

Touch Local Limited

**Annual Report and Consolidated
Financial Statements**

Registered number 02885607

31 December 2021

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Contents

<u>Officers and Professional Advisors</u>	<u>2</u>
<u>Strategic report</u>	<u>3</u>
<u>Directors' report</u>	<u>6</u>
<u>Statement of Directors' Responsibilities in Respect of the Strategic Report, Director's Report and the Consolidated Financial Statements</u>	<u>8</u>
<u>Independent Auditor's report to the Members of Touch Local Limited</u>	<u>9</u>
<u>Consolidated Profit and Loss Account and Other Comprehensive Income</u>	<u>12</u>
<u>Consolidated Balance Sheet</u>	<u>13</u>
<u>Company Balance Sheet</u>	<u>14</u>
<u>Consolidated Statement of Changes in Equity</u>	<u>15</u>
<u>Company Statement of Changes in Equity</u>	<u>16</u>
<u>Consolidated Cash Flows Statement</u>	<u>17</u>
<u>Notes to the Financial Statements</u>	<u>18</u>

Officers and Professional Advisors

Directors

Sharon Rowlands
Christina L. Clohecy
Jeffrey S. Neace

Secretary

Bird and Bird LLP
15 Fetter Lane
London
EC4A 1JP

Registered Office

12 New Fetter Lane
London
EC4A 1JP

Bankers

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

Solicitors

Bird and Bird LLP
15 Fetter Lane
London
EC4A 1JP

Auditors

Gibson Whitter Limited
Chartered Accountants and Registered Auditors
Parklands Business Park
Forest Road
Denmead
PO7 6XP

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.

In January 2021, the Company acquired 100% of the outstanding shares of Easily Limited, a provider of domain names, hosting, and technology solutions based in United Kingdom. In addition, on that same date, the Company also acquired certain assets from Corporation Service Company related to its Speednames Brand, which primarily consisted of customers. The purchase price for both was approximately £1.1 million, of which the funds to purchase was contributed to the Company by its parent entity, Web.com Group, Inc.

In February 2021, Newfold Digital Holding Group, Inc. (formerly known as Endurance International Group, Inc.) acquired 100% of the equity interest in Web.com Group, Inc. and its wholly owned subsidiaries. As a result, Newfold Digital Holdings Group, Inc. is now considered the ultimate parent company. The ultimate controlling parties are Siris Capital Group (601 Lexington Avenue, 59th Floor, New York, NY 10022) and Clearlake Capital Group (233 Wilshire Blvd, Suite 800, Santa Monica, CA 90401).

The Group expects its 2022 trading results to decrease in comparison to the 2021 trading results as a result of a smaller sales force. However, the Company will continue to focus on profitable growth and improving the net profits of the Group.

KEY PERFORMANCE INDICATORS

During the year ended 31 December 2021, the Group had a loss of £8 thousand (2020: profit £115 thousand). The Company had approximately 47,133 customers as of 31 December 2021 with average revenue per month of £13.60 as compared to approximately 4,725 customers as of 31 December 2020 with average revenue per month of £86.40.

Customer turnover increased during the year ended 31 December 2021 by 22%. This increase was due to the acquisition of Easily and Speednames customers which was somewhat offset by a reduction of turnover related to our reseller channel and other retail products. The Easily acquisition also resulted in a decrease of average revenue per month as the customers acquired were primarily domain and hosting customers which traditionally have a lower monthly value than the legacy Touch Local and subsidiary customers.

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 act 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.

IMPACT DUE TO BREXIT

On 31 January 2020, the UK withdrew from the European Union and a transitional period formally ended on 31 December 2020.

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. We have assessed 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 Brexit risk has reduced considerably since last year as we have undertaken the regulatory actions, restructuring and financial analysis required. However, uncertainty remains around the impact on our business of new immigration restrictions, and any new regulatory restrictions implemented by member states in future.

IMPACT DUE TO COVID-19

The Directors have undertaken a review across the business for the impact of the spread of the coronavirus across the world, to the extent possible given the rapidly changing situation. The majority of the work continues to be carried out through remote working. The Covid-19 pandemic has increased the level of uncertainty around the future trading environment. Immediately following the outbreak, the board implemented regular meetings of management to undertake close monitoring of trading levels, perform scenario planning and develop action plans to deal with different future trading scenarios. Identified risks and changes have been explored and suitable mitigants were identified or put in place to the extent possible. The Directors are satisfied that the impact on the Company is manageable and does not impact its presentation as a going concern.

