

Touch Local Limited

**Annual Report and Consolidated Financial
Statements**

Registered number 02885607

31 December 2016

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Officers and Professional Advisors

Directors

David L. Brown
Kevin M. Carney
Matthew P. McClure

Secretary

Matthew P. McClure

Registered Office

12 New Fetter Lane
London
EC4A 1JP

Banker

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

Solicitor

Bird & Bird LLP
15 Fetter Lane
London
EC4A 1JP

Auditor

KPMG LLP
Chartered Accountants and Registered Auditor
15 Canada Square
Canary Wharf
London
E14 5GL

Strategic Report

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

During the year, Touch Local Limited ('the Company') continued to provides an online directory network to its clients, as well as, providing additional online marketing products and services.

During 2017, we expect revenue growth as we continue our focus on online marketing solutions for our customers with monthly subscription packages. We expect to achieve this growth by adding additional investment in sales personnel, as well as, continuing to provide great customer service and products to our current customers in order to retain them.

KEY PERFORMANCE INDICATORS

During the year ended 31st December 2016, Touch Local has incurred a loss of £523,000 (2015: loss £293,000). The Company had approximately 9,300 customers as of 31st December 2016 with average revenue per month of \$58.59 as compared to approximately 9,600 customers as of 31st December 2015 with average revenue per month of \$45.17. However, even with the decrease in the number of customers from a year ago, revenues increased by 22% to £6,626,000 during 2016 as compared to £5,423,000 during 2015. The average revenue per month (per customer) increased approximately 30% primarily due to our internal strategy to move our customers from the traditional directory product to monthly online marketing products.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks facing the Company are as follows:

- We rely heavily on the reliability, security, and performance of or internally developed systems and processes, and any difficulties in maintaining these systems may result in service interruptions, decrease customer service, or increase expenditures.
- Providing online marketing service and products to our clients is a fragmented and changing market; if this market fails to grow, we will not be able to grow our business.
- A portion of our online marketing service and products are sold on a month-by-month basis, and if our customers are unable or choose not to subscribe to our web services, our revenue may decrease.
- Weakened global economic conditions may harm our industry, business and results of operations.

These risks are mitigated by constant monitoring by management. For the risks deemed to be high risk factors, management has developed a formal action plan that addresses this risk and assigned an owner who will closely monitor the process and take action as warranted.

FINANCIAL RISK MANAGEMENT

The most important components of financial risk to a company are interest rate risk, credit risk, market risk and cash flow risk. The only financial risk the directors consider relevant to this Company is cash flow risk. The key risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. This risk is mitigated by the ultimate parent company being able to satisfy all obligations of the Company if they are unable to pay creditors.

By order of the board



Matthew P. McClure
Director

September 25, 2017

Touch Local Limited
12 New Fetter Lane
London
EC4A 1JP

Directors' Report

The directors present their report and the audited financial statements for the year ended 31 December 2016.

RESULTS AND DIVIDENDS

Consolidated financial statements have been prepared comprising the results of the Touch Local Limited ('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, 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 2016 after taxation amounted to £523,000 2015: loss £293,000. The profit attributable to the Company for the year ended 31st December 2016 after taxation, amounted to £569,000 2015: Profit £523,000.

The directors do not recommend any dividend on the ordinary shares in respect of the year ended 31 December 2016 (2015: £nil).

DIRECTORS

The directors who held office during the year were as follows:

David L. Brown
Kevin M. Carney
Matthew P. McClure

POLITICAL CONTRIBUTIONS

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year ended 31st December 2016.

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.

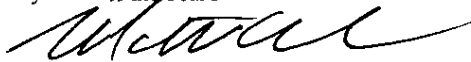
OTHER INFORMATION

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 3.

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed reappointed and KPMP LLP will therefore continue in office.

By order of the board



Matthew P. McClure
Director

September 25, 2017

Company registered number: 02885607

Touch Local Limited
12 New Fetter Lane
London
EC4A 1JP

Statement of Directors' Responsibilities in Respect of the Strategic Report, Directors' Report and the Consolidated Financial Statements

The directors are responsible for preparing the Strategic Report, Directors' Report and the Consolidated 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) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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.

