daily internet

annual report & accounts 2016

contents

4	directors, secretary & advisers
6	highlights
8	strategic report – chairman's statement
9	strategic report – chief executive officer's report
11	strategic report – finance director's report
16	board of directors' profile
18	directors' report
22	directors' remuneration report
25	corporate governance report
28	statement of directors' responsibilities
30	independent auditor's report to the members of daily internet plc
33	consolidated statement of comprehensive income
35	consolidated statement of financial position
38	company statement of financial position
41	consolidated statement of changes in equity
43	company statement of changes in equity
45	consolidated statement of cash flows
48	company statement of cash flows
50	notes to the consolidated financial statements
80	notice of annual general meeting

directors, secretary and advisers

directors, secretary & advisers

Board of Directors

John Michael Edelson
Non-Executive Chairman

Christopher Neil Evans
Chief Executive Officer

Julie Joyce
Finance Director

Robert Khalastchy
Non-Executive Director

Company Secretary

Clive Maudsley FCA

Registered Office

First Floor, Nelson House
Park Road, Timperley
Cheshire WA14 5BZ

Company Number

06172239

Company Website

investor.daily.co.uk

Head Office

Walker House
Exchange Flags
Liverpool L2 3YL

Nominated Adviser & Broker

Shore Capital and Corporate Ltd
Bond Street House
14 Clifford Street
London W1S 4JU

Registrar

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

Lawyers

Kuit Steinart Levy LLP
3 St Mary's Parsonage
Manchester M3 2RD

Independent Auditor

BDO LLP
3 Hardman Street
Manchester M3 3AT

Principal Bankers

Barclays Bank plc
One Churchill Place
London E14 5HP

Financial PR

Newgate Communications
Sky Light City Tower
50 Basinghall St
London EC2V 5DE

highlights

highlights

Financial

	2016	2015	2016 (% increase)
Revenue	£4.76m	£3.89m	22.4%
Gross profit	£3.00m	£2.42m	24.2%
Gross profit margin	63.0%	62.2%	1.5%
Adjusted EBITDA*	£0.67m	£0.41m	62.0%
Profit/(loss) before tax	£0.25m	£(0.14)m	N/A
Cash generated from operations**	£0.67m	£0.35m	91.9%
Net (Cash)/Debt***	£(0.21)m	£0.39m	N/A
Basic EPS (pence)	0.06p	(0.02)p	N/A

*Adjusted EBITDA is earnings before interest, taxation, depreciation, amortisation, acquisition costs and fair value adjustments and share based payments

**Before working capital movements

*** Net (Cash)/Debt is calculated as interest bearing debt, including obligations under financial leases, less cash

Operational

- Largest Managed Hosting customer upsold and renewed for a further three years
- New key contract wins in the Merchant and Distribution sector
- Strategic partnership with Epicor Software
    - SaaS platform developed for a subset of Epicor customers
- Re-aligning of cost base completed which included:
    - Closure of Maidenhead office
    - Reduction of headcount in SME division
    - Consolidation of duplicated functions across business units
    - Netplan's legacy SME business transferred into the Group's SME division
    - SME server estate consolidated into a common datacentre

strategic report

strategic report

chairman's statement

I am pleased to report another year of substantial progress in which we reported positive profitability after tax for the first time. This follows on from us reporting our maiden adjusted EBITDA profit last year. The strong results delivered by the Group for the year ended 31 March 2016 highlight the substantial organic growth we have achieved, coupled with the successful integration of two acquisitions. Both of these acquisitions have now been fully integrated and continue to perform well.

The acquisition of Q4Ex Limited alongside the appointment of Chris Evans as CEO, in December 2014, was an important step in transitioning the business from our traditional SME Mass Market roots to one focused on Managed Hosting which is supported by longer term contracts and is consequently higher margin and more profitable.

Group revenues grew by 22% to £4.76m (2015: £3.91m). Growth was driven by our Managed Hosting division which increased revenues 36%, whilst the SME Mass Market division experienced steady revenue growth of 10%. Managed Hosting now represents the majority of Group revenues. In the SME Mass Market business we have focused on efficiencies through cost reductions to drive profitability.

During the year the balance of the outstanding convertible loan notes has been repaid. Consequently at the year end the Group had a net cash position of £0.21m. The strengthening of our balance sheet alongside investment in our capabilities provides the Group with a good platform for future growth.

Our dedicated staff have continued to work tirelessly and diligently to continue the growth in the business led by the example set by CEO Chris Evans and we believe this will ensure we can increase our growth in the coming year.

Michael Edelson
Chairman
31 May 2016

strategic report

chief executive officer's report

Introduction

On entering this financial year we set ourselves a number of objectives, including the restructuring of our SME Mass Market division and an increased focus on growing our higher margin Managed Hosting division, while extending the average contract length of our larger Managed Hosting customers.

I am pleased to report that we have been successful in delivering on all of our objectives. The re-organisation was completed in the second half of our financial year and the Managed Hosting division now forms the majority of our revenues and remains the primary focus going forward. We also succeeded in ensuring our larger customers were contracted for longer term periods (the majority of which for three years). This has provided the Group with improved visibility of earnings and improved margins.

Our SME Mass Market division delivered an EBITDA contribution to the Group of £0.56m (2015: £0.28m) whilst Managed Hosting contributed £0.74m (2015: £0.57m). Group adjusted EBITDA was £0.67m, (after central costs of £0.63m) an increase of 62.0% (2015: £0.41m).

Operational Review

Managed Hosting division

Our Managed Hosting division has maintained its strength in Payment Card Industry Data Security Standard hosting ("PCI DSS"). We are a Level 1 Visa certified Service Provider and we consider this a strong differentiator to many of our peers. The PCI DSS business has continued to perform well with an overall trend of increasing customer spend. In particular, our largest customer renewed and extended the scope of its contract to bring in additional projects and add 'compute and storage' capacity to existing resources. This contracted revenue provides considerable forward visibility. We are also seeing an increase in consulting revenue as more of our customers seek help with their overall IT solution, this has in turn assisted in driving further contracted managed services.

The specialist Merchant and Distribution division of our Managed Hosting business delivered solid growth with a number of key strategic client wins in its sector. We furthered our partnership with Epicor software which, the Directors' believe, provides the most advanced Enterprise Resource Planning ("ERP") solution to the Merchant and Distribution industry in the form of their BisTrack suite of products. Our knowledge of this software application has driven consulting revenue and has assisted in creating the differentiator in this sector for our managed services providing a relatively unique one-stop specialist service to this vertical.

We developed a platform for a subset of Epicor customers effectively allowing them to purchase BisTrack application in a Software as a Service ("SaaS") model. Work with Epicor is continuing to build a joint sales pipeline for this SaaS product and other managed services.

Our technical team has also developed a cost effective disaster recovery solution. This solution utilises the Amazon Web Services ("AWS") public cloud platform allowing our customers to benefit from the 'pay as you use' elements of public cloud. We continue to work on other offerings which can leverage a basket of technologies to bring best of breed solutions to our clients in a cost effective manner.

We have continued to invest in our Managed Hosting business adding a number of key recruits to expand our technical capabilities. In addition, we continue to invest in our staff, providing technical training and certification. Alongside this we are tracking commercial trends so that we can continue to evolve and capitalise on changes within the Managed Hosting landscape.

SME Mass Market division

During the second half of the financial year we completed the re-organisation of our SME Mass Market business. This included the closure of one of our offices; the centralisation of a number of functions, including the removal of some duplicated roles across the Group; and a simplification of management reporting lines. The overall effect was to reduce staff numbers to a level more appropriate to the lower levels of growth expected from this segment. This re-organisation improved overall EBITDA margin and ensured we could focus our efforts on capitalising on the growing opportunities in the more profitable Managed Hosting division, where gross profit is higher and contracts are typically longer term.

Acquisitions

The businesses acquired in the previous financial year, being Evohosting and Q4Ex (which now trades as Netplan), have been fully integrated and continue to perform well.

The Board continues to evaluate acquisitions opportunities to supplement our organic growth but these must fit the board's stringent acquisition criteria.

Current Trading and Outlook

Trading since the financial year-end has been in line with management expectations. During the year we repaid the remaining outstanding convertible loan notes, leaving the Group in a net cash position.

With the slimming down of cost base in our SME Mass Market segment, the continued growth in our Managed Hosting business along with our cash generation we are well placed going into the 2016/2017 financial year with a strong foundation for future growth.

We therefore look forward to the year ahead with confidence.

Chris Evans
Chief Executive Officer
31 May 2016

strategic report

finance director’s report

All of the Group’s activities relate to delivering IT Services and in particular Cloud based products and services along with consulting. The Group is segmented into SME Mass Market and Managed Hosting.

The SME Mass Market Division includes the Daily, Namehog and Evohosting Brands and offer Domain Registration, Email Provision and Web Hosting solutions to the mass market.

The Managed Hosting division includes the Netplan brand and the Q4Ex brand (which now trades under the Netplan umbrella). Netplan offers both public and private cloud hosting using Amazon AWS and Microsoft Azure for its public cloud solutions. The Managed Hosting division also includes PCI DSS consultancy and compliance services along with other IT Managed Services and consulting.

