Company Number 06172239

DAILY Internet PLC

Annual Report 2014

Contents

Introduction & Highlights

Strategy

Daily Internet's strategy is clear. To become the one-stop supplier of reliable, scalable, high performance and resilient infrastructure based hosting products within the fast-growing UK and European markets with a multi-brand and multi-location strategy.

The Company intends to achieve this through a strategy of 'buy and build' and accelerating organic growth by leveraging on the existing strengths and assets of the brands within the Group. Daily Internet will continue to look at various accretive acquisition opportunities to expand its reach and product set both in the UK and throughout Europe.

Our Brands

DAILY

NameHOG® Affordable Internet Solutions

NETPLAN INSTALLING CONFIDENCE

Highlights

	2014	2013
Revenue	£2,331,000	£1,557,000
Gross Profit	£1,286,000	£792,000
Adjusted EBITDA*	£ (45,000)	£ (169,000)
Loss before tax	£ (676,000)	£ (900,000)
Number of customers	78,000	67,000
Number of Active domains	182,000	169,000
Number of Active hosting services	24,000	21,000

Revenue	Gross Profit	Acquisition of
↑ 49.7%	↑ 62.4%	NameHOG® Affordable Internet Solutions NETPLAN INSTALLING CONFIDENCE

Moved into Managed Hosting Solutions

*Adjusted EBITDA is earnings before interest, taxation, depreciation, amortisation, Phase II pre-launch costs, AIM admission costs, Acquisition costs and fair value adjustments and share based payments

Strategic Report

Chairman's statement

I am pleased to present the financial results for the year ended 31 March 2014. The year under review has been one of significant advancement for the Group made possible by the hard work and determination of its management and employees.

Acquisitions

We acquired Netplan Internet Solutions Limited ("Netplan") in November 2013. Netplan provides dedicated servers to SMEs and PCI Level One hosting, enabling customers to securely manage financial transactions over the internet. The customer base of Netplan compliments that of Daily's and provides a higher average revenue and contribution per customer. Following the acquisition Daily has focused its activities on the development of managed hosting and dedicated servers through the Netplan business.

As announced on 31 March 2014, in connection with an existing UK customer, Netplan concluded a six-figure agreement to provide Cloud offerings to the customer's parent company in New York. As a result, NetPlan has established cloud and disaster recovery infrastructure in two New York data centres enabling us to offer our product portfolio to more companies within this customer's group as well as to other potential customers within the USA.

Netplan was acquired for a net cash consideration of £2.5 million plus an earn-out of a further £750,000, payable as two-thirds in cash. The earn-out was subject to Netplan's EBIT achieving a minimum level of £500,000 for the year ended September 2014; and in addition it was agreed that if Netplan's EBIT for that year exceeded £525,000, then the earn-out consideration would increase by £3 for every £1 of the increase over this threshold.

Subsequent to the financial year end, and after Netplan's performance surpassed management's internal expectations, agreement was reached with the vendors to complete the payment of the earn-out consideration early through a final payment of £550,000 in cash and £300,000 in the form of 19,326,241 new ordinary shares in Daily. The early earn-out payment enabled Daily to pursue additional growth strategies within Netplan's business more quickly.

In January 2014, NameHOG was acquired for a cash consideration of £150,000. NameHOG is an established UK internet hosting provider supplying domain name registration, shared web hosting and dedicated server products to a diverse range of over 5,000 SME customers, including approximately 2,200 active customers. NameHog now operates entirely out of Daily's existing Nottingham premises.

Placing

The Company completed two fundraisings during the year amounting to £3,625,000 before expenses, with the majority of the funds utilised in the acquisitions of Netplan and NameHog. £3,000,000 was raised at a price of 1.5p per share in October 2013 and £625,000 was subsequently raised at 1.65p per share in January 2014. The current share price is 1.88p.

Performance Summary

The Group continued to make significant progress during the financial year under review, particularly following the two acquisitions detailed above. In the second half of the financial year, the SME hosting division reversed a £120,000 loss in the first half into a £57,000 profit, with Netplan contributing £301,000 to EBITDA during the period since its acquisition.

The Group now provides a broad portfolio of hosting products, email and domain name registration services to large and small business users as well as consumers to satisfy all their hosting requirements. Our customer base has been enhanced by the acquisition of both NameHog and Netplan and has continued to grow.

The contribution of NetPlan is reflected in an improved Average Revenue per Customer (ARPU) during the year, rising from some £87 to £128. In addition our larger customers spent at the rate of upwards of £140,000 with us last year, an increase from around £35,000 the year before.

Outlook

We are now growing as a Group with synergies to be extracted through the development of our three trading brands: Daily Internet, NameHOG and Netplan. We possess a comprehensive range of products, a much larger customer base, and a robust platform to allow us to grow both organically and through acquisition. ARPU continues to grow and our larger customers are now expected to contract upwards of £200,000 per year with us.

We have re-examined all of our products and have started to prune those that are less profitable. This is expected to streamline Daily's operations and reduce the cost base.

Our stated buy and build strategy continues to target for consolidation small internet hosting businesses and also larger acquisitions with higher revenues per customer to enhance our high-end product range and significantly increase profitability.

Our management team continues to work hard with enthusiasm and energy, seeking out new technologies to capture further market share, increase revenue and consolidate our position. At the same time they endeavour to target and execute accretive acquisitions to enable us to extend our reach into new markets with new brands at a much faster rate than is possible through organic growth.

Conclusion

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

Michael Edelson

Chairman
27 June 2014

Business model

The Group's principal activities are email services, webhosting, domain registration services and managed hosting solutions. The Group is segmented into SME hosting and managed hosting.

The SME hosting Division includes the Daily and NameHOG Brands and offers hosting solutions and domain name registration services to the mass market.

The managed hosting division includes the Netplan brand and offers VMWare Cloud hosting, Hybrid and Private Cloud solutions, PCI DSS hosting and Dedicated Solutions to the Managed hosting market.

The revenue split of the divisions is shown below:

Revenue by operating segment	2014 £'000	2014 %	2013 £'000	2013 %
SME Hosting	1,655	71%	1,557	100%
Managed Hosting	676	29%	-	-
Total	**2,331**	**100%**	**1,557**	**100%**

It is the Group's intention to grow the SME hosting division by leveraging on the automated systems that have been developed and continue to be developed since the business started in 2007. All acquisitions will be fully integrated to reduce overhead costs, increase supplier discounts and enable cross sell and up-sell opportunities.

The focus of the managed hosting division is to widen its sales and marketing channels by investment in its sales force and customer facing marketing.

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 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.

