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**If you have sold or otherwise transferred all of your Ordinary Shares please send this document, together with the accompanying Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.**

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**INFOSERVE GROUP PLC  
(Incorporated and registered in England and Wales with Registered No. 05750143)**

**Proposed conversion of debt into equity, proposed new loan facility and approval  
of the waiver of the obligation to make a mandatory offer under Rule 9 of the  
City Code on Takeovers and Mergers  
and  
Notice of General Meeting**

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WH Ireland is authorised and regulated in the United Kingdom by the Financial Services Authority and is a member of the London Stock Exchange. It is acting as nominated and financial adviser to the Company in connection with the matters described in this document. Persons receiving this document should note that WH Ireland will not be responsible to anyone other than the Company for providing the protections afforded to clients of WH Ireland or for advising any other person on the arrangements described in this document. WH Ireland has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by WH Ireland for the accuracy of any information or opinions contained in this document or for the omission of any information.

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**A Notice convening a General Meeting of Infoserve Group plc to be held at the The Café Bar, Multiflight Training Centre, South Side Aviation, Leeds Bradford International Airport, Leeds LS19 7UG at 9.00 a.m. on 18 February 2010 is set out at the end of this document. A Form of Proxy for use at the meeting is enclosed and should be completed, signed and returned to the Company at its registered office, South Side Aviation, Leeds Bradford International Airport, Leeds LS19 7UG by post or by hand as soon as possible and, in any event, by no later than 9.00 a.m. on 16 February 2010, being 48 hours before the time appointed for the holding of the General Meeting. Completion of Forms of Proxy will not preclude Shareholders from attending and voting at the General Meeting should they so wish.**

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

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Date of publication of this document	29 January 2010
Last time and date for receipt of Forms of Proxy	9.00 a.m. on 16 February 2010
General Meeting	9.00 a.m. on 18 February 2010
Expected date of admission of the Debt Conversion shares to trading on AIM	19 February 2010

## KEY STATISTICS

Number of Existing Ordinary Shares <sup>(1)</sup>	19,073,441
Number of new Ordinary Shares to be issued pursuant to the Debt Conversion	40,000,000
Total number of Ordinary Shares in issue following the Debt Conversion and assuming no other share issues by the Company <sup>(1)</sup>	59,073,441
Percentage of the enlarged share capital represented by the Debt Conversion Shares <sup>(1)</sup>	67.7

<sup>(1)</sup> Based on the register of members of the Company as at 28 January 2010.

## DEFINITIONS

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

“2004 Loan”	the loan facility made available to the Group by David Hood pursuant to the Existing Loan Agreement, further details of which are set out in paragraph 5.1 of Part III of this document;
“2006 Act”	the Companies Act 2006;
“2008 Loan”	the further loan facility made available to the Group by David Hood on 20 October 2008 pursuant to the Existing Loan Agreement (as amended), further details of which are set out in paragraph 5.1 of Part III of this document;
“Act”	the Companies Act 1985 (as amended);
“AIM”	a market operated by the London Stock Exchange;
“AIM Rules”	the AIM Rules for Companies governing the admission to and operation of AIM published by the London Stock Exchange from time to time;
“Board” or “Directors”	the directors of the Company, whose names are set out on page 6 of this document or any duly authorised committee thereof;
"Code"	the City Code on Takeovers and Mergers;
“Company” or “Infoserve”	Infoserve Group plc;
“Debt Conversion”	the proposed repayment of £2,000,000 of the Existing David Hood Loans and the application of this amount in the subscription of the Debt Conversion Shares;
“Debt Conversion Agreement”	the conditional agreement entered into on 28 January 2010 between David Hood, the Company and the Subsidiary relating to the Debt Conversion;
“Debt Conversion Shares”	40,000,000 Ordinary Shares proposed to be issued pursuant to the Debt Conversion;
“EMI Options”	the enterprise management incentive options to subscribe for Ordinary Shares granted or to be granted by the Company to certain directors and employees and former directors and employees of the Company and the Group;
“Existing David Hood Loans”	the 2004 Loan and the 2008 Loan;
“Existing Loan Agreement”	the agreement entered into on 19 November 2004 between David Hood, the Subsidiary and the Company (as subsequently amended on 25 April 2006, 2 June 2006 and 20 October 2008) relating to the provision of the Existing David Hood Loans;
"Existing Ordinary Shares"	19,073,441 Ordinary Shares in issue at the date of this document;
"Form of Proxy"	the form of proxy for use by Shareholders in connection with the GM, which is enclosed with this document;
"General Meeting" or "GM"	the general meeting of the Company to be held at The Café Bar, Multiflight Training Centre, South Side Aviation, Leeds Bradford International Airport, Leeds, LS19 7UG at 9.00 a.m. on 18 February 2010 (or any adjournment thereof), notice of which is set out at the end of this document;
“Group”	the Company, its subsidiaries and subsidiary undertakings;
“Independent Directors”	the Directors other than David Hood;
“Independent Shareholders”	the Shareholders other than David Hood;
“LSE”	London Stock Exchange plc;
“New David Hood Loan”	the loan facility of up to £800,000 proposed to be provided to the Group by

	David Hood conditionally upon the Debt Conversion Agreement becoming unconditional and the completion of the Debt Conversion taking place, further details of which are set out in paragraph 5.4 of Part III of this document;
“New Loan Agreement”	the conditional agreement entered into on 28 January 2010 between David Hood, the Subsidiary and the Company relating to the provision of the New David Hood Loan, further details of which are set out in paragraph 5.4 of Part III of this document;
“Ordinary Shares”	ordinary shares of 5 pence each in the capital of the Company;
"Panel"	the Panel on Takeovers and Mergers;
"Proposals"	the proposals set out in this document, comprising the Debt Conversion and the New David Hood Loan;
"Resolution"	the resolution to be put to Shareholders at the General Meeting as set out in the notice of General Meeting which is at the end of this document;
“Share Options”	the EMI Options and the Unapproved Share Options;
“Shareholders”	holders of Ordinary Shares;
“Subsidiary”	Infoserve Limited, a wholly owned subsidiary of the Company which is incorporated and registered in England and Wales with number 3867903;
“Unapproved Share Options”	the unapproved options to subscribe for Ordinary Shares granted by the Company to certain directors and employees and former directors and employees of the Company and the Group;
“WH Ireland”	WH Ireland Limited.

PART I

LETTER FROM THE CHAIRMAN OF INFOSERVE GROUP PLC

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## Infoserve Group plc

(Incorporated and registered in England and Wales with Registered No. 05750143)

*Directors*

James Newman, Non-executive Chairman  
Steve Barnes, Chief Executive Officer  
Derek Oliver, Operations Director  
Mark Riley, Sales Director  
Jonathan Simpson, Finance Director  
David Hood, Senior Non-executive Director  
Andrew Thirkill, Non-executive Director

*Registered Office*

South Side Aviation  
Leeds Bradford International Airport  
Leeds  
LS19 7UG

29 January 2010

*To Shareholders and, for information only, holders of Share Options*

Dear Shareholder,

**Proposed conversion of debt into equity, proposed new loan facility and approval of the waiver of the obligation to make a mandatory offer under Rule 9 of the Code and  
Notice of General Meeting**

### INTRODUCTION

On 29 January 2010, the Company announced that it had entered into conditional agreements with David Hood, the Company's senior non-executive director and major shareholder, relating to the Debt Conversion and the provision by David Hood of a further loan facility of up to £800,000 to the Group.

