

**TOP LEVEL DOMAIN HOLDINGS LIMITED**

Annual Report and Accounts 2011

# Top Level Domain Holdings Limited

Top Level Domain Holdings Limited (“TLDH” or “the Company”) is a BVI incorporated company which is traded on the London Stock Exchange’s AIM Market (“AIM”). The Company’s principal activity is to engage in the investment in top level domains and the provision of registry services and consulting.

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# Chairman's Statement

I am pleased to present this year's annual report for Top Level Domain Holdings, Ltd. (the "Company") together with the consolidated financial statements for the period ended 31 October 2011.

The Period was one of substantial further progress by the Internet Corporation for Assigned Names and Numbers ("ICANN") towards the roll out of gTLDs, which culminated in the approval by ICANN of the new gTLD program at its extraordinary meeting in Singapore on 20 June 2011. The window for submitting applications for new gTLDs opened on 12 January 2012 and will close on 12 April 2012. Those gTLDs for which applications are made together with the identity of their applicants will be published approximately two weeks after the close of the application period on April 12, 2012. Initial evaluations of applications by ICANN are estimated to be completed in November 2012.

During the Period the Company continued to prepare for the launch of gTLDs. Top Level Domain Holdings is currently supporting a portfolio of gTLD applications ranging from geographic applications, wholly-owned or joint venture applications for generic word based domains, and applications by third party clients where Top Level Domain's registry services company, Minds+Machines, provides the registry service.

## **Minds and Machines LLC** ([www.mindsandmachines.com](http://www.mindsandmachines.com)) (100% Group ownership)

Minds and Machines LLC, which was founded in 2008, is a full-service consulting and registry services company that provides a complete registry solution for new gTLD applicants. Minds and Machines LLC has secured an exclusive license to extend the CoCCA registry platform, currently deployed in over 20 countries, to new gTLDs. In addition to geographic gTLD applicants, Minds + Machines has been working with a range of customers on applications for generic gTLDs where the dot ending carries a specific meaning or sense. This is potentially the most competitive segment of the gTLD applicant market, and accordingly potential applicant identities are likely to remain confidential until the gTLD application window opens. Minds + Machines has also commenced discussions with a range of brand owners.

## **DotNYC LLC** ([www.dotnyc.net](http://www.dotnyc.net)) (65% Group ownership)

The team of DotNYC LLC has launched five successful top level domains, advised a number of other top level domain companies and created the model for public-private partnerships for geographic- based web addresses. dotNYC LLC expects to apply for the New York City gTLD, dot.nyc.

## **DotEco LLC** ([www.supportdoteco.com](http://www.supportdoteco.com)) (25% Group ownership)

DotEco LLC, which is based in California, intends to build an environmentally-focused gTLD. Dot Eco LLC continues to enjoy the strong support of major environmental groups with millions of members. Under the ICANN rule book for gTLD applications, an auction will be used as a final tie-breaker where there are contending applications for the same proposed gTLD, except for specific groups or associations who can demonstrate that the gTLD uniquely represents their community. The Board believes that no .eco application can be classified as such a non-compete community gTLD and the award therefore of the .eco gTLD will be ultimately settled by an agreement between the competitors, or failing that by an auction.

## **TutorialBlog and AppCraver**

Our websites, TutorialBlog and AppCraver, continued to perform well during the period. AppCraver remains a leading iPhone application review website. Tutorial Blog continues to generate revenue with minimal associated costs.

The Company does not intend at this time to invest in any further second-level domain names.

## **Financial results**

Revenue for the year ended 31 October 2011 was £54,000 with finance revenue totaling £6,000. Administrative expenses amounted to £1,492,000. Share options expensed amounted to £226,000. The retained loss for the period attributable to members of the parent Company was £1,879,000, equivalent to a loss of 0.53 pence per share. Cash and cash equivalents at 31 October 2011 amounted to £7.1m.

# Chairman's Statement (continued)

## Outlook

The Board is looking forward to playing its part in creating a vibrant new wave of innovation, consumer choice and wealth creation on the Internet as a result of the gTLD programme. The directors believe that the introduction of generic top-level domains will create significant opportunities in both direct investment and service revenues for the Company.

With our management team, substantial cash resources, low operating costs and our significant interests in prospective applicants for new gTLDs, we believe that TLDH is very well positioned to participate in the current gTLDs application and award process and we are excited about the prospects for the Company.

Frederick Krueger  
Deputy Chairman  
9 February 2012

# Directors' Report

The Directors are pleased to present this year's annual report together with the consolidated financial statements for the period ended 31 October 2011.

## **Principal Activities and Investment Policy**

The principal activities of the Group are to engage in the investment in top level domains and the provision of registry services and consulting.

The Company's Investing Policy is to acquire a widely distributed mix of businesses involved in the operation and supply of support services to domains and websites and other related internet services businesses including top level domains and top level domain infrastructure and support technologies.

The Directors collectively have considerable experience investing, both in structuring and executing deals and in raising venture capital and other funds, and in particular, web-based companies. The Directors will use this experience to identify and investigate investment opportunities, and to negotiate acquisitions. Wherever necessary the Company will engage suitably qualified technical personnel to carry out specialist due diligence prior to making an acquisition or an investment. For the acquisitions which they expect the Company to make, the Directors may adopt earn-out structures, with specific performance targets being set for the sellers of the businesses acquired, and with suitable metrics applied.

The Company may invest by way of outright acquisition or by the acquisition of assets, including the intellectual property, of a relevant business, partnerships or joint venture arrangements. Such investments may result in the Company acquiring the whole or part of a company or project (which in the case of an investment in a company may be private or listed on a stock exchange, and which may be pre-revenue), and such investments may constitute a minority stake in the company or project in question. The Company's investments may take the form of equity, joint venture debt, convertible instruments, licence rights, or other financial instruments as the Directors deem appropriate.

The Company will be both an active and a passive investor. The Company intends to be a long-term investor and the Directors will place no minimum or maximum limit on the length of time that any investment may be held.

There is no limit on the number of projects into which the Company may invest, nor the proportion of the Company's gross assets that any investment may represent at any time and the Company will consider possible opportunities anywhere in the world.

The Directors will, where possible, offer new Ordinary Shares by way of consideration as well as cash, thereby helping to preserve the Company's cash for working capital and as a reserve against unforeseen contingencies including by way of example, and without limit, delays in collecting accounts receivable, unexpected changes in the economic environment and unforeseen operational problems. The Company may in appropriate circumstances, issue debt securities or otherwise borrow money to complete an investment. There are no borrowing limits in the Articles of Association of the Company. The Directors do not intend to acquire any cross-holdings in other corporate entities that have an interest in the Ordinary Shares.

There are no restrictions in the type of investment that the Company might make nor on the type of opportunity that may be considered other than set out in this Section 2.

As the Ordinary Shares are traded on AIM this provides a facility for shareholders to realise their investment in the Company. In addition, the Directors may consider from time to time other means of facilitating returns to Shareholders including dividends, share repurchases, demergers, scheme of arrangements or liquidation.

The Company does not currently have any obligation to return funds to its Shareholders by a fixed date.

The Company will provide an update on its investing activities at the same time that it publishes its unaudited interim accounts for the six months ending 30 April of each financial year and its audited annual results for the year ending 31 October and as otherwise required by the AIM Rules. The Company has no current plans to publish any regular estimate of net asset value or updates on the investments.

All of the Company's assets will be held in its own name, or through controlled subsidiaries.

# Directors' Report (Continued)

## Business Review and future developments

A review of the current and future development of the Group's business is given in the Chairman's Statement on pages 2 to 3.

## Business principal risks and uncertainties

The principal risks and uncertainties for the business in the coming year include but are not limited to: The delay or cancellation of the new top level domain application round by ICANN, failure of TLD company investments to secure the top level domains they are applying for, failure of TLD infrastructure technology investments to secure clients, and an inability to retain key personnel.

## Results and Dividends

Loss on ordinary activities of the Group after taxation amounted to £1.879 million (2010: £0.941 million). The Directors do not recommend payment of a dividend.

## Key Performance Indicators

Given the nature of the business and that the Group is in a development phase of operations, the Directors are of the opinion that analysis using KPI's is not appropriate for an understanding of the development, performance or position of our businesses at this time.

## Post Balance Sheet Events

At the date these financial statements were approved, being 9 February 2012, the Directors were not aware of any significant post balance sheet events other than those set out in the notes to the financial statements.

## Directors

The names of the Directors who served during the period are set out below:

| <b>Director</b>  | <b>Date of Appointment</b> | <b>Date of Resignation</b> |
|--|----------------------------|----------------------------|
| <b>Executive Directors</b>   |                            |                            |
| Peter Dengate Thrush<br>Frederick Krueger<br>David de Jongh Weill<br>Antony Van Couvering<br>Guy Elliott | 15 July 2011               |                            |
| <b>Non-Executive Directors</b>   |                            |                            |
| Clark Landry<br>Michael Mendelson  |                            |                            |

## Directors' Remuneration

The Company remunerates the Directors at a level commensurate with the size of the Company and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes it upholds the objectives of the Company with regard to this issue. Details of the Director emoluments and payments made for professional services rendered are set out in Note 5 to the financial statements.