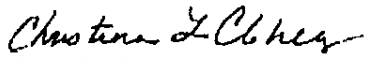
DIRECTORS' SECTION 172 STATEMENT

The directors, together with management from the ultimate parent company, make long term decisions for the Group. These range from changes in internal systems to external acquisitions. The Group's employees are either consulted or communicated to when there are decisions likely to affect them. There are regular updates provided by management to the entire organization and employees are encouraged to ask questions and suggest process involvement.

Business relationships with customers and suppliers are key to the Group's success so maintaining a good reputation and high standards of business conduct is extremely important. Whenever there are key changes to process or services, customers and suppliers are consulted or communicated in advance of any such changes.

The Group recognizes the importance of its environmental responsibilities and designs and implements policies to reduce any damage that might be caused by the Group's activities. Initiatives designed to minimize the Company's impact on the environment include improving our energy use, efficiency, paper use and recycling.

By order of the board



Christina L. Clohecy

Director

Company registered number: 02885607

19 December 2022

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 2021.

RESULTS AND DIVIDENDS

Consolidated financial statements have been prepared comprising the results of Touch Local Limited ('the Company') and its wholly owned subsidiaries: Touch (NW) Limited, Enable Media Limited, Central Index Limited, and Easily Limited. The subsidiaries of Touch Local Limited, which are all incorporated in England and Wales 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 profit for the year ended 31 December 2021 after taxation amounted to £8 thousand (2020: profit £115 thousand). The profit attributable to the Company for the year ended 31 December 2021 after taxation, amounted to £344 thousand (2020: Profit £442 thousand).

The directors do not recommend any dividend on the ordinary shares in respect of the year ended 31 December 2021 (2020: £nil).

DIRECTORS

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

Sharon Rowlands
Christina L. Clohecy
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 31 December 2021.

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 £2.6 million at 31 December 2021 (2020: £1.8 million), the consolidated 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 12 months from the date of approval of these consolidated financial statements which indicate that, taking account of reasonably possible downsides, the group will have sufficient funds, through its cash and cash equivalents and in downside cases funding from its parent company, Newfold Digital, Inc., to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Newfold Digital, Inc not seeking repayment of the amounts currently due to the group, which at 31 December 2021 amounted to £1.4 million, and providing additional financial support during that period. Newfold Digital, 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.

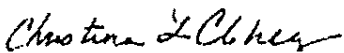
OTHER INFORMATION

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 Gibson Whitter Limited will therefore continue in office.

By order of the board



Christina L. Clohecy

Director

Company registered number: 02885607

19 December 2022

Touch Local Limited

12 New Fetter Lane

London

EC4A 1JP

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

The directors are responsible for preparing the Annual Report, Strategic Report, the Directors' Report and the group and parent company 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 the groups 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 2021 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 2021 and of the group's profit 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

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and 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 their 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 group's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 group or 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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.



Linda Gibson (Senior Statutory Auditor)
for and on behalf of Gibson Whitter Limited, Statutory Auditor
Chartered Accountants
Parklands Business Park, Forest Road, Denmead, PO7 6XP

19 December 2022

Consolidated Profit and Loss Account and Other Comprehensive Income
for the year ended 31 December 2021

	<i>Notes</i>	2021 £'000	2020 £'000
Turnover	2	7,635	6,295
Cost of sales		<u>(4,680)</u>	<u>(2,577)</u>
Gross Profit		2,955	3,718
Other income	3	17	209
Administrative expenses	4	<u>(2,980)</u>	<u>(3,812)</u>
Operating profit		(8)	115
Interest payable and similar expense		<u>—</u>	<u>—</u>
(Loss) Profit before taxation		(8)	115
Taxation	7	<u>—</u>	<u>—</u>
(Loss) Profit for the financial year		<u>(8)</u>	<u>115</u>
Total comprehensive (loss) profit for the financial year		<u><u>(8)</u></u>	<u><u>115</u></u>

The accompanying notes on pages 18 to 35 are an integral part of these financial statements.

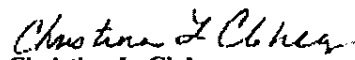
There are no other gains or losses other than the loss for the year of £8 thousand (2020: profit £115 thousand).