The issue of the Debt Conversion Shares will result in David Hood increasing his shareholding in the Company from 46.86 per cent. to 82.84 per cent. of the enlarged issued share capital which, as Infoserve is a company which is subject to the Code, would ordinarily result in David Hood having to make an offer pursuant to Rule 9 of the Code to acquire all of the Ordinary Shares not already owned by him. However, as described in further detail below, the Panel has granted a waiver of this obligation, subject to the approval of Independent Shareholders.

The purpose of this document is to provide you with information on the background to and the reasons for the Proposals, to explain why the Independent Directors consider the Proposals to be in the best interests of the Company and the Independent Shareholders and to seek the approval of the Independent Shareholders for the waiver granted by the Panel in respect of such share issue.

### INFORMATION ON THE COMPANY

Infoserve is an e-marketing company specialising in local search. The Company helps businesses, particularly small and medium-sized enterprises, to increase their profile through online marketing. It does this through its own network of over 100 single industry vertical directories and its City Visitor online directory and by selling local advertising on Yahoo!Local and on Google.

## **BACKGROUND TO AND REASONS FOR THE PROPOSALS**

On the admission of its Ordinary Shares to trading on AIM in June 2006, the Company raised approximately £1.6 million (after expenses) by way of a placing of Ordinary Shares. In June 2007, Infoserve raised a further £1.88 million (after expenses) by way of a placing to finance the recruitment and training of additional sales staff to manage a new contract with Yahoo!

Notwithstanding this additional funding, and despite an improvement in trading results following a strategic cost review in October 2007 which resulted in a substantial amount of overhead expenditure being taken out of the business, the Group has continued to experience significant annual cash outflows, principally attributable to trading losses and the cost of expanding the sales team and developing new products. The Group has introduced a number of measures to preserve cash, including pay cuts, restrictions on capital expenditure and the further reduction of overheads, as well as agreeing deferred payment schedules with certain creditors.

In the announcement of the Company's results for the year ended 31 March 2009, released on 13 July 2009, the Board commented that, despite an improved trading performance, the Group remained under-capitalised and was unlikely to be able to continue to grow at its current rate without additional funding. The Board also announced that it was considering a number of potential financial options, including the possibility of raising new capital from existing shareholders, and had also commenced discussions with David Hood about the raising of further funds. It was further stated that any additional funding would potentially involve the conversion of existing debt into equity. The Group has since announced that it had been unable to raise further funds from existing shareholders (other than David Hood) and that it was accordingly continuing its discussions with David Hood.

The Proposals set out in this circular represent the terms on which David Hood is prepared to provide further funding to the Group. In the opinion of the Independent Directors, these Proposals represent the only source of finance available to the Company on acceptable terms.

**Should Shareholders not approve the Resolution to be proposed at the General Meeting, the Independent Directors believe that the additional funding measures which David Hood has agreed to make available to the Group may not be made available and that, as a result, the Company would not have sufficient working capital for its present requirements and may be unable to continue to trade as a going concern. In this event, the Directors may have to consider placing the Company into administration.**

## **DETAILS OF THE DEBT CONVERSION AND THE NEW DAVID HOOD LOAN**

On 28 January 2010, David Hood entered into an agreement with the Company and the Subsidiary pursuant to which, conditionally upon the passing of the Resolution and the admission of the Debt Conversion Shares to trading on AIM, the Subsidiary has agreed to repay £2 million of the Existing David Hood Loans and David Hood has directed the Company to apply the amount so repaid in the subscription of the Debt Conversion Shares at a subscription price of 5p per Ordinary Share. Immediately following the Debt Conversion, and assuming that the date of completion of the Debt Conversion is 19 February 2010, the amount outstanding under the Existing David Hood Loans would be £1,548,553, including all accrued interest.

If the Debt Conversion takes place, the Company will issue 40,000,000 new Ordinary Shares to David Hood. Immediately following completion of the Debt Conversion and the issue of the Debt Conversion Shares, the aggregate number of Ordinary Shares in issue (being the Debt Conversion Shares and the Existing Ordinary Shares) would be 59,073,441 Ordinary Shares (ignoring for this purpose the Share Options which have been granted but have not been exercised as at the date of this

document). On this basis, David Hood would hold 82.84 per cent. of the Ordinary Share Capital of the Company in issue immediately following the issue of the Debt Conversion Shares.

Under the terms of the Debt Conversion Agreement, David Hood has agreed not to transfer, sell, charge or otherwise dispose of the Debt Conversion Shares for a period of 12 months from the date of the agreement without the Company's prior written consent. The restriction on David Hood is subject to certain standard exceptions, for example, the acceptance of an offer for the Company made by any person other than David Hood or a person acting in concert with David Hood. Further details of the Debt Conversion Agreement are set out in paragraph 5.3 of Part III of this document.

On 28 January 2010, David Hood also entered into the New Loan Agreement relating to the provision of the New David Hood Loan. The New Loan Agreement and the availability of the New David Hood Loan are conditional upon the Debt Conversion Agreement becoming unconditional and completion of the Debt Conversion taking place. The New David Hood Loan is repayable in equal monthly instalments of £12,500 commencing on 31 January 2012. Interest shall accrue at a rate of 10 per cent. per annum. David Hood has indicated that he would wish that the Company provide some form of security in respect of the New David Hood Loan. The Company intends to discuss any such proposal with David Hood following completion of the Debt Conversion taking place.

Further details of the New David Hood Loan and the New Loan Agreement are set out in paragraph 5.4 of Part III of this document.

David Hood has also agreed to the deferral and waiver of certain sums owing to him or companies connected with him, further details of which are set out in paragraph 5.2 of Part III of this document.

Application will be made for the Debt Conversion Shares to be admitted to trading on AIM. It is expected that such admission will take place and dealings will commence on 19 February 2010.

## **RELATED PARTY TRANSACTIONS**

In view of the size of his shareholding, David Hood is deemed to be a substantial shareholder and, accordingly, the Debt Conversion and the New David Hood Loan are deemed to be related party transactions for the purposes of the AIM Rules. The Independent Directors consider, having consulted with WH Ireland, the Company's nominated adviser, that the terms of the Debt Conversion and the New David Hood Loan are fair and reasonable insofar as the Independent Shareholders are concerned.

## **RELATIONSHIP AGREEMENT**

David Hood has entered into a relationship agreement with the Company and WH Ireland (conditional upon the Debt Conversion taking place), further details of which are set out in paragraph 5.5 of Part III of this document.

## **THE CITY CODE ON TAKEOVERS & MERGERS**

The issue by the Company of the Debt Conversion Shares gives rise to certain considerations under the Code. Brief details of the Panel, the Code and the protections they afford to Shareholders are described below.

The Code is issued and administered by the Panel. The Code applies to all takeover and merger transactions, however effected, where the offeror company is, inter alia, a listed or unlisted public company with its place of central management in the United Kingdom. The Company is such a company and Shareholders are entitled to the protections afforded by the Code.



Under Rule 9 of the Code, any person who acquires an interest (as defined in the Code) in shares which, taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares.

