

Enable Media Limited

Annual Report and Financial Statements

Registered number 05178759

31 December 2022

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Officers and Professional Advisors

Directors

Sharon Rowlands
Christina L. Clohecy
Jeffery S. Neace

Secretary

Bird and Bird LLP
12 Fetter Lane
London
EC4A 1JP

Registered Office

12 New Fetter Lane
London
England
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

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 December 2022. The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of the accounts.

PRINCIPAL ACTIVITIES

The Company's principal activity is the provision of online marketing and web directory services. The company is a wholly owned subsidiary of Touch Local Limited.

RESULTS AND DIVIDENDS

The loss for the year ended 31 December 2022 after taxation amounted to £138 thousand (2021: loss £306 thousand).

The directors do not recommend any dividend on the ordinary shares in respect of the year ended 31 December 2022 (2021: £nil).

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.

DIRECTORS

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

Sharon Rowlands
Christina L. Clohecy
Jeffrey S. Neace

The Group has purchased insurance which covers the Company's Directors and officers against any costs arising from defending themselves in legal proceedings taken against them as a direct result of duties carried out on behalf of the Company.

AUDITOR

The directors have claimed exemption under section 479A of the Companies Act 2006, from the need to have these financial statements audited. A statement of guarantee by a parent undertaking, Touch Local Limited (registered number 02885607), has been filed at Companies House.

GOING CONCERN

Notwithstanding net current liabilities of £1.2 million at 31 December 2022 (2021: £8.3 million), the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

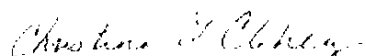
The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these consolidated financial statements which indicate that, taking account of reasonably possible downsides, the group

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 company, which at 31 December 2022 amounted to £1.1 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.

By order of the board



Christina L. Clohecyc

Director

Company registered number: 05178759

7 September 2023

Enable Media 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 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, comprising FRS 101 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the 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.

Profit and Loss Accounts and Other Comprehensive Loss
for the year ended 31 December 2022

	<i>Notes</i>	2022 £'000	2021 £'000
Turnover	2	3,019	3,311
Cost of sales		<u>(1,610)</u>	<u>(1,910)</u>
Gross Profit		1,409	1,401
Other income	3	—	17
Administrative expenses	4	<u>(1,547)</u>	<u>(1,724)</u>
Operating profit		(138)	(306)
Interest payable and similar expense		<u>—</u>	<u>—</u>
Loss on ordinary activities before taxation		(138)	(306)
Taxation	7	<u>—</u>	<u>—</u>
Loss for the financial year		(138)	(306)
Total Comprehensive loss for the year		<u>(138)</u>	<u>(306)</u>

The accompanying notes on pages 09 to 20 are an integral part of these financial statements.

There are no other gains or losses other than the loss for the year of £138 thousand (2021: loss £306 thousand).

Balance Sheet

as at 31 December 2022

	Notes	2022		2021	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	8		10		12
			10		12
CURRENT ASSETS					
Debtors	10	1,261		1,349	
Cash at bank and in hand		345		472	
TOTAL CURRENT ASSETS		1,606		1,821	
TOTAL ASSETS		1,616		1,833	
CREDITORS: amounts falling due within one year	11	(2,825)		(10,072)	
NET CURRENT LIABILITIES			(1,219)		(8,251)
TOTAL ASSETS LESS CURRENT LIABILITIES			(1,209)		(8,239)
NET LIABILITIES			(1,209)		(8,239)
CAPITAL AND RESERVES					
Called-up share capital	12	604		604	
Share premium account		314		314	
Profit and loss account		(9,712)		(9,574)	
Capital contribution		7,585		417	
SHAREHOLDERS' DEFICIT		(1,209)		(8,239)	

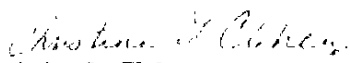
The accompanying notes on pages 09 to 20 are an integral part of these financial statements.

For the period ending 31 December 2022, the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies. These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The members have not required the Company to obtain an audit in accordance with section 476 of the Companies Act 2006.

The directors acknowledge their responsibility for complying with the requirements of the Act with respect to accounting records and for the preparation of accounts.