Consolidated Balance Sheet
as at 31 December 2021

		2021		2020	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	8		2,532		273
Tangible assets	9		<u>12</u>		<u>27</u>
			2,544		300
CURRENT ASSETS					
Debtors	11	1,439		803	
Cash at bank and in hand		<u>945</u>		<u>811</u>	
TOTAL CURRENT ASSETS		2,384		1,614	
NON-CURRENT ASSETS					
Debtors	11		214		—
CREDITORS: amounts falling due within one year	12	(5,011)		(3,379)	
NET CURRENT LIABILITIES			<u>(2,627)</u>		<u>(1,765)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			131		(1,465)
CREDITORS - amounts falling due after more than one year	12	<u>(503)</u>			
NET LIABILITIES			<u><u>(372)</u></u>		<u><u>(1,465)</u></u>
CAPITAL AND RESERVES					
Called-up share capital	13		1		1
Share premium account			24,788		23,695
Capital redemption reserve			12,200		12,200
Profit and loss account			(45,468)		(45,460)
Capital contribution			<u>8,107</u>		<u>8,099</u>
SHAREHOLDERS' DEFICIT			<u><u>(372)</u></u>		<u><u>(1,465)</u></u>

The accompanying notes on pages 18 to 35 are an integral part of these financial statements.

The financial statements were authorised for issue by the board of directors on December 19, 2022 and were signed on its behalf by:


Christina L. Clohecy
Director
 Company registered number: 02885607

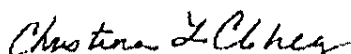
Touch Local Limited
 12 New Fetter Lane
 London
 EC4A 1JP

Company Balance Sheet
as at 31 December 2021

		2021		2020	
	Notes	£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	8		373		273
Tangible assets	9		—		—
Investment	10		1,094		—
			<u>1,467</u>		<u>273</u>
CURRENT ASSETS					
Debtors	11	7,466		6,771	
Cash at bank and in hand		<u>96</u>		<u>253</u>	
TOTAL CURRENT ASSETS		<u>7,562</u>		<u>7,024</u>	
CREDITORS: amounts falling due within one year	12	(1,026)		(735)	
NET CURRENT LIABILITIES			<u>6,536</u>		<u>6,289</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>8,003</u>		<u>6,562</u>
CREDITORS - amounts falling due after more than one year		<u>—</u>		<u>—</u>	
NET LIABILITIES			<u>8,003</u>		<u>6,562</u>
CAPITAL AND RESERVES					
Called-up share capital	13		1		1
Share premium account			24,788		23,695
Capital redemption reserve			12,200		12,200
Profit and loss account			(36,676)		(37,020)
Capital contribution			<u>7,690</u>		<u>7,686</u>
SHAREHOLDERS' DEFICIT			<u>8,003</u>		<u>6,562</u>

The accompanying notes on pages 18 to 35 are an integral part of these financial statements.

The financial statements were authorised for issue by the board of directors on December 19, 2022 and were signed on its behalf by:



Christina L. Clobecy

Director

Company registered number: 02885607

Touch Local Limited
 12 New Fetter Lane
 London
 EC4A 1JP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Capital contribution £'000	Total £'000
1 January 2020	1	23,695	12,200	(45,575)	8,099	(1,580)
Total comprehensive profit for the period	—	—	—	115	—	115
31 December 2020	1	23,695	12,200	(45,460)	8,099	(1,465)
1 January 2021	1	23,695	12,200	(45,460)	8,099	(1,465)
Total comprehensive loss for the period	—	—	—	(8)	—	(8)
Stock-based compensation	—	—	—	—	8	8
Transactions with owners, recorded directly in equity	—	1,093	—	—	—	1,093
31 December 2021	1	24,788	12,200	(45,468)	8,107	(372)

The accompanying notes on pages 18 to 35 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Called-up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Capital contribution £'000	Total £'000
1 January 2020	1	23,695	12,200	(37,462)	7,686	6,120
Total comprehensive profit for the period	—	—	—	442	—	442
31 December 2020	1	23,695	12,200	(37,020)	7,686	6,562
1 January 2021	1	23,695	12,200	(37,020)	7,686	6,562
Total comprehensive profit for the period	—	—	—	344	—	344
Stock-based compensation	—	—	—	—	4	4
Transactions with owners, recorded directly in equity	—	1,093	—	—	—	1,093
31 December 2021	1	24,788	12,200	(36,676)	7,690	8,003

The accompanying notes on pages 18 to 35 are an integral part of these financial statements.