## Directors' Report (continued)

### Directors' Interests

The total beneficial interests of the serving Directors in the shares and options of the Company during the period to 31 October 2011 were as follows:

| <u>Director</u>      | <b>31 October 2011</b> |                 | <b>31 October 2010</b> |                 |
|----------------------|------------------------|-----------------|------------------------|-----------------|
|                      | <u>Shares</u>          | <u>Options*</u> | <u>Shares</u>          | <u>Options*</u> |
| Peter Dengate Thrush | -                      | 15,000,000      | -                      | -               |
| Frederick Krueger    | 81,903,560             | 5,000,000       | 81,903,560             | 5,000,000       |
| Clark Landry         | 11,957,800             | 5,000,000       | 11,957,800             | 5,000,000       |
| David de Jongh Weill | 8,500,000              | 6,626,347       | 8,500,000              | 6,626,347       |
| Guy Elliott          | 26,000,000             | 3,000,000       | 26,000,000             | 3,000,000       |
| Michael Mendelson    | 1,000,000              | 2,000,000       | 1,000,000              | 2,000,000       |
| Antony Van Couvering | 15,000                 | 9,626,347       | 15,000                 | 2,626,347       |

\* The option details have been fully disclosed in Note 17 to the financial statements.

### Corporate Governance

A statement on Corporate Governance is set out on pages 8 to 11.

### Environmental Responsibility

The Company is aware of the potential impact that its subsidiary companies may have on the environment. The Company ensures that it, and its subsidiaries at a minimum comply with the local regulatory requirements and the revised Equator Principles with regard to the environment.

### Employment Policies

The Group will be committed to promoting policies which ensure that high calibre employees are attracted, retained and motivated, to ensure the ongoing success for the business. Employees and those who seek to work within the Group are treated equally regardless of sex, marital status, creed, colour, race or ethnic origin.

### Health and Safety

The Group's aim will be to achieve and maintain a high standard of workplace safety. In order to achieve this objective the Group will provide training and support to employees and set demanding standards for workplace safety.

### Payment to Suppliers

The Group's policy is to agree terms and conditions with suppliers in advance; payment is then made in accordance with the agreement provided the supplier has met the terms and conditions.

### Political Contributions and Charitable Donations

During the period the Group did not make any political contributions or charitable donations.

### Annual General Meeting ("AGM")

This report and financial statements will be presented to shareholders for their approval at the AGM. The Notice of the AGM will be distributed to shareholders together with the Annual Report.

# Directors' Report (continued)

## Statement of disclosure of information to auditors

As at the date of this report the serving directors confirm that:

- So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

## Auditors

A resolution to reappoint Chapman Davis LLP and to authorise the Directors to fix their remuneration will be proposed at the next Annual General Meeting.

## Going Concern

Notwithstanding the loss incurred during the period under review, the Directors are of the opinion that ongoing evaluations of the Company's interests indicate that preparation of the Group's accounts on a going concern basis is appropriate.

## Statement of Directors' Responsibilities

The directors prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities. They are also responsible for ensuring that the annual report includes information required by the London Stock Exchange's Alternative Investment Market.

## Electronic communication

The maintenance and integrity of the Company's website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The Company's website is maintained in accordance with AIM Rule 26.

Legislation in the British Virgin Islands governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

By order of Board:

**Antony Van Covering**  
Chief Executive Officer

9 February 2012



# Corporate Governance Statement

The Board is committed to maintaining high standards of corporate governance. The Listing Rules of the Financial Services Authority incorporate the Combined Code, which sets out the principles of Good Governance, and the Code of Best Practice for listed companies. Whilst the Company is not required to comply with the Combined Code, the Company's corporate governance procedures take due regard of the principles of Good Governance set out in the Combined Code in relation to the size and the stage of development of the Company.

## **Board of Directors**

The Board of Directors currently comprises four Executive Directors one of whom is the Chairman and two Non-Executive Directors. The Directors are of the opinion that the Board comprises a suitable balance and that the recommendations of the Combined Code have been implemented to an appropriate level. The Board, through the Chairman and the Deputy Chairman in particular, maintains regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

## **Board Meetings**

The Board meets regularly throughout the year. For the period ending 31 October 2011 the Board met six times in relation to normal operational matters. The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is devolved to the Executive Directors who are charged with consulting the Board on all significant financial and operational matters.

All Directors have access to the advice of the Company's solicitors and other professional advisers, as necessary, and information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. All Directors have access to independent professional advice, at the Company's expense, as and when required.

## **Board Committees**

The Board has established the following committees, each which has its own terms of reference:

### *Audit Committee*

The Audit Committee considers the Group's financial reporting (including accounting policies) and internal financial controls. The Audit Committee comprises one Executive Director and one Non-Executive Director, David Weill (Chairman) and Michael Mendelson, and is responsible for ensuring that the financial performance of the Group is properly monitored and reported on.

### *Remuneration Committee*

The Remuneration Committee is responsible for making recommendations to the Board on Directors' and senior executives' remuneration. It comprises one Executive Director and one Non-Executive Director, David Weill (Chairman) and Michael Mendelson. Non-Executive Directors' remuneration and conditions are considered and agreed by the Board. Financial packages for Executive Directors are established by reference to those prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their achievement of recognized job qualifications and skills. The Committee will also have regard to the terms which may be required to attract an equivalent experienced executive to join the Board from another company.

## **Internal controls**

The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of increased activity and further development of the Company, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

# Corporate Governance Statement (continued)

## Risk Management

The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management to forecasts. Project milestones and timelines are regularly reviewed.

## Risks and uncertainties

The principal risks facing the Company are set out below. Risk assessment and evaluation is an essential part of the Group's planning and an important aspect of the Group's internal control system.

### Business risk

- Delays may occur in the progress of the new gTLD process;
- The Company or its customers may not secure all of the TLDs that they apply for.

### General and economic risks

- contractions in the world's major economies or increases in the rate of inflation resulting from international conditions;
- movements in the equity and share markets in the United Kingdom and throughout the world;
- weakness in global equity and share markets in particular, in the United Kingdom, and adverse changes in market sentiment towards the internet and technologies industry;
- currency exchange rate fluctuations and, in particular, the relative prices of US Dollar, the Euro, and the UK Pound;
- exposure to interest rate fluctuations; and
- adverse changes in factors affecting the success of internet and development operations, such as increases in expenses, to delays in the development or adoption of new standards and protocols to handle increased levels of Internet activity or due to increased governmental regulation.

### Funding risk

- The Group or the companies in which it has invested may not be able to raise, either by debt or further equity, sufficient funds to enable completion of planned expansion, investment and/or development projects.

### Content risk

- The Company may be affected by the regulatory and legal environment relating to the content control and access. Regulation both current and future could cause additional expense and have a material impact on the Company's business, the extent of which cannot be predicted. Certain jurisdictions may attempt to make the Company responsible for the content which it facilitates or may be held responsible for content.

### Intellectual property

- Monitoring and defending the Company's intellectual rights can entail substantial costs with no certainty of outcome. The Company relies on its rights in intellectual property and other rights such as confidentiality, and there is a risk of their infringement which may have a material adverse effect on the Company's business, operation and/or financial condition. The Company's ability to ensure adequate protection for its intellectual property rights may be limited and it is possible that the Company's competitors may independently develop similar technology which could encroach upon the Company's operations.

- The Company may also become subject to claims from third parties for infringement of their intellectual property rights. Such claims (meritorious or otherwise) may be costly and time consuming, and if any action against the Company is successful it may result in the Company being required to cease certain activities, alter its technology, or enter into royalty or licensing agreements, which may or may not be available on terms acceptable to the Company

### Market risk

- The ability of the Group (and the companies it invests in) to continue to secure sufficient and profitable sales contracts to support its operations is a key business risk.

## Corporate Governance Statement (continued)

### **Insurance**

The Group maintains insurance in respect of its Directors and Officers against liabilities in relation to the Company.

### **Treasury Policy**

The Group finances its operations through equity and holds its cash as a liquid resource to fund the obligations of the Group. Decisions regarding the management of these assets are approved by the Board. Refer Note 19.

### **Securities Trading**

The Board has adopted a Share Dealing Code that applies to Director, senior management and any employee who is in possession of 'inside information'. All such persons are prohibited from trading in the Company's securities if they are in possession of 'inside information'. Subject to this condition and trading prohibitions applying to certain periods, trading can occur provided the relevant individual has received the appropriate prescribed clearance.

### **Relations with Shareholders**

The Board is committed to providing effective communication with the shareholders of the Company. Significant developments are disseminated through stock exchange announcements and regular updates of the Company website. The Board views the AGM as a forum for communication between the Company and its shareholders and encourages their participation in its agenda.

# Independent Auditors' Report to the Shareholders of Top Level Domain Holdings Limited

We have audited the group and parent company financial statements of Top Level Domain Holdings Ltd. for the period ended 31 October 2011, which comprise the Group and Parent Statements of Comprehensive Income, the Group and Parent Balance Sheets, Group and Parent Cash Flow Statement, Group and Parent Statement of Changes in Equity, and the related notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body. 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.

## Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out in the Directors' Report, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 October 2011 and of the Group's and the Parent Company's profit or loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with Article 4 of the IAS Regulation.
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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's 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.

