DAILY

Internet plc

Annual Report 2010

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

	2010	**2009**
	000's	**000's**
Turnover	£1,006	£801
Earnings before interest, taxation, depreciation, amortisation and FRS 20 share based payments	£ (382)	£ (507)
Number of customers	45.0	36.8
Number of Active domains	111.0	82.0
Number of Active hosting services	16.5	13.8

- Revenue up by 26% reflecting good organic growth
- Number of active domains up by 35.4%
- Number of active hosting services up by 20.0%
- Expanded our shared hosting offering by launching Windows in June 2009
- Launched Virtual Private Servers in November 2009

Chairman's Statement

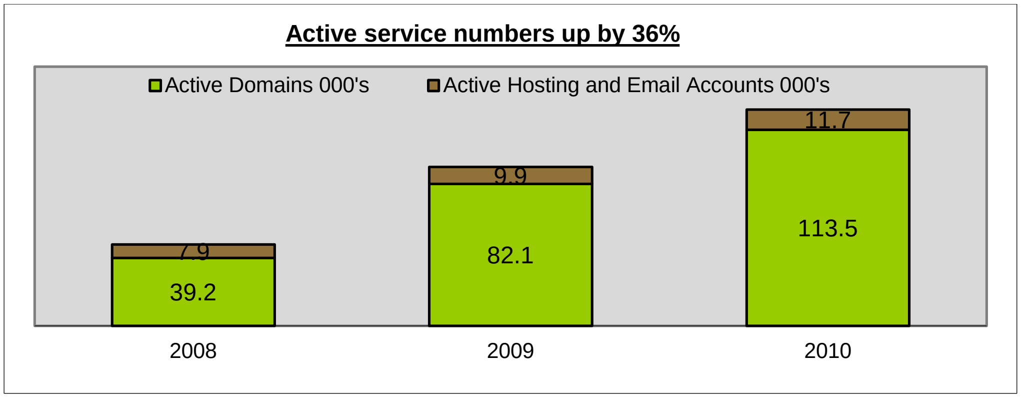
I am delighted to present the 31 March 2010 financial results for Daily Internet plc.

Performance Summary

Daily Internet PLC made excellent progress in the year under review, showing good growth in both revenues and gross profit and making further reductions in operating loss. This growth has been achieved despite difficult and slowing markets and is testimony to the progress Daily is making this year by bringing innovative new products to market, whilst maintaining exacting standards of customer service.

The main achievements during the year were the development of a brand new website, extending our commercial shared hosting product set by introducing Windows technology, together with our launch into the next level of hosting by developing Virtual Private Servers.

By the end of the year active domains, hosting and email accounts reached a total of over 125,000 units, representing a year on year increase of 36%.



Outlook

In addition to the solid foundation provided by our 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 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 recurring revenue base. We will continue to 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.

We have a strong and loyal team who believe in Daily's products and vision and I would like to thank them for their innovative and inventive ideas and the skill sets they possess to put that vision into viable and saleable products.

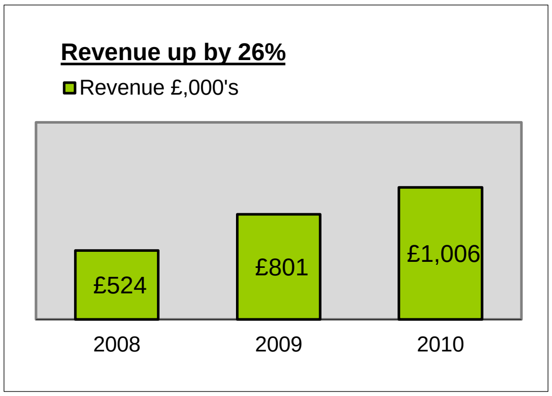
And finally, I take this opportunity to thank all our shareholders for their continued support and to look forward on behalf of the management team to continued growth in the coming year.

