DAILY

Internet plc

Annual Report 2009

Company Number 06172239

Contents

Introduction and Highlights

Strategy

- To become one of the leading providers of Internet hosting solutions to small and medium sized businesses (SMEs) by focusing on delivering scaleable market leading hosting products at competitive pricing
- To continue to extend our range of products and services to provide our customers with a one-stop shop for all their Internet requirements
- To maintain and expand our highly automated system to minimise overheads and maximise efficiency
- To continue to provide a high level of customer service to meet the exacting standards of our business customers, in order to promote repeat purchase, recommendation by existing customers and maintenance of low churn rates

Highlights

	2009	2008
Turnover	£801,000	£524,000
Earnings before interest, taxation, depreciation, amortisation and FRS 20 share based payments	(£507,000)	(£1,188,000)
Cash at bank	£747,000	£325,000
Number of customers	36,750	23,500
Number of active services	92,750	49,500

- Total active service numbers increased by 87%
- Successful streamlining of marketing campaigns reduced the average marketing cost per customer acquisition by 41%.
- Continued expansion of Daily's product portfolio increased average customer value by 28%

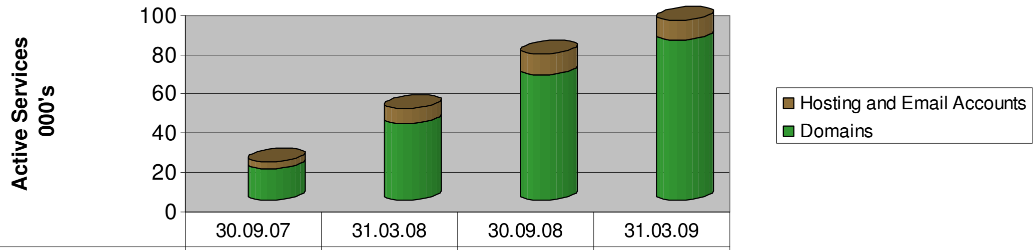
Chairman's Statement

I am delighted to present the 31 March 2009 financial results for Daily Internet plc.

Performance Summary

The past twelve months represent an extremely positive trading year despite the general economic downturn. We have achieved excellent organic growth on revenue and service numbers and secured further funding for our future development plans.

Active domains, hosting and email accounts have reached a total of almost 100,000 units representing a year on year increase of 95%. The growth achieved since launch in April 2007 is shown below:



	30.09.07	31.03.08	30.09.08	31.03.09
Hosting and Email Accounts	3.6	7.9	10.6	9.9
Domains	16.1	39.2	64.1	82.1

We have continued to invest prudently in developing our infrastructure in order to maintain our competitive edge and service standards, and have been able to make significant improvements in marketing efficiency which enabled us to reduce unnecessary marketing spend whilst improving market share.

Outlook

In addition to the solid foundation provided by an experienced management team, Daily Internet has a clearly defined strategy to develop shareholder value and deliver our stated vision of becoming one of the leading providers of Internet hosting solutions providers to small and medium sized enterprises in the UK.

Our business operates on a subscription model whereby customers pay for services in advance on rolling contracts. It is therefore essential that we continue to develop an expanding range of high quality products and services to achieve strong customer loyalty and a strong recurring revenue base. In addition, we will develop and source new services to augment the existing range and therefore provide improved up-sell and cross-sell opportunities within our range thus maximising revenue-per-customer.

After a strong entry into the UK web hosting market with a range of high volume, highly competitive products, the management team now aims to diversify our product offerings to leverage higher unit revenues on top of its growing existing customer base. We will continue to place emphasis on delivering an exemplary level of customer service with an approachable and personal feel, thereby driving a higher level of customer acquisition and strong customer loyalty. Our experienced and accessible support is one of the key differentiating factors in a market of telephone menus, non-technical sales teams, and script-based support.

I take this opportunity to thank all our shareholders for their continued support and to look forward on behalf of the management team to continued growth in the coming year.

Michael Edelson

Chairman

28 August 2009

Operational and Financial Review

Transactions

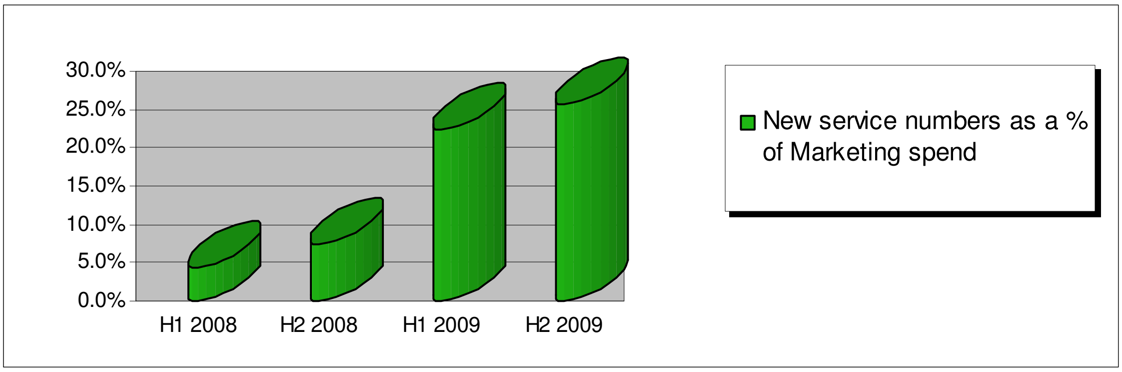
On 12 February 2009, Daily Internet made a share for share offer for Lambolle Partners plc. The offer was made unconditional on 23 March 2009. The consideration for purchase was the issue of 26,428,550 ordinary shares at a valuation of £0.05 amounting to a total investment of £1,322,000. The value of net assets acquired was £865,000, giving rise to goodwill of £457,000 which is being amortised over a period of 5 years.

