part disposal/disposal of subsidiary	7, 15	4,406	1,291
LOSS ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES		(799)	(2,280)
Interest receivable	8	42	114
Interest payable	8	(33)	(5)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(790)	(2,171)
Tax on loss on ordinary activities	9	–	–
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		(790)	(2,171)
LOSS FOR THE FINANCIAL YEAR		(790)	(2,171)
LOSS PER ORDINARY SHARE			
	10		
Basic		(1.1)p	(3.3)p
Diluted		(1.1)p	(3.3)p
LOSS FROM CONTINUING OPERATIONS PER ORDINARY SHARE			
Basic		(5.8)p	(3.5)p
Diluted		(5.8)p	(3.5)p

* As restated for the adoption of FRS 20: 'Share-based payment'; see note 12.

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2006

	31 December 2006	31 December 2005 (Restated*)
	£'000	£'000
Retained loss for the financial year	(790)	(2,171)
Transfer from other reserves	6,216	–
Loss on foreign currency translation	–	(8)
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR	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	

* As restated for the adoption of FRS 20: 'Share-based payment'; see note 12.

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

		31 December 2006	31 December 2005 (Restated*)
	Notes	£'000	£'000
FIXED ASSETS			
Intangible assets			
– Goodwill	13	–	498
– Development costs, patents and trademarks	13	313	811
		313	1,309
Tangible assets			
Investments	14	536	602
	15	3,842	1,241
		4,691	3,152
CURRENT ASSETS			
Stocks	16	100	168
Debtors	17	2,849	3,381
Cash at bank and in hand		1,695	1,169
		4,644	4,718
CREDITORS: amounts falling due within one year	18	(2,637)	(3,299)
NET CURRENT ASSETS		2,007	1,419
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS: amounts falling due after more than one year	19	(650)	(23)
NET ASSETS		6,048	4,548
CAPITAL AND RESERVES			
Called up share capital	20	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		6,048	4,548

* As restated for the adoption of FRS 20: 'Share-based payment'; see note 12.


COMPANY BALANCE SHEET

As at 31 December 2006

		31 December 2006	31 December 2005 (Restated*)
	Notes	£'000	£'000
FIXED ASSETS			
Tangible assets	14	439	470
Investments	15	3,763	365
		4,202	835
CURRENT ASSETS			
Debtors: amounts falling due within one year	17	2,482	3,847
Debtors: amounts falling due after more than one year	17	–	899
Cash at bank and in hand		1,511	735
		3,993	5,481
CREDITORS: amounts falling due within one year	18	(1,042)	(839)
NET CURRENT ASSETS		2,951	4,642
TOTAL ASSETS LESS CURRENT LIABILITIES		7,153	5,477
CREDITORS: amounts falling due after more than one year	19	(650)	(23)
NET ASSETS		6,503	5,454
CAPITAL AND RESERVES			
Called up share capital	20	1,112	668
Share premium account		3,922	1,958
Profit and loss account		1,469	2,828
SHAREHOLDERS' FUNDS		6,503	5,454

* As restated for the adoption of FRS 20: 'Share-based payment'; see note 12.

The financial statements were approved by the Board of Directors 18 May 2007 and signed on its behalf by:



Darren Drew
Director



Vincent Isaacs
Director

COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENTS ON RESERVES

For the year ended 31 December 2006

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 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

The other reserve is a non-distributable reserve and arises from the historical adoption of merger accounting.

For the year ended 31 December 2006

Company	Issued Share Capital	Share Premium Account	Profit and Loss Account	Year Ended 31 December 2006	Year Ended 31 December 2005
	£'000	£'000	£'000	£'000	£'000
At beginning of period as previously stated	668	1,958	2,627	5,253	5,026
Prior year adjustment for FRS 20: 'Share-based Payment'	–	–	201	201	77
At beginning of the period restated	668	1,958	2,828	5,454	5,103
Retained loss for the period	–	–	(1,281)	(1,281)	(1,907)
FRS 20: Share-based payment	–	–	(78)	(78)	248
Issue of share capital	444	1,964	–	2,408	2,010
At end of period	1,112	3,922	1,469	6,503	5,454

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2006

		31 December 2006	31 December 2005
	Notes	£'000	£'000
Net cash outflow from operating activities	22	(2,411)	(1,814)
Returns on investments and servicing of finance	23	9	89
Capital expenditure and financial investment	23	(226)	(737)
Acquisitions and disposals	23	71	530
Cash outflow before financing		(2,557)	(1,932)
Financing	23	3,083	2,003
Increase in cash in the period	24	526	71

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies, have been applied consistently throughout the current year and the preceding period, with the exception of FRS 20 'Share-based Payment', which is referred to below.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Basis of consolidation

The group financial statements consolidate the financial statements of Touch Group plc and its subsidiary undertakings drawn up to 31 December each year. The results of businesses and subsidiaries acquired are consolidated for the periods from which control passed. Acquisitions are accounted for under the acquisition method.