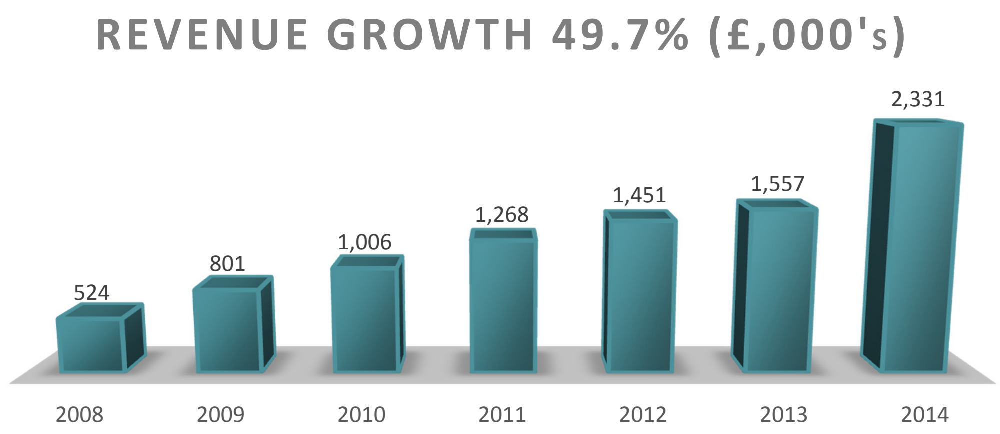
- Customer retention – due to its subscription model the Group has a high level of recurring revenue. Any diminution in service levels could impact customer retention levels. However, the Group constantly monitors service levels and the low level of customer attrition is evidence of the Group's ability to provide the level of service required.

- 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.

- 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.

Performance review

Group revenue for the year grew by 49.7% and reached £2.3 million for the year to 31 March 2014.

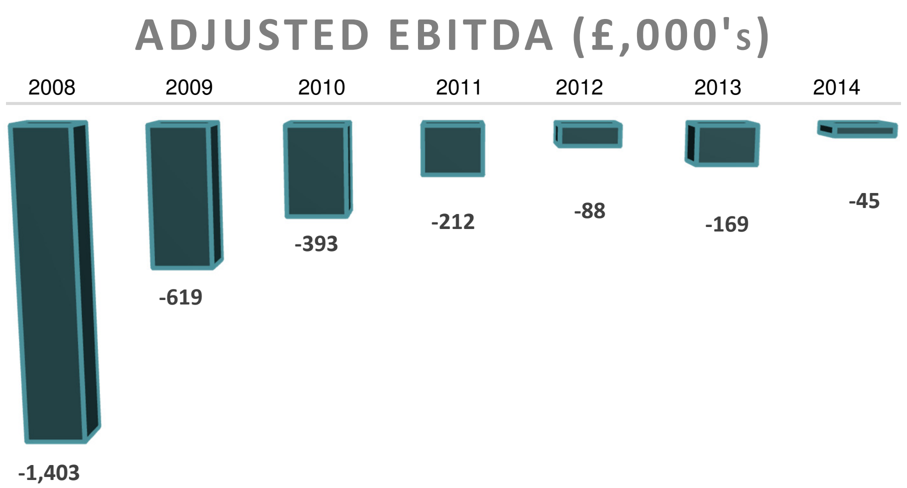


The majority of our revenue growth came from the managed hosting division which incorporates the Netplan acquisition from 18 November 2013. This introduced £0.7m of revenue into the Group from the acquisition date. The SME hosting division contributed 6.3% growth with revenues increasing from nearly £1.6m to nearly £1.7m

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 multi-year contracts. As at 31 March 2014 there is £0.4m of deferred revenue which will be released to profit in future periods.

Gross profit for the year was £1.3m (2013: £0.8m) representing a gross margin of 55.2% (2013: 50.9%). The improvement in Gross profit being attributable to the managed hosting segment which drives much higher margins than the domain driven SME hosting division.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) for the year to 31 March 2014 is reported in the financial statements at a loss of £0.3m (2013: loss of £0.7m). Included within this figure are acquisition and integration costs, share based payment costs, fair value adjustments and in 2013 Phase II costs which related to the launch and introduction of our dedicated server product range in January 2014. The adjusted EBITDA as shown below is a loss of £0.04m (2013: loss of £0.17m), a reduction of 73.4%. The directors consider that an adjusted EBITDA figure is a more appropriate measure of the underlying performance of the business.



The managed hosting division has contributed £0.3m of adjusted EBITDA to the Group since its acquisition. The SME hosting division generated an adjusted EBITDA loss of £0.06m for the year, being split £0.12m loss for the six months to 30 September 2013 and £0.06m profit for the six month period to 31 March 2014.

	6 months to Sept 13 £'000	6 months to March 14 £'000	2014 £'000	2013 £'000
SME Hosting	(120)	57	(63)	68
Managed Hosting	-	301	301	-
Group overheads	(159)	(124)	(283)	(237)
Adjusted EBITDA	**(279)**	**234**	**(45)**	**(169)**

Balance sheet and Treasury

Net cash outflow from operating activities during the year amounted to £0.05m (2013: £0.68m). Cash at bank at 31 March 2014 was ahead of plan at £1.0m (2013: £0.37m).

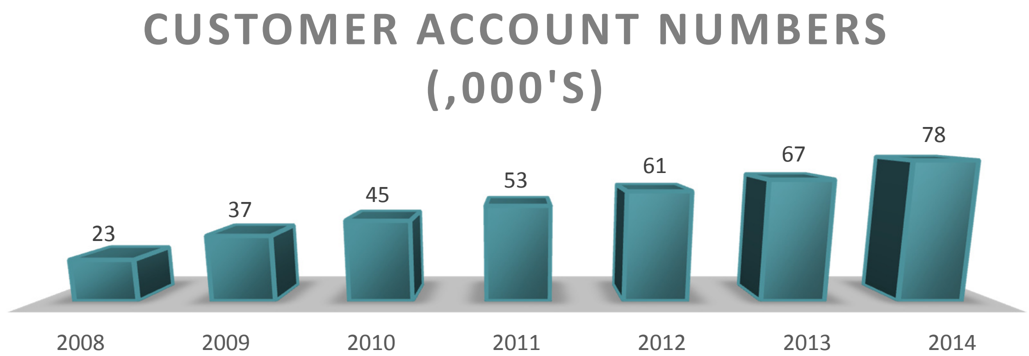
Payables falling due within one year are reported at £2.3m (2013: £0.8m). This figure includes an amount of £0.4 (2013: £0.3m) for deferred revenue which will be released to profit in future years and an amount of £0.93m which represents the contingent consideration payable on the Netplan acquisition, of which, at the year-end, £0.33m 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 we would look at raising further capital.

Payables falling due after one year are reported at £0.2m (2013: £0.79m). This includes an amount of £0.1m (2013: £0.26m) representing the carrying value on convertible loan notes which were renewed on 9 January 2013 and whose expiry date was extended to Jan 2016.