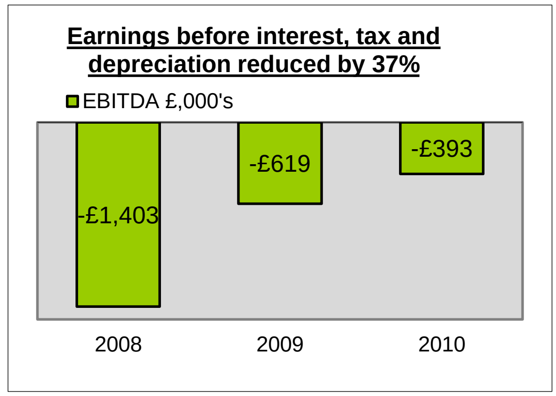
Michael Edelson
Chairman
23 August 2010

Operational and Financial Review

Profit and Loss

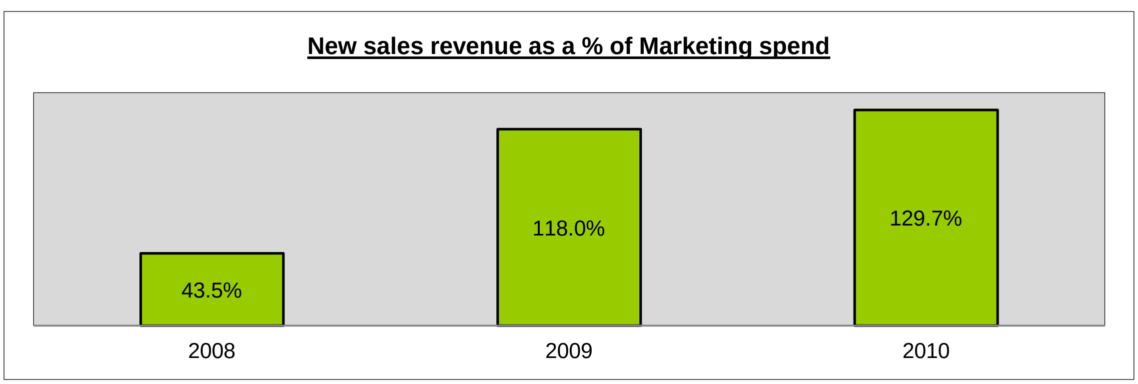
Since Daily Internet's launch in April 2007 there has been continued revenue growth and reductions in operating loss. Revenue for the group reached £1 million for the year to 31 March 2010 an increase of 26% compared to the previous year and operating loss before amortisation and depreciation reduced to £393,000 a reduction of 37%.





Daily Internet offers hosting services paid for on a subscription basis, either monthly or yearly. Where the subscription is paid for on an annual basis revenue attributable to future periods is deferred. During the current year there has been a 10% shift in preferred payment method to monthly, whilst this does not directly impact revenues, cash flows are reduced. The Groups sales receipts for the year amounted to £1,026,000 compared to £848,000 for the previous year; an increase of 21%. The amount of deferred revenue at 31 March 2010 to be released to income in future years is £220,000.

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 22% for the year to 31 March 2010 whilst improving our market share of UK domain name registrations and also improving the ratio of new sales revenues against marketing spend as shown below:



Other operating costs have been closely controlled during the year resulting in savings against the operating budget and an increase of only 7.8% on the previous year.

Balance sheet and Treasury

The Group has continued to invest in its infrastructure during the year to 31 March 2010, having spent £135,000 (2009:£40,000) on the development of new products and maintenance of existing platforms. The total investment at 31 March 2010 in the Groups tangible and intangible fixed assets amounts to £665,000 (2009:£530,000), the fair value of these assets being reported at £186,000 (2009:£203,000).

Net cash outflow from operating activities during the year was £391,000 (2009:£368,000). Although this indicates no improvement in cash flows, the Group paid creditors of £173,000 at the beginning of the financial year relating to the acquisition of Lambolle Partners PLC in March 2009, therefore the underlying net cash outflow from operating activities for the year is £218,000. Cash at bank at 31 March 2010 was ahead of plan at £81,000 (2009:£747,000). A drawdown facility of £300,000, which is available until 12 August 2011, has been arranged for working capital requirements. The Directors are confident that these amounts are sufficient to allow the Group to continue to develop new products and achieve a breakeven position. Further fundraising would be required should an acquisition target become available.

Creditors falling due within one year are reported at £535,000 (2009 £666,000). This figure includes an amount of £220,000 (2009:£175,000) for deferred revenue which will be released to profit in future years.