Intangible assets – goodwill

Goodwill arising on the acquisition of businesses and subsidiary undertakings, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its estimated useful economic life, which is a maximum of 20 years. Provision is made for any impairment.

Intangible assets – research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, identifiable expenditure is deferred and amortised over a period – of between three and five years – during which the group is expected to benefit. Provision is made for any impairment.

Intangible assets – other

Other intangible assets, being the fair value of acquired licences, publishing rights, titles and benefits, are amortised over their estimated useful lives or 20 years, whichever is the shorter. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost less estimated residual value of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold land and buildings	–	lease term
Plant, vehicles and equipment	–	3 to 7 years

Investments

Except as stated below, fixed asset investments are shown at cost less provision for impairment.

In the company balance sheet, for investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. Any premium is ignored.

Work in progress

Costs incurred relating to unpublished material and deferred revenue at the year end are treated as work-in-progress, which is valued at the lower of cost and net realisable value.

Share-based payment

The Group is required to adopt FRS 20 'Share-based Payment' 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.

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 recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial

NOTES TO THE FINANCIAL STATEMENTS (continued)

1. STATEMENT OF ACCOUNTING POLICIES (continued)

statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Revenue recognition

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of value added tax.

Revenue derived from the online directory is recognised in equal monthly instalments over the relevant subscription period.

Barter transactions

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

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on the translation of the opening net assets and results of overseas operations are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital requirements outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. SEGMENTAL INFORMATION

The turnover and operating loss of the Group are analysed below between continuing and discontinued operation. The directors consider that the business operates within one business segment, that of multimedia marketing.

Continuing and Discontinued Operations

	Year Ended 31 December 2006			Year Ended 31 December 2005		
	£'000	£'000	£'000	£'000	£'000	£'000
	Continued	Discontinued	Total	Continued (Restated*)	Discontinued	Total (Restated*)
Turnover	5,824	3,280	9,104	5,202	4,224	9,426
Cost of sales	(3,777)	(1,948)	(5,725)	(3,359)	(2,025)	(5,384)
Gross profit	2,047	1,332	3,379	1,843	2,199	4,042
Administrative expenses	(6,314)	(2,270)	(8,584)	(4,262)	(3,351)	(7,613)
Operating loss	(4,267)	(938)	(5,205)	(2,419)	(1,152)	(3,571)

Geographical Segments

	Year Ended 31 December 2006			Year Ended 31 December 2005		
	£'000	£'000	£'000	£'000	£'000	£'000
	Continued	Discontinued	Total	Continued (Restated*)	Discontinued	Total (Restated*)
Turnover by Destination						
United Kingdom	563	3,280	3,843	313	4,224	4,537
Rest of Europe	1,754	–	1,754	1,855	–	1,855
US	3,269	–	3,269	2,864	–	2,864
Rest of World	238	–	238	170	–	170
	5,824	3,280	9,104	5,202	4,224	9,426
Turnover by Origin						
United Kingdom	5,824	3,280	9,104	5,202	4,224	9,426
Operating Loss						
United Kingdom	(4,267)	(938)	(5,205)	(2,419)	(1,152)	(3,571)
Net Assets						
United Kingdom	6,048	–	6,048	3,627	921	4,548

* As restated for the adoption of FRS 20: 'Share-based payment'; see note 12.

Barter transactions

During the period, turnover of £1,222,000 (2005: £956,000) was recognised from barter transactions arising entirely from advertising being bartered within the publication division in return for distribution of the printed product to either conference delegates or association members. These transactions are reflected at the average page yield per specific publication and are recognised in line with UITF 26 (Barter Transactions for Advertising).

3. 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.