Profit and Loss

Since Daily Internet's launch in April 2007 there has been continued revenue growth and steadily improving gross profit margins. The year to 31 March 2009 showed a 53% increase in revenue compared to the previous year and an improvement in gross profit margin* from 42% in the period to 31 March 2008 to 54% in the year to 31 March 2009.

Daily Internet offers hosting services paid for on a subscription basis, usually annually, whereby the revenue attributable to future years is deferred. In 2008, due to the prevailing market conditions, Daily introduced the option to pay for hosting products on a monthly basis. Whilst this does not directly impact revenues, cash flows are reduced; and as such the increase in invoiced sales is less than the increase in revenues. Daily Internet's sales receipts for the year amounted to £848,000 compared to £660,000 for the previous year; an increase of 28%. The revenue for the year is £801,000 compared to £524,000 for the previous period. The amount of deferred revenue to be released to income in future years at 31 March 2009 is £175,000.

Marketing represents the majority of our operating expenses, and having made significant improvements in marketing performance, we have been able to reduce marketing spend by 62% for the year to 31 March 2009 whilst still maintaining market share and improving the ratio of new service numbers against marketing spend as shown below:



Other operating costs have been closely controlled, resulting in savings against the operating budget.

As required by the Accounting Standards Board, Daily Internet has adopted FRS 20 for accounting for share-based payments. This accounting standard essentially charges the estimated benefit as a cost. The cost charged against profit for this financial year is £112,000 (2008 £215,000), this has no impact on cash.

The consolidated operating loss for the year, before share-based costs, is in line with expectations at £733,000 (2008 £1,394,000).

* Gross profit margin is measured as turnover minus cost of sales divided by turnover.

Balance sheet and Treasury

Daily Internet has continued to invest in its infrastructure during the year to 31 March 2009, having spent an additional £40,000 (2008 £37,000) bringing new products to market. The cost at 31 March 2009 of Daily Internet's tangible fixed assets amounts to £342,000, the fair value of these assets being reported at £132,000.

Cash at bank at 31 March 2009 was strong at £747,000 (2008 £325,000). This is the amount in hand after repaying the Company's bank overdraft of £150,000 and acquiring £750,000 (after costs) from the acquisition of Lambolle Partners plc. Daily has also arranged a further drawdown facility, available until 12 August 2010, of £300,000 for working capital requirements. The Directors are confident that these amounts are sufficient to allow Daily Internet to launch high end hosting products and achieve a breakeven position. However, further fundraising would be required should an acquisition target become available.

Creditors falling due within one year are reported at £666,000 (2008 £451,000). This figure includes an amount of £110,000 raised in January 2009, for short term working capital requirements, repayable within 6 months of issue date and an amount of £175,000 (2008 £125,000) for deferred revenue which will be released to profit in future years.

Creditors falling due after one year are reported at £261,000 (2008 £275,000). This represents the fair value of convertible loan notes which were issued on 9 January 2008.

Julie Joyce

Finance Director

28 August 2009

Board of Directors and Senior Managers

Board

John Michael Edelson
Chairman
Michael Edelson brings a wealth of experience as a Board Director to Daily Internet plc.
He is executive chairman of London & City Credit Corporation Limited. Historically, he has been a director of a number of companies admitted to trading on AIM, including ASOS plc, Crawshaw Group plc (formerly known as Felix Group plc), Prestbury Group plc, Chelford Group plc, Knutsford Group plc, Mercury Recycling Group plc and Singer and Friedlander AIM3 VCT plc and has been on the board of Manchester United Football Club Limited since 1982.
Furthermore, Mr. Edelson was Non-Executive Chairman of Bramhall plc (subsequently named Host Europe plc), which acquired Magic Moments Design Limited in September 1999, a company of which Abby Hardoon was an instrumental founder. Mr. Edelson remained a non-executive Chairman of Host Europe plc until early 2001.
Mr. Edelson's current directorships include being the non-executive chairman of both EXC plc and Sterling Green Group plc, both being companies admitted to trading on AIM.
.

Abby Hardoon
Managing Director
Mr. Hardoon is a Business Administration graduate from George Washington University. He was a founder of NETDesign Limited and Magic Moments Internet plc. Following the admission of Magic Moments to trading on AIM in September 1999 he served as Chief Executive Officer. Magic Moments was then renamed Host Europe plc and, under Mr. Hardoon's leadership, acquired two other Hosting companies, WebFusion Internet Solutions Limited and One2One Limited. Mr. Hardoon successfully grew the combined business into profitability until it was sold in April 2004 to PIPEX Communications plc for over £30 million.

Julie Joyce
Finance Director
Mrs. Joyce is a Fellow of the Chartered Association of Certified Accountants. She was employed as Finance Manager of WebFusion Internet Solutions Limited, an Internet Hosting company which was sold to Magic Moments Internet plc in May 2000. She became Group Financial Controller for Host Europe plc and its group companies and continued in this role for the SME hosting division of PIPEX Communications plc after the sale to PIPEX in April 2004. She also has extensive auditing and private practice experience, having spent ten years in this sector prior to her move into commerce and industry.

Robert Khalastchy
Non-Executive Director
Mr. Khalastchy is a graduate from the University of Sussex where he received a Bachelors degree in Electronic Engineering. For the past 15 years he has worked in commercial property management. For the last 6 years he has been a director of RK Management Limited, a property management company managing commercial property portfolios worth in excess of £35 million.