The revenue split of the divisions is shown below:

Revenue by operating segment	**2016 £’000**	**2016 %**	**2015 £’000**	**2015 %**
SME Hosting	2,249	47%	2,039	52%
Managed Hosting	2,515	53%	1,852	48%
Total	**4,764**	**100%**	**3,891**	**100%**

It is the Group’s intention to focus on margin while growing the SME Mass Market division by leveraging on the automated systems that have been developed and continue to be developed since the business started in 2007. All acquisitions have been fully integrated to reduce overhead costs, increase supplier discounts and enable cross selling and up-sell opportunities.

The focus of the Managed Hosting division is to continue to expand on its Cloud capabilities, its consulting and other managed services, widen its sales and marketing channels by investment in its sales force, and by customer facing marketing.

In addition, the Group will look to make strategic acquisitions to accelerate its growth and market penetration.

Principal Risks and Uncertainties

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

Identifiable areas of risk include:

- Dependency on key suppliers – the Group is dependent on certain key suppliers for the continued operation of its business, the most significant of which are the supply of third party software and datacentre services. If any of these suppliers fail in the provision of their services it may have an adverse effect on the Group's ability to provide services to its customers. However, the Group continually assess suppliers for both price competitiveness and technical innovation and are confident that alternative providers could be found.

- Customer retention – the Group provides an essential service to its customers. Any diminution in service levels could impact customer retention levels. However, the Group constantly monitors service levels and the low level of customer attrition is evidence of the Group's ability to provide the level of service required.
- Network – the datacentres we utilise are linked by fibre that we lease. Should the network fail there would be an adverse impact on the service provided to our customers. The Group has designed its network to have no single point of failure, it connects with transit providers at different geographical locations.
- Employees – the Group is a service organisation and as such, is dependent on the skills, knowledge and commitment of its staff. The performance of the Group is dependent on retaining its staff. We mitigate this risk by offering competitive reward packages.
- Search engine optimisation – significant traffic is generated from customers using internet search engines (specifically in the SME Mass Market segment). The Groups SEO performance is continually monitored to both maintain and enhance, as any deterioration could have an adverse impact on Group revenue. The Group has experienced staff who work alongside specialist agencies for this purpose.
- Acquisitions – the Group has stated that its strategy is to continue to make acquisitions to strengthen its growth. The risk is that we may not be able to find suitable acquisition targets. We mitigate this risk by employing and retaining high quality individuals whose focus is solely to find suitable targets.

Key Performance Indicator Review

Revenue Growth	2016	2015
Revenue	£4.76m	£3.89m
Growth	22.4%	66.9%

Revenue from continuing operations grew by 22.4% largely driven by Managed Hosting which grew 35.8% and SME Mass Market 10.2%, in the previous year this was 174.0% and 6.5%, the higher rates in the previous year were largely down to contributions from acquisitions made in prior periods.

The adjusted EBITDA margin improved 62.0% to £0.66m (2015: £0.41m).

Performance Review

Group revenue for the year grew by 22.4% to £4.76m for the year to 31 March 2016 (2015: £3.89m). Revenue growth was driven by the Managed Hosting division, which consists of the Netplan brand (incorporating Q4Ex), contributing revenues of £2.52m (2015: £1.85m). The SME Mass Market division generated revenues of £2.25m (2015: £2.04m).

We continue to have good visibility of future revenues as many of our customers continue to pay in advance for their services and larger customers have entered into multi-year contracts. As at 31 March 2016 there is £0.71m of deferred revenue which will be released to profit in future periods.

Gross profit for the year was £3.01m (2015: £2.42m) representing a gross margin of 63.2% (2015: 62.2%). The slight improvement in Gross profit being attributable to the Managed Hosting segment which drives higher margins than the domain driven SME Mass Market division and is a direct result of the revenue to Managed Hosting which now represents the majority of revenue generated.

Earnings before interest, taxation, depreciation and amortisation ("EBITDA") for the year to 31 March 2016 is reported in the financial statements at £0.91m (2015: £0.46m). Included within this figure are acquisition and integration costs, share based payment costs and fair value adjustments, the EBITDA once adjusted for these items is £0.67m (2015: £0.41m). The directors consider that an adjusted EBITDA figure is a more appropriate measure of the underlying performance of the business.

	6 months to September 15 £'000	**6 months to March 16 £'000**	**2016 £'000**	**2015 £'000**
SME Hosting	250	308	558	278
Managed Hosting	376	366	742	567
Group Overheads	(350)	(285)	(635)	(434)
Adjusted EBITDA	**276**	**389**	**665**	**411**

Balance Sheet

Net cash inflow from operating activities during the year amounted to £0.65m (2015: £0.39m). Cash at bank at 31 March 2016 was £0.51m (2015: £0.43m).

Payables falling due within one year are reported at £1.64m (2015: £1.85m). This figure includes an amount of £0.71m (2015: £0.76m) for deferred revenue which will be released to profit in future years.

Payables falling due after one year are reported at £0.77m (2015: £1.68m). This figures includes the contingent consideration payable on the Q4Ex acquisition £0.43m (2015: £1.22m), which is the fair value of the amounts payable in shares.

The Directors are confident there is sufficient working capital within the Group. However, should accretive acquisitions become available the Group may seek to raise additional finance either through debt, equity or a mixture of the two.

Our People

Our people are very highly valued and the Directors place considerable emphasis on employees sharing in the success of the Group. This is achieved through the participation in share option schemes. Due to the nature and size of the business, employees are constantly encouraged to communicate with the Group's senior management to discuss business issues and potential improvements.

It is the policy of the Group that there should be no unfair discrimination in recruiting and promoting staff, including applicants who are disabled. The Directors are committed to maintaining and developing communication and consultation processes with employees, who in turn are encouraged to develop an awareness of the issues affecting the Group.

Divisional split average as at 31 March	**2016**	**2015**
Board of Directors	4	5
SME Hosting	12	19
Managed Hosting	14	10
Total	**30**	**34**

Gender diversity as at 31 March 2016	**Men**		**Women**	
	Number	**%**	**Number**	**%**
Board of Directors	3	75%	1	25%
Senior Managers	4	100%	-	0%
Employees	19	86%	3	14%
Total	**26**	**87%**	**4**	**13%**

This Strategic Report was approved and signed by order of the board.

Julie Joyce FCCA
Finance Director
31 May 2016

board of directors' profile

board of directors' profile

John Michael Edelson

Non-Executive Chairman

Mr Edelson brings a wealth of experience as a Board Director to Daily Internet plc. He has been a Founding 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 Ironveld 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 since 1982.

Christopher Evans

Chief Executive

Mr Evans, studied Software Engineering at Liverpool John Moores University before founding Switch Media Ltd, a web hosting provider. Switch Media was listed in the Deloitte Fast 50 for two years running in 2007 and 2008 before being acquired by iomart Group PLC in April 2011. Following the acquisition by Iomart, he was a Director of Iomart's Easyspace division involved in integrating divisional acquisitions and delivering the financial budget ahead of plan. He was a founder of Q4Ex Ltd (a company acquired by Daily).

Julie Joyce

Finance Director

Mrs. Joyce is a Fellow of the Chartered Association of Certified Accountants. She was employed as Finance Manager at 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 Mass Market division of PIPEX Communications plc after the sale to PIPEX in April 2004. She also has extensive auditing and private practice experience, having spent ten years in this sector prior to her move into commerce and industry.

Robert Khalastchy

Non-Executive Director

Mr Khalastchy is a graduate from the University of Sussex where he received a Bachelor's degree in Electronic Engineering. For the past 20 years he has been involved in commercial property management 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 management company handling a portfolio in excess of £35 million. In 2011 he set up Sterling Property Management, a residential block property management company which manages several prestigious blocks in Central and West London.

directors' report

directors' report

The Directors present their Annual Report and Audited Financial Statements for the year ended 31 March 2016.

Principal Activities

The principal activities of the business are the provision of IT Managed Services and are more particularly explained in the strategic report.

Business Review and Future Developments

A review of the Group's operations and performance during the financial year, setting out the position at the year-end, significant changes in the year and providing an indication of the outlook for the future is contained in the Strategic report on pages 7 to 14.

Results and Dividends

The Consolidated Statement of Comprehensive Income for the year is set out on page 33. The Directors do not propose the payment of a Dividend for the year ended 31 March 2016.

Financial Instruments

The Group uses various financial instruments. These include bank loans, other loans, finance leases, cash and various items (such as trade receivables and trade payables) that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below.

Liquidity Risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved through available cash balances.

Interest Rate Risk

The Group finances its operations through a mixture of loan notes, finance leases and ordinary shares. The interest rate on the loan notes and finance leases are fixed. The Group had outstanding loan notes which were repaid in the financial year under report.

Credit Risk

The Group's principal financial assets are cash, and trade and other receivables. These balances are actively monitored to avoid significant concentrations of credit risk however the total of the cash balances and trade and other receivables represents the maximum exposure to credit risk.

In order to manage credit risk, the agreement with the customer states preferred collection by direct debit and limits are set for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit control team on a regular basis in conjunction with debt ageing and collection history. For hosting services, the Group predominantly invoices in advance and the agreement with the customer states preferred collection by direct debit, therefore the financial risk in respect of these debtors is limited.