Similarly, when any person, together with persons acting in concert with him, is interested in shares which, in aggregate, carry not less than 30 per cent. of the voting rights of a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person, or any person acting in concert with him which increases the percentage of shares carrying voting rights in which he is interested.

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

Upon the issue of the Debt Conversion Shares, David Hood will be interested in 48,937,707 Ordinary Shares representing approximately 82.84 per cent. of the Company's enlarged issued voting share capital.

The Panel has agreed to waive the obligation to make a general offer that would otherwise arise as a result of the issue of the Debt Conversion Shares, subject to the approval of the waiver by Independent Shareholders. Accordingly, the Resolution is being proposed at the General Meeting and will be taken on a poll of Independent Shareholders. David Hood is disenfranchised from voting on the Resolution and has undertaken not to vote on the Resolution.

**Following the issue of the Debt Conversion Shares, David Hood will hold more than 50 per cent. of the Company's issued voting share capital and, accordingly, may further increase his interest in shares without incurring any obligation under Rule 9 to make a general offer.**

## **INFORMATION ON DAVID HOOD**

Technology entrepreneur David Hood is Senior Non-Executive Director of the Company. David founded Pace Micro Technology plc and plotted the company's growth through the 1980s and 1990s until its float in 1996. David also owns and operates Multiflight Limited, an aircraft charter, training and engineering company based at Leeds Bradford International Airport.

## **INTENTION OF THE POTENTIAL CONTROLLING SHAREHOLDER**

It is the intention of David Hood that, following implementation of the Proposals, the business of the Company be continued in substantially the same manner as at present, with no major changes. He has also confirmed that he has no intention to make any material amendment to the existing employment of the Group's employees or directors, to any conditions of employment, including pension rights or to the location of the Company's place of business. David Hood has also confirmed that there is no current intention to re-deploy the Company's fixed assets.

## **GENERAL MEETING**

At the end of this document there is a notice convening a General Meeting to be held at The Café Bar, Multiflight Training Centre, South Side Aviation, Leeds Bradford International Airport, Leeds, LS19 7UG at 9.00 a.m. on 18 February 2010. At the General Meeting, the Resolution will be proposed to approve the waiver granted by the Panel referred to above of the obligation which would otherwise

arise for David Hood to make a general offer to Shareholders under Rule 9 of the Code as a result of the issue of the Debt Conversion Shares.

The Resolution will be proposed as an ordinary resolution of the Company, requiring a majority of the votes cast on such resolution to be in favour. In accordance with the requirements of the Code, the Resolution will be taken on a poll of Independent Shareholders.

#### **ACTION TO BE TAKEN**

A Form of Proxy is enclosed for use by Shareholders at the General Meeting. Whether or not Shareholders intend to be present at the General Meeting, they are requested to complete the Form of Proxy, sign and return it to the Company's registered office at South Side Aviation, Leeds Bradford International Airport, Leeds, LS19 7UG, as soon as possible, but in any event so as to arrive no later than 9.00 a.m. on 16 February 2010. Completion and return of a Form of Proxy will not preclude a Shareholder from attending and voting in person at the General Meeting should they wish to do so. **Accordingly, whether or not Shareholders intend to attend the General Meeting, they are urged to complete and return the Form of Proxy as soon as possible.**

#### **EFFECT OF RESOLUTION NOT BEING APPROVED**

**Should Shareholders not approve the Resolution to be proposed at the General Meeting, the Independent Directors believe that the additional funding measures which David Hood has agreed to make available to the Group may not be made available and that, as a result, the Company would not have sufficient working capital for its present requirements and may be unable to continue to trade as a going concern. In this event, the Directors may have to consider placing the Company into administration.**

#### **RECOMMENDATION**

**The Independent Directors, who have been so advised by WH Ireland, consider that the Proposals and the waiver of the obligation on David Hood to make an offer to acquire the shares in the Company not already owned by David Hood which would otherwise arise under Rule 9 of the Code upon the issue of the Debt Conversion Shares are fair and reasonable and in the best interests of the Company and the Independent Shareholders as a whole. In providing advice to the Independent Directors, WH Ireland has taken into account the Independent Directors' commercial assessments.**

**Accordingly, the Independent Directors recommend that Shareholders vote in favour of the Resolution to be proposed at the General Meeting as those Independent Directors who are Shareholders have irrevocably undertaken to do in respect of their own beneficial holdings, amounting to, in aggregate, 3,611,368 Ordinary Shares representing approximately 18.93 per cent. of the Company's current issued voting share capital.**

Yours sincerely

James Newman  
Non-executive Chairman

**PART II**  
**Financial Information on Infoserve Group plc**

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**Incorporation of relevant information by reference:**

The information listed below relating to the Company is hereby incorporated by reference into this document.

<b>City Code Rule</b>	<b>Information</b>	<b>Source of Information</b>
24.2(a)(i)	Turnover, net profit or loss before and after taxation, the charge for tax, extraordinary items, minority interests, the amount absorbed by dividends and earnings and dividends per share for Infoserve for the three years ended 31 March 2009.	<p>(i) Infoserve's Annual Report &amp; Accounts for the year ended 31 March 2009, Consolidated Income Statement on page 20.</p> <p>If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document. If you are reading this document in soft copy, please click on the web address below to be brought to the relevant document:</p> <p><a href="http://www.infoservegroup.com/investor_relations/pdfs/annual_report_june_2009.pdf">http://www.infoservegroup.com/investor_relations/pdfs/annual_report_june_2009.pdf</a></p> <p>(ii) Infoserve's Annual Report &amp; Accounts for the year ended 31 March 2008, Consolidated Income Statement on page 19.</p> <p>If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document. If you are reading this document in soft copy, please click on the web address below to be brought to the relevant document:</p> <p><a href="http://www.infoservegroup.com/investor_relations/pdfs/annual_report_june_2008.pdf">http://www.infoservegroup.com/investor_relations/pdfs/annual_report_june_2008.pdf</a></p> <p>(iii) Infoserve's Annual Report &amp; Accounts for the year ended 31 March 2007, Consolidated Profit and Loss Account on page 14.</p> <p>If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document. If you are reading this document in soft copy, please click on the web address below to be brought to the relevant document:</p> <p><a href="http://www.infoservegroup.com/investor_relations/pdfs/annual_report_online_version.pdf">http://www.infoservegroup.com/investor_relations/pdfs/annual_report_online_version.pdf</a></p>
24.2(a)(v)	Details relating to the items referred to above in respect of the interim statement for	Infoserve's interim results announcement for the six months ended 30 September 2009, Consolidated Income Statement on page 9.

Infoserve for the six months ended 30 September 2009.

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[http://www.infoservegroup.com/investor\\_relations/pdfs/interim\\_report\\_sept\\_2009.pdf](http://www.infoservegroup.com/investor_relations/pdfs/interim_report_sept_2009.pdf)

24.2(a)(ii) A statement of the assets and liabilities shown in the audited accounts for Infoserve for the year ended 31 March 2009.

Infoserve's Annual Report & Accounts for the year ended 31 March 2009, Balance Sheet on page 21.

If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document. If you are reading this document in soft copy, please click on the web address below to be brought to the relevant document.

