

Touch Local Limited

**Annual Report and Consolidated Financial
Statements**

Registered number 02885607

31 December 2018



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Officers and Professional Advisors

Directors

David L. Brown (resigned 28th January 2019)
Kevin M. Carney (resigned 30th June 2018)
Jennifer Lada (resigned 1st April 2019)
Matthew P. McClure (resigned 1st April 2019)
Sharon Rowlands (appointed 15th May 2019)
Christina L. Clohecyc (appointed 15th May 2019)
Jeffrey S. Neace (appointed 29th January 2019)

Secretary

Bird and Bird LLP
15 Fetter Lane
London
EC4A 1JP

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') provided a full range of Internet services to small businesses to help them compete and succeed online. The Company meets the needs of small businesses anywhere along their lifecycle with affordable, subscription-based solutions including website design and hosting, search engine optimization, online marketing campaigns, directory listings and eCommerce solutions.

On October 11, 2018, our parent company, Web.com Group, Inc., was acquired by Siris Capital Group, LLC, a leading private equity firm focused on making control investments in data, telecommunications, technology and technology-enabled business service companies. All of the outstanding shares were purchased for \$28.00 USD per share by Siris Capital. Accordingly, the Company de-listed from the NASDAQ exchange.

As we look into 2019, the Company's focus will change from revenue growth to profitability. The Company expects revenue to remain constant while making efforts to reduce sales and operational expenses.

KEY PERFORMANCE INDICATORS

During the year ended 31st December 2018, Touch Local Limited has incurred a loss of £2,717,000 (2017: loss £859,000, as restated). The Company had approximately 7,426 customers as of 31st December 2018 with average revenue per month of £86.17 as compared to approximately 8,300 customers as of 31st December 2017 with average revenue per month of £77.72. However, even with the decrease in the number of customers from a year ago,

to fulfil these services have increased the costs to fulfil online marketing products are higher than with traditional directory products and stand-alone websites. During 2018, 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 are expected to 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)

IMPACT DUE TO BREXIT

As with many other companies across the UK, the continuing political process has meant the full implications of Brexit for all aspects of our business still remain uncertain. In 2018, we formally documented the Company's risks associated with the potential impact of the UK's departure from the EU and evaluated the potential impact this will have on the Company.

The risks identified relate to the following topics: business and economic environment, cross-border trade, cross-border labour, as well as, political and regulatory uncertainty. UK management has assessed the impact and believe any impact would be immaterial to our financial statements.

Developments will be monitored closely to assess required actions as the exit and trading negotiations become clearer in 2019.

By order of the board



Christina L. Clohec
Director

30 September 2019

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 2018.

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 2018 after taxation amounted to £2,717,000 (2017: loss £859,000, as restated). The profit attributable to the Company for the year ended 31st December 2018 after taxation, amounted to £100,000 (2017: Profit £697,000, as restated).

The directors do not recommend any dividend on the ordinary shares in respect of the year ended 31 December 2018 (2017: £nil).

DIRECTORS

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

David L. Brown (resigned 28th January 2019)
Jennifer Lada (resigned 1st April 2019)
Matthew P. McClure (resigned 1st April 2019)
Kevin M. Carney (resigned 30th June 2018)

Subsequent to the resignation of the directors above, the following individuals were appointed to the Board of Directors: Sharon Rowlands, Christina L. Clohecy, and Jeffrey S. Neace.

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 2018.

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

Notwithstanding net current liabilities of £2,496,000 (2017: £1,218,000) as at 31 December 2018, a loss for the year then ended of £2,717,000 (2017: loss £859,000, as restated), and operating cash outflows for the year of £724,000 (2017: cash outflow £713,000) the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its immediate parent company, Web.com Group, Inc., to meet its liabilities as they fall due for that period.

Directors' Report (continued)

Those forecasts are dependent on Web.com Group, Inc. not seeking repayment of the amounts currently due to the group, which at 31 December 2018 amounted to £398,000 (2017: £nil), and providing additional financial support during that period. Web.com Group, Inc. has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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.

