

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

TOUCH LOCAL LIMITED

31 DECEMBER 2012

Registered No 02885607

MONDAY



E0ZILH0Q

EDX 18/09/2013 #510
COMPANIES HOUSE

L2JGCLBD

LD5 21/10/2013 #22
COMPANIES HOUSE

23/10/13

017

TOUCH LOCAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2012

CONTENTS	Page
Officers and professional advisers	2
Directors' report	3
Statement of directors' responsibilities in respect of the Directors' Report and the Financial Statements	5
Independent auditors' report to the members of Touch Local Limited	6
Consolidated profit and loss account	8
Consolidated balance sheet	9
Company balance sheet	10
Consolidated Cash Flow Statement	11
Statement of movement in Shareholders' funds	12
Notes to the financial statements	13

TOUCH LOCAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2012

OFFICERS AND PROFESSIONAL ADVISERS DIRECTORS

The directors of the company who served during the year are listed below

Gary Dannatt
Mark Livingstone
Barry Maloney

SECRETARY

Gary Dannatt

REGISTERED OFFICE

16th Floor
89 Albert Embankment
London
SE1 7TP

BANKERS

NatWest Bank plc
Westminster Branch
PO Box 3038
57 Victoria Street
London
SW1H 0HN

Barclays Bank plc
One Churchill Place
London
E14 5HP

SOLICITORS

Arnold Fooks Chadwick
15 Bolton Street
London
W1J 8AR

Nabarros
84 Theobald's Road
London
WC1X 8RW

AUDITORS

KPMG LLP
Chartered Accountants and Registered Auditors
8 Salisbury Square
London
EC4Y 8BB

TOUCH LOCAL LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2012

PRINCIPAL ACTIVITIES

The group's principal activity is the provision of online marketing and web directory services

RESULTS AND DIVIDENDS

Consolidated financial statements have been prepared comprising the results of the company and its wholly owned subsidiaries Touch (NW) Limited, Enable Media Limited and Central Index Limited. The subsidiaries of Touch Local Limited, which are all incorporated in Great Britain and registered in England and Wales, are exempt from the audit of their individual accounts due to the existence of a parental guarantee given by this parent undertaking of this group which prepares these consolidated accounts. The consolidated profit for the year ended 31 December 2012 after taxation amounted to £1,283,000 (2011 Loss - £627,000). The profit attributable to the company for the year ended 31st December 2012 after taxation, amounted to £930,000 (2011 Loss - £747,000).

The directors do not recommend any dividend on the ordinary shares in respect of the year ended 31 December 2012 (2011 £nil).

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

During the year the business has continued to develop its online business directory network, including touchlocal.com and scoot.co.uk

The business continues to promote its online directory network via customers with a wide audience reach and a comprehensive suite of online marketing products.

POST BALANCE SHEET EVENTS

On 1st August 2013 the Company received a new 3 year loan facility from BMS Finance of £1,850,000. The facility carries an interest rate of 12.50%.

TOUCH LOCAL LIMITED

DIRECTORS' REPORT *(continued)*

OPERATIONAL RISK

The principal risk facing the company is in its ability to continue to grow monthly sales volumes and increase gross margin. This in itself is dependent upon the maintenance, and growth of the internet as a cost effective marketing channel.

FINANCIAL RISK MANAGEMENT

The company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The most important components of financial risk are interest rate risk, currency risk, credit risk, liquidity risk, cash flow risk and price risk.

The only financial risk the directors consider relevant to this group is credit risk. This risk is mitigated by the nature of balances owed, and by the use of a debt provision formula reflecting historical performance of delinquent debtors.

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

AUDITOR

In accordance with Section 487 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by order of the Board of Directors and signed on behalf of the Board by



Gary Dannatt

Director

Touch Local Limited
16th Floor, 89 Albert Embankment
London
SE1 7TP

16 September 2013

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period.

In preparing each of the group and parent company 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,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.