[http://www.Infoservegroup.com/investor\\_relations/pdfs/annual\\_report\\_june\\_2009.pdf](http://www.Infoservegroup.com/investor_relations/pdfs/annual_report_june_2009.pdf)

24.2(a)(iii) A cash flow statement as provided in the audited accounts for Infoserve for the year ended 31 March 2009.

Infoserve's Annual Report & Accounts for the year ended 31 March 2009, Statement of Cash Flows on page 23.

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[http://www.Infoservegroup.com/investor\\_relations/pdfs/annual\\_report\\_june\\_2009.pdf](http://www.Infoservegroup.com/investor_relations/pdfs/annual_report_june_2009.pdf)

24.2(a)(vii) Significant accounting policies together with any points from the notes to the accounts which are of major relevance to an appreciation of the figures.

(i) Infoserve's Annual Report & Accounts for the year ended 31 March 2009, the Notes to the Accounts on pages 25 to 55.

If you are reading this document in hard copy, please enter the below web address in your web browser to be brought to the relevant document. If you are reading this document in soft copy, please click on the web address below to be brought to the relevant document.

[http://www.Infoservegroup.com/investor\\_relations/pdfs/annual\\_report\\_june\\_2009.pdf](http://www.Infoservegroup.com/investor_relations/pdfs/annual_report_june_2009.pdf)

24.2(a)(viii) Effect of changes in accounting policies on published accounts.

The Company applied generally accepted accounting principles of the United Kingdom ("UK GAAP") as the basis for preparation of its financial statements for the year ended 31 March 2007 and

international financial reporting standards (“IFRS”) as the basis for preparation of its financial statements for the years ended 31 March 2008 and 31 March 2009.

Following the change in the basis of preparation of the Company’s financial statements from UK GAAP to IFRS, the figures which appear in the financial statements for the year ended 31 March 2007 are not directly comparable with those which appear in the financial statements for the year ended 31 March 2008. However, the accounts for the year ended 31 March 2007 have been re-stated in accordance with IFRS within the financial report that was prepared for the year ended 31 March 2008.

In addition, the accounts for the year ended 31 March 2008 included a change of accounting policy in respect of the recognition of revenue from the renewal of online advertising. Previously, the Company had recognised a fixed proportion of its online advertising revenue on both new business and renewals at the point of sale and spread the remainder of the revenue over the term of the agreement. The effect of the change was to spread revenue from the renewal of online advertising revenue evenly over the term of the agreement as this more accurately matched revenue with costs.

A further change in the accounting policy in respect of the recognition of revenue was introduced for the purposes of the interim results for the six months ended 30 September 2009. The effect of this further change is that all online advertising revenue is now spread evenly over the term of the agreement.

The following statement sets out the effect of this latest change in accounting policy in respect of revenue recognition on the reported results for the years ended 31 March 2007, 2008 and 2009:

	Year ended 31 March 2007			Year ended 31 March 2008			Year ended 31 March 2009		
	As reported <sup>1</sup> (£000)	Adjustment <sup>2</sup> (£000)	Re-stated (£000)	As reported (£000)	Adjustment <sup>2</sup> (£000)	Re-stated (£000)	As reported (£000)	Adjustment <sup>2</sup> (£000)	Re-stated (£000)
<i>Income Statement</i>									
Revenue	3,763	(328)	3,435	4,651	487	5,138	5,595	(100)	5,495
Loss before tax	(3,228)	(328)	(3,556)	(2,890)	487	(2,403)	(992)	(100)	(1,092)
Loss after tax	(2,335)	(328)	(2,663)	(2,945)	487	(2,458)	(992)	(100)	(1,092)
Loss per share (p)	(18.65)	(2.62)	(21.27)	(16.22)	2.68	(13.54)	(5.20)	(0.52)	(5.72)
<i>Balance Sheet</i>									
Current liabilities – trade and other payables	(2,301)	(905)	(3,206)	(2,825)	(419)	(3,244)	(3,050)	(518)	(3,568)
Net asset value	(2,660)	(905)	(3,565)	(3,632)	(419)	(4,051)	(4,587)	(518)	(5,105)

<sup>1</sup> As restated under IFRS in the annual accounts of the Company for the year ended 31 March 2008.

<sup>2</sup> Adjustment arising from the change in the accounting policy introduced for the purposes of the interim results for the six months ended 30 September 2009 in respect of the recognition of revenue. The change in accounting policy has no effect on the Group's cash position.

The information set out in this table has been prepared by the Directors on the basis of the information currently available to them. It has not been independently audited.

The results for Infoserve for the years ended 31 March 2009, 31 March 2008 and 31 March 2007 and the six months ended 30 September 2009 are available free of charge from Infoserve's website, **[www.infoservegroup.com](http://www.infoservegroup.com)**.

The annual reports and interim results are available in "read-only" format and can be printed from the Infoserve website. Infoserve will provide within two business days, without charge, to each person to whom a copy of this document has been delivered, upon their written or verbal request, a copy of any documents incorporated by reference in this document. Copies of any documents incorporated by reference in this document will not be provided unless such a request is made. Requests for copies of any such document should be directed to:

The Company Secretary, Infoserve Group plc, South Side Aviation, Leeds Bradford International Airport, Leeds LS19 7UG or by e-mail to [mike.deakin@infoserve.com](mailto:mike.deakin@infoserve.com).

**PART III**  
**Additional Information**

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1. **Responsibility statements**

The Directors whose names are set out on page 6 of this document, accept responsibility for the information contained in this document, save for (i) the recommendation on page 10 of this document, for which the Independent Directors take responsibility and (ii) the information on David Hood for which David Hood takes responsibility. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information. To the best of the knowledge and belief of David Hood (who has taken all reasonable care to ensure that such is the case), the information contained in this document relating to him is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. **Disclosure of interests and dealings in Ordinary Shares**

2.1 **Definitions**

For the purposes of this paragraph 2 of this Part III:

- (a) "**acting in concert**" has the meaning attributed to it in the Code;
- (b) "**arrangement**" includes any indemnity or option arrangements and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or refrain from dealing;
- (c) "**associate**" of any company means:
  - (i) its parent, subsidiaries and fellow subsidiaries, their associated companies and companies of which any such parent, subsidiaries, fellow subsidiaries or associated companies are associated companies (for this purpose, ownership or control of 20 per cent. or more of equity share capital is regarded as the test of "associated company" status) (all of the companies referred to in this paragraph 2.1(c)(i) being, together, "paragraph (i) associates" and each a "paragraph (i) associate");
  - (ii) its connected advisers and persons controlling, controlled by or under the same control as such connected advisers;
  - (iii) its directors and the directors of any paragraph (i) associates (together, in each case, with their close relatives and related trusts and any person acting in concert with them);
  - (iv) its pension funds or the pension funds of any paragraph (i) associates; and
  - (v) any employee benefit trust of that company or of any paragraph (i) associates;
- (d) "**connected adviser**" has the meaning attributed to it under the Code;
- (e) "**control**" means an interest, or interests in shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether such interest or interests give de facto control;
- (f) "**dealing**" or "**dealt**" includes the following:



