

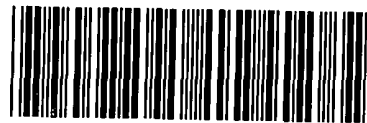
Touch Local Limited

**Annual Report and Consolidated Financial
Statements**

Registered number 02885607

31 December 2017

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Officers and Professional Advisors

Directors

David L. Brown
Kevin M. Carney (resigned 1st July 2018)
Matthew P. McClure
Jennifer Lada (appointed 1st July 2018)

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 provide an online directory network to its clients, as well as, providing additional online marketing products and services.

During 2018, we expect revenue growth as we continue our focus on online marketing solutions for our customers with monthly subscription packages, as well as third party reseller arrangements. 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 2017, Touch Local Limited has incurred a loss of £608,000 (2016: loss £523,000). The Company had approximately 8,300 customers as of 31st December 2017 with average revenue per month of £77.72 as compared to approximately 9,300 customers as of 31st December 2016 with average revenue per month of £58.59. However, even with the decrease in the number of customers from a year ago, revenues increased by 23% to £8,182,000 during 2017 as compared to £6,626,000 during 2016. The average revenue per month (per customer) increased approximately 33% primarily due to our internal strategy to move our customers from the traditional directory product to monthly online marketing products and increases in third party reseller arrangements. In addition, the costs to fulfil these services have increased as there is a lower margin in selling online marketing products than with the traditional directory products. During 2017, the Company has also invested in additional sales personnel and other marketing expenses in an effort to increase growth in the business. The investment in these costs will produce long-term benefits in the future of the business.

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.

Strategic Report (continued)

By order of the board

Jennifer L. Lada
Director



September 24, 2018

Company registered number: 02885607

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 2017.

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 2017 after taxation amounted to £608,000 (2016: loss £523,000). The profit attributable to the Company for the year ended 31st December 2017 after taxation, amounted to £862,000 (2016: Profit £569,000).

The directors do not recommend any dividend on the ordinary shares in respect of the year ended 31 December 2017 (2016: £nil).

DIRECTORS

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

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

Effective 1st July 2018, Kevin M. Carney has resigned from the Board of Directors of Touch Local Limited. On the same date, Jennifer Lada was appointed to the Board of Directors to replace the resigning Director.

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 2017.

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.

GOING CONCERN

The financial statements have been prepared on the going concern basis. The group incurred a loss for the year of £608,000 (2016: loss £523,000), with net current liabilities of £1,218,000 (2016: £1,239,000) and net liabilities of £1,202,000 (2016: £1,185,000). The Company is a subsidiary of Web.com Group, Inc. (Web.com). The Group's presence in the United Kingdom is important for Web.com's initiative for growth in international markets. 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. 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.

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 2.

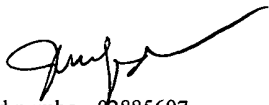
Directors' Report (continued)

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will not be reappointed and KPMP LLP will therefore not continue as the auditors of Touch Local Limited. The Board of Directors have appointed Ernst & Young LLP as the auditor going forward.

By order of the board

Jennifer L. Lada
Director



September 24, 2018

Company registered number: 02885607

Touch Local Limited
12 New Fetter Lane
London
EC4A 1JP

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

The directors are responsible for preparing the Strategic Report, the 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 judgements 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;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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

Opinion

We have audited the financial statements of Touch Local Limited ("the company") for the year ended 31 December 2017 which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 1.

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 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the 'directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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

Independent Auditor's Report to The Members of Touch Local Limited (continued)

Matters on which we are required to report by exception (continued)

- we have not received all the information and explanations we require for our audit; or

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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 auditor's 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.



Frederic Caharel (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

Date : 27 SEPTEMBER 2018

Consolidated Profit and Loss Account and Other Comprehensive Income
for the year ended 31st December 2017

		2017	2016
	<i>Note</i>	£000	£000
Turnover	2	8,182	6,626
Cost of sales		(2,782)	(3,161)
Gross profit		<u>5,400</u>	<u>3,465</u>
Administrative expenses		(6,008)	(3,988)
Operating loss		<u>(608)</u>	<u>(523)</u>
Interest payable and similar expenses		-	-
Loss before taxation	3	<u>(608)</u>	<u>(523)</u>
Tax on loss	6	<u>-</u>	<u>-</u>
Loss for the financial year		<u>(608)</u>	<u>(523)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>(608)</u>	<u>(523)</u>

The accompanying notes on pages 15 to 26 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 £608,000 (2016: loss £523,000).

