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This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies, has been issued in connection with the application for admission to trading on AIM of the Enlarged Issued Share Capital of the Company. This document contains no offer to the public within the meaning of the FSMA, the Companies Act 2006 or otherwise. Accordingly, this document does not comprise a prospectus within the meaning of section 85 of the FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by the Financial Services Authority.

Application has been made for the Enlarged Issued Share Capital of the Company to be admitted to trading on AIM. It is expected that the Admission will become effective and that dealings in the Company's shares will commence on 14 January 2013 when the Company's shares will no longer be traded on the ISDX Growth Market previously known as the PLUS Market.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

The Directors, whose names and functions appear on page 3 of this document, and the Company accept responsibility, both collectively and individually, for the information contained in this document and compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The whole of this document should be read. An investment in the Company includes a significant degree of risk and potential investors should consider carefully the risk factors set out in Part II of this document.

Daily Internet plc

(incorporated and registered in England and Wales under the Companies Act 1985 with registered number 06172239)

Admission to trading on AIM

NOMINATED ADVISER AND BROKER

Merchant Securities Limited

SHARE CAPITAL

The following table shows the issued share capital of the Company as at the date of this document and immediately following Admission.

	As at the date of this document		On Admission	
	£	Number	£	Number
Ordinary Shares of 0.5p each	583,764	116,752,750	594,924	118,984,892

Merchant Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser and broker to the Company in connection with the arrangements set out in this document and will not be acting for any other person or otherwise be responsible to any person for providing the protections afforded to customers of Merchant Securities or for advising any other person in respect of the proposed transaction detailed in this document. Merchant Securities Limited's responsibilities as the Company's nominated adviser and broker under the AIM Rules for Nominated Advisers are owed solely to London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation, express or implied, is made by Merchant Securities Limited as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

This document contains forward-looking statements. These statements relate to the Company's future prospects, developments and business strategy. Forward looking statements are identified by their use of terms and phrases, including without limitation, statements containing the words "believe", "anticipated", "expected", "could", "envisage", "estimate", "may" or the negative of those, variations or similar expressions including references to assumptions. Such forward looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Company, or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in "Risk Factors" set out in Part II of this document. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as at the date of this document. The Company disclaims any obligations to update any such forward-looking statements in this document to reflect events or developments.

The information contained in this document has been prepared solely for the purposes of the admission of the Company's Enlarged Issued Share Capital to trading on AIM and is not intended to inform or be relied upon by any subsequent purchaser of shares in the Company. This document does not constitute an offer to sell, or an invitation to subscribe for or a solicitation to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful and the distribution of this document in certain jurisdictions may be restricted by law. No action has been taken by the Company or by Merchant Securities that would permit a public offer of Ordinary Shares or possession or distribution of this document where action for that purpose is required. Persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this document must not be taken, transmitted, distributed or sent directly or indirectly into Australia, Canada, Japan, the Republic of South Africa or the United States of America. This document must not be copied or distributed by recipients and, in particular, must not be, transmitted, distributed or sent directly or indirectly by any means, including electronic transmission, to persons with addresses in Australia, Canada, Japan, the Republic of South Africa or the United States of America, its possessions or territories or to any citizens thereof, or to any corporation, partnership or other entity created or organised under the laws thereof. The Ordinary Shares have not been nor will be registered under the United States Securities Act 1933, as amended, nor under the securities legislation of any state of the United States or any province or territory of Canada, Australia, the Republic of South Africa or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold directly or indirectly in or into the United States of America, Canada, Australia, the Republic of South Africa or Japan or to any national, citizen or resident of the United States of America, Canada, Australia, the Republic of South Africa or Japan.

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Directors, Secretary and Advisers

Directors	John <u>Michael</u> Edelson (<i>Non-Executive Chairman</i>) <u>Abby Hardoon</u> Adulayavichit (<i>Managing Director</i>) Julie Ann Joyce (<i>Finance Director</i>) Robert Khalastchy (<i>Non-Executive Director</i>)
Registered Office	Number 14 Riverview Vale Road Heaton Mersey Stockport Cheshire SK4 3GN
Company Secretary	Clive Stewart Maudsley
Nominated Adviser and Broker	Merchant Securities Limited 51-55 Gresham Street London EC2V 7EL
Solicitors to the Company	Kuit Steinart Levy LLP 3 St Mary's Parsonage Manchester M3 2RD
Solicitors to the Nominated Adviser and Broker	Rosenblatt Solicitors LLP 9-13 St. Andrew Street London EC4A 3AF
Reporting Accountants and Auditors to the Company	PKF (UK) LLP 4th Floor 3 Hardman Street Spinningfields Manchester M3 3HF (<i>Member firm of the Institute of Chartered Accountants in England and Wales</i>)
Registrars	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE
Website	www.daily.co.uk/investors

Definitions

The following definitions apply throughout this document unless the context requires otherwise:

“Act”	the Companies Act 2006 (as amended)
“Admission”	admission of the Enlarged Issued Share Capital to trading on AIM and such Admission becoming effective in accordance with Rule 6 of the AIM Rules
“AIM”	the market of that name operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies issued by the London Stock Exchange as amended from time to time
“Articles”	the articles of association of the Company from time to time
“Board” or “Directors”	the directors of the Company whose names are set out on page 3 of this document
“Company” or “Daily”	Daily Internet plc, a company registered in England and Wales with company number 06172239
“Computershare”	Computershare Investor Services plc, the registrars of the Company
“CREST”	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by Euroclear UK & Ireland Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI201/3755)
“Daily Services”	Daily Internet Services Limited, a wholly owned trading subsidiary of the Company
“Disclosure Rules and Transparency Rules”	(in accordance with section 73A(3) of FSMA) rules relating to the disclosure of information in respect of financial instruments which have been admitted to trading on a regulated market or for which a request for admission to trading on such a market has been made
“Enlarged Issued Share Capital”	the 118,984,892 Ordinary Shares in issue immediately following Admission
“FSMA”	Financial Services and Markets Act 2000 (as amended)
“Group”	the Company and its subsidiaries, being Daily Services and Lambolle
“HMRC”	HM Revenue & Customs
“Issued Share Capital”	the 116,752,750 Ordinary Shares in issue as at the date of this document
“ISDX”	ICAP Securities & Derivatives Exchange Limited
“ISDX Growth Market”	the ISDX Growth Market operated by ISDX, which allows trading of shares in companies

Definitions (continued)

“Lambolle”	Lambolle Partners Public Limited Company, a company registered in England and Wales under number 05959099
“London Stock Exchange”	London Stock Exchange plc
“Merchant Securities”	Merchant Securities Limited
“Ordinary Shares”	the ordinary shares of £0.005 (0.5p) per share in the Company
“PLUS” or “PLUS Market”	relaunched as “ISDX” or “ISDX Growth Market” on 31 October 2012
“Remuneration Committee”	the remuneration committee of the Board, whose members consist of Michael Edelson and Robert Khalastchy
“Shareholders”	the holders of Ordinary Shares
“UK” or “United Kingdom”	the United Kingdom
“UK Code on Corporate Governance”	the principles of good governance and code of best practice issued by the Financial Reporting Council
“uncertificated” or “in uncertificated form”	an Ordinary Share recorded on the Company’s register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST

Glossary

Cloud Hosting

is a means to define a computing infrastructure without the complexity of its component parts. The focus is on the business application performance rather than the underlying technology. A Cloud is a flexible infrastructure that provides continuous service capabilities, full resilience and provides high levels of performance, it can expand without interruption to cope with high demands. There are various types of cloud service, although this document focuses on a computing infrastructure delivered to customers as a service model regardless of its location

Dedicated Servers

is a server that is leased by a customer which is not shared with anyone else and most often housed in a data centre

Disaster Recovery

is how complete failure is dealt with when the business continuity measures have failed. It is generally accepted that failure can be caused by forces outside of the immediate control of the business, such as fire, flood etc. Disaster Recovery is a process that needs to be undertaken to restart services, usually in a different geographic location and again within a given business SLA

Managed Hosting Solutions

is a type of Internet hosting solution in which the management of the solution is wholly or partially outsourced to Daily

SLA

Service Level Agreement, used to define the service levels that have been agreed by a business on the basis that technology can fail, defining the acceptable level of failure before the business is dramatically affected

SSL Certificate

SSL means secure socket layer and is used to secure servers so that third parties cannot intercept information. A digital certificate is required to allow the computer to access the server and these are issued by a trusted authority, the Certificate Authority

Virtual Private Servers (VPS)

is a virtualised server provided by an Internet hosting service. A Virtual Private Server service may operate on the same single physical server as other customers' "virtual machine" on a shared basis, each instance of "virtual machine" is in many respects equivalent to a separate physical server and dedicated to the individual customer's needs

Web Hosting

describes services provided to companies and individuals to enable them to publish their own websites utilising the customer's own domain name

Share Capital Statistics

Number of Ordinary Shares in issue as at the date of this document	116,752,750
New Ordinary Shares being issued pursuant to the option exercise	2,232,142
Number of Ordinary Shares in issue on Admission	118,984,892
Estimated market capitalisation of the Company following Admission	£3.6 million
ISIN number	GB00B1Z8BM45
EPIC code	DAIP

Expected Timetable of Principal Events

Publication of this document	8 January 2013
Cancellation from trading on ISDX of the Issued Share Capital	11 January 2013
Expected date of Admission	14 January 2013

PART I

Information on the Group

Introduction

The Group is an established Web Hosting solutions provider focused on delivering a broad range of reliable, cost effective and scalable Web Hosting services to small and medium sized businesses and individuals in the UK. Services such as domain registration, email and shared server web hosting services, online remote back up services, e-commerce solutions and Virtual Private Server services represent the Group's current business activities.

The Group's strategy is to continually extend its range of products and services to provide customers with a 'one-stop shop' for all their internet hosting requirements, whilst maintaining and expanding its highly automated system, allowing customers to self-help and therefore minimising overheads through optimal efficiency. The Group's "Phase II" project will broaden its operations into Dedicated Servers, Cloud Hosting and Managed Hosting Services. Further details on the Group and its Phase II Project are set out below.

History and Background

Abby Hardoon, Managing Director of the Company, has been involved in the Web Hosting industry since August 1996 when he founded NETDesign Limited, a web design agency. The business entered into commercial web hosting in 1997 and was subsequently restructured as Magic Moments Internet plc and admitted to trading on AIM in September 1999. Having grown the business organically and through strategic acquisitions, Magic Moments Internet plc was later renamed Host Europe plc, and in April 2004 was sold to Pipex Communications plc for over £31 million, in cash.

In early 2006, Abby Hardoon established Hostvue (UK) Limited, later renamed Daily Internet Services Limited, a wholly owned subsidiary of the Company. Daily Services developed the new software platform needed for its modern Internet Hosting solutions and billing systems, funded by Abby Hardoon. On 1 May 2007, the Company acquired the entire issued share capital of Daily Services in a share for share exchange and was admitted to trading on the PLUS Market on 10 March 2008.

On 31 August 2008, the Company announced that it was exploring the possibility of raising additional finance to repay certain loan notes and overdraft facilities, invest in the Group's product line, increase marketing spend and for working capital generally. In February 2009, the Company announced an all share offer for Lambolle Partners Public Limited Company ("Lambolle"), a cash shell quoted on the PLUS Market, which completed in April 2009. As a result of the acquisition of Lambolle, the Group secured access to approximately £750,000 through the cash resources available in Lambolle.

The Group initially focused on establishing a range of high volume and highly competitive products. The management team sought to diversify the Group's product offerings to leverage higher unit revenues on top of its growing customer base. The funds secured from the acquisition of Lambolle allowed the Company to build on this through the development of the product range, upgrading its Virtual Private Server and SSL Certificate ranges and bringing new domain management and email services online to ensure the Group continued to offer 'best of breed' to the business and consumer hosting markets.

The Group's customer base has continued to grow and the Group has built an increasingly strong recurring revenue base, which will, in the Board's opinion, provide funding to develop and maintain this product set for the foreseeable future. Daily has now initiated the Group's Phase II development, which aims to extend the Group's reach into Cloud Hosting and Dedicated Servers complete with complementary managed solutions, which the Directors believe will allow the Group to become a complete one-stop outsourcing partner. These developments are expected to bring higher revenue per customer and increase gross margin.

The Company raised approximately £580,000 over the course of August and September 2012, by way of a placing and open offer, to accelerate the development of its services, to fund the infrastructure and provide the working capital required to support its planned Phase II growth.

In addition, to support the proposed new product launch in 2013, being the addition of Dedicated Servers, Cloud Hosting and Managed Hosting Services to the Group's product range, and its intention to apply for admission to trading on AIM, the Company raised £550,000 by way of conditional subscription for 25,000,000 new Ordinary Shares at 2.2p per Ordinary Share on 20 December 2012.

Information on the Group

Daily Services provides hosting services to more than 50,000 customers throughout the UK and is currently ranked as the 13th largest supplier of .uk domain registrations out of over 2,300 suppliers (source: Nominet). The Group has historically focused on mass-market web hosting products, which has driven a high recurring revenue model, with 64 per cent. of customers currently bringing repeat business.

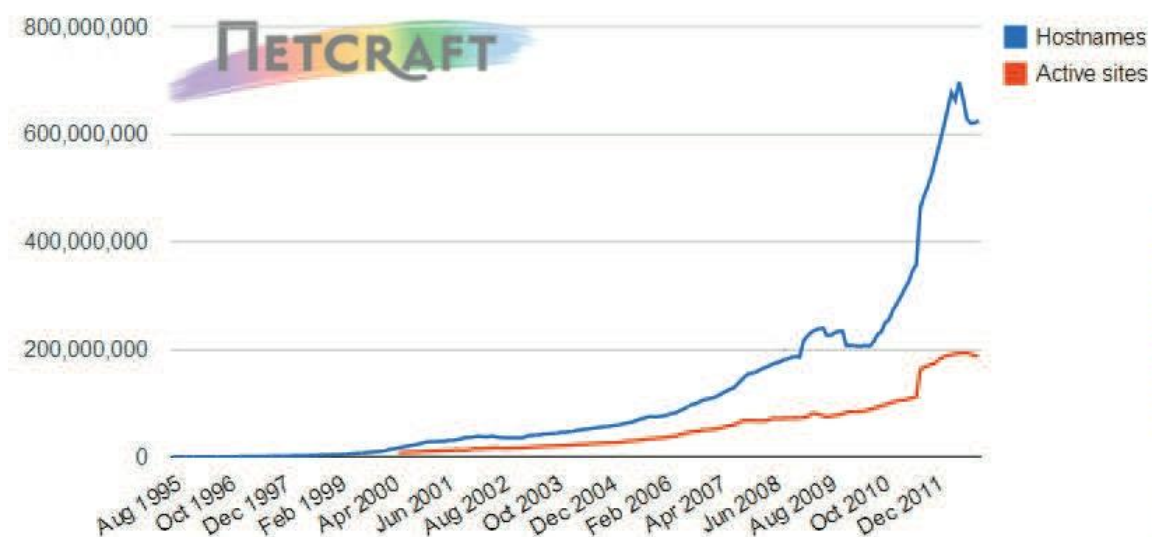
As companies, large and small, continue to seek improvements in profitability, it is the Board's opinion that the outsourcing of hosting is essential in a business strategy to deliver savings. On this basis, and with the increasing public awareness of Cloud Hosting and the savings this can deliver to businesses, the Group's Phase II development was launched.

The Daily management team continues to seek new technologies to improve market share, increase revenue and consolidate the Group's market position.

Websites

According to Netcraft.com, in November 2012 it recorded over 625 million website domains in existence as compared to 25 million in early 2000 and 142 million in October 2007.

Total websites across all domains August 1995 – November 2012



About Domain Registration

A domain name is a unique sequence of words and/or numbers used to identify the address for a website on the Internet or the sender of an electronic mail sent via the Internet. Every website will have a domain name associated with it.

Domain names are supplied by every country in the world. Each domain name has a unique suffix used to identify the origins of that particular domain. However, there are also generic Top Level Domains (“gTLDs”) such as .com, .net and .org, which do not follow the same pattern. These gTLDs are not country specific and generally have been the most popular suffix used globally in conjunction with a country specific suffix.

In the 1980s and 1990s the number of top-level domains (“TLDs”) was small and they all shared the same basic format – two-character ASCII country code TLDs or a handful of three-character ASCII gTLDs. This standard format led software vendors and web site developers to build their programs making specific assumptions about what was considered a valid TLD. As long as the software recognised the TLDs, people were able to use them. In the past decade newer ASCII gTLDs longer than three characters were introduced, plus new domains written in various non-Latin scripts, known as internationalised domain names (“IDNs”), were added.

In January 2012, the Internet Corporation for Assigned Names and Numbers (“ICANN”) started accepting applications for new gTLD names in what is expected to become the largest expansion in the history of the Internet’s domain name system. On 13 June 2012 ICANN announced it had received a total of 1,930 new gTLD applications during the application period of the new generic Top-Level Domain program. Of the 1,930 applications received:

- 66 were geographic name applications; and
- 116 were for Internationalised Domain Names, or IDNs, for strings in scripts such as Arabic, Chinese and Cyrillic.

Applications were received from 60 countries and territories, broken down by ICANN’s geographic regions:

- 911 from North America;
- 675 from Europe;
- 303 from Asia-Pacific;
- 24 from Latin America and the Caribbean; and
- 17 from Africa.

Nominet, the naming authority for all UK domain names, had registered approximately 200,000 domain names by April 1999. Today, over 10 million .uk domain names have been registered through Nominet.

About Shared Server Hosting

Shared server hosting service is one of the many types of hosting services that provides individuals and organisations with the ability to make their information, in the form of text and images, available over the Internet to Internet connected users anywhere in the world. This digital information is sent out onto the Internet from servers maintained by web hosts, such as Daily Services. As most of these types of website do not require the use of one whole server to process and serve, web hosts can set up multiple websites per machine.

About Virtual Private Servers (VPS) and Cloud Hosting

A Virtual Private Server (“VPS”) service is in essence a ‘virtual machine’ or device. Although a VPS service may operate on the same single physical server as other customers’ ‘virtual machine’ on a shared basis, each instance of ‘virtual machine’ is in many respects equivalent to a separate physical server and dedicated to the individual customer’s needs. The resources of a single physical server are shared between customers at all times. Whereas Cloud Hosting, which is in most respects the same as a VPS service, operates within a cluster of physical servers thereby offering the customers full redundancy by way of no single point of failure.