KPI's

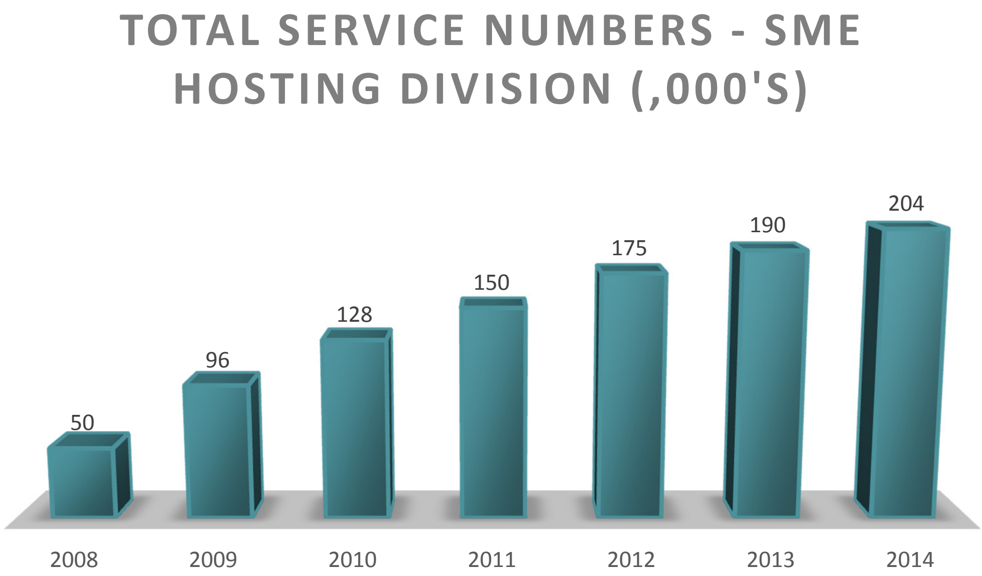
Marketing and staff costs represent the majority of our operating expenses. These costs are monitored closely by the Board and KPI's are used to ensure there is increasing efficiencies in these areas. By using the marketing budget to improve our brand recognition and increase our market reputation, customer and third party referrals have become one of the key drivers for gaining new sales and customers. Internal marketing to our existing customer base further strengthens new sales and renewal retention.

The SME hosting division monitors the number of customer sign ups on a monthly basis. During the year the customer base has increased by 15.2%. This includes the addition of 5,000 customers from the NameHOG acquisition, giving the division increased opportunities for the cross-selling of hosting and domain products. Marketing spend for the year in the SME hosting division is £0.16m (2013: £0.19m)

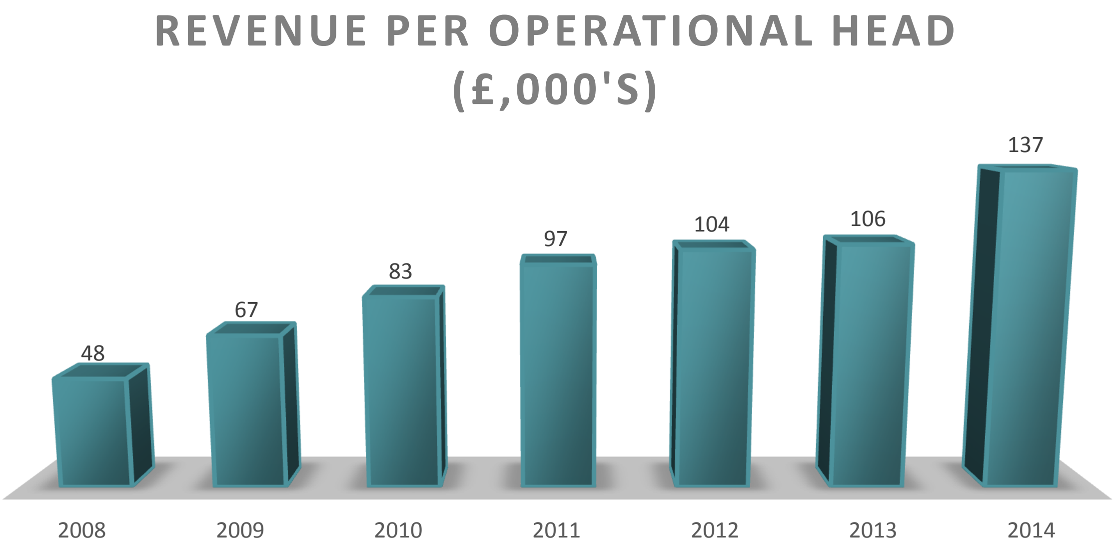


KPI's – continued

As the Group operates a recurring revenue model the Board need to ensure that service numbers continue to increase to protect future growth. The SME hosting division provides service number KPI's to the Board on a monthly basis. Service numbers have increased by 7.4% during the period to 204,000 (2013: 190,000).



By focusing on excellent customer service and continued systems improvements, including systems integration in our SME hosting division, we aim to drive increased revenue per operational head across the Group. Revenue per operational head has increased by 29.2% during the year to £137,000 (2013: £106,000). This KPI is monitored on a monthly basis.



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 as at 31 March	2014	2013
Board of directors	5	4
SME hosting division	14	23
Managed hosting	10	-
	29	**27**

	Men		Women	
Gender diversity as at 31 March 2014	Number	%age	Number	%age
Board of directors	4	80%	1	20%
Senior managers	3	75%	1	25%
Employees	17	85%	3	15%
	24	83%	**5**	17%

Environment and Society

In the wake of the Global warming debate and rising energy costs the Group aim to reduce their Carbon footprint in the following ways:-

- By virtualisation - Reducing the number of physical machines we use in our datacentres by virtualising machines wherever possible thus increasing efficiency and reducing energy consumption
- By choosing the correct hardware – we always purchase the most up to date technologies that are designed to reduce the energy requirements
- By developing systems that can host several thousand customer on one machine we can reduce the hardware requirement and thus reduce our energy requirement.

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

Julie Joyce

Finance Director
27 June 2014

Corporate Governance, Board of Directors & Senior Managers

Corporate Governance

As the company is listed on the Alternative Investment Market it is not required to comply with the provisions of the UK Corporate Governance Code (the "Code") issued in September 2012. However, the directors recognise the importance of sound corporate governance. The Directors voluntarily comply with the main provisions of the QCA Corporate Governance Guidelines for smaller quoted companies, insofar as is possible and appropriate, given the size and nature of the company.

The Directors seek to reconcile the need for good corporate governance with an appropriately costed Board structure which is appropriate for the Group in its current state.