Creditors falling due after one year are reported at £283,000 (2009 £269,000). This includes an amount of £269,000 (2009:£269,000) for the fair value of convertible loan notes which were issued on 9 January 2008.

Julie Joyce

Finance Director

23 August 2010

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.
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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 2010.

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 3 and the Operational and Financial Review on pages 4 to 5.

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 14. The Directors do not propose the payment of a Dividend for the year ended 31 March 2010.

Directors

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

- Michael Edelson – Chairman
- 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 page 9 .

Significant Shareholdings

As of 31 March 2010 the Company has been notified of the following significant shareholdings:

	%
Abby Hardoon	33.1
Pentagon Sterling Satellite Fund Limited	7.4

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 2010 based on the amounts invoiced by suppliers in March 2010 was 48 days (2009 46 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 17 September 2010 at 11.00 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 33 to 34.

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

23 August 2010

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:

	2010			2009		
	Salary £000	Benefits in kind £000	Total £000	Salary £000	Benefits in kind £000	Total £000
Michael Edelson	36	-	36	1	-	1
Abby Hardoon	42	1	43	33	-	33
Julie Joyce	79	2	81	58	1	59
Robert Khalastchy	6	-	6	3	-	3

Directors' Remuneration Report - continued

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	20,233,627	33.10%
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:

Employee	Exercise price	No. of Warrants	Grant Date	Expiry Date
Abby Hardoon	15p	1,050,000	09.01.08	08.01.13

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 2006.

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.

Independent Auditors' Report

to the Members of Daily Internet plc

We have audited the group and parent company financial statements (the "financial statements") of Daily Internet Plc for the year ended 31 March 2010 set out on pages 14 to 31. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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

As explained more fully in the Directors' Responsibilities Statement set out on page 11, 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 of the financial statements

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 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 company's affairs as at 31 March 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' Report

to the Members of Daily Internet plc (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Jonathan Barron FCA (Senior Statutory Auditor)
for and on behalf of Hazlems Fenton LLP

Chartered Accountants
Statutory Auditor
Chartered Accountants
Palladium House
1-4 Argyll Street
London
W1F 7LD

23 August 2010

Consolidated Profit and Loss Account

for the Year Ended 31 March 2010

	Notes	2010 Group £,000	2009 Group £,000
Revenue	**2**	1,006	801
Cost of sales		(494)	(370)
Gross profit		512	431
Operating expenses before amortisation, depreciation and share based payments		894	938
Goodwill amortisation		170	78
Depreciation and other amortisation		153	148
Share based payments		11	112
Administrative expenses		(1,228)	(1,276)
Operating loss	**3**	(716)	(845)
Interest receivable and similar income		1	2
Interest payable and similar charges	**6**	(32)	(31)
Loss before taxation		(747)	(874)
Taxation	**7**	-	20
Retained loss for the year		(747)	(854)
Basic and fully diluted loss per share		£0.01	£0.02

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 2010

		2010		2009 Restated	
	Notes	**£,000**	**£,000**	**£,000**	**£,000**
Fixed assets					
Goodwill	8		529		699
Intangible assets	8		52		71
Tangible assets	9		133		132
			714		902
Current assets					
Debtors	11	36		42	
Cash at bank and in hand	23	81		747	
		117		789	
Creditors: amounts falling due within one year	12	(535)		(666)	
Net current assets (liabilities)			(418)		123
Total assets less current liabilities			296		1,025
Creditors: amounts falling due after one year	13		(283)		(269)
Net assets			13		756
Capital and reserves					
Called up share capital	16		305		305
Share premium account			2,600		2,607
Other reserves			238		227
Profit and loss account			(3,130)		(2,383)
Shareholders' funds			13		756

Approved by the Board and authorised for issue on **23 August 2010**

J. Joyce
Director

Company Balance Sheet as at 31 March 2010

	Notes	2010 £,000	2010 £,000	2009 Restated £,000	2009 Restated £,000
Fixed assets					
Investments	10		1,722		1,722
			1,722		1,722
Current assets					
Debtors	11	2,064		1,743	
Cash at bank and in hand		15		299	
		2,079		2,042	
Creditors: amounts falling due within one year	12	(12)		(225)	
Net current assets (liabilities)			2,067		1,817
Total assets less current liabilities			3,789		3,539
Creditors: amounts falling due after one year	13		(1,111)		(769)
Net assets			2,678		2,770
Capital and reserves					
Called up share capital	16		305		305
Share premium account			2,600		2,607
Other reserves			102		102
Profit and loss account			(329)		(244)
Shareholders' funds			2,678		2,770