About Dedicated Servers Hosting

Dedicated servers hosting is an Internet hosting solution in which an organisation leases an entire server or a cluster of servers of various specifications depending on requirements, which is/are often housed in a data centre. The host not only provides the server equipment, but may also provide related software and operating systems, a TCP/IP (the suite of communication protocols used to connect hosts on the Internet) direct connection to the Internet, administration and other services. This may be considered a more flexible arrangement for a customer because unlike in shared server arrangements, it gives the organisation total control over the servers, its operating systems, the software installed and security systems.

About Managed Hosting

Managed Hosting is service layer associated with dedicated hosting, cloud hosting and VPS. The servers and devices are owned by the Internet Service Provider (“ISP”) or Web Hosting provider and leased by a single client only. Unlike standard Dedicated Hosting, the ISP manages the day-to-day management of hardware, operating systems and standardised applications. Customers retain administration access, but rarely use it. Their access to their managed hosting environment servers is typically limited to managing websites and applications through online tools.

About Data Centres

The data centre is a secure conditioned floor space that houses and maintains computer systems, servers and telecommunication equipment. It generally will include redundant power supplies, redundant data and internet connections, and redundant environmental conditioning and monitoring controls such as access security systems, air-conditioning, fire suppression equipment and water detection systems.

Market and industry trends are changing the way enterprises approach their data centre strategies. Several factors are driving enterprises to look beyond in-house data centre infrastructure, opting for an outsourcing model. These factors include green environmental issues and energy efficiency, together with changes in computing technology and increasing progress in CPU processor technology.

Many enterprises are looking to virtualisation and cloud computing technologies as they explore how best to optimise their resources and to consolidate older and more power hungry systems into newer greener technologies, such as those referred to above.

The Group’s services to the market

Domain Registration

The Group registers domain name types which do not impose strict registration criteria on the applicants. More importantly, the Group focuses on domain names which can be registered through an automated application system, as compared to other types which require paper proof of a company's or individual's domicile. Focusing on these types of domain name allows the Group to service its customers with the greatest efficiency, as most aspects of the domain name registration process are handled by the Group's automated computer software systems.

The domain name range is supported by a control panel allowing customers to self-help. The Group’s control panel provides bulk domain management tools for high-volume users and the necessary features required by domain name owners to manage their domain names. The Directors believe that the Group also offers a highly competitive domain transfer proposition to attract customers from its competitors, and a premium and backorder facility for customers expressing an interest in previously registered domains.

Email services

The Group markets a range of email services, from those suitable for customers requiring an inexpensive but fully featured and secure personalised email address using their own domain name, to customers who seek business class Microsoft Exchange hosting suitable for SME use. Customers receive a highly competitive level of features and add-ons with every email service, making this, in the Board’s view, an excellent value proposition.

Shared Hosting Products

The Group offers shared server hosting services to customers who require a simple presence on the Internet in the form of a website. Shared server hosting is the most economical option for hosting websites, as multiple websites are stored on single servers, and is often preferred by consumers and small businesses.

The Group also offers website building services that allow customers to create websites without the need for technical knowledge, including the “eShops” product range, which enables the creation and administration of online shops through a template-driven system incorporating a wide range of professionally-designed styles and “Instant Website” for those customers looking to build a simple informational website.

VPS

VPS are hosting solutions suitable for customers with business-critical hosting requirements that require greater flexibility and more resources than can be provided within a shared server hosting environment. A VPS effectively offers the level of access and control normally associated with dedicated servers combined with the cost-saving benefits of sharing a server. Customers have root access and may install their own software, making it an ideal solution for businesses and developers. The Group also supplies licences for popular Microsoft development software as part of its range of high end Hyper-V VPS.

Reseller Services

The Group has created the Reseller product range to deliver a partnership revenue stream. Aimed at the web designer and smaller web hosting companies, the Reseller accounts provide the back-end necessary to set up hosting packages, administer customers, and resell key products, including popular add-ons such as SSL Certificates, which may be purchased at a specially discounted level for resale.

Remote Back up Drive

The Group also offers an online backup drive called “DailyDrive”. DailyDrive is an easy-to-use and cost-effective way for individuals and businesses to store, access and share files securely across the Internet. It provides data storage with all of the benefits of a networked environment, such as access to documents, photos and music anytime, anywhere.

The Group’s Phase II development

The Group has demonstrated continued organic growth over the last three years whilst the UK economy has remained depressed. As companies, both large and small, continue to seek to improve profitability through the outsourcing of hosting and the associated costs savings that this delivers, the Group has sought to identify further opportunities for organic growth. The Group launched its Phase II projects with the aim of extending its remit into Dedicated Servers, Cloud Hosting and Managed Hosting Solutions.

The Group intends to broaden its product offering to introduce a range of Dedicated Server products and value added services, extend its VPS platform to a Cloud based solution, introducing new features, and to develop and roll out new reseller hosting products. In addition, the Group intends to upgrade its existing systems, including upgrading and refreshing its website and control panel, and streamlining its order processes. To support this expansion, the Group intends to expand its marketing initiatives and to recruit additional developers and marketing personnel.

Key Strengths of the Group

The Directors believe that the Group has the following key strengths:

- **Provide high quality customer service** – ensuring customer satisfaction to drive customer recommendations and repeat custom;
- **Price and feature competitiveness** – delivering repeat purchases from existing customers;

- **Broad range of reliable and highly featured internet hosting products** – allowing the Group to be a one-stop supplier for Internet hosting products;
- **Greater automation of services** – enabling customers to self-serve which keeps staff numbers low and drives efficiency; and
- **Apply knowledge gained at Host Europe** – driving organic growth via new product introduction and existing product enhancements, increasing efficiencies and system improvements.

Strategy

The Group's strategy is to achieve strong organic growth by maximising revenue opportunities through its current product range and the completion and implementation of its Phase II development. This will be driven by improving profit margins, whilst maintaining and increasing repeat customer business and continuing to focus on customer service and value.

In addition, the Directors intend to expand and develop the Group's portfolio of services by seeking complementary acquisition opportunities which will enhance market penetration and provide access to new markets as well as improve product usability and function.

Furthermore, the Board is considering a move into the ownership and operation of data centres as an addition to its current services. Accordingly, the Group will seek to identify and evaluate potential opportunities for space to create a data centre or look to acquire an existing data centre which it could utilise for its own purposes.

Market Opportunity

Since the introduction of the Internet in the early 1990's, it has played an increasingly central role in the way individuals and businesses around the globe communicate, share information and conduct business.

The Board believes that the increasing global penetration of Internet usage and the continued exponential growth in consumption of data across the Internet, serving a multitude of devices such as smartphones, tablets, laptops and desktops to individuals and businesses alike, represents a substantial opportunity for the Group.

It is the Directors' objective to continue to expand the Group's hosting product offering to serve the Internet market at all levels, thereby allowing the Group to be a one-stop supplier of reliable, scalable, high performance and resilient infrastructure based hosting products within the fast-growing UK and European markets through a multi-brand and multi location strategy. It is intended that this will be achieved through a combination of strategic acquisitions and organic growth.

The Directors intend to expand the Group's infrastructure and data centre capacity, as and when appropriate, to support its growth and extend its reach into new hosting markets.

Competitors

The hosting and internet services market is highly competitive, forcing a key focus on cost and customer support services to maintain customers and to drive repeat business. There are a large number of companies in the market of which Daily competes at many levels. Key competitors to the Group include: Iomart plc, Host Europe Group Limited, Group NBT Limited, Go-Daddy Inc., Memset Limited, Rackspace Inc., Namesco Limited, UK2 Group Limited and LCN.COM Limited. According to Nominet, Daily Services is the 13th largest registrar of .uk domain names from a list of over 2,000 registrars.

The Group's Phase II development is expected to improve margins and allow the Company to compete at a range of levels with competitors in the market. The Board believes that by maintaining its focus on efficiency, cost and support, the Group will be well placed to acquire further market share.

Directors and Company Secretary

John Michael Edelson (*Non-Executive Chairman*), aged 68, has been a Founder Director or Chairman of a number of companies admitted to the AIM market, including Prestbury Group plc, Knutsford Group plc, Mercury Recycling Group plc (now Ironvold plc) and ASOS PLC. He was a non-executive Chairman of Bramhall plc, subsequently renamed Magic Moments Internet plc and then Host Europe plc, which acquired Magic Moments Design Limited in September 1999, a company of which Abby Hardoon was one of the founding members. He has also been on the board of Manchester United Football Club Limited since 1982.

Abby Hardoon Adulayavichit (*Managing Director*), aged 50, is a Business Administration graduate from George Washington University, Washington DC USA. He was a founder of NETDesign Limited and Magic Moments Internet plc. Following the admission of Magic Moments Internet plc to trading on AIM in September 1999, he served as Chief Executive Officer. Under Mr Hardoon's leadership that company acquired two other hosting companies, WebFusion Internet Solutions Limited and One2One GmbH (now Host Europe GmbH). Following the acquisition of One2One GmbH, Magic Moments Internet plc was renamed Host Europe plc. Mr Hardoon, together with his team, successfully grew the combined business organically into profitability until it was sold in April 2004 to PIPEX Communications plc for over £31 million.

Julie Ann Joyce (*Finance Director*), aged 47, 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 bought by Magic Moments Internet plc in May 2000. She became Group Financial Controller for Host Europe plc and its group companies following its acquisition of WebFusion Internet Solutions Limited and continued in this role for the SME hosting division of PIPEX Communications plc after the successful sale to PIPEX in April 2004. She also has extensive auditing and private practice experience, having spent 10 years in this sector prior to her move into commerce and industry.

Robert Khalastchy (*Non-Executive Director*), aged 50, is a graduate of the University of Sussex where he received a Bachelor's degree in Electronic Engineering. Mr Khalastchy has been involved in commercial property management for the last 20 years, working with high net worth overseas clients, assisting in the management of their total UK portfolio and various planning applications, as well as the day to day management of the portfolio. In 2001 he set up RK Management Limited, a commercial property portfolio company, dealing with overseas and local clients. RK Management Limited successfully grew its property portfolio to over £35 million, and subsequently sold the majority of its portfolio in 2007 and 2008. Since that time Robert has been involved in residential block management and set up Sterling Property Management (UK) Limited at the end of 2010 for this purpose. Sterling Property Management (UK) Limited has been growing steadily and continues to do so.

Clive Maudsley (*Company Secretary*), aged 46, is a Fellow of the Institute of Chartered Accountants in England and Wales and a former audit partner with two national firms, Baker Tilly and UHY Hacker Young. During his time as audit partner he was responsible for the audits of a number of listed companies and advising companies on technical and corporate governance matters. Mr Maudsley was also registered with the US PCAOB to carry out work in accordance with the Sarbanes – Oxley Act of 2002. Since October 2011 he has run his own consultancy business advising SME's and is currently acting as Interim Finance Director and Company Secretary for a number of companies.

Summary financial information

The tables below, which have been extracted from the historical financial information set out in Part III of this document, set out a summary of the audited results of Daily for the three years ended 31 March 2012 and the financial period ended 30 September 2012.

	Year ended 31 March 2010 £'000	Year ended 31 March 2011 £'000	Year ended 31 March 2012 £'000	Period ended 30 Sept 2012 £'000
Revenue	1,006	1,268	1,451	764
Cost of sales	(494)	(608)	(695)	(374)
Gross profit	512	660	756	390
Administrative expenses	(1,068)	(958)	(982)	(523)
Operating loss	(556)	(298)	(226)	(133)
Finance income	1	–	–	–
Finance costs	(32)	(39)	(63)	(55)
Loss before taxation	(587)	(337)	(289)	(188)
Taxation	–	–	–	–
Loss for the financial year/period	(587)	(337)	(289)	(188)

Current trading and prospects

The Group has continued to make excellent progress in the first half of the current financial year, showing growth in revenues of 8.8 per cent. and an 80 per cent. reduction in operating losses before exceptional project costs. The Group continues to see month-on-month growth across all hosting products, from domain name registration and shared hosting services to site builder products and virtual private server services, equating to a total growth rate of five per cent. for the period. In addition, the Group has also reached operating cash-flow breakeven.

Following Admission, the Group's aim is to complete the development of new products and to launch them into the market in early 2013, in line with the Group's Phase II development timetable. These will add to the existing product offering and broaden the Group's product set to the target market of small and medium size enterprises.

Reasons for Admission

The Board believes that Admission should:

- assist the Company in raising additional equity capital for the further development of the Group's business;
- allow the Company to take advantage of future acquisition opportunities by using its quoted shares as consideration;
- provide improved liquidity for investors through the ability to buy and sell Ordinary Shares; and
- enable the Group to better recruit and retain key personnel.

Admission and Dealings

Application has been made to the London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that withdrawal from trading of the Issued Share Capital on ISDX will take place at 4.30 p.m. on 11 January 2013, and that Admission will become effective and dealings in the Ordinary Shares on AIM will commence at 8.00 a.m. on 14 January 2013.

Lock-in arrangements

Each of the Directors and Emma Myers have undertaken that he/she and his/her connected persons will not, save in the event of an intervening court order, a takeover offer becoming or being declared unconditional, or where required by law or an intervening court order, dispose of any interest in the Ordinary Shares for a period expiring on the first anniversary of Admission or thereafter dispose of any interest in the Ordinary Shares for a further period of 12 months, without offering the same for sale through Merchant Securities (as the Company's broker), provided that the price and settlement terms offered are competitive.

Further details of the various undertakings are set out in paragraph 13.3 of Part IV of this document.

Warrants

The Company currently has in issue warrants to subscribe for up to an aggregate of 11,869,500 Ordinary Shares. The warrants are constituted by three different instruments, further details of which are contained in paragraphs 9.5, 9.6 and 9.7 of Part IV of this document.

Options

The Board believes it is important that Directors, employees and consultants of the Company are appropriately and properly incentivised. To this end, the Company has granted a number of options over an aggregate of 6,571,428 Ordinary Shares.

Of these options, over 2,321,428 Ordinary Shares, exercisable at 0.7 pence per share, relate to options granted at the time of the Company's acquisition of Lambolle which were rolled up. These options were granted to Michael Edelson and Emma Myers, previous directors of Lambolle, and its previous company secretary, as well as to Oxygen Ventures Limited, a company of which Emma Myers was and is a director and shareholder. It has been agreed that the options over 2,232,142 Ordinary Shares held by Michael Edelson, Emma Myers and Oxygen Ventures Limited will be exercised, conditional on Admission.

Further details of the options are set out in paragraph 9 of Part IV of this document. The basis of any allocation and any condition attaching to these options will be determined by the Remuneration Committee.

Loan Notes and Debt Facility

The Company has in issue 56 convertible loan notes with a value of £5,000 per loan note, which are to be redeemed on 9 January 2015. Interest is payable on the loan notes at nine per cent. and they are convertible at a conversion price of 3p per Ordinary Share. The Company is able to redeem the loan notes early, subject to the loan note holders electing to convert the loan notes and any interest payable on such loan notes into Ordinary Shares. Further details of the loan notes are set out in paragraph 13.4 of Part IV of this document.

In addition, the Company has a loan facility of £580,000 in place with Abby Hardoon, Managing Director, John Thompson and Hawkstone Capital Limited which is available until 31 March 2015. The facility was arranged for working capital requirements and, at present, £405,000 has been utilised. Further details of this facility are set out in paragraph 13.5 of Part IV of this document.

Taxation

Further information regarding taxation is set out in paragraph 12 of Part IV of this document. These details are intended as a general guide only to the position under current UK taxation law as at the date of this document. If a Shareholder is in any doubt as to his or her tax position he or she should consult his or her own independent financial adviser immediately.

CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations.

The Ordinary Shares will be eligible for CREST settlement. Accordingly, following Admission, settlement of transactions in the Ordinary Shares may take place within the CREST system if a Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

Corporate governance

The Board recognises the importance of sound corporate governance and intends to ensure that, following Admission, the Company adopts policies and procedures which reflect such of the principles of the Combined Code as are appropriate to the Company's size and nature on Admission.

Following Admission, the Board will meet quarterly to review key operational issues and the strategic development of the Group. The financial performance of the Group will be reported and monitored. All matters of a significant nature will continue to be discussed in the forum of a board meeting. The Board will be responsible for internal controls to minimise the risk of financial or operational loss or material misstatement. The controls established will be designed to meet the particular needs of the Company having regard to the nature of its business.

The Company has also established an Audit Committee and a Remuneration Committee with formally delegated duties and responsibilities. Upon Admission the Audit Committee and Remuneration Committee will consist of Michael Edelson and Robert Khalastchy. Michael Edelson will be the chairman of both committees.

The Audit Committee oversees the relationship with the company's auditors, determining the terms of their engagement of and will also determine, in consultation with the auditors, the scope of the audit. The Audit Committee will receive and review reports from management and the Company's auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Company. The Audit Committee has unrestricted access to the Company's auditors.

The Remuneration Committee reviews the scale and structure of the executive directors' and executive management remuneration, including share option schemes and other bonus arrangements. The remuneration and terms and conditions of the Non-Executive Directors are set by the executive members of the Board.

The Board intends to comply with Rule 21 of the AIM Rules relating to directors' dealings as applicable to AIM companies and has adopted a code for dealing in Ordinary Shares by Directors and employees which is appropriate for an AIM-quoted company.

The Directors believe that the Board has sufficient experience in accounting systems and controls which will provide a reasonable basis for them to make proper judgments as to the financial position and prospects of the Group.

Dividend policy

The Company has not paid any dividends since incorporation. It is the intention of the Directors to expand the activities of the Group. At the relevant time in the Group's development, the Company's dividend policy will be reviewed in the light of the availability of distributable reserves and the need to retain funds to finance the further growth of the Group.

Investors' attention is drawn to the additional information set out in Parts II to IV of this document.

PART II

Risk Factors

The attention of prospective investors is drawn to the fact that ownership of Ordinary Shares will involve a variety of risks which, if they occur, may have a materially adverse effect on the Company's business and financial condition, and the market price of the Ordinary Shares could decline.

In addition to the information set out in this document, the following risk factors should be considered carefully in evaluating whether to make an investment in the Company. Potential investors should carefully consider these in light of the information in this document and their personal circumstances. In particular, the Company's performance might be affected by changes in market and/or economic conditions and in legal, regulatory and tax requirements. Additionally, there may be other risks of which the Board is not aware or believes to be immaterial, which may, in the future, adversely affect the Company's business and the market price of the Ordinary Shares.

Potential Investors are strongly recommended to consult an investment adviser authorised under the FSMA, or such other similar body in their jurisdiction, who specialises in advising on investments of this nature before making their decision to invest.

An investment in the Company is suitable only for potential investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment.