Consolidated Cash Flows Statement

The accompanying notes on pages 18 to 34 are an integral part of these financial statements.

	2021 £'000	2020 £'000
Cash flows from operating activities		
(Loss) profit for the year	(8)	115
Adjustments for:		
Depreciation, amortisation and impairment	436	122
Gain on sale of assets	(4)	
	<u>424</u>	<u>237</u>
 Increase in trade and other debtors	 204	 173
Increase in trade and other creditors	<u>6</u>	<u>88</u>
 Net cash provided by operating activities	 634	 498
Cash flows from investing activities		
Acquisition of tangible fixed assets	—	(6)
Capitalised development costs	(291)	(247)
Acquisition of business	<u>(1,095)</u>	<u></u>
 Net cash used for investing activities	 (1,386)	 (253)
Cash flows from financing activities		
Proceeds from parent company related to capital contribution	<u>7</u>	<u></u>
 Net cash provided by financing activities	 7	
 Net (decrease)/increase in cash and cash equivalents	 (745)	 245
Cash and cash equivalents at 1 January	<u>811</u>	<u>566</u>
 Cash and cash equivalents at 31 December	 <u><u>66</u></u>	 <u><u>811</u></u>

The accompanying notes on pages 18 to 35 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. The registered number is 02885607 and the registered address is 12 New Fetter Lane, London, EC4A 1JP. 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:

- 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 £2.6 million at 31 December 2021 (2020: £1.8 million), the consolidated 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 12 months from the date of approval of these consolidated financial statements which indicate that, taking account of reasonably possible downsides, the group will have sufficient funds, through its cash and cash equivalents and in downside cases funding from its ultimate parent company, Newfold Digital Inc, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Newfold Digital Inc not seeking repayment of the amounts currently due to the group, which at 31 December 2021 amounted to £1.4 million, and providing additional financial support during that period. Newfold Digital 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)

1.3 Basis of consolidation

The consolidated financial statements incorporate the results of Touch Local Limited and all of its subsidiary undertakings as at 31 December 2021. 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.

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

Notes to the financial statements (continued)

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 or up to the length of the lease, whichever is shorter

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

Intangible assets other than goodwill

The fair value of acquired licences, trade names, and customer relationships is determined based on, among other factors, estimates of future expected cash flow, royalty cost savings, and the applicable discount rates used in computing present values. The estimated useful lives of the individual categories of intangible assets are based on the nature of the applicable intangible asset and the expected future cash flows to be derived from the intangible asset. Intangible assets are amortised on a straight-line basis over their estimated useful lives or 10 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. Goodwill is amortized over its estimated useful life or 10 years, whichever is the shorter. Provision is made for any impairment.

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. Amortisation period for the capitalised development is 3 years.

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)

1.10 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.

Company's turnover is generated by one class of business all over the world; however, the majority of the turnover is in United Kingdom, Germany, Singapore, South Africa and Denmark.

1.11 Government grants

Government grants are treated as other operating income in the Statement of Comprehensive Income in the period to which they are related. During the year ended 31 December 2021, the Company received and recorded £17 thousand (2020: £209 thousand) in respect of the Coronavirus Job Retention Scheme.

1.12 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.

1.13 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)

1.14 Stock Based Compensation

On 29 April 2021, the Board of Directors and stockholders of Newfold Digital Holdings, Inc., an indirect parent entity of Newfold Digital Holdings Group, Inc., the ultimate parent company, approved the 2021 Equity Incentive Plan (the "2021 Plan").

The Company follows the provisions FRS-102 Section 26 Share-based Payment, which requires the the Company to record compensation cost based on the estimated fair value for stock-based awards granted over the requisite service periods for the individual awards, which generally equals the vesting periods, net of estimated forfeitures. The Company uses the straight-line amortization method for recognizing stock-based compensation expense.

The 2021 Plan has performance and market conditions which require use of the Monte Carlo Simulation valuation model to estimate the fair value of stock options on the date of grant. See Note 15, Stock-Based Compensation, for additional information.

