

Infoserve Group plc
(“Infoserve”, the “Company” or, together with its subsidiaries, the “Group”)

Unaudited Condensed Consolidated Financial Statements for the six months ended
30 September 2010

Infoserve Group plc (AIM:INFS), one of the leading online local search specialists in the UK, is pleased to announce its half-year results for the six-month period to 30 September 2010. Infoserve provides UK businesses, mainly SMEs, with sophisticated online marketing products that deliver, through the Group’s partnership with Yahoo! and its own extensive product range, online solutions that enable businesses to be found when consumers are searching for the goods and services they provide in specific locations. It is estimated that 60% of all online searches are local in nature, and Infoserve aims to bring buyers and sellers together online.

OPERATING HIGHLIGHTS

- May 2010 - Following a successful trial, Infoserve signs a joint venture agreement to bring combined online and print offering to SMEs.
- August 2010 - Infoserve opens a city centre sales office in Leeds.
- Summer 2010 - Infoserve launches a new Keysite product.
- October 2010 - Infoserve acquires access to up to 7,000 customers in a revenue share deal with Web Business Power.

FINANCIAL HIGHLIGHTS

- Turnover £2.90m (H1 2009: £2.95m), down 1.8%.
- Gross profit £1.07m (H1 2009: £0.95m), an increase of 12.8%.
- Operating profit £0.06m (H1 2009 loss: £0.15m), an increase of £0.21m.
- Net cash balance £310k (H1 2009: £188k).
- Current liabilities £3.0m (H1 2009: £7.2m), a decrease of £4.2m mainly due to debt restructuring.

Steve Barnes, Executive Chairman of Infoserve Group plc, commented:

“We have seen many of our SME customers go through difficult trading times so far this year, and I am proud that we have adapted our product offering and value proposition to maintain volumes and revenues. We have seen little improvement in confidence levels even from those business sectors that are experiencing growth, and discretionary marketing spend by SMEs, even in the online sector has been affected. I am therefore pleased with the results, the revenue figures, and the continued driving down of costs. These successes are a testament to the entire team at Infoserve.

Although I see little change in macro economic circumstances in the economy as a whole, we have not completely shut the door on growth and we have adapted our business to the current economic climate. Our new Joint Venture with Iliffe Newspapers and our opening of a further sales office in the centre of Leeds demonstrate our continued plans to grow, but we will do so slowly and in a planned, steady and risk averse way in keeping with the current economic climate.”

For further information, please contact:

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Executive Chairman's Statement and Financial Review

Infoserve Group plc is an e-marketing company, specialising in local search. The Company helps businesses, particularly SMEs, to maximise their performance through online marketing.

We are pleased with the half year results which represent continued progress in difficult economic circumstances.

	Six months to 30 September 2010 (unaudited) £'000	Six months to 30 September 2009 (unaudited) £'000
Revenue	2,895	2,948
Cost of sales	(1,826)	(2,000)
Gross profit	1,069	948
Administrative expenses	(1,013)	(1,097)
Operating profit/(loss)	56	(149)
Net financing costs	(39)	(46)
Share of loss of equity accounted investee (net of tax)	(117)	-
Loss before tax	(100)	(195)

Revenue

Revenue for the period has decreased by 1.8% as the Company has consolidated its position by focusing on becoming profitable and opening up new avenues for growth. The performance per sales executive increased from £29k to £32k, a rise of 9% on 2009. The small decline in sales is directly as a result of a reduced number of sales people through the period and is not a reflection on the online advertising market generally, which continues to grow.

Margins

Gross margins have improved from 32% in H1 2009 to 37% in H1 2010, slightly fewer sales made with less people leading to a £121k increase in gross profit.

Results

The increased gross profit contributed to operating profits of £56k and pre tax profits of £17k, up £205k and £212k respectively on last half year, as cost control remains tight. Infoserve's 50% share of 2i Local Limited's pre tax losses were £117k which was as expected and relates to the costs of growing and training a new sales force.

Cash flow

There has been an increase in the net cash position of £122k, although this includes a £250k draw down on a new loan facility provided by D R Hood, the Company's principal shareholder, in February 2010 which was used to repay the NatWest overdraft. A further £160k draw down on the loan account was loaned directly to 2i Local Limited, a joint venture company. The remaining £190k of the February loan facility remains available for draw down for development and growth expenditure.