Prospective investors should be aware that the value of the Ordinary Shares and income from them may decrease and an investor might lose all or part of his or her investment. The following factors are not set out in any order or priority.

Risks relating to the Group's business

Customers with mission-critical applications could potentially expose the Group to lawsuits for their loss of profits or damages, which could impair its financial condition.

Because the Group's hosting services are critical to many of its customers' businesses, any significant disruption in its services could result in loss of profits or other indirect or consequential damages to its customers. Although the Group typically requires its customers to sign agreements that contain provisions attempting to limit its liability for service outages, the Group cannot guarantee that a court would enforce any contractual limitations on the Group's liability in the event that one of its customers brings an action against the Group as the result of a service interruption or other Internet site or application problems that such customer may ascribe to the Group. The outcome of any such lawsuit would depend on the specific facts of the case and any legal and policy considerations that the Group may not be able to mitigate. In such cases, the Group could be liable for substantial damage awards that may significantly exceed its liability insurance coverage by unknown but significant amounts, which could seriously impair its financial condition.

If the Group does not prevent security breaches, it may be exposed to lawsuits, lose customers, suffer harm to its reputation, and incur additional costs.

The services the Group offers involve the transmission of large amounts of sensitive and proprietary information over public communications networks as well as the processing and storage of confidential customer information. Unauthorised access, computer viruses, accidents, employee error or malfeasance, fraudulent service plan orders, intentional misconduct by computer "hackers", and other disruptions can occur that could compromise the security of the Group's infrastructure, thereby exposing such information to unauthorized access by third parties and leading to interruptions, delays or cessation of service to the Group's customers. Techniques used to obtain unauthorised access to, or to sabotage, systems change frequently and generally are not recognised until launched against a target, so the Group may be unable to implement security measures in time.

The Group relies on third-party hardware that may be difficult to replace or could cause errors or failures of its service, which could adversely affect the Group's operating results or harm its reputation.

The Group relies on hardware acquired from third parties in order to offer its services. This hardware may not continue to be available on commercially reasonable terms in quantities sufficient to meet the Group's business needs, which could adversely affect its ability to generate revenue. Any errors or defects in third-party hardware could result in errors or a failure of the Group's service, which could harm its reputation and operating results. Indemnification from hardware providers, if any, would likely be insufficient to cover any damage to the Group's business or its customers resulting from such hardware failure.

The Group relies on third-party software that may be difficult to replace or which could cause errors or failures of the Group's service that could lead to lost customers or harm to its reputation.

The Group relies on software licensed from third parties to offer some services. This software may not continue to be available to the Group on commercially reasonable terms, or at all. Any loss of the right to use any of this software could result in delays in the provisioning of the Group's services until equivalent technology is either developed by the Group, or, if available, is identified, obtained, and integrated, which could harm the Group's business. Any errors or defects in third-party software could result in errors or a failure of the Group's service which could harm the Group's operating results by adversely affecting its revenues or operating costs.

If the Group is unable to maintain a high level of customer service, customer satisfaction and demand for the Group's services could suffer.

The Group believes that its future revenue growth depends on the Group's ability to provide customers with quality service that not only meets the Group's stated commitments, but meets and then exceeds customer service expectations. If the Group unable to provide customers with quality customer support in a variety of areas, it could face customer dissatisfaction, decreased overall demand for its services, and loss of revenue. In addition, the Group's inability to meet customer service expectations may damage its reputation and could consequently limit its ability to retain existing customers and attract new customers, which would adversely affect the Group's ability to generate revenue and negatively impact its operating results.

The Group may be liable for the material that content providers distribute over the Group's network and the Group may have to terminate customers that provide content that is determined to be illegal, which could adversely affect the Group's operating results.

The law relating to the liability of private network operators for information carried on, stored on, or disseminated through their networks is still unsettled in many jurisdictions. The Group has been and expects to continue to be subject to legal claims relating to the content disseminated on its network, including claims under the Digital Millennium Copyright Act and other similar legislation. In addition, there are other potential customer activities, such as online gambling and pornography, where the Group, in its role as a hosting provider, may be held liable as an aidor or abettor of its customers. If the Group needs to take costly measures to reduce its exposure to these risks, terminate customer relationships and the associated revenue or defend the Group against such claims, its financial results could be negatively affected.

Any failure of the physical infrastructure or services of the Group could lead to significant costs and disruptions that could reduce revenues, harm the Group's business reputation and have a material adverse effect on financial results.

The Group's business depends on providing customers with highly reliable infrastructure and services. The Group must protect its customers' infrastructure and any of their equipment located at the Group's premises. If the Group fails to meet its customers' performance requirements or to protect their infrastructure, it may lose customers and/or may become liable to them for damages. The Group has, in the past, experienced power and connectivity outages, typically ranging from a few seconds to a few minutes and, in rare cases, for longer periods of time. The services the Group provides may be subject to failure resulting from a variety of factors which may be under the Group's control, including human error, equipment failure, power loss, failure of

services related to the internet and telecommunications provided by the Group, physical or electronic security breaches, as well as factors not under the Group's control, such as sabotage, vandalism, system failures of network service providers, fire, earthquake, flood and other natural disasters, water damage, fibre optic cable cuts, power loss not caused by the Group, improper building maintenance by the landlords of the buildings in which the equipment is located, and terrorism.

The Group has service level commitment obligations with substantially all of its customers in which it provides various guarantees regarding levels of service. The Group may not be able to meet these levels of service in the event of service interruptions due to the above or other factors or significant equipment damage in the Group's operational data centres. If the Group fails to provide the levels of service required by these agreements, its customers may be entitled to receive a return of a portion of their fees, monthly service credits and/or may seek to terminate their relationship with the Group. In addition, the Group's inability to meet its service level commitments may damage its reputation and could reduce the confidence of the Group's customers in its services, impairing its ability to retain existing customers and attract new customers.

Problems at one or more of the Group's data centres, if and when established, whether or not within the Group's control, could result in service interruptions or significant equipment damage. Further, service interruptions and equipment failures may expose the Group to financial liability and damage its reputation, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is dependent to a significant extent upon, and is affected by, the supply and pricing of electrical power.

The Group relies on third parties to supply electrical power to it. The Group cannot be sure that these third parties will provide sufficient levels of electrical power, provide it on a consistent basis or have the necessary infrastructure to deliver any additional electrical power that the Group may require if and when it develops its data centre sites. Although backup generators can be set up at sites to cover temporary failure in the primary power supply, power outages may last beyond any backup and alternative power arrangements.

Any loss of services or damage to equipment resulting from a temporary loss of power could harm the Group's customers, reduce customers' confidence in the Group's services, impair the Group's ability to attract new customers and retain existing customers, and result in the Group incurring financial obligations to its customers. The occurrence of any one or more of these events could have a material adverse effect on the Group's business, financial condition and results of operations.

The industry in which the Group operates is characterised by continued technological evolution.

The market for data centres and internet-related products is characterised by continued evolution in technology, evolving industry standards, changes in customer needs, heavy competition and frequent new product introductions. If the Group fails to develop new products or modify or improve existing products in a timely and cost-effective manner in response to these changes in technology, customer demands, industry standards, competition or product introductions, the Group's customers may choose to use a competitor's data centres or to bring many of the services provided by the Group in-house, which response to those changes may negatively affect the Group's business, results of operations and financial condition.

The Group could be subject to increased operating costs, as well as claims, litigation or other potential liability, in connection with risks associated with internet security and the security of the Group's systems.

A significant barrier to the growth of e-commerce and communications over the Internet has been the need for secure transmission of confidential information. One of the key service offerings of the Group is its high level of internet and physical premises security. Many of its customers may entrust their key strategic IT services and applications to the Group due, in part, to the level of security on offer. Several of the Group's infrastructure systems and application services utilise encryption and authentication technology licensed from third parties to provide the protections necessary to ensure secure transmission of confidential information. The Group also relies on security systems designed by third parties and on the personnel in the Group's network operations centres to physically secure those data centres.

Any accidental or intentional actions, including computer viruses and unauthorised access, and other disruptions could result in increased operating costs. The Group may incur significant additional costs to protect against such disruptions, the threat of internet and physical premises security breaches or to alleviate problems caused by such interruptions or breaches. A party who is able to breach the physical premises and/or internet security measures of the Group's networks could physically damage the Group's and its customer's equipment and/or misappropriate either its proprietary information or the personal information of the Group's customers or cause interruptions or malfunctions in its operations. If a third party were able to misappropriate a consumer's personal or proprietary information including credit card information, during the use of an application solution provided by the Group, the Group could be subject to claims, litigation or other potential liability.

Whilst security remains one of the Group's highest priorities, there can be no assurance that the security of any of its data centres will not be breached and the infrastructure and information of the Group's customers put at risk. Any internet or physical premises security breach could have a serious effect on the Group's reputation and could lead to customers terminating their contracts early and seeking to recover losses suffered, which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group is dependent on third-party suppliers for technology and other services.

Most technologies used in managed services the Group offers are leased or licensed. The Group may be unable to obtain or utilise the technology underpinning these services due to the financial difficulties of its suppliers, becoming subject to third-party infringement or other claims and assertions, or due to other reasons. Any inability of the Group's suppliers to provide necessary products and services could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's expenses are largely fixed and cannot be easily reduced in the short-term which could have a material adverse effect on the Group's business.

The Group's operating expenses primarily consist of rent, staff and power. Rent and staff costs are fixed in nature and cannot be easily reduced in the short-term. Therefore, the Group is unlikely to be able to reduce its expenses promptly in response to any reduction in revenue. Should such a reduction occur and the Group be unable to reduce its fixed expenses accordingly, the Group's business, financial condition and results of operations would be materially adversely affected.

The Group's customers could cease to outsource the facilities and services which the Group offers. If a material proportion of the Group's customers were to move in-house all or a material portion of such facilities and services, the Group's business, financial condition and results of operations would be materially adversely affected.

The Group provides an outsourced service. If customers were to conclude that they could provide the same service in-house at a lower cost, with greater reliability, with increased security or for other reasons, they might assume responsibility for providing such services in-house and the Group would lose customers and business.

Such a shift could result from quality, security or reliability problems, or from failure or inability to offer services at price levels that are competitive with the cost of providing those services in-house, particularly if new technologies materially reduce the cost or difficulty of companies maintaining in-house data centres. If a material proportion of the Group's customers were to move in-house all or a material portion of the facilities and services that they outsource to the Group, the Group's business, financial condition and results of operations would be materially adversely affected.

The Group may acquire other businesses if suitable opportunities become available. Any future acquisition poses integration and other risks which may significantly affect the Group's results or operations.

To the extent that suitable opportunities arise, the Group may expand its business through the identification and acquisition of companies, technologies, products and services.

There can be no assurance that the Group will identify suitable acquisitions or opportunities, obtain the financing necessary to complete and support such acquisitions or acquire businesses on satisfactory terms, or that any business acquired will prove to be profitable. In addition, the acquisition and integration of independent companies is a complex, costly and time-consuming process involving a number of possible problems and risks, including possible adverse effects on the Group's operating results, diversion of management's attention, failure to retain personnel, failure to maintain customer service levels, disruption to relationships with customers and other third parties, risks associated with unanticipated events or liabilities and difficulties in the assimilation of the operations, technologies, systems, services and products of the acquired companies.

No assurance can be given that the Group will be able to manage future acquisitions profitably or to integrate such acquisitions successfully without substantial costs, delays or other problems and any failure to achieve successful integration of such acquisitions could have a material adverse effect on the results of operations or financial condition of the Group.

If the Group is unable to attract and retain key officers, managers and technical personnel, its ability to execute its business strategy successfully and to provide quality services and technical support to its customers could be materially and adversely affected.

Attracting, training, retaining and motivating technical and managerial personnel, including individuals with significant technical expertise in data centre operation and associated managed services, is a critical component of the future success of the Group's business. Competition for qualified technical personnel is intense and is likely to remain so for the foreseeable future. Accordingly, the Group may encounter difficulties in attracting or retaining qualified personnel. Continued growth may therefore cause a significant strain on existing managerial, operational, financial and information systems resources.

The departure of any of the Group's executive officers or core members of its sales and marketing teams or technical service personnel would have a negative impact on its customer relations and operations, including adversely affecting its ability to provide the guaranteed service levels its customers expect. In the event that future departures of employees occur, the Group's ability to execute its business strategy successfully, or to continue to provide services to its customers or attract new customers, could be adversely affected.

The Group resells products (including bandwidth) and services of third parties that may require it to pay for such products and services even if its customers fail to pay it for the products and services, which may have a negative impact on operating results.

In order to provide resale services such as bandwidth, managed services and other network management services, the Group enters into fixed-term contracts with third-party service providers. If the Group loses a customer who has purchased a resale product from it, the Group will be required to continue making payments to its suppliers for the term of the underlying contract. The payment of these obligations without corresponding payments from customers will reduce the Group's financial resources and may have a material adverse effect on the Group's business, financial condition and results of operations.

The Group plans to expand into additional services which may not prove successful.

Whilst the Group intends to retain its focus on data centre services, it is also providing additional services such as internet access, managed backup and storage, managed security and managed hosting. The success of these additional products depends on a variety of factors, including adapting the Group's management systems and personnel into new areas of business, and will also result in additional expenditures in order to provide the technology and services necessary for such products.

The Group may be subject to reputational damage and legal action in connection with the information disseminated through its network.

The Group may face potential direct and indirect liability for claims of defamation, negligence, copyright, patent or trademark infringement and other claims based on the nature and content of the materials disseminated through its network, including on the grounds of the illegality of certain activities carried out by customers through their equipment that may be located in the Group's data centres. For example, lawsuits may be brought against the Group claiming that content distributed by some of its current or future customers may be regulated or banned.

The Group's general liability insurance may not cover any such claim or may not be adequate to protect it against all liability that may be imposed. In addition, on a limited number of occasions in the past, businesses, organisations and individuals have sent unsolicited commercial e-mails ('spam'), which may be viewed as offensive by recipients, from servers hosted at the Group's data centres to a number of people, typically to advertise products or services. The Group has in the past received, and may in the future receive, letters from recipients of information transmitted by the Group's customers objecting to spam. Although the Group's contracts with its customers prohibit them from spamming, there can be no assurance that customers will not engage in this practice, which could subject the Group to claims for damages which could have a material adverse effect on the Group's business, financial condition and results of operations.

Risks relating to the Company's Phase II development.

The Group may experience unforeseen delays and expenses when fitting-out data centres and upgrading equipment, and the expected costs could be greater than anticipated

Due to the increasing demand for the Group's services, substantial management effort and financial resources may be employed by the Group in fitting-out new data centres. In addition, the Group may periodically upgrade and replace the equipment in the premises. Although the Group will budget for expected fit-out and equipment expenses, additional expenses in the event of unforeseen delays, cost overruns, unanticipated expenses, regulatory changes, and increases in the price of equipment may negatively affect the Group's business, financial condition and results of operations.

Although the Group has considerable experience in forecasting and managing project implementation timetables, it has previously experienced, and may in the future experience, unforeseen delays and expenses in connection with a particular client project or data centre build-out.

In addition, the process of the Group adding new capacity through the addition of new data centres or otherwise may involve re-locating customers' equipment and providing services from a different data centre or location. This re-location process may result in the disruption of the Group's services and reduce customers' confidence in the Group's services as well as result in additional costs.

No assurance can be given that the Group will complete the fit-out of new data centres within the proposed timeframe or cost parameters or at all, or that the process of re-locating customers' equipment will not disrupt the Group's services, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group may not own the buildings in which its data centres are located.

The Group may not own the buildings in which its data centres are located and may instead chose to lease its data centre space. The non- renewal of leases or renewal of leases on less favourable terms poses significant risk to the Group's on-going operations. The Group would incur significant cost if it were forced to vacate one of its data centres due to the high costs of re-locating its and its customers' equipment, installing the necessary infrastructure in a new data centre and, as required by most of its leases, re-instating the data centre it was vacating to its original state. In addition, if the Group were forced to vacate a data centre, it could lose customers that chose the Group's services based on location.

The Group's insurance may not be adequate to cover all losses.

Whilst the Group maintains insurance that it considers adequate, there are limitations on the total coverage for buildings that are damaged due to catastrophic events such as flooding, terrorism or other reasons. There is a risk that if a data centre was damaged due to an otherwise insurable event, the total amount of the loss would not be recovered by the Group.

Due to the high volume of important data that could potentially pass through the Group's data centres, there is a risk that terrorists seeking to damage financial and technological infrastructure would view data centres generally, and those in concentrated areas specifically, as potential targets.

Also, the Group's insurance policy contains customary exclusions, salvage value provisions, material change and other conditions that could limit the Group's ability to recover losses. In addition, some of the Group's policies are subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses. If the Group experiences a loss that is uninsured or that exceeds policy limits, or if customers consider that there is a significant risk that such an event which will affect their equipment or services will occur, this may negatively affect the Group's reputation, business, financial condition and results of operations.

Risks relating to the data centre, Internet and telecommunications industries

The European data centre industry has suffered from overcapacity in the past, and a substantial increase in the supply of new data centre capacity in the industry in which the Group operates could have an adverse impact on industry pricing and profit margins.

Between 2001 and 2004, the European data centre industry suffered from overcapacity due to difficult telecommunications and technology market conditions. Many customers had contracted to use more space than they needed and the number of Internet-related business failures increased significantly, resulting in high levels of customer churn due to the termination or non-renewal of contracts. Some data centre operators ran into severe financial difficulties due to overdevelopment of their facilities.

The Group is continuing to invest in its expansion efforts, which includes the Phase II development, and while the Group leases additional properties or builds new data centres it will be required to commit substantial operational and financial resources, generally up to one year in advance of securing customer contracts.

A substantial increase in the supply of new data centre capacity in the European data centre market could have an adverse impact on industry pricing and profit margins. If the Group does not experience sufficient customer demand for its services, the Group's business, financial condition and operating results could be adversely affected.

Government regulations governing internet-related services, related communication services and information technology and electronic commerce in the United Kingdom continue to evolve and, depending on the evolution of such regulations, may adversely affect the Group's business.

Various laws and governmental regulations governing internet-related services, related communications services and information technologies and electronic commerce continue to evolve, even in areas where there has been some legislative action. This is true in the United Kingdom where the Group operates. In particular, the laws regarding privacy and those regarding gambling and other activity which certain countries consider illegal are continuing to evolve.