Directors

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

- **Michael Edelson** *Chairman*
- **Christopher Evans** *Chief Executive*
- **Julie Joyce** *Finance Director*
- **Robert Khalastchy** *Non-Executive Director*
- **Abby Hardoon** *Non-Executive Director (resigned 22 February 2016)*

The interests of current Directors in shares and options are detailed in the Directors' Remuneration Report on page 23.

Significant Shareholdings

As of 12 May 2016 the Company has been notified of the following significant shareholdings:

Name	Number of shares	Percentage holding
Livingbridge EP LLP	93,495,489	18.32%
Hargreave Hale Limited (discretionary clients)	65,696,970	12.87%
Herald Investment Management Limited	41,958,642	8.22%
Abby Hardoon	31,298,027	6.13%
Christopher Evans	29,429,288	5.77%
Michael Edelson	27,584,000	5.40%
Bob Morton	20,151,515	3.95%
Arthur Duffy	19,607,842	3.84%
Paul Jones	19,607,842	3.84%
Stuart Gibson	17,393,617	3.41%

Disclosure of Information to Auditors

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

Going Concern

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

Annual General Meeting

The Annual General Meeting will be held on Tuesday, 5 July 2016 at 11.00am at Kuit Steinart Levy LLP, 7th Floor, Blackfriars House, The Parsonage, Manchester M3 2JA. The full wording of the resolutions to be tabled at the forthcoming Annual General Meeting is set out in the notice of the meeting on pages 79 to 82.

Auditors

A resolution to re-appoint BDO LLP as auditors of the company will be put to the Annual General Meeting.

By order of the Board

Clive Maudsley FCA
Company Secretary
31 May 2016

directors' remuneration report

directors' remuneration report

Introduction

The report is not subject to audit and a resolution to approve it will be proposed at the Company's Annual General Meeting.

Remuneration Policy

The Group has a policy to attract, motivate and reward individuals of the highest calibre who are committed to growing the value of the business and to maximising returns to shareholders. The policy is as relevant to Executive Directors as it is to employees, as we aim to reward Executive Directors and senior employees aligned to the performance of the Group. The remuneration structure for all employees considers remuneration rates of competitors to ensure continuity and commitment.

Directors' Service Contracts

Copies of Directors' service contracts will be available for inspection at the Annual General Meeting.

Pension Arrangements

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

Directors' Remuneration

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

	2016			2015		
Director	**Salary £'000**	**Benefits in kind £'000**	**Total £'000**	**Salary £'000**	**Benefits in kind £'000**	**Total £'000**
Michael Edelson	40	-	40	18	-	18
Christopher Evans	96	-	96	39	-	39
Julie Joyce	86	2	88	66	2	68
Abby Hardoon	53	1	54	69	5	74
Robert Khalastchy	12	-	12	10	-	10

There were no pension contributions within the year.

Directors' Interests in Ordinary Shares of Daily Internet plc

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

Director	Number of Ordinary Shares	Percentage Interest
Christopher Evans	29,429,288	5.77%
Michael Edelson	27,584,000	5.40%
Robert Khalastchy	253,846	0.05%
Julie Joyce	150,000	0.03%

Directors' Interests in Share Options

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

Director	Total Options Over Ordinary Shares	Grant Date	Expiry Date
Michael Edelson	-	-	-
Julie Joyce	1,000,000	19/12/2012	18/12/2022
Robert Khalastchy	300,000	19/12/2012	18/12/2022
Christopher Evans	-	-	-

Directors' Warrants

The Directors held the following warrants over the ordinary shares of the Company at the end of the year as follows:

Director	Exercise Price	No. of Warrants	Grant Date	Expiry Date
Michael Edelson	5p	100,000	09/01/12	08/01/22

Mr Edelson's warrants are 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.

corporate governance report

corporate governance report

Introduction

The Directors recognise the importance of, and are committed to, high standards of corporate governance. Although compliance with the UK Corporate Governance Code is not compulsory for AIM companies, and therefore the Directors do not claim compliance with the code, the Directors intend to apply the principles as they consider appropriate to a public company of the size of Daily Internet Plc quoted on AIM, taking into account the recommendations contained in the QCA Guidelines.

Board of Directors

The Board comprises four Directors, two Executives and two Non-Executives, and reflects a blend of different experience and backgrounds. The roles of Chairman (which is a non-executive position) and Chief Executive have been split by the Board and there is a clear division of responsibility between the two. The Board considers Michael Edelson and Robert Khalastchy to be independent in character and judgement notwithstanding their shareholding and/or share options in the Group. The Board, through the Chairman and the Non-Executive Director as well as the Executive Directors, maintains regular contact with its advisers and seeks to ensure that the Board develops an understanding of the views of the major shareholders about the Company. The Board meets regularly throughout the year and is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day-to-day management is delegated to the Executive Directors who are charged with consulting the Board on all significant matters. Consequently, decisions are made promptly following consultation amongst the Directors concerned where necessary and appropriate. All necessary information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively and all Directors have access to independent professional advice at the Company's expense, as and when required. The Chairman is available to meet with institutional shareholders to discuss any issues and concerns regarding the Group's governance. The participation of the private and institutional investors at the AGM is welcomed by the Board.

Internal Controls

The Directors acknowledge their responsibility for the Company's and the Group's systems of internal controls, which are designed to safeguard the assets of the Group and ensure the reliability of financial information for both internal use and external publication. Overall control is achieved by a regular detailed reporting system covering both technical progress of a project and the state of the Group's financial affairs. Any system of internal controls can provide only reasonable, and not absolute, assurance that material financial irregularities will be detected or that risk of failure to achieve business objectives is eliminated. The Directors consider that the system of internal controls operated effectively throughout the financial year and up to the date the financial statements were signed. Based on the size and complexity of the Group, the Board of Directors do not consider that there is a need for any internal audit function.

Committees

Audit Committee

The Company has established an Audit Committee that comprises of Michael Edelson and Robert Khalastchy. Michael Edelson is the Chairman of this Committee. The Audit Committee meets at least twice a year and is responsible for reviewing the integrity of the financial statements of the Group, the Group's compliance with legal and regulatory requirements, and the adequacy and effectiveness of the Group's internal financial controls and risk management processes including the extent to which internal audit review is required. It reviews the external auditors' performance and independence and makes recommendations to the Board on the appointment of the auditors.

Remuneration Committee

The Company has established a Remuneration Committee that comprises Michael Edelson and Robert Khalastchy. Michael Edelson is the Chairman. The Committee meets at least twice a year and is responsible for determining and reviewing with the Board the policy for the remuneration of the Executive Directors and such other members of the executive management it is designated to consider. Within the terms of the agreed policy, it determines the total individual remuneration of the Executive Directors. The Remuneration Committee also approves the design of, and determines targets for, any performance related pay schemes, reviews the design of any share incentive plans, determines the awards to the Executive Directors and determines the policy for, and scope, of pension arrangements for each Executive Director.

Rule 21 of The AIM Rules

The Board will comply with Rule 21 of the AIM Rules relating to Directors' dealings and will also take all reasonable steps to ensure compliance with that rule by the Group's applicable employees. The Company has adopted a code on dealing in securities of the Company and will take all reasonable steps to ensure compliance by the Directors and relevant employees in due course.

Human Resources

The Group endeavours to appoint employees with appropriate skills, knowledge and experience for the roles they undertake. The Group has a range of polices which are aimed at retaining and providing incentives for key staff. Objectives are set for departments and employees that are derived from the Group's business objectives. The Group has a clear and well-understood organisational structure and each employee knows his or her line of accountability

statement of directors' responsibilities

statement of directors' responsibilities

The Directors are responsible for preparing the Annual Report of the Director's and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have elected to prepare the Group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on Alternative Investment Market.

In preparing these Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the Financial Statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the Financial Statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

By order of the Board

Clive Maudsley
Company Secretary
31 May 2016

independent auditor's report to the members of daily internet plc

independent auditor's report to the members of daily internet plc

We have audited the financial statements of Daily Internet PLC for the year ended 31 March 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

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

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the Parent Company's affairs as at 31 March 2016 and of the Group's loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Donald Bancroft (Senior Statutory Auditor)
For and on behalf of BDO LLP
Statutory Auditor
Manchester
United Kingdom
31 May 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

consolidated statement of comprehensive income

consolidated statement of comprehensive income

for the year ended 31 march 2016

	Notes	2016 Group £'000	2015 Group £'000
Revenue	4	**4,764**	3,891
Cost of sales	-	**(1,755)**	(1,469)
Gross profit	-	**3,009**	2,422
Operating expenses before depreciation, amortisation , acquisition and integration costs, fair value adjustments and share based payments	-	**2,343**	2,011
Operating profit before depreciation, amortisation , acquisition and integration costs, fair value adjustments and share based payments	-	**666**	411
Depreciation	-	**292**	263
Amortisation of acquired intangibles	-	**301**	272
Amortisation of purchased intangibles	-	**18**	4
Acquisition and integration costs	-	**34**	148
Fair value adjustment	3	**(270)**	(83)
Share based payments	-	**(8)**	(118)
Administrative expenses	5	**(2,710)**	(2,497)
Profit (loss) from operations	-	**299**	(75)
Finance costs	-	**(51)**	(63)
Profit (loss) before taxation	-	**248**	(138)
Taxation	12	**54**	54
Total comprehensive income (loss) attributable to the equity holders of the company	-	**302**	(84)
Basic and fully diluted earnings (loss) per share	11	**-**	-
Basic earnings (loss) per share	-	**£0.006**	£(0.0002)
Fully diluted earnings (loss) per share	-	**£0.006**	£(0.0002)

