DAILY

Internet plc
Annual Report 2012

Company Number 06172239

Contents

DAILY

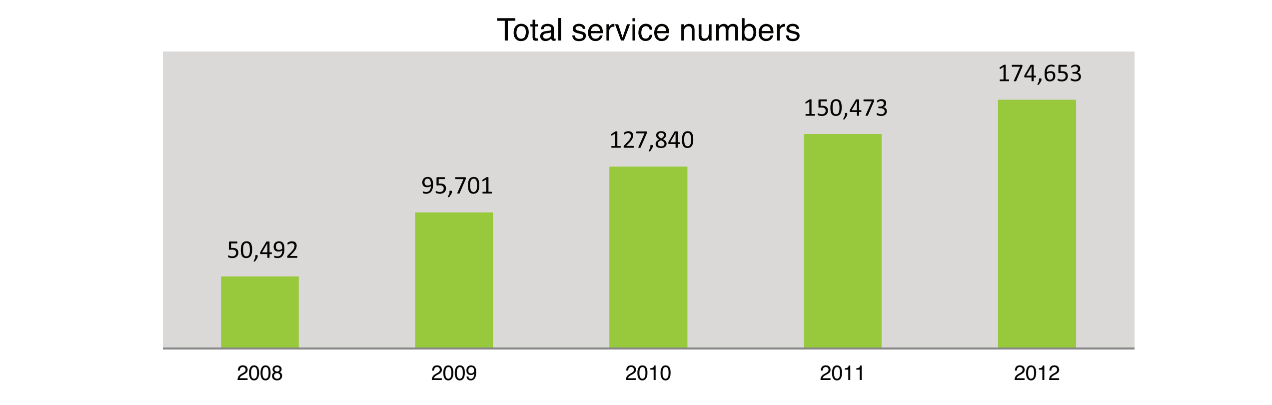
Introduction and Highlights

Strategy

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

Highlights

	2012	**2011**
Turnover	£1,451,246	£1,267,978
Earnings before interest, taxation, depreciation, amortisation and FRS 20 share based payments	£ (140,458)	£ (208,283)
Number of customers	61,036	53,213
Number of Active domains	154,072	131,765
Number of Active hosting services	20,581	18,708



- Revenue up by 14.5% reflecting good organic growth
- Number of active domains up by 16.9%
- Number of active hosting services up by 10.0%
- £124,000 investment in infrastructure
- £51,000 investment in additional staff to enable expansion into the next phase of development

Chairman's Statement

I am delighted to present the 31 March 2012 financial results for Daily Internet plc.

Performance Summary

Daily continued to make good progress during the financial year, and as promised in last year's Chairman's Statement achieved cash flow break even at the operating level in 2012.

The Daily brand continues to be well regarded in the marketplace as demonstrated by continued organic growth against a backdrop of a flat UK economy. Our continually improving renewal rates are evidence of our ability to deliver excellent customer service and value.

Daily has now developed a complete portfolio of hosting products, email and domain name registration services to provide both the small business user and consumer with all their hosting requirements. Our customer base has continued to grow and from this we have built a recurring revenue base that will provide funding to develop and maintain the current product set for the foreseeable future.

That effectively was the end of Phase One in our corporate strategy.

Outlook

As companies, large and small, continue to seek improvements in profitability, outsourcing of hosting remains paramount in a business strategy is an important avenue to deliver savings. With this in mind and with the increasing public awareness of Cloud hosting and the savings this can deliver to businesses, Daily's Second Phase, which has already begun, aims to extend its reach into this market and further develop its Managed Hosting Solutions to excel at and to become a complete one stop outsourcing partner. Such solutions are expected to bring higher revenue per customer and boost our gross margin.

The management team at Daily will continue to work hard with enthusiasm and energy seeking out new technologies to further capture market share, increase revenue and consolidate our position; at the same time endeavouring to seek out accretive acquisitions to enable us to extend our reach into new markets with new brands.

Placing

The Company has today announced the proposed placing of up to £600,000 of new Ordinary Shares at £0.02 (2 pence) per share. Of this, £500,000 has been irrevocably applied for conditional upon obtaining approval from shareholders to allot the Placing Shares on a non pre-emptive basis pursuant to the offer. The Company has already received irrevocable commitments from over 56% of shareholders to vote in favour of this proposal.

The Board has considered this carefully and believes that raising this limited amount of funds for the next stage of growth is in the Company's best interests. The Board is mindful of the dilutive effect the Placing could have on existing shareholders. We greatly appreciate the support from shareholders from inception, so, in addition, is offering Shareholders the opportunity to subscribe for new Ordinary Shares pursuant to the Placing should they so wish.

Conclusion

I take this opportunity to thank all our shareholders for their continued support and to Daily staff for their passion, dedication and commitment to the company and our customers.