Going concern

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Market developments

- Google's results continue to be increasingly local in nature with Google Places becoming integrated within organic search. This presents both a challenge to keep our own websites ranking highly, and an opportunity to build revenues from SMEs wanting assistance for their own web presence, as prominent first page Google positions become harder to achieve.
- The Internet Advertising Bureau (IAB) confirmed that online marketing expenditure increased by 10% in H1 2010 and the same period in 2009, characterised by increased investment by major brands.
- Online marketing reached the £2bn mark (IAB).
- According to data from the UK Online Measurement Company (UKOM) and Nielsen, the UK's active online user base had grown from 36.8 million in April 2009 to 40.5 million in April 2010 (representing an increase of 3.7 million active internet users in just 12 months.)
- 92% of the UK online population now has broadband with 69% enjoying speeds of over 2MB.

Business developments

Our Darlington sales office has now approached maturity and we are continuing to achieve improvements in sales per sales executive. The future growth of the Company relies on three key pillars: new sales office locations, commercial alliances and new products. The Company has made progress in all these areas during the first half of the financial year.

Locations

In August 2010, Infoserve opened a sales office in Leeds city centre to add to the existing salesforce scale and capability, using the expansion to validate the efficiencies of a more compact and controllable stand alone business unit.

Commercial alliances

The Company sees value in key alliances in an increasingly more competitive market place and has signed a joint venture agreement with Iliffe News and Media Limited ("INML"), the media arm of Yattendon Investment Trust, with interests in local media including newspaper publishing and television, and a revenue sharing agreement with Web Business Power.

Under the agreement with INML, signed in May 2010, a joint venture company ("2i Local") offers SMEs the opportunity to purchase a combined internet and print advertising package. This gives businesses guaranteed exposure to their target market through online local search and local newspaper coverage. Infoserve and INML each own 50% of the issued share capital of 2i Local.

The October 2010 agreement with Web Business Power gives Infoserve access to 7,000 new customers on a revenue share basis.

The Group's exclusive partnership with Yahoo! continues to offer a point of difference from all competitors and Infoserve will continue to use this unique relationship to offer its SME customers prominent positions on the Yahoo! search engine. The Group's relationship with the Football League (FLi) now covers 71 separate football club websites.

Products

During the summer, the Company launched Keysites, a new two page website product designed to rank prominently in major search engines for specific local searches directly related to the SME's business.

Deferred tax asset

The Board has prepared appropriate forecasts and continues to believe that the Group will be profitable in the future and therefore utilise the considerable tax losses built up over the last few years. It has accordingly carried forward a proportion of this recovery as a deferred tax asset in the statement of financial position for the interim accounts.

Dividend

The Group has insufficient distributable reserves, and therefore the directors do not recommend the payment of a dividend (2009 : £nil).

Outlook and summary

The macro economic difficulties which have affected most businesses in the UK remain, and the Group is taking great care to ensure it adapts to this reality, consolidating its current operations to maintain profits whilst seeking growth through cautious and controlled investment and exploration in new locations as well as in new commercial alliances and products.

The Company expects to continue to invest in these areas through the remainder of 2010 and throughout 2011, with a view to generating even greater value for its existing and new customers.

Statement of Principal Risks and Uncertainties

The principal risks and uncertainties to which the Group is exposed are listed below. They have not changed from those detailed on pages 7-8 and 49-51 of our Annual Report and Financial Statements for the year ended 31 March 2010. The Annual Report can be found on the company's website www.infoservegroup.com.

- Market price risk
- Liquidity risk
- Interest rate risk
- Credit risk
- Capital risk
- Maturity of financial liabilities
- Requirements for further funds
- Management of growth
- Dependence on senior management and employees
- Recruitment and retention
- Technology
- Partners

Stephen M Barnes
Executive Chairman
14 December 2010

Jonathan P Simpson
Finance Director
14 December 2010

Infoserve Group plc
Condensed Consolidated Statement of Comprehensive Income (unaudited)

	Six months to 30 September 2010 (unaudited) £'000	Six months to 30 September 2009 (unaudited) £'000	Year ended 31 March 2010 £'000
	<i>Note</i>		
Revenue – continuing operations	2,895	2,948	6,119
Cost of sales	<u>(1,826)</u>	<u>(2,000)</u>	<u>(3,836)</u>
Gross profit	1,069	948	2,283
Administrative expenses	<u>(1,013)</u>	<u>(1,097)</u>	<u>(2,184)</u>
Operating profit/(loss) - continuing operations	56	(149)	99
Financial income	-	7	7
Financial expenses	<u>(39)</u>	<u>(53)</u>	<u>(100)</u>
Net financing costs	(39)	(46)	(93)
Share of loss of equity accounted investee (net of tax)	<u>(117)</u>	-	-
(Loss)/profit before tax – continuing operations	(100)	(195)	6
Taxation	5	-	-
(Loss)/profit for the period	<u>(100)</u>	<u>(195)</u>	<u>6</u>
Basic and diluted (loss)/earnings per share	6	(0.17p)	1.02p

The Group has no other comprehensive income for the period.