Senior Managers

Alison Curry-Taylor
Operations Director
Mrs. Curry-Taylor worked with WebFusion Internet Solutions Limited since its formation and continued to work for Host Europe plc post-acquisition. During her tenure with both companies, she successfully directed the growth of the SME hosting business unit and was responsible for delivering several key projects and products.

Simon Amor
Research & Development Director
Mr. Amor worked with WebFusion Internet Solutions Limited and Host Europe plc for nearly 6 years. He was pivotal in the development of the major systems deployed by Host Europe plc. In addition to his technical contribution to Host Europe he also successfully managed the Research and Development team.

Report of the Directors

The Directors present their Annual Report and Audited Financial Statements for the year ended 31 March 2009.

Principal Activities

The principal activities of the group during the year were the provision of web hosting, e-mail and domain name registration services.

Business Review and Future Developments

A review of the group's operations and performance during the financial year, setting out the position at the year end, significant changes in the year and providing an indication of the outlook for the future is contained in the Chairman's Report on page 4 and the Operational and Financial Review on pages 5 to 6.

Principal risks and uncertainty

In line with the nature, size and complexity of the business the senior management team work very closely to identify and evaluate areas of risk, and to develop and monitor action plans to deal with any potential threats. All outcomes are reported to the Board and support is given as necessary to ensure actions are carried out.

Identifiable areas of risk include:

- Moving the group to a cash flow generative position
- Market pressures on product pricing
- Maintaining a healthy cash balance to allow future investment in products
- Improving average revenue per customer by developing and sourcing new products
- Best use of marketing spend to maximise growth and profitability
- Optimisation of human resource skills

Results and Dividends

The consolidated Profit and Loss account for the year is set out on page 15. The Directors do not propose the payment of a Dividend for the year ended 31 March 2009.

Directors

The Directors of the Company who held office during the year are as follows:

- Michael Edelson – Chairman (appointed 23 March 2009)
- Abby Hardoon – Managing Director
- Julie Joyce - Finance Director
- Robert Khalastchy - Non-Executive Director

The interest of current Directors in shares and options are detailed in the Board Report on Directors' Remuneration on pages 10 to 11.

Significant Shareholdings

As of 31 March 2009 the Company has been notified of the following significant shareholdings:

	%
Abby Hardoon	32.87
Pentagon Sterling Satellite Fund Limited	7.36

Employees

It is the policy of the group that there should be no unfair discrimination in recruiting and promoting staff, including applicants who are disabled. The Directors are committed to maintaining and developing communication and consultation processes with employees, who in turn are encouraged to develop an awareness of the issues affecting the group. The Directors place considerable emphasis on employees sharing in the success of the group. This is achieved through the participation in share option schemes. Due to the nature and size of the business, employees are constantly encouraged to communicate with the Company's senior management to discuss business issues and potential improvements.

Supplier Payment Policy

It is the Company's policy to settle debts with its suppliers, in the absence of any dispute, in accordance with the terms and conditions agreed with each supplier. The number of supplier days outstanding at 31 March 2009 based on the amounts invoiced by suppliers in March 2009 was 46 days (2008 29 days).

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Political and charitable donations

The company made no political or charitable donations during the year but supports charities through the provision of discounted services.

Going Concern

The Directors have reasonable expectation that the group have adequate resources to continue to operate for the foreseeable future. For this reason they adopt the going concern basis for preparing the financial statements.

Annual General Meeting

The Annual General Meeting will be held on 2 October 2009 at 11.30 am at The Company's registered office at Number 14 Riverview Vale Road, Heaton Mersey, Stockport, Cheshire, SK4 3GN.

The full wording of the resolutions to be tabled at the forthcoming Annual General Meeting is set out in the notice of the meeting on pages 35 to 36.

Auditors

In accordance with section 489 of the Companies Act 2006, a resolution proposing that Hazlems Fenton LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

By order of the board

Julie Joyce

Finance Director

28 August 2009

Directors' Remuneration Report

Introduction

Whilst the group is not obliged to comply with the Directors' Remuneration Report Regulations 2007, the Directors have agreed to adopt the ethos of those regulations and to disclose information relating to the current Directors.

The report is not subject to audit and a resolution to approve it will be proposed at the annual general meeting.

Remuneration Policy

Daily Internet has a policy to attract, motivate and reward individuals of the highest calibre who are committed to growing the value of the business and to maximising returns to shareholders.

The policy is as relevant to Executive Directors as it is to employees, as we aim to reward Executive Directors and senior employees aligned to the performance of the group.

The remuneration structure for all employees considers remuneration rates of competitors to ensure continuity and commitment.

Directors' Service Contracts

Copies of Directors' service contracts will be available at the annual general meeting.

Pension Arrangements

The group does not operate a final salary pension scheme. Executive Directors who are entitled to receive pension contributions may nominate a defined contribution scheme into which the company makes payments on their behalf.