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

consolidated statement of financial position

as at 31 march 2016

	Notes	2016 Group £'000	2015 Group (as restated) £'000
Assets			
Non-current assets			
Goodwill	13	**4,454**	4,454
Intangible assets	13	**1,329**	1,594
Property, plant and equipment	14	**450**	592
	-	**6,233**	6,640
Current assets			
Trade and other receivables	16	**598**	594
Cash and cash equivalents	-	**513**	426
	-	**1,111**	1,020
Total Assets	-	**7,344**	7,660
Equity and Liabilities			
Equity attributable to the equity shareholders of the parent			
Called up share capital	20	**2,552**	2,399
Share premium reserve	-	**6,493**	6,493
Other reserve	-	**1,008**	656
Retained losses	-	**(5,118)**	(5,420)
	-	**4,935**	4,128
Non-current liabilities			
Obligations under finance leases	19	**91**	126
Contingent consideration due on acquisitions	17	**435**	1,225
Deferred taxation	12	**242**	327
	-	**768**	1,678

	Notes	2016 Group £'000	2015 Group (as restated) £'000
Current liabilities			
Trade and other payables	17	**718**	712
Deferred Income	17	**707**	756
Contingent consideration due on acquisitions	17	**-**	-
Convertible loan notes	18	**-**	103
Other loans	18	**105**	175
Obligations under finance leases	19	**111**	108
	-	**1,641**	1,854
Total Equity and Liabilities	-	**7,344**	7,660

As permitted by section 408 Companies Act 2006, the holding Company's profit and loss has not been included in the financial statements.

The financial statements on pages 33 to 36 were approved by the Board and authorised for issue on 31 May 2016.

Chris Evans
Director

Julie Joyce
Director

company statement of financial position

company statement of financial position

as at 31 march 2016

	Notes	2016 Company £'000	2015 Company (as restated) £'000
Assets			
Non-current assets			
Investments	15	**6,576**	6,576
Property, plant and equipment	14	**33**	3
	-	**6,609**	6,579
Current assets			
Trade and other receivables	16	**34**	9
Amounts due from subsidiary undertakings	16	**-**	87
Cash and cash equivalents	-	**12**	2
	-	**46**	98
Total Assets	-	**6,655**	6,677
Equity and Liabilities			
Called up share capital	20	**2,552**	2,399
Share premium reserve	-	**6,493**	6,493
Other reserve	-	**1,008**	656
Retained losses	-	**(5,447)**	(5,061)
	-	**4,606**	4,487
Non-current liabilities			
Amounts due from subsidiary undertakings	-	**1,543**	817
Contingent consideration due on acquisitions	17	**435**	1,225
	-	**1,978**	2,042
Current liabilities			
Trade and other payables	17	**71**	45
Convertible loan notes	18	**-**	103
	-	**71**	148
Total Equity and Liabilities	-	**6,655**	6,677

The financial statements on page 38 were approved by the Board and authorised for issue on 31 May 2016.

Chris Evans
Director

Julie Joyce
Director

consolidated statement of changes in equity

consolidated statement of changes in equity

for the year ended 31 march 2016

	Attributable to equity holders of the parent				
	Share Capital £'000	Share Premium Account £'000	Other Reserve £'000	Accumulated Losses £'000	Total £'000
At 1 April 2014	**2,038**	**6,185**	**206**	**(5,336)**	**3093**
Loss and comprehensive loss	-	-	-	(84)	(84)
Issue of share capital	361	332	571	-	1,264
Expenses of share issue	-	(24)	(3)	-	(27)
Movement in share option reserve	-	-	(118)	-	(118)
At 31 March 2015	**2,399**	**6,493**	**656**	**(5,420)**	**4,128**
Profit and comprehensive profit	-	-	-	302	302
Issue of share capital	153	-	367	-	520
Expenses of share issue	-	-	(7)	-	(7)
Movement in share option reserve	-	-	(8)	-	(8)
At 31 March 2016	**2,552**	**6,493**	**1,008**	**(5,118)**	**4,935**

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share Premium Reserve	Amount subscribed for share capital in excess of nominal values.
Other Reserve	Amount reserved for share based payments to be released over the life of the instruments and the equity element of convertible loans and the amount subscribed for share capital in excess of nominal value of acquisition of another company.
Retained losses	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

company statement of changes in equity

company statement of changes in equity

for the year ended 31 march 2016

	Attributable to equity holders of the Company				
	Share Capital £'000	Share Premium Reserve £'000	Other Reserve £'000	Retained Losses £'000	Total £'000
At 1 April 2014	**2,038**	**6,185**	**206**	**(4,642)**	**3,787**
Loss for the period	-	-	-	(419)	(419)
Issue of share capital	361	332	571	-	1,264
Movement in share option reserve	-	-	(118)	-	(118)
Expenses of share issue	-	(24)	(3)	-	(27)
At 31 March 2015	**2,399**	**6,493**	**656**	**(5,061)**	**4,487**
Loss for the period	-	-	-	(386)	(386)
Issue of share capital	153	-	367	-	520
Movement in share option reserve	-	-	(8)	-	(8)
Expenses of share issue	-	-	(7)	-	(7)
At 31 March 2016	**2,552**	**6,493**	**1,008**	**(5,447)**	**4,606**

consolidated statement of cash flows

consolidated statement of cash flows

for the year ended 31 march 2016

	Notes	2016 Group £'000	2015 Group £'000
Cash flows used in operating activities			
Profit (loss) after tax	-	**302**	(84)
Adjustments for:			
Depreciation and other amortisation	13 / 14	**611**	539
Fair Value adjustment on contingent consideration	3	**(270)**	(83)
Finance costs	-	**51**	63
Acquisition costs	10	**34**	84
Share based payments	-	**(8)**	(118)
Taxation	-	**(54)**	(54)
Operating cash flows before movement in working capital	-	**666**	347
Decrease / (Increase) in trade and other receivables	-	**58**	(201)
(Decrease) / Increase in trade and other payables	-	**(74)**	240
Net cash used in operating activities		**650**	386
Cash flows from investing activities			
Payments to acquire property, plant & equipment	-	**(72)**	(191)
Payments to acquire intangible assets	-	**(54)**	-
Acquisition costs	10	**(34)**	(75)
Payment for acquisitions net of cash received	-	**-**	(880)
Net cash used in investing activities	-	**(160)**	(1,146)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	-	**(7)**	408
Drawdown of invoice discounting facility	-	**105**	175
Repayment of loan facility	-	**(175)**	-
Repayment of loan notes	18	**(105)**	(170)
Loan note interest paid	-	**(10)**	(24)
Interest element of finance lease payments	-	**(39)**	(32)

	Notes	2016 Group £'000	2015 Group £'000
Capital repayment of finance leases	-	**(172)**	(170)
Net cash (used)/generated from financing activities	-	**(403)**	187
Net increase (decrease) in cash and cash equivalents	-	**87**	(573)
Cash and cash equivalents at the beginning of the year	-	**426**	999
Cash and cash equivalents at the end of the year	-	**513**	426

company statement of cash flows

company statement of cash flows

for the year ended 31 march 2016

	Notes	2016 Company £'000	2015 Company £'000
Cash flows used in operating activities			
Loss after tax	**23**	**(386)**	(419)
Adjustments for:			
Depreciation	**-**	**12**	-
Share based payments	**-**	**(12)**	(99)
Finance costs	**-**	**12**	32
Fair Value adjustment on contingent consideration	**3**	**(270)**	(83)
Acquisition costs	**10**	**11**	84
Operating cash flows before movement in working capital	**-**	**(633)**	(484)
(Increase) in trade and other receivables	**-**	**(25)**	(2)
Increase (decrease) in trade and other payables	**-**	**26**	(42)
Net cash used in operating activities	**-**	**(632)**	(529)
Cash flows from investing activities			
Payments to acquire property, plant and equipment	**-**	**(42)**	(3)
Acquisition and costs	**8**	**(11)**	(75)
Final payment on acquisitions	**-**	**-**	(550)
Payment for shares in subsidiaries	**-**	**-**	(548)
Net cash used in investing activities	**-**	**(52)**	(1,176)
Cash flows from financing activities			
Net proceeds from issue ordinary share capital	**-**	**(7)**	408
Received from subsidiary company	**18**	**817**	1,022
Repayment of convertible loan	**-**	**(105)**	(170)
Loan note interest paid	**-**	**(10)**	(24)
Net cash from financing activities	**-**	**695**	1,236
Net increase (decrease) in cash and cash equivalents	**-**	**10**	(469)
Cash and cash equivalents at the beginning of the year	**-**	**2**	471
Cash and cash equivalents at the end of the year	**-**	**12**	2

notes to the consolidated financial statements

notes to the consolidated financial statements

for the year ended 31 march 2016

1. Accounting Policies

Statement of Compliance

These Group and Company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs and IFRIC interpretations) as endorsed by the European Union ("endorsed IFRS") and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under endorsed IFRS.