Changes in laws or regulations (or the interpretation of such laws or regulations) or national government or EU policy affecting the Group's activities and/or those of its customers and competitors, including regulation of prices and interconnection arrangements, regulation of access arrangements to types of infrastructure, regulation of privacy requirements through the protection of personal data and regulation of activity considered illegal through rules affecting data centre and managed service providers could materially adversely affect its results by increasing competition, decreasing revenue, increasing costs or impairing its ability to offer services. In addition, many of the Group's customers and competitors, especially incumbent local access network service providers, are subject to a wide range of regulations. These regulations could change from time to time in ways that are difficult to predict.

The industry in which the Group operates is subject to environmental laws and regulations and may be subject to more stringent environmental laws and regulations in the future.

The Group is subject to various environmental and health and safety laws and regulations, including those relating to the generation, storage, handling and disposal of hazardous wastes and technological equipment, the maintenance of warehouse facilities and the generation and use of electricity. Compliance with these laws and regulations could impose substantial on-going compliance costs and operating restrictions on the Group and may adversely affect the Group's expansion plans, by restricting its ability to fit-out new data centres.

Hazardous substances or regulated materials of which the Group is not aware may be present at data centres leased and operated by the Group. If any such contaminants are discovered at the Group's data centres or health and safety regulations, such as those designed to prevent Legionnaire's disease, are not complied with, the Group may be responsible under applicable laws, regulations or leases for any required removal or clean-up or other action at substantial cost.

In addition, the Group is a significant user of electricity and the Group may be adversely affected by any future application of additional regulation, such as that seeking to reduce the power consumption of companies, fees or levies in this regard.

Non-compliance with, or liabilities under, existing and imminent environmental or health and safety laws and regulations, including failure to hold requisite permits, or the adoption of more stringent requirements in the future, could result in fines, penalties, third-party claims and other costs that could have a material adverse effect on the Group.

General risks

If any or all of the above risks actually occur, the Group's business, financial conditions, results or future operations could be adversely affected. In such a case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Group.

General Market Risks

General Economic Conditions

Market conditions may affect the ultimate value of the Company and, after Admission, the Group's share price regardless of operating performance. The Group could be affected by unforeseen events outside its control, including, natural disasters, terrorist attacks and political unrest and/or government legislation or policy. General economic conditions may affect exchange rates, interest rates and inflation rates. Movements in these rates will have an impact on the Company's cost of raising and maintaining debt financing.

There may not be sufficient liquidity in the market for the Ordinary Shares in order for Shareholders to sell their Ordinary Shares.

Whilst the Company is applying for the admission of the Ordinary Shares to trading on AIM, there can be no assurance that an active trading market for the Ordinary Shares will develop, or if developed, that it will be maintained. AIM is a market for emerging or smaller growing companies and may not provide the liquidity normally associated with the Official List of the London Stock Exchange or other exchanges.

The future success of AIM and liquidity in the market for the Ordinary Shares cannot be guaranteed. In particular, the market for the Ordinary Shares may be, or may become, relatively illiquid (particularly given the lock-in arrangements described in this document) and therefore the Ordinary Shares may be or may become difficult to sell.

An investment in the Company may not be suitable for all recipients of this document. Accordingly investors are strongly advised to consult an independent financial adviser authorised for the purpose of FSMA who specialises in the acquisition of shares and other securities in the UK before making any decision to invest.

The price of the Ordinary Shares may be volatile

The market price of the Ordinary Shares could be subject to significant fluctuations due to a change in investor sentiment regarding the Ordinary Shares or other securities related to the industry or in response to various facts and events, including variations in the Group's interim or full year operating results and business developments of the Group and/or competitors. In addition, the market price of the Ordinary Shares may not reflect the underlying value of the Group.

The market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including those referred to in this Part II, as well as stock market fluctuations and general economic conditions that may substantially affect the market price of the Ordinary Shares, regardless of the actual performance of the Group.

Shareholders may suffer significant further dilution

Following Admission, the Enlarged Issued Share Capital will be 118,984,892 Ordinary Shares. In addition, sales, or the possibility of sales, of substantial numbers of Ordinary Shares in the public or private market following Admission could have an adverse effect on the market price of the Ordinary Shares.

Additional capital and dilution

The Company may require additional capital in the future for expansion and/or business development which may significantly dilute the interests of Shareholders. If the Company is unable to obtain financing on terms acceptable to it then it may be forced to curtail its planned development. If additional funds are raised through the issuance of new equity or equity-linked securities in the Company other than on a pro-rata basis to Shareholders, the percentage ownership of Shareholders may be reduced. There is no guarantee that any future capital raisings will be successful.

PART III

SECTION A

ACCOUNTANTS' REPORT ON THE FINANCIAL INFORMATION OF DAILY INTERNET PLC

The Directors
Daily Internet plc
Number 14 Riverview
Vale Road
Heaton Mersey
Stockport
SK4 3GN

and

The Directors
Merchant Securities Limited
51-55 Gresham Street
London
EC2V 7EL



8 January 2013

Dear Sirs

Daily Internet plc

We report on the financial information of Daily Internet plc set out in Section B of Part III of this Admission Document for the years ended 31 March 2010, 31 March 2011 and 31 March 2012 and the period ended 30 September 2012. This financial information has been prepared for inclusion in the Admission Document dated 8 January 2013 on the basis of the accounting policies set out in note 1 to the financial information.

This letter is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of Daily Internet plc are responsible for preparing the financial information on the basis of preparation set out in Note 2 to the financial information.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement, whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 8 January 2013, a true and fair view of the state of affairs of Daily Internet plc as at the dates stated and of its losses, cash-flows, and changes in equity for the years and the period then ended in accordance with the basis of preparation set out in Note 2 to the financial information, and has been prepared in a form that is consistent with the accounting policies adopted in Daily Internet plc's latest annual accounts.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to offset its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

PKF (UK) LLP

SECTION B

FINANCIAL INFORMATION OF DAILY INTERNET PLC

Consolidated Statement of Comprehensive Income

The consolidated statements of comprehensive income of Daily Internet plc for each of the three years ended 31 March 2012 and the period ending 30 September 2012 are set out below:

		Period ended 30 Sept 2012 £000	Year ended 31 March 2012 £000	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
	Note				
Revenue	5	764	1,451	1,268	1,006
Cost of sales		(374)	(695)	(608)	(494)
Administrative expenses		(523)	(982)	(958)	(1,068)
Loss from operations	6	(133)	(226)	(298)	(556)
Investment income		–	–	–	1
Finance costs	10	(55)	(63)	(39)	(32)
Loss for the financial period attributable the equity holders of the Company		(188)	(289)	(337)	(587)
Tax on loss		–	–	–	–
Total comprehensive loss attributable to the equity holders of the Company		(188)	(289)	(337)	(587)
Loss per share – basic and diluted	27	£0.01	£0.01	£0.01	£0.01

The Group's results are derived from continuing operations.

The accompanying notes form an integral part of this consolidated statement of comprehensive income.

Consolidated Statement of Financial Position

The consolidated statements of financial position of Daily Internet plc as at 31 March 2010, 31 March 2011, 31 March 2012 and 30 September 2012 are set out below:

	Note	30 Sept 2012 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000
Assets					
Non-current assets					
Goodwill	12	392	392	392	392
Intangible assets	13	2	9	28	52
Property, plant and equipment	14	192	183	108	133
		<u>586</u>	<u>584</u>	<u>528</u>	<u>577</u>
Current Assets					
Trade and other receivables	15	38	47	27	36
Cash and cash equivalents	26	577	108	99	81
		<u>615</u>	<u>155</u>	<u>126</u>	<u>117</u>
Total Assets		<u><u>1,201</u></u>	<u><u>739</u></u>	<u><u>654</u></u>	<u><u>694</u></u>
Equity and liabilities					
Equity					
Called up share capital	21	459	313	305	305
Share premium account		3,055	2,629	2,600	2,600
Other reserve		242	242	242	238
Accumulated losses		(4,099)	(3,911)	(3,622)	(3,285)
		<u>(343)</u>	<u>(727)</u>	<u>(475)</u>	<u>(142)</u>
Non-current liabilities					
Obligations under finance leases	17	48	34	10	14
Convertible Loan Note	20	277	269	269	269
Other loans	18	405	405	275	–
		<u>730</u>	<u>708</u>	<u>554</u>	<u>283</u>
Current liabilities					
Trade and other payables	16	782	736	567	545
Obligations under finance leases	17	32	22	8	8
		<u>814</u>	<u>758</u>	<u>575</u>	<u>553</u>
Total Equity and Liabilities		<u><u>1,201</u></u>	<u><u>739</u></u>	<u><u>654</u></u>	<u><u>694</u></u>

The accompanying notes form an integral part of this consolidated statement of financial position.

Consolidated Statement of Changes in Equity

The consolidated statements of change in equity of Daily Internet plc for each of the three years ended 31 March 2010, 2011 and 2012 and the period ended 30 September 2012 are set out below:

	Attributable to equity holders of the parent				
	Share capital	Share premium account	Other reserve	Accumulated losses	Total
	£000	£000	£000	£000	£000
At 1 April 2009	305	2,607	227	(2,698)	441
Loss and total comprehensive loss for the year	–	–	–	(587)	(587)
Issue of share capital	–	(7)	–	–	(7)
Share based payments	–	–	11	–	11
At 31 March 2010	305	2,600	238	(3,285)	(142)
Loss and total comprehensive loss for the year	–	–	–	(337)	(337)
Share based payments	–	–	4	–	4
At 31 March 2011	305	2,600	242	(3,622)	(475)
Loss and total comprehensive loss for the year	–	–	–	(289)	(289)
Issue of share capital	8	29	–	–	37
At 31 March 2012	313	2,629	242	(3,911)	(727)
Loss and total comprehensive loss for the period	–	–	–	(188)	(188)
Issue of share capital	146	437	–	–	583
Expenses of share issue	–	(11)	–	–	(11)
At 30 September 2012	459	3,055	242	(4,099)	(343)

Other reserve

The other reserve represents the equity entries relating to share options and warrants and other financial instruments.

The accompanying notes are an integral part of this consolidated statement of changes in equity.

Consolidated Statement of Cash Flows

The consolidated statements of cash flows of Daily Internet plc of each of the three years ended 31 March 2010, 2011 and 2012 and the period ended 30 September 2012 are set out below:

	Period ended 30 Sept 2012 £000	Year ended 31 March 2012 £000	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Note				
Cash flows used in operating activities				
Loss generated from operations	(133)	(226)	(298)	(556)
Adjustments for:				
Depreciation and other amortisation	44	68	74	153
Share based payments	–	37	4	11
Operating cash flows before movement in working capital	(89)	(121)	(220)	(392)
Decrease/(Increase) in trade and other receivables	9	(20)	9	6
Increase/(Decrease) in trade and other payables	25	169	22	(5)
Net cash used in operating activities	(55)	28	(189)	(391)
Cash flows from investing activities				
Interest element of finance lease payments	(8)	(3)	(1)	(3)
Interest paid	(5)	(36)	(14)	(1)
Interest received	–	–	–	1
Loan note interest paid	(13)	(24)	(24)	(26)
Net cash used in investing activities	(26)	(63)	(39)	(29)
Capital expenditure				
Payments to acquire property, plant & equipment	(3)	(73)	(25)	(66)
Payments to acquire intangible assets	–	–	–	(45)
Net cash used for capital expenditure	(3)	(73)	(25)	(111)
Cash flows from financing activities				
Issue of ordinary share capital	572	–	–	(7)
Drawdown of loan facility	–	130	275	–
Repayment of loan notes	–	–	–	(110)
Capital element of finance lease repayments	(19)	(13)	(4)	(18)
Net cash from financing activities	553	117	271	(135)
Net increase/(decrease) in cash and cash equivalents	469	9	18	(666)
Cash and cash equivalents at the beginning of the year/period	108	99	81	747
Cash and cash equivalents at the end of the year/period	577	108	99	81

The accompanying notes are an integral part of this consolidated cash flow statement.

Notes to the historical financial information

1. General Information

The Company was incorporated and registered in England and Wales on 20 March 2007 with registered number 06172239 as a public limited company under the name COBCO 828 plc. The Company changed its name on 4 May 2007 to Daily Internet plc.

The Company is principally a holding company and the principal activity of the Group is web hosting and other services.

2. 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 financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and as applied in accordance with the Companies Act 2006.

The financial information has been prepared under the historical cost convention

The Company has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of standards or interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial information.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial information in accordance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a high degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial information are disclosed in Note 3.

Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary undertakings, Daily Internet Services Limited and Lambolle Partners Public Limited Company made up to the end of each period. 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 statement of comprehensive income from the date of acquisition or up to the date of disposal. Intra-Group sales and profits are eliminated fully on consolidation.

The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the acquired business, at the acquisition date.

However, in practice the Group has been in existence unchanged throughout the periods presented here.

Goodwill

Goodwill arising on business combinations is initially measured at cost being the excess of the fair value of the consideration paid over the Group's interest in the net fair value of the identifiable assets and liabilities acquired. Goodwill is subsequently measured at cost less any accumulated impairment

losses. Goodwill is not amortised but is reviewed annually for impairment. Impairment is determined by assessing the recoverable amount of the cash-generating unit which contains the goodwill. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the consolidated statement of comprehensive income.

Revenue recognition

Revenue represents the fair value of amounts received or receivable for goods and services provided, net of trade discounts and VAT.

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 date of the statement of financial position and the gains or losses on translation are included in the income statement.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

The Group's financial liabilities include trade and other payables and borrowings which are measured at amortised cost using the effective interest rate method. Financial liabilities are recognised when the Group becomes a party to the contractual agreements of the instrument.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Financial assets include trade and other receivables with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are measured at amortised cost using the effective interest method less any impairment provision.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at annual 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 per cent. straight line
Furniture and equipment	20 per cent. – 33.3 per cent. reducing balance

Research and Development

Research expenditure is charged to the statement of comprehensive income in the period 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 period during which the Company is to benefit.

Deferred Taxation

Deferred Taxation is provided in full in respect of taxation deferred by timing differences between certain items for taxation and accounting purposes. Deferred tax balances have not been discounted. Deferred tax assets are recognised to the extent that it is probable that they will be available to offset against any future taxable income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value and accrued interest thereon.

Leases

Assets obtained under hire purchase contracts and finance leases are capitalised as non-current assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in liabilities net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the income statement so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

Share based payments

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

The fair value of supplier warrants is recognised as an expense within the income statement 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.

3. Significant accounting estimates and judgements

The preparation of this financial information requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities at the period end date and the amounts reported for revenues and expenses during each period. However, the nature of estimation means that actual outcomes could differ from those estimates.

In applying the Group's accounting policies, management has made the following judgements and estimates which have the most significant effect on the amounts recognised in the financial information.

Deferred tax assets

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits. No deferred tax asset has been recognised in the period covered by the financial information.

Share-based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Judgement is required in determining the most appropriate valuation model and the most appropriate inputs into the model including the level of volatility, the number of options which are expected to vest and the expected life of the option. Further information is given in Note 9.

Research and Development Expenditure

The Board uses its judgement in the assessment of the extent, if any, to which expenditure is identified as development expenditure rather than research expenditure.

Impairment of goodwill

The Group tests goodwill for impairment on an annual basis in line with the accounting policy noted above. This involves judgement regarding the future development of the business and the estimation of the level of future profitability and cash flows to support the carrying value of goodwill.

Impairment of other assets

The Group reviews the carrying value of all other assets for indications of impairment at each period end. If indicators of impairment exist, the carrying value of the asset is subject to further testing to determine whether its carrying value exceeds its recoverable amount.

4. Risk Management

The Company's activities expose it to a number of risks such as interest rate risk, liquidity risk and credit risk.

The Company's overall risk management programme seeks to minimise the potential adverse effects on the Group's financial performance. The Board, on a regular basis, reviews key risks and, where appropriate, actions are taken to mitigate the key risks identified.

4.1 Interest rate risk

The Company seeks to minimise exposure to interest rate risk by borrowing at fixed interest rates.

4.2 Liquidity risk

The Company prepares periodic working capital forecasts for the foreseeable future, allowing an assessment of the cash requirements of the Company, to manage liquidity risk. Cash resources are managed in accordance with planned expenditure forecasts and the Directors have regard to the maintenance of sufficient cash resources to fund the Company's immediate operating requirements and capital expenditure.

4.3 Credit risk

The Company's exposure to credit risk is limited as the majority of services provided are under terms whereby payment is due on delivery or in advance of services provided. For cash and cash equivalents, the Company only uses recognised banks with high credit ratings.

5. Analysis of revenue and loss from operations

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:

	Period ended 30 Sept 2012 £000	Period ended 30 Sept 2012 %	Year ended 31 March 2012 £000	Year ended 31 March 2012 %	Year ended 31 March 2011 £000	Year ended 31 March 2011 %	Year ended 31 March 2010 £000	Year ended 31 March 2010 %
Revenue by Service								
Domain Names	390	51.0	720	49.6	650	51.3	518	51.5
Hosting	343	44.9	659	45.4	548	43.2	418	41.6
Other	31	4.1	72	5.0	70	5.5	70	7.0
	<u>764</u>		<u>1,451</u>		<u>1,268</u>		<u>1,006</u>	

The Group's loss from operations, 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

	Period ended 30 Sept 2012 £000	Period ended 30 Sept 2012 %	Year ended 31 March 2012 £000	Year ended 31 March 2012 %	Year ended 31 March 2011 £000	Year ended 31 March 2011 %	Year ended 31 March 2010 £000	Year ended 31 March 2010 %
UK	735	96	1,378	95.0	1,213	51.3	976	97.0
Europe	13	2	27	1.9	26	43.2	15	1.5
Rest of World	16	2	46	3.2	29	5.5	15	1.5
	<u>764</u>		<u>1,451</u>		<u>1,268</u>		<u>1,006</u>	

6. Loss from operations

Loss from operations is stated after:

	Period ended 30 Sept 2012 £000	Year ended 31 March 2012 £000	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Auditors' remuneration				
Group: Audit	—	15	20	20
Company: Audit	—	4	4	4
Depreciation of property & plant equipment				
Owned	12	40	37	76
Held under finance leases	18	9	13	13
Amortisation of intangible assets	7	19	24	64
Share based payments	—	—	4	11
Rentals payable under operating leases	28	28	28	28

7. Information regarding employees

The average number of full-time persons employed by the Group, including executive Directors was as follows:

	Period ended 30 Sept 2012 £000	Year ended 31 March 2012 £000	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Research and development	6	4	4	3
Technical support	5	5	5	5
Executive and administration	5	5	4	4
	<u>16</u>	<u>14</u>	<u>13</u>	<u>12</u>

The aggregate payroll costs including executive Directors were as follows:

	Period ended 30 Sept 2012 £000	Year ended 31 March 2012 £000	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Wages and salaries	268	415	388	395
Social security costs	26	42	42	39
Benefits in kind	7	6	6	4
Staff option costs	—	—	4	11
	<u>301</u>	<u>463</u>	<u>440</u>	<u>449</u>

8. Information regarding Directors

Particulars of the emoluments of Directors (including executive and non-executive directors) are shown below:

	Period ended 30 Sept 2012 £000	Year ended 31 March 2012 £000	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Fees and salary	54	119	127	163
Benefits in kind	2	4	4	3
Staff option costs	—	—	—	—
	<u>56</u>	<u>123</u>	<u>131</u>	<u>166</u>

None of the Directors exercised share options during any of the periods and correspondingly there was no other gain made by Directors on such exercise.