Infoserve Group plc
Condensed Statement of Financial Position (unaudited)

	As at 30 September 2010 (unaudited)	As at 30 September 2009 (unaudited)	As at 31 March 2010
	£'000	£'000	£'000
Non-current assets			
Property, plant and equipment	154	193	177
Intangible assets	471	506	485
Equity accounted investments	43	-	-
Deferred tax assets	838	838	838
	<u>1,506</u>	<u>1,537</u>	<u>1,500</u>
Current assets			
Trade and other receivables	245	288	267
Cash and cash equivalents	310	438	363
	<u>555</u>	<u>726</u>	<u>630</u>
Total assets	<u>2,061</u>	<u>2,263</u>	<u>2,130</u>
Current liabilities			
Bank overdraft	-	(250)	(250)
Interest-bearing loans and borrowings	(112)	(3,262)	(37)
Trade and other payables	(2,839)	(3,592)	(2,885)
Provisions	(80)	(80)	(80)
	<u>(3,031)</u>	<u>(7,184)</u>	<u>(3,252)</u>
Non-current liabilities			
Interest-bearing loans and borrowings	(2,184)	(350)	(1,816)
Trade and other payables	(17)	(19)	(143)
	<u>(2,201)</u>	<u>(369)</u>	<u>(1,959)</u>
Total liabilities	<u>(5,232)</u>	<u>(7,553)</u>	<u>(5,211)</u>
Net liabilities	<u>(3,171)</u>	<u>(5,290)</u>	<u>(3,081)</u>
Equity attributable to equity holders of the parent			
Share capital	2,954	954	2,954
Share premium	3,871	3,871	3,871
Retained earnings	(9,996)	(10,115)	(9,906)
Total equity	<u>(3,171)</u>	<u>(5,290)</u>	<u>(3,081)</u>

These financial statements were approved by the Board of Directors on 14 December 2010 and were signed on its behalf by:

Stephen M Barnes
Director

Jonathan P Simpson
Director

Infoserve Group plc
Condensed Consolidated Statement of Cash Flows (unaudited)

	Six months to 30 September 2010 (unaudited)	Six months to 30 September 2009 (unaudited)	Year ended 31 March 2010
	£'000	£'000	£'000
Cash flow from operating activities			
Profit/(loss) for the period	17	(195)	6
<i>Adjustments for:</i>			
Depreciation	33	59	102
Amortisation	44	74	122
Financial income	-	(7)	(7)
Financial expense	39	53	100
Loss/(profit) on sale of property, plant and equipment	6	-	(21)
Equity-settled share-based payment expenses	10	10	18
	<u>149</u>	<u>(6)</u>	<u>320</u>
Operating profit/(loss) before changes in working capital			
Decrease in trade and other receivables	21	57	78
(Decrease)/increase in trade and other payables	(172)	22	(542)
Change in deferred government grant	(1)	(1)	(2)
	<u>(152)</u>	<u>(1)</u>	<u>(166)</u>
Cash (outflow)/inflow from operating activities	<u>(3)</u>	<u>72</u>	<u>(146)</u>
Interest paid	(4)	(4)	(7)
	<u>(7)</u>	<u>68</u>	<u>(153)</u>
Net cash from operating activities	<u>(7)</u>	<u>68</u>	<u>(153)</u>
Cash flows from investing activities			
Interest received	-	7	7
Acquisition of property, plant and equipment	(16)	(1)	(28)
Acquisition of other intangible assets	(30)	(46)	(73)
	<u>(46)</u>	<u>(40)</u>	<u>(94)</u>
Net cash from investing activities	<u>(46)</u>	<u>(40)</u>	<u>(94)</u>
Cash flows from financing activities			
Advance of loans	410	-	200
Loan to jointly controlled entity	(160)	-	-
	<u>250</u>	<u>-</u>	<u>200</u>
Net cash from financing activities	<u>250</u>	<u>-</u>	<u>200</u>
Net increase/(decrease) in cash and cash equivalents	<u>197</u>	<u>28</u>	<u>(47)</u>
Cash and cash equivalents at the beginning of the period	113	160	160
Cash and cash equivalents at the end of the period	<u>310</u>	<u>188</u>	<u>113</u>

Cash and cash equivalents in the Consolidated Statement of Cash Flows are disclosed net of the bank overdraft (applicable to the comparative periods).