Basis of Preparation

The principal accounting policies adopted in the preparation of the Financial Statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements have been prepared under the historical cost basis, except for the revaluation of certain financial liabilities which have been valued in accordance with IAS 39.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the Financial Statements and their effect are disclosed in note 2.

Going Concern

The Directors have prepared the Financial Statements on a going concern basis which assumes that the Group and the company will continue to meet liabilities as they fall due.

The directors have reviewed forecasts prepared for the period ending 31 March 2018 and considered the projected trading forecasts and resultant cash flows together with confirmed loan facilities and other sources of finance.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group can continue to operate within the current facilities available to it.

The Directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

New Standards and Interpretations Not yet Adopted

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 15 Revenue from Contracts with Customers
- IFRS 9 Financial instruments
- IFRS 16 Leases

The adoption of these standards in future periods may have an impact on the results and net assets of the Group, however it is too early to quantify this.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the Group. 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.

Basis of Consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

Business Combinations

All business combinations are accounted for by applying the purchase method. On acquisition, all of the subsidiaries' assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting the conditions at that date. The results of subsidiaries acquired in the period are included in the income statement from the date on which control is obtained.

Goodwill

Goodwill represents the excess of the cost of a business combination over the total acquisition date fair value of the identifiable assets, liabilities and contingent liabilities acquired. Goodwill is not amortised but is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income.
In determining the fair value of consideration, the fair value of equity issued is the market value of equity at the date of

completion, and the fair value of contingent consideration is based on the expected future cashflows based on whether the directors believe performance conditions will be met and thus the extent to which the further consideration will be payable. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Impairment of Non-Financial Assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually at the financial year end. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest Group of assets in which the asset belongs for which there are separable identifiable cash flows that are largely independent of the cash flows from the other assets or Groups of assets). Goodwill is allocated on initial recognition to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination giving rise to the goodwill.

The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Foreign Currencies

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

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Board of Directors.

Financial Instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either 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.

Financial Assets

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position. Trade receivables are minimal as the Group operates a cash on delivery model for recurring subscriptions. Trade receivables are stated at their nominal value and an impairment provision will be recognised if there is evidence that the amount is irrecoverable and will be shown in administrative expenses in the Consolidated Statement of Comprehensive Income. Cash and cash equivalents includes cash in hand, deposits held at call with banks.

Share Capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Group's ordinary shares are classified as equity instruments and are recorded at the proceeds received, net of direct issue costs.

Invoice Discounting

The Netplan subsidiary has an invoice discounting facility, this is only used for particular large clients who have extended payment terms. As at the year end this was drawn by £105k (2015: £107k) but has since been repaid in full leaving a zero balance on the facility.

Financial Liabilities

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which it was acquired. The Group's accounting policy for each category is as follows:

- Fair Value Through Profit or Loss – This category comprises only contingent consideration. They are carried in the statement of financial position at fair values which changes in fair value recognised in the consolidated income statement.
- Other Financial Liabilities – Other financial liabilities include trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Fair Value Measurement Hierarchy

IFRS 7 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value to reflect the significance of the inputs used in making the fair value measurement. The fair value hierarchy has the following levels:

a. Quoted prices in active markets for identical assets or liabilities (Level 1)
b. Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
c. Inputs from the asset or liability that are not based on observable market data (Level 3)

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is significant to the fair value measurement. Financial assets and financial liabilities are classified in their entirety into only one of the three levels.

Convertible Debt

The proceeds received on issue of the Group's convertible debt are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the bond. The remainder of the proceeds is allocated to the conversion option and is recognised in the "Other reserve" within shareholders' equity, net of income tax effects.

Share Based Payments

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

Leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in payables net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the consolidated statement of comprehensive income 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.

Property Plant and Equipment

Items of property, plant and equipment 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:

Furniture and Equipment	20% – 33.3% reducing balance

Investment in Subsidiaries

Fixed asset investments in the Parent Company are shown at cost less provision for impairment.

Research and Development

Research expenditure is written off to the consolidated statement of comprehensive income in the year in which the expenditure occurs. Development expenditure is treated in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects, there is an intention to complete and sell the product and the costs can be easily measurable. In this situation, the expenditure is capitalised and amortised expense is included in administrative expenses in the Consolidated Statement of Comprehensive Income over the years during which the Group is to benefit.

Intangible Assets

Intangible assets are recognised on business combinations if they are separable from the acquired entity or give rise to other contractual / legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

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

Intangible Asset	Customer relationships
Estimated UEL	5-7 years
Valuation Method	Estimated discounted cash flow

Deferred Taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- the initial recognition of goodwill;
- the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit; and
- investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either:

- the same taxable Group company; or
- different Group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Deferred tax liabilities are recognised on intangible assets and other temporary differences recognised in business combinations.

2. 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. The key sources of estimation that have a significant impact on the carrying value of assets and liabilities are discussed below.

Impairment of Goodwill and Other Intangibles

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. An impairment review has been performed at the reporting date and no impairment has been identified. More details including carrying values are included in note 13.

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.

Valuation of Intangibles Acquired in Business Combinations

Determining the fair value of customer relationships acquired in business combinations requires estimation of the value of the cash flows related to those relationships and a suitable discount rate in order to calculate the present value. More details including carrying values are included in note 13.

Valuation of Contingent Consideration

When valuing the contingent consideration still payable on acquisitions, the Group considers various factors including the performance of the acquired entity since acquisition together with its expected performance to the end of the earn-out period. Following the adoption of IFRS 3 (revised) – Business Combinations, contingent consideration is recognised at, and carried thereafter at, fair value. All changes in fair value (other than measurement period adjustments) are reflected in the income statement.

Useful Economic Lives of Intangible Assets

Intangible asset are amortised over their useful economic lives. Useful lives are based on management's estimates of the period over which the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to estimates can result in changes in the carrying values and hence amounts charged to the income statement in particular periods which could be significant.

3. Financial Instruments – Risk Management

The Group's financial instruments comprise cash and liquid resources, convertible bonds and various items such as trade 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.

All of the Group's financial instruments are carried at amortised cost with the exception of contingent consideration. There is no material difference between the carrying and fair value of its financial instruments, in the current or prior year, due to the instruments bearing interest at fixed rates or being of short term nature.

A summary of financial instruments held by category is shown below:

	Group		Company	
Financial assets	**2016 £'000**	**2015 £'000**	**2016 £'000**	**2015 £'000**
Loans and receivables				
Cash and cash equivalents	513	426	11	2
Trade receivables	306	425	-	-
Total financial assets	**819**	**851**	**11**	**2**

	Group		Company	
Financial liabilities	**2016 £'000**	**2015 £'000**	**2016 £'000**	**2015 £'000**
At amortised cost				
Trade and other payables	563	544	71	45
Loans and other borrowings	105	278	-	103
At fair value	668	822	71	148
Contingent consideration	435	1,225	435	1,225
Total financial liabilities	**1,103**	**2,047**	**506**	**1,373**

Per the fair value hierarchy classifications under IFRS 7 Financial Instruments the contingent consideration due on acquisitions shown above are considered to be level 3 financial liabilities as there are no observable inputs for valuation.

	Group £'000	**Company £'000**
Contingent consideration At 1 April 2014	933	933
Settled during the year	(850)	(850)
Fair value adjustment through Income Statement	(83)	(83)
At acquisition	1,225	1,225
At 31 March 2015	1,225	1,225
Settled during the year	(520)	(520)
Fair value adjustment through Income Statement	(270)	(270)
At 31 March 2016	**435**	**435**

The fair value adjustment relates to the change in fair value calculation of the contingent consideration expected to be payable on the Q4Ex acquisition completed in the year.

Liquidity Risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to prepare periodic working capital forecasts, allowing an assessment of the cash requirements of the Group and 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 Group and Company's immediate operating requirements and capital expenditure.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

Group **At 31st March 2015**	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade and other payables	544	-	-	-	-
Contingent consideration	-	-	1,225	-	-
Loans and borrowings	175	103	-	-	-
Total	**719**	**103**	**1,225**	**-**	**-**

Group **At 31st March 2016**	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade and other payables	563	-	-	-	-
Contingent consideration	-	-	435	-	-
Loans and borrowings	105	-	-	-	-
Total	**668**	**-**	**435**	**-**	**-**

Company **At 31st March 2015**	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade and other payables	45	-	-	-	-
Contingent consideration	-	-	1,225	-	-
Loans and borrowings	-	103	-	-	-
Total	**45**	**103**	**1,225**	**-**	**-**

Company **At 31st March 2016**	**Up to 3 months £'000**	**Between 3 and 12 months £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade and other payables	71	-	-	-	-
Contingent consideration	-	-	435	-	-
Loans and borrowings	-	-	-	-	-
Total	**71**	**-**	**435**	**-**	**-**

Interest Rate Risk

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

Credit Risk

The Group's exposure to credit risk is limited as the majority of services provided within the SME Mass Market segment are under terms whereby payment is due on delivery or in advance of services provided. The managed hosting division gives 30 day terms and historically has had no requirement for doubtful debts. For cash and cash equivalents, the Group only uses recognised banks with high credit ratings.

Capital Disclosures

The Group monitors "adjusted capital" which comprises all components of equity (i.e. share capital, share premium, non-controlling interest, retained earnings, and revaluation reserve).