Approved by the Board and authorised for issue on **23 August 2010**

J. Joyce
Director

Consolidated Cash Flow Statement

for the Year Ended 31 March 2010

	Notes	2010 £,000	2009 £,000
Operating loss		(716)	(845)
Goodwill amortisation		170	78
Depreciation and other amortisation		153	148
Share based payments		11	112
(Increase)/Decrease in debtors		6	20
Increase/(Decrease) in creditors		(15)	119
Net cash outflow from operating activities		(391)	(368)
Returns on investments and servicing of finance			
Interest element of finance lease payments		(3)	(4)
Interest paid		(1)	(3)
Loan Note interest paid		(28)	(24)
Interest received		1	2
Net cash outflow from investments and servicing of finance		(31)	(29)
Capital expenditure			
Payments to acquire tangible assets	8	(90)	(20)
Payments to acquire intangible assets	9	(45)	(20)
Net cash acquired on acquisition of subsidiary		-	772
Net cash outflow from capital expenditure		(135)	732
Net cash outflow before management of liquid resources and financing		(557)	335
Financing			
Issue of ordinary share capital (net of expenses)		(7)	1,698
Issue of loan notes	15	-	272
Repayment of loan notes	15	(110)	-
Drawdown of new finance leases		24	-
Capital element of finance lease repayments		(16)	(21)
Net cash outflow from financing		(109)	1,949
Decrease in cash in the period	21	(666)	325

Notes to the Consolidated Financial Statements

for the year ended 31 March 2010

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.

Going Concern

The directors have prepared a business plan and cash flow forecast for the period to 31 March 2011. The forecast contains assumptions about the level of future revenues and costs and identifies the need for additional finance to fund working capital. The financial statements have been prepared on a going concern basis as the company has secured the additional finance required by extending its' existing loan facility with Abby Hardoon, a director and major shareholder, and Hawkstone Capital Limited. The directors are confident that this facility is sufficient to allow the Group to continue to develop new products and achieve a breakeven position.

Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary undertakings made up to 31 March 2010. 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 408(4) of the Companies Act 2006 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 estimated 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	33.3% straight line
Furniture and equipment	20% – 33.3% 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 years 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 obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2010 continued

2 Analysis of turnover and operating loss

Revenue, all of which arises from the group's principal activity, is generated using a common infrastructure and support function, therefore in the opinion of the Directors its activities constitute one operating segment which can be analysed into its main components as follows:

	2010 £,000	2010 %	2009 £,000	2009 %
Revenue by Service				
Domain Names	518	51.5%	360	44.9%
Hosting	418	41.6%	381	47.6%
Other	70	7.0%	60	7.5%
	1,006		**801**	

The Groups operating loss, assets and liabilities cannot be accurately allocated to the services shown above as these services are operated by a fully integrated and inseparable infrastructure.

The group operates out of the UK but sells services to the following geographical locations.

By geographical location				
UK	976	97.0%	761	95.1%
Europe	15	1.5%	10	1.2%
Rest of World	15	1.5%	30	3.7%
	1006		**801**	

3 Loss on ordinary activities before taxation

			2010 £,000	2009 £,000
Auditors remuneration:				
	Group:	Audit	20	12
		Fees paid to the auditors in respect of other services	-	4
	Company:	Audit	4	3
		Fees paid to the auditors in respect of other services	-	1
Depreciation of tangible fixed assets:				
	Owned		76	73
	Held under finance leases		13	16
Amortisation of intangible fixed assets			64	59
Goodwill amortisation			170	78
Share based payments			11	112
Finance charge - finance lease			3	4
Rentals payable under operating leases			28	28

Notes to the Consolidated Financial Statements

for the year ended 31 March 2010 continued

4 Staff numbers and costs

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

	2010	2009
Research and Development	3	4
Technical Support	5	5
Executive and Administration	4	4
	12	**13**

The aggregate payroll costs including executive directors were as follows:

	2010 £,000	2009 £,000
Wages and salaries	395	389
Social security costs	39	40
Benefits in kind	4	4
Staff option costs	11	112
	449	**545**

The emoluments paid to the highest paid director during the year were £81,000. More information regarding directors' remuneration and share options can be found in the Directors Remuneration Report on pages 9 to 10.

