

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

TOUCH LOCAL LIMITED

31 DECEMBER 2014

Registered No. 02885607

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TOUCH LOCAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2014

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TOUCH LOCAL LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2014

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

David L Brown
Kevin M Carney
Matthew P McClure

SECRETARY

Matthew P McClure

REGISTERED OFFICE

90 Fetter Lane
London
EC4A 1JP

BANKERS

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

SOLICITORS

Bird & Bird LLP
15 Fetter Lane
London EC4A 1JP

AUDITORS

KPMG LLP
Chartered Accountants and Registered Auditors
15 Canada Square
London
E14 5GL

TOUCH LOCAL LIMITED

STRATEGIC REPORT

The directors present their strategic report for the year ended 31 December 2014.

Business Review and Principal Activities

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

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

On the 31st July 2014 100% of the share capital of the holding company was sold to Web.com Group, Inc of Jacksonville, Florida, USA. 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.

OPERATIONAL RISK

The principal risks facing the company are as follows, we rely heavily on internally developed systems and processes, difficulties in maintaining these may result in service interruptions, we have a risk of system and internet failures, providing web services to small businesses is a fragmented and changing market, we are reliant on monthly subscriptions which our customers may choose to unsubscribe from reducing our revenues and failure to integrate with Web.com may adversely affect the anticipated outcome.

KEY PERFORMANCE INDICATORS

In the period ending 31st December 2014 Touch Local has made a loss of £70,000 (2013 profit £510,000). Revenues grew by 3% to £5,193,000 and following the investment in additional headcount, revenue per employee fell by 10% to £50,910. The integration with Web.com commenced and there was increased activity and investment to support the sales of online marketing products. The active monthly customers of these products grew to 829 by the end of the final quarter of 2014, compared to 46 by the end of 2013.

FUTURE DEVELOPMENTS

The business will continue to develop and offer new products and promote sales in new territories. The expansion of the products and services available from Touch Local Ltd will continue to increase.

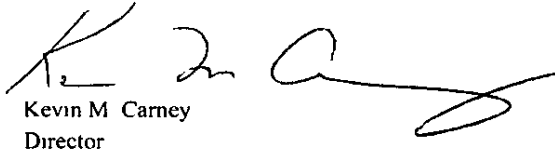
TOUCH LOCAL LIMITED

STRATEGIC REPORT *(Continued)*

FINANCIAL RISK MANAGEMENT

The company is exposed to financial risk through its financial assets and liabilities. The key financial risk is that the proceeds from 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.



Kevin M. Carney
Director

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

25th September 2015

TOUCH LOCAL LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2014

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 loss for the year ended 31 December 2014 after taxation amounted to £70,000 (2013 Profit £510,000). The profit attributable to the company for the year ended 31st December 2014 after taxation, amounted to £695,000 (2013 Profit £577,000).

The directors do not recommend any dividend on the ordinary shares in respect of the year ended 31 December 2014 (2013 £nil).

COMPANY DIRECTORS

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

Gary Dannatt [Resigned 31/7/2014]

Mark Livingstone [Resigned 31/7/2014]

Barry Maloney [Resigned 31/7/2014]

David L. Brown [Appointed 31/7/2014]

Kevin M. Carney [Appointed 31/7/2014]

Matthew P. McClure [Appointed 31/7/2014]

DISCLOSURE OF INFORMATION TO AUDITOR

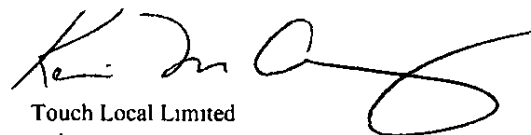
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself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

Kevin M. Carney
Director



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

25th September 2015

TOUCH LOCAL LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, 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
15 Canada Square
London
E14 5GL
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 2014 set out on pages 9 to 31. 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 6, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2014 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 Strategic Report and 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

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

Chartered Accountants

15 Canada Square
London
E14 5GL

29th September 2015

TOUCH LOCAL LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2014

	Notes	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
TURNOVER	1	5,193	5,061
Cost of sales		(991)	(888)
GROSS PROFIT		<u>4,202</u>	<u>4,173</u>
Administrative expenses		(3,888)	(3,375)
OPERATING PROFIT		<u>314</u>	<u>798</u>
Interest payable and similar charges	5	(384)	(288)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	<u>(70)</u>	<u>510</u>
Tax on profit on ordinary activities	6	-	-
(LOSS)/PROFIT AFTER TAXATION FOR THE FINANCIAL YEAR		<u>(70)</u>	<u>510</u>