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 2016 set out on pages 8 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Respective responsibilities of directors and auditor

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 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 of the parent company's affairs as at 31 December 2016 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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 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
15 Canada Square
Canary Wharf
London
E14 5GL

27 September 2017

Consolidated Profit and Loss Account and Other Comprehensive Income
for the year ended 31st December 2016

		2016	2015
	<i>Note</i>	£000	£000
Turnover	2	6,626	5,423
Cost of sales		(3,161)	(1,144)
Gross profit		3,465	4,279
Administrative expenses		(3,988)	(4,572)
Operating loss		(523)	(293)
Interest payable and similar expenses		-	-
Loss before taxation		(523)	(293)
Tax on loss	6	-	-
Loss for the financial year		(523)	(293)
Other comprehensive income		-	-
Total comprehensive income for the year		(523)	(293)

The accompanying notes on pages 14 to 25 are an integral part of these financial statements

All results derive from continuing operations.

There are no other gains or losses other than the loss for the year of £523,000 2015: *loss* £293,000.

Consolidated Balance Sheet
as of 31st December 2016

		2016		2015	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	7		50		84
Tangible assets	8		4		12
			<u>54</u>		<u>96</u>
CURRENT ASSETS					
Debtors	10	695		563	
Cash at bank and in hand		<u>288</u>		<u>95</u>	
TOTAL CURRENT ASSETS		<u>983</u>		<u>658</u>	
CREDITORS: amounts falling due within one year	11	<u>(2,222)</u>		<u>(2,237)</u>	
NET CURRENT LIABILITIES			<u>(1,239)</u>		<u>(1,579)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(1,185)</u>		<u>(1,483)</u>
CREDITORS: amounts falling due after more than one year		-		-	
NET LIABILITIES			<u>(1,185)</u>		<u>(1,483)</u>
CAPITAL AND RESERVES					
Called-up share capital	12		1		1
Share premium account			23,695		23,695
Capital redemption reserve			12,200		12,200
Profit and loss account			(41,848)		(41,325)
Capital contribution			<u>4,767</u>		<u>3,946</u>
SHAREHOLDERS' DEFICIT			<u>(1,185)</u>		<u>(1,483)</u>

The accompanying notes on pages 14 to 25 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 25th of September 2017 and were signed on its behalf by:



Matthew P. McClure
Director

Company registered number: 02885607

Touch Local Limited
12 New Fetter Lane
London
EC4A 1JP

Company Statement of Balance Sheet

as of 31st December 2016

		2016		2015	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	7		50		84
Tangible assets	8		-		-
			<u>50</u>		<u>84</u>
CURRENT ASSETS					
Debtors	10	2,419		1,064	
Cash at bank and in hand		<u>84</u>		<u>75</u>	
TOTAL CURRENT ASSETS		<u>2,503</u>		<u>1,139</u>	
CREDITORS: amounts falling due within one year	11	<u>(433)</u>		<u>(493)</u>	
NET CURRENT LIABILITIES			<u>2,070</u>		<u>646</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,120</u>		<u>730</u>
CREDITORS: amounts falling due after more than one year		<u>-</u>		<u>-</u>	
NET LIABILITIES			<u><u>2,120</u></u>		<u><u>730</u></u>
CAPITAL AND RESERVES					
Called-up share capital	12		1		1
Share premium account			23,695		23,695
Capital redemption reserve			12,200		12,200
Profit and loss account			(38,543)		(39,112)
Capital contribution			<u>4,767</u>		<u>3,946</u>
SHAREHOLDERS' DEFICIT			<u><u>2,120</u></u>		<u><u>730</u></u>

The accompanying notes on pages 14 to 25 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 25th of September 2017 and were signed on its behalf by:



Matthew P. McClure
Director

Company registered number: 02885607

Touch Local Limited
12 New Fetter Lane
London
EC4A 1JP

Consolidated Statement of Changes in Equity

	Called up Share Capital £000	Share Premium Account £000	Capital Redemption Reserve £000	Profit and loss account £000	Capital Contribution £000	Total equity £000
Balance at 31 December 2015	1	23,695	12,200	(41,325)	3,946	(1,483)
Total comprehensive income for the period						
Profit or loss	-	-	-	(523)	-	(523)
Total comprehensive income for the period	-	-	-	(523)	-	(523)
Transactions with owners, recorded directly in equity	-	-	-	-	821	821
Total contributions by and distributions to owners	-	-	-	-	821	821
Balance at 31 December 2016	1	23,695	12,200	(41,848)	4,767	(1,185)

The accompanying notes on pages 14 to 25 are an integral part of these financial statements.