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



Christina L. Clohecy
Director

30 September 2019

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 2018 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 Cash Flows Statement 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 2018 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOUCH LOCAL LIMITED (CONTINUED)

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

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
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOUCH LOCAL LIMITED (concluded)

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

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

30 September 2019

Consolidated Profit and Loss Account and Other Comprehensive Income
for the year ended 31st December 2018

		2018	<i>Restated</i> 2017
	<i>Note</i>	£000	£000
Turnover	3	8,122	8,182
Cost of sales		(3,408)	(2,782)
Gross profit		<u>4,714</u>	<u>5,400</u>
Administrative expenses		(7,431)	(6,259)
Operating loss		<u>(2,717)</u>	<u>(859)</u>
Interest payable and similar expenses		-	-
Loss before taxation	4	<u>(2,717)</u>	<u>(859)</u>
Tax on loss	7	<u>-</u>	<u>-</u>
Loss for the financial year		<u><u>(2,717)</u></u>	<u><u>(859)</u></u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u><u>(2,717)</u></u>	<u><u>(859)</u></u>

The accompanying notes on pages 16 to 32 are an integral part of these financial statements

There are no other gains or losses other than the loss for the year of £2,717,000 (2017: loss £859,000, as restated).

Consolidated Balance Sheet

as at 31st December 2018

		2018	Restated 2017	
	Notes	£'000	£'000	£'000
FIXED ASSETS				
Intangible assets	8		4	15
Tangible assets	9		20	1
CURRENT ASSETS				
Debtors	11	1,206	1,357	16
Cash at bank and in hand		149	166	
TOTAL CURRENT ASSETS		1,355	1,523	
CREDITORS: amounts falling due within one year	12	(3,851)	(2,741)	
NET CURRENT LIABILITIES				(1,218)
TOTAL ASSETS LESS CURRENT LIABILITIES				(1,202)
CREDITORS: amounts falling due after more than one year		-	-	
NET LIABILITIES				(1,202)
CAPITAL AND RESERVES				
Called-up share capital	13	1		1
Share premium account		23,695		23,695
Capital redemption reserve		12,200		12,200
Profit and loss account		(45,742)		(43,025)
Capital contribution		7,374		5,927
SHAREHOLDERS' DEFICIT		(2,472)		(1,202)

The accompanying notes on pages 16 to 32 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 30th of September 2019 and were signed on its behalf by:



Christina L. Clohecy
Director

Company registered number: 02885607

Touch Local Limited
12 New Fetter Lane
London
EC4A 1JP

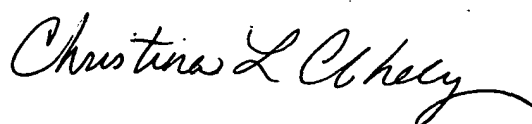
Company Balance Sheet

as at 31st December 2018

		2018	Restated 2017
	Notes	£'000	£'000
FIXED ASSETS			
Intangible assets	8	4	15
Tangible assets	9	-	-
		<u>4</u>	<u>15</u>
CURRENT ASSETS			
Debtors	11	5,446	4,070
Cash at bank and in hand		34	30
TOTAL CURRENT ASSETS		<u>5,480</u>	<u>4,100</u>
CREDITORS: amounts falling due within one year	12	<u>(584)</u>	<u>(542)</u>
NET CURRENT ASSETS		<u>4,896</u>	<u>3,558</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,900</u>	<u>3,573</u>
CREDITORS: amounts falling due after more than one year		<u>-</u>	<u>-</u>
NET ASSETS		<u><u>4,900</u></u>	<u><u>3,573</u></u>
CAPITAL AND RESERVES			
Called-up share capital	13	1	1
Share premium account		23,695	23,695
Capital redemption reserve		12,200	12,200
Profit and loss account		(37,957)	(38,057)
Capital contribution		6,961	5,734
SHAREHOLDERS' FUNDS		<u><u>4,900</u></u>	<u><u>3,573</u></u>

The accompanying notes on pages 16 to 32 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 30 September 2019 and were signed on its behalf by:



Christina L. Clohecy
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' Funds £000
Balance at 31 December 2016, as previously stated	1	23,695	12,200	(41,848)	4,767	(1,185)
Effect of prior period adjustment (see Note 2)				(318)	318	-
Balance at 31 December 2016, as restated	1	23,695	12,200	(42,166)	5,085	(1,185)
Total comprehensive loss for the period, as previously stated	-	-	-	(608)	-	(608)
Effect of prior period adjustment (see Note 2)	-	-	-	(251)	-	(251)
Total comprehensive loss for the period, as restated	-	-	-	(859)	-	(859)
Transactions with owners, recorded directly in equity, as previously stated					591	591
Effect of prior period adjustment (see Note 2)	-	-	-	-	251	251
Total contributions by and distributions to owners, as restated	-	-	-	-	842	842
Balance at 31 December 2017, as previously stated	1	23,695	12,200	(42,456)	5,358	(1,202)
Effect of prior period adjustment (see Note 2)	-	-	-	(569)	569	-
Balance at 31 December 2017, as restated	1	23,695	12,200	(43,025)	5,927	(1,202)
Total comprehensive loss for the period	-	-	-	(2,717)	-	(2,717)
Transactions with owners, recorded directly in equity	-	-	-	-	1,447	1,447
Balance at 31 December 2018	1	23,695	12,200	(45,742)	7,374	(2,472)

The accompanying notes on pages 16 to 32 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' Funds £000
Balance at 31 December 2016, as previously stated	1	23,695	12,200	(38,543)	4,767	2,120
Effect of prior period adjustment (see Note 2)				(210)	210	-
Balance at 31 December 2016, as restated	1	23,695	12,200	(38,753)	4,977	2,120
Total comprehensive loss for the period, as previously stated	-	-	-	862	-	862
Effect of prior period adjustment (see Note 2)	-	-	-	(166)	-	(166)
Total comprehensive loss for the period, as restated	-	-	-	696	-	696
Transactions with owners, recorded directly in equity, as previously stated	-	-	-	-	591	591
Effect of prior period adjustment (see Note 2)	-	-	-	-	166	166
Total contributions by and distributions to owners, as restated	-	-	-	-	757	757
Balance at 31 December 2017, as previously stated	1	23,695	12,200	(37,681)	5,358	3,573
Effect of prior period adjustment (see Note 2)	-	-	-	(376)	376	-
Balance at 31 December 2017, as restated	1	23,695	12,200	(38,057)	5,734	3,573
Total comprehensive loss for the period	-	-	-	100	-	100
Transactions with owners, recorded directly in equity	-	-	-	-	1,227	1,227
Balance at 31 December 2018	1	23,695	12,200	(37,957)	6,961	4,900

The accompanying notes on pages 16 to 32 are an integral part of these financial statements.

Consolidated Cash Flows Statement

	2018	<i>Restated</i> 2017
	£000	£000
Cash flows from operating activities		
Loss for the year	(2,717)	(859)
<i>Adjustments for:</i>		
Stock Compensation	714	251
Depreciation, amortisation and impairment	18	37
	<u>(1,985)</u>	<u>(571)</u>
Decrease/(Increase) in trade and other debtors	151	(661)
(Decrease)/Increase in trade and other creditors	<u>1,110</u>	<u>519</u>
Net cash used for operating activities	(724)	(713)
Cash flows from investing activities		
Acquisition of Tangible Fixed Assets	<u>(26)</u>	<u>-</u>
Net cash used for investing activities	(26)	-
Cash flows from financing activities		
Proceeds from parent company	2,017	591
Repurchase of equity shares relating to the share based payment schemes	<u>(1,284)</u>	<u>-</u>
Net cash provided by financing activities	<u>733</u>	<u>591</u>
Net decrease in cash and cash equivalents	(17)	(122)
Cash and cash equivalents at 1 January	<u>166</u>	<u>288</u>
Cash and cash equivalents at 31 December	<u>149</u>	<u>166</u>

The accompanying notes on pages 16 to 32 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 presentation currency of these financial statements is sterling. All amounts in 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 FRS102 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;
- 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

Notwithstanding net current liabilities of £2,496,000 (2017: £1,218,000) as at 31 December 2018, a loss for the year then ended of £2,717,000 (2017: loss £859,000, as restated), and operating cash outflows for the year of £724,000 (2017: cash outflow £713,000) the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the company will have sufficient funds, through funding from its immediate parent company, Web.com Group, Inc., to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Web.com Group, Inc. not seeking repayment of the amounts currently due to the group, which at 31 December 2018 amounted to £398,000 (2017: £nil), and providing additional financial support during that period. Web.com Group, Inc. has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Notes to the financial statements (continued)

1 Accounting policies (continued)

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 2018. 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.