## Chapman Davis LLP

Registered Auditors  
London, United Kingdom  
9 February 2012

# Group Statement of Comprehensive Income for the year ended 31 October 2011

|   | Notes    | Year Ended 31<br>October 2011<br>£ 000's | Year Ended 31<br>October 2010<br>£ 000's |
|---|----------|--|--|
| Revenue   |          | 54                                       | 62                                       |
| Amortisation & depreciation                                     | 10,11    | (221)                                    | -  |
| Administrative expenses   |          | (1,492)                                  | (976)                                    |
| Share options expensed  | 5, 17    | (226)                                    | (33)                                     |
| <b>Group operating loss</b>                                     | <b>3</b> | <b>(1,885)</b>                           | <b>(947)</b>                             |
| Finance revenue   | 6        | 6  | 6  |
| <b>Loss before taxation</b>                                     | <b>2</b> | <b>(1,879)</b>                           | <b>(941)</b>                             |
| Income tax expense  | 7        | -  | -  |
| <b>Retained loss for the period</b>                             |          | <b>(1,879)</b>                           | <b>(941)</b>                             |
| <b>Other comprehensive income</b>                               |          |  |  |
| Currency translation differences                                |          | 11                                       | 51                                       |
| <b>Other comprehensive income for the year net of taxation</b>  |          | <b>11</b>                                | <b>51</b>                                |
| <b>Total comprehensive income for the year</b>                  |          | <b>(1,868)</b>                           | <b>(890)</b>                             |
| <b>Retained loss for the year attributable to:</b>              |          |  |  |
| Equity holders of the parent                                    |          | (1,841)                                  | (941)                                    |
| Non-controlling interests                                       |          | (38)                                     | -  |
|   |          | <b>(1,879)</b>                           | <b>(941)</b>                             |
| <b>Total comprehensive income for the year attributable to:</b> |          |  |  |
| Equity holders of the parent                                    |          | (1,868)                                  | (890)                                    |
| Non-controlling interests                                       |          | -  | -  |
|   |          | <b>(1,868)</b>                           | <b>(890)</b>                             |
| <b>Loss per share (pence)</b>                                   |          |  |  |
| <b>Basic</b>  | <b>9</b> | <b>(0.53)</b>                            | <b>(0.33)</b>                            |
| <b>Diluted</b>  | <b>9</b> | <b>(0.53)</b>                            | <b>(0.33)</b>                            |

All of the operations are considered to be continuing.

# Company Statement of Comprehensive Income for the year ended 31 October 2011

|  | Notes    | Year ended 31<br>October 2011<br>£ 000's | Year ended 31<br>October 2010<br>£ 000's |
|--|----------|--|--|
| Revenue  |          | 12                                       | 22                                       |
| Administrative expenses  |          | (573)                                    | (325)                                    |
| Share options expensed   | 5, 17    | (226)                                    | (33)                                     |
| <b>Operating loss</b>  | <b>3</b> | <b>(787)</b>                             | <b>(336)</b>                             |
| Finance revenue  | 6        | 6  | 6  |
| <b>Loss before taxation</b>                                    |          | <b>(781)</b>                             | <b>(330)</b>                             |
| Income tax expense   | 7        | -  | -  |
| <b>Retained loss after taxation</b>                            |          | <b>(781)</b>                             | <b>(330)</b>                             |
| <b>Other comprehensive income</b>                              |          |  |  |
| Currency translation differences                               |          | 1  | 49                                       |
| <b>Other comprehensive income for the year net of taxation</b> |          | <b>1</b>                                 | <b>49</b>                                |
| <b>Total comprehensive income for the year</b>                 |          | <b>(780)</b>                             | <b>(281)</b>                             |

All of the operations are considered to be continuing.

# Group Balance Sheet as at 31 October 2011

|                                 |      | 31 October 2011 |                | 31 October 2010 |         |
|---------------------------------|------|-----------------|----------------|-----------------|---------|
|                                 | Note | £ 000's         | £ 000's        | £ 000's         | £ 000's |
| <b>ASSETS</b>                   |      |                 |                |                 |         |
| <b>Non-current assets</b>       |      |                 |                |                 |         |
| Intangible assets               | 10   | 1,449           |                | 1,605           |         |
| Tangible assets                 | 11   | 32              |                | 31              |         |
| Available for sale investments  | 13   | 259             |                | 385             |         |
| <b>Total non-current assets</b> |      |                 | <b>1,740</b>   |                 | 2,021   |
| <b>Current assets</b>           |      |                 |                |                 |         |
| Cash and cash equivalents       |      | 7,074           |                | 3,600           |         |
| Trade and other receivables     | 14   | 126             |                | 94              |         |
| <b>Total current assets</b>     |      |                 | <b>7,200</b>   |                 | 3,694   |
| <b>TOTAL ASSETS</b>             |      |                 | <b>8,940</b>   |                 | 5,715   |
| <b>LIABILITIES</b>              |      |                 |                |                 |         |
| <b>Current liabilities</b>      |      |                 |                |                 |         |
| Trade and other payables        | 15   | (1,163)         |                | (1,192)         |         |
| <b>TOTAL LIABILITIES</b>        |      |                 | <b>(1,163)</b> |                 | (1,192) |
| <b>NET ASSETS</b>               |      |                 | <b>7,777</b>   |                 | 4,523   |
| <b>EQUITY</b>                   |      |                 |                |                 |         |
| Called-up share capital         | 16   | -               |                | -               |         |
| Share premium                   |      | 12,520          |                | 7,653           |         |
| Share based payments reserve    | 17   | 765             |                | 548             |         |
| Foreign exchange reserve        |      | 96              |                | 85              |         |
| Retained earnings               |      | (5,604)         |                | (3,763)         |         |
|                                 |      |                 | <b>7,777</b>   |                 | 4,523   |
| Non-controlling interests       |      |                 | -              |                 | -       |
| <b>TOTAL EQUITY</b>             |      |                 | <b>7,777</b>   |                 | 4,523   |

These financial statements were approved by the Board of Directors on 9 February 2012 and signed on its behalf by:

Frederick Krueger  
Director

Antony Van Couvering  
Director

# Company Balance Sheet as at 31 October 2011

|                                 |       | 31 October 2011 |                | 31 October 2010 |         |
|---------------------------------|-------|-----------------|----------------|-----------------|---------|
|                                 | Notes | £ 000's         | £ 000's        | £ 000's         | £ 000's |
| <b>ASSETS</b>                   |       |                 |                |                 |         |
| <b>Non-current assets</b>       |       |                 |                |                 |         |
| Intangible assets               | 10    | 45              |                | 45              |         |
| Investment in subsidiaries      | 12    | 2,070           |                | 1,941           |         |
| Available for sale investments  | 13    | 259             |                | 385             |         |
| Trade and other receivables     | 14    | 3,296           |                | 2,240           |         |
| <b>Total non-current assets</b> |       |                 | <b>5,670</b>   |                 | 4,611   |
| <b>Current assets</b>           |       |                 |                |                 |         |
| Cash and cash equivalents       |       | 6,672           |                | 3,462           |         |
| Trade and other receivables     | 14    | 39              |                | 37              |         |
| <b>Total Current Assets</b>     |       |                 | <b>6,711</b>   |                 | 3,499   |
| <b>TOTAL ASSETS</b>             |       |                 | <b>12,381</b>  |                 | 8,110   |
| <b>LIABILITIES</b>              |       |                 |                |                 |         |
| <b>Current Liabilities</b>      |       |                 |                |                 |         |
| Trade and other payables        | 15    | (1,146)         |                | (1,179)         |         |
| <b>TOTAL LIABILITIES</b>        |       |                 | <b>(1,146)</b> |                 | (1,179) |
| <b>NET ASSETS</b>               |       |                 | <b>11,235</b>  |                 | 6,931   |
| <b>EQUITY</b>                   |       |                 |                |                 |         |
| Called-up share capital         | 16    | -               |                | -               |         |
| Share premium                   |       | 12,520          |                | 7,653           |         |
| Share based payments reserve    | 17    | 765             |                | 548             |         |
| Foreign exchange reserve        |       | 50              |                | 49              |         |
| Retained earnings               |       | (2,100)         |                | (1,319)         |         |
| <b>TOTAL EQUITY</b>             |       |                 | <b>11,235</b>  |                 | 6,931   |

These financial statements were approved by the Board of Directors 9 February 2012 and signed on its behalf by:

Frederick Krueger  
Director

Antony Van Couvering  
Director



# Group Cash Flow Statement for the year ended 31 October 2011

|   | Notes     | For the year ended<br>31 October 2011<br>£ 000's | For the year ended 31<br>October 2010<br>£ 000's |
|---|-----------|--|--|
| <b>Cash flows from operating activities</b>                 |           |  |  |
| Operating (loss)  |           | (1,885)  | (947)  |
| (Increase)/decrease in trade and other receivables          |           | (35)   | 9  |
| (Decrease)/increase in trade and other payables             |           | (29)   | 5  |
| Amortisation charge   |           | 213  | -  |
| Depreciation  |           | 8  | 7  |
| Other capitalised costs written off                         |           | 109  | -  |
| Share options expensed                                      |           | 226  | 33   |
| <b>Net cash outflow from operating activities</b>           |           | <b>(1,393)</b>                                   | <b>(893)</b>                                     |
| <b>Cash flows from investing activities</b>                 |           |  |  |
| Interest Received   |           | 6  | 6  |
| Payments to acquire intangible assets                       |           | -  | -  |
| Receipts from sale of intangible assets                     |           |  | 150  |
| Payments to acquire property, plant & equipment             |           | (9)  | (27)   |
| Payments to acquire available for sale investments          |           | -  | -  |
| <b>Net cash outflow from in investing activities</b>        |           | <b>(3)</b>                                       | <b>129</b>                                       |
| <b>Cash flows from financing activities</b>                 |           |  |  |
| Issue of ordinary share capital                             |           | 5,116  | 48   |
| Share issue costs   |           | (257)  | -  |
| <b>Net cash inflow from financing activities</b>            |           | <b>4,859</b>                                     | <b>48</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |           | <b>3,463</b>                                     | <b>(716)</b>                                     |
| Cash and cash equivalents at beginning of period            |           | 3,600  | 4,265  |
| Exchange gain on cash and cash equivalents                  |           | 11   | 51   |
| <b>Cash and cash equivalents at end of period</b>           | <b>18</b> | <b>7,074</b>                                     | <b>3,600</b>                                     |