4. OPERATING LOSS

This is stated after charging/(crediting):

	Year Ended 31 December 2006	Year Ended 31 December 2005
	£'000	£'000
Redundancy costs	-	50
Depreciation of owned assets	98	205
Depreciation of assets held under finance leases and hire purchase contracts	12	3
Amortisation of goodwill	28	66
Amortisation of other intangible assets	178	64
Operating lease rentals paid – land and buildings	645	774
– other	59	4
Rentals receivable under operating leases	(283)	(296)
Auditors' remuneration for audit services	33	50
Non-audit fees payable to Deloitte & Touche LLP	-	8

The analysis of auditors remuneration is as follows:

	Year Ended 31 December 2006	Year Ended 31 December 2005
	£'000	£'000
Fees payable to the company's auditors for the audit of the company's annual accounts	33	50
Total audit fees	33	50
– Tax services	-	8
Total non-audit fees	-	8

5. DIRECTORS' REMUNERATION

	Year Ended 31 December 2006	Year Ended 31 December 2005
	£'000	£'000
Directors' emoluments		
Remuneration	305	366
Highest paid director		
Remuneration	140	120

Details of director share options are disclosed in the Directors' Report – see page 10.

NOTES TO THE FINANCIAL STATEMENTS (continued)

6. STAFF COSTS

Group	Year Ended	Year Ended
	31 December 2006	31 December 2005
	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	4,800	5,844
Social security costs	514	613
	5,314	6,457

The average number of employees (including directors) employed by the Group was 145 (2005: 192).

Operational	122	160
Administrative	23	32
	145	192

Company	Year Ended	Year Ended
	31 December 2006	31 December 2005
	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	1,029	1,112
Social security costs	110	122
	1,139	1,234

The average number of employees (including directors) employed by the Company was 25 (2005: 27).

Operational	7	8
Administrative	18	19
	25	27

7. PROFIT ON PART DISPOSAL/DISPOSAL OF SUBSIDIARY

The exceptional gain in the year of £4.4 million was from the part disposal of the Touch Local business on 26 October 2006. On that date 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 (see note 15).

The exceptional gain in the previous year of £1.3 million was from the disposal of the Touch Vision business. The business was sold on 27 September 2005 to MediaZest plc. The Group received £1.875 million worth of MediaZest plc shares and net cash of £530,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

8. FINANCE CHARGES (NET)

INTEREST PAYABLE

	Year Ended 31 December 2006	Year Ended 31 December 2005
	£'000	£'000
Loans and overdrafts	27	–
Finance charges payable under finance leases and hire purchase contracts	6	5
	33	5

INTEREST RECEIVABLE

All interest receivable relates to the interest received upon short-term bank deposits.

9. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no current or deferred tax charge in either year.

The accumulated tax losses of £15,600,000 (2005: £31,930,000) give rise to a potential deferred tax asset of £4,680,000 (2005: £9,580,000, of which £5,280,000 related to Touch Local), which has not been recognised because of the uncertainty of future profits with which to utilise the losses. Tax losses of £18,285,000 were associated with the Touch Local business and remain with that business after the disposal.

Factors affecting the tax charge for the current year

	Year Ended 31 December 2006	Year Ended 31 December 2005 (Restated*)
	£'000	£'000
Loss on ordinary activities before taxation	(790)	(2,171)
Tax at 30% thereon	237	651
Effects of:		
Permanent differences	8	178
Capital allowances in excess of depreciation	(57)	(115)
Short term timing differences	43	(42)
Provision against investment	(832)	–
Disposal of interest in subsidiary	1,322	–
Utilisation of tax losses brought forward	–	76
Tax losses not utilised	(721)	(748)
Current tax charge for the period	–	–

* As restated for the adoption of FRS 20: 'Share-based payment'; see note 12.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. LOSS PER ORDINARY SHARE

	Year Ended 31 December 2006	Year Ended 31 December 2005 (Restated*)
	£'000	£'000
Earnings		
Retained loss for the year	(790)	(2,171)
Profit on disposal of subsidiary	(4,406)	(1,291)
Loss before exceptional items for the year	(5,196)	(3,462)
Earnings from continuing operations		
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	(4,258)	(2,310)
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, Diluted and Adjusted	(5.8)p	(3.5)p

* As restated for the adoption of FRS 20: 'Share-based payment'; see note 12.