And finally, you will recall that at our AGM on 23 Sept 2008 it was unanimously agreed that all correspondence from the Board in future should be sent electronically. It is intended that this is the last printed document that will be sent to you and all future correspondence with shareholders will be by email. Could I therefore ask you, to ensure that our records are correct, to send by email your name and current email address to bridget.xiros@daily.co.uk. Thank you.

Michael Edelson
Chairman
23 August 2012

Operational and Financial Review

Profit and Loss

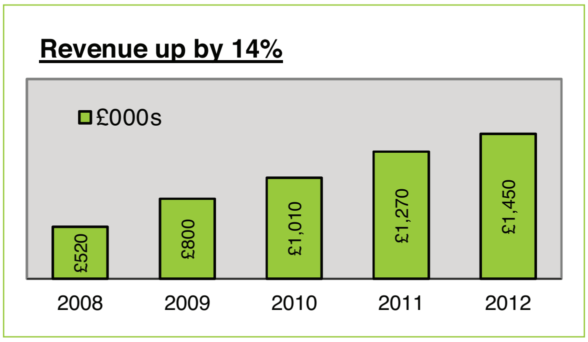
2011/12 has been another year of continued revenue growth and reductions in operating loss. Revenue for the Group reached nearly £1.5 million for the year to 31 March 2012, an increase of 14% compared to the previous year and operating loss before amortisation, depreciation and costs associated with Daily's second phase reduced to £88,000 a reduction of 58%.

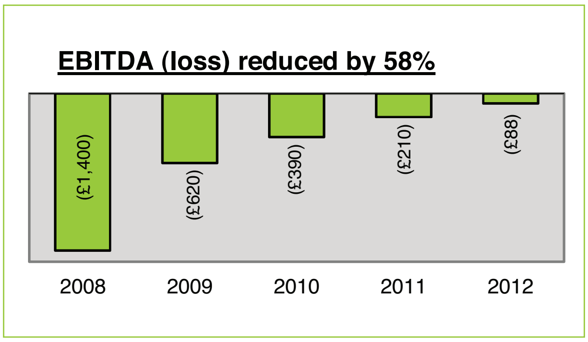
Daily offers hosting services paid for on a variable subscription basis. Where the subscription is paid for on an annual basis, sales attributable to future periods are deferred. As such, revenue reported in the accounts is different to actual cash received. The Group's cash receipts for the year amounted to £1,503,000 compared to £1,287,000 for the previous year; an increase of 17%. The amount of cash received which has been deferred to future periods at 31 March 2012 is £283,000.

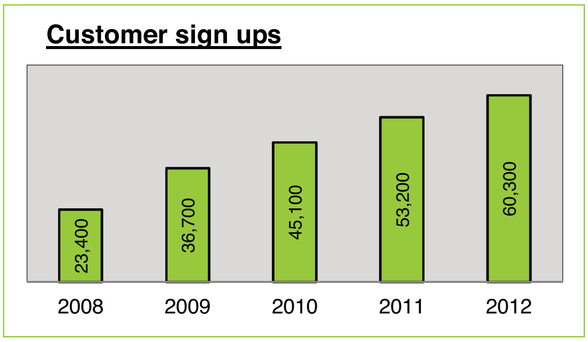
Marketing along with staff costs represents the majority of our operating expenses. During 2012 we have continued to improve marketing efficiencies by using social media channels, improving our brand recognition and increasing our market reputation. 'Word of mouth' business is now a key driver for new sales and customer acquisition, as such marketing spend for the year reduced by 9% to £224,000 and customer signups increased by 14% to a total of 60,300 by the end of March 2012.

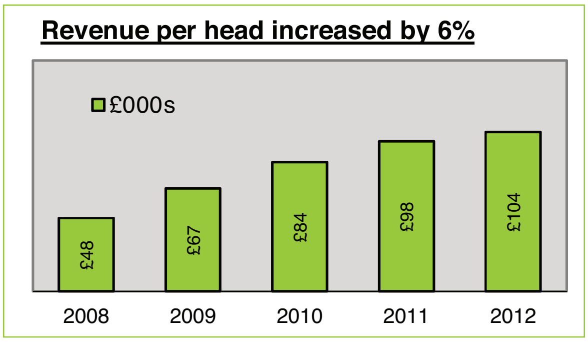
Focus on excellent customer service and continued systems improvements have driven increased revenue per operational head. In the coming year we aim to continue to drive additional new sales within our current product set and maintain our renewal base without incurring additional staff costs.

EBITDA* for the year to 31 March 2012 is reported in the financial statements at £139,000. Included within this figure are additional costs of £51,000 which are mainly attributable to additional headcount and have been incurred during the year to facilitate the Group in bringing to market Cloud hosting solutions and managed services (Daily's Phase 2). The underlying EBITDA on our current product set for comparison to previous years is £88,000.