# Company Cash Flow Statement for the year ended 31 October 2011

|   | Notes     | For the year ended<br>31 October 2011<br>£ 000's | For the year ended<br>31 October 2010<br>£ 000's |
|---|-----------|--|--|
| <b>Cash flows from operating activities</b>                 |           |  |  |
| Operating (loss)  |           | (787)  | (336)  |
| (Increase) in trade and other receivables                   |           | (2)  | -  |
| (Decrease)/increase in trade and other payables             |           | (33)   | 58   |
| Share options expensed                                      |           | 226  | 33   |
| Foreign exchange loss                                       |           | -  | -  |
| <b>Net cash outflow from operating activities</b>           |           | <b>(596)</b>                                     | <b>(245)</b>                                     |
| <b>Cash flows from investing activities</b>                 |           |  |  |
| Interest Received   |           | 6  | 6  |
| Payments to acquire intangible assets                       |           | -  | -  |
| Payments to acquire available for sale investments          |           | -  | -  |
| Loans to subsidiaries                                       |           | (1,056)  | (529)  |
| <b>Net cash outflow from investing activities</b>           |           | <b>(1,050)</b>                                   | <b>(523)</b>                                     |
| <b>Acquisitions and disposals</b>                           |           |  |  |
| Payments to acquire subsidiaries                            |           | (2)  | (23)   |
| <b>Net cash outflow from acquisitions and disposals</b>     |           | <b>(2)</b>                                       | <b>(23)</b>                                      |
| <b>Cash flows from financing activities</b>                 |           |  |  |
| Issue of ordinary share capital                             |           | 5,116  | 48   |
| Share issue costs   |           | (257)  | -  |
| <b>Net cash inflow from financing activities</b>            |           | <b>4,859</b>                                     | <b>48</b>  |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |           | <b>3,211</b>                                     | <b>(743)</b>                                     |
| Cash and cash equivalents at beginning of period            |           | 3,462  | 4,156  |
| Exchange (loss)/gain on cash and cash equivalents           |           | (1)  | 49   |
| <b>Cash and cash equivalents at end of period</b>           | <b>18</b> | <b>6,672</b>                                     | <b>3,462</b>                                     |

## Group Statement of Changes in Equity For the year ended 31 October 2011

|  | Called<br>up share<br>capital | Share<br>premium<br>reserve | Foreign<br>currency<br>translation<br>reserve | Share<br>based<br>payment<br>reserve | Retained<br>earnings | Total   | Non-<br>controlling<br>interest | Total<br>equity |
|--|-------------------------------|-----------------------------|---|--------------------------------------|----------------------|---------|---------------------------------|-----------------|
| Group  | £ 000's                       | £ 000's                     | £ 000's                                       | £ 000's                              | £ 000's              | £ 000's | £ 000's                         | £ 000's         |
| <b>As at 1<br/>November 2009</b>   | -                             | 7,601                       | 34  | 519                                  | (2,822)              | 5,332   | -                               | 5,332           |
| Loss for the<br>period   | -                             | -                           | -   | -                                    | (941)                | (941)   | -                               | (941)           |
| Currency<br>translation<br>differences   | -                             | -                           | 51  | -                                    | -                    | 51      | -                               | 51              |
| <b>Total<br/>comprehensive<br/>income</b>  | -                             | -                           | 51  | -                                    | (941)                | (890)   | -                               | (890)           |
| Share capital<br>issued  | -                             | 48                          | -   | -                                    | -                    | 48      | -                               | 48              |
| Cost of share<br>issue   | -                             | -                           | -   | -                                    | -                    | -       | -                               | -               |
| Share based<br>payments  | -                             | 4                           | -   | 29                                   | -                    | 33      | -                               | 33              |
| <b>As at 31 October<br/>2010</b>   | -                             | 7,653                       | 85  | 548                                  | (3,763)              | 4,523   | -                               | 4,523           |
| Loss for the<br>period   | -                             | -                           | -   | -                                    | (1,841)              | (1,841) | (38)                            | (1,879)         |
| Currency<br>translation<br>differences   | -                             | -                           | 11  | -                                    | -                    | 11      | -                               | 11              |
| <b>Total<br/>comprehensive<br/>income</b>  | -                             | -                           | 11  | -                                    | (1,841)              | (1,830) | (38)                            | (1,868)         |
| Share capital<br>issued  | -                             | 4,970                       | -   | -                                    | -                    | 4,970   | -                               | 4,970           |
| Share options &<br>warrants<br>exercised   | -                             | 154                         | -   | (9)                                  | -                    | 145     | -                               | 145             |
| Cost of share<br>issue   | -                             | (257)                       | -   | -                                    | -                    | (257)   | -                               | (257)           |
| Share based<br>payments  | -                             | -                           | -   | 226                                  | -                    | 226     | -                               | 226             |
| <b>Total<br/>contributions by<br/>and distributions<br/>to owners of the<br/>Company</b> | -                             | 4,867                       | -   | 217                                  | -                    | 5,084   | -                               | 5,084           |
| Non-controlling<br>interest arising on<br>business<br>combination                        | -                             | -                           | -   | -                                    | -                    | -       | 38                              | 38              |
| <b>As at 31 October<br/>2011</b>   | -                             | 12,520                      | 96  | 765                                  | (5,604)              | 7,777   | -                               | 7,777           |

## Company Statement of Changes in Equity For the year ended 31 October 2011

|                                    | Called up<br>share<br>capital | Share<br>premium<br>reserve | Share<br>based<br>payment<br>reserve | Foreign<br>exchange<br>reserve | Retained<br>earnings | Total equity |
|------------------------------------|-------------------------------|-----------------------------|--------------------------------------|--------------------------------|----------------------|--------------|
| Company                            | £ 000's                       | £ 000's                     | £ 000's                              | £ 000's                        | £ 000's              | £ 000's      |
| <b>As at 1 November 2009</b>       | -                             | 7,601                       | 519                                  | -                              | (989)                | 7,131        |
| Loss for the period                | -                             | -                           | -                                    | -                              | (330)                | (330)        |
| Currency translation differences   | -                             | -                           | -                                    | 49                             | -                    | 49           |
| <b>Total comprehensive income</b>  | -                             | -                           | -                                    | 49                             | (330)                | (281)        |
| Share capital issued               | -                             | 48                          | -                                    | -                              | -                    | 48           |
| Cost of share issue                | -                             | -                           | -                                    | -                              | -                    | -            |
| Share based payments               | -                             | 4                           | 29                                   | -                              | -                    | 33           |
| <b>As at 31 October 2010</b>       | -                             | 7,653                       | 548                                  | 49                             | (1,319)              | 6,931        |
| Loss for the period                | -                             | -                           | -                                    | -                              | (781)                | (781)        |
| Currency translation differences   | -                             | -                           | -                                    | 1                              | -                    | 1            |
| <b>Total comprehensive income</b>  | -                             | -                           | -                                    | -                              | (781)                | (780)        |
| Share capital issued               | -                             | 4,970                       | -                                    | -                              | -                    | 4,970        |
| Share options & warrants exercised | -                             | 154                         | (9)                                  | -                              | -                    | 145          |
| Cost of share issue                | -                             | (257)                       | -                                    | -                              | -                    | (257)        |
| Share based payments               | -                             | -                           | 226                                  | -                              | -                    | 226          |
| <b>As at 31 October 2011</b>       | -                             | 12,520                      | 765                                  | 50                             | (2,100)              | 11,235       |

# Notes to the Financial Statements for the year ended 31 October 2011

## 1 Summary of Significant Accounting Policies

### (a) Authorisation of financial statements

The Group financial statements of Top Level Domain Holdings Ltd. for the year ended 31 October 2011 were authorised for issue by the Board on 9 February 2012 and the balance sheets signed on the Board's behalf by Peter Dengate Thrush and David de Jongh Weill. The Company is registered in the British Virgin Islands under the BVI Business Companies Act 2004 with registered number 1412814. The Company's ordinary shares are traded on the AIM market operated by the London Stock Exchange.

### (b) Statement of compliance with IFRS

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company's financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB).