The accompanying notes on pages 14 to 31 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 loss for the year of £70,000 (2013 profit £510,000)

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

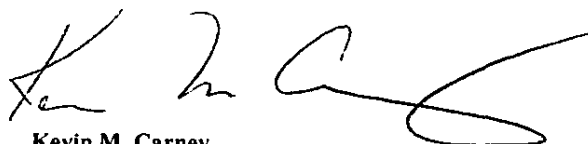
CONSOLIDATED BALANCE SHEET

As at 31 December 2014

		31 December 2014	31 December 2013
	Notes	£'000	£'000
FIXED ASSETS			
Intangible assets	7	100	62
Tangible assets	8	20	41
		<u>120</u>	<u>103</u>
CURRENT ASSETS			
Debtors	10	613	623
Cash at bank and in hand		55	242
		<u>668</u>	<u>865</u>
CREDITORS amounts falling due within one year	11	(2,724)	(3,854)
NET CURRENT LIABILITIES		<u>(2,056)</u>	<u>(2,989)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,936)</u>	<u>(2,886)</u>
CREDITORS amounts falling due after more than one year	12	-	(2,180)
NET LIABILITIES		<u>(1,936)</u>	<u>(5,066)</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	(41,032)	(40,962)
Capital contribution	14	3,200	-
SHAREHOLDERS' DEFICIT		<u>(1,936)</u>	<u>(5,066)</u>

The accompanying notes on pages 14 to 31 are an integral part of this consolidated balance sheet

Approved and authorised for issue by the board on 25th September 2015 and signed on its behalf by



Kevin M Carney
Director

Company Number 02885607

TOUCH LOCAL LIMITED

COMPANY BALANCE SHEET

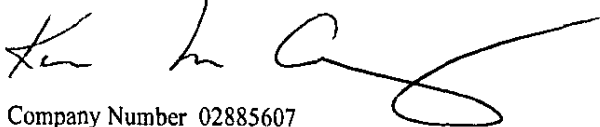
As at 31 December 2014

		31 December 2014	31 December 2013
	Notes	£'000	£'000
FIXED ASSETS			
Intangible assets	7	100	62
Tangible assets	8	2	12
Investments	9	-	-
		<u>102</u>	<u>74</u>
CURRENT ASSETS			
Debtors	10	414	436
Cash at bank and in hand		36	106
		<u>450</u>	<u>542</u>
CREDITORS amounts falling due within one year	11	(1,091)	(4,432)
NET CURRENT LIABILITIES		<u>(641)</u>	<u>(3,890)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		(539)	(3,816)
CREDITORS amounts falling due after more than one year	12	-	(2,180)
NET LIABILITIES		<u>(539)</u>	<u>(5,996)</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	(39,635)	(41,892)
Capital contribution	14	3,200	-
SHAREHOLDERS' DEFICIT		<u>(539)</u>	<u>(5,996)</u>

The accompanying notes on pages 14 to 31 are an integral part of this balance sheet

Approved and authorised for issue by the board on 25th September 2015 and signed on its behalf by

Kevin M. Carney
Director



Company Number 02885607

TOUCH LOCAL LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2014

	<i>Notes</i>	2014 £'000	2013 £'000
Cash (outflow)/inflow from operating activities	18	(167)	445
Returns on investments and servicing of finance	19	(384)	(288)
Capital expenditure and financial investment	19	(86)	(68)
Cash (outflow)/inflow before management of liquid resources and financing		(637)	89
Financing	19	450	(66)
(Decrease)/Increase in cash in the period		(187)	23
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT	20		
(Decrease)/Increase in cash in the period		(187)	23
Cash inflow from increase in debt and lease financing		-	(1,850)
Cash outflow from repayments in debt financing		2,750	1,916
Change in net debt resulting from cash flows		2,563	89
Decrease in debt resulting from conversion of debt to equity		-	-
Movement in net debt in the period		2,563	89
Net debt at the start of the period		(2,508)	(2,597)
Net debt at the end of the period		55	(2,508)