- (i) the acquisition or disposal of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of voting rights attached to relevant securities, or of general control of relevant securities;
  - (ii) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any relevant securities;
  - (iii) subscribing or agreeing to subscribe for relevant securities;
  - (iv) the exercise or conversion of any relevant securities carrying conversion or subscription rights;
  - (v) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, variation of, a derivative referenced, directly or indirectly, to relevant securities;
  - (vi) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and
  - (vii) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;
- (g) “**derivative**” includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of the underlying security;
- (h) “**disclosure date**” means 28 January 2010, being the latest practicable date prior to the posting of this document;
- (i) “**disclosure period**” means the period commencing on 28 January 2009 (being the date 12 months before the date of this document) and ending on the disclosure date;
- (j) “**exempt principal trader**” or “**exempt fund manager**” has the meaning attributed to it in the Code;
- (k) being “**interested**” in relevant securities includes where a person:
- (i) owns relevant securities;
  - (ii) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to relevant securities or has general control of them;
  - (iii) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire relevant securities or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or
  - (iv) is party to any derivative whose value is determined by reference to its price and which results or may result in his having a long position in them;
- (l) “**paragraph 1 associate**” shall have the meaning set out in paragraph 2.1(c)(i);
- (m) “**relevant securities**” means relevant Infoserve securities;

(n) "**short position**" means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

2.2 The interests of the Directors (and any person in whose interest in shares any such director is taken to be interested pursuant to Part 22 of the Companies Act 2006 and related regulations) (all of which are beneficial unless otherwise stated) in the issued voting share capital of the Company, other than the options which are disclosed under paragraph 2.3 below, as at the disclosure date together with the percentages which such interests represent of the Ordinary Shares in issue are as follows:

<i>Directors</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Shares</i> %
James Newman	81,392	0.43
Steve Barnes	1,709,081	8.96
Derek Oliver	1,823,344	9.56
Mark Riley	NIL	NIL
Jonathan Simpson	NIL	NIL
David Hood	8,937,707	46.86
Andrew Thirkill	67,417	0.35

David Hood also holds 100,000 preference shares in the share capital of the Company (being 100 per cent. of the preference share capital in issue in respect of the Company). These preference shares do not carry voting rights.

2.3 The interests of the Directors (and any person in whose interest in shares any such director is taken to be interested pursuant to Part 22 of the Companies Act 2006 and related regulations) in options over Ordinary Shares as at the disclosure date are as follows:

<i>Name</i>	<i>Number of Ordinary Shares held under option</i>	<i>Type of Option</i>	<i>Date of Grant</i>	<i>Exercise price (p)</i>	<i>Exercise period</i>
<i>Directors</i>					
James Newman	9,000	Unapproved	18 April 2006	25	2009-2016
	150,000	Unapproved	17 March 2009	28.5	2011-2018
Mark Riley	150,000	Approved	7 July 2008	24.5	2011-2018
Andrew Thirkill	3,000	Unapproved	18 April 2006	25	2009-2016
	120,000	Unapproved	17 March 2009	28.5	2011-2018

2.4 During the disclosure period there have been the following dealings in relevant Infoserve securities by David Hood and persons acting in concert with David Hood (and any person in whose interest in shares any such person is taken to be interested pursuant to Part 22 of the Companies Act 2006 and related regulations):

<i>Date</i>	<i>Name</i>	<i>Transaction</i>	<i>No of Ordinary Shares</i>	<i>Price per Ordinary Share</i>
28 July 2009	David Hood	Sold <sup>1</sup>	103,748	Nil
28 July 2009	David Hood	Bought <sup>1</sup>	103,748	22.0p

<sup>1</sup> The Panel has confirmed that these dealings do not represent disqualifying transactions within the meaning of Note 3 to Appendix 1 of the Code.

- 2.5 If the issue of the Debt Conversion Shares takes place then, immediately following the issue of the Debt Conversion Shares, David Hood would be interested in 48,937,707 Ordinary Shares amounting to 82.84 per cent. of the issued Ordinary Shares (assuming that none of the Share Options which have been granted have been exercised.)
- 2.6 WH Ireland Group plc is the beneficial owner of 60,750 Ordinary Shares, representing 0.32 per cent. of the issued share capital of the Company. In addition, 151,550 Ordinary Shares are held by staff and connected persons of WH Ireland and 470,500 Ordinary Shares are held by WH Ireland in its capacity as discretionary fund manager, representing in aggregate 3.26 per cent. of the issued share capital of the Company.
- 2.7 Save as otherwise disclosed in this document:
- (a) Neither David Hood nor any person acting in concert with David Hood had:
    - (i) any interest in or right to subscribe for any relevant Infoserve securities as at the close of business on the disclosure date;
    - (ii) any short position in, was party to any agreement to sell, or subject to any delivery obligation in respect of, or has the right to require another person to purchase or take delivery of relevant Infoserve securities as at the close of business on the disclosure date; or
    - (iii) dealt in relevant Infoserve securities during the disclosure period;
  - (b) none of the Directors (including any person in whose interest in shares any such director is taken to be interested pursuant to Part 22 of the Companies Act 2006 and related regulations) had:
    - (i) any interest in or right to subscribe for any relevant Infoserve securities as at the close of business on the disclosure date; or
    - (ii) any short position in, was party to any agreement to sell, or subject to any delivery obligation in respect of, or has the right to require another person to purchase or take delivery of relevant Infoserve securities as at the close of business on the disclosure date;
  - (c) no paragraph (i) associate of Infoserve had:
    - (i) any interest in or right to subscribe for any relevant Infoserve securities as at the close of business on the disclosure date; or
    - (ii) any short position in, was party to any agreement to sell, or subject to any delivery obligation in respect of, or had the right to require another person to purchase or take delivery of relevant Infoserve securities as at the close of business on the disclosure date;
  - (d) no pension fund of Infoserve or of a paragraph (i) associate of Infoserve had:
    - (i) any interest in or right to subscribe for any relevant Infoserve securities as at the close of business on the disclosure date; or
    - (ii) any short position in, was party to any agreement to sell, or subject to any delivery obligation in respect of, or had the right to require another person to purchase or take delivery of relevant Infoserve securities as at the close of business on the disclosure date;
  - (e) no employee benefit trust of Infoserve or of a paragraph (i) associate of Infoserve had:

- (i) any interest in or right to subscribe for any relevant Infoserve securities as at the close of business on the disclosure date; or
  - (ii) any short position in, was party to any agreement to sell, or subject to any delivery obligation in respect of, or had the right to require another person to purchase or take delivery of relevant Infoserve securities as at the close of business on the disclosure date;
- (f) no connected adviser to Infoserve or to a paragraph (i) associate of Infoserve or to a person acting in concert with Infoserve, nor any person controlling, controlled by or under the same control as any such connected adviser (except for an exempt principal trader or exempt fund manager) had:
- (i) any interest in or right to subscribe for any relevant Infoserve securities as at the close of business on the disclosure date; or
  - (ii) any short position in, was party to any agreement to sell, or subject to any delivery obligation in respect of, or had the right to require another person to purchase or take delivery of relevant Infoserve securities as at the close of business on the disclosure date;
- (g) Infoserve has not redeemed or purchased any relevant Infoserve securities during the disclosure period;
- (h) and, in particular, save as disclosed in paragraph 5 of this Part III, there are no agreements, arrangements or understandings (including any compensation arrangements) that exist between the Company and David Hood or any person acting in concert with him and any of the Directors, recent directors, Shareholders or recent shareholders of Infoserve, or any person interested or recently interested in shares of Infoserve, having connection with or dependent on the Proposals;
- (i) there are no agreements, arrangements or understandings whereby the beneficial ownership of any Ordinary Shares to be acquired by David Hood pursuant to the Debt Conversion will be transferred to any other person;
- (j) neither David Hood nor any person acting in concert with David Hood has borrowed or lent any relevant Infoserve securities;
- (k) neither Infoserve nor any person acting in concert with Infoserve has borrowed or lent any relevant Infoserve securities.