Infoserve Group plc
Condensed Consolidated Statement of Changes in Equity (unaudited)

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2009	954	3,871	(9,930)	(5,105)
Total comprehensive income for the period:				
Loss for the financial period attributable to equity shareholders of the Parent Company	-	-	(195)	(195)
Total comprehensive income for the period	-	-	(195)	(195)
Transactions with owners recorded directly in equity:				
Equity-settled share-based payment transactions	-	-	10	10
Total contributions by and distributions to owners	-	-	10	10
Balance at 30 September 2009	954	3,871	(10,115)	(5,290)
Balance at 1 April 2010	2,954	3,871	(9,906)	(3,081)
Total comprehensive income for the period:				
Loss for the financial period attributable to equity shareholders of the Parent Company	-	-	(100)	(100)
Total comprehensive income for the period	-	-	(100)	(100)
Transactions with owners recorded directly in equity:				
Equity-settled share-based payment transactions	-	-	10	10
Total contributions by and distributions to owners	-	-	10	10
Balance at 30 September 2010	2,954	3,871	(9,996)	(3,171)
Balance at 1 April 2009	954	3,871	(9,930)	(5,105)
Total comprehensive income for the year:				
Profit for the financial period attributable to equity shareholders of the Parent Company	-	-	6	6
Total comprehensive income for the period	-	-	6	6
Transactions with owners recorded directly in equity:				
Equity-settled share-based payment transactions	-	-	18	18
Proceeds from issue of shares	2,000	-	-	2,000
Total contributions by and distributions to owners	2,000	-	18	2,018
Balance at 31 March 2010	2,954	3,871	(9,906)	(3,081)

Infoserve Group plc

Notes to the Condensed Consolidated Financial Statements (unaudited)

1. Significant accounting policies

Infoserve Group plc is a company domiciled in the UK. The address of the Company's registered office is South Side Aviation, Leeds Bradford International Airport, Leeds, LS19 7UG.

The condensed consolidated financial statements of the Group for the six months ended 30 September 2010 comprise the financial statements of Infoserve Group plc and its subsidiaries (together referred to as the "Group") and the Group's interests in a jointly controlled entity.

(a) Basis of preparation

The Annual Report and Financial Statements of the Group are prepared in accordance with the IFRSs as adopted by the EU. The prior year comparatives are derived from audited financial information for Infoserve Group plc as set out in the Annual Report and Financial Statements for the year ended 31 March 2010 and the unaudited financial information in the consolidated financial statements for the six months ended 30 September 2009. These condensed consolidated financial statements have been prepared under the historical cost convention, except in respect to certain financial instruments. With the exception of a new accounting policy, Investment in a Jointly Controlled Entity, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated Annual Report and Financial Statements for the year ended 31 March 2010. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Group's 2010 Annual Report published in June 2010, which includes the consolidated financial statements of the Group as at and for the year ended 31 March 2010. For the new accounting policy in relation to the Jointly Controlled Entity, refer to note (c) below.

The condensed consolidated financial statements for the six months ended 30 September 2010 are unaudited and were approved by the directors on 14 December 2010.

The unaudited financial information contained herein does not constitute statutory financial statements within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2010 were approved by the Board of directors on 21 June 2010 and delivered to the Registrar of Companies. The audit opinion on the statutory accounts for the year ended 31 March 2010 was unqualified. It did not contain any statement under Section 498 of the Companies Act.

The directors note that the Group has net liabilities, net current liabilities and sustained trading losses in the period. However, the Group has greater profitability and certainty of funding than in the prior period and the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

(b) Estimates

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The preparation of the condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. In preparing these condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and key source of estimation uncertainty were the same as those applied to the audited consolidated Annual Report and Financial Statements as at 31 March 2010.

(c) Investment in a jointly controlled entity

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Investments in jointly controlled entities are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost.

The consolidated financial statements include the Group's share of the loss of equity-accounted investees, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(d) Amortisation

As at 31 March 2010 data refreshes of £28,000 were classified as amortisation rather than other cost of sales. The cashflow for the six months to 30 September 2009 has been restated to reflect this.