The accompanying notes on pages 14 to 31 are an integral part of this consolidated cash flow statement

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

	31 December 2014	31 December 2013
	£'000	£'000
(Loss)/Profit for the year	(70)	510
Capital contribution	3,200	-
Net movement in shareholders' deficit	<u>3,130</u>	<u>510</u>
Opening shareholders' deficit	<u>(5,066)</u>	<u>(5,576)</u>
Closing shareholders' deficit	<u>(1,936)</u>	<u>(5,066)</u>

COMPANY

	31 December 2014	31 December 2013
	£'000	£'000
Profit for the year	695	577
Capital contribution	3,200	-
Reserve transfer	1,562	-
Net movement in shareholders' deficit	<u>5,457</u>	<u>577</u>
Opening shareholders' deficit	<u>(5,996)</u>	<u>(6,573)</u>
Closing shareholders' deficit	<u>(539)</u>	<u>(5,996)</u>

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

(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 loss for the year of £70,000 (2013 profit £510,000), net current liabilities of £2,056,000 (2013 £2,989,000) and net liabilities of £1,936,000 (2013 £5,066,000), 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. 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.

Following the purchase of the group by Web.com Group, Inc. on 31st July 2014 all the loans were repaid as part of this transaction.

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

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 STATEMENT OF ACCOUNTING POLICIES (Continued)

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.

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:

Leaschold 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.

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 STATEMENT OF ACCOUNTING POLICIES (Continued)

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

- a) 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
- b) 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

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 re-measured 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.

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 STATEMENT OF ACCOUNTING POLICIES (Continued)

Turnover

Turnover represents the amounts derived from the provision of 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

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 2014 £'000	Year ended 31 December 2013 £'000
The profit/(loss) on ordinary activities before taxation is stated after charging		
Amortisation of intangible assets	36	7
Depreciation of tangible assets	33	54
Operating lease expense of rent	115	95

The analysis of auditors' remuneration is as follows

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Fees payable to the company's auditors for the audit of the company's annual accounts	26	23

3 DIRECTORS' REMUNERATION

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Directors' emoluments		
Remuneration	208	406
Pension contributions	13	13
	<u>221</u>	<u>419</u>

TOUCH LOCAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)****3 DIRECTORS' REMUNERATION (Continued)**

Total compensation of the highest paid director was £122,500 (2013 £246,000) and £7,350 (2013 £13,000) pension contributions were made on his behalf

The following directors were not paid by any of the company in Touch Local Group

Barry Maloney [Resigned 31/7/2014]
 David L Brown [Appointed 31/7/2014]
 Kevin M Carney [Appointed 31/7/2014]
 Matthew P McClure [Appointed 31/7/2014]

4 STAFF COSTS**Group**

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Staff costs during the period (including directors)		
Wages and salaries	3,036	2,632
Social security costs	287	275
Pension Contributions	25	13
	<u>3,348</u>	<u>2,920</u>
Average number of persons employed (including directors)		
	Number	Number
Administrative	26	26
Operational	76	63
Total	<u>102</u>	<u>89</u>

5 INTEREST

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Loan interest payable	<u>384</u>	<u>288</u>

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 TAX ON PROFIT ON ORDINARY ACTIVITIES

There is no current UK tax charge for the year (2013 £nil) due to losses brought forward. At the future tax rate of 20% (2013 20%) the accumulated tax losses and the benefit of other timing differences give rise to a potential deferred tax asset of £8,341,000 (2013 £8,327,000), 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 2014 £'000	Year ended 31 December 2013 £'000
(Loss)/Profit on ordinary activities before tax	(70)	510
Tax on ordinary activities at the standard rate of 21.5% (2013 23.25%)	(15)	119
Factors affecting the charge for the year		
Permanent differences	7	8
Capital allowances in excess of depreciation	(34)	-
Depreciation in excess of capital allowances	-	11
Tax losses utilised	(128)	(162)
Tax losses carried forward	170	24
Total current tax charge	-	-

Factors that may affect future tax charges

The standard rate of UK Corporation Tax reduced from 21% to 20% on 1 April 2015. The Finance Act 2015, which received Royal Assent on 26 March 2015, states that this rate will not change for financial year 2016. Deferred tax has been calculated accordingly in these financial statements.