### **3. Service agreements**

- 3.1 James Newman was appointed as non-executive chairman of the Company on 31 March 2006 pursuant to a non-executive letter of appointment. Mr Newman's appointment as a non-executive director was for an initial term of 12 months, continuing thereafter until terminated by either party giving the other not less than one month's written notice. Under the agreement, Mr Newman is entitled to receive a fee of £36,000 per annum for his services as a non-executive director (such rate may be varied by agreement between him and the Company from time to time). With effect from 1 February 2009, Mr. Newman agreed to a temporary 3 per cent. pay cut and is therefore currently entitled to £34,920 per annum as his director's fee. Since September 2007, Mr. Newman has been receiving £1,500 of his fees per month with the balance being deferred. Mr Newman is entitled to reclaim from the Company any expenses reasonably incurred on Company business, and may, if necessary in the furtherance of his duties, take independent professional advice at the Company's expense subject to a maximum cost of £2,000 excluding VAT.
- 3.2 Stephen Barnes was appointed as a director of the Company on 31 March 2006. The Company entered into a service agreement with Mr Barnes on 16 June 2006 pursuant to which Mr Barnes agreed to act as Chief Executive Officer with effect from 23 June 2006. Under the agreement

Mr Barnes is entitled to a salary of £100,000 per annum which is subject to an annual review with provisions for a discretionary increase in his salary. With effect from 1 February 2009, Mr Barnes agreed to a temporary 20 per cent. pay cut and therefore currently receives £80,000 per annum by way of salary. Mr Barnes is entitled to receive bonus payments up to a maximum entitlement of 50 per cent. of his basic salary. The Company will reimburse Mr Barnes all reasonable expenses incurred. Mr Barnes is entitled to a car allowance of £625 per calendar month and is entitled to be reimbursed for business mileage. Either party may terminate the agreement on the giving of not less than 12 months notice to the other. Mr Barnes is entitled to have any pension contributions he makes into the Company's Stakeholder Pension Scheme matched by the Company up to a maximum rate of 15 per cent. of his basic salary. The Company will pay the premium in respect of medical expense insurance for the benefit of Mr Barnes and his wife on such terms as the Company may in its absolute discretion decide from time to time. The Company will also pay the premium in respect of death in service insurance of four times his basic salary. Mr Barnes is entitled to receive his salary for up to 26 weeks in the case of absence due to illness or sickness in any one consecutive period of 12 months, provided he complies with the specific terms in the agreement relating to sickness and injury.

- 3.3 Derek Oliver was appointed as a director of the Company on 31 March 2006. The Company entered into a service agreement with Mr Oliver on 16 June 2006 pursuant to which Mr Oliver agreed to act as Operations Director with effect from 23 June 2006. Under the agreement Mr Oliver is entitled to a salary of £85,000 per annum which is subject to an annual review with provisions for a discretionary increase in his salary. With effect from 1 February 2009, Mr Oliver agreed to a temporary 20 per cent. pay cut and therefore currently receives £68,000 per annum by way of salary. Mr Oliver is entitled to receive bonus payments up to a maximum entitlement of 50 per cent. of his basic salary. The Company will reimburse Mr Oliver all reasonable expenses incurred. Mr Oliver is entitled to a car allowance of £625 per calendar month and is entitled to be reimbursed for business mileage. Either party may terminate the agreement on the giving of not less than 12 months notice to the other. Mr Oliver is entitled to have any pension contributions he makes into the Company's Stakeholder Pension Scheme matched by the Company up to a maximum rate of 15 per cent. of his basic salary. The Company will pay the premium in respect of medical expense insurance for the benefit of Mr Oliver, his wife and any dependants up to the age of 21 on such terms as the Company may in its absolute discretion decide from time to time. The Company will also pay the premium in respect of death in service insurance of four times his basic salary. Mr Oliver is entitled to receive his salary for up to 26 weeks in the case of absence due to illness or sickness in any one consecutive period of 12 months, provided he complies with the specific terms in the agreement relating to sickness and injury.
- 3.4 The Company entered into a service agreement with Jonathan Simpson on 13 October 2009 pursuant to which Jonathan Simpson agreed to act as Finance Director with effect from 14 October 2009 on the terms set out in the agreement. Under the agreement Mr Simpson is entitled to a salary of £82,500 per annum which is subject to an annual review with provisions for a discretionary increase in his salary. With effect from 14 October 2009, Mr Simpson agreed to a temporary 20 per cent. pay cut and therefore currently receives £66,000 per annum by way of salary. Mr Simpson is entitled to receive bonus payments up to a maximum entitlement of 50 per cent. of his basic salary. The Company will reimburse Mr Simpson all reasonable expenses incurred. Mr Simpson is entitled to a car allowance of £625 per calendar month and is entitled to be reimbursed for business mileage. Either party may terminate the agreement on the giving of not less than 12 months notice to the other. Mr Simpson is entitled to have any pension contributions he makes into the Company's Stakeholder Pension Scheme matched by the Company up to a maximum rate of 15 per cent. of his basic salary. The Company will pay the premium in respect of medical expense insurance for the benefit of Mr Simpson, his wife and any dependants up to the age of 21 on such terms as the Company may in its absolute discretion decide from time to time. The Company will also pay the premium in respect of death in service insurance of four times his basic salary. Mr Simpson is entitled to receive his salary for up to 26 weeks in the case of absence due to illness or sickness in any one

consecutive period of 12 months, provided he complies with the specific terms in the agreement relating to sickness and injury.