The Group does not operate a defined benefits pension scheme and executive directors who are entitled to receive pension contributions may nominate a defined contribution scheme into which the Company make pension contributions.

The fees relating to non-executive directors are in some cases payable to third parties in connection with the provision of their services.

Directors' share options and warrants:

	Number of share options and exercise price					Number of warrants	
	0.7p	5p	10p	15p	20p	5p	15p
M Edelson	741,286	–	–	–	–	100,000	–
A Hardoon	–	–	–	250,000	100,000	–	1,050,000
J Joyce	–	25,000	25,000	200,000	100,000	–	–
R Khalastchy	–	15,000	5,000	100,000	100,000	–	–

All share options were granted prior to the year commencing 1 April 2009.

Warrants granted to A Hardoon were all granted prior to the year commencing 1 April 2009. Warrants granted to M Edelson were all granted in the year to 31 March 2012.

9. 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. The weighted average exercise price is 6.9p per share. In addition unapproved options have also been granted.

At 30 September 2012, 31 March 2012, 31 March 2011 and 31 March 2010 rights to options over ordinary shares of the Company were outstanding as follows:

Grant Date	Exercise period	Exercise price	Number of Ordinary Shares
25-May-07	25 May 2011 to 24 May 2017	2.5p	38,462
25-May-07	25 May 2011 to 24 May 2017	5p	38,462
25-May-07	25 May 2011 to 24 May 2017	10p	76,924
25-May-07	25 May 2011 to 24 May 2017	15p	423,077
25-May-07	25 May 2011 to 24 May 2017	20p	192,307
24-Aug-07	24 Aug 2011 to 23 Aug 2017	5p	25,000
24-Aug-07	24 Aug 2011 to 23 Aug 2017	10p	25,000
24-Aug-07	24 Aug 2011 to 23 Aug 2017	15p	200,000
24-Aug-07	24 Aug 2011 to 23 Aug 2017	20p	100,000
24-Aug-07	24 Aug 2011 to 23 Aug 2014	5p	15,000
24-Aug-07	24 Aug 2011 to 23 Aug 2014	10p	5,000
24-Aug-07	24 Aug 2011 to 23 Aug 2014	15p	350,000
24-Aug-07	24 Aug 2011 to 23 Aug 2014	20p	200,000
24-Aug-07	31 July 2007 to 30 July 2017	0.7p	2,321,428
			<hr/> 4,010,660 <hr/>

There have been no options granted, exercised or lapsed in the period from 31 March 2010 to 30 September 2012. In the year ended 31 March 2010 options over 307,689 ordinary shares lapsed.

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

Number of instruments granted	Grant date	Expiry date	Contract term (years)	Exercise price (pence)	Share price at granting (pence)	Annual risk free rate (%)	Annual expected dividend yield (%)	Volatility (%)	Fair value per grant instrument (pence)
38,462	25.05.07	24.05.17	10	2.5	5	5	0	50	3.96
38,462	25.05.07	24.05.17	10	5	5	5	0	50	3.36
76,924	25.05.07	24.05.17	10	10	5	5	0	50	2.19
423,077	25.05.07	24.05.17	10	15	5	5	0	50	2.19
192,307	25.05.07	24.05.17	10	20	5	5	0	50	1.88
25,000	24.08.07	23.08.17	10	5	5	5	0	50	3.36
25,000	24.08.07	23.08.17	10	10	5	5	0	50	2.64
200,000	24.08.07	23.08.17	10	15	5	5	0	50	2.19
100,000	24.08.07	23.08.17	10	20	5	5	0	50	1.88
15,000,	24.08.07	23.08.14	7	5	5	5	0	50	2.9
5,000	24.08.07	23.08.14	7	10	5	5	0	50	2.02
350,000	24.08.07	23.08.14	7	15	5	5	0	50	1.54
200,000	24.08.07	23.08.14	7	20	5	5	0	50	1.21
2,321,428	23.03.09	30.07.17	8.2	0.7	5	5	0	50	0.46

The inputs to the share valuation model utilised at the grant of option is shown in the tables above. Management has determined volatility using their knowledge of the business.

The expense arising from the share options in each of the periods covered by the financial information was as follows:

	Period ended 30 Sept 2012 £000	Year ended 31 March 2012 £000	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Share option costs	–	–	4	11
	–	–	4	11

Share Warrants

At 30 September 2012, there were outstanding warrants to subscribe for 11,869,500 of the ordinary shares in capital of the Company as follows:

Grant Date	Expiry Date	No. of shares subject to warrants and exercise price			Total
		5p	10p	15p	
09.01.08	08.01.13	–	–	2,800,000	2,800,000
11.03.08	10.03.15	–	3,469,500*	–	3,469,500
09.01.12	08.01.22	5,600,000	–	–	5,600,000

The shares will have the same dividend and voting rights as the existing ordinary shares in issue. The fair value of arranger warrants* has been calculated at 2.8p based on the following assumptions – share price at granting 6p, annual risk free rate 5 per cent., volatility 50 per cent.

As noted above the total number of outstanding warrants at 30 September 2012 and 31 March 2012 was in respect of 11,869,500 ordinary shares. At 31 March 2011 and 31 March 2010 there were outstanding warrants in respect of 6,269,500 ordinary shares.

10. Finance costs

	Period ended 30 Sept 2012 £000	Year ended 31 March 2012 £000	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Interest payable on finance leases	8	3	1	3
Interest payable on loan notes	13	24	24	28
Other interest payable	26	36	14	1
Other finance costs	8	—	—	—
	<u>55</u>	<u>63</u>	<u>39</u>	<u>32</u>

11. Taxation

	Period ended 30 Sept 2012 £000	Year ended 31 March 2012 £000	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Current tax charge	—	—	—	—
Deferred tax	—	—	—	—
Timing differences				
Factors affecting the tax charge for the year				
Loss on activities before taxation	(188)	(289)	(337)	(587)
Loss on ordinary activities before taxation multiplied by the standard rate of UK corporation tax of 26 per cent. (2011 and 2010: 28 per cent.)	(49)	(75)	(94)	(164)
Effects of:				
Other adjustments	49	75	94	164
Current tax charge	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

There is no tax charge for any of the periods reported due to losses arising. The Directors have not provided for the potential deferred tax asset due to the current uncertainty of future taxable profits. The tax losses available were approximately £2,868,000 at 31 March 2010, £3,064,000 at 31 March 2011, £3,334,000 at 31 March 2012 and £3,507,000 at 30 September 2012.

12. Goodwill

	Goodwill £000
Cost	
At 30 September 2012	
31 March 2012, 2011 and 2010	849
	<hr/>
Impairment	
At 30 September 2012	
31 March 2012, 2011 and 2010	(457)
	<hr/>
Net book value	
At 30 September 2012	392
At 31 March 2012	392
At 31 March 2011	392
At 31 March 2010	392
	<hr/> <hr/>

13. Intangible fixed assets

	Research and Development £000
Cost	
30 September 2012	232
31 March 2012, 2011 and 2012	
	<hr/>
Amortisation	
At 1 April 2009	116
Charge for the period	64
	<hr/>
At 31 March 2012	180
Charge for the period	24
	<hr/>
At 31 March 2011	204
Charge for the period	19
	<hr/>
At 31 March 2012	223
Charge for the period	7
	<hr/>
At 30 September 2012	230
	<hr/> <hr/>
Net book value	
30 September 2012	2
31 March 2012	9
31 March 2011	28
31 March 2012	52
	<hr/> <hr/>

14. Property, plant & equipment

	Website Design £000	Furniture and Equipment £000	Total £000
Cost			
At 1 April 2009	166	176	342
Additions	–	90	90
At 31 March 2010	166	266	432
Additions	–	25	25
At 31 March 2011	166	291	457
Additions	–	124	124
Disposals	–	(2)	(2)
At 31 March 2011	166	413	579
Additions	–	46	46
At 30 September 2012	166	459	625
Depreciation			
At 1 April 2009	115	95	210
Charge for the period	51	38	89
At 31 March 2010	166	133	299
Charge for the period	–	50	50
At 31 March 2011	166	183	349
On Disposals	–	(2)	(2)
Charge for the period	–	49	49
At 31 March 2012	166	230	396
Charge for the period	–	37	37
At 30 September 2012	166	267	433
Net book value			
At 30 September 2012	–	192	192
At 31 March 2012	–	183	183
At 31 March 2011	–	108	108
At 31 March 2010	–	133	133

Included in the net book value at 30 September 2012 are leased assets of £90,000 (31 March 2012: £66,000; 31 March 2011 £25,000; 31 March 2010: £47,000). The depreciation for the period ended 30 September 2012 on these assets was £18,000 (year ended 31 March 2012 £9,000; year ended 31 March 2011 £13,000; year ended 31 March 2010 £13,000).

15. Trade and other receivables

	30 Sept 2012 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000
Amounts due within one year				
Trade receivables	–	–	2	7
Other receivables	–	–	–	–
Prepayments and accrued income	38	47	25	29
Total receivables	38	47	27	36

16. Trade and other payables – falling due within one year

	30 Sept 2012 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000
Trade payables	203	203	147	156
Social security and other taxes	86	80	60	53
Other creditors	134	109	61	65
Accruals and deferred income	359	344	299	271
	782	736	567	545

17. Finance Leases

The maturity of obligations under finance leases are as follows:

	30 Sept 2012 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000
Within one year	32	22	8	8
Within one to two years	36	19	8	8
Within two to five years	12	15	2	6
	80	56	18	22

Finance lease liabilities are secured on the equipment held as fixed assets.

18. Other Loans

The maturity of other debt is as follows:

	30 Sept 2012 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000
Within two to three years	682	674	544	269
Over five years	–	–	–	–

The other loan comprises the debt element of the convertible loan note (Note 20) together with other loans advanced at fixed interest rates totalling £405,000 at 30 September 2012 and 31 March 2012, £275,000 at 31 March 2011 and Nil at 31 March 2010.

19. Operating Leases

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

	Leasehold Property	Other
	2010, 2011 and 2012	2010, 2011 and 2012
	£000	£000
Within two and five years	28	–

20. Financial Instruments

The Group's financial instruments comprise cash and liquid resources, convertible loan notes, other loans and various items such as receivables and trade payables that arise directly from its operations.

There have been no substantive changes in the Group's 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 (2012 Loan Notes). The notes were due to be redeemed on 9 January 2012. Following discussions with all holders of 2012 Loan Notes a resolution was passed unanimously at the General Meeting of noteholders held on 4 January 2012 to exchange the 2012 Loan Notes with new loan notes expiring in 2015 (2015 Loan Notes).

The 2015 Loan Notes offer a rate of interest of 9 per cent. and are convertible at a conversion price of 3p per share. The Company is able to redeem a minimum of £1,000 nominal value of each New Loan Note as cash flow allows by repaying the redeemed nominal value plus six months' pro rata interest, subject to the relevant holders being entitled to convert such loan notes into ordinary shares in the capital of the Company at their election at 3p per share.

The exchange of each 2012 Loan Note for a 2015 Loan Note is accompanied by a Warrant entitling the holder to subscribe for 100,000 ordinary shares at a price of 5p per share, exercisable at any time before 8 January 2022, provided that the Company may require the exercise of these Warrants if its shares are traded at a price in excess of 8p per share for a period of 60 business days and an aggregate value of bargains exceeding £60,000 occurs over that period. The value of the convertible loan notes recognised in the balance sheet is calculated as follows:

	30 Sept 2012 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000
Face value	280	280	280	280
Costs of issues	–	(8)	(8)	(8)
Net proceeds	280	272	272	272
Equity components	(3)	(3)	(3)	(3)
Liability component at end of period	277	269	269	269

Categories of financial instruments

	30 Sept 2012 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000
Loans and receivables	–	–	2	7
Trade receivables	–	–	–	–
Cash and cash equivalents	557	108	99	81
Financial liabilities measured at amortised cost				
Non-current borrowing	682	674	544	269
Finance lease liability	80	56	18	22
Trade and other payables	423	392	268	274

The carrying value of all financial assets and liabilities shown above is considered to also be the fair value of the assets and liabilities.

21. Share Capital

	30 Sept 2012 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000
Allotted, called up and fully paid				
At start of year, ordinary shares of 0.5p	313	305	305	305
Issued during the year	146	8	–	–
	<u>459</u>	<u>313</u>	<u>305</u>	<u>305</u>

In the year ended 31 March 2012 1,500,000 ordinary shares of 0.5p each were issued in settlement of fees totalling £37,000. In the period ended 30 September 2012, 29,129,200 ordinary shares of 0.5p each were issued through a placing and open offer at a price of 2p per share.

22. Contingent Liabilities

There were no contingent liabilities at 30 September 2012 or 31 March 2012, 2011 or 2010.

23. Related Party Transactions

Fees and expenses are paid to London and City Credit Corporation Limited, a company controlled by Mr J M Edelson for fees and expenses with regard to services supplied by Mr J M Edelson. The amounts charged and the balance outstanding at the end of each period is shown below:

	30 Sept 2012 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000
Charged in period	19	38	36	36
Outstanding at period end	19	7	7	7

24. Transactions with Directors

The Directors use personal credit cards to pay trade creditors where necessary.

The amounts reimbursed to Directors together with balance outstanding at each period end which were included in current liabilities are shown below.

	A Hardoon £000	J Joyce £000
Period ended 30 September 2012	252	84
Balance outstanding 30 September 2012	113	20
Year ended 31 March 2012	481	98
Balance outstanding at 31 March 2012	85	24
Year ended 31 March 2011	513	31
Balance outstanding at 31 March 2011	61	–
Year ended 31 March 2010	352	6
Balance outstanding at 31 March 2010	42	3

The Company paid rent and service charges for its premises amounting to Mr Hardoon as follows:

	£000
Period ended 30 September 2012	16
Year ended 31 March 2012	32
Year ended 31 March 2011	32
Year ended 31 March 2010	32

Included in creditors falling due after one year at 30 September 2012 is £45,000 provided by Mr Hardoon as part of a loan facility. The loan is due to be repaid on 31 August 2013 and interest payable is 10 per cent. The loan was advanced during the year ended 31 March 2011.

Mr A Hardoon has given personal guarantees to Barclays Bank of up to £70,000 dated 14 February 2008 and up to £80,000 dated 17 November 2008.

25. Analysis of changes in net funds

Net cash:	Cash at bank and in hand £000	Net funds £000
1 April 2009	747	747
Cashflow	(666)	(666)
Other non-cash changes	–	–
	<hr/>	<hr/>
31 March 2010	81	81
Cashflow	18	18
Other non-cash changes	–	–
	<hr/>	<hr/>
31 March 2011	99	99
Cashflow	9	9
Other non-cash changes	–	–
	<hr/>	<hr/>
31 March 2012	108	108
Cashflow	469	469
Other non-cash changes	–	–
	<hr/>	<hr/>
30 September 2012	577	577
	<hr/>	<hr/>

26. Reconciliation of net cash flow to movement in net funds

	30 Sept 2012 £000	31 March 2012 £000	31 March 2011 £000	31 March 2010 £000
Increase/(Decrease) in cash in the year/period	469	9	18	(666)
Opening net funds	108	99	81	747
Closing net funds	<u>577</u>	<u>108</u>	<u>99</u>	<u>81</u>

27. Loss per share

Fully diluted loss per share is calculated after showing the effect of outstanding options in issue. As the effect would be to reduce the loss per share, the diluted loss is the same as the undiluted loss per share.

Calculation of loss per share is based on the following loss and numbers of shares:

	Period ended 30 Sept 2012 £000	Year ended 31 March 2012 £000	Year ended 31 March 2011 £000	Year ended 31 March 2010 £000
Loss for the financial period	£188,000	£289,000	£337,000	£587,000
Weighted number of equity shares	63,260,254	61,403,002	61,123,550	61,123,550
Basic/diluted loss per share	£0.01	£0.01	£0.01	£0.01

See Note 29 for details of shares issued after the balance sheet date which will impact on future earnings per share figures.

28. Capital Management

The Group manages its capital so to ensure all Group entities can continue as going concerns and to build capital to provide return to shareholders in the future. The capital structure is managed and consideration given to the issue of new shares, the level of debt taken and available and the use of other financial instruments such as the convertible loan notes.

29. Events after the balance sheet date

In December 2012, the Company issued and allotted an aggregate of 25,000,000 Ordinary Shares at a price of 2.2p a share, pursuant to a subscription of shares.

It has been agreed that Options over an aggregate of 2,232,142 Ordinary Shares will be exercised, conditional on Admission (including options granted to a director in respect of 714,286 Ordinary Shares).

In December 2012, a director waived entitlement to Historic Unapproved Options of 220,000 Ordinary Shares and was granted New Unapproved Options over 300,000 Ordinary Shares, exercisable at 2p per Ordinary Share. At the same time a further 100,000 New Unapproved Options exercisable at 2p per Ordinary Share were granted.

In December 2012, a director waived entitlement to Historic Unapproved Options of 350,000 Ordinary Shares and was granted EMI options over an aggregate of 900,000 Ordinary Shares, exercisable at 2p per Ordinary Share under the terms of a new EMI share option contract.

In December 2012, historically granted enterprise management incentive (EMI) options over an aggregate of 1,119,232 Ordinary Shares, exercisable at varying prices ranging from 2.5p to 20p per Ordinary Share were waived by employees of the Company who were then granted replacement enterprise management options. Altogether, there are now new EMI Options over an aggregate of 3,850,000 Ordinary Shares (including an aggregate of 1,900,000 Ordinary Shares to directors), all exercisable at 2p per Ordinary Share.