KPMG LLP
8 Salisbury Square
London
EC4Y 8BB
United Kingdom

Independent auditor's report to the members of Touch Local Limited

We have audited the financial statements of Touch Local Limited for the year ended 31 December 2012 set out on pages 8 to 30. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members 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 members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2012 and of the group's loss for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

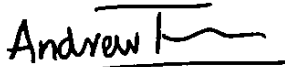
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Touch Local Limited *(continued)*

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company's financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Andrew Turner
Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

8 Salisbury Square
London
EC4Y 8BB

16 September 2013

TOUCH LOCAL LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2012

		Year ended 31 December 2012	Year ended 31 December 2011
	Notes	£'000	£'000
TURNOVER	1	6,534	8,972
Cost of sales		(1,228)	(1,279)
GROSS PROFIT		<u>5,306</u>	<u>7,693</u>
Administrative expenses		(3,764)	(8,102)
OPERATING PROFIT/(LOSS)		<u>1,542</u>	<u>(409)</u>
Interest payable and similar charges	5	(259)	(218)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2	<u>1,283</u>	<u>(627)</u>
Tax on profit/ (loss) on ordinary activities	6	-	-
PROFIT/(LOSS) AFTER TAXATION FOR THE FINANCIAL YEAR		<u>1,283</u>	<u>(627)</u>

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

All results derive from continuing operations

There are no other gains or losses other than the profit for the year of £1,283,000 (2011 Loss - £627,000)

There is no material difference between the results as reported and on an historical cost basis
Accordingly, no note of historical cost profit and losses has been prepared

TOUCH LOCAL LIMITED

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

		31 December 2012	31 December 2011
	Notes	£'000	£'000
FIXED ASSETS			
Intangible assets	7	7	-
Tangible assets	8	82	151
		<u>89</u>	<u>151</u>
CURRENT ASSETS			
Debtors	10	401	426
Cash at bank and in hand		219	64
		<u>620</u>	<u>490</u>
CREDITORS amounts falling due within one year	11	(3 969)	(5,904)
NET CURRENT LIABILITIES		<u>(3 349)</u>	<u>(5,414)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(3,260)</u>	<u>(5,263)</u>
CREDITORS amounts falling due after more than one year	12	(2,316)	(1,596)
NET LIABILITIES		<u>(5 576)</u>	<u>(6,859)</u>
CAPITAL AND RESERVES			
Called-up share capital	13	1	1
Share premium account	14	23 695	23,695
Capital redemption reserve	14	12,200	12,200
Profit and loss account	14	(41,472)	(42,755)
SHAREHOLDERS' DEFICIT		<u>(5 576)</u>	<u>(6,859)</u>

The accompanying notes are an integral part of this consolidated balance sheet

Approved and authorised for issue by the board on 16 September 2013 and signed on its behalf by



Gary Dannatt
Director

16 September 2013

Company Number 02885607

TOUCH LOCAL LIMITED

COMPANY BALANCE SHEET

As at 31 December 2012

		31 December 2012	31 December 2011
	Notes	£'000	£'000
FIXED ASSETS			
Intangible assets	7	7	-
Tangible assets	8	29	45
Investments	9	-	-
		<u>36</u>	<u>45</u>
CURRENT ASSETS			
Debtors	10	196	208
Cash at bank and in hand		59	40
		<u>255</u>	<u>248</u>
CREDITORS amounts falling due within one year	11	(4 548)	(6,200)
NET CURRENT LIABILITIES		<u>(4,293)</u>	<u>(5,952)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(4 257)	(5,907)
CREDITORS amounts falling due after more than one year	12	(2 316)	(1,596)
NET LIABILITIES		<u>(6 573)</u>	<u>(7,503)</u>
CAPITAL AND RESERVES			
Called-up share capital	13	1	1
Share premium account	14	23,695	23,695
Capital redemption reserve	14	12,200	12,200
Profit and loss account	14	(42 469)	(43,399)
SHAREHOLDERS' DEFICIT		<u>(6,573)</u>	<u>(7,503)</u>

The accompanying notes are an integral part of this balance sheet

Approved and authorised for issue by the board on 16 September 2013 and signed on its behalf by



Gary Dannatt
Director

16 September 2013

Company Number 02885607

TOUCH LOCAL LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2012

	<i>Notes</i>	2012 £'000	2011 £'000
Cash flow from operating activities	18	(367)	(451)
Dividends from joint ventures and associates	19	-	-
Returns on investments and servicing of finance	19	(259)	(218)
Taxation		-	-
Capital expenditure and financial investment	19	(22)	(266)
Acquisitions and disposals	19	-	-
Cash outflow before management of liquid resources and financing		(648)	(935)
Management of liquid resources	19	-	-
Financing	19	803	787
Increase/(Decrease) in cash in the period		155	(148)
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	20		
Increase/(Decrease) in cash in the period		155	(148)
Cash inflow from increase in debt and lease financing		(1,250)	(1,000)
Cash outflow from repayments in debt financing		447	223
Change in net debt resulting from cash flows		(648)	(925)
Decrease in debt resulting from conversion of debt to equity		-	-
Movement in net debt in the period		(648)	(925)
Net debt at the start of the period		(1,949)	(1,024)
Net debt at the end of the period		(2,597)	(1,949)