Directors' Remuneration

A summary of the total remuneration paid to current Directors is set out below:

	2009			2008		
	Salary £,000	**Benefits in kind £,000**	**Total £,000**	**Salary £,000**	**Benefits in kind £,000**	**Total £,000**
Michael Edelson	1	-	1	-	-	-
Abby Hardoon	33	-	33	5	-	5
Julie Joyce	58	1	59	47	1	48
Robert Khalastchy	3	-	3	1	-	1

Directors' Interests in Ordinary Shares of Daily Internet plc

The Directors in office at the end of the year had interests in the ordinary share capital of the company as shown below:

	Number of Ordinary Shares	Percentage Interest
Michael Edelson	2,714,285	4.44%
Abby Hardoon	20,090,770	32.87%
Julie Joyce	150,000	0.25%
Robert Khalastchy	253,846	0.42%

Directors' Interests in Share Options

The Directors had interests in options over ordinary shares of the Company as shown below:

	No. of Ordinary Shares and Price							
Employee	**0.7p****	**5p***	**10p***	**15p***	**20p***	**Total**	**Grant Date**	**Expiry Date**
Michael Edelson	714,286	-	-	-	-	714,286	23.03.07	30.07.17
Abby Hardoon	-	-	-	250,000	100,000	350,000	24.08.07	24.08.17
Julie Joyce	-	25,000	25,000	200,000	100,000	350,000	24.08.07	24.08.14
Robert Khalastchy	-	15,000	5,000	100,000	100,000	220,000	24.08.07	24.08.17

*Options cannot be exercised until their 3rd anniversary and have no performance criteria attached to them.**Options are exercisable immediately and have no performance criteria attached to them.

Directors' Warrants

The Directors held the following warrants over the ordinary shares of the Company:

	No. of Warrants and Exercise price				
Employee	**10p**	**15p**	**Total**	**Grant Date**	**Expiry Date**
Abby Hardoon	100,000	-	100,000	01.12.07	30.11.09
Abby Hardoon	-	1,050,000	1,050,000	09.01.08	08.01.13
Abby Hardoon	-	66,667	66,667	11.03.08	10.03.10
Julie Joyce	25,000	-	25,000	01.12.07	30.11.09

The above warrants can be exercised at any time up to the expiry date.

Statement of the Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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 and the parent company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985.

They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Report of the Independent Auditor

to the Shareholders of Daily Internet plc

We have audited the Group and Parent Company's financial statements which comprise the Consolidated Profit and Loss account, Group and Parent Company's Balance Sheets, Consolidated Cash Flow Statement and related notes for the year ended 31 March 2009. 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, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Operating and Financial Review and Directors' Remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within it. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group and parent company's affairs as at 31 March 2009 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Hazlems Fenton LLP

Chartered Accountants

Registered Auditor

28 August 2009

Palladium House, 1-4 Argyll Street, London, W1F7LD

Consolidated Profit and Loss Account

for the Year Ended 31 March 2009

	Notes	2009 Group £,000	2008 Group £,000
Turnover	2	801	524
Cost of sales		(370)	(304)
Gross profit		431	220
Operating expenses before amortisation, depreciation and share based payments		938	1,408
Goodwill amortisation		78	72
Depreciation and other amortisation		148	134
Share based payments		112	215
Operating expenses		(1,276)	(1,829)
Operating loss	3	(845)	(1,609)
Interest receivable and similar income		2	-
Interest payable and similar charges	6	(31)	(3)
Loss before taxation		(874)	(1,612)
Taxation	7	20	(20)
Retained loss for the year		(854)	(1,632)
Basic and fully diluted loss per share		£0.02	£0.07

There are no recognised gains or losses in the year apart from the loss for the year.
The Group's results are derived from continuing operations.

Consolidated Balance Sheet as at 31 March 2009

	Notes	2009 £,000	2009 £,000	2008 £,000	2008 £,000
Fixed assets					
Tangible assets	8		132		201
Intangible assets	9		71		110
Goodwill	9		699		320
			902		631
Current assets					
Debtors	11	42		62	
Cash at bank and in hand	22	747		325	
		789		387	
Creditors: amounts falling due within one year	12	(666)		(451)	
Net current assets (liabilities)			123		(64)
Total assets less current liabilities			1,025		567
Creditors: amounts falling due after one year	13		(261)		(275)
Net assets			764		292
Capital and reserves					
Called up share capital	16		305		173
Share premium account	17		2,607		1,525
Other reserves	17		338		226
Profit and loss account	17		(2,486)		(1,632)
Shareholders' funds			764		292

Approved by the Board and authorised for issue on 28 August 2009

J. Joyce
Director

Company Balance Sheet as at 31 March 2009

	Notes	2009 £,000	2009 £,000	2008 £,000	2008 £,000
Fixed assets					
Tangible assets	8		-		-
Intangible assets	9		-		-
Investments	10		1,722		400
			1,722		400
Current assets					
Debtors	11	1,743		1,213	
Cash at bank and in hand		299		304	
		2,042		1,517	
Creditors: amounts falling due within one year	12	(725)		(45)	
Net current assets (liabilities)			1,317		1,472
Total assets less current liabilities			3,039		1,872
Creditors: amounts falling due after one year	13		(261)		(261)
Net assets			2,778		1,611
Capital and reserves					
Called up share capital	16		305		173
Share premium account	17		2,607		1,525
Other reserves	17		213		213
Profit and loss account	17		(347)		(300)
Shareholders' funds			2,778		1,611

Approved by the Board and authorised for issue on 28 August 2009

J. Joyce
Director

Consolidated Cash Flow Statement

for the Year Ended 31 March 2009

	Notes	2009 £,000	2008 £,000
Net cash outflow from operating activities	20	(368)	(1,197)
Returns on investments and servicing of finance			
Interest element of finance lease payments		(4)	(3)
Interest paid		(3)	-
Loan Note interest paid		(24)	-
Interest received		2	-
Net Cash outflow from investments and servicing of finance		(29)	(3)
Capital expenditure			
Payments to acquire tangible assets	8	(20)	(27)
Payments to acquire intangible assets	9	(20)	(10)
Net cash acquired on acquisition of subsidiary		772	13
Purchase of subsidiary	10	-	(400)
Net cash outflow from capital expenditure		732	(424)
Net cash outflow before management of liquid resources and financing		335	(1,624)
Financing			
Issue of ordinary share capital (net of expenses)		-	1,698
Issue of loan notes	15	110	272
Repayment of finance leases		(23)	(21)
Net Cash inflow from financing		87	1,949
Increase in cash in the period	21	422	325

Notes to the Consolidated and Company Financial Statements

for the year ended 31 March 2009

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information presented.