- 3.5 The Company entered into a service agreement with Mark Riley on 1 April 2008 pursuant to which Mark Riley agreed to act as a General Manager (Sales) with effect from 1 April 2008 on the terms set out in the agreement. Mr Riley was appointed as a director of the Company on 1 July 2008. Under the agreement Mr Riley is entitled to a salary of £82,500 per annum which is subject to an annual review with provisions for a discretionary increase in his salary. With effect from 1 February 2009, Mr Riley agreed to a temporary 20 per cent. pay cut and therefore currently receives £66,000 per annum by way of salary. Mr Riley is entitled to receive bonus payments up to a maximum entitlement of 50 per cent. of his basic salary. The Company will reimburse Mr Riley all reasonable expenses incurred. Mr Riley is entitled to a car allowance of £625 per calendar month and is entitled to be reimbursed for business mileage. Either party may terminate the agreement on the giving of not less than 12 months notice to the other. Mr Riley is entitled to have any pension contributions he makes into the Company's Stakeholder Pension Scheme matched by the Company up to a maximum rate of 15 per cent. of his basic salary. The Company will pay the premium in respect of medical expense insurance for the benefit of Mr Riley, his wife and any dependants up to the age of 21 on such terms as the Company may in its absolute discretion decide from time to time. The Company will also pay the premium in respect of death in service insurance of four times his basic salary. Mr Riley is entitled to receive his salary for up to 26 weeks in the case of absence due to illness or sickness in any one consecutive period of 12 months, provided he complies with the specific terms in the agreement relating to sickness and injury
- 3.6 David Hood was appointed as a director of the Company on 31 March 2006. A letter of appointment was entered into on 12 June 2006 which sets out the terms on which David Hood was appointed as a senior non-executive director of the Company. Mr Hood's appointment was for an initial term of 12 months, continuing thereafter until terminated by either party giving the other not less than one month's written notice. Mr Hood is currently entitled to receive a fee of £24,000 per annum for his services as a non-executive director (such rate may be varied on agreement between him and the Company from time to time), but has been deferring such payment since September 2007 (with the exception of May 2009 when there was no deferral). Mr Hood is entitled to reclaim from the Company any expenses reasonably incurred on Company business and may, if necessary in the furtherance of his duties, take independent professional advice at the Company's expense subject to a maximum cost of £2,000 excluding VAT. Mr. Hood has agreed, conditionally upon the Resolution being approved by the Independent Shareholders at the General Meeting and the Debt Conversion taking place, to irrevocably waive his right to receive those director's fees payable to him for the period from 1 September 2007 to 31 December 2009 which have accrued but which have not been paid to him.
- 3.7 Andrew Thirkill was appointed as a non-executive director of the Company on 19 April 2006. A letter of appointment was entered into which sets out the terms on which Mr Thirkill was appointed. Mr Thirkill's appointment was for an initial term of 12 months, continuing thereafter until terminated by either party giving the other not less than one month's written notice. Under this agreement Mr Thirkill is entitled to receive a fee of £22,000 per annum for his services as a non-executive director (such rate may be varied on agreement between him and the Company from time to time). With effect from 1 February 2009, Mr. Thirkill agreed to a temporary 3 per cent. pay cut and therefore is currently entitled to £21,340 by way of salary. Since September 2007, Mr. Thirkill has been receiving £917 of his salary per month with the balance being deferred (with the exception of May 2009 when there was no deferral). Mr Thirkill is entitled to reclaim from the Company any expenses reasonably incurred on Company business, and may, if necessary in the furtherance of his duties, take independent professional advice at the Company's expense subject to a maximum cost of £2,000 excluding VAT.

- 3.8 Save for the agreements set out above there are no service contracts of any Director with the Company or any of its subsidiaries where such contracts have more than 12 months to run.
- 3.9 Save as disclosed in this paragraph 3, there has been no waiver of emoluments during the financial year immediately preceding the date of this document.
- 3.10 Save as disclosed in this paragraph 3, no contracts of employment of Directors have been entered into or amended within six months prior to the date of this document.

#### **4. Middle market quotations**

The closing middle market quotations for Ordinary Shares, as derived from the AIM Appendix of the London Stock Exchange Daily Official List, on the first dealing day of each of the six months prior to the publication of this document, and on 27 January 2010, being the latest practicable date prior to publication of this document, were:

Date	Price
27 January 2010	8.0p
4 January 2010	7.5p
1 December 2009	7.0p
2 November 2009	8.5p
1 October 2009	7.0p
1 September 2009	8.0p
3 August 2009	6.0p

#### **5. Material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company and its subsidiaries within the period of two years preceding the date of this document and are or may be material:

- 5.1 On 19 November 2004 the Company entered into a loan facility agreement with David Hood and the Subsidiary, pursuant to which David Hood made available a working capital facility to the Subsidiary, being the 2004 Loan. This loan facility agreement was subsequently amended by supplemental amendment agreements dated 25 April 2006 and 2 June 2006. On 20 October 2008, the Company entered into a further supplemental agreement and deed of variation with David Hood and the Subsidiary to further amend the terms of the loan facility agreement. Pursuant to this supplemental agreement, David Hood, the Company and the Subsidiary agreed that, in addition to the outstanding sum (principal and interest) due and owing by the Subsidiary to Mr Hood in respect of the 2004 Loan, which, as at 30 September 2008 was £3,146,843.33, Mr Hood would make available to the Subsidiary a further term facility in an amount of £250,000, being the 2008 Loan, on the terms of the original loan facility agreement, as amended by this supplemental agreement. The 2008 Loan was agreed to be repaid in 24 equal monthly instalments commencing on 21 October 2009. Interest was agreed to be payable at a rate of 5 per cent. over Barclays Bank plc base rate (from time to time) per annum; the repayment of such to be agreed between the parties. The repayment of the 2004 Loan remained unchanged; equal monthly instalments were payable by the Company so that the principal balance of such would be repaid in full by 19 November 2009. Notwithstanding the terms of the Existing Loan Agreement, the Company has not repaid the 2004 Loan or the 2008 Loan in accordance with the Existing Loan Agreement.
- 5.2 An agreement entered into on 28 January 2010 pursuant to which David Hood, the Subsidiary and the Company agreed: (a) the principal terms of the Debt Conversion (the detailed terms of which are set out in the Debt Conversion Agreement summarised at paragraph 5.3 below); (b) to further amend the Existing Loan Agreement; (c) the principal terms of the New Loan Agreement (the detailed terms of which are set out in the loan facility agreement summarised at

paragraph 5.4 below) and (d) the deferral and waiver of certain sums owing to David Hood or companies connected with David Hood. The terms of the Debt Conversion were as follows: subject to the Resolution being passed and admission of the Debt Conversion Shares to trading on AIM, the Subsidiary would repay £2,000,000 owing to David Hood pursuant to the Existing David Hood Loans; the first £250,000 to be taken to repay in full the principal balance outstanding in respect of the 2008 Loan, with the balance of £1,750,000, to be settlement in part of the outstanding principal amounts owed in respect of the 2004 Loan. The Existing Loan Agreement was amended as follows: further repayments of the principal amounts owing in respect of the 2004 Loan (and outstanding interest in respect of both the 2004 and 2008 Loan) are to be immediately suspended until 31 December 2010. Thereafter, monthly repayments of £12,500 are to commence on 31 January 2011 until the balance of the 2004 Loan and all outstanding interest on both the 2004 and 2008 Loan is repaid in full. David Hood has also agreed to waive his accrued but unpaid director's fees as referred to in paragraph 3.6 above. Further, the landlords of each of the properties occupied by the Company, being Amerdale LLP and Multiflight Limited (both companies connected with David Hood), have each agreed to defer the repayment of outstanding rent owed by the Company to each of them respectively until such time as the Board resolves that current and future cashflows permit the payment of the same. Repayment of the outstanding monies, once the Board has so resolved, to be as follows: Months 1 to 3: £5,000, Months 4 to 9: £7,500 and thereafter monthly repayments of £10,000 until the balance is repaid in full. In the event that the Company sublets any part of either of the properties let by the respective companies, the Company shall pay to the relevant company a sum no less than that which it receives from any such sub tenant.