The accompanying notes are an integral part of this consolidated cash flow statement

TOUCH LOCAL LIMITED**STATEMENT OF MOVEMENT IN SHAREHOLDERS' FUNDS****GROUP**

	31 December 2012	31 December 2011
	£'000	£'000
Profit/(Loss) for the year	1,283	(627)
Increase in share premium	-	10
Net movement in shareholders' deficit	<u>1,283</u>	<u>(617)</u>
Opening shareholders' deficit	(6,859)	(6,242)
Closing shareholders' deficit	(5,576)	(6,859)

COMPANY

	31 December 2012	31 December 2011
	£'000	£'000
Profit/(Loss) for the year	930	(747)
Increase in share premium	-	10
Net movement in shareholders' deficit	<u>930</u>	<u>(737)</u>
Opening shareholders' deficit	(7,503)	(6,766)
Closing shareholders' deficit	(6,573)	(7,503)

TOUCH LOCAL LIMITED

Notes

(Forming part of the financial statements)

1 STATEMENT OF ACCOUNTING POLICIES

Basis of accounting

Touch Local Limited is a company incorporated and resident in the UK. The financial statements are prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention. The principal accounting policies are summarised below. They have all been applied consistently.

Basis of consolidation

The financial statements consolidate the accounts of Touch Local Limited and its subsidiary undertakings drawn up to 31 December each year. Acquisitions are accounted for under the acquisition method. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

Going Concern

The financial statements have been prepared on the going concern basis, notwithstanding a profit for the year of £1,283,000 (2011 loss £627,000), net current liabilities of £3,349,000 (2011 £5,414,000) and net liabilities of £5,576,000 (2011 £6,859,000), which the directors believe to be appropriate for the following reasons. The directors have prepared a forecast, together with a worst case scenario on the company's forecasts and projections. Under each scenario there remains reasonable headroom on the BMS loan covenants such that there is not expected to be a breach and therefore the loan can continue to be repaid under its normal terms for at least 12 months from the date of the approval of these financial statements. The group also has contingency plans in place which would allow costs to be further reduced if required. As such this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment.

It is on this basis that the directors consider it appropriate to prepare the financial statements on a going concern basis. However if under certain scenarios, the company was unable to obtain funding, the directors are of the view that the company might find itself under cash pressure which may jeopardise the preparation of accounts on a going concern basis and that consequent adjustments would therefore have to be made to the carrying value of both assets and liabilities.

Intangible assets – licences

The fair value of acquired licences are amortised over their estimated useful lives or 20 years, whichever is the shorter. Provision is made for any impairment.

Intangible assets – Research and Development

Research expenditure is written off as incurred. Development is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over a period of 3 to 5 years. Provision is made for any impairment.

Intangible assets – goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since incorporation is capitalised. Goodwill is assessed for impairment annually and impairment losses recognised in the period in which they are identified. Goodwill is amortised to nil by equal annual instalments over its estimated useful life of 20 years.

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (continued)

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 evenly over its expected useful life, as follows

Leasehold improvements	- lower of lease term or asset life
Plant, vehicles and equipment	- 3 to 4 years

Investments

Fixed asset investments are shown at cost less provision for impairment

Taxation

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

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

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 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 not discounted

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised at the fair value of the asset with an equivalent liability categorised as appropriate under creditors within or after one year. The assets are depreciated over the shorter of the lease term or their useful lives. The interest element of rental obligations is apportioned over the term of the lease.

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease

Provisions

A provision is recognised in the balance sheet when the company has a present legal or constructive obligation as a result of a past event, and it's probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk adjusted and future cash flows at a pre-tax risk free rate

Classification of financial instruments issued by the Group

Following the adoption of FRS 25, financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group), and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (continued)

Classification of financial instruments issued by the Group (Continued)

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Warrants

The fair value of warrants is calculated using the Black-Scholes Model in accordance with FRS 20 Share Based Payments. The resulting cost is charged against income over the vesting period of the warrants.