1.15 Significant Judgements and estimate

In preparing these financial statements, the directors have made the following judgements:

- Determine whether financial instruments such as intra-group loans are basic or complex. These decisions depend on an assessment of the terms of the financial instrument i.e. interest rate terms and repayment terms.
- Determine whether certain entities are controlled or influenced by the company or not. These decisions depend on the percentage shareholding and other factors such as balances owed by the company to establish whether they are controlled or influenced by the company

Other key sources of estimation uncertainty:

Investments

The most critical estimates, assumptions and judgements relate to the determination of the carrying value of investments at fair value through profit and loss. In determining this, the directors consider the financial position of each investment entity to assess the recoverability of the investment if it were to be sold on an open market basis.

Impairment of fixed assets and goodwill

Fixed assets and goodwill are included in the financial statements at net book value. Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which they are separately identifiable cash flows (CGU's). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased. These assessments are based on future revenues and cashflow forecasts.

2 Turnover

	2021	2020
	£'000	£'000
Total revenue	<u>7,635</u>	<u>6,295</u>

Notes to the financial statements (continued)

Over 82% of the turnover is generated from customers within the United Kingdom (2020: 80%).

3 Other Income

	2021 £'000	2020 £'000
Income from JRS Grant	<u>17</u>	<u>209</u>

4 Expenses and auditor's remuneration

	2021 £'000	2020 £'000
Included in the (loss) profit are the following:		
Amortisation of intangible assets	417	104
Depreciation of tangible assets	19	18
Operating lease expense of rent	123	140

	2021 £'000	2020 £'000
The analysis of auditors' remuneration is as follows:		
Fees payable to the Company's auditors for the audit of the Group and Company's financial statements	20	43

5 Directors' remuneration

The following directors were in office during the year and were not paid by any of the companies in the Touch Local Group:

Sharon Rowlands
Christina L. Clohecy
Jeffrey S. Neace

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, Newfold Digital Holdings Group, Inc. and the consolidated financial statements of Newfold Digital Holdings Group, Inc. Further details are disclosed in note 18.

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:

	2021	2020
Average number of persons employed (including directors)		
Administrative	8	12
Operational	42	56
Total	<u>50</u>	<u>68</u>

	2021 £'000	2020 £'000
Staff costs during the period (including directors)		
Wages and salaries	2,276	2,615
Social security costs	199	241
Stock based compensation	8	—
Pension contributions	43	43
Total	<u>2,526</u>	<u>2,899</u>

7 Taxation

Total tax expense recognised in the profit and loss account:

	2021 £'000	2020 £'000
<i>Current tax:</i>		
UK corporation tax	—	—
Total current income tax	<u>—</u>	<u>—</u>
<i>Deferred tax (see note 1)</i>		
Origination and reversal of timing differences	<u>—</u>	<u>—</u>
Total deferred tax	<u>—</u>	<u>—</u>
Total tax	<u>—</u>	<u>—</u>

Notes to the financial statements (continued)

Analysis of current tax recognized in profit and loss:

	2021 £'000	2020 £'000
UK corporation tax	—	—
Double taxation relief	—	—
Foreign tax	—	—
Total current tax recognized in profit and loss	<u>—</u>	<u>—</u>

Recognition of effective tax rate:

Tax assessed for the period is lower (2020: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2021 of 19% (2020: 19%). The differences are explained below:

	2021 £'000	2020 £'000
(Loss) Profit before taxation	(8)	115
Tax using the UK corporation tax rate of 19% (2020: 19%)	(1)	22
Expenses not deductible for tax purposes	2	3
Deferred tax not recognised on other timing differences	(4)	(1)
Current year losses for which no deferred tax asset was recognised	—	61
Group Relief surrender	3	—
Tax losses brought forward	—	(85)
Total tax expense included in profit or loss	<u>—</u>	<u>—</u>

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly.

Notes to the financial statements (continued)

8 Intangible assets and goodwill

GROUP	Goodwill	Licenses and Trade Names	Development Costs	Customer Relationships	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Cost					
Balance at 1 January 2021	834	586	763	—	2,183
Additions	—	—	291	—	291
Acquisition of business (see note 16)	478	683	—	1,224	2,385
Balance at 31 December 2021	<u>1,312</u>	<u>1,269</u>	<u>1,054</u>	<u>1,224</u>	<u>4,859</u>
Amortisation and impairment					
Balance at 1 January 2021	834	586	490	—	1,910
Amortisation for the year	45	64	192	116	417
Balance at 31 December 2021	<u>879</u>	<u>650</u>	<u>682</u>	<u>116</u>	<u>2,327</u>
Net book value					
At 1 January 2021	<u>—</u>	<u>—</u>	<u>273</u>	<u>—</u>	<u>273</u>
At 31 December 2021	<u>433</u>	<u>619</u>	<u>372</u>	<u>1,108</u>	<u>2,532</u>