*EBITDA – Earnings before interest, taxation, depreciation and amortisation

Operational and Financial Review (continued)

Balance sheet and Treasury

The Group has continued to invest in its infrastructure during the year to 31 March 2012, having spent £124,000 during the year, with a further spend of £43,000 in April 2012 (2011: £25,000), on the maintenance and expansion of its core products. The total investment at 31 March 2012 in the Group's tangible and intangible fixed assets amounts to £811,000 (2011:£689,000), these are written down over time in accordance with the Company's depreciation policy and the fair value of these assets is reported at £192,000 (2011: £136,000).

Net cash outflow from operating activities during the year reduced to £9,000 (2011: £189,000). Cash at bank at 31 March 2012 was ahead of plan at £108,000 (2011: £99,000). A facility of £480,000, which is available until 30 November 2013, has been arranged for working capital requirements, of which £130,000 was drawn down during the year, with £405,000 utilised in total to 31 March 2012. The Directors are confident that this amount is sufficient to allow the Group to continue its organic growth and to achieve an overall cashflow breakeven position in the current financial year. The proposed share placing will help to accelerate Daily's next phase of development into Managed Services and Cloud Hosting Solutions. Further fundraising may be required should an acquisition target become available.

Creditors falling due within one year are reported at £709,000 (2011: £545,000). This figure includes an amount of £283,000 (2010: £242,000) for deferred revenue which will be released to profit in future years.

Creditors falling due after one year are reported at £708,000 (2011: £554,000). This includes an amount of £269,000 (2011: £269,000) for the fair value of convertible loan notes which were renewed on 9 January 2012.

Julie Joyce
Finance Director
23 August 2012

Board of Directors and Senior Managers

Board

John Michael Edelson – Non-Executive Chairman

Michael Edelson brings a wealth of experience as a Board Director to Daily Internet plc.

He is executive chairman of London & City Credit Corporation Limited and has been on the board of Manchester United Football Club Ltd since 1982. Historically, he has been a director of a number of companies admitted to trading on AIM, including ASOS plc, Crawshaw Group plc (formerly known as Felix Group plc), Prestbury Group plc, Chelford Group plc, Knutsford Group plc, Mercury Recycling Group plc and Singer and Friedlander AIM3 VCT plc.

Furthermore, Mr. Edelson was non-executive chairman of Bramhall plc (subsequently named Host Europe plc), which acquired Magic Moments Design Limited in September 1999, a company of which Abby Hardoon was an instrumental founder. Mr. Edelson remained a non-executive chairman of Host Europe plc until early 2001.

Mr. Edelson's current directorships also include the non-executive chairmanships of both EXC plc and Fastnet Oil and Gas plc, both being companies admitted to trading on AIM.

Abby Hardoon – Managing Director

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

Julie Joyce – Finance Director

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

Robert Khalastchy – Non-Executive Director

Mr Khalastchy is a graduate from the University of Sussex where he received a degree in Electronic Engineering. For the past 20 years he has worked in property management. In 2001 he set up RK Management, a property management company handling a commercial 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.

Senior Managers

Alison Curry-Taylor – Operations Director

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

Simon Amor – Research & Development Director

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

Report of the Directors

The Directors present their Annual Report and Audited Financial Statements for the year ended 31 March 2012.

Principal Activities

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

Business Review and Future Developments

A review of the Group's operations and performance during the financial year, setting out the position at the year end, significant changes in the year and providing an indication of the outlook for the future is contained in the Chairman's Report on page 3 and the Operational and Financial Review on pages 4 to 5.

Principal risks and uncertainty

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

Identifiable areas of risk include:

- Moving the Group to a cash flow generative position
- Market pressures on product pricing
- Dependency on key suppliers
- Customer retention
- Best use of marketing spend to maximise growth and profitability
- Optimisation of human resource skills and retention of key members of staff

Results and Dividends

The Consolidated Profit and Loss account for the year is set out on page 14. The Directors do not propose the payment of a dividend for the year ended 31 March 2012.

Directors

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

- Michael Edelson – Chairman
- Abby Hardoon – Managing Director
- Julie Joyce - Finance Director
- Robert Khalastchy - Non-Executive Director

The interest of current Directors in shares and options are detailed in the on Directors' Remuneration Report on page 9.

Significant Shareholdings

As of 2 August 2012 the Company has been notified of the following significant shareholdings:

	%
Abby Hardoon	32.1
Pentagon Sterling Satellite Fund Limited	7.2
Loeb Aron & Company Ltd and connected persons	7.1

Employees

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

Report of the Directors (continued)

Supplier Payment Policy

It is the Company's policy to settle debts with its suppliers, in the absence of any dispute, in accordance with the terms and conditions agreed with each supplier. The average number of supplier days outstanding at 31 March 2012 based on the amounts invoiced by suppliers during the financial year was 51 days (2011: 45 days).