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. During the year two employees who were eligible for options left the Company. Options held by them lapsed at the date of leaving and are shown in the table below.

At 31 March 2010 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 2009**	**Granted**	**Exercised lapsed cancelled**	**At 31 March 2010**
25-May-07	25 May 2010 to 24 May 2017	2.5p	53,846		15,384	38,462
25-May-07	25 May 2010 to 24 May 2017	5p	53,846		15,384	38,462
25-May-07	25 May 2010 to 24 May 2017	10p	107,692		30,768	76,924
25-May-07	25 May 2010 to 24 May 2017	15p	592,307		169,230	423,077
25-May-07	25 May 2010 to 24 May 2017	20p	269,230		76,923	192,307
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
			4,318,349	-	307,689	4,010,660

Notes to the Consolidated Financial Statements

for the year ended 31 March 2010 continued

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	38,462	38,462	76,924	423,077	192,307
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

Notes to the Consolidated Financial Statements

for the year ended 31 March 2010 continued

5 Share based payments and warrants continued

Share Warrants

At 31 March 2010 there were 5,447,000 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**
09.01.08	08.01.13	-	2,800,000	1,977,500
11.03.08	10.03.15	3,469,500	-	3,469,500

The shares will have the same dividend and voting rights as the existing ordinary shares in issue.

6 Interest payable and similar charges

	2010	**2009**
	£,000	**£,000**
Interest payable on finance leases	3	4
Interest payable on loan notes	28	24
Bank Interest payable	1	3
	32	**31**

7 Taxation

	2010	**2009**
	£,000	**£,000**
Current tax charge	**-**	**-**
Deferred tax		
Timing differences	-	(20)
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(747)	(874)
Loss on ordinary activities before taxation multiplied by the Standard rate of UK corporation tax of 28% (2009:28%)	(209)	(245)
Effects of:		
Tax losses	209	245
Current tax charge	**-**	**-**

8 Intangible fixed assets

Group	Research and development £,000	Positive Goodwill £,000	Total £,000
Cost			
At 1 April 2009	187	849	1036
Additions	45	-	45
Disposals	-	-	-
At 31 March 2010	232	849	1081
Amortisation			
At 1 April 2009	116	150	266
On disposals	-	-	-
Charge for the year	64	170	234
At 31 March 2010	180	320	500
Net book value			
At 31 March 2010	52	529	581
At 31 March 2009	71	699	770

The Company held no intangible fixed assets at 31 March 2010 or 31 March 2009.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2010 continued

9 Tangible fixed assets

Group	Website design £,000	Furniture and equipment £,000	Total £,000
Cost			
At 1 April 2009	166	176	342
Additions	-	90	90
Disposals	-	-	-
At 31 March 2010	166	266	432
Depreciation			
At 1 April 2009	115	95	210
On disposals	-	-	-
Charge for the year	51	38	89
At 31 March 2010	166	133	299
Net book value			
At 31 March 2010	-	133	133
At 31 March 2009	51	81	132

Included in the net book value of £133,000 are leased assets of £47,000 (2009 £35,000).

The depreciation for the year on these assets was £13,000 (2009 £16,000).

The Company held no tangible fixed assets at 31 March 2010 or 31 March 2009.

10 Investments

	Company 2010 £,000	Company 2009 £,000
Investment in Subsidiaries		
At 1 April 2009	1,722	400
Additions	-	1322
Disposals	-	-
Cost 31 March 2010	1,722	1,722

The Company's subsidiary undertakings all of which are wholly owned and included in the consolidated accounts are:

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

11 Debtors

	Group 2010 £,000	Company 2010 £,000	Group 2009 £,000	Company 2009 £,000
Amounts due within one year:-				
Trade debtors	7	-	18	-
Other debtors	-	1	-	5
Prepayments and accrued income	29	4	24	3
	36	5	42	8
Amounts due after more than one year:-				
Amounts owed by subsidiary undertakings	-	2,059	-	1,735
	-	2,059	-	1,735
Total Debtors	36	2,064	42	1,743