Notes to the financial statements (continued)

COMPANY	Licenses and Trade Names £ '000	Development Costs £ '000	Total £ '000
Cost			
Balance at 1 January 2021	521	763	1,284
Additions	—	291	291
Balance at 31 December 2021	<u>521</u>	<u>1,054</u>	<u>1,575</u>
Amortisation and impairment			
Balance at 1 January 2021	521	490	1,011
Amortisation for the year	—	191	191
Balance at 31 December 2021	<u>521</u>	<u>681</u>	<u>1,202</u>
Net book value			
At 1 January 2021	<u>—</u>	<u>273</u>	<u>273</u>
At 31 December 2021	<u>—</u>	<u>373</u>	<u>373</u>

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 2021	539	1,060	1,599
Additions	—	4	4
Balance at 31 December 2021	<u>539</u>	<u>1,064</u>	<u>1,603</u>
Depreciation			
Balance at 1 January 2021	528	1,044	1,572
Charges for the year	9	10	19
Balance at 31 December 2021	<u>537</u>	<u>1,054</u>	<u>1,591</u>
Net book value			
At 1 January 2021	<u>11</u>	<u>16</u>	<u>27</u>
At 31 December 2021	<u>2</u>	<u>10</u>	<u>12</u>
 COMPANY	 Leasehold Improvements £ '000	 Plant, Vehicles, and Equipment £ '000	 Total £ '000
Cost			
Balance at 1 January 2021	291	622	913
Additions	—	—	—
Balance at 31 December 2021	<u>291</u>	<u>622</u>	<u>913</u>
Depreciation			
Balance at 1 January 2021	291	622	913
Charges for the year	—	—	—
Balance at 31 December 2021	<u>291</u>	<u>622</u>	<u>913</u>
Net book value			
At 1 January 2021	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2021	<u>—</u>	<u>—</u>	<u>—</u>

Notes to the financial statements (continued)

10 Fixed asset investments

GROUP

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 01 January 2021 and 31 December 2021 **£1,104**

Name and registered number of Company		Registered Address	Proportion of voting rights and ordinary share capital owned	Nature of business
Touch NW Limited	4144911	12 New Fetter Lane, London EC4A 1JP	100%	Non-trading
Touch Jobs Limited	4140442	12 New Fetter Lane, London EC4A 1JP	100%	Non-trading
Enable Media Limited	5178759	12 New Fetter Lane, London EC4A 1JP	100%	Marketing and web services
AskAlix Limited	3762890	12 New Fetter Lane, London EC4A 1JP	100%	Non-trading
Central Index Limited	6002202	12 New Fetter Lane, London EC4A 1JP	100%	White label online business directories
Touch AcquisitionCo Limited	13111556	12 New Fetter Lane, London EC4A 1JP	100%	Non-trading
Easily Limited	3900580	12 New Fetter Lane, London EC4A 1JP	100%	Domain registration and hosting provider

COMPANY

In January 2021, the Company acquired 100% of the outstanding shares of Easily Limited, a provider of domain names, hosting, and technology solutions based in United Kingdom. In addition, on that same date, the Company also acquired certain assets from Corporation Service Company related to its Speednames Brand.

The net book value of the Company's investment in Easily is f £1.1 million at 31 December 2021 (2020: nil)

Notes to the financial statements (continued)

Name and registered number of Company		Registered Address	Proportion of voting rights and ordinary share capital owned	Nature of business
Easily Limited	3900580	12 New Fetter Lane, London EC4A 1JP	100%	Domain registration and hosting provider

11 Debtors

	GROUP		COMPANY	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade Debtors	350	304	103	146
Other Debtors	—	4	34	4
Prepayments and deferred cost	929	313	52	63
Accrued income	160	182	119	127
Amounts due from group undertakings	—	—	7,106	6,428
Amounts due from ultimate parent	—	—	52	3
	<u>1,439</u>	<u>803</u>	<u>7,466</u>	<u>6,771</u>

Amounts due from group and ultimate parent are non-interest bearing and due upon demand.

Amounts due from group undertakings will be contributed into equity during fiscal year 2022.