Company Statement of Changes in Equity

	Called up Share Capital £000	Share Premium Account £000	Capital Redemption Reserve £000	Profit and loss account £000	Capital Contribution £000	Total equity £000
Balance at 31 December 2015	1	23,695	12,200	(39,112)	3,946	730
Total comprehensive income for the period						
Profit or loss	-	-	-	569	-	569
Total comprehensive income for the period	-	-	-	569	-	569
Transactions with owners, recorded directly in equity						
	-	-	-	-	821	821
Total contributions by and distributions to owners	-	-	-	-	821	821
Balance at 31 December 2016	1	23,695	12,200	(38,543)	4,767	2,120

The accompanying notes on pages 14 to 26 are an integral part of these financial statements.

Consolidated Cash Flows Statement

	2016	2015
	£000	£000
Cash flows from operating activities		
Loss for the year	(523)	(293)
<i>Adjustments for:</i>		
Depreciation, amortisation and impairment	64	71
	<u>(459)</u>	<u>(222)</u>
 (Increase) decrease in trade and other debtors	 (132)	 50
Decrease in trade and other creditors	<u>(15)</u>	<u>(487)</u>
Net cash used for operating activities	(606)	(659)
 Cash flows from investing activities		
Acquisition of tangible fixed assets and development expenditure	9 -	(5)
Development expenditure	8 <u>(22)</u>	<u>(42)</u>
Net cash used for investing activities	(22)	(47)
 Cash flows from financing activities		
Proceeds from parent company -capital contribution	821	746
Repayment of borrowings	<u>-</u>	<u>-</u>
Net cash provided by financing activities	821	746
 Net increase in cash and cash equivalents	 193	 40
Cash and cash equivalents at 1 January	<u>95</u>	<u>55</u>
 Cash and cash equivalents at 31 December	 <u>288</u>	 <u>95</u>

The accompanying notes on pages 14 to 25 are an integral part of these financial statements.

Notes to the Financial Statements (forming part of the financial statements)

1 Accounting policies

Touch Local Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. These group and parent financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in England and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and,
- Key Management Personnel compensation has not been included a second time.
- The disclosures required by FRS 102.11 Basic Financial Instrument and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company has made no measurement and recognition adjustments. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The financial statements have been prepared on the going concern basis. The group incurred a loss for the year of £523,000 2015: loss £293,000, with net current liabilities of £1,239,000 (2015:£1,579,000) and net liabilities of £1,185,000 (2015: £1,483,000). Directors have prepared a forecast and 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. In addition, the Company is a subsidiary undertaking of Web.com Group, Inc. Web.com Group, Inc. has agreed to support the Company and its subsidiaries for at least twelve months from the date of signing these financial statements. The net results for the year 2016 were within our internal expectations. Although the Company's revenue did not increase as quickly as expected, the expenses were adjusted accordingly to meet the Company's internal forecast. 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.

1.3 Basis of consolidation

The consolidated financial statements incorporate the results of Touch Local Limited and all of its subsidiary undertakings as at 31 December 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

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

Notes (continued)

1 Accounting policies (continued)

1.4 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.5 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Investments in preference and ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings. The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired. Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- plant and equipment 3-4 years
- fixtures and fittings 3-4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

1.7 Intangibles

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.

Notes (continued)

1 Accounting policies (continued)

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

1.8 Investment

Fixed asset investments are shown at cost less provision or impairment.

1.9 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, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.10 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 third party directory products is recognised equally over the length of the contract using a daily recognition method. Third party directory products revenue is recognised when earned.

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

1.11 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Notes (continued)

1 Accounting policies (continued)

1.12 Taxation (continued)

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Turnover

	2016 £000	2015 £000
Rendering of services	6,626	5,423
Total turnover	<u>6,626</u>	<u>5,423</u>

All turnover for the Touch Local Group is derived in the United Kingdom.