Notes to the Consolidated Financial Statements

for the year ended 31 March 2010 continued

12 Creditors: amounts falling due within one year

	Group 2010 £,000	Company 2010 £,000	Group 2009 £,000	Company 2009 £,000
Trade creditors	156	8	262	97
Corporation tax	-	-	-	-
Other taxes and social security costs	35	1	15	1
Other creditors	65	-	137	-
Accruals and deferred income	271	3	238	127
Finance lease	8	-	14	-
	535	12	666	225

13 Creditors: amounts falling due after one year

	Group 2010 £,000	Company 2010 £,000	Group 2009 £,000	Company 2009 £,000
Finance lease	14	-	-	-
Amounts due to subsidiary undertakings	-	842	-	500
Convertible loan note	269	269	269	269
	283	1,111	269	769

The maturity of obligations under finance leases are as follows:

Within one year	8	-	14	-
Within two to three years	14	-	-	-
	22	-	14	-

The maturity of other debt is as follows:

Within two to three years	269	269	269	269
Over five years	-	842	-	500
	269	1,111	269	769

14 Operating Leases

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

	Leasehold Property 2010 £,000	**Other 2010 £,000**	**Leasehold Property 2009 £,000**	**Other 2009 £,000**
Within one year	-	-	-	-
Within two to five years	28	-	28	5
	28	-	28	5

15 Financial instruments

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.

There have been no substantive changes in the Groups objectives, policies and processes for managing those risks or the methods used to measure them from previous periods.

The group's objective is to ensure adequate funding for continued growth and expansion.

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.

Convertible Loan note

Fifty six £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 per share. They may be converted at any time by the holder up to their 4^{th} 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:

	2010 £,000	**2009 £,000**
Face value	280	280
Costs of issue	(8)	(8)
Net proceeds	272	272
Equity component	(3)	(3)
Liability component at 31 March 2010	269	269

16 Share capital

	Group 2010 £,000	Company 2010 £,000	Group 2009 £,000	Company 2009 £,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 61,123,550 (2009:34,695,000) Ordinary shares of 0.5p each	305	305	173	173
Issued during the year 0 (2009:26,428,550) Ordinary shares of 0.5p each	-	-	132	132
	305	305	305	305

17 Statement of movements in reserves

	Share premium account £,000	Other reserves £,000	Profit and loss account £,000	Total £,000
Group				
At 1 April 2009	2,607	338	(2,486)	459
Prior year adjustment		(111)	103	(8)
At 1 April 2009 restated	2607	227	(2,383)	451
Share issues	(7)	-	-	(7)
Share based payments	-	11	-	11
Loss for the year	-	-	(747)	(747)
At 31 March 2010	2,600	238	(3,130)	(292)
Company				
At 1 April 2009	2,607	213	(347)	2,473
Prior year adjustment		(111)	103	(8)
At 1 April 2009 restated	2607	102	(244)	2,465
Share issues	(7)	-	-	(7)
Share based payments	-	-	-	0
Loss for the year	-	-	(85)	(85)
At 31 March 2010	2,600	102	(329)	2,373

17 Statement of movements in reserves continued

On 11th March 2008 the Group granted 3,469,500 warrants for ordinary shares of the Company at an exercise price of 10p per share. A calculation error in the valuation of the options was made which has given rise to an adjustment of £103,044. The effect of the adjustment is to reduce Other Reserves and the Accumulated Loss within equity as at 1st April 2009.

The debt/equity split of the convertible loan notes which were issued in Jan 2008 have also been recalculated giving rise to an adjustment of £8,050. The effect of the adjustment is to increase Creditors due after more than one year and reduce Other Reserves.

18 Reconciliation of movements in shareholder funds

	2010 £,000	2009 £,000
Loss for the financial year	(747)	(854)
Movement on other reserves	11	104
Issue of shares	(7)	1,214
Net increase (decrease) in shareholder funds	(743)	464
Opening shareholder funds	756	292
Closing shareholder funds	13	756

19 Contingent liabilities

There are no contingent liabilities at the year end.