Additionally, at 31 March 2010 year end, non data amortisation was shown within cost of sales rather than administrative expenses where it had previously been shown. Amortisation of £46,000 for the six months to 30 September 2009 has been reallocated within cost of sales.

(e) Leases

The Group has considered its property leases and has determined that all its property leases are operating leases. In arriving at this conclusion the Group considered that the length of the leases are relatively short, rent paid can be increased to market value at regular intervals, the Group does not participate in the residual value of the building and that substantially all the risks and rewards of the Group's buildings are with the landlords.

2. Segmental information

At Infoserve the Board is regarded as the CODM (Chief Operating Decision Maker). The Board sees Infoserve as offering a 'suite' of web based advertising products. This 'suite' is mostly made up of new websites, enhancements to websites and online directory listings. While there are differing products/services, often these are sold in varying bundles according to customer requirements. Accordingly the Board allocates resources with the view that Infoserve is a 'one-stop shop' for web based advertising and measures performance against this key business objective. For this reason the Board has concluded that Infoserve has one reportable segment. The turnover, operating profit/loss and net liabilities of the Group are all attributable to the one class of business.

3. Directors' remuneration

	Six months ended 30 September 2010 (unaudited) £'000	Six months ended 30 September 2009 (unaudited) £'000	Year ended 31 March 2010 £'000
Directors' emoluments:			
Executive Directors:			
S M Barnes	38	45	86
D I J Oliver	44	39	79
M A Riley	42	38	71
J P Simpson	42	-	41
Non Executive Directors:			
D R Hood	-	12	(36)
J H Newman	3	18	35
A R Thirkill	11	11	21
	<u>180</u>	<u>163</u>	<u>297</u>
Company contributions to money purchase pension plans:			
Executive Directors:			
S M Barnes	7	10	26
D I J Oliver	6	6	13
M A Riley	6	6	18
J P Simpson	6	-	1
	<u>25</u>	<u>22</u>	<u>58</u>
Equity-settled share-based payments:			
Executive Directors:			
S M Barnes	2	-	-
D I J Oliver	2	-	-
M A Riley	2	2	3
Non Executive Directors:			
J H Newman	-	2	4
A R Thirkill	3	1	3
	<u>9</u>	<u>5</u>	<u>10</u>

Acting in his capacity as a non-executive director, D R Hood waived his right, during the year to 31 March 2010, to receive his unpaid non-executive director's fees for the financial years 2009 and 2010. An amount of £36,000 was credited to the consolidated statement of comprehensive income in the year to 31 March 2010 in respect of the non payment of these fees.

4. Related Party Transactions

The remuneration of the directors, who are the key management personnel of the Group is disclosed in note 3. A number of key management personnel or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of those transactions with key management personnel and their related parties were no more favourable than those available, or which might have reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Directors of the Company and their immediate relatives control 88.8 per cent (30 September 2009: 66.27 per cent) of the voting shares of the Company.

At 30 September 2010, an amount of £911,552 (30 September 2009: £2,911,552) (being the principal loan excluding interest) was owed by Infoserve Limited to D R Hood, a director and principal shareholder of Infoserve Group plc. The £2,000,000 reduction in the amount of the loan was as a result of the debt to equity conversion which took place on 19 February 2010. For further details refer to page 45 of our Annual Report and Financial statements for the year ended 31 March 2010. Interest is charged on the loan at a rate of 2.5% above Barclays Bank plc base rate. Interest charged on the loan during the period amounted to £13,711 (30 September 2009: £40,033) and £635,516 (30 September 2009: £587,889) remained unpaid at the period end and is included within interest-bearing loans and borrowings.

On 19 February 2010 an amount of £250,000 owed by Infoserve Limited to D R Hood was repaid in full as a result of the debt to equity conversion. Interest was charged on the loan at a rate of 5% above Barclays Bank plc base rate. Interest charged on the loan during the period amounted to £nil (30 September 2009: £6,894) and £18,011 remained unpaid at the period end (30 September 2009: £12,699) and is included within interest-bearing loans and borrowings.

The existing loan agreement with D R Hood has been amended, suspending any repayments of capital and interest due on the loans between 28 January 2010 and 31 January 2011. The Company is due to make repayments of £12,500 per month commencing on 31 January 2011 until the principal loan and any outstanding interest is repaid.