#### Future changes in accounting policies

IASB (International Accounting Standards Board) and IFRIC (International Financial Reporting Interpretations Committee) have issued the following standards and interpretations with an effective date after the date of these financial statements:

| <b>New/Revised International Financial Reporting Standards (IAS/IFRS)</b>  | <b>Effective date</b><br>(accounting periods commencing on or after) |
|--|--|
| IAS 1 Presentation of Financial Statements*  | 1 January 2011   |
| IAS 12 Income Taxes – Limited scope amendment (recovery of underlying assets) (December 2010)  | 1 January 2012   |
| IAS 24 Related Party Disclosures - Revised definition of related parties   | 1 January 2011   |
| IAS 27 Consolidated and Separate Financial Statements – Reissued as IAS 27 <i>Separate Financial Statements</i> (as amended in May 2011) | 1 January 2013   |
| IAS 28 Investments in Associates – Reissued as IAS 28 <i>Investments in Associates and Joint Ventures</i> (as amended in May 2011)       | 1 January 2013   |
| IAS 34 Interim Financial Reporting*  | 1 January 2011   |
| IFRS 7 Financial Instruments: Disclosures*   | 1 January 2011   |
| IFRS 7 Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets (October 2010)          | 1 July 2011  |
| IFRS 9 Financial Instruments - Classification and Measurement  | 1 January 2013   |
| IFRS 10 Consolidated Financial Statements**  | 1 January 2013   |
| IFRS 11 Joint Arrangements**   | 1 January 2013   |
| IFRS 12 Disclosure of Interests in Other Entities**  | 1 January 2013   |
| IFRS 13 Fair Value Measurement**   | 1 January 2013   |

\*Amendments resulting from May 2010 Annual Improvements to IFRSs

\*\* Original issue May 2011

### (c) Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the measurement to fair value of assets and financial instruments as described in the accounting policies below, and on a going concern basis.

The financial report is presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated.

## Notes to Financial Statements for the year ended 31 October 2011, continued

### (d) Basis of consolidation

The consolidated financial information incorporates the results of the Company and its subsidiaries (the "Group") using the acquisition method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated income statement from the date on which control is obtained. Inter-company transactions and balances between Group companies are eliminated in full.

### (e) Business combinations

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. The group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the group's voting rights relative to the size and dispersion of holdings of other shareholders give the group the power to govern the financial and operating policies, etc.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group

### (f) Revenue recognition

Website-based revenues are recognised on notification of payment by the relevant website and advertiser. Consultancy revenues are recognised as they fall due as per contract terms.

## Notes to Financial Statements for the year ended 31 October 2011, continued

### (g) Foreign currencies

The Company's functional currency is Sterling (£). Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency of Top Level Domain Holdings Ltd., which is Sterling (£), at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange rate for the year. The exchange differences arising on the translation are taken directly to a separate component of equity.

All other differences are taken to the income statement with the exception of differences on foreign currency borrowings, which, to the extent that they are used to finance or provide a hedge against foreign equity investments, are taken directly to reserves to the extent of the exchange difference arising on the net investment in these enterprises. Tax charges or credits that are directly and solely attributable to such exchange differences are also taken to reserves.

### (h) Goodwill and intangible assets

Intangible assets are recorded at cost less eventual amortisation and provision for impairment in value. Goodwill on consolidation is capitalised and shown within fixed assets. Positive goodwill is subject to an annual impairment review, and in most cases written off over 10 years, and negative goodwill is immediately written-off to the income statement when it arises.

#### *Externally acquired intangible assets*

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within the administrative expenses line in the consolidated income statement.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques.

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

| Intangible asset | Useful economic life | Valuation method     |
|------------------|----------------------|----------------------|
| Websites         | 10 years Estimated   | discounted cash flow |

### (i) Significant accounting judgements, estimates and assumptions

#### *(i) Significant accounting estimates and assumptions*

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

#### *(ii) Impairment of intangibles with indefinite useful lives*

The Group determines whether intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the intangibles with indefinite useful lives are allocated.

#### *(iii) Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model.

### (j) Finance costs/revenue

Borrowing costs are recognised as an expense when incurred.

Finance revenue is recognised as interest accrues using the effective interest method.

## Notes to Financial Statements for the year ended 31 October 2011, continued

### (k) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### (l) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

### (m) Financial instruments

The Group's financial instruments, other than its investments, comprise cash and items arising directly from its operation such as trade debtors and trade creditors. The Group has overseas subsidiaries in BVI, Europe, and USA whose expenses are denominated in Euro's and US Dollars. Market price risk is inherent in the Group's activities and is accepted as such.

There is no material difference between the book value and fair value of the Group's cash.

### (n) Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the tax computations, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case it is also dealt with in equity.

### (o) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Land is measured at fair value less any impairment losses recognised after the date of revaluation. Depreciation is provided on all tangible assets to write off the cost less estimated residual value of each asset over its expected useful economic life on a straight-line basis at the following annual rates:

- Plant and Equipment – between 5% and 25%

All assets are subject to annual impairment reviews.

### (p) Available for sale Investments

Equity investments intended to be held for an indefinite period of time are classified as available-for-sale investments. They are carried at fair value, where this can be reliably measured, with movements in fair value recognised directly in the available-for-sale reserve. Where the fair value cannot be reliably measured, the investment is carried at cost.

Any impairment losses in equity investments classified as available-for-sale investments are recognised in the income statement and are not reversible through the income statement, and are determined with reference to the closing market share price at the balance sheet date. Any subsequent increase in the fair value of the available-for-sale investment above the impaired value will be recognised within the available-for-sale reserve.

Available-for-sale investments are included within non-current assets unless the carrying value is expected to be recovered principally through sale rather than continuing use, in which case they are included within current assets. On disposal, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had previously been recognised directly in reserves is recognised in the income statement.



## Notes to Financial Statements for the year ended 31 October 2011, continued

**(q) Available for sale investment reserve**

This reserve is used to record the post-tax fair value movements in available for sale investments.

**(r) Share based payments reserve**

This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration and provided to consultants and advisors hired by the Group from time to time as part of the consideration paid.

**(s) Foreign currency translation reserve**

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

**(t) Impairment of assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**(u) Trade and other payables**

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

**(v) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

## Notes to Financial Statements for the year ended 31 October 2011, continued

### (w) Share-based payment transactions

#### *(i) Equity settled transactions:*

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Top Level Domain Holdings Ltd. (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 9).

### (x) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

## Notes to Financial Statements for the year ended 31 October 2011, continued

### 2 Segmental analysis - Group

Segment information is presented in respect of the Group's management and internal reporting structure. As currently the Group only operates in 1 business division that of internet operations that is the main business segment, which also combines the corporate administrative entity.

Segment results, assets and liabilities include items directly attributable to a geographical segment as well as those that can be allocated on a reasonable basis.

#### By geographical area

| 2011   | BVI/Parent<br>£ 000's | Europe<br>£ 000's | USA<br>£ 000's | Total<br>£ 000's |
|--|-----------------------|-------------------|----------------|------------------|
| <b>Revenue</b>                               |                       |                   |                |                  |
| External sales                               | 12                    | -                 | 42             | <b>54</b>        |
| <b>Result</b>                                |                       |                   |                |                  |
| Operating (loss)                             | (787)                 | (91)              | (1,007)        | <b>(1,885)</b>   |
| Investment revenue                           | 6                     | -                 | -              | <b>6</b>         |
| Loss before & after tax                      | (781)                 | (91)              | (1,007)        | <b>(1,879)</b>   |
| <b>Other information</b>                     |                       |                   |                |                  |
| Depreciation, amortisation<br>and impairment | -                     | -                 | 221            | <b>221</b>       |
| Capital additions                            | -                     | -                 | 9              | <b>9</b>         |
| <b>Assets</b>                                |                       |                   |                |                  |
| Segment assets                               | 304                   | -                 | 1,436          | <b>1,740</b>     |
| Financial assets                             | 39                    | 6                 | 81             | <b>126</b>       |
| Cash   | 6,672                 | 267               | 135            | <b>7,074</b>     |
| Consolidated total assets                    |                       |                   |                | <b>8,940</b>     |
| <b>Liabilities</b>                           |                       |                   |                |                  |
| Segment liabilities                          | (1,078)               | -                 | -              | <b>(1,078)</b>   |
| Financial liabilities                        | (68)                  | -                 | (17)           | <b>(85)</b>      |
| Consolidated total liabilities               |                       |                   |                | <b>(1,163)</b>   |

**Notes to Financial Statements  
for the year ended 31 October 2011, continued**

**2 Segmental analysis – Group (continued)**

**By geographical area**

| <b>2010</b>                                  | <b>BVI/Parent</b> | <b>Europe</b>  | <b>USA</b>     | <b>Total</b>   |
|--|-------------------|----------------|----------------|----------------|
|  | <b>£ 000's</b>    | <b>£ 000's</b> | <b>£ 000's</b> | <b>£ 000's</b> |
| <b>Revenue</b>                               |                   |                |                |                |
| External sales                               | 22                | -              | 40             | <b>62</b>      |
| <b>Result</b>                                |                   |                |                |                |
| Operating (loss)                             | (336)             | (64)           | (547)          | <b>(947)</b>   |
| Investment revenue                           | 6                 | -              | -              | <b>6</b>       |
| Loss before & after tax                      | (330)             | (64)           | (547)          | <b>(941)</b>   |
| <b>Other information</b>                     |                   |                |                |                |
| Depreciation, amortisation<br>and impairment | -                 | -              | 7              | <b>7</b>       |
| Capital additions                            | -                 | -              | 27             | <b>27</b>      |
| <b>Assets</b>                                |                   |                |                |                |
| Segment assets                               | 430               | -              | 1,591          | <b>2,021</b>   |
| Financial assets                             | 37                | 1              | 56             | <b>94</b>      |
| Cash   | 3,462             | 46             | 92             | <b>3,600</b>   |
| Consolidated total assets                    |                   |                |                | <b>5,715</b>   |
| <b>Liabilities</b>                           |                   |                |                |                |
| Segment liabilities                          | (1,078)           | -              | -              | <b>(1,078)</b> |
| Financial liabilities                        | (101)             | -              | (13)           | <b>(114)</b>   |
| Consolidated total liabilities               |                   |                |                | <b>(1,192)</b> |