11. LOSS ATTRIBUTABLE TO TOUCH GROUP PLC

The loss for the financial period dealt with in the financial statements of the parent company, Touch Group plc, was £1,280,785 (2005 restated*: £1,906,809). As provided by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

* As restated for the adoption of FRS 20: 'Share-based payment'; see note 12.

12. SHARE-BASED PAYMENTS

The Group is required to adopt FRS 20 'Share-based Payment' 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

Options are typically exercisable at a price equal to the average quoted market price of the Company's shares on the date of grant. The vesting period is typically three years. Options are normally forfeited if the employee leaves the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. SHARE-BASED PAYMENTS (continued)

Details of the Group share options outstanding during the year are as follows.

	Year Ended 31 December 2006		Year Ended 31 December 2005	
	Number of Share Options	Weighted Average Exercise Price	Number of Share Options	Weighted Average Exercise Price
Outstanding at beginning of period	10,677,134	9.87	6,337,134	6.38
Granted during the period	4,800,000	5.98	4,340,000	14.97
Forfeited during the period	7,556,414	12.63	–	–
Exercised during the period	–	–	–	–
Expired during the period	–	–	–	–
Outstanding at the end of the period	7,920,720	4.89	10,677,134	9.87
Exercisable at the end of the period	2,753,000	1.17	1,378,000	1.33

There were no share options exercised during the year. The options outstanding at 31 December 2006 had a weighted average exercise price of 4.89p, and a weighted average remaining contractual life of 1.57 years. In 2006, options were granted on 6 January, 3 November, 14 December and 29 December. The aggregate of the estimated fair values of the options granted on those dates is £0.2 million. In 2005, options were granted on 27 September and 1 November. The aggregate of the estimated fair values of the options granted on those dates is £0.2 million.

The key inputs into the Black-Scholes option pricing model were as follows:

	Year Ended 31 December 2006	Year Ended 31 December 2005
Weighted average		
Share price at date of grant	8.01p	10.08p
Exercise price	4.89p	9.87p
Expected volatility	57.1%	62.0%
Expected life (years)	1.57	1.17
Risk-free interest rate	10.9%	10.9%
Dividend yield	Nil	Nil

Expected volatility was determined by calculating the historical volatility of the group's share price since the demerger of Moneybox on 18 March 2004.

The group recognised a credit of £62,000 and an expense of £265,000 related to equity-settled share-based payment transactions in 2006 and 2005, respectively.

Comparative figures for the year ended 31 December 2005 have been restated to apply the provisions of FRS 20 as set out below.

	Group £'000	Company £'000
Loss on ordinary activities before taxation as previously reported	(2,030)	(1,746)
Impact of FRS 20	(141)	(124)
Loss on ordinary activities before taxation as restated	(2,171)	(1,870)
Net assets as previously reported	4,347	5,253
Impact of FRS 20	201	201
Net assets as restated	4,548	5,454

NOTES TO THE FINANCIAL STATEMENTS (continued)

13. INTANGIBLE FIXED ASSETS

Group	Goodwill	Development Costs	Publishing Rights, Titles Benefits and Licences	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2006	657	561	602	1,820
Additions	–	160	–	160
Disposal of subsidiary	(657)	(644)	–	(1,301)
At 31 December 2006	–	77	602	679
Amortisation				
At 1 January 2006	159	–	352	511
Provided during the year	28	164	14	206
Disposal of subsidiary	(187)	(164)	–	(351)
At 31 December 2006	–	–	366	366
Net book value				
At 31 December 2006	–	77	236	313
At 31 December 2005	498	561	250	1,309

14. TANGIBLE FIXED ASSETS

Group	Leasehold Land and Buildings	Plant, Vehicles and Equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2006	637	2,718	3,355
Additions	–	84	84
Disposal of subsidiary	–	(66)	(66)
At 31 December 2006	637	2,736	3,373
Depreciation			
At 1 January 2006	225	2,528	2,753
Provided during the year	36	74	110
Disposal of subsidiary	–	(26)	(26)
At 31 December 2006	261	2,576	2,837
Net book value			
At 31 December 2006	376	160	536
At 31 December 2005	412	190	602

Finance leased assets included above:

Net book value			
At 31 December 2006	–	42	42
At 31 December 2005	–	54	54

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. TANGIBLE FIXED ASSETS (continued)