The Board monitors and evaluates performance of individuals via financial and non-financial targets. Performance of the Group is evaluated by review of monthly results against budget, together with understanding of significant variances and updates of expectations for the year.

The Board comprises a Non-Executive Chairman, Chief Executive Officer, Finance Director and two independent Non-Executive Directors.

The Board

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. Mr. Edelson's current directorships include being the non-executive chairman of Fastnet Oil and Gas plc, a company 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. Under Mr Hardoon's leadership, that company acquired two other Hosting companies, WebFusion Internet Solutions Limited and One2One GmbH (now Host Europe GmbH). Mr Hardoon successfully grew the combined business organically into profitability until it was sold in April 2004 to PIPEX Communications plc for over £31 million.

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 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.

The Board - continued

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.

Christopher Evans – Non Executive Director
Mr Evans, studied Software Engineering at Liverpool John Moores University before leaving to found 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.

Senior Managers

Alison Curry-Taylor - Operations Director
Mrs Curry-Taylor worked with WebFusion Internet Solutions Limited from its inception 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 2014.

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 3 to 9.

Results and Dividends

The Consolidated Statement of Comprehensive Income for the year is set out on page 19. The Directors do not propose the payment of a Dividend for the year ended 31 March 2014.

Financial Instruments

The Group's policy in relation to Financial Instruments is discussed in the Strategic Report.

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
- Christopher Evans Non-Executive Director appointed 14/01/2014

The interests of current Directors in shares and options are detailed in the Directors' Remuneration Report on page 14 and 15.

Significant Shareholdings

As of 27 June 2014 the Company has been notified of the following significant shareholdings:

Name	Number of shares	Percentage holding
ISIS EP LLP	73,495,489	18.03%
Hargreave Hale Limited (discretionary clients)	62,974,243	15.45%
Herald Investment Management Limited	40,208,642	9.86%
Hawkstone Capital Limited	33,577,333	8.24%
Abby Hardoon	31,298,027	7.68%
Investec Wealth & Investment Limited	14,002,562	3.43%

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 25 July at 11 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 53 to 55.

Auditors

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

On behalf of the Board

Julie Joyce

Finance Director
27 June 2014

Directors' Remuneration Report

Introduction

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

The report is not subject to audit and a resolution to approve it will be proposed at the 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:

	2014			2013		
	Salary £000	**Benefits in kind £000**	**Total £000**	**Salary £000**	**Benefits in kind £000**	**Total £000**
Michael Edelson	30	-	30	36	-	36
Abby Hardoon	62	4	66	56	4	60
Julie Joyce	59	2	61	86	2	88
Robert Khalastchy	9	-	9	6	-	6

There were no pension contributions within the year.

Directors' Remuneration Report - continued

Directors' Interests in Ordinary Shares of Daily Internet plc

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

	Number of Ordinary Shares	Percentage Interest
Abby Hardoon	31,298,027	7.68%
Christopher Evans	7,907,026	1.94%
Michael Edelson	7,566,666	1.86%
Robert Khalastchy	253,846	0.06%
Julie Joyce	150,000	0.04%

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:

Employee	Total options over Ordinary Shares	Grant Date	Expiry Date
Michael Edelson	-	-	-
Abby Hardoon	900,000	19/12/2012	18/12/2022
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:

Employee	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.

Statement of the Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, 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.

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 2014 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 2014 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.

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 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

27 June 2014

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

Consolidated Statement of Comprehensive Income For the Year Ended 31 March 2014

	Notes	2014 Group £,000	2013 Group £,000
Revenue	**4**	2,331	1,557
Cost of sales		(1,045)	(765)
Gross profit		1,286	792
Adjusted administrative expenses		1,331	961
Depreciation		166	104
Amortisation of acquired intangibles		82	-
Phase II pre-launch costs		-	278
AIM flotation costs		-	234
Acquisition costs		276	-
Fair value adjustment		(21)	-
Share based payments		33	24
Administrative expenses	**5**	(1,867)	(1,601)
Loss from operations		(581)	(809)
Investment income		-	-
Finance costs	**6**	(95)	(91)
Loss before taxation		(676)	(900)
Taxation	**12**	-	-
Total comprehensive loss attributable to the equity holders of the company		**(676)**	**(900)**
Basic and fully diluted loss per share	**11**	£0.003	£0.011

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
As at 31 March 2014

	Notes	2014 Group £,000	2013 Group £,000
Assets			
Non-current assets			
Goodwill	**13**	2,576	392
Intangible assets	**13**	1,465	-
Property, plant and equipment	**14**	482	330
		4,523	722
Current assets			
Trade and other receivables	**16**	344	49
Cash and cash equivalents		999	373
		1,343	422
Total Assets		**5,866**	**1,144**
Equity and Liabilities			
Equity attributable to the equity shareholders of the parent			
Called up share capital	**20**	2,038	595
Share premium reserve		6,185	3,438
Other reserve		206	173
Retained losses		(5,336)	(4,660)
		3,093	(454)
Non-current liabilities			
Obligations under finance leases	**19**	100	127
Convertible loan notes	**18**	101	260
Deferred taxation	**12**	308	-
Other loans	**18**	-	405
		509	792
Current liabilities			
Trade and other payables	**17**	1,021	730
Contingent consideration due on acquisitions	**17**	933	-
Convertible loan notes	**18**	163	-
Obligations under finance leases	**19**	147	76
		2,264	806
Total Equity and Liabilities		**5,866**	**1,144**

The financial statements on pages 19 to 51 were approved by the Board and authorised for issue on 27 June 2014

Julie Joyce
Director

Registered number 06172239

Company Statement of Financial Position
As at 31 March 2014

	Notes	2014 Company £,000	2013 Company £,000
Assets			
Non-current assets			
Investments	**15**	5,147	1,264
		5,147	1,264
Current assets			
Trade and other receivables	**16**	7	12
Amounts due from subsidiary undertakings	**16**	554	134
Cash and cash equivalents		471	277
		1,032	423
Total Assets		**6,179**	**1,687**
Equity and Liabilities			
Equity attributable to the equity shareholders of the parent			
Called up share capital	**20**	2,038	595
Share premium reserve		6,185	3,438
Other reserve		206	173
Retained losses		(4,642)	(4,157)
		3,787	49
Non-current liabilities			
Amounts due from subsidiary undertakings		1,102	860
Convertible loan note	**18**	101	260
Other loans	**18**	-	405
		1,203	1,525
Current liabilities			
Trade and other payables	**17**	93	113
Convertible loan note	**18**	163	-
Contingent consideration due on acquisitions	**17**	933	-
		1,189	113
Total Equity and Liabilities		**6,179**	**1,687**

The financial statements on pages 19 to 51 were approved by the Board and authorised for issue on 27 June 2014