D R Hood agreed to make available a new loan facility of up to £550,000 with a further £250,000 should the Group's overdraft facility need to be repaid. By the period end, £610,000 had been loaned to the Company (30 September 2009: £nil), of which £250,000 had been used to repay the Group's overdraft facility. Interest is charged on the loan at a rate of 10%. Interest charged on the loan during the period amounted to £19,041 (2009: £nil) and £21,123 remained unpaid at the period end (2009: £nil) and is included within interest-bearing loans and borrowings. The loan will be repaid in equal monthly instalments of £12,500 commencing on 31 January 2012 until the capital balance and the outstanding interest is repaid in full.

Infoserve Limited entered into a lease agreement to rent property from Amerdale Investments LLP, a business in which D R Hood has an interest. The administrative expenses incurred from Amerdale Investments LLP amounted to £130,492 (30 September 2009: £132,233). The amount owed by Infoserve Limited at the balance sheet date was £273,798 (30 September 2009: £283,087) and represents the current rent quarter and eight months of rent deferral. The lease is for a term of fifteen years at £246,405 per annum, with the first year being rent free. The period between rent reviews is five years.

During the period, Infoserve Limited made sales of £16,531 (30 September 2009: £16,531) to and purchases of £29,846 (30 September 2009: £30,913) from Multiflight Limited, a company in which D R Hood is a director and principal shareholder. At 30 September 2010 Infoserve Limited owed £67,508 (30 September 2009: £54,067) to Multiflight Limited.

During the period, Infoserve Limited made sales of £229,179 (30 September 2009: £nil) to 2iLocal Limited, a jointly controlled entity, which Infoserve Limited owns 50% of the issued share capital. The sales relate to monthly charges and recharges of property costs, staff costs, product costs and other sundry costs incurred by Infoserve Limited, recharged at the rate actually incurred by Infoserve or at rates agreed by the independent directors of 2iLocal Limited (being those appointed by Iliffe News and Media). Infoserve Limited received and paid across monies due to 2iLocal from its customers. At 30 September 2010 Infoserve Limited owed £439 (30 September 2009: £nil) to 2iLocal Limited.

Trade and other payables in the Group's statement of financial position includes an amount of £nil (30 September 2009: £116,460) which represents salaries owed to the non-executive directors and the social security costs thereon.

5. Taxation

The tax position for the period is based on management's best estimate of the anticipated effective tax rate for the full year to 31 March 2011.

Since 2004, Infoserve has grown the sales force, as well as developing products and systems. Large losses were incurred during this growth phase. In the last 3 years Infoserve has seen revenues grow substantially year on year, whilst margins have increased and administrative expenses have declined, resulting in a £3m swing from losses to profitability. The Board are committed to continuing to invest in the long term, and furthering growth of the business, and consider that the achievement of reaching profitability is a major milestone. The market within which Infoserve operates continues to grow, and the Group believe that further advances in profitability will probably follow. At 31 March 2010 the Board had prepared forecasts which indicated that significant tax losses would probably be utilised over a 6 year period with the remaining losses utilised further into the future. The board elected to continue to carry forward a proportion of the unutilised tax losses, in respect of this short to medium term anticipated recovery, as a deferred tax asset in the statement of financial position.

During the six months to 30 September 2010 revenue growth was marginally slower than anticipated. The Board have considered the implications of this in respect of the continued recognition of the deferred tax asset, which may require adjustment at the year end should the previously anticipated growth not return in the second half of the trading year.

6. (Loss)/earnings per share

The calculation of (loss)/earnings per share is based upon the loss after taxation of £100,093 (30 September 2009: £194,615) divided by 59,073,241 (30 September 2009: 19,073,241), being the number of ordinary shares in issue during the period. Share options in issue did not have a dilutive impact on the loss/(earnings) per share calculation.

7. Jointly controlled entity

On 10 May 2010 the Company entered into a joint venture agreement with Iliffe News and Media Limited ("INML"), the media arm of Yattendon Investment Trust with interests in local media including newspaper publishing and television.

Under the agreement, the joint controlled entity ("2i Local") offers SMEs the opportunity to purchase a combined internet and print advertising package. This gives businesses guaranteed exposure to their target market through online local search and local newspaper coverage. Infoserve Limited and INML each own 50% of the issued share capital of 2i Local Limited.

Infoserve's share of the losses incurred up to 30 September 2010 of £117,000 are on plan. Nevertheless, the original loan to 2i Local Limited of £160,000 has been written down by a corresponding amount leaving the carrying value of the loan in the statement of financial position of £43,000.

A copy of this announcement is available from the Company's website, www.infoservegroup.com