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.

Notes to the financial statements *(continued)*

1 Accounting policies *(continued)*

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 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

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.

Notes to the financial statements (continued)

1 Accounting policies (continued)

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.

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.

Notes to the financial statements (continued)

2 Prior year restatement

Since the acquisition of the Company in 2014 by Web.com Group, Inc., the ultimate parent company has issued stock options and restricted stock to its UK employees. Historically, this expense was not pushed down to the UK entity level and only recorded on the ultimate parent company's books and records.

An event occurred in October 2018 where the ultimate parent company, Web.com Group, Inc., was acquired by Siris Capital Group, LLC. At this time, all outstanding unvested options and shares were immediately vested, and a share based payment expense taken through P&L for the accelerated vesting. Subsequently, all of the outstanding shares and options were purchased for \$28.00 USD per share by Siris Capital. Accordingly, any un-exercised stock options or shares issued to current employees were immediately payable. Web.com was required to fund the payment for the net settlement of these shares.

Due to this event, the Company realized that it should have recorded its portion of share-based compensation on the local books and records. This is being corrected by prior year restatement.

The adjustments and restated results are as follows:

Notes to the financial statements (continued)

2 Prior year restatement (continued)

2017 Consolidated Balance Sheet and Profit and Loss Accounts

	As reported 2017 £000	Restatement Adjustments (Prior to 2017) £000	Restatement Adjustments (2017) £000	Restatement 2017 £000
FIXED ASSETS				
Intangible assets	15	-	-	15
Tangible assets	1	-	-	1
	16		-	16
CURRENT ASSETS				
Debtors	1,357	-	-	1,357
Cash at bank and in hand	166	-	-	166
TOTAL CURRENT ASSETS	1,523	-	-	1,523
CREDITORS: amounts falling due within one year	(2,741)	-	-	(2,741)
NET CURRENT LIABILITIES	(1,218)	-	-	(1,218)
TOTAL ASSETS LESS CURRENT LIABILITIES	(1,202)	-	-	(1,202)
CREDITORS: amounts falling due after more than one year	-	-	-	-
NET LIABILITIES	(1,202)	-	-	(1,202)
CAPITAL AND RESERVES				
Called-up share capital	1	-	-	1
Share premium account	23,695	-	-	23,695
Capital redemption reserve	12,200	-	-	12,200
Profit and loss account	(42,456)	(318)	(251)	(43,025)
Capital contribution	5,358	318	251	5,927
SHAREHOLDERS' DEFICIT	(1,202)	-	-	(1,202)
Turnover	8,182	-	-	8,182
Cost of sales	(2,782)	-	-	(2,782)
Gross profit	5,400	-	-	5,400
Administrative expenses	(6,008)	-	(251)	(6,259)
Operating loss	(608)	-	(251)	(859)
Interest payable and similar expenses	-	-	-	-
Loss before taxation	(608)	-	(251)	(859)
Tax on loss	-	-	-	-
Loss for the financial year	(608)	-	(251)	(859)
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	(608)	-	(251)	(859)

Notes to the financial statements (continued)

2 Prior year restatement (continued)

2017 Company Balance Sheet

	As reported 2017 £000	Restatement Adjustments (Prior to 2017) £000	Restatement Adjustments (2017) £000	Restatement 2017 £000
FIXED ASSETS				
Intangible assets	15	-	-	15
Tangible assets	-	-	-	-
	15	-	-	15
CURRENT ASSETS				
Debtors	4,070	-	-	4,070
Cash at bank and in hand	30	-	-	30
TOTAL CURRENT ASSETS	4,100	-	-	4,100
CREDITORS: amounts falling due within one year	(542)	-	-	(542)
NET CURRENT ASSETS	3,558	-	-	3,558
TOTAL ASSETS LESS CURRENT LIABILITIES	3,573	-	-	3,573
CREDITORS: amounts falling due after more than one year	-	-	-	-
NET ASSETS	3,573	-	-	3,573
CAPITAL AND RESERVES				
Called-up share capital	1	-	-	1
Share premium account	23,695	-	-	23,695
Capital redemption reserve	12,200	-	-	12,200
Profit and loss account	(37,681)	(210)	(166)	(38,057)
Capital contribution	5,358	210	166	5,734
SHAREHOLDERS' FUNDS	3,573	-	-	3,573