Basis of preparation

The accounts have been prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently.

Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary undertakings made up to 31 March 2009. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated Profit and Loss Account from the date of acquisition or up to the date of disposal.
Under Section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own Profit and Loss Account.

Goodwill

The goodwill is the purchase goodwill on the acquisition of Daily Internet Services Limited and Lambolle Partners plc by Daily Internet plc and is stated at cost. The goodwill is being written off over its economic life of 5 years.

Revenue recognition

Revenue from the sale of domain name registrations is recognised when the domain name is registered or renewed. Revenue from value added services is recognised as these services are delivered. Revenue from hosting services is recognised over the life of each contract.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Website design	3 years straight line
Furniture and equipment	3-5 years reducing balance

Research and Development

Research expenditure is written off to the profit and loss account in the year in which the expenditure occurs. Development expenditure is treated in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the year during which the company is to benefit.

Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Deferred Taxation

Deferred Taxation is provided in full in respect of taxation deferred by timing differences between certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the Profit and Loss Account on a straight line basis over the year of the lease.

Share based payments

The Group has adopted FRS 20 share based payments in respect of the current accounting year.

The fair value of employee options granted is recognised as an expense within the profit and loss account with a corresponding increase in equity. The fair value is measured at grant date and spread over the year during which the employees become unconditionally entitled to the options.

The fair value of supplier warrants is recognized as an expense within the profit and loss account with a corresponding increase in equity. The fair value is measured at grant date and charged against profit when the services are received.

The fair value of the options granted is measured using the Black Scholes pricing model, taking into account the terms and conditions upon which the options were granted.

DAILY

Notes to the Consolidated and Company Financial Statements for the year ended 31 March 2009 continued

2 Analysis of Turnover

Turnover, all of which arises from the group's principal activity, and from the UK, can be analysed into its main components as follows:

	2009 £,000	2009 %	2008 £,000	2008 %
By geographical location				
UK	761	95.1%	508	97.0%
Europe	10	1.2%	8	1.5%
Rest of World	30	3.7%	8	1.5%
	801		**524**	
By Segment				
Domain Names	360	44.9%	332	63.4%
Hosting	381	47.6%	153	29.2%
Other	60	7.5%	39	7.4%
	801		**524**	

3 Loss on ordinary activities before taxation

		2009 £,000	2008 £,000
Auditors remuneration:			
Group:	Audit	12	12
	Fees paid to the auditors in respect of other services	4	27
Company:	Audit	3	3
	Fees paid to the auditors in respect of other services	1	5
Depreciation of tangible fixed assets:			
Owned		73	63
Held under finance leases		16	22
Amortisation of intangible fixed assets		59	49
Goodwill amortisation		78	72
Share based payments		112	215
Rentals payable under operating leases		28	21

Notes to the Consolidated and Company Financial Statements

for the year ended 31 March 2009 continued

4 Staff numbers and costs

The average number of full time persons employed by the group, including executive directors during the year was:

	2009	2008
Research and Development	4	3
Technical Support	5	5
Executive and Administration	4	3
	13	**11**

The aggregate payroll costs including executive directors were as follows:

	2009 £,000	2008 £,000
Wages and salaries	389	339
Social security costs	40	36
Benefits in kind	4	2
Staff option costs	112	13
	545	**390**

The emoluments paid to the highest paid director during the year were £59,000. More information regarding directors' remuneration and share options can be found in the Directors Remuneration Report on pages 10 to 11.

5 Share based payments and warrants

The Company has adopted an approved employee share option scheme. Under the Scheme the directors have the discretion to grant options to subscribe for ordinary shares up to a maximum of 10 per cent of the Company's issued share capital. Options can be granted to any employee of the Company. The options cannot be exercised for at least three years from the date of grant. Options must be exercised in their entirety or not at all. There is no performance criteria associated with the options.

As part of the acquisition of Lambolle Partners plc the Company granted options over 2,321,428 0.5p ordinary shares to the holders of Lambolle share options, these were granted on comparable terms as the Lambolle share options.

At 31 March 2009 rights to options over ordinary shares of the company were outstanding as follows:

			No. of Ordinary Shares			
Grant date	**Exercise period**	**Exercise price**	**At 31 March 2008**	**Granted**	**Exercised lapsed cancelled**	**At 31 March 2009**
25-May-07	25 May 2010 to 24 May 2017	2.5p	53,846	-	-	53,846
25-May-07	25 May 2010 to 24 May 2017	5p	53,846	-	-	53,846
25-May-07	25 May 2010 to 24 May 2017	10p	107,692	-	-	107,692
25-May-07	25 May 2010 to 24 May 2017	15p	592,307	-	-	592,307
25-May-07	25 May 2010 to 24 May 2017	20p	269,230	-	-	269,230
24-Aug-07	24 Aug 2010 to 23 Aug 2017	5p	25,000	-	-	25,000
24-Aug-07	24 Aug 2010 to 23 Aug 2017	10p	25,000	-	-	25,000
24-Aug-07	24 Aug 2010 to 23 Aug 2017	15p	200,000	-	-	200,000
24-Aug-07	24 Aug 2010 to 23 Aug 2017	20p	100,000	-	-	100,000
24-Aug-07	24 Aug 2010 to 23 Aug 2014	5p	15,000	-	-	15,000
24-Aug-07	24 Aug 2010 to 23 Aug 2014	10p	5,000	-	-	5,000
24-Aug-07	24 Aug 2010 to 23 Aug 2014	15p	350,000	-	-	350,000
24-Aug-07	24 Aug 2010 to 23 Aug 2014	20p	200,000	-	-	200,000
24-Aug-07	31 July 2007 to 30 July 2017	0.7p	-	2,321,428	-	2,321,428
			1,996,921	2,321,428	-	4,318,349