Consolidated Balance Sheet
as of 31st December 2017

		2017		2016	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	7		15		50
Tangible assets	8		1		4
			<u>16</u>		<u>54</u>
CURRENT ASSETS					
Debtors	10	1,357		695	
Cash at bank and in hand		<u>166</u>		<u>288</u>	
TOTAL CURRENT ASSETS		<u>1,523</u>		<u>983</u>	
CREDITORS: amounts falling due within one year	11	<u>(2,741)</u>		<u>(2,222)</u>	
NET CURRENT LIABILITIES			<u>(1,218)</u>		<u>(1,239)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(1,202)</u>		<u>(1,185)</u>
CREDITORS: amounts falling due after more than one year		-		-	
NET LIABILITIES			<u>(1,202)</u>		<u>(1,185)</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		(42,456)		(41,848)	
Capital contribution		<u>5,358</u>		<u>4,767</u>	
SHAREHOLDERS' DEFICIT		<u>(1,202)</u>		<u>(1,185)</u>	

The accompanying notes on pages 15 to 26 are an integral part of these financial statements.

Jennifer L. Lada
Director

Company registered number: 02885607

Touch Local Limited
 12 New Fetter Lane
 London
 EC4A 1JP

Company Statement of Balance Sheet

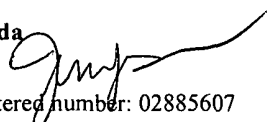
as of 31st December 2017

		2017		2016	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	7		15		50
Tangible assets	8		-		-
			<u>15</u>		<u>50</u>
CURRENT ASSETS					
Debtors	10	4,070		2,419	
Cash at bank and in hand		<u>30</u>		<u>84</u>	
TOTAL CURRENT ASSETS		<u>4,100</u>		<u>2,503</u>	
CREDITORS: amounts falling due within one year	11	<u>(542)</u>		<u>(433)</u>	
NET CURRENT LIABILITIES			<u>3,558</u>		<u>2,070</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>3,573</u>		<u>2,120</u>
CREDITORS: amounts falling due after more than one year		-		-	
NET LIABILITIES			<u>3,573</u>		<u>2,120</u>
CAPITAL AND RESERVES					
Called-up share capital	12		1		1
Share premium account		23,695		23,695	
Capital redemption reserve		<u>12,200</u>		<u>12,200</u>	
Profit and loss account		<u>(37,681)</u>		<u>(38,543)</u>	
Capital contribution		<u>5,358</u>		<u>4,767</u>	
SHAREHOLDERS' DEFICIT			<u>3,573</u>		<u>2,120</u>

The accompanying notes on pages 15 to 26 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 24th of September 2018 and were signed on its behalf by:

Jennifer L. Lada
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	Shareholders Deficit £000
Balance at 31 December 2016	1	23,695	12,200	(41,848)	4,767	(1,185)
Total comprehensive income for the period						
Profit or loss	-	-	-	(608)	-	(608)
Total comprehensive income for the period	-	-	-	(608)	-	(608)
Transactions with owners, recorded directly in equity	-	-	-	-	591	591
Total contributions by and distributions to owners	-	-	-	-	591	591
Balance at 31 December 2017	<u>1</u>	<u>23,695</u>	<u>12,200</u>	<u>(42,456)</u>	<u>5,358</u>	<u>(1,202)</u>

The accompanying notes on pages 15 to 26 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	Shareholders Deficit £000
Balance at 31 December 2016	1	23,695	12,200	(38,543)	4,767	2,120
Total comprehensive income for the period						
Profit or loss	-	-	-	862	-	862
Total comprehensive income for the period	-	-	-	862	-	862
Transactions with owners, recorded directly in equity	-	-	-	-	591	591
Total contributions by and distributions to owners	-	-	-	-	591	591
Balance at 31 December 2017	<u>1</u>	<u>23,695</u>	<u>12,200</u>	<u>(37,681)</u>	<u>5,358</u>	<u>3,573</u>

The accompanying notes on pages 15 to 26 are an integral part of these financial statements.