3 Turnover

	2018 £000	2017 £000
Rendering of services	8,122	8,182
Total turnover	8,122	8,182

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

Notes to the financial statements (continued)

4 Expenses and auditor's remuneration

	2018 £ '000	2017 £ '000
The loss before taxation is stated after charging:		
Amortisation of intangible assets	11	34
Depreciation of tangible assets	7	3
Operating lease expense of rent	244	229

The analysis of auditors' remuneration is as follows:

	2018 £ '000	2017 £ '000
Fees payable to the company's auditors for the audit of the company's annual accounts	35	30

5 Directors' remuneration

	2018 £ '000	2017 £ '000
Directors' emoluments		
Remuneration	-	-
Pension contributions	-	-
	<u>-</u>	<u>-</u>

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

David L. Brown (resigned 28th January 2018)
 Jennifer Lada (resigned 1st April 2019)
 Matthew P. McClure (resigned 1st April 2019)
 Kevin M. Carney (resigned 30th June 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. Further details are disclosed in note 17.

Notes to the financial statements (continued)

6 Staff numbers and costs

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

	2018	2017
Average number of persons employed (including directors)		
Administrative	13	15
Operational	116	137
Total	<u>129</u>	<u>152</u>

	2018	<i>Restated</i> 2017
	£ '000	£ '000
Staff costs during the period (including directors)		
Wages and salaries	4,344	4,277
Social security costs	440	408
Stock based compensation	714	251
Pension contributions	41	28
Total	<u>5,539</u>	<u>4,964</u>

7 Taxation

There is no current UK tax charge for the year (2017: £nil) due to tax losses arising in the period. The company has tax losses amounting to £45,519,000 (2017: £42,313,000) on which no deferred tax assets had been recognised because of the uncertainty of future profits with which to utilise against these losses.

Total tax expense recognised in the profit and loss account:

	2018	2017
	£ '000	£ '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 to the financial statements (continued)

7 Taxation (continued)

Analysis of current tax recognized in profit and loss:

	2018 £ '000	2017 £ '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 (2017: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2018 of 19% (2017: 19.25%). The differences are explained below:

	2018 £ '000	<i>Restated</i> 2017 £ '000
Loss on ordinary activities before tax	<u>(2,717)</u>	<u>(859)</u>
	<u>(2,717)</u>	<u>(859)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(516)	(165)
Expenses not deductible for tax purposes	6	6
Deferred tax not recognised on other timing differences	(84)	40
Current year losses for which no deferred tax asset was recognised	594	298
Tax losses brought forward	-	(179)
Total tax expense included in profit or loss	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The Finance Act 2015, which received Royal Assent on 26 March 2015, reduced the standard rate of UK Corporation Tax to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020. Subsequently the Finance Act 2016 further reduced the standard rate of UK Corporation Tax to 17% with effect from 1 April 2020. Therefore, the average rate of UK Corporation Tax for the year ended 31 December 2018 was 19% (2017: 19.25%). Deferred tax assets and liabilities have been measured at 31 December 2018 at 17% (2017: 17%).