Disclosure of information to auditors

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

Political and charitable donations

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

Going Concern

The Directors have reasonable expectation that the Group 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 27 September 2012 at 10.00 am at The Company's registered office at Number 14 Riverview Vale Road, Heaton Mersey, Stockport, Cheshire, SK4 3GN.

The full wording of the resolutions to be tabled at the forthcoming Annual General Meeting is set out in the notice of the meeting on pages 31 to 33.

Auditors

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

By order of the Board

Julie Joyce
Finance Director
23 August 2012

DAILY

Directors' Remuneration Report

Introduction

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

The report is not subject to audit.

Remuneration Policy

Daily Internet plc has a policy to attract, motivate and reward individuals of the highest calibre who are committed to growing the value of the Group's 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:

	2012			2011		
	Fees Salary £000	**Benefits in kind £000**	**Total £000**	**Fees Salary £000**	**Benefits in kind £000**	**Total £000**
Michael Edelson	36	–	36	36	–	36
Abby Hardoon	3	2	5	10	2	12
Julie Joyce	74	2	76	75	2	77
Robert Khalastchy	6	–	6	6	–	6

Directors' Interests in Ordinary Shares of Daily Internet plc

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

	Number of Ordinary Shares	**Percentage Interest**
Michael Edelson	2,714,285	4.3%
Abby Hardoon	20,233,627	32.3%
Julie Joyce	150,000	0.2%
Robert Khalastchy	253,846	0.4%

Directors' Remuneration Report (continued)

Directors' Interests in Share Options

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

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

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

**Options are exercisable immediately and have no performance criteria attached to them.

Directors' Warrants

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

Employee	Exercise price	No. of Warrants	Grant Date	Expiry Date
Abby Hardoon	15p	1,050,000	09.01.08	08.01.13
Michael Edelson	5p	100,000	09.01.12	08.01.22

Mr Hardoon's warrants can be exercised at any time up to the expiry date. 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 8 pence per share for a period of 60 business days and an aggregate value of bargains exceeding £60,000 occurs over that period.

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the Company, and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures, disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The Directors are responsible for keeping 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and that of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent 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 2012 set out on pages 14 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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 Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group and Parent's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2012 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Independent Auditor's Report to the Members of Daily Internet plc (continued)

Matters on which we are required to report by exception

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

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

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

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

23 August 2012

Consolidated Profit and Loss Account for the Year Ended 31 March 2012

	Notes	2012 Group £000	2011 Group £000
Revenue	2	1,451	1,268
Cost of sales		(695)	(608)
Gross profit		756	660
Operating expenses before amortisation, depreciation and share based payments		895	868
Goodwill amortisation		170	170
Depreciation and other amortisation		68	74
Share based payments		–	4
Administrative expenses		(1,133)	(1,116)
Operating loss	3	(377)	(456)
Interest receivable and similar income		–	–
Interest payable and similar charges	6	(63)	(39)
Loss before taxation		(440)	(495)
Taxation	7	–	–
Retained loss for the year		(440)	(495)
Basic and fully diluted loss per share	24	£0.01	£0.01

Consolidated Balance Sheet as at 31 March 2012

		2012		2011	
	Notes	**£000**	**£000**	**£000**	**£000**
Fixed assets					
Goodwill	8		189		359
Intangible assets	8		9		28
Tangible assets	9		183		108
			381		495
Current assets					
Debtors	11	47		27	
Cash at bank and in hand	23	108		99	
		155		126	
Creditors: amounts falling due within one year	12	(709)		(545)	
Net current assets (liabilities)			(554)		(419)
Total assets less current liabilities			(173)		76
Creditors: amounts falling due after one year	13		(708)		(554)
Net assets			(881)		(478)
Capital and reserves					
Called up share capital	16		313		305
Share premium account	17		2,629		2,600
Other reserves	17		242		242
Profit and loss account	17		(4,065)		(3,625)
Shareholders' funds			(881)		(478)

Approved by the Board and authorised for issue on 23 August 2012

J. Joyce
Director

Registered number 06172239

Company Balance Sheet
as at 31 March 2012

	Notes	2012 £000	2012 £000	2011 £000	2011 £000
Fixed assets					
Investments	10		1,722		1,722
			1,722		1,722
Current assets					
Debtors	11	2,347		2,280	
Cash at bank and in hand		1		4	
		2,348		2,284	
Creditors: amounts falling due within one year	12	(16)		(19)	
Net current assets/(liabilities)			2,332		2,265
Total assets less current liabilities			4,054		3,987
Creditors: amounts falling due after one year	13		(1,534)		(1,404)
Net assets			2,520		2,583
Capital and reserves					
Called up share capital	16		313		305
Share premium account	17		2,629		2,600
Other reserves	17		102		102
Profit and loss account	17		(524)		(424)
Shareholders' funds			2,520		2,583