**Notes to Financial Statements  
for the year ended 31 October 2011, continued**

**3 Operating loss**

|  | <b>2011</b>    | <b>2011</b>    | 2010    | 2010    |
|--|----------------|----------------|---------|---------|
|  | <b>Group</b>   | <b>Company</b> | Group   | Company |
|  | <b>£ 000's</b> | <b>£ 000's</b> | £ 000's | £ 000's |
| Operating loss is arrived at after charging: |                |                |         |         |
| Auditors' remuneration – audit               | <b>20</b>      | <b>20</b>      | 20      | 20      |
| Auditors' remuneration – non audit services  | -              | -              | -       | -       |
| Directors' emoluments – fees and salaries    | <b>446</b>     | <b>262</b>     | 151     | 151     |
| Directors' emoluments – share based payments | <b>226</b>     | <b>226</b>     | 33      | 33      |
| Amortisation                                 | <b>213</b>     | -              | -       | -       |
| Depreciation                                 | <b>8</b>       | -              | 7       | -       |
| Foreign exchange loss                        | <b>71</b>      | <b>71</b>      | 1       | -       |

**4 Employee information – Group**

|                                    | <b>2011</b>    | 2010    |
|------------------------------------|----------------|---------|
|                                    | <b>£ 000's</b> | £ 000's |
| <b>Staff Costs comprised:</b>      |                |         |
| Wages and salaries                 | <b>121</b>     | 263     |
| <br>                               |                |         |
| <b>Average Number of employees</b> | <b>Number</b>  | Number  |
| Administration                     | <b>5</b>       | 6       |
|                                    | <b>5</b>       | 6       |

**Notes to Financial Statements  
for the year ended 31 October 2011, continued**

**5 Directors' emoluments**

|                         |                |         |
|-------------------------|----------------|---------|
| <b>Group</b>            | <b>2011</b>    | 2010    |
|                         | <b>£ 000's</b> | £ 000's |
| Directors' remuneration | <b>672</b>     | 184     |

| <b>2011</b>                    | <b>Directors<br/>Fees<br/>£ 000's</b> | <b>Consultancy<br/>Fees<br/>£ 000's</b> | <b>Shares &amp;<br/>Options<br/>£ 000's</b> | <b>Total<br/>£ 000's</b> |
|--------------------------------|---------------------------------------|---|---|--------------------------|
| <b>Executive Directors</b>     |                                       |   |   |                          |
| Peter Dengate Thrush (#)       | 36                                    | 115                                     | 23  | <b>174</b>               |
| Frederick Krueger              | 92                                    | -                                       | -   | <b>92</b>                |
| David de Jongh Weill           | 60                                    | -                                       | 10  | <b>70</b>                |
| Antony Van Couvering           | 103                                   | -                                       | 193   | <b>296</b>               |
| Guy Elliott                    | 28                                    | -                                       | -   | <b>28</b>                |
| <b>Non-Executive Directors</b> |                                       |   |   |                          |
| Clark Landry                   | -                                     | -                                       | -   | -                        |
| Michael Mendelson              | 12                                    | -                                       | -   | <b>12</b>                |
|                                | <b>331</b>                            | <b>115</b>                              | <b>226</b>                                  | <b>672</b>               |

| <b>2010</b>                    | <b>Directors<br/>Fees<br/>£ 000's</b> | <b>Consultancy<br/>Fees<br/>£ 000's</b> | <b>Shares &amp;<br/>Options<br/>£ 000's</b> | <b>Total<br/>£ 000's</b> |
|--------------------------------|---------------------------------------|---|---|--------------------------|
| <b>Executive Directors</b>     |                                       |   |   |                          |
| Frederick Krueger              | -                                     | -                                       | -   | -                        |
| David de Jongh Weill           | 60                                    | -                                       | 16  | <b>76</b>                |
| Antony Van Couvering           | 67                                    | -                                       | 17  | <b>84</b>                |
| <b>Non-Executive Directors</b> |                                       |   |   |                          |
| Clark Landry                   | -                                     | -                                       | -   | -                        |
| Guy Elliott                    | 12                                    | -                                       | -   | <b>12</b>                |
| Michael Mendelson              | 12                                    | -                                       | -   | <b>12</b>                |
|                                | <b>151</b>                            | <b>-</b>                                | <b>33</b>                                   | <b>184</b>               |

(#): These Directors were not employed during the full financial period.

No pension benefits are provided for any Director.

|                          |                       |                         |               |                 |
|--------------------------|-----------------------|-------------------------|---------------|-----------------|
| <b>6 Finance revenue</b> | <b>2011<br/>Group</b> | <b>2011<br/>Company</b> | 2010<br>Group | 2010<br>Company |
|                          | <b>£ 000's</b>        | <b>£ 000's</b>          | £ 000's       | £ 000's         |
| Bank interest receivable | <b>6</b>              | <b>6</b>                | 6             | 6               |

## Notes to Financial Statements for the year ended 31 October 2011, continued

|                                     |                |         |
|-------------------------------------|----------------|---------|
| <b>7 Taxation</b>                   | <b>2011</b>    | 2010    |
| <b>Analysis of charge in period</b> | <b>£ 000's</b> | £ 000's |
| Tax on ordinary activities          | -              | -       |

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No taxation has been provided due to losses in the year.

The British Virgin Islands under the IBC imposes no corporate taxes or capital gains. However, the Company as a group may be liable for taxes in the jurisdictions where it is operating and developing websites/domains.

In USA, the Company provides for income taxes on the basis of its income for financial reporting purposes, adjusted for items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the tax authorities. There is under California tax legislation an \$800 minimum tax payable, and further tax due on income over \$250,000.

No deferred tax asset has been recognised because there is insufficient evidence of the timing of suitable future profits against which they can be recovered. No deferred tax liability has been recognised as a result of the losses in the period.

### 8 Dividends

No dividends were paid or proposed by the Directors. (2010 £Nil)

### 9 Loss per share

The calculation of loss per share is based on the loss after taxation divided by the weighted average number of share in issue during the period:

|  | <b>2011</b>    | 2010   |
|--|----------------|--------|
| Net loss after taxation (£000's)   | <b>(1,879)</b> | (941)  |
| Weighted average number of ordinary shares used in calculating basic loss per share (millions) | <b>354.35</b>  | 283.55 |
| Basic loss per share (expressed in pence)  | <b>(0.53)</b>  | (0.33) |
| Diluted loss per share (expressed in pence)  | <b>(0.53)</b>  | (0.33) |

As inclusion of the potential ordinary shares would result in a decrease in the loss per share they are considered to be anti-dilutive, as such, a diluted earnings per share is not included.

**Notes to Financial Statements  
for the year ended 31 October 2011, continued**

| <b>10 Intangible assets</b>        | <b>Group</b>   | <b>Company</b> |
|------------------------------------|----------------|----------------|
|                                    | <b>£ 000's</b> | <b>£ 000's</b> |
| <b>Cost</b>                        |                |                |
| At 1 November 2010                 | 1,605          | 45             |
| Additions                          | 57             | -              |
| <b>As at 31 October 2011</b>       | <b>1,662</b>   | <b>45</b>      |
| <b>Amortisation and Impairment</b> |                |                |
| At 1 November 2010                 | -              | -              |
| Amortisation charge                | 213            | -              |
| <b>At 31 October 2011</b>          | <b>213</b>     | <b>-</b>       |
| <b>Net book value</b>              |                |                |
| <b>At 31 October 2011</b>          | <b>1,449</b>   | <b>45</b>      |
| At 31 October 2010                 | 1,605          | 45             |
| The cost is analysed as follows;   |                |                |
|                                    | <b>£ 000's</b> | <b>£ 000's</b> |
| Goodwill                           | 1,404          | -              |
| Domain names                       | -              | -              |
| Websites                           | 45             | 45             |
|                                    | <b>1,449</b>   | <b>45</b>      |

**Impairment Review**

At 31 October 2011, the Directors have carried out an impairment review and have concluded that no further write down is required, other than the current amortization charge for goodwill. The Directors are of the opinion the carrying value of the intangibles is now stated at a fair value, which will be subject to an ongoing review as the Group's strategy develops in the future.



## Notes to Financial Statements for the year ended 31 October 2011, continued

| 11 Tangible assets – Property, plant & equipment | Group<br>£ 000's |
|--|------------------|
| <b>Cost</b>                                      |                  |
| At 1 November 2010                               | 38               |
| Additions  | 9                |
| <b>As at 31 October 2011</b>                     | <b>47</b>        |
| <b>Depreciation and Impairment</b>               |                  |
| At 1 November 2010                               | 7                |
| Depreciation charge for the period               | 8                |
| <b>At 31 October 2011</b>                        | <b>15</b>        |
| <b>Net book value</b>                            |                  |
| <b>At 31 October 2011</b>                        | <b>32</b>        |
| At 31 October 2010                               | 31               |

### Impairment Review

At 31 October 2011, the Directors have carried out an impairment review and concluded no impairment provision is currently required.