PART IV

Additional Information

1. Responsibility

- 1.1 The Company and the Directors, whose names appear on page 3 of this document, accept responsibility, both collectively and individually, for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company and the Group

- 2.1 The Company was incorporated and registered in England and Wales on 20 March 2007 with registered number 06172239 as a public limited company under the name COBCO 828 plc. The Company changed its name on 4 May 2007 to Daily Internet plc. The liability of the members of the Company is limited.
- 2.2 The principal legislation under which the Company operates is the Companies Act 1985 and the Act and the regulations made under them.
- 2.3 The registered office of the Company is at Number 14 Riverview, Vale Road, Heaton Mersey, Stockport, Cheshire SK4 3GN (telephone +44 (0) 161 975 5757) and the principal place of business of the Company is at 9 Regan Way, Chetwynd Business Park, Chilwell, Nottingham NG9 6RZ (telephone number +44 (0) 115 973 7260).
- 2.4 The Ordinary Shares in the Company were first admitted to trading on the PLUS Market, now relaunched as the ISDX Growth Market, on 10 March 2008.
- 2.5 The principal activity of the Company is that of a holding company for the following subsidiary companies:

Name	Shareholder (all 100 per cent.)	Place of registration	Registered office	Registered number	Date of incorporation
Daily Internet Services Limited	Daily	England and Wales	9 Regan Way Chilwell Beeston Nottingham NG9 6RZ	05743110	15/03/2006
Lambolle Partners Public Limited Company	Daily	England and Wales	Number 14 Riverview Vale Road Heaton Mersey Stockport Cheshire SK4 3GN	05959099	06/10/2006

- 2.6 As at the date of this document, Daily Internet Services Limited is the main trading subsidiary of the Company, undertaking the Group's web hosting and other services business; while Lambolle Partners Public Limited Company is a dormant subsidiary.

- 2.7 Save as disclosed in paragraph 2.5 of this Part IV, the Company does not hold any capital in any undertaking likely to have a significant effect on the assessment of its own assets and liabilities, financial position or profits and losses.

3. Share Capital

- 3.1 The Company's fully paid issued share capital as at the date of this document and as it will be on Admission is as follows:

	Issued Share Capital as at date of document		Issued Share Capital as at Admission	
	Number	Amount	Number	Amount
Ordinary Shares of £0.005 (0.5p) each	116,752,750	£583,764	118,984,892	£594,924

- 3.2 None of the Company's issued share capital is other than fully paid.
- 3.3 During the period 1 April 2009 to the date of this document, the Company has issued and allotted Ordinary Shares as follows:
- 3.3.1 on 23 January 2012, 1,500,000 Ordinary Shares were issued and allotted at a price of £0.025 (2.5p) a share to Loeb Aron & Company Ltd in satisfaction of fees owed to it in respect of its services as PLUS Markets Corporate Adviser;
- 3.3.2 on 27 September 2012, the Company issued and allotted an aggregate of 28,750,000 Ordinary Shares at a price of 2p a share pursuant to a private placing of Ordinary Shares and 379,200 Ordinary Shares at a price of 2p a share pursuant to an open offer to shareholders to subscribe for Ordinary Shares; and
- 3.3.3 on 20 December 2012, the Company issued and allotted an aggregate of 25,000,000 Ordinary Shares at a price of 2.2p a share, pursuant to a subscription of shares.
- 3.4 The Company's existing authorities relating to the issue and allotment of Ordinary Shares were approved at the Company's general meeting held on 19 December 2012 when it was resolved, *inter alia*, to:
- 3.4.1 authorise the directors generally and unconditionally to exercise all of the powers of the Company to allot relevant securities (within the meaning of section 560(1) of the Act), provided that this shall be limited to the allotment of Ordinary Shares pursuant to options granted to directors, employees and consultants to the Company up to an aggregate nominal value of £32,357; the convertible loan note instrument dated 4 January 2012 up to an aggregate nominal value of £50,867 (including interest); pursuant to warrants granted pursuant to warrant instruments dated 9 January 2008, 21 January 2008 and 4 January 2012 up to an aggregate nominal value of £59,348; to certain lenders, including Abby Hardoon, by way of capitalisation of loan facility up to an aggregate nominal value of £67,500; pursuant to the subscription for shares at a subscription price of £0.022 up to an aggregate nominal value of £125,000; in connection with an offer by way of rights issue; and otherwise up to an aggregate nominal amount of £194,588, provided that this authority shall expire on 19 March 2014 or the date of the 2013 annual general meeting of the Company, except that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority had not expired;

- 3.4.2 empower the Directors to allot equity securities pursuant to the general authority referred to in paragraph 3.4.1 above as if section 561(1) of the Act did not apply to the allotment, provided that this paragraph is limited to the allotment of Ordinary Shares pursuant to: the convertible loan note instrument dated 4 January 2012 up to an aggregate nominal value of £50,867 (including interest); pursuant to warrants granted pursuant to warrant instruments dated 9 January 2008, 21 January 2008 and 4 January 2012 up to an aggregate nominal value of £59,348; to certain lenders, including Abby Hardoon, by way of capitalisation of loan facility up to an aggregate nominal value of £67,500; pursuant to the subscription for shares at a subscription price of £0.022 up to an aggregate nominal value of £125,000; in connection with an offer by way of rights issue; and otherwise up to an aggregate nominal amount of £87,565, provided that this authority shall expire on 19 March 2014 or the date of the 2013 annual general meeting of the Company, except that the Company may, before such expiry, make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority had not expired.
- 3.5 The Ordinary Shares have the rights and are subject to the restrictions referred to in paragraphs 4.2.3 to 4.2.7 of this Part IV.
- 3.6 The Company does not have in issue any securities not representing share capital.
- 3.7 There are no shares held by or on behalf of the Company in itself or by any other member of the Group in the Company.
- 3.8 Save as set out in this document, the Company has not issued any convertible securities, exchangeable securities or securities with warrants.
- 3.9 Save as set out in this document, no person has any acquisition right over, and the Company has incurred no obligation over, the Company's authorised but unissued share capital or given any undertaking to increase the Company's capital.
- 3.10 Save as set out in this Part IV:
- 3.10.1 no share or loan capital of the Company or any member of the Group has been issued or is now proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash; and
- 3.10.2 no share or loan capital of the Company or any member of the Group is under option or is agreed conditionally or unconditionally to be put under option.

4. Memorandum and Articles of Association

4.1 *Memorandum of Association*

The principal objects of the Company are set out in paragraph 4 of the Company's memorandum of association, transposed under the Act into the Company's articles of association and are to carry on business as a general commercial company. In addition, the objects allow the carrying on of any other trade or business which may seem to the Company and the Directors to be advantageous and to directly or indirectly enhance any or all of the business of the Company.

4.2 *Articles of Association*

The Articles contain, inter alia, provisions which are summarised below. The summary below does not purport to be complete and is qualified in its entirety by the full terms of the Articles and relevant legislation.

4.2.1 *Votes of Members*

(a) Votes attaching to shares

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with the Articles, on a show of hands every member who is present in person or by proxy not being himself a member shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

(b) No voting rights

No member shall, unless the Directors otherwise determine, be entitled to vote:

- (i) if any call or other sum presently payable by him to the Company in respect of the shares remains unpaid; or
- (ii) if a member has been served with a notice under section 793 of the Act and failed to provide the Company with information concerning interests in those shares required to be provided under the Act.

4.2.2 *Transfer of Shares*

(a) Form of transfer

Title to and interest in shares may be transferred without a written instrument in accordance with statutory regulations from time to time under the Companies Act 1985, as amended. Transfers of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable by the Directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the register in respect of such shares.

(b) Right to refuse to register a transfer

The Directors may decline to register any transfer of any share which is not a fully paid share provided that the Directors shall not refuse to register any transfer or renunciation of partly paid shares which are admitted to trading on the London Stock Exchange on the grounds that they are partly paid shares in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis. The Directors may also decline to register a transfer of shares representing at least 6.25 per cent. of any class of share after there has been a failure to provide the Company with information concerning interests in those shares required to be provided under the Articles unless it is a transfer on a recognised investment exchange (as defined in FSMA) or on any stock exchange outside the United Kingdom on which shares are normally traded or a sale to an offeror following acceptance of an offer made to all the holders (or all the holders other than the person making the offer and his nominees) of shares of the same class as those shares to acquire all the shares of that class or a specified proportion of them.

(c) Change of control

There are no provisions in the Articles that would have an effect of delaying, deferring or preventing a change in control of the Company.

4.2.3 *Dividends*

(a) Final dividends

The Company may by ordinary resolution declare dividends to the members in accordance with their respective rights and priorities but no such dividends shall exceed the sum recommended by the Directors. There is no fixed date on which entitlement to dividend arises.

(b) Interim dividends

The Directors may if they think fit from time to time pay to the members such interim dividends as appear to the Directors to be justified by the profits of the Company and are permitted by the Companies Act 1985, as amended.

(c) Retention of dividends

The Directors may withhold dividends payable on shares of at least 0.25 per cent of any class of share after there has been failure to provide the Company with information concerning interests in those shares required to be provided under the Articles and Act until such failure has been remedied. The Company's lien (if any) on a share shall extend to all dividends payable in respect of such shares.

(d) Unclaimed dividend

Any dividend unclaimed after a period of 12 years from the date of declaration thereof shall be forfeited and shall cease to remain owing by the Company and belong to the Company.

(e) Distribution *in specie*/scrip dividend

The Company may upon the recommendation of the Directors by ordinary resolution direct payment of a dividend in whole or in part by the distribution of specific assets and, in particular, of paid up shares, debentures or other securities or rights of any other company and the directors shall give effect to such resolution. The Directors may declare that each holder of Ordinary Shares may elect to forgo his right to participate in a dividend (or such part thereof as the directors may determine) and to receive instead an allotment of Ordinary Shares to the extent and within the limits and on the terms and conditions set out in the Articles.

(f) Non-resident shareholders

There are no dividend restrictions or procedures for non-resident shareholders.

4.2.4 *Distribution of assets on a winding up*

If the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the Court) the liquidator may, with the authority of an extraordinary resolution and any other sanction required by the Companies Act 1985, as amended, divide among the members *in specie* the whole or any part of the assets of the Company, and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members.

4.2.5 *Capitalisation of profits and reserves*

- (a) The Company in general meeting may, upon the recommendation of the Directors, capitalise any undivided profits and any part of the amount standing to the credit of any of the Company's reserve accounts or its profit and loss account.

- (b) Such capitalisation shall be effected by appropriating such sum to the holders of Ordinary Shares in proportion to their holdings of Ordinary Shares and applying such sum on their behalf in paying up in full unissued shares.

4.2.6 *Share capital*

- (a) Classes of share

The Company has only one class of shares: ordinary shares of 0.5p each which rank *pari-passu* in all respects.

- (b) Variation of rights

The rights attached to any class may, subject to the provisions of the Companies Act 1985, as amended, be varied in such manner (if any) as may be provided by such rights or otherwise either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class.

- (c) Increase in share capital

The Company may from time to time by ordinary resolution increase its capital by such sum to be divided into shares of such amounts and carrying such rights as the resolution may prescribe.

- (d) Consolidation, cancellation and subdivision

The Company may by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger nominal value than its existing shares;
- (ii) cancel any shares which have not been taken or agreed to be taken; and
- (iii) subject to the provisions of the Companies Act 1985, as amended, subdivide its shares.

- (e) Reduction

Subject to the provisions of the Companies Act 1985, as amended, the Company may by special resolution reduce its share capital or any capital revaluation reserve or share premium account in any manner.

- (f) Purchase of own shares

Subject to the provisions of the Companies Act 1985, as amended, the Company shall have the power to purchase any of its own shares, including any redeemable shares.

4.2.7 *Forfeiture and lien*

- (a) Notice on failure to pay a call

If a member fails to pay any call or instalment of a call on the due date of payment the Directors may at any time after the failure serve a notice on him requiring payment and shall state that in the event of non-payment in accordance with such notice the shares on which the call was made will be liable to be forfeited.

- (b) Lien

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys, whether presently payable or not, called or payable at a fixed time in respect of such share.

- (c) Sale of shares subject to lien

The Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, fourteen days after a notice in writing stating and demanding payment of the sum presently payable and giving notice of intention to sell in default shall have been served.

4.2.8 *Directors*

- (a) Number of Directors

The number of Directors shall not be less than two. The Company may by ordinary resolution vary the minimum number and fix and vary a maximum number of directors.

- (b) Directors' fees

The maximum aggregate annual fees payable to the Directors shall not exceed £200,000 in aggregate or such larger sum as may from time to time be determined by ordinary resolution of the Company, but this limit shall not apply in respect of salaries, bonuses or other remuneration payable by the Company or any subsidiary or expenses reimbursed to any director.

Any director who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, may be paid such remuneration by way of salary, lump sum, percentage of profits or otherwise as the Directors may determine.

- (c) Directors' expenses

The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with the business of the Company, or in attending and returning from meetings of the directors or of committees of the directors or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

- (d) Retirement by rotation

Each Director shall retire by rotation at the annual general meeting held in the third calendar year following the year in which such director was elected or last re-elected. A Director retiring by rotation shall be eligible for re-election.

The Directors to retire each year shall include any director who wishes to retire and not offer themselves for re-election (if any) together with, to the extent that the number of such directors is insufficient to meet the number required to retire, such of the Directors who have been longest in office as are necessary to meet with such number. A retiring Director shall be eligible for re-election.

- (e) Restrictions on voting

A Director shall not vote (save as provided in the Articles) in respect of any contract or arrangement or any other proposal in which he has a material interest. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

- (f) A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution:

- (i) relating to the giving of any security, guarantee or indemnity in respect of:
 - (1) money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiaries; or
 - (2) a debt or obligation of the Company or any of its subsidiaries for which he himself has assumed responsibility in whole or part by the giving of security or under a guarantee of indemnity;
- (ii) where the Company or any of its subsidiaries is offering securities in which offer the Director is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (iii) relating to another company in which he does not hold an interest in shares representing 1 per cent. or more of the issued shares of any class or the voting rights in such company;
- (iv) relating to a superannuation fund, retirement benefits scheme, share option scheme or share incentive scheme under which he may benefit; or
- (v) concerning the purchase and/or maintenance of any insurance policy under which he may benefit.

4.2.9 *Borrowing powers*

- (a) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital and, subject to the Companies Act 1985, as amended, to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.
- (b) The Directors shall restrict the borrowing of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (or, as regards subsidiaries, so far as they can so secure) that the aggregate of the amounts borrowed by the Company and all its subsidiaries and remaining outstanding (excluding intra-group borrowings) shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to either four times the nominal amount paid up on the issued share capital of the Company and the amount standing to the credit of capital and revenue reserves including share premium account, capital redemption reserve and profit and loss account (but after deducting any debit balance on profit and loss account) and subject to such adjustments as are specified in the Articles.

4.2.10 *Annual and general meetings*

The Company shall in each year hold a general meeting as its annual general meetings and not more than 15 months shall elapse between the date of one annual general meeting of the Company and the next. The annual general meeting shall be held at such time and place as the Directors may determine.

The Directors may whenever they think fit, and shall on requisition in accordance with the Companies Act 1985, as amended, proceed to convene a general meeting for a date not later than eight weeks after receipt of the requisition.

4.2.11 *Change of Control and Threshold for Disclosures*

There are no provisions in the Articles of the Company which set out any ownership threshold above which share ownership must be disclosed. However, pursuant to the Disclosure Rules and Transparency Rules, holders of three per cent or more of the voting rights of the Company's share capital must notify their interest in writing to the Company and also notify the Company in writing if their holding exceeds or falls below each 1 per cent. threshold above 3 per cent.

Nothing in the Articles confers on major shareholders in the Company any voting rights, which are different to those conferred on the holders of Ordinary Shares as described in paragraph 4.2.1 above.

Pursuant to Rule 5 of the Disclosure Rules holders of 3 per cent. or more of the voting rights of the Company's share capital are required to notify their interest in writing to the Company. To the extent that persons who already hold at least 3 per cent. or more of the voting rights of the Company's share capital increase or decrease their holding, section 198 of the 1985 Act required that this was also notified to the Company by the shareholder.

In addition, pursuant to section 793 of the Act, the Company may by notice in writing require a person whom the Company knows or has reasonable cause to believe to be, at any time during the three years immediately preceding the date on which the notice is issued, to have been interested in shares comprised in the Company's issued share capital, to confirm that fact, or (as the case may be) to indicate whether or not it is the case, and where that person holds, or has during that time held an interest in shares to be comprised, to give such further information as may be required in accordance with sections 793(3), (4) and/or (6) of the Act.

4.2.12 *Pre-emption Rights*

There are no provisions in the Articles which prescribe any right of pre-emption in relation to offers for subscription of securities in the same class.

4.2.13 *Redemption/Conversion*

There are no provisions in the Articles which prescribe any rights of redemption or conversion in relation to any class of shares.

4.2.14 *Disclosure of Interests*

The Company may give notice under section 793 of the Act to any person whom the Company knows or has reasonable cause to believe:

- (a) to be interested in the Company's shares; or
- (b) to have been so interested at any time in the three years immediately preceding the date on which the notice is to be issued.

The notice may require the person to:

- (a) confirm that fact or (as the case may be) to state whether or not it is the case; and
- (b) if he holds, or has during that time held, any such interest, to give such further information as may be required in accordance with section 793 of the Act (including particulars of the interest (past or present) and the identity of the persons interested in the shares in question).

If the Company has served a disclosure notice on a person appearing to be interested in specified shares and the Company has not received the information required in the disclosure notice within 14 days after service of the disclosure notice, the member holding the specified shares shall not be entitled to vote at general meeting and if the member holds at least 0.25 per cent. of any class of shares may not be entitled to receive any dividend or to transfer or agree to transfer such shares.

4.2.15 *Notices*

The Company may give notice to a member either:-

- (a) personally; or
- (b) by post; or
- (c) by leaving it at the member's address; or

- (d) by other means authorised in writing by a member – including by electronic mail to the extent permitted by law.

4.2.16 *Indemnities*

- (a) Any person who is or was at any time a director, alternate director, officer or employee of the Company or any group company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may suffer or incur in or about the execution of the duties of his office or otherwise in relation thereto.
- (b) So far as the law allows, the Directors may take out, review, establish, participate in and contribute to the cost of maintaining insurance for or for the benefit of any persons who are or were at any time:
 - (i) directors, alternate directors, officers or employees of a group company; or
 - (ii) trustees of any pension fund in which any employee or former employee of the Company or of any such group company are interested, including insurance against any liability incurred by such persons in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/or in the exercise or purported exercise of their powers and/or otherwise in relation to their duties, powers or offices in relation to the Company or any other group company or pension fund.