5 Share based payments and warrants continued

The options have been valued, using the Black Scholes method, using the following assumptions:

Number of instruments granted	53,846	53,846	107,692	592,307	269,230
Grant date	25-May-07	25-May-07	25-May-07	25-May-07	25-May-07
Expiry date	24-May-17	24-May-17	24-May-17	24-May-17	24-May-17
Contract term (years)	10	10	10	10	10
Exercise price	2.5p	5p	10p	15p	20p
Share price at granting	5p	5p	5p	5p	5p
Annual risk free rate (%)	5%	5%	5%	5%	5%
Annual expected dividend yield (%)	0%	0%	0%	0%	0%
Volatility (%)	50%	50%	50%	50%	50%
Fair value per grant instrument	3.96p	3.36p	2.64p	2.19p	1.88p

Number of instruments granted	25,000	25,000	200,000	100,000	15,000
Grant date	24-Aug-07	24-Aug-07	24-Aug-07	24-Aug-07	24-Aug-07
Expiry date	23-Aug-17	23-Aug-17	23-Aug-17	23-Aug-17	23-Aug-14
Contract term (years)	10	10	10	10	7
Exercise price	5p	10p	15p	20p	5p
Share price at granting	5p	5p	5p	5p	5p
Annual risk free rate (%)	5%	5%	5%	5%	5%
Annual expected dividend yield (%)	0%	0%	0%	0%	0%
Volatility (%)	50%	50%	50%	50%	50%
Fair value per grant instrument	3.36p	2.64p	2.19p	1.88p	2.9p

Number of instruments granted	5,000	350,000	200,000	2,321,428
Grant date	24-Aug-07	24-Aug-07	24-Aug-07	23-Mar-09
Expiry date	23-Aug-14	23-Aug-14	23-Aug-14	30-Jul-17
Contract term (years)	7	7	7	8.2
Exercise price	10p	15p	20p	0.7p
Share price at granting	5p	5p	5p	5p
Annual risk free rate (%)	5%	5%	5%	5%
Annual expected dividend yield (%)	0%	0%	0%	0%
Volatility (%)	50%	50%	50%	50%
Fair value per grant instrument	2.02p	1.54p	1.21p	0.46p

5 Share based payments and warrants continued

Share Warrants

At 31 March 2009 there were 11,237,001 outstanding warrants to subscribe for the ordinary share capital of the company as follows:

		No. of Warrants and Exercise price		
Grant date	**Expiry Date**	**10p**	**15p**	**Total**
01.12.07	30.11.09	1,977,500	-	1,977,500
09.01.08	08.01.13	-	2,800,000	2,800,000
11.03.08	10.03.10	-	2,990,001	2,990,001
01.12.07	30.11.09	3,469,500	-	3,469,500

6 Interest payable and similar charges

	2009 £,000	2008 £,000
Interest payable on finance leases	4	3
Interest payable on loan notes	24	-
Bank Interest payable	3	-
	31	**3**

7 Taxation

	2009 £,000	2008 £,000
Current tax charge	**-**	**-**
Deferred tax		
Timing differences	(20)	20
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(874)	(1,612)
Loss on ordinary activities before taxation multiplied by the Standard rate of UK corporation tax of 28% (2008:30%)	(245)	(484)
Effects of:		
Tax losses	245	484
Current tax charge	**-**	**-**

Notes to the Consolidated and Company Financial Statements for the year ended 31 March 2009 continued

8 Tangible fixed assets

Group	Website design £,000	Furniture and equipment £,000	Total £,000
Cost			
At 1 April 2008	166	156	322
Additions	-	20	20
Disposals	-	-	-
At 31 March 2009	166	176	342
Depreciation			
At 1 April 2008	60	61	121
On disposals	-	-	-
Charge for the year	55	34	89
At 31 March 2009	115	95	210
Net book value			
At 31 March 2009	51	81	132
At 31 March 2008	106	95	201

Included in the net book value of £132,000 are leased assets of £33,000 (2008 £49,000).

The depreciation for the year on these assets was £16,000 (2008 £22,000).

The Company held no tangible fixed assets at 31 March 2009 or 31 March 2008.

9 Intangible fixed assets

Group	Research and development £,000	Positive Goodwill £,000	Total £,000
Cost			
At 1 April 2008	167	392	559
Additions	20	457	477
Disposals	-	-	-
At 31 March 2009	187	849	1036
Amortisation			
At 1 April 2008	57	72	129
On disposals	-	-	-
Charge for the year	59	78	137
At 31 March 2009	116	150	266
Net book value			
At 31 March 2009	71	699	770
At 31 March 2008	110	320	430

The Company held no intangible fixed assets at 31 March 2009 or 31 March 2008.