## 12 Investment in subsidiaries

|  | 2011<br>£ 000's | 2010<br>£ 000's |
|--|-----------------|-----------------|
| <b>Shares in Group undertakings</b>          |                 |                 |
| <b>Company</b>                               |                 |                 |
| <b>Cost</b>                                  |                 |                 |
| At beginning of the period                   | 1,941           | 1,918           |
| Additions                                    | 3               | 23              |
| Transfer from available for sale investments | 126             | -               |
| <b>As at 31 October</b>                      | <b>2,070</b>    | 1,941           |

The parent company owns more than 50% of the ordinary share capital in seven subsidiaries incorporated in the British Virgin Islands, Europe, and USA. The Board of Directors believes disclosure of the details of the subsidiaries would be anti-competitive and as such details of the subsidiaries have not been disclosed.

**Notes to Financial Statements  
for the year ended 31 October 2011, continued**

| 13 Available for sale investments                              | 2011    | 2010    |
|--|---------|---------|
| Group & Company – Unlisted Investments                         | £ 000's | £ 000's |
| At beginning of the period                                     | 385     | 385     |
| Transferred to subsidiaries                                    | (126)   | -       |
| Movement in market value                                       | -       | -       |
| At 31 October  | 259     | 385     |
| <b>The available for sale investments, are split as below;</b> |         |         |
| <b>Non-current assets</b>                                      | 259     | 385     |
| <b>Current assets</b>  | -       | -       |
|  | 259     | 385     |

Available for sale investments comprises investments in companies which are not traded on any stock markets throughout the world, and, which are held by the Group as a mix of strategic and short term investments. No listed available for sale investments are held. The market value of the above unlisted investments is stated at cost, which the directors believe to be the current fair value of the investments.

| 14 Trade and other receivables                 | 2011             |                    | 2010             |                    |
|--|------------------|--------------------|------------------|--------------------|
|  | Group<br>£ 000's | Company<br>£ 000's | Group<br>£ 000's | Company<br>£ 000's |
| <b>Current trade and other receivables</b>     |                  |                    |                  |                    |
| Trade debtors                                  | -                | -                  | -                | -                  |
| Other debtors                                  | 101              | 39                 | 66               | 37                 |
| Due from associated companies                  | 25               | -                  | 28               | -                  |
|  | 126              | 39                 | 94               | 37                 |
| <b>Non Current trade and other receivables</b> |                  |                    |                  |                    |
| Loans due from subsidiaries                    | -                | 3,296              | -                | 2,240              |

The loans due from subsidiaries are interest free and have no fixed repayment date.

**Notes to Financial Statements  
for the year ended 31 October 2011, continued**

| 15 | Trade and other payables                 | 2011             |                    | 2010             |                    |
|----|--|------------------|--------------------|------------------|--------------------|
|    |  | Group<br>£ 000's | Company<br>£ 000's | Group<br>£ 000's | Company<br>£ 000's |
|    | <b>Current trade and other payables:</b> |                  |                    |                  |                    |
|    | Trade creditors                          | 17               | -                  | 13               | -                  |
|    | Taxation liabilities                     | -                | -                  | -                | -                  |
|    | Accruals                                 | 68               | 68                 | 101              | 101                |
|    | Deferred consideration                   | 1,078            | 1,078              | 1,078            | 1,078              |
|    |  | <b>1,163</b>     | <b>1,146</b>       | 1,192            | 1,179              |

The deferred consideration is the value of the shares to be issued to the former shareholders of Mind and Machines LLC, as part of the total consideration for the purchase of the company. (See Note 22)

## Notes to Financial Statements for the year ended 31 October 2011, continued

### 16 Share capital

| Called up, allotted, issued and fully paid ordinary shares of no par value | Number of shares   | Nominal value<br>£000's |
|--|--------------------|-------------------------|
| <b>As at 1 November 2009</b>   | <b>282,939,275</b> | -                       |
| 29 April 2010 for cash on exercise of options at 4p per share              | 200,000            | -                       |
| 29 April 2010 for cash on exercise of warrants at 4p per share             | 1,000,000          | -                       |
| <b>As at 31 October 2010</b>   | <b>284,139,275</b> | -                       |
| 17 November 2010 for cash on exercise of options at 4p per share           | 200,000            | -                       |
| 7 December 2010 for cash on placing at 6.5p per share                      | 73,996,902         | -                       |
| 18 January 2011 for cash on exercise of warrants at 4p per share           | 3,038,036          | -                       |
| 7 June 2011 for cash on share subscription at 8p per share                 | 2,000,000          | -                       |
| 7 June 2011 for cash on exercise of options at 4p per share                | 200,000            | -                       |
| 10 August 2011 for cash on exercise of warrants at 4p per share            | 200,000            | -                       |
| <b>As at 31 October 2011</b>   | <b>363,774,213</b> | -                       |

#### **Total share options in issue**

During the period ended 31 October 2011, the company granted 22,000,000 options over ordinary shares (2010: nil).

As at 31 October 2011 the unexercised options in issue were;

| Exercise Price | Expiry Date      | Options in Issue<br>31 October 2010 |
|----------------|------------------|-------------------------------------|
| 4p             | 13 November 2012 | 19,000,000                          |
| 4p             | 1 January 2013   | 1,200,000                           |
| 9p             | 20 December 2013 | 7,000,000                           |
| 4p             | 26 May 2014      | 5,252,694                           |
| 8p             | 15 July 2014     | 15,000,000                          |
|                |                  | <b>47,652,694</b>                   |

No options lapsed or were cancelled, and 400,000 options were exercised at a price of 4p per share during the period to 31 October 2011 (2010: 200,000).

#### **Total warrants in issue**

During the period ended 31 October 2011, the company granted 1,000,000 warrants to subscribe for ordinary shares (2010: nil).

As at 31 October 2011 the unexercised warrants in issue were;

| Exercise Price | Expiry Date      | Warrants in Issue<br>31 October 2011 |
|----------------|------------------|--------------------------------------|
| 4p             | 13 November 2012 | 1,622,665                            |
| 4p             | 31 July 2012 (*) | 48,496,109                           |
| 4.2p           | 7 August 2012    | 21,250,000                           |
| 12p            | 18 May 2013      | 1,000,000                            |
|                |                  | <b>72,368,774</b>                    |

During the year to 31 October 2011, 3,238,036 warrants were exercised at a price of 4p per share. (2010: 1,000,000)

(\*) The expiry date of 48,496,109 warrants was extended to 31 July 2012.

## Notes to Financial Statements for the year ended 31 October 2011, continued

### 17 Share Based Payments

Under IFRS 2 'Share Based Payments', the Company determines the fair value of options issued to Directors and Employees as remuneration and recognises the amount as an expense in the income statement with a corresponding increase in equity.

| Name                 | Date Granted | Date Vested | Number            | Exercise Price (pence) | Expiry Date | Fair Value at Grant Date (pence) |
|----------------------|--------------|-------------|-------------------|------------------------|-------------|----------------------------------|
| Frederick Krueger    | 14/11/2007   | See 1 below | 5,000,000         | 4                      | 13/11/2012  | 2.23                             |
| David Weill          | 14/11/2007   | See 1 below | 4,000,000         | 4                      | 13/11/2012  | 2.23                             |
| Clark Landry         | 14/11/2007   | See 1 below | 5,000,000         | 4                      | 13/11/2012  | 2.23                             |
| Guy Elliott          | 14/11/2007   | See 1 below | 3,000,000         | 4                      | 13/11/2012  | 2.23                             |
| Michael Mendelson    | 14/11/2007   | See 1 below | 2,000,000         | 4                      | 13/11/2012  | 2.23                             |
| Consultant           | 01/01/2008   | See 2 below | 400,000           | 4                      | 01/01/2013  | 2.23                             |
| Consultant           | 01/01/2008   | See 3 below | 1,000,000         | 4                      | 01/01/2013  | 2.23                             |
| David Weill          | 27/05/2009   | See 1 below | 2,626,347         | 4                      | 26/05/2014  | 1.26                             |
| Antony Van Couvering | 27/05/2009   | See 1 below | 2,626,347         | 4                      | 26/05/2014  | 1.26                             |
| Antony Van Couvering | 21/12/2010   | See 4 below | 7,000,000         | 9                      | 20/12/2013  | 3.03                             |
| Peter Dengate Thrush | 15/07/2011   | See 5 below | 15,000,000        | 8                      | 15/07/2014  | 2.66                             |
| <b>Totals</b>        |              |             | <b>47,652,694</b> |                        |             |                                  |

1. The above share options vest on the 2<sup>nd</sup> anniversary from the date of grant. The options are exercisable at any time after vesting during the Directors' period as an eligible employee until the fifth anniversary of admission.
2. The above share options vested over the period of the 12 months from the date of grant, on the basis of 166,667 a month for the first 3 months, and 55,555 over the remaining 9 months.
3. The above share options vested equally over the 6 months from the date of grant. The consultants' contract was terminated on 30 June 2008. However a further 250,000 options were granted or in settlement of the consultancy agreement, in the period ended 31 October 2009.
4. The above share options vest on the 1<sup>st</sup> anniversary from the date of grant.
5. The above share options vest 6 months after the grant date, and are exercisable on an equally proportionate basis quarterly thereafter up to three years from the grant date.