The Group's objective when maintaining capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can provide returns for shareholders in future periods and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets.

4. Segmental Analysis

The chief operating decision maker for the Group is the Board of Directors. The Group reports in two segments:

- SME Mass Market – this segment provides a range of VPS, shared hosting, email and domain registration services to individuals and SME's.
- Managed Hosting – this segment provides all forms of Cloud hosting to larger customers. This segment was created on the acquisition of Netplan in November 2013. Q4Ex which provides Cloud and professional services was acquired during the prior year has been included in this segment since acquisition and now trades as Netplan.

Information regarding the operation of the reportable segments is included below. The performance of each operating segment is based on revenue and earnings before interest, tax, depreciation and amortisation (EBITDA) before any allocation of Group overheads, share based payments, fair value adjustments or acquisition costs, as the Board believe this is the best measure for performance. The Groups Adjusted EBITDA has been calculated after deducting Group overheads which include the cost of the Board, Group marketing, legal and professional fees.

Assets and liabilities are not reviewed on a segmental basis. All segments are continuing operations. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Transactions between segments are accounted for using an arms length commercial basis.

Revenue by operating segment	2016 £'000	2016 %	2015 £'000	2015 %
SME Hosting	2,249	47%	2,039	52%
Managed Hosting	2,515	53%	1,852	48%
Total	**4,764**	**100%**	**3,891**	**100%**

No individual customer accounts for more than 10% of the groups revenue.

The Group operates out of the UK and sells services to the following geographical locations.

	2016 £'000	2016 %	2015 £'000	2015 %
UK	3,792	80%	3,066	79%
Rest of World	972	20%	825	21%
Total	**4,764**	**100%**	**3,891**	**100%**

	2016			2015		
	EBITDA before acquisition costs and share based payments £'000	**Depreciation and amortisation £'000**	**Profit (loss) before tax £'000**	**EBITDA before acquisition costs and share based payments £'000**	**Depreciation and amortisation £'000**	**Profit (loss) before tax £'000**
SME Hosting	558	(164)	394	278	(150)	128
Managed Hosting	742	(435)	307	567	(389)	178
	1,300	(599)	701	845	(539)	306
Group overheads	(634)	(12)	(646)	(434)	-	(434)
Acquisition costs	-	-	(34)	-	-	(148)
Share based payments	-	-	8	-	-	118
Fair value adjustment	-	-	270	-	-	83
Group interest	-	-	(51)	-	-	(63)
Total	**666**	**(611)**	**248**	**411**	**(539)**	**(138)**

5. Expenses

		2016 £'000	2015 £'000
Auditor's remuneration			
Group	Audit	31	31
	Taxation - compliance	4	2
	Corporate finance	-	6
	Other advisory	1	3
Company	Audit	4	4
Depreciation of tangible fixed assets			
Owned		215	156
Held under finance leases		77	107
Amortisation of Intangible assets		319	276
Share based payments		(8)	(118)
Staff costs		1,671	1,191
Rentals payable under operating leases		81	61
Marketing costs		90	156
Acquisition and integration costs		34	148
Other administrative costs		191	474
Total administrative expenses		**2,710**	**2,497**

6. Finance Expense

	2016 £'000	2015 £'000
Interest payable on finance leases	39	32
Other Interest payable	12	31
Total	**51**	**63**

7. Staff Numbers and Costs

The average number of full time persons employed by the Group, including executive Directors during the year increased by 10% to 31 (2015:28).

	2016	**2015**
Research and Development	4	3
Technical Support	20	16
Sales and Marketing	1	2
Executive and Administration	6	7
Total	**31**	**28**

The aggregate payroll costs including executive Directors but excluding integration salary costs (per note 8) and non-executive service fees were as follows:

	2016 £'000	**2015 £'000**
Wages and salaries	1,387	1,072
Social security costs	156	107
Benefits in kind	6	12
Benefits in kind	23	-
Share based payment expense	(8)	(20)
Total	**1,564**	**1,171**

Directors and Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, they are also the Directors of the Company listed on page 19.

	2016 £'000	**2015 £'000**
Fees and salaries	287	202
Social security costs	28	19
Share based payments	(12)	-
Benefits in kind	3	7
Total	**306**	**228**

The emoluments of the highest paid director Christopher Evans were £96,000 (2015: Mr Abby Hardoon £68,000).

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 makes pension contributions. No pension contributions have been made in 2016 or 2015, though provision has been made in the accounts for pensions due of £8,700.

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

8. Acquisition Costs

	2016 £'000	2015 £'000
Professional fees	4	84
Non – recurring integration costs	30	64
Total	**34**	**148**

9. Share Based Payments and Warrants

The Company has granted a number of EMI options. 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 Group. There is no performance criteria associated with the options. The weighted average exercise price is 1.76p per share.

Rights to options over ordinary shares of the Company are summarised as follows:

			No. of Ordinary Shares			
Grant date	**Exercise period**	**Exercise price**	**At 31 March 2015**	**Granted**	**Waived**	**At 31 March 2015**
24/08/07	31/07/07 to 30/07/17	0.7p	89,286	-	-	89,286
19/12/12	19/12/12 to 18/12/22	2p	4,025,000	-	(1,850,000)	2,175,000
12/12/13	12/12/13 to 11/12/23	1.5p	825,000	-	(200,000)	625,000
02/03/15	02/03/15 to 01/03/25	1.57p	300,000	-	(200,000)	100,000
14/08/15	14/08/15 to 13/08/25	1.7p	-	1,000,000	-	1,000,000
21/02/16	21/02/16 to 20/02/26	1.38p	-	475,000	-	475,000
Total	**-**	**-**	**5,239,286**	**1,475,000**	**(2,250,000)**	**4,464,286**

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

Number of instruments granted	89,286	4,025,000	1,900,000
Grant date	23/03/09	19/12/12	12/12/13
Expiry date	30/07/17	18/12/22	11/12/23
Contract term (years)	8.2	10	10
Exercise price	0.7p	2p	1.5p
Share price at granting	5p	2.5p	2.125p
Annual risk free rate (%)	5%	0.5%	0.5%
Annual expected dividend yield (%)	0%	0%	0%
Volatility (%)	50%	40%	90%
Fair value per grant instrument	0.46p	1.36p	1.86p

Number of instruments granted	300,000	1,000,000	475,000
Grant date	12/02/15	14/08/15	21/02/16
Expiry date	11/02/25	13/08/25	20/02/26
Contract term (years)	10	10	10
Exercise price	1.57p	1.7p	1.38p
Share price at granting	1.55p	1.7p	1.77p
Annual risk free rate (%)	0.5%	0.5%	0.5%
Annual expected dividend yield (%)	0%	0%	0%
Volatility (%)	40%	90%	55%
Fair value per grant instrument	0.8p	1.44p	1.19p

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.

At 31 March 2016 there were 5,600,000 outstanding warrants to subscribe for the ordinary share capital of the Company as follows:

		No. of Warrants and Exercise price	
Grant date	**Exercise period**	**5p**	**Total**
09/01/12	08/01/22	5,600,000	5,600,000

The fair value of the convertible loan warrants has been calculated at 0.009p based on the following assumptions – share price at granting 1.25p, annual risk free rate 0.5%, and volatility 20%. No provision has been made for the convertible loan note warrants in shared based payments.

10. Acquisitions

There have been no acquisition's during the period. The Board strategically expect acquisitions to be a common component of growth in the future.

Acquisitions made during the year to 31 March 2015 were:

Evohosting Limited

The Group acquired 100% of the share capital of Evohosting Limited on 20 August 2014.

Evohosting provides Domain registration and shared hosting services to individuals and SME's.

During the year to 31 March 2015 the Group incurred £50,000 of costs in relation to this acquisition. These costs are included in administrative expenses in the Groups consolidated statement of comprehensive income for the year ended 31 March 2015.

The amount of identifiable net assets assumed at the acquisition date in shown below:

Recognised amounts of net assets acquired and liabilities assumed	Note	Provisional Fair Values £'000
Cash and cash equivalents	-	182
Trade and other receivables	-	11
Property, plant and equipment	-	12
Intangible assets	-	367
Trade and other payables	-	(131)
Current income tax liability	-	(6)
Deferred tax liability	-	(73)
Identifiable net assets	-	362
Goodwill	13	181
Total consideration		**543**
Satisfied by:		
Cash consideration – paid on acquisition	3	543

The fair value of acquired customer relationships intangible asset has been estimated using a discounted cashflow method, based on the estimated level of profit to be generated from them. A post tax discount rate of 19% was used in the valuation. Customer relationships are being amortised over an estimated useful life of 5 years.

Since the acquisition date to 31 March 2015, Evohosting Limited has contributed £250,000 to Group revenues and £80,000 to Group profit.

Q4Ex Limited

The Group acquired 100% of the share capital of Q4Ex Limited ("Q4Ex") on 10 December 2014. Q4Ex provides managed hosting and application support services.

During the year to 31 March 2015 the Group incurred £25,000 of costs in relation to this acquisition. These costs are included in administrative expenses in the Groups consolidated statement of comprehensive income for the year ended 31 March 2015.