The financial statements were authorised for issue by the board of directors on 7 September 2023 and were signed on its behalf by:


Christina L. Clohecy
Director
Company registered number: 05178759

Enable Media Limited
12 New Fetter Lane
London
EC4A 1JP

STATEMENT OF CHANGES IN EQUITY

	Called-up share capital	Share premium account	Profit and loss account	Capital contribution	Total
	£'000	£'000	£'000	£'000	£'000
1 January 2021	604	314	(9,268)	413	(7,937)
Stock-based compensation	—	—	—	4	4
Total comprehensive loss for the period	—	—	(306)	—	(306)
31 December 2021	<u>604</u>	<u>314</u>	<u>(9,574)</u>	<u>417</u>	<u>(8,239)</u>
1 January 2021	604	314	(9,574)	417	(8,239)
Stock-based compensation	—	—	—	5	5
Total comprehensive loss for the period	—	—	(138)	—	(138)
Capitalization of intercompany loan (See note 11)	—	—	—	7,163	7,163
31 December 2021	<u>604</u>	<u>314</u>	<u>(9,712)</u>	<u>7,585</u>	<u>(1,209)</u>

The accompanying notes on pages 09 to 20 are an integral part of these financial statements.

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

1 Accounting policies

Enable Media Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The registered number is 05178759 and the registered address is 12 New Fetter Lane, London, EC4A 1JP. These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

1.1 Going concern

Notwithstanding net current liabilities of £1.2 million at 31 December 2022 (2021: £8.3 million), 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 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 its cash and cash equivalents and in downside cases, funding from its indirect parent company, Newfold Digital Inc., to meet its liabilities as they fall due for that period.

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.

1.2 Cash flow statement

The Company has taken advantage of the exemption in FRS102 from preparing a cash flow statement, on the grounds that the Company is wholly owned, and its parent Touch Local Limited publishes a consolidated cash flow statement.

1.3 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.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less 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

Notes to the financial statements (continued)

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.

1.5 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
- fixtures and fittings - 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.

1.6 Investment

Asset investments are shown at cost less provision or impairment.

1.9 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.10 Turnover

Turnover represents the amounts derived from the provision of services which fall within the Company's ordinary activities, stated net of value added tax. All revenue except third party reseller arrangements is recognised equally over the length of the contract using a daily recognition method. Third party directory product 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.

Notes to the financial statements (continued)

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 2022, the Company received and recorded £0 thousand (2021: £17 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.

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 Enable Media Limited and 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.

Notes to the financial statements (continued)

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 14, Stock-based compensation, for additional information.

2 Turnover

	2022	2021
	£'000	£'000
Total revenue	<u>3,019</u>	<u>3,311</u>

Over 96% of the turnover is generated from customers within the United Kingdom.

3 Other Income

	2022	2021
	£'000	£'000
Income from JRS Grant	<u>—</u>	<u>17</u>

4 Expenses and auditor's remuneration

	2022	2021
	£'000	£'000
Included in the loss are the following:		
Depreciation of tangible assets	15	19
Operating lease expense of rent	39	67

In the current year auditor's remuneration has been borne by another Group undertaking. Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information required to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Touch Local Limited.

5 Directors' remuneration

The following directors were in office during the year and were not paid by any of the companies of the 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 16.

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:

	2022	2021
Average number of persons employed (including directors)		
Administrative	6	6
Operational	38	40
Total	<u>44</u>	<u>46</u>

	2022 £'000	2021 £'000
Staff costs during the period (including directors)		
Wages and salaries	1,040	1,186
Social security costs	119	105
Stock based compensation	5	4
Pension contributions	18	27
Total	<u>1,182</u>	<u>1,322</u>

7 Taxation

There is no current UK tax charge for the year (2021: £nil) due to tax losses arising in the period. At the year end enacted tax rate of 19% (2021: 19%) the accumulated tax losses and the benefit of other timing differences give rise to a potential deferred tax asset of £2.9 million (2021: £2.9 million), which has not been recognised because of the uncertainty of future profits with which to utilise the losses.

Total tax expense recognised in the profit and loss account:

	2022 £'000	2021 £'000
<i>Current tax:</i>		
UK corporation tax	—	—
Total current income tax	—	—
<i>Deferred tax</i>		
Origination and reversal of timing differences	—	—
Total deferred tax	—	—
Total tax	<u>—</u>	<u>—</u>

Notes to the financial statements (continued)

Analysis of current tax recognized in profit and loss:

	2022 £'000	2021 £'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 (2021: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2022 of 19% (2021: 19%). The differences are explained below:

	2022 £'000	2021 £'000
Loss on ordinary activities before taxation	(138)	(306)
Tax using the UK corporation tax rate of 19% (2020: 19%)	(26)	(58)
Expenses not deductible for tax purposes	—	—
Deferred tax not recognised on other timing differences	26	58
Current year losses for which no deferred tax asset was recognised	—	—
Tax losses brought forward	—	—
Total tax expense included in profit or loss	<u>—</u>	<u>—</u>