Share based payments

The share option programme allows employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

For cash-settled share based payment transactions, the fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value is remeasured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value is measured based on an option pricing model taking into account the terms and conditions upon which the instruments were granted. The liability is re-valued at each balance sheet date and settlement date with any changes to fair value being recognised in the profit and loss account.

Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax.

All revenue except 3rd party directory products is recognised in equal monthly instalments over the length of the contract.

3rd party directory products revenue is recognised at point of sale.

All turnover is generated by one class of business and in one geographic area, the United Kingdom.

Government Grants

Government grants are recognised in the profit and loss account to the extent that the company has fulfilled their obligations under the grant. Income from government grants is shown net against the related expenditure. Any receipts received prior to the fulfilment of obligations are deferred until they meet the criteria for recognition.

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (continued)

Post Retirement Policy

The company makes contributions to the personnel pension schemes of certain employees. The amount charged to the profit and loss account represents contributions paid to the schemes in respect of the accounting period.

2 PROFIT/ (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
The profit/ (loss) on ordinary activities before taxation is stated after charging/(crediting)		
Amortisation of intangible assets	-	200
Impairment of software licences	-	314
Depreciation of owned assets	84	211
Government Grants	-	(68)

The analysis of auditors' remuneration is as follows

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	22	18
Audit of Group companies pursuant to legislation	-	11
Total audit fees	22	29

3 DIRECTORS' REMUNERATION

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Directors' emoluments		
Remuneration	406	437
Pension Contributions	13	13
	419	450

Total compensation of the highest paid director was £247,000 (2011 £236,000) and £13,000 (2011 £13,000) pension contributions were made on his behalf

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 STAFF COSTS

Group

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Staff costs during the period (including directors)		
Wages and salaries	2,268	5,163
Social security costs	1,148	884
Pension Contributions	13	13
	<u>3,429</u>	<u>6,060</u>
Average number of persons employed (including directors)		
	Number	Number
Administrative	32	56
Operational	59	158
Total	<u>91</u>	<u>214</u>

5 INTEREST

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Loan interest payable	<u>259</u>	<u>218</u>

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 TAX ON LOSS ON ORDINARY ACTIVITIES

There is no current UK tax charge for the year (2011 £nil) due to losses brought forwards. At the future tax rate of 23% (2011 25%) the accumulated tax losses and the benefit of other timing differences give rise to a potential deferred tax asset of £9,697,000 (2011 £11,262,000), which has not been recognised because of the uncertainty of future profits with which to utilise the losses.

The difference between the total current tax charge and the amount calculated by applying the standard rate of corporation tax to the profit before tax is as follows:

	Year ended 31 December 2012 £'000	Year ended 31 December 2011 £'000
Profit/(Loss) on ordinary activities before tax	1,283	(627)
Tax on ordinary activities at the standard rate of 24.5% (2011 26.5%)	314	(166)
<i>Factors affecting the charge for the year</i>		
Permanent differences	11	44
Depreciation in excess of capital allowances	21	61
Other timing differences	(23)	(35)
Tax losses utilised	(323)	(82)
Tax losses carried forward	-	178
Total current tax charge	-	-

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. These changes have not yet been substantively enacted and therefore are not included in the figures above.

The effect of the reduction in the tax rate to 20% on the company's potential deferred tax asset would be to reduce the potential deferred tax asset by £1,265,000 to £8,432,000. The rate change will also impact the amount of the future cash tax payments, if any, to be made by the company.

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 INTANGIBLE FIXED ASSETS

	Goodwill	Licences	Development costs	Total
GROUP	£'000	£'000	£'000	£'000
Cost				
At 1 January 2012	834	586	150	1 570
Additions	-	-	7	7
At 31 December 2012	<u>834</u>	<u>586</u>	<u>157</u>	<u>1,577</u>
Amortisation				
At 1 January 2012	834	586	150	1,570
Charge for the year	-	-	-	-
At 31 December 2012	<u>834</u>	<u>586</u>	<u>150</u>	<u>1,570</u>
Net book value				
At 31 December 2012	<u>-</u>	<u>-</u>	<u>7</u>	<u>7</u>
At 31 December 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The directors have assessed the carrying value of the goodwill as £nil and therefore have fully impaired goodwill balances due to the uncertainty as to what future cashflows will be attributable to the acquired business's current operations