20 Related party transactions

The directors use personal credit cards to pay trade creditor accounts where necessary.
During the year the company repaid £352,075 to Mr A Hardoon and £2,645 to Mrs J Joyce leaving a balance at the year end of £42,272 (2009 - £24,558) and £5,653 (2009-£0) respectively. These amounts are included in other creditors.

The company also pays annual rent and service charges of £31,600 to Mr A Hardoon for Daily Internet's trading premises at 9 Regan Way, Chetwynd Business Park, Nottingham NG9 6RZ.

21 Analysis of changes in net funds

	31-Mar 2009 £,000	Cash flow £,000	Other non-cash changes £,000	31-Mar 2010 £,000
Net cash:				
Cash at bank and in hand	747	(666)	-	81
Net funds	747	(666)	-	81

22 Reconciliation of net cash flow to movement in net funds

	2010 £,000	2009 £,000
(Decrease) Increase in cash in the year	(666)	422
Opening net funds	747	325
Effect in exchange rate changes	-	-
Closing net funds	81	747

23 Loss per share

	2010	2009
Loss for the financial year attributable to shareholders	747,000	£854,000
Weighted number of equity shares in issue	61,123,550	35,346,663
Basic/diluted loss per share	£0.01	£0.02

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

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06172239

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Hazlems Fenton LLP
Chartered Accountants
Palladium House
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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 17 September 2010 at 11.00 am at the Company's registered office at Number 14 Riverview, Vale Road, Heaton Mersey, Stockport, Cheshire, SK4 3GN for the purpose of considering and, if thought fit, passing the resolutions set out below, of which Resolutions 1 to 3 will be proposed as ordinary resolutions and Resolution 4 will be proposed as a special resolution.

In addition, it should be noted that due to the continuing losses incurred by the Group, the value of the Company's net assets is now less than half of its called-up share capital. In these circumstances the Directors are required under section 656 of the Companies Act 2006 to consider at a General Meeting of the Company whether any, and if so what, steps should be taken to deal with the situation. In light of the Group's trend of continued improvement and management expectations of future performance, the Directors do not consider it necessary to have any specific resolutions proposed at the Annual General Meeting but the situation will be considered at the Annual General Meeting.

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 2010, together with the Directors' and Auditors' Reports contained therein.

2. **TO** reappoint Hazlems Fenton LLP Chartered Accountants as auditors of the Company and authorise the Directors to fix their remuneration.

3. **THAT** the Directors be generally and unconditionally authorised to allot equity securities (as defined in section 560(1) of the Companies Act 2006 ("the Act"))

    a. up to an aggregate nominal amount of £30,561.78 (such amount to be reduced by the nominal amount of any Relevant Securities allotted under resolution 3(b) below) in connection with an offer by way of a rights issue:

        i. to holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and

        ii. to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

    but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

    b. in any other case, up to an aggregate nominal amount of £30,561.78 (such amount to be reduced by the nominal amount of any equity securities allotted under resolution 3(a) above in excess of £30,561.78),

    provided that this authority shall, unless renewed, varied or revoked by the Company, expire 15 months from the date this resolution is passed or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

    This resolution revokes and replaces all unexercised authorities previously granted to the Directors to allot Relevant Securities but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.

Special business

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

4. **THAT**, subject to the passing of resolution 3, the Directors be given the general power to allot equity securities (as defined by section 560 of the Act) for cash, either pursuant to the authority conferred by resolution 3 or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

   a. the allotment of equity securities in connection with an offer by way of a rights issue:
      i. to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings; and
      ii. to holders of other equity securities as required by the rights of those securities or as the Directors otherwise consider necessary,

   but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

   b. the allotment (otherwise than pursuant to resolution 4(a) above) of equity securities up to an aggregate nominal amount of £30,561.78.

   The power granted by this resolution will expire 15 months from the date this resolution is passed or, if earlier, the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

   This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if either section 89(1) of the Companies Act 1985 or section 561(1) of the 2006 Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

By order of the board

Ian Aspinall
Company Secretary
23 August 2010

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 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 11.00am on 15 September 2010. Changes to entries on the relevant register of securities after 11.00am on 15 September 2010 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. The Directors have no present intention of exercising either the allotment authority under resolution 3 or the disapplication of pre-emption rights authority under resolution 4.