In his budget of 8 July 2015, the Chancellor of the Exchequer announced tax rate changes, which, if enacted in the proposed manner, will have an effect on the company's future tax position. These additional changes will reduce the standard rate of UK corporation tax from 20% to 19% from 1 April 2017 and 18% from 1 April 2020. These proposed changes had not been substantively enacted at the balance sheet date and consequently their effects are not included in these financial statements. The effect of these announced reductions is not likely to be material.

The above changes to the rate of corporation tax will impact the amount of future cash tax payments 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 2014	834	586	219	1,639
Additions	-	-	74	74
At 31 December 2014	834	586	293	1,713
Amortisation				
At 1 January 2014	834	586	157	1,577
Charge for the year	-	-	36	36
At 31 December 2014	834	586	193	1,613
Net book value				
At 31 December 2014	-	-	100	100
At 31 December 2013	-	-	62	62

	Licences	Development costs	Total
COMPANY	£'000	£'000	£'000
Cost			
At 1 January 2014	521	219	740
Additions	-	74	74
At 31 December 2014	521	293	814
Amortisation			
At 1 January 2014	521	157	678
Charge for the year	-	36	36
At 31 December 2014	521	193	714
Net book value			
At 31 December 2014	-	100	100
At 31 December 2013	-	62	62

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 2014	507	1,118	1,625
Disposal of an asset	-	(101)	(101)
Additions	-	12	12
At 31 December 2014	<u>507</u>	<u>1,029</u>	<u>1,536</u>
Depreciation			
At 1 January 2014	495	1,089	1,584
Disposal of an asset	-	(101)	(101)
Charge for the year	10	23	33
At 31 December 2014	<u>505</u>	<u>1,011</u>	<u>1,516</u>
Net book value			
At 31 December 2014	<u>2</u>	<u>18</u>	<u>20</u>
At 31 December 2013	<u>12</u>	<u>29</u>	<u>41</u>

COMPANY	Leasehold improvements	Plant, vehicles and equipment	Total
	£'000	£'000	£'000
Cost			
At 1 January 2014	293	621	914
Additions	-	-	-
At 31 December 2014	<u>293</u>	<u>621</u>	<u>914</u>
Depreciation			
At 1 January 2014	283	619	902
Charge for the year	9	1	10
At 31 December 2014	<u>292</u>	<u>620</u>	<u>912</u>
Net book value			
At 31 December 2014	<u>1</u>	<u>1</u>	<u>2</u>
At 31 December 2013	<u>10</u>	<u>2</u>	<u>12</u>

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 (Section 479a of the companies act 2006) 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 2014 and 31 December 2014		<u>10</u>
Name of company	Proportion of voting rights and ordinary share capital owned	Nature of Business
Touch Local NW Limited -04144911	100%	Non -trading
Touch Jobs Limited - 04140442	100%	Non-trading
Enable Media Limited - 05178759	100%	Marketing and web services
Ask Alix* - 03762890	100%	Non-trading
Central Index Limited - 06002202	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 2014	31 December 2013	31 December 2014	31 December 2013
	£'000	£'000	£'000	£'000
Trade debtors	329	321	235	164
Other debtors	46	44	45	44
Prepayments and accrued income	238	258	134	228
	<u>613</u>	<u>623</u>	<u>414</u>	<u>436</u>

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 CREDITORS amounts falling due within one year

	Group		Company	
	31 December	31 December	31 December	31 December
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Loans	-	570	-	570
Trade creditors	300	335	237	272
Taxes and social security	352	318	(45)	49
Accruals and deferred income	2,072	2,631	388	665
Amounts owed to group undertakings	-	-	511	2,876
	<u>2,724</u>	<u>3,854</u>	<u>1,091</u>	<u>4,432</u>

12 CREDITORS amounts falling due after more than one year

	Group		Company	
	31 December	31 December	31 December	31 December
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Loans	<u>-</u>	<u>2,180</u>	<u>-</u>	<u>2,180</u>

Analysis of loan maturity*

	Group		Company	
	31 December	31 December	31 December	31 December
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Within one year	-	570	-	570
Two – five years	-	2,180	-	2,180
Over five years	-	-	-	-
	<u>-</u>	<u>2,750</u>	<u>-</u>	<u>2,750</u>

Loans were secured by a fixed and floating charge over the group's assets
Both, BMS Loan and Shareholder, loans were cleared in July 2014