	Licences	Development costs	Total
COMPANY	£'000	£'000	£'000
Cost			
At 1 January 2012	521	150	671
Additions	-	7	7
At 31 December 2012	<u>521</u>	<u>157</u>	<u>678</u>
Amortisation			
At 1 January 2012	521	150	671
Charge for the year	-	-	-
At 31 December 2012	<u>521</u>	<u>150</u>	<u>671</u>
Net book value			
At 31 December 2012	<u>-</u>	<u>7</u>	<u>7</u>
At 31 December 2011	<u>-</u>	<u>-</u>	<u>-</u>

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 TANGIBLE FIXED ASSETS

GROUP	Leasehold improvements	Plant, vehicles and equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2012	412	913	1,325
Additions	4	11	15
Reclassification	91	188	279
At 31 December 2012	507	1,112	1,619
Depreciation			
At 1 January 2012	376	798	1,174
Charge for the year	42	42	84
Reclassification	72	207	279
At 31 December 2012	490	1,047	1,537
Net book value			
At 31 December 2012	17	65	82
At 31 December 2011	36	115	151

COMPANY	Leasehold improvements	Plant, vehicles and equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2012	293	621	914
Additions	-	-	-
At 31 December 2012	293	621	914
Depreciation			
At 1 January 2012	276	593	869
Charge for the year	4	12	16
At 31 December 2012	280	605	885
Net book value			
At 31 December 2012	13	16	29
At 31 December 2011	17	28	45

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 FIXED ASSET INVESTMENTS

The subsidiaries of Touch Local limited, below, which are all incorporated in Great Britain and registered in England and Wales are exempt from the audit of their individual accounts due to the existence of a parental guarantee given by this parent undertaking of this group which prepares these consolidated accounts

	£
Net book value as at 1 January 2012 and 31 December 2012	<u>10</u>

Name of company	Proportion of voting rights and ordinary share capital owned	Nature of Business
Touch Local NW Limited	100%	Marketing and web services
Touch Jobs Limited	100%	Non-trading
Enable Media Limited	100%	Marketing and web services
Ask Alix*	100%	Non-trading
Central Index Limited	100%	White label Online business Directories

* Ask Alix is attributed to the Company by virtue of being held by Enable Media

10 DEBTORS

	Group		Company	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	£'000	£'000	£'000	£'000
Trade debtors	164	174	58	63
Other debtors	42	45	42	45
Prepayments and accrued income	195	207	96	100
	<u>401</u>	<u>426</u>	<u>196</u>	<u>208</u>

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 CREDITORS amounts falling due within one year

	Group		Company	
	31 December 2012 £'000	31 December 2011 £'000	31 December 2012 £'000	31 December 2011 £'000
Loans	500	417	500	417
Trade creditors	362	579	179	315
Taxes and social security	323	940	62	680
Accruals and deferred income	2,784	3,968	907	1,696
Amounts owed to group undertakings	-	-	2,900	3,092
	<u>3,969</u>	<u>5,904</u>	<u>4,548</u>	<u>6,200</u>

12 CREDITORS amounts falling due after more than one year

	Group		Company	
	31 December 2012 £'000	31 December 2011 £'000	31 December 2012 £'000	31 December 2011 £'000
Loans	<u>2,316</u>	<u>1,596</u>	<u>2,316</u>	<u>1,596</u>

Analysis of loan maturity:

	Group		Company	
	31 December 2012 £'000	31 December 2011 £'000	31 December 2012 £'000	31 December 2011 £'000
Within one year	500	417	500	417
Two – five years	2,316	1,596	2,316	1,596
Over five years	-	-	-	-
	<u>2,816</u>	<u>2,013</u>	<u>2,816</u>	<u>2,013</u>

Loans are secured by a fixed and floating charge over the group's assets

The interest rate on the BMS loan is 12.5% and the interest rate on the Shareholder loan is 2% over base

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 CALLED-UP SHARE CAPITAL

31 December 2012	Number	Amount £
<i>Authorised</i>		
Ordinary shares of 0.01p each	833,038	83
A shares of 0.01p each	18,002,839,999	1,800,284
B shares of 0.01p each	1,346,273	135
C shares of 0.01p each	24	0
D shares of 0.01p each	1,346,273	135
E shares of 0.01p each	1,096,964	110
<i>Allotted, called up and fully paid</i>		
	347,438	35
Ordinary shares of 0.01p each	8,693,859	869
A shares of 0.01p each	1,346,273	135
B shares of 0.01p each	24	0
C shares of 0.01p each	1,346,273	135
D shares of 0.01p each	1,096,964	110
E shares of 0.01p each		
	<u>12,830,831</u>	<u>1,284</u>