Notes to the Consolidated and Company Financial Statements for the year ended 31 March 2009 continued

10 Investments

	Company 2009 £,000	Company 2008 £,000
Investment in Subsidiaries		
Cost 1 April 2008	400	-
Additions	1322	400
Disposals	-	-
Cost 31 March 2009	1,722	400

The Company's subsidiary undertakings which are wholly owned are:

Undertakings	Registration	Principal activity
Daily Internet Services Limited	England	Web hosting and domain name registration
Lambolle Partners plc	England	Investment Company

On 23 March 2009 the Company acquired 100% of the share capital of Lambolle Partners plc, an Investment Company listed on PLUS, in a share for share exchange. The acquisition of Lambolle will enable Daily to continue its long term growth strategy.

11 Debtors

	Group 2009 £,000	Company 2009 £,000	Group 2008 £,000	Company 2008 £,000
Trade debtors	18	-	17	-
Amounts owed by subsidiary undertakings	-	1,735	-	1,198
VAT	-	5	17	11
Prepayments and accrued income	24	3	28	4
	42	1743	62	1213

12 Creditors: amounts falling due within one year

	Group 2009 £,000	Company 2009 £,000	Group 2008 £,000	Company 2008 £,000
Trade creditors	262	97	186	22
Amounts due to subsidiary undertakings	-	500	-	-
Corporation tax	-	-	20	20
Other taxes and social security costs	15	1	15	-
Other creditors	137	-	25	-
Accruals and deferred income	238	127	182	3
Finance lease	14	-	23	-
	666	725	451	45

13 Creditors: amounts falling due after one year

	Group 2009 £,000	Company 2009 £,000	Group 2008 £,000	Company 2008 £,000
Finance lease	-	-	14	-
Convertible loan note	261	261	261	261
	261	261	275	261

The maturity of obligations under finance leases are as follows:

	Group 2009 £,000	Company 2009 £,000	Group 2008 £,000	Company 2008 £,000
Within one year	14	-	23	-
Within one to two years	-	-	14	-
	14	-	37	-

14 Operating Leases

The group had commitments to make annual payments under non cancellable operating leases which expire as follows:

	Leasehold Property 2009 £,000	Other 2009 £,000	Leasehold Property 2008 £,000	Other 2008 £,000
Within one year	-	-	-	-
Within two to five years	28	5	28	-
	28	5	28	-

15 Financial assets and liabilities

The group's financial instruments comprise cash and liquid resources, convertible bonds and various items such as trade debtors and trade creditors that arise directly from its operations.

The group's objective is to ensure adequate funding for continued growth and expansion. This has been achieved in the current year by issuing Loan notes and raising equity finance.

Given the nature of the group's borrowings, interest rate risk is not significant. The main risk arising from the group's financial instruments is liquidity risk. There is no foreign currency risk.

Loan note

22 £5,000 Loan notes were issued in January 2009 to a value of £110,000. The notes carry an interest rate of 15% per annum and must be repaid within six months of issue. All Loan notes have been repaid at the date of approval of these accounts.

Convertible Loan note

56 £5,000 Convertible loan notes were issued on 9 January 2008. The notes are convertible into ordinary shares at a conversion price of 12 pence. They may be converted at any time up to their 4th anniversary. They carry an interest rate of 8.6% per annum.

The value of the convertible loan notes recognised in the balance sheet is calculated as follows:

	2009 £,000	2008 £,000
Face value	280	280
Costs of issue	(8)	(8)
Net proceeds	272	272
Equity component	(11)	(11)
Liability component at 31 March 2008	261	261

16 Share capital

	Group 2009 £,000	Company 2009 £,000	Group 2008 £,000	Company 2008 £,000
Authorised				
150,000,000 Ordinary shares of 0.5p each	750	750	750	750
	750	750	750	750
Allotted, called up and fully paid				
At start of year 34,695,000 Ordinary shares of 0.5p each	173	173	173	173
Issued during the year 26,428,550 Ordinary shares of 0.5p each	132	132	-	-
	305	305	173	173

Notes to the Consolidated and Company Financial Statements

for the year ended 31 March 2009 continued

17 Statement of movements on reserves

	Share premium account £,000	Other reserves £,000	Profit and loss account £,000	Total £,000
Group				
At 1 April 2008	1,525	226	(1,632)	119
Share issues	1,082	-	-	1,082
Share based payments	-	112	-	112
Profit for the year	-	-	(854)	(854)
At 31 March 2009	2,607	338	(2,486)	459
Company				
At 1 April 2008	1,525	213	(300)	1,438
Share issues	1,082	-	-	1,082
Share based payments	-	-	-	-
Profit for the year	-	-	(47)	(47)
At 31 March 2009	2,607	213	(347)	2,473

The company has taken advantage of the dispensation allowed under Section 230(7) of the Companies Act 1985 in not publishing the profit and loss account of the company.

18 Contingent liabilities

There are no contingent liabilities at the year end.

19 Related party transactions

Abby Hardoon, Managing Director of Daily Internet plc, is the Landlord of Daily Internet's trading premises at 9 Regan Way, Chetwynd Business Park, Nottingham NG9 6RZ. The Company pays rental of £28,200 per annum to him.