Company	Leasehold Land and Buildings	Plant, Vehicles and Equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2006	560	609	1,169
Additions	–	31	31
At 31 December 2006	560	640	1,200
Depreciation			
At 1 January 2006	189	510	699
Provided during the year	36	26	62
At 31 December 2006	225	536	761
Net book value			
At 31 December 2006	335	104	439
At 31 December 2005	371	99	470
Finance leased assets included above:			
Net book value			
At 31 December 2006	–	42	42
At 31 December 2005	–	54	54

15. INVESTMENTS

Group	MediaZest plc	Touch Local Ltd	Total
	£'000	£'000	£'000
Cost			
At 1 January 2006	1,875	–	1,875
Additions	–	5,375	5,375
At 31 December 2006	1,875	5,375	7,250
Provision for impairment			
At 1 January 2006	634	–	634
Provided during the year	899	1,875	2,774
At 31 December 2006	1,533	1,875	3,408
Net book value			
At 31 December 2006	342	3,500	3,842
At 31 December 2005	1,241	–	1,241

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.

Touch Group plc retained an interest of 27.5% of the shares of Touch Local limited, which cost £5.4 million, the debtor balance owed

NOTES TO THE FINANCIAL STATEMENTS (continued)

15. INVESTMENTS (continued)

to the Group at the time of the transaction. 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. After carrying out an impairment review, the Directors consider £3.5 million to be an appropriate carrying value.

On 27 September 2005, as part of the disposal of Touch Vision Limited, the intermediate holding company, Electronic Media Promotions Limited, acquired 4,411,000 shares in MediaZest plc at a share price of 42.5p. This holding represents 19.3% of the issued share capital of MediaZest plc, an AIM-listed company. Touch Group plc does not exercise significant influence in MediaZest plc and therefore the investment has been accounted for as a fixed asset investment. 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.

Company	Investment in Subsidiary Undertakings	Other Investments	Total
	£'000	£'000	£'000
Cost			
At 1 January 2006	16,487	–	16,487
Additions	–	5,375	5,375
Disposals	(9,874)	–	(9,874)
At 31 December 2006	6,613	5,375	11,988
Provision for impairment			
At 1 January 2006	16,122	–	16,122
Provided during the year	–	1,875	1,875
Disposals	(9,772)	–	(9,772)
At 31 December 2006	6,350	1,875	8,225
Net book value			
At 31 December 2006	263	3,500	3,763
At 31 December 2005	365	–	365

The group has the following investments, in which it holds 20% or more of the nominal value of any class of the undertaking's equity share capital.

	% Holding Overall	% and Class of Holding	Capital and Reserves as at 31 December 2006	Loss for the Year Ended 31 December 2006
Touch Local Limited	27.5%	100% of 'B' shares	£6,957,000	£1,157,000

The parent company and the group have investments in the following subsidiary undertakings, which principally affected the results or net assets of the group.

	% Holding	Class of Holding	Nature of Business	Notes
Electronic Media Promotion Holdings Limited	98.2%	Ordinary shares	Holding Company	a,b
Business Briefings Limited	100%	Ordinary shares	Multimedia Marketing	

a Held directly by Touch Group plc

b The remaining 1.8% is held by the Electronic Media Promotions Holdings Limited discretionary ESOP trust, which is operated by an independent trustee. The beneficiaries of the ESOP trust will be the employees of Electronic Media Promotions Holdings Limited and its subsidiaries who have been granted Electronic Media Promotions Holdings Limited unapproved share options.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. STOCKS

Group	31 December 2006	31 December 2005
	£'000	£'000
Work in progress	100	168

17. DEBTORS

	Group		Company	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	1,905	1,595	124	175
Amounts owed by group undertakings	–	–	1,439	2,537
Other debtors	819	1,352	823	973
Prepayments and accrued income	125	434	96	162
	2,849	3,381	2,482	3,847
Amounts falling due after more than one year				
Amounts owed by group undertakings	–	–	–	899

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	31 December 2006	31 December 2005 (Restated*)	31 December 2006	31 December 2005 (Restated*)
	£'000	£'000	£'000	£'000
Obligations under finance leases and hire purchase contracts	23	31	23	31
Trade creditors	413	707	369	395
Other creditors	204	37	124	–
Other taxes and social security	159	192	27	39
Accruals and deferred income	1,838	2,332	499	374
	2,637	3,299	1,042	839

* As restated for the adoption of FRS 20: 'Share-based payment'; see note 12.