The amount of identifiable net assets assumed at the acquisition date in shown below:

Recognised amounts of net assets acquired and liabilities assumed	Note	Provisional Fair Values £'000
Cash and cash equivalents	-	37
Intangible assets	-	-
Trade and other receivables	-	38
Property, plant and equipment	-	48
Trade and other payables	-	(43)
Deferred tax liability	-	-
Identifiable net assets	-	80
Goodwill	13	1,655
		1,745
Satisfied by:		
Consideration - New Ordinary shares issued at 1.7p per share	-	520
Contingent consideration	-	1,225
Total consideration	**-**	**1,745**

Since the date of acquisition to 31 March 2015, Q4Ex Ltd has contributed £112,000 to Group revenues and £31,000 to Group profits.

The acquisition of Q4Ex Ltd included a contingent consideration consisting three potential hurdle payments (of up to £520,000, £520,000 and £416,000) payable in new Ordinary shares at 1.7p. The contingent consideration is based on the level of earnings before interest, tax, depreciation and amoritisation EBITDA) achieved in a 12 month rolling period less an amount for central re-charges. The earnout period is to 08 December 2017.

The fair value of deferred consideration has been estimated using the discounted cashflow method based on the timing of the payment of the consideration. A post tax discount rate of 19% was used.

Pro-Forma Full Year Information

Had both acquisitions taken place on 1 April 2014, the Group's revenue for the year to 31 March 2015 would have been £4.3m and the Group's profit would have been £0.15m

11. Earnings Per Share

	2016	2015
Profit (loss) for the financial year attributable to shareholders	£302,000	(£84,000)
Weighted number of equity shares in issue	483,059,433	456,047,673
Basic/diluted loss per share	£0.0006	(£0.0002)
Diluted loss per share	£0.0006	(£0.0002)

12. Taxation

	2016 £'000	2015 £'000
Current tax charge	31	-
Deferred tax		
Timing differences	(85)	(54)
Total tax charge	(54)	(54)
Factors affecting the tax charge for the year		
Profit (loss) on ordinary activities before taxation	248	(138)
Profit (loss) on ordinary activities before taxation multiplied by the Standard rate of UK corporation tax of 20% (2015:21%)	34	(29)
Effects of:		
Tax losses	(3)	29
Total tax charge	**31**	**-**

The Group recognised deferred tax assets and liabilities as follows:

	2016 £'000	2015 £'000
Deferred tax on customer relationships	(267)	(327)
Capital allowances timing differences	25	-
Deferred tax (liability)/asset	**(242)**	**(327)**

The Directors have provided for a deferred tax asset based on two year forecasts for the period to 31 March 2018. The tax losses available were approximately £4,513,000 at 31 March 2016 (2015: £4,692,000). The deferred tax asset on these tax losses at 18% (2015: 20%) of £812,000 (2015: £971,000) has not been fully recognised due to the uncertainty of the timing of the recovery.

The movement in the deferred tax account during the year was:

	Capital allowances timing differences £'000	Customer relationships £'000	Total £'000
Balance at 1 April 2015	**-**	**(327)**	**(327)**
Credited to statement of comprehensive income	25	60	85
Balance at 31 March 2016	**25**	**(267)**	**(242)**

13. Intangible Assets

Group	Website Cost £'000	Development Cost £'000	Software Cost £'000	Customer Relationships £'000	Positive Goodwill £'000	Total £'000
At 1 April 2014	166	232	-	1,547	2,576	4,521
Additions	31	-	3	-	-	34
Acquired from acquisition	-	-	4	367	1,878	2,255
Disposals	-	-	-	-	-	-
At 31 March 2015	**197**	**232**	**7**	**1,914**	**4,454**	**6,810**
At 1 April 2015	197	232	7	1,914	4,454	6,810
Additions	-	-	54	-	-	54
Disposals	-	-	-	-	-	-
At 31 March 2016	**197**	**232**	**61**	**1,914**	**4,454**	**6,858**
Accumulated amortisation and impairment						
At 1 April 2014	166	223	-	82	-	480
On disposals	-	-	-	-	-	-
Charge for the year	3	-	1	272	-	276
At 31 March 2015	**169**	**232**	**1**	**354**	**-**	**756**
At 1 April 2015	169	232	1	354	-	756
On disposals	-	-	-	-	-	-
Charge for the year	11	-	7	301	-	319
At 31 March 2016	**180**	**232**	**8**	**655**	**-**	**1,075**

Group	Website Cost £'000	Development Cost £'000	Software Cost £'000	Customer Relationships £'000	Positive Goodwill £'000	Total £'000
Net book value						
At 31 March 2014	**-**	**-**	**-**	**1,465**	**2,576**	**4,041**
At 31 March 2015	**28**	**-**	**6**	**1,560**	**4,454**	**6,054**
At 31 March 2016	**17**	**-**	**53**	**1,259**	**4,454**	**5,783**

The Company held no Intangible assets at 31 March 2016 or 31 March 2015.

All amortisation and impairment charges are included in the depreciation, amortisation and impairment of non-financial assets classification, which is disclosed as administrative expenses in the statement of comprehensive income.

During the year, goodwill was reviewed for impairment in accordance with IAS 36 "Impairment of Assets". No impairment charges arose as a result of this review.

The recoverable amount is determined based on discounted cash flow basis and is allocated to individual cash generating units. The calculation uses pre-tax cash flow projections based on financial budgets approved by the Board covering a two year period. Cash flows beyond the two year period are extrapolated using the estimated growth rates stated below. The growth rates and margins used to estimate future performance are based on past performance and the experience of growth rates.

The carrying value of each CGU is as follows:

	2016 £'000	2015 £'000
SME Hosting	620	598
Managed Hosting	4,977	5,298
Total	**5,597**	**5,896**

The assumptions used for the impairment reviews are as follows:

	SME Hosting	Managed Hosting
Discount rate	15%	15%
Growth rate year 2 to year 5	1%	10%
Terminal growth rate	1%	5%
Forecast period for which cashflows are estimated	2 year	2 year

The Group had no contractual liability for development costs at 31st March 2016. As a result of the impairment testing carried out on the basis of these estimates and assumptions, no impairment provisions are required.

The recoverable amount for the Managed Hosting exceeds the carrying value of the total net assets by £0.5m. A 1% increase in the discount rate would reduce the recoverable amount by approximately £0.5m. A 4% reduction in the growth rate would reduce the recoverable amount by approximately £0.4m.

14. Property Plant and Equipment

Group	**Furniture and equipment £'000**	**Total £'000**
At 1 April 2014	**973**	**973**
Additions	316	316
Disposals	(5)	(5)
Acquisition of subsidiary	57	57
At 31 March 2015	**1,341**	**1,341**
At 1 April 2015	1,341	1,341
Additions	161	161
Disposals	(11)	(11)
At 31 March 2016	**1,491**	**1,491**
Accumulated depreciation		
At 1 April 2014	491	491
On disposal	(5)	(5)
Charge for the year	263	263
At 31 March 2015	**749**	**749**
At 1 April 2015	749	749
On disposal	(2)	(2)
Charge for the year	292	292
At 31 March 2016	**1,041**	**1,041**
Net book value		
At 31 March 2014	**482**	**482**
At 31 March 2015	**592**	**592**
At 31 March 2016	**450**	**450**

Included in the net book value of £450,000 (2015: £592,000) for furniture and equipment are assets held under finance leases with a NBV of £151,000 (2015: £269,000).

The depreciation for the year on these assets was £77,000 (2014: £107,000).

Company	**Furniture and equipment £'000**	**Total £'000**
At 1 April 2014	-	-
Additions	3	3
Disposals	-	-
At 31 March 2015	**3**	**3**
At 1 April 2015	3	3
Additions	42	42
Disposals	-	-
At 31 March 2016	**45**	**45**
Accumulated depreciation		
At 1 April 2014	-	-
On disposal	-	-
Charge for the year	-	-
At 31 March 2015	**-**	**-**
At 1 April 2015	-	-
On disposal	-	-
Charge for the year	12	12
At 31 March 2016	**12**	**12**
Net book value		
At 31 March 2014	**-**	**-**
At 31 March 2015	**3**	**3**
At 31 March 2016	**33**	**33**

The Company held no finance leases at 31 March 2016 or 31 March 2015.

15. Investments

Company	2016 £'000	2015 £'000
Investment in Subsidiaries **At 1 April 2015**	6,576	5,147
Additions	-	2,293
Impairment	-	(864)
Cost 31 March 2016	**6,576**	**6,576**

The Company's subsidiary undertakings all of which are wholly owned (unless otherwise stated) and included in the consolidated accounts are:

Undertaking	Registration	Principal activity
Daily Internet Services Limited	England	SME Mass Market Hosting
Netplan Internet Solutions Limited	England	Managed hosting
Netplan LLC*	USA	Managed hosting
NameHOG Limited	England	Dormant
Q4Ex Limited	England	Dormant
18a Bridge Street Limited	England	Dormant

*Netplan LLC is a wholly owned subsidiary of Netplan Internet Solutions Ltd

The recoverable amounts have been determined from discounted cash flow calculations based on cash flow projections from approved budgets covering a two-year period to 31 March 2018. The major assumptions can be found in note 13.