Notes to the Consolidated and Company Financial Statements

for the year ended 31 March 2009 continued

20 Reconciliation of operating loss to net cash outflow from operating activities

	2009 £,000	2008 £,000
Operating loss	(845)	(1,609)
Goodwill amortisation	78	72
Depreciation and other amortisation	148	134
Share based payments	112	215
Decrease (increase) in debtors	20	-33
Increase in creditors	119	24
Net cash outflow from operating activities	(368)	(1,197)

21 Analysis of net fund

	1 April 2008 £,000	Cash flow £,000	Other non-cash changes £,000	31 March 2009 £,000
Net cash:				
Cash at bank and in hand	325	422	-	747
Net funds	325	422	-	747

22 Reconciliation of net cash flow to movement in net funds

	2009 £,000	2008 £,000
Increase in cash in the year	422	325
Opening net funds	325	-
Effect in exchange rate changes	-	-
Closing net funds	747	325

Notes to the Consolidated and Company Financial Statements

for the year ended 31 March 2009 continued

23 Loss per share

	2009	2008
Loss for the financial year attributable to shareholders	£854,000	£1,632,000
Weighted number of equity shares in issue	35,346,663	24,288,586
Basic/diluted loss per share	£0.02	£0.07

Since the conversion of potential ordinary shares to ordinary shares would decrease the net loss per share, they are not dilutive. Accordingly diluted loss per share is the same as basic loss per share.

Corporate Information

Company Secretary and Registered Office

Ian Aspinall

Number 14 Riverview Vale Road
Heaton Mersey
Stockport
Cheshire
SK4 3GN

Tel: +44 (0) 207 458 5757
Email: investor@daily.co.uk

Company Number

06172239

PLUS Market Corporate Advisor

Loeb Aron & Company Ltd.
Georgian House
63 Coleman Street
London
EC2R 5BB

Registrar

Computershare Investor Services plc
The Pavilions Bridgwater Road
Bristol
BS13 8AE

Lawyers

Cobbetts LLP
58 Mosley Street
Manchester
M2 3HZ

Auditors

Hazlems Fenton LLP
Chartered Accountants
Palladium House
1-4 Argyll Street
London
W1F 7LD

Bankers

Barclays Bank plc
One Churchill Place
London
E14 5HP

Notice of meeting

Notice is hereby given that the Annual General Meeting of Daily Internet plc will be held on 2 October 2009 at 11.30 am at The Company's registered office at Number 14 Riverview Vale Road, Heaton Mersey, Stockport, Cheshire, SK4 3GN.

Ordinary Business

To consider and, if thought fit, pass the following resolutions:

1. To receive, consider and adopt the Annual Report and Financial Statements for the year ended 31 March 2009, together with the Directors' Remuneration Report contained therein.
2. To elect Michael Edelson, who retires at the first Annual General Meeting following his appointment, as a Non- Executive Director.
3. To reappoint Hazlems Fenton LLP Chartered Accountants as auditors and authorising the Directors to fix their remuneration.

Special business

As special business, to consider and, if thought fit, pass the following resolutions;

4. Authority to allot- That the Directors have general authority, in substitution for all existing authorities, to allot shares in the capital of the Company up to an aggregate nominal amount of £30,561.78 representing not more than 10% of the total issued share capital of the Company as at 1 September 2009 (being a date not more than one month prior to the date of this circular). The authority will expire on the earlier of the date of the Annual General Meeting in 2009 or 15 months following the passing of this resolution. There is no present intention to use the authority other than as required to issue shares to raise funds for development and launch of products and services, and in connection with exploiting acquisition opportunities.
5. Disapplication of pre-emption rights This resolution contains a disapplication of the pre-emption rights applicable to the issue of shares or other securities convertible into shares (equity securities) for cash that would otherwise exist for shareholders under Section 89(1) of the Companies Act 1985 and/or the Company's Articles. The disapplication is, however, very limited. It does not remove the general principle, that offers of equity securities will be made pro rata to existing shareholders, but modifies it so as to give the directors flexibility to deal as they see fit with fractional entitlements and certain legal requirements, including those which would relate to offering securities to overseas shareholders in some jurisdictions where there are local securities laws which would thereby be contravened. There is also a small general disapplication to provide the Directors with the opportunity to issue a limited number of shares or other equity securities for cash if they consider it appropriate. The maximum nominal amount of shares which can be issued pursuant to the disapplication relating to fractions, overseas securities laws and the other legal requirements will be £30,561.78 and that disapplication will last until the earlier of the date of the Annual General Meeting in 2009 and 15 months following the passing of this resolution. The general disapplication in respect of equity securities being issued for cash otherwise than to existing shareholders in proportion to their existing shareholdings, is limited to £30,561.78, being not more than 10% of the total issued share capital of the Company as at 1 September 2009 (being a date not more than one month prior to the date of this circular).

By order of the board

Ian Aspinall
Company Secretary
28 August 2009

Registered Office
Number 14 Riverview Vale Road
Heaton Mersey
Stockport
Cheshire
SK4 3GN

Notes

1. Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies [who need not be a member of the company] to attend and to vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so.
2. In order to be valid, any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power of attorney, must reach the Company Registrars, Computershare Investor Services plc, The Pavilions, Bridgwater Road, Bristol, BS13 8AE not less than 48 hours [excluding any day that is a non working day] before the time of the meeting or of any adjournment of the meeting.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 the Company specifies that to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the number of votes they may cast), holders of ordinary shares must be entered on the relevant register of securities by 6.00pm on 30 September 2009. Changes to entries on the relevant register of securities after 6.00pm on 30 September 2009 shall be disregarded in determining the rights of any person to attend and vote at the meeting.
4. Copies of the service contracts and letters of appointment of each of the Directors of the Company together with the Register of Directors' Interests will be available for inspection at the registered office of the company during usual business hours on any weekday [Saturday and public holidays excluded] and at the place of the Annual General Meeting from at least 15 minutes prior to and until the conclusion of the Annual General Meeting.
5. Biographical details of each Director who is being proposed for election or appointment by shareholders, can be accessed via the Daily Internet website.
6. The Directors have no present intention of exercising either the allotment authority under resolution 4 or the disapplication of pre-emption rights authority under resolution 5.