Consolidated Cash Flows Statement

	2017	2016
	£000	£000
Cash flows from operating activities		
Loss for the year	(608)	(523)
<i>Adjustments for:</i>		
Depreciation, amortisation and impairment	37	64
	(571)	(459)
Increase in trade and other debtors	(661)	(132)
Increase/(Decrease) in trade and other creditors	519	(15)
	(713)	(606)
Net cash used for operating activities		
Cash flows from investing activities		
Development expenditure	8 -	(22)
	-	(22)
Net cash used for investing activities		
Cash flows from financing activities		
Proceeds from parent company -capital contribution	591	821
	591	821
Net cash provided by financing activities		
Net increase in cash and cash equivalents	(122)	193
Cash and cash equivalents at 1 January	288	95
	166	288
Cash and cash equivalents at 31 December		

The accompanying notes on pages 15 to 26 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”):

- 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;
- 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 £608,000 (2016: loss £523,000), with net current liabilities of £1,218,000 (2016: £1,239,000) and net liabilities of £1,202,000 (2016: £1,185,000). The Company is a subsidiary of Web.com Group, Inc. (Web.com). The Group’s presence in the United Kingdom is important for Web.com’s initiative for growth in international markets. 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. 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.

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 2017. 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.

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.

Notes (continued)

1 Accounting policies (continued)

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 or its useful lives. Land is not depreciated. The estimated useful lives are as follows:

- plant, vehicles and equipment 3-4 years
- leasehold improvements 4-5 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.

Notes (continued)

1 Accounting policies (continued)

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.

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 reseller arrangements is recognised equally over the length of the contract using a daily recognition method. Third party reseller arrangements revenue is recognised when earned.

Turnover is generated by one class of business and in three geographic areas, the United Kingdom, Europe, and South Africa.

Notes (continued)

1 Accounting policies (continued)

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.

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

	2017 £000	2016 £000
Rendering of services	8,182	6,626
Total turnover	<u>8,182</u>	<u>6,626</u>

Notes (continued)

2 Turnover (continued)

Most of the turnover for the Touch Local Group is derived in the United Kingdom. Other geographic areas include Europe and South Africa.

3 Expenses and auditor's remuneration

	2017 £ '000	2016 £ '000
The loss before taxation is stated after charging:		
Amortisation of intangible assets	34	56
Depreciation of tangible assets	3	8
Operating lease expense of rent	229	209

The analysis of auditors' remuneration is as follows:

	2017 £ '000	2016 £ '000
Fees payable to the company's auditors for the audit of the company's annual accounts	30	34

4 Directors' remuneration

	2017 £ '000	2016 £ '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 (resigned 1st July 2018)
Matthew P. McClure
Jennifer Lada (appointed 1st July 2018)

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:

	2017	2016
Average number of persons employed (including directors)		
Administrative	15	17
Operational	137	124
Total	<u>152</u>	<u>141</u>

	2017 £ '000	2016 £ '000
Staff costs during the period (including directors)		
Wages and salaries	4,277	3,839
Social security costs	408	363
Pension contributions	28	23
Total	<u>4,713</u>	<u>4,225</u>

6 Taxation

There is no current UK tax charge for the year (2016: £nil) due to tax losses arising in the period. At the future tax rate of 17% (2016: 17%) the accumulated tax losses and the benefit of other timing differences give rise to a potential deferred tax asset of £7,332,000 (2016: £7,227,000), 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:

	2017 £ '000	2016 £ '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)

6 Taxation (continued)

Analysis of current tax recognized in profit and loss:

	2017 £ '000	2016 £ '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 (2016: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2017 of 19.25% (2016: 20%). The differences are explained below:

	2017 £ '000	2016 £ '000
Loss on ordinary activities before tax	<u>(608)</u>	<u>(523)</u>
	<u>(608)</u>	<u>(523)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19.25% (2016: 20%)	(117)	(105)
Expenses not deductible for tax purposes	6	6
Deferred tax not recognised on other timing differences	(8)	(7)
Current year losses for which no deferred tax asset was recognised	298	234
Tax losses brought forward	(179)	(128)
Total tax expense included in profit or loss	<u>-</u>	<u>-</u>

Notes (continued)

7 Intangible assets and goodwill

GROUP	Development			
	Goodwill	Licenses	Costs	Total
	£ '000	£ '000	£ '000	£ '000
Cost				
Balance at 1 January 2017	834	586	358	1,778
Additions	-	-	-	-
Balance at 31 December 2017	<u>834</u>	<u>586</u>	<u>358</u>	<u>1,778</u>
Amortisation and impairment				
Balance at 1 January 2017	834	586	309	1,729
Amortisation for the year	-	-	34	34
Balance at 31 December 2017	<u>834</u>	<u>586</u>	<u>343</u>	<u>1,763</u>
Net book value				
At 1 January 2017	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>
At 31 December 2017	<u>-</u>	<u>-</u>	<u>15</u>	<u>15</u>