5. **Directors' and Other Interests**

- 5.1 The interests of the Directors and the persons connected with them (within the meaning of section 252 of the Act) in the share capital of the Company as at the date of this document and immediately following Admission are and will be as follows:

	As at the date of this document		As at Admission		
	Number of Ordinary Shares	Percentage of Existing Shares	Number of Ordinary Shares	Percentage of Enlarged Issued Share Capital	Number of Ordinary Shares under option/warrant
Michael Edelson	3,114,285	2.67	3,828,571	3.22	100,000
Abby Hardoon	20,233,627	17.33	20,233,627	17.01	2,150,000
Julie Joyce	150,000	0.13	150,000	0.13	1,000,000
Robert Khalastchy	253,846	0.22	253,846	0.21	300,000

* Michael Edelson's holding includes 1,000,000 Ordinary Shares held by his wife, Jacqueline Barbara Edelson, 628,571 Ordinary Shares held by himself and Philip Kanas as the trustees of The Morris Edelson Settlement and 200,000 Ordinary Shares held by Novabank Capital Limited of which he is a director and shareholder. Michael Edelson has agreed to exercise his options over 714,286 Ordinary Shares, conditional on Admission. Further details of the options and warrants held by the Directors are set out in paragraph 9 of this Part IV below.

- 5.2 So far as the Directors are aware, the following persons (other than as disclosed in paragraph 5.1 above) are or will be directly or indirectly interested in three per cent. or more of the issued share capital of the Company:

	As at the date of this document		As at Admission		
	Number of Ordinary Shares	Percentage of Existing Shares	Number of Ordinary Shares	Percentage of Enlarged Issued Share Capital	Number of Ordinary Shares under option/warrant
Loeb Aron & Company Limited*	4,468,850	3.83	4,468,850	3.76	4,849,500
Cheviot Capital Nominees Limited	7,954,545	6.81	7,954,545	6.69	—
Fitel Nominees Limited	7,500,000	6.42	7,500,000	6.3	—
Pentagon Sterling Satellite Fund Limited	4,500,000	3.85	4,500,000	3.78	—
J Thompson	6,475,000	5.55	6,475,000	5.44	—
Investec Wealth and Investment Limited	12,545,455	10.75	12,545,455	10.54	—
Hargreave Hale Nominees Limited	8,363,637	7.16	8,363,637	7.03	—
J H Lyons	6,843,505	5.86	6,843,505	5.75	—
WB Nominees Limited	3,750,000	3.21	3,750,000	3.15	—

* including the Ordinary Shares held by persons connected with Loeb Aron & Company Limited.

- 5.3 The Directors have agreed that they will not (save in certain specified circumstances) dispose of any shares for a period of 12 months following Admission and thereafter, for a further 12 months, have agreed to only dispose of shares through Merchant Securities in an orderly manner. Further details of this lock-in are set out in paragraph 13.3 of this Part IV.
- 5.4 The Company is not aware of any person, other than the Directors and their immediate families, who immediately following Admission will, directly or indirectly, jointly or severally, exercise or could exercise control or ownership over the Company. Other than the protections afforded to Shareholders under the City Code on Takeovers and Mergers, there are no controls in place to ensure that any Shareholder having a controlling interest in the Company does not abuse that interest.
- 5.5 None of the Ordinary Shares held by the Company's major Shareholders have different voting rights to any other Ordinary Shares.
- 5.6 Save as disclosed in this document, none of the Directors has any interest, beneficial or non-beneficial, in the share or loan capital of the Company.
- 5.7 Save as disclosed in this document no Director has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, the Company and no contract or arrangement exists in which a Director is materially interested and which is significant in relation to the business of the Group.
- 5.8 There are no outstanding loans granted by the Company to any of the Directors, nor are there any guarantees provided by the Company for their benefit.

- 5.9 There are no arrangements known to the Company, the operation of which may at a subsequent date result in the change of control of the Company.
- 5.10 There are no mandatory takeover bids and/or squeeze-out or sell-out rules outstanding in respect of the Company and its securities and none has been made either in the last financial year or the current financial year of the Company. No public takeover bids have been made by third parties in respect of the Company's issued share capital in the current financial year nor in the last financial year.
- 5.11 Save as disclosed in this document, the Group has not entered into any transaction, whether as a single transaction or in its entirety with a related party which may be material.

6. Directors

- 6.1 Other than a directorship of the Company and its subsidiaries, the current directorships and partnerships of the Directors and directorships and partnerships held by them over the previous five years are as follows:

Directors	Current directorships and partnerships	Previous directorships and partnerships
Michael Edelson	AllBabble Limited Babble Ltd EXC plc Fastnet Oil & Gas plc (formerly Sterling Green Group plc) Funded Apps Ltd (formerly TAF Developments Ltd) Lambolle Partners plc Cobalt Data Centre LLP London & City Credit Corporation Limited Manchester United Football Club Limited Manchester United Foundation Manchester United Foundation (Trading) Limited Novabank Group Ltd and subsidiaries: Novabank Capital Ltd Novabank Holdings Ltd Ridgegate Digital plc Solidrock Limited UK Friends of Lasova Limited Vale Funding Limited	Hartford Leisure Limited Marlborough Ventures plc Paycorp Group plc (formerly Birch Partners plc) TAF Investments Ltd Worthington Group plc Leathertrends Limited Soccerscoop Limited Sportscoop Limited
Abby Hardoon	—	Diet Kitchen Limited
Julie Joyce	—	—
Robert Khalastchy	Sterling Property Management (UK) Limited	Amitz Poplar Lodge Limited Invest Q Finance Limited The Mews Langdon Road (Management Company) Limited R.K. Management Limited Twinstar Equity Limited Wymering Mansions Limited

- 6.2 As at the date of this document, the business address of each of the Directors is at 9 Regan Way, Chetwynd Business Park, Chilwell, Nottingham NG9 6RZ.
- 6.3 Michael Edelson was a director of M Edelson Limited and its subsidiaries which were placed into administrative receivership in November 1988.
- 6.4 Save as disclosed in paragraph 6.3 above, as at the date of this document none of the Directors has:
- 6.4.1 any unspent convictions in relation to any indictable offence; or
 - 6.4.2 been declared bankrupt or made any individual voluntary arrangement; or
 - 6.4.3 been a director of a company at the time of or within the 12 months preceding any insolvency arrangement or procedure including receivership, compulsory liquidation, creditors' voluntary arrangement, administration, company voluntary arrangement or any composition or arrangement with creditors (generally or any class); or
 - 6.4.4 been a partner or in a partnership at the time of or within the twelve months preceding the partnership being subject to any insolvency arrangement or procedure, including a compulsory liquidation, administration or partnership voluntary arrangement; or
 - 6.4.5 been the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed into receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership.
 - 6.4.6 been subject to any public incrimination or sanction by any professional, statutory or regulatory authority, nor subject to any order or undertaking disqualifying such person from acting in the management or conduct of the affairs of a company (whether in the UK or overseas); or
 - 6.4.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.
- 6.5 Save as disclosed in this document no Director has or has had any interest in any transaction which is or was significant in relation to the business of the Group and which was effected during the current or immediately preceding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.
- 6.6 None of the Directors or members of their family has a financial product whose value in whole or in part is directly or indirectly referenced to the Ordinary Shares.

7. Directors' Appointments

- 7.1 By an appointment letter dated 12 February 2009 between Daily, London & City Credit Corporation Limited ("London & City") and John Michael Edelson, London & City agreed to provide the services of Michael Edelson as non-executive chairman of Daily which took effect from 17 March 2009. The appointment may be terminated at any time by either Daily or London & City serving six months' written notice on the other. Under the letter of appointment, London & City is entitled to an annual fee of £36,000 per annum exclusive of any VAT (and reimbursement of reasonable expenses).
- 7.2 Abby Hardoon entered into a service agreement with the Company dated 8 January 2013 for his employment as the Group's Chief Executive Officer, which will replace his existing service agreement dated 21 January 2008 with effect from Admission. Abby's employment with the Company commenced on 1 May 2007 and the agreement shall continue from Admission until terminated by either party giving to the other not less than 12 months' written notice. Abby is entitled, under the terms of the agreement, to an annual salary of £90,000 payable in equal monthly instalments in arrears, which will be reviewed annually, and provision is made for a performance related annual bonus to be determined by the Remuneration Committee, a pension contribution of five per cent. and provision of

private healthcare. The agreement contains, *inter alia*, certain restrictions relating to protection of intellectual property rights and confidential information and a number of restrictive covenants (including non-competition, non-solicitation/dealing with customers and non-poaching).

- 7.3 Julie Joyce entered into a service agreement with the Company dated 8 January 2013 for her employment as the Group's Chief Financial Officer, which will replace her existing service agreement dated 7 June 2007 with effect from Admission. Julie's employment with the Company commenced on 7 June 2007 and the agreement shall continue from Admission until terminated by either party giving to the other not less than 12 months' written notice. Julie works full time and is entitled, under the terms of the agreement, to an annual salary of £86,000 payable in equal monthly instalments in arrears, which will be reviewed annually, and provision is made for a performance related annual bonus to be determined by the Remuneration Committee, a pension contribution of five per cent. and provision of private healthcare. The agreement contains, *inter alia*, certain restrictions relating to protection of intellectual property rights and confidential information and a number of restrictive covenants (including non-competition, non-solicitation/dealing with customers and non-poaching).
- 7.4 By an appointment letter dated 21 January 2008 the Company appointed Robert Khalastchy as a non-executive director of the Company. The appointment may be terminated by the Company on three months' written notice and by Robert on one month's written notice. Robert is paid an annual fee of £10,000 payable in equal quarterly instalments in arrears. The terms of appointment contain certain restrictions relating to confidentiality.
- 7.5 The aggregate emoluments (including benefit in kind and pension contributions) payable to the Directors for the period ended 31 March 2012 was approximately £123,000 and it is estimated that the aggregate emoluments of the Directors as employees or in respect of their services to the Group (including benefits in kind and pension contributions) for the year ending 31 March 2013 will amount to approximately £196,000 under the arrangements in force at the date of this document.
- 7.6 There are no directors' service contracts, or contracts in the nature of services, with the Company, other than those which expire or are terminable without payment of compensation.
- 7.7 Save as set out above, there are no existing or proposed service contracts between any of the Directors and the Company and there are no such service contracts which have been entered into or amended within six months of the date of this document.

8. Employees

- 8.1 As at the date of this document, the Group has 22 employees, 11 of which are employed at its premises in Nottingham. The Group does not and on Admission will not employ a significant number of temporary employees.

9. Options and Warrants

9.1 Introduction:

The Company has granted options over Ordinary Shares as follows:

- 9.1.1 options over an aggregate of 2,321,428 Ordinary Shares in replacement of options granted by Lambolle to its officers and connected parties (the "Lambolle Options") including Michael Edelson. It has been agreed that Lambolle Options over an aggregate of 2,232,142 Ordinary Shares will be exercised, conditional on Admission (including options granted to Michael Edelson in respect of 714,286 Ordinary Shares) which will leave outstanding and unexercised Lambolle Options in respect of 89,286 Ordinary Shares as at Admission. A summary of the terms of the Lambolle Options is set out below under paragraph 9.2;
- 9.1.2 Robert Khalastchy was granted unapproved options ("Historic Unapproved Options") over an aggregate of 220,000 Ordinary Shares under unapproved share option contracts dated

24 August 2007, with such options being exercisable at 5p, 10p, 15p and 20p per Ordinary Share. On 19 December 2012, he waived his entitlement to these Unapproved Options and was granted unapproved options over an aggregate of 300,000 Ordinary Shares, exercisable at 2p per Ordinary Share under the terms of a new unapproved share option contract, the terms of which are summarised in paragraph 9.3 below (“New Unapproved Options”);

9.1.3 Abby Hardoon was granted options over 350,000 Ordinary Shares under the terms of Historic Unapproved Options on 24 August 2007. On 19 December 2012, he waived his entitlement to these Historic Unapproved Options and was granted new EMI options over an aggregate of 900,000 Ordinary Shares, exercisable at 2p per Ordinary Share under the terms of a new EMI share option contract, the terms of which are summarised in paragraph 9.4 below (“New EMI Options”);

9.1.4 a number of employees, including Julie Joyce, were historically granted enterprise management incentive options (“Historic EMI Options”) over an aggregate of 1,119,232 Ordinary Shares, exercisable at varying prices ranging from 2.5p to 20p per Ordinary Share. As the exercise price of the Historic EMI Options was more than the market price of the Ordinary Shares, all these employees waived their Historic EMI Options and were granted replacement enterprise management options (“New EMI Options”) on 19 December 2012. Altogether, there are now New EMI Options over an aggregate of 3,850,000 Ordinary Shares (including New EMI Options granted over an aggregate of 1,000,000 Ordinary Shares to Julie Joyce and 900,000 Ordinary Shares to Abby Hardoon), all exercisable at 2p per Ordinary Share;

In addition, the Company has created three warrant instruments and issued warrants pursuant to their terms as follows:

9.1.5 warrants to subscribe for an aggregate of 3,469,500 Ordinary Shares issued to Loeb Aron & Co pursuant to an Arranger Warrant Instrument dated 21 January 2008 (“Arranger Warrants”), the terms of which are summarised below in paragraph 9.5;

9.1.6 warrants to subscribe for an aggregate of 2,800,000 Ordinary Shares pursuant to a loan note warrant instrument dated 9 January 2008 (“Loan Note Warrants”), the terms of which are summarised in paragraph 9.6 below;

9.1.7 warrants to subscribe for an aggregate of 5,600,000 Ordinary Shares pursuant to the loan note rollover warrant instrument dated 4 January 2012 (“Rollover Loan Note Warrants”), the terms of which are summarised in paragraph 9.7 below.

9.2 *Lambolle Options*

9.2.1 Lambolle granted options over an aggregate of 6,250,000 ordinary shares in itself pursuant to option deeds dated 31 July 2007, with such options being exercisable at par during the period from 31 July 2007 to 30 July 2017 or earlier on, *inter alia*, completion of a takeover or change in control of the Company or on termination of the holders’ appointments. These options were rolled over into options over an aggregate of 892,858 Ordinary Shares, exercisable at a price of 0.7p per Ordinary Share on completion of the acquisition by the Company of Lambolle and continued on the same terms. It has been agreed that, conditional on Admission, the options held by Michael Edelson and Emma Myers over 714,286 and 89,286 Ordinary Shares respectively will be exercised;

9.2.2 Lambolle had also granted Oxygen Ventures Limited (“Oxygen Ventures”) an option to subscribe for 10,000,000 ordinary shares in itself at 0.1p per Ordinary Share pursuant to an option deed dated 31 July 2007. This option vested on completion of the acquisition by the Company of Lambolle and the options were rolled over into options over 1,428,570 Ordinary Shares, exercisable at 0.7p per Ordinary Share, as the acquisition had been introduced by Lambolle by Oxygen Ventures. The option is exercisable for a period of

10 years expiring 10 March 2019. At the time, Emma Myers, who was and is a director and shareholder of Oxygen Ventures was also a director of Lambolle. It has been agreed that, conditional on Admission, these options will be exercised.

- 9.3 *New Unapproved Options:* on 19 December 2012, the Company entered into unapproved share option contracts with Robert Khalastchy and Clive Maudsley (the Company Secretary) under which they were granted unapproved options to subscribe for 300,000 Ordinary Shares and 100,000 Ordinary Shares respectively, exercisable at 2p per Ordinary Share. The New Unapproved Options are exercisable in whole or in part during the period of 10 years from the date of grant. The New Unapproved Options lapse earlier if the option holder is adjudicated bankrupt or makes an arrangement or composition with his creditors or is deprived of the ownership of the options by law, or on termination of his office or employment with the Group for any reason whatsoever, unless the Board otherwise agrees in writing within 30 days of such termination. Under the New Unapproved Options, the option holder provides the Company with an indemnity in respect of any tax which may arise in connection with the New Unapproved Options.
- 9.4 *New EMI Options:* the Company created the New EMI Options by way of the issue of an individual share option contract with each relevant option holder on 19 December 2012. The New EMI Options are all exercisable at a price of 2p per Ordinary Share during the period of 10 years from the date of grant. The New EMI Options lapse if the option holder is adjudged bankrupt or an interim order is made for a proposed voluntary arrangement or a voluntary arrangement is approved or the option holder is deprived of the legal beneficial ownership of the option or if the option holder ceases to be an employee of any member of the Group, unless it is for a “good reason”. If the option holder terminates his/her employment for a “good reason” (being redundancy, retirement or any other event unanimously approved as such by the Directors) or dies, the option may be exercised within six months or 12 months respectively. Under the New EMI Options, the relevant option holder provides the Group with a tax indemnity in respect of the New EMI Options.
- 9.5 *Arranger Warrants:* the Company created a warrant instrument dated 21 January 2008 pursuant to which Loeb Aron & Co, then the Company’s corporate adviser, was granted warrants over 3,469,500 Ordinary Shares, which equated to one warrant for every ten Ordinary Shares in issue on 10 March 2008, being the date on which the Company was admitted to trading on PLUS. The warrants are exercisable as a price of 10p per Ordinary Share and can be exercised at any time prior to 10 March 2015.
- 9.6 *Loan Note Warrants:* the Company created a warrant instrument dated 9 January 2008 pursuant to which warrants to subscribe in cash for up to 2,800,000 Ordinary Shares were issued. The warrants are exercisable at 15p per Ordinary Share for a period of five years ending 9 January 2013. The warrants are in registered form and are transferable. Abby Hardoon holds 1,050,000 Loan Note Warrants.
- 9.7 *Rollover Loan Note Warrants:* on 4 January 2012, the Company rolled over existing convertible loan notes into new unsecured convertible loan notes 2015 pursuant to the loan note instrument summarised in paragraph 13.4 of this Part IV and, in connection with such rollover, each loan note holder was issued a warrant pursuant to a warrant instrument dated 4 January 2012. Each Rollover Loan Note Warrant entitles the holder to subscribe for 100,000 Ordinary Shares at a price of 5p per Ordinary Share, exercisable at any time before 8 January 2022, provided that the Company may require the exercise of these warrants if its shares are traded at a price in excess of 8p per Ordinary Share for a period of 60 business days and an aggregate value of bargains exceeding £60,000 occurs over that period. Michael Edelson holds one Rollover Loan Note Warrant.
- 9.8 Save as set out above, none of the Directors has been granted any options or issued warrants over Ordinary Shares.

10. Accounting

- 10.1 The Company's accounting reference date is 31 March. The Company's current accounting period will end on 31 March 2013.

11. Registered office and Premises

- 11.1 The registered office of the Company is Number 14 Riverview, Vale Road, Heaton Mersey, Stockport, Cheshire SK4 3GN.
- 11.2 The Company operates from premises at 9 Regan Way, Chetwynd Business Park, Chilwell, Nottingham NH9 6RZ under a lease with Abby Hardoon.