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

13 CALLED-UP SHARE CAPITAL *(Continued)*

The A Shares, B Shares, C Shares, D Shares, E Shares, Ordinary Shares and Deferred Shares shall be entitled to the following rights

Voting in general meetings

The holders of the A Shares, E Shares and the Ordinary Shares shall be entitled to receive notice of and to attend and vote at the general meeting of the Company B Shares, C Shares, D Shares and Deferred Shares shall not confer any entitlement to vote at a general meeting of the Company

Dividends

All dividends declared by the Company shall be payable to the holders of the A Shares and the holders of the Ordinary Shares *pari passu* as if the same were one class of the Shares, and shall be distributed *pro rata* according to the number of Shares held by them respectively The B Shares, C Shares, D Shares, E Shares and Deferred Shares shall not confer any right to participate in any dividend declared by the Company

Conversion

Immediately on the request in writing, at any time, by an A Shareholder, the A Shares held by such A Shareholder can be converted into Ordinary Shares at the rate of one Ordinary Share for every A Share

Immediately on the request in writing, at any time, by a B Shareholder, the B Shares held by such B Shareholder can be converted into Ordinary Shares at the rate of one Ordinary Share for every B Share

The Ordinary Shares arising on such conversion and redesignation shall rank *pari passu* with the Ordinary Shares then in issue and fully paid up and shall entitle the holders of such Ordinary Shares to all dividends and other distributions declared, made or paid on the Ordinary Shares by reference to any record date occurring after the date of the Conversion Date

Capital Rights

On a return of assets on a liquidation or a winding-up, reduction of capital or otherwise, the assets of the Company remaining after payment of such liabilities as it is necessary to discharge to effect the distribution shall be distributed based on a complex formula laid out in the Articles of Association

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 STATEMENTS OF MOVEMENTS IN RESERVES

GROUP

	Issued share capital	Share premium account	Capital redemption reserve	Profit and loss account	Year ended 31 December 2012	Year ended 31 December 2011
	£'000	£'000	£'000	£'000	£'000	£'000
At beginning of year	1	23,695	12,200	(42,755)	(6,859)	(6,242)
Issue of share capital	-	-	-	-	-	10
Profit/(Loss) for the year	-	-	-	1,283	1,283	(627)
At end of year	1	23,695	12,200	(41,472)	(5,576)	(6,859)

COMPANY

	Issued share capital	Share premium account	Capital redemption reserve	Profit and loss account	Year ended 31 December 2012	Year ended 31 December 2011
	£'000	£'000	£'000	£'000	£'000	£'000
At beginning of year	1	23,695	12,200	(43,399)	(7,503)	(6,766)
Issue of share capital	-	-	-	-	-	10
Retained loss for the year	-	-	-	930	930	(747)
At end of year	1	23,695	12,200	(42,469)	(6,573)	(7,503)

TOUCH LOCAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS** *(Continued)***15 OPERATING LEASE COMMITMENTS**

Annual commitments under non-cancellable operating leases are as follows

Group

	31 December 2012 £'000 Land and buildings	31 December 2011 £'000 Land and Buildings
Leases which expire		
Within one year	-	-
Within two to five years	100	582
Over five years	-	-
	<u>100</u>	<u>582</u>

Company

	31 December 2012 £'000 Land and buildings	31 December 2011 £'000 Land and Buildings
Leases which expire		
Within one year	-	-
Within two to five years	26	268
Over five years	-	-
	<u>26</u>	<u>268</u>

TOUCH LOCAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)****16 EMPLOYEE SHARE OPTION SCHEMES****Share based payments – Group**

On the 14th December 2007 the Group established an Unapproved Share Option Plan. The purpose of the Plan is to make Share Option grants to certain employees. The Options vest in equal amounts annually in arrears over a three or four year vesting period. Vested options may be exercised on a sale or flotation of the company or when an employee leaves the company. Transactions are recorded in the books of Touch Local Ltd, there are no other employee share option schemes in Touch Local group.