COMPANY	Development		
	Licenses	Costs	Total
	£ '000	£ '000	£ '000
Cost			
Balance at 1 January 2017	521	358	879
Additions	-	-	-
Balance at 31 December 2017	<u>521</u>	<u>358</u>	<u>879</u>
Amortisation and impairment			
Balance at 1 January 2017	521	309	830
Amortisation for the year	-	34	34
Balance at 31 December 2017	<u>521</u>	<u>343</u>	<u>864</u>
Net book value			
At 1 January 2017	<u>-</u>	<u>50</u>	<u>50</u>
At 31 December 2017	<u>-</u>	<u>15</u>	<u>15</u>

Notes (continued)

8 Tangible fixed assets

GROUP	Leasehold Improvements £ '000	Plant, Vehicles and Equipment £ '000	Total £ '000
Cost			
Balance at 1 January 2017	507	1,034	1,541
Additions	-	-	-
Disposals	-	-	-
Balance at 31 December 2017	<u>507</u>	<u>1,034</u>	<u>1,541</u>
Depreciation			
Balance at 1 January 2017	507	1,030	1,537
Charges for the year	-	3	3
Disposals	-	-	-
Balance at 31 December 2017	<u>507</u>	<u>1,033</u>	<u>1,540</u>
Net book value			
At 1 January 2017	<u>-</u>	<u>4</u>	<u>4</u>
At 31 December 2017	<u>-</u>	<u>1</u>	<u>1</u>

COMPANY	Leasehold Improvements £ '000	Plant, Vehicles and Equipment £ '000	Total £ '000
Cost			
Balance at 1 January 2017	291	622	913
Additions	-	-	-
Disposals	-	-	-
Balance at 31 December 2017	<u>291</u>	<u>622</u>	<u>913</u>
Depreciation			
Balance at 1 January 2017	291	622	913
Charges for the year	-	-	-
Disposals	-	-	-
Balance at 31 December 2017	<u>291</u>	<u>622</u>	<u>913</u>
Net book value			
At 1 January 2017	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2017	<u>-</u>	<u>-</u>	<u>-</u>

Notes (continued)

9 Fixed asset investments

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 2017 and 31 December 2017	<u>10</u>

Name of Company	Registered Address	Proportion of voting rights and ordinary share capital owned	Nature of business
Touch NW Limited - 04144911	12 New Fetter Lane, London, EC4A 1JP	100%	Non-trading
Touch Jobs Limited - 04140442	12 New Fetter Lane, London, EC4A 1JP	100%	Non-trading
Enable Media Limited - 05178759	12 New Fetter Lane, London, EC4A 1JP	100%	Marketing and web services
Ask Alix* - 03762890	12 New Fetter Lane, London, EC4A 1JP	100%	Non-trading
Central Index Limited - 06002202	12 New Fetter Lane, London, EC4A 1JP	100%	White label online business directories

10 Debtors

	Group		Company	
	2017 £ '000	2016 £ '000	2017 £ '000	2016 £ '000
Trade Debtors	617	484	460	251
Other Debtors	115	125	60	60
Prepayments and accrued income	624	86	477	25
Amounts due from group undertakings	-	-	3,073	2,083
	<u>1,356</u>	<u>695</u>	<u>4,070</u>	<u>2,419</u>

Notes (continued)

11 Creditors

	Group		Company	
	2017	2016	2017	2016
	£ '000	£ '000	£ '000	£ '000
Trade Creditors	281	273	204	100
Taxes and social security	746	415	117	54
Accruals and deferred income	1,714	1,534	221	279
Amounts owed to group undertakings	-	-	-	-
	2,741	2,222	542	433

12 Called-up Share Capital

	Number	Amount £
31 December 2017		
<i>Authorised:</i>		
Ordinary Shares of 0.01p each	11,240,688	1,124
	Number	Amount £
31 December 2016		
<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	2017	2016
	£ '000	£ '000
Land and building leases which expire:		
Within one year	-	-
Within two to five years	465	-
Over five years	-	575
	<u>465</u>	<u>575</u>

Company	2017	2016
	£ '000	£ '000
Land and building leases which expire:		
Within one year	-	-
Within two to five years	-	-
Over five years	-	-
	<u>-</u>	<u>-</u>

14 Related Parties

The Group has taken advantage of the exemption in FRS 102 Section 33, 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.