## Notes to Financial Statements for the year ended 31 October 2011, continued

### 17 Share Based Payments (continued)

The fair value of the options granted during the period ended 31 October 2011 amounted to £0.226 million (2010: £0.033 million). The assessed fair value at grant date is determined using the Black-Scholes Model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The following table lists the inputs to the models used for the year ended 31 October 2011:

|                               | 21 December 2010<br>issue | 15 July 2011 issue |
|-------------------------------|---------------------------|--------------------|
| Dividend Yield (%)            | -                         | -                  |
| Expected Volatility (%)       | 60.0                      | 60.0               |
| Risk-free interest rate (%)   | 2.0                       | 2.0                |
| Share price at grant date (£) | 0.080                     | 0.071              |

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

### 18 Analysis of changes in net funds

|   | 2011             |                    | 2010             |                    |
|---|------------------|--------------------|------------------|--------------------|
|   | Group<br>£ 000's | Company<br>£ 000's | Group<br>£ 000's | Company<br>£ 000's |
| Balance at beginning of period          | 3,600            | 3,462              | 4,265            | 4,156              |
| Change during the period                | 3,474            | 3,210              | (665)            | (694)              |
| <b>Balance at the end of the period</b> | <b>7,074</b>     | <b>6,672</b>       | 3,600            | 3,462              |

### 19 Financial instruments

The Group uses financial instruments comprising cash, liquid resources and debtors/creditors that arise from its operations. The Group holds cash as a liquid resource to fund the obligations of the Group. The Group's cash balances are held in Sterling, Euros, and in US Dollars. The Group's strategy for managing cash is to maximize interest income whilst ensuring its availability to match the profile of the Group's expenditure. This is achieved by regular monitoring of interest rates and monthly review of expenditure forecasts.

The Company has a policy of not hedging and therefore takes market rates in respect of foreign exchange risk. However, it does review its currency exposures on an ad hoc basis. Currency exposures relating to monetary assets held by foreign operations are included within the foreign exchange reserve in the Group Balance Sheet.

The Group considers the credit ratings of banks in which it holds funds in order to reduce exposure to credit risk.

To date the Group has relied upon equity funding to finance operations. The Directors are confident that adequate cash resources exist to finance operations to commercial exploitation, but controls over expenditure are carefully managed.

## Notes to Financial Statements for the year ended 31 October 2011, continued

### 19 Financial instruments (continued)

The net fair value of financial assets and liabilities approximates to the carrying values disclosed in the financial statements. The currency and interest rate profile of the financial assets is as follows:

| Cash and short term deposits | 2011             |                    | 2010             |                    |
|------------------------------|------------------|--------------------|------------------|--------------------|
|                              | Group<br>£ 000's | Company<br>£ 000's | Group<br>£ 000's | Company<br>£ 000's |
| Sterling                     | 3,566            | 3,566              | 2,327            | 2,327              |
| USD                          | 3,241            | 3,106              | 1,227            | 1,135              |
| Euro                         | 267              | -                  | 46               | -                  |
| <b>At 31 October</b>         | <b>7,074</b>     | <b>6,672</b>       | 3,600            | 3,462              |

The financial assets comprise cash balances in interest earning bank accounts at call. The financial assets in Sterling currently earn an interest rates approximating to base rate set by the Bank of England.

#### Foreign currency risk

The following table details the Group's sensitivity to a 10% increase and decrease in Sterling against the relevant foreign currencies of US Dollar and Euro. 10% represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated investments and other financial assets and liabilities and adjusts their translation at the period end for a 10% change in foreign currency rates. The following table sets out the potential exposure, where the 10% increase or decrease refers to a strengthening or weakening of Sterling:

|           | Profit or loss sensitivity |                         | Equity sensitivity      |                         |
|-----------|----------------------------|-------------------------|-------------------------|-------------------------|
|           | 10% increase<br>£ 000's    | 10% decrease<br>£ 000's | 10% increase<br>£ 000's | 10% decrease<br>£ 000's |
| US Dollar | (79)                       | 79                      | (176)                   | 176                     |
| Euro      | (9)                        | 9                       | (13)                    | 13                      |
|           | <b>(88)</b>                | <b>88</b>               | <b>(189)</b>            | <b>189</b>              |

## Notes to Financial Statements for the year ended 31 October 2011, continued

### 20 Material non-cash transactions

There are no material non-cash transactions.

### 21 Commitments

As at 31 October 2011, the Company had entered into the following material commitments:

#### Website development commitments

Ongoing website development expenditure is required to maintain title to the Group's websites and domains. No provision has been made in the financial statements for these amounts as the expenditure is expected to be fulfilled in the normal course of the operations of the Group.

### 22 Business combinations

#### Acquisition of Dot NYC LLC ("NYC")

On 30<sup>th</sup> March 2009, TLDH acquired a total of 23.5% of NYC for £126,209. On 24<sup>th</sup> November 2011 TLDH acquired a further 41.5% of NYC, a company based in USA, taking the total interest in NYC to 65% and gained control thereof. The resultant goodwill of the acquisition is £57,135, and this has been written off to the income statement in the current year. The fair value of identifiable assets and liabilities of NYC as at the date of acquisition are:

|  | Book value<br>£'000 | Fair value<br>adjustment<br>£'000 | Fair value<br>£'000 |
|--|---------------------|-----------------------------------|---------------------|
| Cash and cash equivalents                              | -                   | -                                 | -                   |
| Intangible assets                                      | 147                 | -                                 | 147                 |
|  | <u>147</u>          | -                                 | <u>147</u>          |
| Other creditors  | (38)                | -                                 | (38)                |
|  | <u>(38)</u>         | -                                 | <u>(38)</u>         |
| Fair value of net assets                               |                     |                                   | <u>109</u>          |
| Non-controlling interest                               |                     |                                   | (38)                |
| Goodwill   |                     |                                   | <u>57</u>           |
|  |                     |                                   | <u>128</u>          |
| <i>Total Consideration:</i>                            |                     |                                   |                     |
| Cash paid  |                     |                                   | <u>128</u>          |
|  |                     |                                   | <u>128</u>          |
| <i>The cash outflow on acquisition was as follows;</i> |                     |                                   |                     |
| Net cash acquired with subsidiary                      |                     |                                   | -                   |
| Cash paid  |                     |                                   | (128)               |
| Net cash outflow                                       |                     |                                   | <u>(128)</u>        |



## Notes to Financial Statements for the year ended 31 October 2011, continued

### 23 Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between other related parties are discussed below.

During the period, an amount of £274,490 (2010:£24,000) was paid to Patrimoine Partners LLP (Formerly Chiliogon Partners LLP) in respect of administrative, Group accounting services and commission. David Weill is a Partner of Chiliogon.

The terms and conditions for the above transactions are based on normal trade terms.

#### *Remuneration of Key Management Personnel*

The remuneration of the directors, and other key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS24 Related party Disclosures.

|                              | <b>2011</b>    | 2010    |
|------------------------------|----------------|---------|
|                              | <b>£ 000's</b> | £ 000's |
| Short-term employee benefits | <b>567</b>     | 151     |
| Share-based payments         | <b>226</b>     | 33      |
|                              | <b>793</b>     | 184     |

### 24 Post Balance Sheet Events

There are no post balance sheet events to disclose

# Corporate Information

|                   |  |
|-------------------|--|
| Registered number | 1412814 registered in British Virgin Islands   |
| Directors         | Peter Dengate Thrush – Executive Chairman<br>Frederick R. Krueger – Deputy Chairman<br>Guy Elliott – Chief Investment Officer<br>Antony Van Couvering - Chief Executive Officer<br>David de Jongh Weill – Chief Finance Officer<br>Clark W. Landry – Non Executive Director<br>Michael E. Mendelson – Non Executive Director |
| Registered Office | Craigmuir Chambers<br>Road Town, Tortola<br>British Virgin Islands VG 1110<br><br>Email: <a href="mailto:info@tldh.org">info@tldh.org</a><br>Website: <a href="http://www.tldh.org">www.tldh.org</a>   |
| Auditors          | Chapman Davis LLP<br>2 Chapel Court<br>London SE1 1HH<br>United Kingdom  |
| Solicitors        | Kerman & Co LLP<br>7 Savoy Court<br>Strand, London WC2R 0ER<br>United Kingdom  |
| Nominated Advisor | Beaumont Cornish Limited<br>2nd Floor Bowman House<br>29 Wilson Street<br>London EC2M 2SJ<br>United Kingdom  |
| Joint Brokers     | Daniel Stewart & Company plc<br>Becket House<br>36 Old Jewry<br>London EC2R 8DD<br><br>XCAP Securities PLC<br>24 Cornhill<br>London ECV 3ND  |
| Registrars        | Computershare Investor Services (Channel Islands) Ltd<br>PO Box 83<br>Ordnance House, 31 Pier Road<br>St Helier JE4 8PW<br>Channel Islands   |
| Principal Bankers | HSBC<br>60 Queen Victoria Street<br>London EC4N 4TR<br>United Kingdom  |