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 to the financial statements (continued)

9 Tangible fixed assets

GROUP	Leasehold Improvements £ '000	Plant, Vehicles and Equipment £ '000	Total £ '000
Cost			
Balance at 1 January 2018	507	1,034	1,541
Additions	26	-	26
Disposals	-	-	-
Balance at 31 December 2018	<u>533</u>	<u>1,034</u>	<u>1,567</u>
Depreciation			
Balance at 1 January 2018	507	1,033	1,540
Charges for the year	7	-	7
Disposals	-	-	-
Balance at 31 December 2018	<u>514</u>	<u>1,033</u>	<u>1,547</u>
Net book value			
At 1 January 2018	<u>-</u>	<u>1</u>	<u>1</u>
At 31 December 2018	<u>19</u>	<u>1</u>	<u>20</u>

COMPANY	Leasehold Improvements £ '000	Plant, Vehicles and Equipment £ '000	Total £ '000
Cost			
Balance at 1 January 2018	291	622	913
Additions	-	-	-
Disposals	-	-	-
Balance at 31 December 2018	<u>291</u>	<u>622</u>	<u>913</u>
Depreciation			
Balance at 1 January 2018	291	622	913
Charges for the year	-	-	-
Disposals	-	-	-
Balance at 31 December 2018	<u>291</u>	<u>622</u>	<u>913</u>
Net book value			
At 1 January 2018	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2018	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the financial statements (continued)

8 Intangible assets and goodwill

GROUP	Development			Total
	Goodwill	Licenses	Costs	
	£ '000	£ '000	£ '000	£ '000
Cost				
Balance at 1 January 2018	834	586	358	1,778
Additions	-	-	-	-
Balance at 31 December 2018	<u>834</u>	<u>586</u>	<u>358</u>	<u>1,778</u>
Amortisation and impairment				
Balance at 1 January 2018	834	586	343	1,763
Amortisation for the year	-	-	11	11
Balance at 31 December 2018	<u>834</u>	<u>586</u>	<u>354</u>	<u>1,774</u>
Net book value				
At 1 January 2018	<u>-</u>	<u>-</u>	<u>15</u>	<u>50</u>
At 31 December 2018	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>

COMPANY	Development		Total
	Licenses	Costs	
	£ '000	£ '000	£ '000
Cost			
Balance at 1 January 2018	521	358	879
Additions	-	-	-
Balance at 31 December 2018	<u>521</u>	<u>358</u>	<u>879</u>
Amortisation and impairment			
Balance at 1 January 2018	521	343	864
Amortisation for the year	-	11	11
Balance at 31 December 2018	<u>521</u>	<u>354</u>	<u>875</u>
Net book value			
At 1 January 2018	<u>-</u>	<u>15</u>	<u>15</u>
At 31 December 2018	<u>-</u>	<u>4</u>	<u>4</u>

Notes to the financial statements (continued)

10 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 2018 and 31 December 2018		£ 10	
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
AskAlix Limited - 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

11 Debtors

	Group		Company	
	2018 £ '000	2017 £ '000	2018 £ '000	2017 £ '000
Trade Debtors	714	618	409	460
Other Debtors	22	115	24	60
Prepayments and accrued income	396	624	237	477
Amounts due from group undertakings	-	-	4,702	3,073
Amounts due from ultimate parent	74	-	74	-
	<u>1,206</u>	<u>1,357</u>	<u>5,446</u>	<u>4,070</u>

Notes to the financial statements (continued)

12 Creditors

	Group		Company	
	2018	2017	2018	2017
	£ '000	£ '000	£ '000	£ '000
Trade Creditors	366	281	103	204
Taxes and social security	621	746	158	117
Accruals and deferred income	2,466	1,714	323	221
Amounts owed to ultimate parent	398	-	-	-
	3,851	2,741	584	542

13 Called-up Share Capital

	Number	Amount
Ordinary Shares of 0.01p each	11,240,688	1,124
	Number	Amount
31 December 2017		£
<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 to the financial statements (continued)

14 Operating Leases

Non-cancellable operating lease rentals are payable as follows:

Group	2018 £ '000	2017 £ '000
Within one year	110	110
Within two to five years	246	355
Over five years	-	-
	<u>356</u>	<u>465</u>
Company	2018 £ '000	2017 £ '000
Within one year	-	-
Within two to five years	-	-
Over five years	-	-
	<u>-</u>	<u>-</u>

15 Share based payments

Equity Incentive Plans

The 2014 Equity Incentive Plan was established by the ultimate parent company, Web.com Group, Inc., for the issuance of share based payments, including but not limited to, common stock options and restricted shares to employees. Incentive stock options issued generally vested ratably over four years, were contingent upon continued service and expired ten years from the grant date. Restricted share awards generally vested 25 percent each year over a four year period.