Julie Joyce
Director
Registered number 06172239

Consolidated Statement of Changes in Equity
For the Year Ended 31 March 2014

	Attributable to equity holders of the parent				
	Share capital	Share premium account	Other reserve	Accumulated losses	Total
	£,000	£,000	£,000	£,000	£,000
At 1 April 2012	**313**	**2,629**	**242**	**(3,862)**	**(678)**
Loss and total comprehensive income for the year	-	-	-	(900)	(900)
Issue of share capital	282	866	-	-	1,148
Expense of share issue	-	(57)	-	-	(57)
Movement in share option reserve	-	-	(78)	102	24
Equity Element of convertible loan note	-	-	9	-	9
At 31 March 2013	**595**	**3,438**	**173**	**(4,660)**	**(454)**
Loss and total comprehensive income for the period	**-**	-	-	(676)	(676)
Issue of share capital	1,443	2,944	-	-	4,387
Expenses of share issue	-	(197)	-	-	(197)
Movement in share option reserve	-	-	33	-	33
At 31 March 2014	**2,038**	**6,185**	**206**	**(5,336)**	**3,093**

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
Retained losses	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Company Statement of Changes in Equity
For the Year Ended 31 March 2014

	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 2012	**313**	**2,629**	**102**	**(524)**	**2,520**
Loss and total comprehensive income for the period	**-**	**-**	**-**	(3,735)	(3,735)
Issue of share capital	282	866	-	-	1,148
Movement in share option reserve	-	-	62	102	164
Expenses of share issue	-	(57)	-	-	(57)
Equity element of convertible loan note	-	-	9	-	9
At 31 March 2013	**595**	**3,438**	**173**	**(4,157)**	**49**
Loss and total comprehensive income for the period	-	-	-	(485)	(485)
Issue of share capital	1,443	2,944	-	-	4,387
Movement in share option reserve	-	-	33	-	33
Expenses of share issue	-	(197)	-	-	(197)
At 31 March 2014	**2,038**	**6,185**	**206**	**(4,642)**	**3,787**

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 loan notes.
Retained losses	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

Consolidated Statement of Cash Flows
For the Year Ended 31 March 2014

	2014 Group £,000	2013 Group £,000
Cash flows used in operating activities		
Loss after tax	(676)	(900)
Adjustments for:		
Depreciation and other amortisation	248	104
Fair Value adjustment on contingent consideration	(21)	-
Finance costs	95	91
Acquisition and integration costs	276	-
Share based payments	33	24
Operating cash flows before movement in working capital	(45)	(681)
Decrease / (Increase) in trade and other receivables	160	(2)
(Decrease) / Increase in trade and other payables	(44)	3
Net cash used in operating activities	71	(680)
Cash flows from investing activities		
Payments to acquire property, plant & equipment	(38)	(242)
Acquisition and integration costs	(233)	-
Payment for acquisitions net of cash received	(2,640)	-
Net cash used in investing activities	(2,911)	(242)
Cash flows from financing activities		
Net proceeds from issue of ordinary share capital	3,428	1,091
Drawdown of loan facility	200	-
Interest paid	-	(5)
Loan note interest paid	(26)	(26)
Interest element of finance lease payments	(38)	(20)
Capital repayment of finance leases	(98)	(54)
New lease finance secured on assets	-	201
Net cash from financing activities	3,466	1,187
Net increase in cash and cash equivalents	626	265
Cash and cash equivalents at the beginning of the year	373	108
Cash and cash equivalents at the end of the year	**999**	**373**

Company Statement of Cash Flows
For the Year Ended 31 March 2014

	2014 Company £,000	2013 Company £,000
Cash flows used in operating activities		
Loss after tax	(485)	(3,211)
Adjustments for:		
Share based payments	-	7
Finance costs	58	-
Fair Value adjustment on contingent consideration	(21)	-
Acquisition and integration costs	276	-
Impairment in amounts owed by subsidiary undertakings	-	2,809
Operating cash flows before movement in working capital	(172)	(395)
Decrease in trade and other receivables	1	11
Increase in trade and other payables	71	57
Net cash used in operating activities	(100)	(327)
Cash flows from investing activities		
Payments to Subsidiary Company	(147)	(462)
Acquisition and integration costs	(233)	-
Payment for shares in subsidiaries	(2,928)	-
Net cash used in investing activities	(3,308)	(462)
Cash flows from financing activities		
Net proceeds from issue ordinary share capital	3,428	1,091
Drawdown of loan facility	200	-
Loan note interest paid	(26)	(26)
Net cash from financing activities	3,602	1,065
Net increase in cash and cash equivalents	194	276
Cash and cash equivalents at the beginning of the year	277	1
Cash and cash equivalents at the end of the year	**471**	**277**

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 2017 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.

Adoption of new and revised standards

The following standard was effective in the year and was relevant to the Group:

New standard or interpretation	EU endorsement date	Mandatory effective date (periods beginning)
IFRS 13 Fair Value Measurement	Endorsed	01-Jan-13

The directors consider that the adoption of the above standard only has an impact on the disclosures in the financial statements.

The Directors anticipate that the adoption of the following Standard in future periods may have an impact on the results and net assets of the Group, however, it is too early to quantify this.

New standard or interpretation	EU endorsement date	Mandatory effective date (periods beginning)
IFRS 15 Revenue from Contracts with Customers	Expected Q2 2015	01-Jan-17

1 Accounting policies continued

The Directors anticipate that the adoption of the following Standards and Interpretations in future periods will only have a material impact on the presentation in the financial statements of the Group.

New standard or interpretation	EU endorsement date	Mandatory effective date (periods beginning)
IFRS 10 Consolidated Financial Statements	Endorsed	01-Jan-14
IFRS 11 Joint Arrangements	Endorsed	01-Jan-14
IFRS 12 Disclosure of Interests in Other Entities	Endorsed	01-Jan-14
IAS 27 Separate Financial Statements	Endorsed	01-Jan-14
IFRS 9 Financial Instruments	To be confirmed	To be confirmed
Annual Improvements to IFRSs	Expected Q4 2014	01-Jul-14

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
The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Inter-Group sales and profits are eliminated fully on consolidation. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Under Section 408(4) of the Companies Act 2006 the Company is exempt from the requirement to present its own Statement of Comprehensive Income.

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.

1 Accounting policies continued

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.

Impairment charges are included in administrative expenses in the consolidated income statement, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

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.

1 Accounting policies continued

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 2)

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. Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with the fair value of goods and services 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.

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.

1 Accounting policies continued

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	Estimated UEL	Valuation method
Customer relationships	5-7 years	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).

1 Accounting policies continued

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.

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

Impairment of goodwill 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. 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 floating rates or being of short term nature.