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	31 December 2006	31 December 2005	31 December 2006	31 December 2005
	£'000	£'000	£'000	£'000
Obligations under finance leases and hire purchase contracts				
– between one and two years	–	23	–	23
Loans	650	–	650	–
	650	23	650	23

20. CALLED UP SHARE CAPITAL

	31 December 2006	31 December 2005
	£'000	£'000
Authorised		
2006 and 2005: 261,588,270 ordinary shares of 1p each	2,616	2,616
Allotted, called up and fully paid		
111,191,921 (2005: 66,804,421) ordinary shares of 1p each	1,112	668

On 20 April 2006, the Company issued 8,437,500 ordinary shares of 1p each at a price of 8p. On 15 December 2006, the Company issued 35,950,000 ordinary shares of 1p each at a price of 5p.

Details of reserve movements are given on page 18.

Options have been granted under the Touch Group plc share option schemes to subscribe for ordinary shares in the company as follows:

Date of Grant	Option Scheme	Ordinary Shares of 1p		Exercise Price	Exercisable	
		31 December 2006	31 December 2005		From	To
15 November 2000	Discretionary	3,000	3,000	152.5p	15/11/03	15/11/10
8 June 2004	Discretionary	831,000	1,404,000	10.0p	08/06/07	08/06/14
27 July 2004	Share Incentive	2,750,000	2,750,000	1.0p	a	
5 August 2004	Discretionary	–	1,463,414	10.25p	05/08/07	05/08/14
24 December 2004	Discretionary	196,720	196,720	15.25p	24/12/07	24/12/14
27 September 2005	Partnership	–	2,500,000	19.0p	01/06/06	27/09/10
1 November 2005	Discretionary	340,000	1,840,000	9.5p	01/11/05	01/11/12
3 November 2006	Discretionary	450,000	–	6.25p	03/11/09	03/11/16
14 December 2006	EMIS	2,350,000	–	5.38p	14/12/09	b 14/12/16
29 December 2006	EMIS	1,000,000	–	5.50p	29/12/09	b 29/12/16
		7,920,720	10,157,134			

a 1,375,000 are exercisable immediately and 1,375,000 became exercisable on 27 July 2006.

b Touch Group Enterprise Management Initiative Scheme.

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

Group	31 December 2006		31 December 2005	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Leases that expire:				
– within one year	–	39	40	10
– between two and five years	–	26	–	29
– after five years	645	–	645	–
	645	65	685	39

Company	31 December 2006		31 December 2005	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£'000	£'000
Leases that expire:				
– within one year	–	28	–	10
– between two and five years	–	19	–	12
– after five years	645	–	645	–
	645	47	645	22

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

	31 December 2006	31 December 2005 (Restated*)
	£'000	£'000
Operating loss	(5,205)	(3,571)
Depreciation of tangible assets	110	208
Amortisation of intangible 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	(2,411)	(1,814)

* As restated for the adoption of FRS 20: 'Share-based payment'; see note 12.

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. ANALYSIS OF CASH FLOWS

	31 December 2006	31 December 2005 (Restated*)
	£'000	£'000
Returns on investments and servicing of finance		
Interest received	42	95
Interest paid	(27)	(6)
Interest element of finance lease payments	(6)	–
Net cash inflow	9	89
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(65)	(176)
Purchase of intangible fixed assets	(161)	(561)
Net cash outflow	(226)	(737)
Acquisitions and disposals		
Disposal of subsidiary	71	530
Net cash inflow	71	530
Financing		
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	3,083	2,003

24. ANALYSIS AND RECONCILIATION OF NET FUNDS

	At 31 December 2005	Cash flows	At 31 December 2006
	£'000	£'000	£'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	1,115	(143)	972

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

25. DISPOSAL OF SUBSIDIARY UNDERTAKINGS

On 26 October 2006 Touch Group plc divested 72.5% of its stake in the Touch (GoE) plc sub-group, now called Touch Local Limited.

On 27 September 2005 the Touch Vision business was sold.