Approved by the Board and authorised for issue on 23 August 2012

J. Joyce
Director

Registered number 06172239

Consolidated Cash Flow Statement for the Year Ended 31 March 2012

	Notes	2012 £000	2011 £000
Operating loss		(377)	(456)
Goodwill amortisation		170	170
Depreciation and other amortisation		68	74
Share based payments		–	4
Decrease/(increase) in debtors		(20)	9
(Decrease)/Increase in creditors		150	10
Net cash outflow from operating activities		(9)	(189)
Returns on investments and servicing of finance			
Interest element of finance lease payments		(3)	(1)
Interest paid		(36)	(14)
Loan Note interest paid		(24)	(24)
Net cash outflow from investments and servicing of finance		(63)	(39)
Capital expenditure			
Payments to acquire tangible assets	8	(124)	(25)
Net cash outflow from capital expenditure		(124)	(25)
Net cash outflow before management of liquid resources and financing		(196)	(253)
Financing			
Issue of ordinary share capital (net of expenses)		37	–
Drawdown of loan facility		130	275
Drawdown of new finance leases		51	–
Capital element of finance lease repayments		(13)	(4)
Net cash (inflow)/outflow from financing		205	271
Increase/(Decrease in) cash in the period		9	18

Notes to the Consolidated Financial Statements for the year ended 31 March 2012

1 Accounting policies

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

Basis of preparation

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

Going Concern

The Directors have prepared the financial statements on a going concern basis as cash flow projections show that the loan facility with Abby Hardoon, a director and major shareholder, John Thompson and Hawkstone Capital Limited is sufficient to allow the Group to continue to develop new products and achieve a breakeven position. Subsequent to the year end date, a proposed placing of up to £600,000 of which £500,000 has been irrevocably applied for will also ensure the continued development of new products into new markets.

Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary undertakings made up to 31 March 2012. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of in the year are included in the consolidated Profit and Loss Account from the date of acquisition or up to the date of disposal. Intra Group sales and profits are eliminated fully on consolidation.

Under Section 408(4) of the Companies Act 2006 the Company is exempt from the requirement to present its own Profit and Loss Account.

Goodwill

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

Revenue recognition

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

Foreign currencies

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

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.

Notes to the Consolidated Financial Statements for the year ended 31 March 2012

Tangible fixed assets and depreciation

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

Website design	33.3% straight line
Furniture and equipment	20% – 33.3% reducing balance

Research and Development

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

Investments

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

Deferred Taxation

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

Leases

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

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

Share based payments

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

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

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

DAILY

Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)

2 Analysis of turnover and operating loss

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

	2012 £000	2012 %	2011 £000	2011 %
Revenue by Service				
Domain Names	720	49.6%	650	51.3%
Hosting	659	45.4%	548	43.2%
Other	72	5.0%	70	5.5%
	1,451		**1,268**	

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

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

By geographical location				
UK	1,378	95.0%	1,213	95.7%
Europe	27	1.9%	26	2.1%
Rest of World	46	3.2%	29	2.3%
	1,451		**1,268**	

3 Loss on ordinary activities before taxation

	2012 £000	2011 £000
Auditors' remuneration:		
Group: Audit	15	20
Company: Audit	4	4
Depreciation of tangible fixed assets:		
Owned	40	37
Held under finance leases	9	13
Amortisation of intangible fixed assets	19	24
Goodwill amortisation	170	170
Share based payments	–	4
Finance charge – finance lease	3	1
Rentals payable under operating leases	28	28

Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)

4 Staff numbers and costs

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

	2012	2011
Research and Development	4	4
Technical Support	5	5
Executive and Administration	5	4
	14	**13**

The aggregate payroll costs including executive directors were as follows:

	2012 £000	2011 £000
Wages and salaries	415	388
Social security costs	42	42
Benefits in kind	6	6
Staff option costs	–	4
	463	**440**

The emoluments paid to the highest paid Director during the year were £76,000. More information regarding directors' remuneration and share options can be found in the Directors' Remuneration Report on pages 9 to 10.

5 Share based payments and warrants

The Company has adopted an approved employee share option scheme. Under the Scheme the directors have the discretion to grant options to subscribe for ordinary shares up to a maximum of 10% of the Company's issued share capital. Options can be granted to any employee of the Company. The options cannot be exercised for at least three years from the date of grant. Options must be exercised in their entirety or not at all. There is no performance criteria associated with the options. The weighted average exercise price is 6.9p per share.