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

Financial assets	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Loans and receivables				
Cash and cash equivalents	999	373	471	277
Trade and other receivables	202	2	-	4
Total financial assets	**1,201**	**375**	**471**	**281**

Financial liabilities	Group 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
At amortised cost				
Trade and other payables	440	303	48	112
Loans and other borrowings	264	665	264	665
At fair value	704	968	312	777
Contingent consideration	933	-	933	-
Total financial liabilities	**1,637**	**968**	**1,245**	**777**

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 2014 £'000	Group 2013 £'000	Company 2014 £'000	Company 2013 £'000
Contingent consideration				
At acquisition	954	-	954	-
Fair value adjustment through Income Statement	(21)	-	(21)	-
At 31 March 2014	**933**	**-**	**933**	**-**

The Group and Company activities expose it to a number of risks such as interest rate risk, liquidity risk and credit risk. The Group's overall risk management programme seeks to minimise the potential adverse effects on the Group's financial performance. The Board, on a regular basis, reviews key risks and, where appropriate, actions are taken to mitigate the key risks identified.

3 Financial instruments – risk management continued

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 2014	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	440	-	-	-	-
Contingent consideration	-	933	-	-	-
Loans and borrowings	-	163	101	-	-
	440	1,096	101	-	-

Group At 31st March 2013	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	303	-	-	-	-
Loans and borrowings	-	-	665	-	-
	303	-	665	-	-

Company At 31st March 2014	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	48	-	-	-	-
Contingent consideration	-	933	-	-	-
Loans and borrowings	-	163	101	-	-
	48	1,096	101	-	-

Company At 31st March 2013	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	113	-	-	-	-
Loans and borrowings	-	-	665	-	-
	113	-	665	-	-

3 Financial instruments – risk management continued

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 hosting 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. Since the acquisition of Netplan Internet Solutions Limited the Group recognises two operating segments. :-

- Daily SME Hosting – this segment provides a range of VPS, shared hosting, email and domain registration services to individuals and SME's. NameHOG was acquired during the year and has been included in this segment since acquisition.
- Managed Hosting – this segment provides VMWare Cloud hosting, PCI hosting and managed dedicated solutions to medium to Large Enterprises. This segment was created on the acquisition of Netplan on 18th November, 2013.

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 EBITDA has been calculated after deducting Group overheads which include the cost of the Board, Group marketing, legal and professional fees, share based payments, fair value adjustments and acquisition costs.

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.

4 Segmental analysis continued

Revenue by operating segment	2014 £'000	2014 %	2013 £'000	2013 %
SME Hosting	1,655	71%	1,557	100%
Managed Hosting	676	29%	-	-
	2,331	**100%**	**1,557**	**100%**

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

	2014 £'000	2014 %	2013 £'000	2013 %
UK	2,038	87.4%	1,495	96.0%
Rest of World	293	12.6%	62	4.0%
	2,331	**100%**	**1,557**	**100%**

	2014			2013		
	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	(63)	(113)	(176)	(210)	(104)	(314)
Managed Hosting	301	(135)	166	-	-	-
			(10)			(314)
Group overheads	-	-	(283)	-	-	(237)
Acquisition costs	-	-	(276)	-	-	-
AIM floatation costs	-	-	-	-	-	(234)
Share based payments	-	-	(33)	-	-	(24)
Fair value adjustment	-	-	21	-	-	-
Group interest	-	-	(95)	-	-	(91)
	238	**(248)**	**(676)**	**(210)**	**(104)**	**(900)**

5 Expenses

		2014 £,000	2013 £,000
Auditor's remuneration:			
Group:	Audit	26	15
	Taxation - compliance	2	2
	Corporate finance	42	38
	Other advisory	3	3
Company:	Audit	4	3
Depreciation of tangible fixed assets:			
Owned		71	44
Held under finance leases		95	51
Amortisation of Intangible assets		82	9
Share based payments		33	24
Staff costs		882	794
Rentals payable under operating leases		38	28
Marketing costs		159	187
AIM admission costs		-	234
Acquisition and integration costs		276	-
Other administrative costs		154	169
Total administrative expenses		**1,867**	**1,601**

6 Finance expense

	2014 £,000	2013 £,000
Interest payable on finance leases	38	20
Interest payable on loan notes	26	26
Other Interest payable	31	45
	95	**91**

7 Staff numbers and costs

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

	2014	2013
Research and Development	4	6
Technical Support	8	6
Sales and Marketing	5	3
Executive and Administration	7	4
	24	**19**

7 Staff numbers and costs continued

The aggregate payroll costs including executive Directors were as follows:

	2014 £,000	2013 £,000
Wages and salaries	792	692
Social security costs	81	70
Benefits in kind	9	8
Share based payment expense	33	24
	915	**794**

Key Management Personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the Directors of the Company listed on pages 10 to 11.

	2014 £,000	2013 £,000
Fees and salaries	160	184
Benefits in kind	6	6
Share based payment expense	-	15
	166	**205**

The emoluments of the highest paid director Mr Abby Hardoon were £66,000 (2013 Mrs Julie Joyce £88,000).

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 pensions contributions been made in 2014 or 2013.

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

	2014 £,000	2013 £,000
Professional fees	248	-
Non – recurring integration costs	28	-
	276	**-**

During the year costs of £248,000 were incurred in respect of one off professional fees on acquisitions. In addition, one off integration costs of £28,000 were incurred.

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 2p per share. During the year 1,900,000 staff options were granted.

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 2013**	**Granted**	**Waived**	**At 31 March 2014**
24-Aug-07	31 July 2007 to 30 July 2017	0.7p	89,286	-	-	89,286
19-Dec-12	19 Dec 2012 to 18 Dec 2022	2p	4,250,000	-	(225,000)	4,025,000
12-Dec-13	12 Dec 2013 to 11 Dec 2023	1.5p	-	1,900,000	-	1,900,000
			4,339,286	1,900,000	(225,000)	6,014,286

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-Mar-09	19-Dec-12	12-Dec-13
Expiry date	30-Jul-17	18-Dec-22	11-Dec-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

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.

9 Share based payments and warrants continued

At 31 March 2014 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**	**Total**
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%.
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%, volatility 20%. No provision has been made for the convertible loan note warrants in shared based payments.

10 Acquisitions

Netplan Internet Solutions Limited

The Group acquired 100% of the share capital of Netplan Internet Solutions Limited ("Netplan") on 18 November 2013.

Netplan provides VMWare Cloud hosting, Hybrid and Private Cloud Solutions, PCIDSS Hosting and Managed Dedicated Solutions to medium and larger enterprises.

During the current period the Group incurred £240,000 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 2014.