Factors that may affect future tax charges

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 Tangible fixed assets

	Leasehold Improvements £ '000	Plant, Vehicles, and Equipment £ '000	Total £ '000
Cost			
Balance at 1 January 2022	247	436	683
Additions	—	13	13
Balance at 31 December 2022	<u>247</u>	<u>449</u>	<u>696</u>
Depreciation			
Balance at 1 January 2022	245	426	671
Charges for the year	2	13	15
Balance at 31 December 2022	<u>247</u>	<u>439</u>	<u>686</u>
Net book value			
At 1 January 2022	<u>2</u>	<u>10</u>	<u>12</u>
At 31 December 2022	<u>—</u>	<u>10</u>	<u>10</u>

9 Fixed asset investments

The subsidiary of Enable Media Limited, below, which is incorporated in Great Britain and registered in England and Wales, is exempt from the audit of its 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 2022 and 31 December 2022

£10

Name and registered number of Company	Registered Address	Proportion of voting rights and ordinary share capital owned	Nature of business
AskAlix Limited 03762890	12 New Fetter Lane, London EC4A 1JP	100%	Non-trading

Notes to the financial statements (continued)

10 Debtors

	2022 £'000	2021 £'000
Trade Debtors	187	200
Other Debtors	3	—
Prepayments and deferred cost	224	255
Accrued income	34	41
Amounts due from group undertakings	813	853
	1,261	1,349

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

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

Trade debtors include provision for uncollectable receivables £36 thousand (2021: £80 thousand). Bad debts written off amounting to £23 thousand (2021: £25 thousand) are included in administrative expenses.

11 Creditors

	2022 £'000	2021 £'000
Trade Creditors	69	134
Accrued Compensation	169	175
Social Security	67	33
Accrued Taxes	135	143
Accruals	50	69
Deferred income	770	965
Amounts owed to group undertakings	448	7,106
Amounts owed to ultimate parent	1,117	1,447
	2,825	10,072

On 24 August 2022, Touch Local Limited acquired one ordinary share of Enable Media Limited in exchange for the satisfaction and release of £7.1 million of intercompany loans payable to Touch Local Limited from the Company. The Company has reflected this transaction as part of its capital contribution.

Notes to the financial statements (continued)

12 Called-up Share Capital

	Number	Amount
		£
At 31 December 2022		
<i>Authorised</i>		
Ordinary Shares of £1 each	604,363	604,363
	Number	Amount
		£
At 31 December 2021		
<i>Authorised</i>		
Ordinary Shares of £1 each	604,362	604,362

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.

13 Operating Leases

Non-cancellable operating lease rentals are payable as follows:

	2022	2021
	£'000	£'000
Leases which expire:		
Within one year	30	61
Within two to five years	—	—
Over five years	—	—
	30	61

Notes to the financial statements (continued)

14 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 Enable Media Limited and 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 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 £5 thousand and £4 thousand for the years ended 31 December 2022 and 31 December 2021, respectively. As of 31 December 2022, the Company had £30 thousand of unrecognized compensation expense related to stock options, which is expected to be recognized over a weighted average period of 6.87 years.

There were no options exercised or vested during the year ended 31 December 2022.

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

Notes to the financial statements (continued)

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 Holdings, Inc.'s common shares:

	Year Ended December 31,	
	2022	2021
Risk-free interest rate	—	0.2%
Dividend yield	—	—
Expected life (in years)	—	2.0
Volatility	—	45.0%

The following table provides a summary of the Company's outstanding stock options as of 31 December 2022 and the stock option activity during the year ended 31 December 2022 for all stock options granted under the 2021 Plan:

	Number of	Weighted-Average
	Options	Exercise Price
		(per share)
Outstanding shares at 31 December 2021	600,000	£ 0.07
Granted	—	£ —
Exercised	—	£ —
Forfeited	—	£ —
Expired/Cancelled	—	£ —
Outstanding shares at 31 December 2022	600,000	£ 0.07
Vested shares at 31 December 2022	73,333	£ 0.07

As of 31 December 2022, the intrinsic value was £228 thousand, which reflects the estimated fair value of the indirect parent entity's Class B common stock. As of 31 December 2022, the weighted-average contractual term of shares outstanding is 8.12 years.

15 Related Parties

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

16 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Newfold Digital Holdings, Inc. 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, Inc. (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)

17 Subsequent events

The Company has evaluated subsequent events through 7 September 2023, representing the date which these financial statements were available to be issued.

On 24 January 2023, AskAlix Limited, the Company's fixed asset investment, was dissolved.