As at the date of disposal the net assets of the businesses were as follows:

	Touch Local Book Value	Touch Vision Book Value
	£'000	£'000
Intangibles	950	–
Tangibles	40	136
	990	136
Current assets	1,276	745
Creditors due within one year	(1,226)	(733)
Overdrafts	(119)	–
Net assets	921	148

The profit on disposal of each transaction is calculated as follows:

	Touch Local	Touch Vision
	£'000	£'000
Consideration		
– Cash	–	700
– Shares	5,375	1,875
	5,375	2,575
Net assets	921	148
Goodwill	–	612
Costs	48	524
Profit on Sale	4,406	1,291

The cash flows in 2006 relating to the Touch Local business in the period to 26 October 2006 and in 2005 for the Touch Vision business in the period to 27 September 2005 were as follows:

	Touch Local	Touch Vision
	£'000	£'000
Operating loss	(938)	(233)
Depreciation and amortisation	213	63
Working capital	565	166
Net cash flow from operating activities	(160)	(4)
Interest income	–	–
Capital expenditure	(154)	(39)
Net cash outflow	(314)	(43)

26. FINANCIAL INSTRUMENTS

Sales invoices are principally denominated in sterling and consequently there are no material net monetary assets or liabilities that are not denominated in sterling. The financial instruments of the group principally comprise short-term debtors and creditors, third-party loans, finance lease agreements for the purchase of certain fixed assets, an overdraft and cash. The group does not trade in financial instruments and neither uses, nor trades in, derivative financial instruments. Short-term debtors and creditors have been excluded from disclosure as permitted by FRS 25: 'Financial Instruments: Disclosure and Presentation'. There is no difference between the book value and fair value of any of the financial assets or liabilities.

The Group used sterling finance leases to fund purchases of certain fixed assets. The implicit interest rates on these leases were approximately 5%. The maturity dates of the leases were between two and five years.

27. PENSION SCHEME

No contributions were made during the year to The Guild of Excellence plc Directors' Pension Scheme. This is a money purchase scheme with one eligible member, Vincent Isaacs.

28. FINANCIAL COMMITMENTS

In the event that it becomes necessary, the parent company, Touch Group plc, has undertaken to provide the necessary financial support to its subsidiary undertakings.

29. RELATED PARTY TRANSACTIONS

At the end of the year Touch Group plc had £700,000 of outstanding borrowings with organisations for which Vincent Isaacs acts as a trustee and has a non-beneficial interest. Interest is charged at a rate of 7% per annum.

The Vincent Isaacs Grandchildrens' 1998 No.2 Settlement, of which Vincent Isaacs is a trustee and has a non-beneficial interest, subscribed to 3,000,000 ordinary shares of 1p each at a price of 5p per share in the December 2006 placing. Vincent Isaacs subscribed to 1,000,000 ordinary shares of 1p each at a price of 5p per share in the December 2006 placing.

On 28 December 2005, Touch Group plc entered into a contract with Tractrade Limited ('Tractrade'), a company in which Vincent Isaacs, the Executive Chairman of the Company, has a controlling interest, pursuant to which Tractrade has purchased 50% of the revenue of Touch Verticals between 1 January 2006 and 28 December 2007, the immediate cash consideration being £450,000. When or if the total aggregate monthly revenue received by Tractrade exceeds £450,000, the 50% revenue share decreases to 5%. The Directors of the company, excluding Vincent Isaacs who is a related party for these purposes, considered, after having consulted with their nominated adviser, that the terms of these transactions are fair and reasonable insofar as the company's shareholders are concerned.

OFFICERS & PROFESSIONAL ADVISORS

DIRECTORS

The directors of the company who served during the year and subsequently, except where noted, were as follows:

Vincent J Isaacs	Chairman	
Stuart Winship FCA	Chief Financial Officer	
Theresa Saklatvala	Chief Executive Officer	Appointed 17 November 2006
Darren Drew FCCA	Finance Director	Appointed 17 January 2007
Neil Brown	Non-executive Director	
Nicholas Levene	Non-executive Director	Appointed 28 February 2007
Robert Lorenz	Non-executive Director	Appointed 28 February 2007
Mark I Horrocks	Non-executive Director	Resigned 17 January 2007
Tim Brier	Non-executive Director	Resigned 14 December 2006
Emre Berkin	Non-executive Director	Resigned 20 November 2006
Tamer Ozmen	Chief Executive Officer	Resigned 26 October 2006
Lionel J Ross FCA	Non-executive Director	Resigned 26 May 2006

SECRETARY

Peter D Katz FCA ATII

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