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		277
Trade and other receivables		456
Property, plant and equipment		280
Intangible assets		1,435
Trade and other payables		(417)
Current income tax liability		(108)
Deferred tax liability		(302)
Identifiable net liabilities		1,621
Goodwill	**13**	2,111
Total consideration		**3,732**
Satisfied by:		
Cash consideration - paid on acquisition		2,778
Contingent consideration	**3**	954
		3,732

10 Acquisitions continued

The acquisition of Netplan included a contingent consideration which is payable based on the level of earnings before interest, tax and depreciation (EBITDA) achieved in the 12 month period to 30 September 2014. At the acquisition date it was expected that the consideration due would be payable by £600,000 in cash and shares to the value of £250,000 in shares at a price of 1.5p. The fair value of the shares has been estimated at £354,000 at the acquisition date. The fair value of the contingent consideration at the end of the year is £933,000. This amount is expected to be paid before the end of the next financial year.

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 16% was used in the valuation. Customer relationships are being amortised over an estimated useful life of 7 years.

Since the acquisition date, Netplan Internet Solutions has contributed £676,000 to Group revenues and £166,000 to Group profit.

NameHOG Limited

The Group acquired 100% of the share capital of NameHOG Limited ("NameHOG") on 27 January 2014. NameHOG provides Domain registration, shared virtual hosting and dedicated servers to individuals and SME's.

During the current period the Group incurred £8,000 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 2014.

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		10
Intangible assets		112
Trade and other payables		(23)
Deferred tax liability		(22)
Identifiable net liabilities		77
Goodwill	**13**	73
		150
Satisfied by:		
Cash consideration		**150**

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 16% was used in the valuation. Customer relationships are being amortised over an estimated useful life of 5 years.

Since the date of acquisition, NameHOG has contributed £34,000 to Group revenues and £8,000 to Group profits.

Had both acquisitions taken place on 1 April 2013, the Group's revenue would have been £3.2m and the Group's loss would have been £0.5m

11 Loss per share

	2014	2013
Loss for the financial year attributable to shareholders	£676,000	£900,000
Weighted number of equity shares in issue	217,600,479	84,800,825
Basic/diluted loss per share	£0.003	£0.011

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.

12 Taxation

	2014 £,000	**2013 £,000**
Current tax charge	16	-
Deferred tax		
Timing differences	(16)	-
Total tax charge	-	-
Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(676)	(900)
Loss on ordinary activities before taxation multiplied by the Standard rate of UK corporation tax of 23% (2013:23%)	(155)	(216)
Effects of:		
Tax losses	139	216
Movement in deferred tax	16	-
Total tax charge	-	-

12 Taxation continued

The Group recognised deferred tax assets and liabilities as follows:

	2014 £,000	2013 £,000
Deferred tax on customer relationships	(293)	-
Capital allowances timing differences	(15)	
Deferred tax (liability)/asset	**(308)**	-

The Directors have not provided for the potential deferred tax asset due to the uncertainty of future taxable profits. The tax losses available were approximately £4,638,000 at 31 March 2014 (2013: £3,760,000). The deferred tax asset on these tax losses at 20% (2013: 24%) of £928,000 (2013: £902,000) has not been recognised due to the uncertainty 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 2013	-	-	-
Acquired on acquisition of subsidiary	(15)	(309)	(324)
Credited to statement of comprehensive income	-	16	**16**
Balance at 31 March 2014	**(15)**	**(293)**	**(308)**

13 Intangible assets

Group	Website Cost £,000	Development Cost £,000	Customer relationships £,000	Positive goodwill £,000	Total £,000
Cost					
At 1 April 2012	166	232	-	392	790
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 March 2013	166	232	-	392	790
At 1 April 2013	166	232	-	392	790
Additions	-	-	1,547	2,184	3,731
Disposals	-	-	-	-	-
At 31 March 2014	166	232	1,547	2,576	4,521
Accumulated amortisation and impairment					
At 1 April 2012	166	223	-	-	389
On disposals	-	-	-	-	-
Charge for the year	-	9	-	-	9
At 31 March 2013	166	232	-	-	398
At 1 April 2013	166	232	-	-	398
On disposals	-	-	-	-	-
Charge for the year	-	-	82	-	82
At 31 March 2014	166	232	82	-	480
Net book value					
At 1 April 2012	-	9	-	392	401
At 31 March 2013	-	-	-	392	392
At 31 March 2014	-	-	1,465	2,576	4,041

The Company held no Intangible assets at 31 March 2014 or 31 March 2013.

13 Intangible assets continued

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 twelve month period. Cash flows beyond the twelve month 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:-

	2014 **£'000**	2013 **£'000**
Daily Internet Services Limited	251	372
NameHOG Limited	154	-
Managed hosting	3,899	-
	4,304	**372**

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	4%	10%
Terminal growth rate	4%	5%
Forecast period for which cashflows are estimated	1 year	1 year

The Group had no contractual liability for development costs at 31st March 2014. As a result of the impairment testing carried out on the basis of these estimates and assumptions, no impairment provisions are required.

14 Property Plant and Equipment

Group	Furniture and equipment £,000	Total £,000
Cost		
At 1 April 2012	413	413
Additions	242	242
At 31 March 2013	655	655
At 1 April 2013	655	655
Additions	38	38
Acquisition of subsidiary	280	280
At 31 March 2014	973	973
Accumulated depreciation		
At 1 April 2012	230	230
Charge for the year	95	95
At 31 March 2013	325	325
At 1 April 2013	325	325
Charge for the year	166	166
At 31 March 2014	491	491
Net book value		
At 1 April 2012	183	183
At 31 March 2013	330	330
At 31 March 2014	482	482

Included in the net book value of £482,000 (2013: £330,000) for furniture and equipment are assets held under finance leases with a NBV of £268,000 (2013: £208,000).

The depreciation for the year on these assets was £95,000 (2013: £51,000).

The Company held no property, plant or equipment at 31 March 2014 or 31 March 2013.

15 Investments

	Company 2014 £,000	Company 2013 £,000
Investment in Subsidiaries		
At 1 April 2013	1,264	1,722
Additions	3,883	-
Impairment	-	(458)
Cost 31 March 2014	5,147	1,264

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
Netplan Internet Solutions Limited	England	Managed hosting
NameHOG Limited	England	Web hosting and domain name registration

The recoverable amounts have been determined from discounted cash flow calculations based on cash flow projections from approved budgets covering a one year period to 31 March 2015. The major assumptions can be seen in note 13.
Lambolle Partners PLC is a dormant Company and therefore exempt from audit.