Trade debtors include provision for uncollectable receivables £112.8 thousand (2020: £52.8 thousand) for the Group and £32.5 thousand (2020: £22.2 thousand) for the Company. Bad debts written off amount to £49.1 thousand (2020: £96.0 thousand) for the Group and £24.6 thousand (2020: £88.6 thousand) for the Company and are included in administrative expenses.

Non-current debtors includes costs deferred more than one year of £213.9 thousand (2020: £0.1 thousand) for the Group and £nil (2020: £nil) for the Company.

Notes to the financial statements (continued)

12 Creditors

	GROUP		COMPANY	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade Creditors	324	300	123	118
Accrued Compensation	278	266	70	58
Accrued Taxes	146	292	—	17
Accruals	237	130	85	50
Deferred income	2,620	1,181	32	65
Amounts owed to group undertakings	—	—	709	382
Amounts owed to ultimate parent	1,406	1,210	7	45
	<u>5,011</u>	<u>3,379</u>	<u>1,026</u>	<u>735</u>

Creditors with amounts falling due after more than one year includes deferred income of £503.4 thousand (2020: £136.9 thousand) for the Group and £nil (2020: £nil) for the Company.

13 Called-up Share Capital

Ordinary shares of £1.00 each

	Number	Amount £
At 31 December 2021		
<i>Allocated, called up, and fully paid</i>		
Ordinary Shares of 0.01p each	11,240,688	1,124
	Number	Amount £
At 31 December 2020		
<i>Allocated, called up, and fully paid</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.

Notes to the financial statements (continued)

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.

14 Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	GROUP		COMPANY	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Leases which expire:				
Within one year	61	117	—	—
Within two to five years	—	29	—	—
Over five years	—	—	—	—
	61	146	—	—

15 Stock-based compensation

2021 Stock Incentive Plan

On 29 April 2021, the Board of Directors and stockholders of Newfold Digital Holdings, Inc., an indirect parent entity of Newfold Digital Holdings Group, Inc., the ultimate parent company, approved the 2021 Equity Incentive Plan (the "2021 Plan") in which a maximum aggregate of 208,700,000 shares of common stock may be issued, granting the recipient the option to purchase shares of the indirect parent entity's Class B common stock. Under the 2021 Plan, Newfold Digital Holdings Group, Inc. and its wholly owned subsidiaries ("Newfold"), has the ability to issue incentive stock options ("ISOs"), non-statutory stock options ("NSOs"), restricted stock awards ("RSAs"), restricted stock units ("RSUs") and other stock awards.

Under the 2021 Plan, Newfold may issue share-based awards to eligible recipients including employees, directors, and consultants in the form of stock options that vest based on service, performance and market requirements. Under the 2021 Plan, the term for each stock option is ten years from the grant date. The Company has issued two types of options, which are referred to as Type 1 Options and Type 2 Options.

Type 1 Options vest on the twelve month anniversary of the vesting commencement date; the balance of the options vest in a series of 48 successive equal monthly instalments, measured from the twelve month anniversary of the vesting commencement date, subject to Option Holder's continuous service at each vesting date (service condition). Further, such shares can be vested earlier upon the occurrence of a Qualified Change in Control, subject to certain conditions (performance condition). Unless otherwise approved by Newfold's Board of Directors, service-based options typically vest over a five-year period and Newfold recognizes stock-based compensation expense on a straight-line basis over the requisite service period of the award. Type 1 Options represent approximately 20% of the outstanding options.

Type 2 Options vest and become exercisable on the day prior to ten years from the date of grant, subject to the Option Holder's continuous service through such vesting date (service condition). However, upon the occurrence of a Qualified Change in Control prior to such default vesting date (performance condition and a market condition), the

Notes to the financial statements (continued)

shares subject to the Option shall vest and become exercisable immediately prior to such event, subject to the Option Holder's continuous service as of the date immediately prior to such event (service condition). Upon the occurrence of a liquidity event, all Type 2 Options outstanding immediately prior to the event will become vested and exercisable, if the market condition was achieved. Newfold recognizes stock-based compensation expense on a straight-line basis over the requisite service period of the award. Type 2 Options represent approximately 80% of the outstanding options.

Stock Options

Compensation expense related to the options granted under the 2021 Stock Option Plan was £8 thousand for the year ended 31 December 2021. As of 31 December 2021, the Company had £50 thousand of unrecognized compensation expense related to stock options, which is expected to be recognized over a weighted average period of 7.87 years.