At 31 March 2012 rights to options over ordinary shares of the Company were outstanding as follows:

				No. of Ordinary Shares		
Grant date	Exercise period	Exercise price	At 31 March 2011	Granted	Exercised lapsed cancelled	At 31 March 2012
25-May-07	25 May 2011 to 24 May 2017	2.5p	38,462			38,462
25-May-07	25 May 2011 to 24 May 2017	5p	38,462			38,462
25-May-07	25 May 2011 to 24 May 2017	10p	76,924			76,924
25-May-07	25 May 2011 to 24 May 2017	15p	423,077			423,077
25-May-07	25 May 2011 to 24 May 2017	20p	192,307			192,307
24-Aug-07	24 Aug 2011 to 23 Aug 2017	5p	25,000			25,000
24-Aug-07	24 Aug 2011 to 23 Aug 2017	10p	25,000			25,000
24-Aug-07	24 Aug 2011 to 23 Aug 2017	15p	200,000			200,000
24-Aug-07	24 Aug 2011 to 23 Aug 2017	20p	100,000			100,000
24-Aug-07	24 Aug 2011 to 23 Aug 2014	5p	15,000			15,000
24-Aug-07	24 Aug 2011 to 23 Aug 2014	10p	5,000			5,000
24-Aug-07	24 Aug 2011 to 23 Aug 2014	15p	350,000			350,000
24-Aug-07	24 Aug 2011 to 23 Aug 2014	20p	200,000			200,000
24-Aug-07	31 July 2007 to 30 July 2017	0.7p	2,321,428			2,321,428
			4,010,660	**–**	**–**	**4,010,660**

DAILY

Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)

5 Share based payments and warrants (continued)

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

Number of instruments granted	38,462	38,462	76,924	423,077	192,307
Grant date	25-May-07	25-May-07	25-May-07	25-May-07	25-May-07
Expiry date	24-May-17	24-May-17	24-May-17	24-May-17	24-May-17
Contract term (years)	10	10	10	10	10
Exercise price	2.5p	5p	10p	15p	20p
Share price at granting	5p	5p	5p	5p	5p
Annual risk free rate (%)	5%	5%	5%	5%	5%
Annual expected dividend yield (%)	0%	0%	0%	0%	0%
Volatility (%)	50%	50%	50%	50%	50%
Fair value per grant instrument	3.96p	3.36p	2.64p	2.19p	1.88p

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

Number of instruments granted	5,000	350,000	200,000	2,321,428
Grant date	24-Aug-07	24-Aug-07	24-Aug-07	23-Mar-09
Expiry date	23-Aug-14	23-Aug-14	23-Aug-14	30-Jul-17
Contract term (years)	7	7	7	8.2
Exercise price	10p	15p	20p	0.7p
Share price at granting	5p	5p	5p	5p
Annual risk free rate (%)	5%	5%	5%	5%
Annual expected dividend yield (%)	0%	0%	0%	0%
Volatility (%)	50%	50%	50%	50%
Fair value per grant instrument	2.02p	1.54p	1.21p	4.58p

Share Warrants

At 31 March 2012 there were 11,869,500 outstanding warrants to subscribe for the ordinary share capital of the Company as follows:

		No. of Warrants and Exercise price			
Grant date	**Expiry Date**	**5p**	**10p**	**15p**	**Total**
09.01.08	08.01.13	–	–	2,800,000	2,800,000
11.03.08	10.03.15	–	3,469,500*	–	3,469,500
09.01.12	08.01.22	5,600,000	–	–	5,600,000

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

Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)

6 Interest payable and similar charges

	2012 £000	2011 £000
Interest payable on finance leases	3	1
Interest payable on loan notes	24	24
Other Interest payable	36	14
	63	**39**

7 Taxation

	2012 £000	2011 £000
Current tax charge	–	–
Deferred tax		
Timing differences	–	–
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(440)	(495)
Loss on ordinary activities before taxation multiplied by the Standard rate of UK corporation tax of 26% (2011: 28%)	(114)	(139)
Effects of:		
Other adjustments	114	139
Current tax charge	–	–

8 Intangible fixed assets

Group	**Research and development £000**	**Positive goodwill £000**	**Total £000**
Cost			
At 1 April 2011	232	849	1,081
Additions	–	–	–
Disposals	–	–	–
At 31 March 2012	232	849	1,081
Amortisation			
At 1 April 2011	204	490	694
On disposals	–	–	–
Charge for the year	19	170	189
At 31 March 2012	223	660	883
Net book value			
At 31 March 2012	9	189	198
At 31 March 2011	28	359	387

The Company held no intangible fixed assets at 31 March 2012 or 31 March 2011.

Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)

9 Tangible fixed assets

Group	Website design £000	Furniture and equipment £000	Total £000
Cost			
At 1 April 2011	166	291	457
Additions	–	124	124
Disposals	–	(2)	(2)
At 31 March 2012	166	413	579
Depreciation			
At 1 April 2011	166	183	349
On disposals	–	(2)	(2)
Charge for the year	–	49	49
At 31 March 2012	166	230	396
Net book value			
At 31 March 2012	–	183	183
At 31 March 2011	–	108	108

Included in the net book value of £183,000 are leased assets of £66,000 (2011: £25,000).