Notes (continued)

3 Expenses and auditor's remuneration

	2016 £ '000	2015 £ '000
The profit (loss) on ordinary activities before taxation is stated after charging:		
Amortisation of intangible assets	56	58
Depreciation of tangible assets	8	13
Operating lease expense of rent	209	166

The analysis of auditor's remuneration is as follows:

	2016 £ '000	2015 £ '000
Fees payable to the company's auditors for the audit of the company's annual accounts	34	27

4 Directors' remuneration

	2016 £ '000	2015 £ '000
Directors' emoluments		
Remuneration	-	-
Pension contributions	-	-
	-	-

The following directors are employed by Web.com Group, Inc. and were not paid by any of the companies in the Touch Local Group:

David L. Brown
Kevin M. Carney
Matthew P. McClure

Due to the nature of the operations of the Group, the remuneration of the directors for their services to the Company is not contained in the records of the Company, as the amount of work performed by the directors for the Company is immaterial. The directors are remunerated for their services to the group as a whole, which is disclosed in the holding Company, Web.com Group, Inc., and consolidated financial statements of Web.com Group, Inc. The financial statements are publicly available, details are disclosed in note 15.

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2016	2015
Average number of persons employed (including directors)		
Administrative	28	28
Operational	139	104
Total	<u>167</u>	<u>132</u>

	2016 £ '000	2015 £ '000
Staff costs during the period (including directors)		
Wages and salaries	3,839	3,394
Social security costs	363	303
Pension contributions	23	19
Total	<u>4,225</u>	<u>3,716</u>

6 Taxation

There is no current UK tax charge for the year (2015: £nil) due to losses brought forward. At the future tax rate of 17% (2015: 18%) the accumulated tax losses and the benefit of other timing differences give rise to a potential deferred tax asset of £7,227,000 (2015: £7,560,000), which has not been recognised because of the uncertainty of future profits with which to utilise the losses.

Total tax expense recognised in the profit and loss account:

	2016 £ '000	2015 £ '000
<i>Current tax</i>		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	-	-
Total current tax	<u>-</u>	<u>-</u>
<i>Deferred tax (see note 1)</i>		
Origination and reversal of timing differences	-	-
Change in tax rate	-	-
Adjustments arising from a change in tax status of the company	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Total tax	<u>-</u>	<u>-</u>

Notes (continued)

Analysis of current tax recognized in profit and loss:

	2016 £ '000	2015 £ '000
UK corporation tax	-	-
Double taxation relief	-	-
Foreign tax	-	-
Total current tax recognised in profit and loss	<u>-</u>	<u>-</u>

Recognition of effective tax rate:

Tax assessed for the period is higher (2015: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2016 of 20% (2015: 20.25%). The differences are explained below:

	2016 £ '000	2015 £ '000
Loss on ordinary activities before tax	<u>(523)</u>	<u>(293)</u>
	<u>(523)</u>	<u>(293)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	(105)	(59)
Expenses not deductible for tax purposes	6	6
Deferred tax not recognised on other timing differences	(7)	(30)
Current year losses for which no deferred tax asset was recognised	234	174
Utilisation tax losses brought forward	(128)	(91)
Total tax expense included in profit or loss	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

The above changes to the rate of corporation tax will impact the amount of future cash tax payments to be made by the Company.

Notes (continued)

7 Intangible assets and goodwill

GROUP	Goodwill	Licenses	Development Costs	Total
	£ '000	£ '000	£ '000	£ '000
Cost				
Balance at 1 January	834	586	335	1,755
Additions	-	-	22	22
Balance at 31 December	<u>834</u>	<u>586</u>	<u>357</u>	<u>1,777</u>
Amortisation and impairment				
Balance at 1 January	834	586	251	1,671
Amortisation for the year	-	-	56	56
Balance at 31 December	<u>834</u>	<u>586</u>	<u>307</u>	<u>1,727</u>
Net book value				
At 1 January	<u>-</u>	<u>-</u>	<u>84</u>	<u>84</u>
At 31 December	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>