There were no options exercised or vested during the year ended 31 December 2021. The weighted-average grant-date fair value of an option granted during the year ended 31 December 2021 was £0.05.

Determining the fair value of share-based awards requires the input of subjective assumptions, including the fair value of Newfold Digital Holdings Inc.'s common shares, and for share options, the expected life of the option, and expected share price volatility. The fair value of each option award is estimated on the grant date using the Monte Carlo Simulation valuation model and the assumptions noted in the following table. The assumptions used in calculating the fair value of share-based awards represent management's best estimates and involves inherent uncertainties and the application of management's judgment. As a result, if factors change and management uses different assumptions, the share-based compensation expense could be materially different for future awards. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant. The Company is a private company and estimates its expected stock volatility based on historical volatility of publicly traded peer companies. Expected life is an estimate based on the current expectations for the future as determined by management.

The following inputs were used to determine the fair value of Newfold Digital Holding's common shares:

	Year ended 31 December 2021
Risk-free interest rate	0.2%
Dividend yield	—
Expected life (in years)	2
Volatility	45.0%

The following table provides a summary of the Company's outstanding stock options as of 31 December 2021 and the stock option activity during the year ended 31 December 2021 for all stock options granted under the 2021 Plan:

	Number of Options	Weighted-Average Exercise Price (per share)
Outstanding shares at 31 December 2020	—	£ —
Granted	1,100,000	£ 0.07
Exercised	—	£ —
Forfeited	—	£ —
Expired/Cancelled	—	£ —
Outstanding shares at 31 December 2021	1,100,000	£ 0.07
Vested shares at 31 December 2021	—	£ —

Notes to the financial statements (continued)

As of 31 December 2021, there was not intrinsic value as the estimated fair value of the indirect parent entity's Class B common stock was equal to the exercise price. As of 31 December 2021, the weighted-average contractual term of shares outstanding is 9.12 years.

16 Business Combinations

On 21 January 2021, Touch Local Limited acquired 100% of the equity interests of Easily Limited ("Easily") for the consideration of £1.1 million paid in cash at closing. Easily is a registered company in the UK and is a provider of domain names, hosting, and technology solutions primarily in the UK market. The Company accounted for this acquisition using the purchase method as required by FRS 102. Accordingly, fair values have been assigned to the acquired assets and liabilities assumed and the excess of the total purchase consideration over net assets acquired is recorded as goodwill. The goodwill recorded from this acquisition represents business benefits the Company anticipates realizing from acquiring the entity.

The following table summarizes the allocation of the purchase consideration to the asset acquired and liabilities assumed at the date of acquisition:

	Fair Value £ '000
Accruals	840
Customer Relationships	1,224
Trade Names	683
Deferred Income	(2,130)
Total identifiable net assets	<u>617</u>
Goodwill	478
Total	<u><u>1,095</u></u>

Management has estimated the useful lives of the intangible assets acquired and goodwill to be ten years.

17 Related Parties

The Group has related party transactions with Web.com Group, the direct parent of Touch Local Limited and subsidiaries. Web.com Group provides services for domain registration, as well as, administrative support from the United States. At 31 December 2021, the Group owed Web.com Group, Inc. the amount of £1,406 thousand (2020: £1,210 thousand). Web.com Group, Inc. is not seeking repayment of these amounts currently due.

18 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Newfold Digital Holdings Group. The ultimate controlling parties are jointly and equally Siris Capital Group (601 Lexington Avenue, 59th Floor, New York, NY 10022) and Clearlake Capital Group, L.P. (233 Wilshire Blvd., Suite 800, Santa Monica, CA 90401).

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

Notes to the financial statements (continued)

19 Subsequent events

The Company has evaluated subsequent events through December 19, 2022, representing the date which these consolidated financial statements were available to be issued and determined that there have been no events that have occurred that would require additional disclosure.

The Company has outstanding inter-company loans receivable due from Enable Media Limited. On 24 August 2022, the directors agreed with Enable Media Limited that the inter-company loan receivables will be capitalised and therefore issued 1 ordinary shares of £1.00 in the capital of Enable Media at a price of £7,163,099.36 This will more than settle all inter-company loans between the Company and Touch Local Limited outstanding as of 31 December 2021.