The depreciation for the year on these assets was £9,000 (2011: £13,000).

The Company held no tangible fixed assets at 31 March 2012 or 31 March 2011.

10 Investments

	Company 2012 £000	Company 2011 £000
Investment in Subsidiaries		
At 1 April 2011	1,722	1,722
Additions	–	–
Disposals	–	–
At 31 March 2012	1,722	1,722

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

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

Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)

11 Debtors

	Group 2012 £000	Company 2012 £000	Group 2011 £000	Company 2011 £000
Amounts due within one year:				
Trade debtors	–	–	2	–
Other debtors	–	1	–	1
Prepayments and accrued income	47	22	25	4
	47	23	27	5
Amounts due after more than one year:				
Amounts owed by subsidiary undertakings	–	2,324	–	2,275
	–	2,324	–	2,275
Total Debtors	47	2,347	27	2,280

12 Creditors: amounts falling due within one year

	Group 2012 £000	Company 2012 £000	Group 2011 £000	Company 2011 £000
Trade creditors	203	9	147	9
Other taxes and social security costs	31	1	30	1
Other creditors	109	–	61	–
Accruals and deferred income	344	6	299	9
Finance lease	22	–	8	–
	709	16	545	19

13 Creditors: amounts falling due after one year

	Group 2012 £000	Company 2012 £000	Group 2011 £000	Company 2011 £000
Finance lease	34	–	10	–
Other loans	405	405	275	275
Amounts due to subsidiary undertakings	–	860	–	860
Convertible loan note	269	269	269	269
	708	1,534	554	1,404
The maturity of obligations under finance leases are as follows:				
Within one year	22	–	8	–
Within two to three years	34	–	10	–
	56	–	18	–
The maturity of other debt is as follows:				
Within two to three years	674	674	544	544
Over five years	–	860	–	860
	674	1,534	544	1,404

Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)

14 Operating Leases

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

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

15 Financial instruments

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

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

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

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

Convertible Loan note

Fifty six £5,000 Convertible loan notes were issued on 9 January 2008. The notes were due to be redeemed on 9 January 2012. Following discussions with all holders of 2012 Loan Notes a resolution was passed unanimously at the General Meeting of Noteholders held on 4 January 2012 to exchange the 2012 Loan Notes with New Loan Notes expiring in 2015.

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

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

	2012 £000	2011 £000
Face value	280	280
Costs of issue	(11)	(8)
Net proceeds	269	272
Equity component	–	(3)
Liability component at 31 March 2012	269	269

Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)

16 Share capital

	Group 2012 £000	Company 2012 £000	Group 2011 £000	Company 2011 £000
Authorised				
150,000,000 Ordinary shares of 0.5p each	750	750	750	750
	750	750	750	750
Allotted, called up and fully paid				
At start of year 61,123,550 Ordinary shares of 0.5p each	305	305	305	305
Issued during the year 1,500,000 Ordinary shares of 0.5p	8	8	–	–
At end of year 62,623,550 Ordinary shares of 0.5p	313	313	305	305

During the year the Company issued 1,500,000 Ordinary shares in fulfilment of fees due to its PLUS Markets Corporate Adviser.

17 Statement of movements in reserves

	Share premium account £000	Other reserves £000	Profit and loss account £000	Total £000
Group				
At 1 April 2011	2,600	242	(3,625)	(783)
Share issues	29	–	–	29
Loss for the year	–	–	(440)	(440)
At 31 March 2012	2,629	242	(4,065)	(1,194)
Company				
At 1 April 2011	2,600	102	(424)	2,278
Share issues	29	–	–	29
Loss for the year	–	–	(100)	(100)
At 31 March 2012	2,629	102	(524)	2,207

18 Reconciliation of movements in shareholder funds

	2012 £000	2011 £000
Loss for the financial year	(440)	(495)
Movement on other reserves	–	4
Issue of shares	37	–
Net increase/(decrease) in shareholder funds	(403)	(491)
Opening shareholder funds	(478)	13
Closing shareholder funds	(881)	(478)

19 Contingent liabilities

There are no contingent liabilities at the year end.

20 Related party transactions

During the year the Company paid £45,002 to London and City Corporation for fees and expenses with regard to services supplied by Mr M Edelson. At the year-end, £7,200 was due to Mr M Edelson, this amount being included in trade creditors.

21 Transactions with Directors

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

During the year costs incurred of £481,154 were reimbursed to Mr A Hardoon, £97,700 to Mrs J Joyce and £3,787 to Mrs A Curry-Taylor. At the year end, £85,206 was due to Mr Hardoon and £23,998 was due to Mrs J Joyce, both amounts are included in other creditors.