16 Trade and other receivables

	Group 2014 £,000	Company 2014 £,000	Group 2013 £,000	Company 2013 £,000
Amounts due within one year:-				
Trade debtors	202	-	2	-
Other debtors	-	-	-	4
Amounts owed by subsidiary undertakings	-	554	-	134
Prepayments and accrued income	142	7	47	8
Total Debtors	**344**	**561**	**49**	**146**

16 Trade and other receivables continued

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 no impairment is required

Total unimpaired trade receivables which are past due:-	2014 £,000	2013 £,000
Up to 3 months	202	2
Over 3 months but less than 6 months	-	-
Over 6 months but less than 1 year	-	-
	202	**2**

17 Trade and other payables

Amounts falling due within one year	Group 2014 £,000	Company 2014 £,000	Group 2013 £,000	Company 2013 £,000
Trade payables	217	18	177	19
Corporation tax	124	-	-	-
Other payables	37	-	73	-
Accruals	62	30	53	93
Total financial liabilities, excluding loans and borrowings measured at amortised cost	440	48	303	112
Other taxes and social security costs	161	45	63	1
Deferred Income	420	-	364	-
	1,021	93	730	113

Contingent consideration due on acquisitions	Group 2014 £,000	Company 2014 £,000	Group 2013 £,000	Company 2013 £,000
Netplan Internet Solutions Limited	933	933	-	-

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 as per note 10.

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 2014 and 31 March 2013.

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 **2014** **£'000**	Company **2014** **£'000**	Group **2013** **£'000**	Company **2013** **£'000**
Convertible loan	101	101	260	260
Other loan	-	-	405	405
Finance lease creditor	100	-	127	-
	201	**101**	**792**	**665**

Current	**2014** **£'000**	**2014** **£'000**	**2013** **£'000**	**2013** **£'000**
Finance lease creditor	147	-	76	-
Convertible loan	163	163	-	-
	310	**163**	**76**	**-**

Convertible Loan note

Fifty six £5,000 convertible loan notes were issued on 4 January 2013 which expire in 2015. The 2015 Loan Notes offer a rate of interest of 9 per cent and are convertible at a conversion price of 3p per share. The Company is able to redeem a minimum of £1,000 nominal value of each New Loan Note as cash flow allows by repaying the redeemed nominal value plus six months pro rata interest, subject to the relevant holders being entitled to convert such loan notes into ordinary shares in the capital of the Company at their election at 3p per share. During the year one convertible loan note was redeemed and twenty one of the convertible loan notes were extended by 12 months, all other terms remain the same.

A warrant was also issued 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:

	2014 **£,000**	2013 **£,000**
Face value	275	280
Costs of issue	(11)	(11)
Net proceeds	264	269
Equity component	(13)	(13)
Unwinding of liability	13	4
Liability component at 31st March	264	260

19 Leases

Group finance leases

Future lease payments are due as follows:	Minimum lease payments **2013** **£,000**	Interest **2013** **£,000**	Present value **2013** **£,000**
Not later than one year	109	33	76
Later than one year and not later than 5 years	146	19	127
Later than 5 years	-	-	-
	255	52	203

	Minimum lease payments **2014** **£,000**	**Interest** **2014** **£,000**	**Present value** **2014** **£,000**
Not later than one year	172	25	147
Later than one year and not later than 5 years	105	5	100
Later than 5 years	-	-	-
	277	30	247

The Company has no finance leases.

Group operating leases

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

	Leasehold Property **2014** **£,000**	**Other** **2014** **£,000**	**Leasehold Property** **2013** **£,000**	**Other** **2013** **£,000**
Within one year	-	-	-	-
Within two to five years	51	-	70	-
After five years	191	-	-	-
	242	-	70	-

The Company has no operating leases.

20 Share capital

	Group 2014 £,000	Company 2014 £,000	Group 2013 £,000	Company 2013 £,000
Allotted, called up and fully paid				
At start of year 118,984,892 Ordinary shares of 0.5p each	595	595	313	313
Issued during the year 288,687,188 Ordinary shares of 0.5p	1,443	1,443	282	282
At end of year 407,672,080 Ordinary shares of 0.5p	2,038	2,038	595	595

During the year the Company issued 288,687,188 ordinary shares of 0.5p each. Of this total 200,000,000 ordinary shares were issued at 1.5p per share for cash, 37,878,788 ordinary shares were issued at 1.65p per share for cash, the proceeds were used to fund the acquisitions of Netplan and NameHOG and to provide further working capital.

A further 50,808,400 ordinary shares were issued at 1.5p per share in settlement of loan balances.

Under the terms of the EMI and unapproved share options a further 34,753,000 ordinary shares could be issued with a nominal value of £173,765.

21 Contingent liabilities

There are no contingent liabilities at the year-end.

22 Related party transactions

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

Related party relationship	Type of Transaction	Transaction value 2013 £,000	Transaction value 2014 £,000	Balance Due to Related Party 2013 £,000	Balance Due to Related Party 2014 £,000
Directors	Use of personal credit cards to pay online suppliers and rent of office building	773	711	74	30
Directors	Loan facility (included in liabilities)	-	-	45	-
Companies in which directors or their immediate family have a significant / controlling interest	Provision of management service	36	30	7	4

A Director has provided a personal guarantee for bank facilities of up to £80,000 dated 17 November 2008.

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:-

	2014 £,000	2013 £,000
Holding company's loss for the year	485	3,735

Corporate Information

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Notice of meeting

Notice is hereby given that the Annual General Meeting of Daily Internet plc will be held on 25 July 2014 at 11.00 am at the Company's registered office at Number 14 Riverview, Vale Road, Heaton Mersey, Stockport, Cheshire, SK4 3GN for the purpose of considering and, if thought fit, passing the resolutions set out below, of which Resolutions 1 to 5 will be proposed as ordinary resolutions and Resolution 6 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 2014, together with the Directors' and Auditors' Reports contained therein.

2. **TO** reappoint John Michael Edelson as a director who retires by rotation.

3. **TO** confirm the appointment of Christopher Evans as a director.

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

5. **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 £59,493 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 £679,453 (such amount to be reduced by the nominal amount of any equity securities allotted under resolution 5(a) above in excess of £59,493),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 resolution:

6. THAT, subject to the passing of resolution 5, 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 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 £30,696;

b. the allotment of Ordinary Shares pursuant to the convertible loan note instrument dated 4 January 2013 up to an aggregate nominal value of £45,833 (including interest);

c. the allotment of Ordinary Shares pursuant to warrants granted pursuant to a warrant instruments dated, 21 January 2008 and 4 January 2013 up to an aggregate nominal value of £59,348;

d. 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

e. the allotment (otherwise than pursuant to resolutions 6(a) to (d) above) of equity securities up to an aggregate nominal amount of £203,836.

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
27 June 2014

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

Notes

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

2. In order to be valid, any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power of attorney, must reach the Company's Registered Office, 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 23 October 2014. Changes to entries on the relevant register of securities after 11.00am on 23 October 2014 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 5 or the disapplication of pre-emption rights authority under resolution 6 other than as required pursuant to the authorities set out in paragraphs (a) to (e) of resolution 6.

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