12. Taxation

12.1 Introduction

The information in this section, which is intended as a general guide only, is based on the Directors' understanding of current legislation and HMRC practice as at the date of this document, about the UK tax position of Shareholders who are resident or ordinarily resident in the United Kingdom for tax purposes and who beneficially hold their shares as investments (otherwise than under an individual savings account ("ISA")).

On issue, the Ordinary Shares will not be treated as either "listed" or "quoted" securities for tax purposes. Provided that the Company remains one which does not have any of its shares quoted on a recognised stock exchange (which for these purposes does not include AIM) and assuming that the Company remains a trading company or the holding company of a trading group for UK purposes, the Ordinary Shares should continue to be treated as unquoted securities qualifying for certain reliefs from UK taxation. These reliefs, summarised below, are only available to UK resident taxpayers.

The following information is based upon the laws and practice currently in force in the UK and may not apply to persons who do not hold their Ordinary Shares as investments.

Any Shareholder who is in doubt as to their tax position, or who is subject to tax in a jurisdiction other than the United Kingdom, is strongly recommended to consult their professional advisers.

Shareholders who are also officers or employees of the Company may be subject to differing tax provisions. If they have any doubt as to their tax position it is recommended they consult their professional advisers.

12.2 Income Tax

12.2.1 *Taxation of dividends:*

Under current UK taxation legislation, no tax would be withheld at source from dividend payments made by the Company.

UK resident individual shareholders are treated as having received income of an amount equal to the sum of the dividend and its associated tax credit, the tax credit for dividends paid from 6 April 1999 being 10 per cent. of the gross dividend, (i.e. the tax credit will be one-ninth of the net cash dividend). The tax credit will effectively satisfy a UK resident individual shareholder's lower and basic rate (but not higher rate or additional rate) income tax liability in respect of the dividend. UK resident individual shareholders who are subject to tax at the higher rate (currently 40 per cent.) or the additional rate (currently 50 per cent) will have to account for additional tax. The special rate of tax set for higher rate taxpayers who receive dividends is 32.5 per cent. and for additional rate taxpayers is 42.5 per cent. After taking account of the 10 per cent. tax credit, such a higher rate taxpayer would have to account for additional tax of 25.0 per cent. and an additional rate taxpayer would have to account for additional tax of 36.11 per cent. From 6 April 2013, it is proposed that the

additional rate of income tax will reduce to 45 per cent., with the additional rate on dividends reducing from 42.5 per cent. to 37.5 per cent. In determining what tax rates apply to a UK resident individual shareholder, dividend income is treated as the top slice of his or her income. It should be noted, however, that there is no right to claim any repayment of the tax credit from HMRC.

Subject to exceptions for certain insurance companies and companies which hold shares as trading stock, a Shareholder that is a company resident (for tax purposes) in the United Kingdom and that receives a dividend paid by the Company will not be liable to corporation tax or income tax on the dividend.

Trustees who are liable to income tax at the rate applicable to trusts will pay tax on the gross dividend at the dividend trust rate of 42.5 per cent. (a rate of 37.5 per cent. is proposed to apply from 6 April 2013), against which they can set the tax credit. To the extent that the tax credit exceeds the trustees' liability to account for income tax the trustees will have no right to claim repayment of the tax credit. Special tax provisions apply where trustees of discretionary trusts receive payment of dividends and substantially make a distribution out of the trust. Trustees who are in any doubt as to their position should consult their own professional advisers immediately.

UK pension funds and charities are generally exempt from tax on dividends which they receive but are not entitled to claim repayment of the tax credit.

Shareholders who are resident in countries other than the UK may be entitled to repayment of all or a proportion of the tax credit in respect of dividends paid to them. This will depend upon the provisions of the double tax treaty (if any) between the country in which the Shareholder is resident and the UK. Shareholders not resident in the UK should consult their own tax adviser on the application of such provisions and the procedure for claiming relief.

12.2.2 *Loss Relief:*

If a loss arises on a disposal of shares in an unquoted trading company, such shares being originally acquired on a subscription for new shares, the loss may be relieved under section 131 Income Tax Act 2007 ("ITA 2007") against income of that year or the previous year (with priority for relief in the current year where income of both years is utilised). Any loss remaining after claiming relief against income may be available for relief against capital gains in either the current or subsequent years.

12.2.3 *Qualifying Investment Relief:*

A gift to a charity of a "qualifying investment" should qualify for income tax relief under section 431 of Income Tax Act 2007 ("ITA 2007"). Shares in a company admitted to trading on AIM are currently treated as "qualifying investments" under section 432 ITA 2007. Therefore, if an individual disposes of shares in a company on AIM to a charity (of which an individual may be the settler or a trustee), the gift qualifies for income tax relief. The amount of relief is calculated based on the market value of the "qualifying investment" at the date of gift and the incidental costs of making the disposal. The gift will also be exempt from capital gains tax.

12.3 Taxation on capital gains for Shareholders

12.3.1 *Capital Gains Tax ("CGT"):*

Changes were made to the rules relating to the holdings of shares from 6 April 1998 so that the "pooling" of shares (i.e. treating them as one asset) no longer applies. Therefore, any disposal of shares is treated on a last in, first out (LIFO) basis for the purposes of calculating gains, which are chargeable to tax. This is subject to the rules dealing with same day purchases or acquisitions within 30 days of a disposal. If a shareholder who is an individual

resident or ordinarily resident in the UK for tax purposes disposes of all or any of his or her Ordinary Shares, he or she may, depending on the Shareholder's particular circumstances, incur a liability to taxation on chargeable gains for a basic rate taxpayer at a rate of 18 per cent. and for a higher rate tax payer or an additional rate taxpayer at a rate of 28 per cent. A Shareholder who is a company resident in the UK for tax purposes will pay corporation tax on chargeable gains on the disposal of all or any of its shares at the company's rate of corporation tax.

12.3.2 *Entrepreneurs' Relief*

Entrepreneurs' Relief from CGT is available for gains arising on the disposal of shares in unquoted trading companies. If the relief applies, the first £10 million of gains that qualify for relief are charged to CGT at 10 per cent. Gains in excess of this amount are charged at the current rate. An individual will be able to make claims for Entrepreneurs' Relief on more than one occasion up to a lifetime total of £10 million provided certain qualifying criteria are met, which are unlikely to apply to the majority of Investors. Entrepreneurs' Relief is only available to UK resident shareholders who hold at least 5 per cent. of the issued share capital, are an officer or employee of the company and they have met these conditions for the 12 months immediately prior to the disposal of their shares.

12.3.3 *CGT Gift Relief:*

If shares in an unquoted trading company or the holding company of a trading group, are transferred, by an individual or by trustees other than at arm's length, the deemed capital gain can be "held over" under section 165 Taxation of Chargeable Gains Act 1992 ("TCGA") (except in circumstances where the shares are transferred to a trust on which the transferor is a beneficiary). Unquoted for this purpose includes shares in a company admitted to trading on AIM, where those shares are in qualifying companies. In such cases, the CGT liability is deferred until a subsequent arm's length disposal by the transferee of those shares. The transferee inherits the original base cost and acquisition date of the shares from the transferor. The relief must be claimed jointly by both the transferor and the transferee within five years and ten months of the end of the relevant tax year in which the gift was made and the transferee must be resident or ordinarily resident in the UK and remain so for six years. Where the shares have not qualified throughout the period of ownership as business assets, then the amount of the gain that can be held over will be restricted. If CGT gift relief is claimed, the effect of the gift is that the ownership for Entrepreneurs' Relief purposes starts again, unless the gift is made between spouses.

12.4 Inheritance Tax ("IHT")

Unquoted shares in qualifying trading companies or holding companies of a trading group can attract 100 per cent. business property relief ("BPR") from IHT provided that the shares are held for at least two years before a chargeable transfer for IHT purposes occurs. Unquoted for these purposes includes shares admitted to trading on AIM. The shares would qualify for BPR once they had been held for two years from the date the Company became a trading company or the holding company of a trading group. To the extent that the value of a shareholding is attributable to assets owned by the Company, but not utilised for the purposes of its business, i.e. excepted assets, the value qualifying for BPR will be restricted.

12.5 Stamp duty and stamp duty reserve tax ("SDRT")

Transfers or sales of Ordinary Shares inside CREST will generally be liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration calculated to the nearest penny (subject to a *de minimus* of £5). The SDRT is normally settled by CREST, on behalf of the purchaser or transferee, on the same day as the sale, but otherwise is payable on the "accountable date" for SDRT purposes. The accountable date is the seventh day of the month following the month in which the agreement for the transfer is made.

Transfers or sales of Ordinary Shares outside CREST will generally be liable to ad valorem stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration. The charge is rounded up to the nearest £5 but there is no charge below £5,000. An obligation to account for stamp duty reserve tax ("SDRT") at the rate of 0.5 per cent. of the amount or value of the consideration will also arise if an unconditional agreement to transfer the Shares is not completed by a duly stamped instrument of transfer before the "accountable date" for SDRT purposes, as described above. Stamp duty is normally, and SDRT is always, the liability of the purchaser or transferee of the Shares. However, where an instrument of transfer which completes an unconditional agreement to transfer shares is duly stamped within six years after the agreement was entered into (or it becomes unconditional) the stamp duty will cancel the SDRT liability and any SDRT paid can be recovered.

The information in this paragraph is intended as a general summary of the UK tax position and should not be construed as constituting advice. Potential investors should obtain advice from their own investment or taxation adviser.

13. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group during the two years immediately preceding the date of this document and are, or may be, material or may contain an obligation or entitlement which is or may be material to the Group:

- 13.1 Nominated Adviser and Broker Agreement dated 8 January 2013 between (1) the Company, (2) the Directors and (3) Merchant Securities under which Merchant Securities has been appointed the Company's nominated adviser and sole and exclusive broker for the purposes of the AIM Rules, with effect from Admission. The appointment as nominated adviser is terminable on three months' notice by either the Company or Merchant Securities, such notice to expire not before the second anniversary of the date of the agreement with the Company to pay Merchant Securities an annual retainer of £30,000 (plus VAT) quarterly in advance. The appointment as broker is terminable on three months' notice by either the Company or Merchant Securities, such notice to expire not before the first anniversary of the date of the agreement with the Company to pay Merchant Securities an annual retainer of £10,000 (plus VAT) quarterly in advance. Merchant Securities can also terminate its appointment as nominated adviser and/or broker in certain limited circumstances. Under the terms of the agreement, the Company provides certain undertakings to Merchant Securities to, *inter alia*, notify it of certain matters, discuss proposed transactions and comply with certain matters whilst Merchant Securities is its nominated adviser and each of the Directors (so long as he remains a director of the Company) undertakes to procure (insofar as he is able so to do) that each member of the Group complies with such undertakings.
- 13.2 An Introduction Agreement between (1) the Company, (2) the Directors and (3) Merchant Securities dated 8 January 2013 pursuant to which Merchant Securities has agreed, as agent for the Company to procure the admission to trading on AIM of the Company by way of an introduction. Under the terms of the agreement, the Company is to pay Merchant Securities an aggregate fee of £100,000 plus VAT and reasonable expenses, of which £25,000 has already been paid and the balance of £75,000 will be payable on Admission.

Under the Introduction Agreement, the Company and the Directors give Merchant Securities warranties relating, *inter alia*, to the accuracy of the information contained in this document and the application for Admission as well as the working capital position of the Group and the Directors also severally give Merchant Securities warranties relating to the details in this document relating to themselves. No claim for breach of warranty can be brought unless the aggregate amount of all claims exceeds £10,000 and the aggregate liability of each of Abby Hardoon and Julie Joyce as executive directors for breach of warranty is twice their annual remuneration and in respect of the Michael Edelson and Robert Khalatschy as non-executive directors for breach of warranty is one times their annual remuneration. No claims for breach of warranty can be brought against the Company or the Directors unless written notice is given before the date falling 18 months from Admission.

Merchant Securities may terminate the Introduction Agreement in certain specified circumstances prior to Admission.

13.3 Lock in Agreements:

Each of the Directors (who will hold an aggregate of 24,466,044 Ordinary Shares representing 19.67 per cent. of the Enlarged Issued Share Capital on Admission) and Emma Myers (who together with her connected parties will hold 1,517,856 Ordinary Shares representing 1.21 per cent. of the Enlarged Issued Share Capital on Admission) have each entered into an irrevocable undertaking, conditional on Admission, to not (and to use their respective reasonable endeavours to procure that any person with whom they are connected will not) dispose of any interest in Ordinary Shares held by them or persons connected to them for a period of one year from Admission, save in limited circumstances allowed by the AIM Rules, such as in acceptance of any takeover offer, where required by law or pursuant to an intervening court order. They have each also undertaken that they will not (and they will use their reasonable endeavours to procure that persons connected to them will not) dispose of any interest in Ordinary Shares other than through Merchant Securities and in accordance with the reasonable requirements of Merchant Securities so as to ensure an orderly market for the issued share capital of the Company for a period of twelve months following the first anniversary of Admission and so long as the price and settlement terms offered are competitive.

13.4 A convertible loan note instrument dated 4 January 2012 pursuant to which the Company issued 56 replacement loan notes to a number of loan note holders, including Loeb Aron & Co and Abby Hardoon at a value of £5,000 per loan note. Interest on the loan notes is payable at nine per cent quarterly in arrears, in cash or in Ordinary Shares at the option holder's election and the loan notes are convertible into Ordinary Shares at a conversion rate of one Ordinary Share for every 3p due to a holder of the loan notes in respect of the face value of a loan note and, at the note holder's election, interest payable on such loan notes. The loan notes are convertible at any time at the option of the note holders. The loan notes must be repaid by the Company (to the extent they have not been redeemed or purchased) on 8 January 2015. The Company may repay the loan notes early by notice in writing, subject to the loan note holder electing to convert the loan notes into Ordinary Shares at the conversion rate referred to. The loan notes specify certain matters which may not be undertaken by the Company without the prior election of holders of 75 per cent. of the loan notes, such matters being designed to protect their conversion rights.

13.5 Loan facility letter from Hawkstone Capital Limited, Abby Hardoon and John Thompson ("the Lenders") to the Company dated 4 January 2013 under which the Lenders agree to provide the Company with a loan facility of £580,000 to be used as working capital, save that a maximum amount of £100,000 may be used as a deposit in respect of security requested by Barclaycard Merchant Securities. The loan bears interest at 3 per cent. per annum above the base rate from time to time of Allied Irish Bank plc, subject to a minimum rate of 10 per cent. per annum and is repayable on 31 March 2015 or, earlier, on the occurrence of certain insolvency events. The loan is secured by way of a debenture date 14 November 2012. In addition, if the loan (plus any accrued interest) has not been repaid in full by 31 March 2015 then, to the extent that it is outstanding, the Lenders may capitalise the loan at its conversion price of 3p per Ordinary Share and each of the Company and Abby Hardoon undertakes to use their best endeavours and voting rights (whether as a director or shareholder) to procure that the loan may be so capitalised.

13.6 Options and warrants: the Company has granted a number of options and warrants over Ordinary Shares, as set out in paragraph 9 of this Part IV.

14. Related Party Transactions

Save as set out in Part III of this document and paragraphs 7, 9 and 11 of this Part IV there are no related party transactions that the Company or any member of the Group has entered into during the period covered by the financial information set out in Part III and up to the date of this document.

15. Litigation

Neither the Company nor any of its subsidiaries is engaged (nor has been engaged in the 12 months prior to the date of this document) in any governmental, legal or arbitration proceedings, nor, so far as the Company is aware, are any such proceedings pending or threatened against the Company or any of its subsidiaries which are having or may have a significant effect on the Group's financial position or profitability.

16. Dependence on Intellectual Property

The Group is not dependent on any patents, licences or industrial, commercial or financial contracts or new manufacturing processes which have a material effect on the Group's business or profitability.

17. Investments

The Group has made no investments since 1 April 2009 and there are no investments in progress which are significant, nor is there any firm commitment to make such an investment.

18. Property Plant and Equipment

There are no environmental issues that may affect the Group's utilisation of tangible fixed assets.

19. Significant Change

There has been no significant change in the financial or trading position of the Group since the end of the period in respect of the last published interim financial information ended 30 September 2012.

20. Working Capital

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Group taking into account the estimated net proceeds of the Subscription will be sufficient for its present requirements, that is for the period of at least 12 months following Admission.

21. General Information

- 21.1 The auditors of the Company throughout the periods covered by the historical financial information on the Company set out in Part III were Hazlems Fenton LLP of Palladium House, 1-4 Argyll Street, London W1F 7LD until 29 November 2012 when they resigned. Hazlems Fenton LLP is a member of the Institute of Chartered Accountants in England and Wales.
- 21.2 PKF (UK) LLP of 4th Floor, 3 Hardman Street, Spinningfields, Manchester M3 3HF, have been auditors of the Company since 29 November 2012. PKF (UK) LLP is a member of the Institute of Chartered Accountants in England and Wales.
- 21.3 PKF (UK) LLP has given and has not withdrawn its written consent to the issue of this document with the references in it to its report (for which it takes responsibility accordingly, and in relation to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case) the information contained in its report is in accordance with the facts and there is no information the omission of which is likely to affect the import of its reports) and name in the form and context in which they appear.
- 21.4 Merchant Securities has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 21.5 It is estimated the total expenses payable in connection with the Admission are expected to amount to approximately £300,000 (inclusive of any applicable VAT and disbursements), which are payable by the Company.

- 21.6 Save as disclosed in this document, no person (other than a trade supplier or professional adviser disclosed in this document) has received, directly or indirectly within the period of 12 months preceding the date of this document nor entered into a contractual arrangement to receive directly or indirectly, after Admission fees of £10,000 or more (however satisfied) in respect of services provided to the Group.
- 21.7 No member of the Group has made any payments aggregating over £10,000 to any government or regulatory authority or similar body with regard to the acquisition or maintenance of its assets, licences, joint ventures or other arrangements owned by it or proposed to be exploited or utilised by it.
- 21.8 No exceptional factors have influenced the Company's activities and there has been no significant change in the Group's financial or trading position since 30 September 2012.

22. Copies of this document

Copies of this document will be available to the public, free of charge, at the offices of Merchant Securities, 51-55 Gresham Street, London EC2V 7EL during normal business on any weekday (Saturdays and public holidays excepted), for a period of one month from Admission from the Company's registered office at Number 14 Riverview, Vale Road, Heaton Mersey, Stockport SK4 3GN. This document is also available on the Company's website at www.daily.co.uk.

Dated: 8 January 2013