COMPANY	Licenses	Development Costs	Total
	£ '000	£ '000	£ '000
Cost			
Balance at 1 January	521	335	856
Additions	-	22	22
Balance at 31 December	<u>521</u>	<u>357</u>	<u>878</u>
Amortisation and impairment			
Balance at 1 January	521	251	772
Amortisation for the year	-	56	56
Balance at 31 December	<u>521</u>	<u>307</u>	<u>828</u>
Net book value			
At 1 January	<u>-</u>	<u>84</u>	<u>84</u>
At 31 December	<u>-</u>	<u>50</u>	<u>50</u>

Notes (continued)

8 Tangible fixed assets

GROUP	Leasehold Improvements £ '000	Plant, Vehicles and Equipment £ '000	Total £ '000
Cost			
Balance at 1 January	507	1,034	1,541
Additions	-	-	-
Disposals	-	-	-
Balance at 31 December	<u>507</u>	<u>1,034</u>	<u>1,541</u>
Depreciation			
Balance at 1 January	506	1,023	1,529
Charges for the year	1	7	8
Disposals	-	-	-
Balance at 31 December	<u>507</u>	<u>1,030</u>	<u>1,537</u>
Net book value			
At 1 January	<u>1</u>	<u>11</u>	<u>12</u>
At 31 December	<u>-</u>	<u>4</u>	<u>4</u>

COMPANY	Leasehold Improvements £ '000	Plant, Vehicles and Equipment £ '000	Total £ '000
Cost			
Balance at 1 January	293	621	914
Additions	-	-	-
Disposals	-	-	-
Balance at 31 December	<u>293</u>	<u>621</u>	<u>914</u>
Depreciation			
Balance at 1 January	293	621	914
Charges for the year	-	-	-
Disposals	-	-	-
Balance at 31 December	<u>293</u>	<u>621</u>	<u>914</u>
Net book value			
At 1 January	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December	<u>-</u>	<u>-</u>	<u>-</u>

Notes (continued)

9 Fixed asset investment

The trading subsidiaries of Touch Local limited, below, which are all domiciled and registered in the UK, 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 2016 and 31 December 2016			£ <u>10</u>
Name of Company	Proportion of voting rights and ordinary share capital owned	Nature of business	
Touch 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 director	

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

10 Debtors

	Group		Company	
	2016 £ '000	2015 £ '000	2016 £ '000	2015 £ '000
Trade Debtors	484	226	251	171
Other Debtors	125	53	60	51
Prepayments and accrued income	86	284	25	111
Amounts due from group undertakings	-	-	2,083	731
	<u>695</u>	<u>563</u>	<u>2,419</u>	<u>1,064</u>

Notes (continued)

11 Creditors

	Group		Company	
	2016	2015	2016	2015
	£ '000	£ '000	£ '000	£ '000
Trade Creditors	273	244	100	126
Taxes and social security	415	348	54	51
Accruals and deferred income	1,534	1,645	279	316
Amounts owed to group undertakings	-	-	-	-
	<u>2,222</u>	<u>2,237</u>	<u>433</u>	<u>493</u>

12 Called-up Share Capital

	Number	Amount £
31 December 2016		
<i>Authorised:</i>		
Ordinary Shares of 0.01p each	11,240,688	1,124
	Number	Amount £
31 December 2015		
<i>Authorised:</i>		
Ordinary Shares of 0.01p each	11,240,688	1,124

The Ordinary Shares shall be entitled to the following rights:

Voting in general meetings

The holders of the Ordinary Shares shall be entitled to receive notice of and to attend and vote at the general meeting of the Company.

Dividends

All dividends declared by the Company shall be payable to 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.

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.

Notes (continued)

13 Operating Leases

Non-cancellable operating lease rentals are payable as follows:

Group

	2016 £ '000	2015 £ '000
Land and building leases which expire:		
Within one year	-	13
Within two to five years	-	-
Over five years	<u>575</u>	<u>684</u>
	<u>575</u>	<u>697</u>

Company

	2016 £ '000	2015 £ '000
Land and building leases which expire:		
Within one year	-	13
Within two to five years	-	-
Over five years	<u>-</u>	<u>-</u>
	<u>-</u>	<u>13</u>

14 Related Parties

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

15 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Web.com Group, Inc. The ultimate controlling party is Web.com Group, Inc. 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 or on its website www.web.com.