The terms and conditions of grants are as follows

Grant date/ Employees entitled/ nature of scheme	Method of settlement accounting	Number of instruments	Vesting conditions	Contractual life of options
2007 Unapproved Share Option grants	Equity	64,600	Evenly over 4 years, annually in arrears	2018
2007 Unapproved Share Option grants	Equity	132,000	Evenly over 2 years, annually in arrears	2018

The number and weighted average exercise prices of share options are as follows

	2012 Weighted average exercise price	2012 Number of options
Outstanding at the beginning of the year	69.70p	364,881
Granted during the year	80.00p	6,900
Lapsed	61.69	181,500
Outstanding at the end of the year	77.71p	190,281
Exercisable at the end of the year	nil	nil

No charge was made in the year in relation to the share option scheme as the amount is deemed to be insignificant.

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 SHARE BASED PAYMENTS WARRANTS

In 2007, 156,153 Warrants in Touch Local Ltd were issued against a loan. These warrants expire 16 December 2017, and have an exercise price of £2.46. No other Warrants were issued in group companies.

There was no charge within the profit and loss account for 2012 in relation to warrants.

The terms and conditions of grants are as follows:

Grant date / nature of scheme	Method of settlement accounting	Number of instruments	Vesting conditions	Contractual life of options
Equity settled Warrant to Kreos Capital granted by Touch Local on 16/12/2007	Equity	78,076	Earlier of a sale, listing or 16/12/2017	16/12/2017
Equity settled Warrant to SVB granted by Touch Local on 16/12/2007	Equity	78,076	Earlier of a sale, listing or 16/12/2017	16/12/2017

The fair values of services received in return for warrants granted are measured by reference to the fair value of warrants granted. The estimate of the fair value of the services received is measured based on the Black Scholes model. Measurement inputs and assumptions are as follows:

	2008 Kreos Loan	2008 SVB Loan
Fair value at measurement date	£70,596	£70,596
Weighted average share price	£1.57	£1.57
Exercise price	£2.46	£2.46
Expected volatility (expressed as a percentage used in the modelling under Black Scholes model)	50.75%	50.75%
Warrant life	10 Years	10 Years
Expected dividends	-	-
Risk free interest rate (based on national government bonds)	4.53%	4.53%

The expected volatility is based on the average historic volatility of businesses in the same market as Touch Local, adjusted for any expected changes to future volatility due to publicly available information.

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 RECONCILIATION OF OPERATING PROFIT/(LOSS) TO OPERATING CASH FLOWS

	2012	2011
	£000	£000
Operating profit/(loss)	1 542	(409)
Depreciation, amortisation and impairment charges	84	725
Decrease in debtors	25	155
Increase in creditors	(2,018)	(922)
Net cash outflow from operating activities	(367)	(451)

19 ANALYSIS OF CASH FLOWS

	Notes	2012 £000	2012 £000	2011 £000	2011 £000
Returns on investment and servicing of finance					
Interest paid		(259)		(218)	
			(259)		(218)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(15)		(117)	
Purchase of intangible fixed assets		(7)		(149)	
			(22)		(266)
Acquisitions and disposals					
Purchase of subsidiary undertaking		-		-	
Net liabilities acquired with subsidiary		-		-	
			-		-
Financing					
Issue of ordinary share capital		-		11	
Debt due within one year					
Cash inflow from Issue of convertible debt		-		-	
Cash inflow from additional loan finance		1,250		1,000	
Net cash outflow from loan repayments		(530)		(257)	
Debt due after more than one year					
Net cash outflow from loan repayments		83		33	
			803		787

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

20 ANALYSIS OF NET DEBT

	At beginning of year £000	Cash flow £000	Other non cash changes £000	At end of year £000
Cash in hand, at bank	64	155	-	219
Debt due after one year	(1,596)	(720)	-	(2,316)
Debt due within one year	(417)	(83)	-	(500)
Net Debt	(1,949)	(648)	-	(2,597)

21 RELATED PARTY TRANSACTIONS

The group has taken advantage of the exemption in Financial Reporting Standard Number 8 from disclosure in respect of intergroup related party transactions

22 POST BALANCE SHEET EVENTS

On 1st August 2013 the Company received a new 3 year loan facility from BMS Finance of £1,850,000
The facility carries an interest rate of 12.50%

23 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The company's immediate and ultimate parent and controlling company is Balderton Capital III, LP
Balderton Capital does not consolidate Touch Local Limited