16. Trade and Other Receivables

Amounts due within one year	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Trade debtors	306	-	425	-
Other debtors	-	11	3	-
Amounts owed by subsidiary undertakings	-	-	-	87
Prepayments and accrued income	292	23	166	9
Total Debtors	**598**	**34**	**594**	**96**

The Group is not exposed to any significant credit risk from trade receivables. The ageing below shows that all debts are less than three months old and there has been no significant bad debt write off during the year, therefore no impairment is required

Total unimpaired trade receivables which are past due	2016 £'000	2015 £'000
Up to 3 months	306	425
Over 3 months but less than 6 months	-	-
Over 6 months but less than 1 year	-	-
Total	**306**	**425**

17. Trade and Other Payables

Amounts falling due within one year	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Trade payables	367	35	357	24
Corporation tax	62	-	34	-
Other payables	-	-	49	-
Accruals	134	36	104	21
Total financial liabilities, excluding loans and borrowings measured at amortised cost	563	71	544	45
Other taxes and social security costs	155	-	168	-
Deferred Income	707	-	756	-
Total	**1,425**	**71**	**1,468**	**45**

Contingent consideration due on acquisitions	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Q4Ex Ltd	435	435	1,225	1,225

The fair value of contingent consideration was based on the present value of cash flows and the market value of the shares to be issued.

To the extent trade payables and other payables are not carried at fair value in the consolidated balance sheet, book value approximates to fair value at 31 March 2016 and 31 March 2015.

Maturity group of the financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost is shown in note 3.

18. Loans and Borrowings

The book value and fair value of loans and borrowings are as follows:

Non-Current	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Finance lease creditor	91	-	126	-
Total	**91**	**-**	**126**	**-**

Current	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Convertible loan	-	-	103	103
Convertible loan	105	-	175	-
Finance lease creditor	111	-	108	-
Total	**216**	**-**	**386**	**103**

Convertible Loan Note

During the year twenty-two £5,000 convertible loan notes were redeemed, there are no further convertible loan notes outstanding as at 31 March 2016.

19. Leases

Group Finance Leases

Future lease payments are due as follows:

	Minimum Lease Payments 2015 £'000	Interest 2015 £'000	Present Value 2015 £'000
Not later than one year	125	17	108
Later than one year and not later than 5 years	133	7	126
Later than 5 years	-	-	-
Total	**258**	**24**	**234**

	Minimum Lease Payments 2016 £'000	Interest 2016 £'000	Present Value 2016 £'000
Not later than one year	126	15	111
Later than one year and not later than 5 years	97	6	91
Later than 5 years	-	-	-
Total	**223**	**21**	**202**

The Company has no finance leases.

Group Operating Leases

The total future value of minimum lease payments is due as follows:

	Leasehold Property 2016 £'000	Other 2016 £'000	Leasehold Property 2015 £'000	Other 2015 £'000
Within one year	60	-	78	-
Within two to five years	131	-	168	-
After five years	35	-	58	-
Total	**226**	**-**	**304**	**-**

The Company has no operating leases.

20. Share Capital

	Group 2016 £'000	Company 2016 £'000	Group 2015 £'000	Company 2015 £'000
Allotted, called up and fully paid				
At start of year 479,791,101 Ordinary shares of 0.5p each	2,399	2,399	2,038	2,038
Issued during the year 30,588,235 Ordinary shares of 0.5p	153	153	361	361
At end of year 510,379,336 Ordinary shares of 0.5p	**2,552**	**2,552**	**2,399**	**2,399**

During the year the Company issued 30,588,235 ordinary shares of 0.5p each. These were issued at 1.7p per share in part settlement to the Q4Ex shareholders.

Under the terms of the EMI and unapproved share options a further 46,574,000 ordinary shares could be issued with a nominal value of £232,870.

21. Contingent Liabilities

There are no contingent liabilities at the year-end for either the group or company.

22. Related Party Transactions

Details of Directors' remuneration are given in the Directors' Remuneration Report. Other related party transactions are as follows:

		Transaction value		Balance Due to Related Party	
Related party relationship	**Type of Transaction**	**2015 £'000**	**2016 £'000**	**2015 £'000**	**2016 £'000**
Directors	Use of personal credit cards to pay online suppliers and rent of office building*	412	450	34	0
Companies in which directors or their immediate family have a significant / controlling interest	Provision of management services and website design	17	58	9	1

*The practice of using personal credit cards to pay anything other than incidental expenses was ceased in the financial year, the company no longer permits this by policy.

23. Loss for the Financial Year

As permitted by section 408 Companies Act 2006, the holding Company's profit and loss has not been included in the financial statements. The loss for the financial year is made up as follows:

	2016 £'000	2015 £'000
Holding company's loss for the year	**386**	**419**

24. Prior Year Restatement

An amount of £928,000 has been reclassified from the share premium account to the other reserve to reflect the amount subscribed for share capital in excess of nominal value of the acquisition of another company. This has increased the previously reported other reserve by £928,000 and reduced the previously reported share premium reserve by £928,000. This adjustment has had no impact on the reported net assets or loss for the year ended 31 March 2015.

notice of annual general meeting

notice of annual general meeting

Notice is hereby given that the Annual General Meeting of Daily Internet plc (Company number: 06172239) will be held on Tuesday, 5 July 2016 at 11.00am at Kuit Steinart Levy LLP, 7th Floor, Blackfriars House, The Parsonage, Manchester M3 2JA for the purpose of considering and, if thought fit, passing the resolutions set out below, of which Resolutions 1 to 4 will be proposed as ordinary resolutions and Resolution 5 will be proposed as a special resolution.

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

Ordinary Business

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

1. **TO** receive, consider and adopt the Annual Report and Financial Statements for the year ended 31 March 2016, together with the Directors' and Auditors' Reports contained therein.

2. **TO** reappoint Christopher Evans as a director who retires by rotation.

3. **TO** reappoint BDO LLP Chartered Accountants as auditors of the Company and authorise the Directors to fix their remuneration.

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

   a. up to an aggregate nominal amount of £255,189.67 in connection with an offer by way of a rights issue:

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

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

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

   b. in any other case, up to an aggregate nominal amount of £510,379.34 (such amount to be reduced by the nominal amount of any equity securities allotted under resolution 4(a) above in excess of £255,189.67), provided that this authority shall, unless renewed, varied or revoked by the Company, expire 15 months from the date this resolution is passed or, if earlier, the date of the next annual general meeting of the Company save that the Company may, before such expiry, make offers or agreements which would or might require Relevant Securities to be allotted and the Directors may allot Relevant Securities in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

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

For the purposes of the resolution: 'Relevant Securities' means:

i. shares in the Company other than shares allotted pursuant to: an employee share scheme (as defined by section 1166 of the CA 2006); a right to subscribe for shares in the Company where the grant of the right itself constituted a Relevant Security; or a right to convert securities into shares in the Company where the grant of the right itself constituted a Relevant Security; and

ii. any right to subscribe for or to convert any security into shares in the Company other than rights to subscribe for or convert any security into shares allotted pursuant to an employee share scheme (as defined by section 1166 of the CA 2006). References to the allotment of Relevant Securities in the resolution include the grant of such rights.

Special Business

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

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

a. the allotment of ordinary shares of £0.005 (0.5 pence) each ("Ordinary Shares") pursuant to options granted to directors, employees and consultants to the Company up to an aggregate nominal value of £22,321.43;

b. the allotment of Ordinary Shares pursuant to warrants granted pursuant to a warrant instrument dated 9 January 2012 up to an aggregate nominal value of £28,000;

c. the allotment of equity securities in connection with an offer by way of a rights issue:

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

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

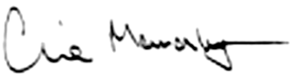
but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange;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

d. the allotment (otherwise than pursuant to resolutions 5(a) to (c) above) of equity securities up to an aggregate nominal amount of £255,189.67.

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

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

By order of the board



Clive Maudsley
Company Secretary
31 May 2016

Registered Office
First Floor, Nelson House
Park Road, Timperley
Cheshire WA14 5BZ

Notes

1. Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies who need not be a member of the Company to attend and to vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so.

2. In order to be valid, any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power of attorney, must reach the Company's Registered Office, First Floor, Nelson House, Park Road, Timperley, Cheshire. WA14 5BZ not less than 48 hours (excluding weekends and bank holidays) before the time of the meeting or of any adjournment of the meeting.

3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 the Company specifies that to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the number of votes they may cast), holders of ordinary shares must be entered on the relevant register of securities by 11.00am on Sunday, 3 July 2016. Changes to entries on the relevant register of securities after 11.00am on Sunday, 3 July 2016 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

4. Copies of the service contracts and letters of appointment of each of the Directors of the Company together with the Register of Directors' Interests will be available for inspection at the registered office of the company during usual business hours on any weekday (Saturday and public holidays excluded) and at the place of the Annual General Meeting from at least 15 minutes prior to and until the conclusion of the Annual General Meeting.

5. The Directors have no present intention of exercising either the allotment authority under resolution 4 or the disapplication of pre-emption rights authority under resolution 5 other than as required pursuant to the authorities set out in paragraphs (a) to (c) of resolution 5.

6. The Annual Report and Financial statements can be downloaded from the investor section of our website at the following location https://investor.daily.co.uk/financial-reports/

daily internet

Daily Internet Plc
Walker House
Exchange Flags
Liverpool L2 3YL

investor.daily.co.uk