During the year, the Company paid rent and service charges for its premises amounting to £31,600 to Mr Hardoon.

Included in creditors falling due after one year is £45,000 provided by Mr Hardoon as part of a loan facility. The loan is due to be repaid on 31 August 2013 and interest payable is 10%.

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

22 Analysis of changes in net funds

	31 March 2011 £000	Cash flow £000	Other non-cash changes £000	31 March 2012 £000
Net cash:				
Cash at bank and in hand	99	9	–	108
Net funds	99	9	–	108

23 Reconciliation of net cash flow to movement in net funds

	2012 £000	2011 £000
(Decrease) Increase in cash in the year	9	18
Opening net funds	99	81
Closing net funds	108	99

Notes to the Consolidated Financial Statements for the year ended 31 March 2012 (continued)

24 Loss per share

	2012	2011
Loss for the financial year attributable to shareholders	£440,000	£747,000
Weighted number of equity shares in issue	61,403,002	61,123,550
Basic/diluted loss per share	£0.01	£0.01

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

25 Profit/(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:

	2012 £000	2011 £000
Holding Company's loss for the year	100	95
	100	95

Corporate Information

Company Secretary and Registered Office

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Cheshire
SK4 3GN

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

Company Number

06172239

PLUS Market Corporate Adviser

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London
EC2R 5BB

Registrar

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

Lawyers

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3 St Mary's Parsonage
Manchester
M3 2RD

Auditors

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

Bankers

Barclays Bank plc.
One Churchill Place
London
E14 5HP

Notice of meeting

Notice is hereby given that the Annual General Meeting of Daily Internet plc will be held on 27 September 2012 at 10.00 am at the Company's registered office at Number 14 Riverview, Vale Road, Heaton Mersey, Stockport, Cheshire SK4 3GN for the purpose of considering and, if thought fit, passing the resolutions set out below, of which Resolutions 1 to 4 will be proposed as ordinary resolutions and Resolution 5 will be proposed as a special resolution.

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 2012, together with the Directors' and Auditors' Reports contained therein.
2. **TO** reappoint John Michael Edelson as a director who retires by rotation.
3. **TO** reappoint Hazlems Fenton 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 £31,312 (such amount to be reduced by the nominal amount of any Relevant Securities allotted under resolution 6(b) below) in connection with an offer by way of a rights issue:

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

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

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

    b. in any other case, up to an aggregate nominal amount of £379,080 (such amount to be reduced by the nominal amount of any equity securities allotted under resolution 6(a) above in excess of £31,312), 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:

    (a) 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

    (b) 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.

Notice of meeting (continued)

Special business

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

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 5 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 £20,504;

   b. the allotment of Ordinary Shares pursuant to the convertible loan note instrument dated 4 January 2012 up to an aggregate nominal value of £50,867 (including interest);

   c. the allotment of Ordinary Shares pursuant to warrants granted pursuant to a warrant instrument dated 9 January 2008, 21 January 2008 and 4 January 2012 up to an aggregate nominal value of £59,348;

   d. the allotment of Ordinary Shares to certain lenders, including Abby Hardoon Adulayavichit, by way of capitalisation of loan facility, as renewed on 10 August 2012 up to an aggregate nominal value of £67,500;

   e. the allotment of Ordinary Shares pursuant to the private placing at £0.02 (2 pence) a share up to an aggregate nominal value of £150,000;

   f. 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

   g. the allotment (otherwise than pursuant to resolutions 5(a) to (f) above) of equity securities up to an aggregate nominal amount of £31,312.

   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
23 August 2012

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

Notice of meeting (continued)

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 registered office at Number 14 Riverview, Vale Road, Heaton Mersey, Stockport, Cheshire SK4 3GN, not less than 48 hours before the time of the meeting or of any adjournment of the meeting.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 the Company specifies that to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the number of votes they may cast), holders of ordinary shares must be entered on the relevant register of securities by 10.00 am on 25 September 2012. Changes to entries on the relevant register of securities after 10.00 am on 25 September 2012 shall be disregarded in determining the rights of any person to attend and vote at the meeting.
4. Copies of the service contracts and letters of appointment of each of the Directors of the Company together with the Register of Directors' Interests will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and public holidays excluded) and at the place of the Annual General Meeting from at least 15 minutes prior to and until the conclusion of the Annual General Meeting.
5. The Directors have no present intention of exercising either the allotment authority under resolution 3 or the disapplication of pre-emption rights authority under resolution 4-5 other than as required pursuant to the authorities set out in paragraphs (a) to (f) of resolution 5.
6. The annual report can be downloaded from the investor section of the Daily.co.uk website using the following link http://www.daily.co.uk/investors/financial-reports.html.

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