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 CALLED-UP SHARE CAPITAL

31 December 2014	Number	Amount £
<i>Authorised</i>		
Ordinary shares of 0.01p each	11,240,688	1,124
	<u>11,240,688</u>	<u>1,124</u>

31 December 2013	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	-
D shares of 0.01p each	1,346,273	135
E shares of 0.01p each	1,096,964	110
	<u>18,007,462,571</u>	<u>1,800,747</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 re-designation 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	Capital contribution reserve	Shareholders' Funds Year ended 31 December 2014	Shareholders' Funds Year ended 31 December 2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At beginning of year	1	23,695	12,200	(40,962)	-	(5,066)	(5,576)
Capital contribution	-	-	-	-	3,200	3,200	-
Profit for the year	-	-	-	(70)	-	(70)	510
At end of year	1	23,695	12,200	(41,032)	3,200	(1,936)	(5,066)

COMPANY

	Issued share capital	Share premium account	Capital redemption reserve	Profit and loss account	Capital contribution reserve	Shareholders' Funds Year ended 31 December 2014	Shareholders' Funds Year ended 31 December 2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At beginning of year	1	23,695	12,200	(41,892)	-	(5,996)	(6,573)
Capital contribution	-	-	-	-	3,200	3,200	-
Reserve transfer	-	-	-	1,562	-	1,562	-
Profit for the year	-	-	-	695	-	695	577
At end of year	1	23,695	12,200	(39,635)	3,200	(539)	(5,996)

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 2014 £'000 Land and buildings	31 December 2013 £'000 Land and Buildings
Leases which expire		
Within one year	-	-
Within two to five years	142	114
Over five years	-	-
	<u>142</u>	<u>114</u>
Company	31 December 2014 £'000 Land and buildings	31 December 2013 £'000 Land and Buildings
Leases which expire		
Within one year	-	-
Within two to five years	40	40
Over five years	-	-
	<u>40</u>	<u>40</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:

	2014 Weighted average exercise price	2014 Number of options
Outstanding at the beginning of the year	78.06p	224,431
Lapsed	78.06p	(224,431)
Outstanding at the end of the year	-	-
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. The employee share scheme was closed upon the sale of Touch Local to Web.com Group, Inc. on the 31st July 2014.

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 2014 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.

The loans were repaid in July 2013 with the warrants remaining in force. On 31st July 2014 Touch Local was purchased by Web.com Group Inc. The warrants expired on the completion of the sale.

TOUCH LOCAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2014	2013
	£000	£000
Operating profit	314	798
Depreciation, amortisation and impairment charges	69	54
Increase/(decrease) in debtors	10	(222)
Decrease in creditors	(560)	(185)
	<u> </u>	<u> </u>
Net cash (outflow)/inflow from operating activities	(167)	445
	<u> </u>	<u> </u>

19 ANALYSIS OF CASH FLOWS

	<i>Notes</i>	2014	2014	2013	2013
		£000	£000	£000	£000
Returns on investment and servicing of finance					
Interest paid		(384)		(288)	
		<u> </u>		<u> </u>	
			(384)		(288)
			<u> </u>		<u> </u>
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(12)		(6)	
Purchase of intangible fixed assets		(74)		(62)	
		<u> </u>		<u> </u>	
			(86)		(68)
			<u> </u>		<u> </u>
Financing					
Debt due after more than one year					
Cash inflow from capital contribution		3 200		1 850	
Net cash outflow from loan repayments		(2,180)		(1 986)	
Debt due within one year					
Increase in debt due within one year		(570)		70	
		<u> </u>		<u> </u>	
			450		(66)
			<u> </u>		<u> </u>

TOUCH LOCAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS (Continued)****20 ANALYSIS OF NET DEBT**

	At beginning of year £000	Cash flow £000	At end of year £000
Cash in hand, at bank	242	(187)	55
Debt due after one year	(2,180)	2,180	0
Debt due within one year	(570)	570	0
Net Debt	(2,508)	2,563	55

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

There are no post balance sheet events

23 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

Web.com Group, Inc. is the ultimate parent and controlling company of Touch Local Limited. Web.com Group, Inc. is located in Florida, United States of America.

Web.com Group, Inc. financial statements are available from Web.com, 12808 Gran Bay Parkway, West Jacksonville, FL 32258.