- 5.3 The Company has on 28 January 2010 entered into the Debt Conversion Agreement with David Hood and the Subsidiary pursuant to which it was agreed that the Subsidiary would repay £2,000,000 of the outstanding balance owed to David Hood under the Existing Loan Agreement (referred to at paragraph 5.1 above), and that such repayment monies be applied in the subscription by David Hood of the Debt Conversion Shares at a price of 5p per share and an aggregate subscription price of £2,000,000. Completion of the subscription is conditional on the passing of the Resolution and the admission of the Debt Conversion Shares to trading on AIM on or before 5.00pm on 26 February 2010 (or such later time and/or date as the Company and David Hood may agree in writing). Under the terms of the Debt Conversion Agreement, David Hood has agreed not to transfer, sell, charge or otherwise dispose of the Debt Conversion Shares for a period of 12 months from the date of the agreement without the Company's prior written consent except in the following circumstances: (i) the acceptance of a general offer (or the giving of an irrevocable undertaking to accept such an offer) made to the shareholders by any person other than David Hood or by a person acting in concert with David Hood, (ii) pursuant to any compromise or arrangement under section 895 of the Companies Act 2006 or (iii) pursuant to any scheme or reconstruction under section 110 of the Insolvency Act 1986.
- 5.4 The New Loan Facility Agreement was entered into on 28 January 2010 between David Hood and the Company pursuant to which David Hood has agreed to provide the New David Hood Loan, being an initial facility of £550,000, together with a further facility of £250,000 which is to be made available in the event that National Westminster Bank plc withdraw the Company's existing overdraft facility of £250,000. Such facility or facilities, as the case may be, are to be repaid in equal monthly instalments of £12,500 commencing on 31 January 2012 until the principal balance is repaid in full. Interest is to accrue from the commencement date of the agreement at a rate of 10 per cent. per annum. The accrued interest is repayable in monthly instalments of £12,500, the repayment of which shall commence after the final repayment date of the principal amount of the New David Hood Loan. The New Loan Agreement is conditional on the Debt Conversion Agreement becoming unconditional in all respects and the completion of the Debt Conversion.
- 5.5 The Company entered into a relationship agreement with WH Ireland and David Hood on 28 January 2010, pursuant to which, conditional upon the Debt Conversion Agreement becoming



unconditional and not lapsing, David Hood agreed that all transactions and relationships between him and the Company will be conducted on terms which allow the Group to carry on its business independently, and all such transactions and relationships will be at arm's length and on a normal commercial basis. In particular, David Hood agreed to undertake not to vote on any shareholder resolution or Board resolution, where, in either case, (i) a conflict of interest exists or where a potential conflict of interest may arise or (ii) any material contract or material arrangement or any other proposal is considered in which David Hood or any of his associates has an interest.

- 5.6 Save for the documents referred to above, no contracts (not being contracts entered into in the ordinary course of business) have been entered into by Infoserve and its subsidiaries within the period of two years preceding the date of this document which may be material.

## **6. Irrevocable Undertakings**

- 6.1 Irrevocable undertakings to exercise voting rights and to vote in favour of the Resolution have been given by the following Independent Directors in respect of the following holdings of Ordinary Shares:

<i>Name of Director</i>	<i>Number of Ordinary Shares</i>
James Newman	55,267
Steve Barnes	1,665,340
Derek Oliver	1,823,344
Andrew Thirkill	67,417

These undertakings represent 18.93 per cent. of the issued ordinary share capital of the Company as at the disclosure date. The undertakings remain binding until either the issue of the Debt Conversion Shares has completed and such shares are admitted to trading on AIM or the Resolution has failed to be passed at the General Meeting or the issue of the Debt Conversion Agreement otherwise does not become unconditional. Whilst the undertakings are binding, the persons giving the undertakings have agreed not to take any action which may prevent, frustrate or be prejudicial to the passing of the Resolution and the issue of the Debt Conversion Shares.

## **7. Consents**

WH Ireland has given and has not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they appear.

## **8. General**

- 8.1 Save as disclosed in this document, there has been no material change in the financial or trading position of the Company since 31 March 2009, being the date to which the last annual accounts of the Company were prepared.
- 8.2 There are no external financing arrangements being sourced in connection with the Proposals. There are therefore no other arrangements in place nor any required for the payment of interest on, repayment of or security for any liability (contingent or otherwise) which will depend to any significant extent on the business of the Company.
- 8.3 David Hood's address is Throstles Nest, Conistone-with-Kilnsey, Skipton, North Yorkshire, BD23 5HT.

## **9. Documents available for inspection**

Copies of the following documents will be made available for inspection at Cobbett's LLP, 70 Gray's Inn Road, London, WC1X 8BT, during normal business hours on any weekday (Saturdays and public holidays excepted) until immediately prior to the GM:

- 9.1 The Memorandum and Articles of Association of Infoserve;
- 9.2 The published audited report and accounts of Infoserve for the years ended 31 March 2008 and 31 March 2009;
- 9.3 The service contracts summarised in paragraph 3 above;
- 9.4 The material contracts referred to in paragraph 5 above;
- 9.5 The written consent referred to in paragraph 7 above; and
- 9.6 The irrevocable undertakings referred to in paragraph 6 above.

**Dated 29 January 2010**

## NOTICE OF GENERAL MEETING

### INFOSERVE GROUP PLC

*(Registered in England and Wales with No. 05750143)*

## NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Infoserve Group Plc (the "Company") will be held at The Café Bar, Multiflight Training Centre, South Side Aviation, Leeds Bradford International Airport, Leeds LS19 7UG on 18 February 2010 at 9.00 a.m. for the purpose of considering and, if thought fit, passing the following ordinary resolution which will be taken on a poll of Independent Shareholders.

### ORDINARY RESOLUTION ON A POLL

#### **Resolution—Approval of waiver of obligations under Rule 9 of the City Code on Takeovers and Mergers**

THAT the waiver granted by the Panel on Takeovers and Mergers of the obligation that would otherwise arise on David Hood to make a general offer to shareholders of the Company pursuant to Rule 9 of the City Code on Takeovers and Mergers (the "City Code") as a result of the issue of new shares in the Company to David Hood pursuant to the proposals described in the circular of the Company of which this Notice of General Meeting forms a part, is hereby approved.

**Note:** in order to comply with the City Code, the Resolution will be taken on a poll and David Hood, who is disenfranchised from voting, has undertaken not to vote on this Resolution.

By order of the Board

Mike Deakin

**Company Secretary**

29 January 2010

*Registered office:*

South Side Aviation

Leeds Bradford

International Airport

Leeds

LS19 7UG

### NOTES

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this notice.
2. To be valid, the Form of Proxy must be received at the Company's registered office at South Side Aviation, Leeds Bradford International Airport, Leeds LS19 7UG by no later than 9.00 a.m. on 16 February 2010.

3. The return of a completed Form of Proxy will not prevent a shareholder attending the General Meeting and voting in person if he/she wishes to do so.
4. Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only shareholders registered in the register of members of the Company as at 9.00 a.m. on 16 February 2010 shall be entitled to attend and vote at the General Meeting in respect of the number of shares registered in their name at such time. If the General Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned meeting is 6.00pm on the day preceding the date fixed for the adjourned meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the meeting.
5. As at 28 January 2010 (being the last business day prior to publication of this notice), the Company's issued share capital consisted of 19,073,441 Ordinary Shares each carrying one vote. Therefore, the total voting rights in the Company as at 28 January 2010 are 19,073,441.
6. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.