Web.com's Board of Directors, or a committee thereof, administered all of the equity incentive plans and established the terms of options granted, including the exercise price, the number of shares subject to individual option awards and the vesting period of options, within the limits set forth in the plans. Options had a maximum term of ten years and vested as determined by the Board of Directors.

On October 10, 2018, Web.com's Board of Directors approved a resolution to terminate all of Web.com's equity incentive plans effective at the time it was acquired by Siris Capital Group, LLC. All stock awards that were unvested immediately prior to the acquisition of Web.com by Siris Capital Group, LLC became 100% vested effective at the time of the acquisition.

The expense related to these equity plans have been restated from prior periods. Further details are disclosed in note 2.

Notes to the financial statements (concluded)

15 Share based payments (continued)

Performance Shares

During the first six months of 2017, the Compensation Committee of the Board of Directors approved the issuance of performance share equity awards to certain of the Company's employees. The targeted number of shares under a 100 percent payout scenario for these awards was ten thousand shares, to be earned over a two year vesting period, with vesting occurring upon reaching certain performance metrics. The actual number of shares that may have been earned and issued, if any, ranged from 0-125 of the target number of shares granted. The range was based upon the number of shares earned based upon the over achievement or under achievement of the financial performance measures for the performance period. No performance share equity awards were issued during the year ended 31 December 2018.

The required financial performance conditions were assessed at each reporting period and compensation expense was to be recorded to reflect the probable attainment of these conditions. Compensation expense for the year ended 31 December 2018 was £175,000 (2017: £nil) and attributable to accelerated vesting related to the acquisition of Web.com by Siris Capital Group, LLC.

Stock Options

The fair value of each option award as of the grant date was determined using the Black-Scholes option pricing valuation model. The fair value of all stock awards was recognized in compensation expense, net of estimated forfeitures, on a straight-line basis over the requisite service period for awards expected to vest. Compensation expense related to stock option plans for the year ended 31 December 2018 was £312,000 (2017: £178,000). Of the £312,000 recognized in the year ended 31 December 2018, £175,000 was due to accelerated vesting related to the acquisition.

Below are the ranges of assumptions used in calculating the fair value of options granted during the following periods:

	Twelve months ended 31 December,					
	2018			2017		
Risk-free interest rate	2.54%	-	2.81%	1.84%	-	2.06%
Dividend yield	N/A			N/A		
Expected life (in years)	4.99	-	5.04	4.99	-	5.07
Volatility	41.47%	-	42.36%	42.02%	-	44.67%

Notes to the financial statements (concluded)

15 Share based payments (continued)

The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant.

The following table summarizes option activity for all of the Company's stock options:

	Shares Covered by Options	Weighted- Average Exercise Price
Balance, 31 December 2017	85,530	£ 14.78
Granted	34,900	£ 13.12
Exercised	(37,860)	£ 14.37
Forfeited	(18,404)	£ 14.51
Converted	(62,166)	£ 14.58
Balance, 31 December 2018	—	

Restricted Stock

Compensation expense related to the restricted stock plans for the year ended December 31, 2018 was £226,000 (2017: £72,000). Of the £226,000 recognized in the year ended 31 December 2018, £159,000 was due to accelerate vesting related to the acquisition.

The following restricted stock activity occurred under the equity incentive plans during the year ended 31 December 2018:

	Shares
Restricted stock awards outstanding at 31 December 2017	14,500
Granted	4,000
Forfeited	—
Lapse of restriction (released)	(5,000)
Converted	(13,500)
Restricted stock awards outstanding at 31 December 2018	—

16 Related Parties

The Group has taken advantage of the exemption in FRS 102 Section 33, from disclosure in respect of intergroup related party transactions.

17 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 Siris Capital Group (601 Lexington Avenue, 59th Floor New York, NY 10022).

The smallest and largest group in which the results of the Company and its group are consolidated is that headed by Web.com Group Inc. (5335 Gate Parkway, Jacksonville, Florida 32256). The consolidated financial statements may be obtained from 5335 Gate Parkway, Jacksonville, Florida, 32256.