Infoserve Group plc (formerly Cityvisitor Group plc)

Annual report and financial statements

Registered number 05750143

Year ended 31 March 2012

Contents

Officers and Professional Advisers

The Board of Directors:	S M Barnes (Non Executive Chairman) D R Hood (Senior Non Executive Director) A R Thirkill (Non Executive Director) D I J Oliver (Joint Managing Director and Operations Director) J P Simpson (Joint Managing Director and Finance Director) M A Riley (Sales Director)
Company Secretary:	M J Deakin (resigned 31st May 2012) J P Simpson (appointed 31st May 2012)
Registered Office:	Infoserve Group plc (formerly Cityvisitor Group plc) South Side Aviation Leeds Bradford International Airport Leeds LS19 7UG
Bankers:	Barclays Bank plc 2nd Floor 1 Park Row Leeds BX3 2BB
Auditor:	KPMG Audit Plc 1 The Embankment Neville Street Leeds LS1 4DW
Legal Advisers:	Squire, Sanders & Dempsey (UK) LLP 2 Park Lane Leeds LS3 1ES

Directors' Report

The directors present their Annual report and financial statements for the year ended 31 March 2012.

On 3rd October 2011 Cityvisitor Group plc changed its name to Infoserve Group plc.

Activities and review of the business

The Group's principal activity is the provision of e-marketing services, specialising in local search.

Having transitioned the business structure to a more sustainable and profitable footing towards the end of last financial year, we are pleased to report an Operating Profit for the year from continuing operations of £589k, although it should be noted that trading conditions remain challenging.

	2012 Continuing £000	**2012 Exceptional £000**	**2012 Total**	2011 Total £000
Revenue	**4,952**	**-**	**4,952**	5,626
Cost of sales	**(2,798)**	**-**	**(2,798)**	(3,595)
Gross profit	**2,154**	**-**	**2,154**	2,031
Administrative expenses	**(1,565)**	**523**	**(1,042)**	(2,723)
Results from operating activities	**589**	**523**	**1,112**	(692)
Financial income	**-**	**-**	**-**	-
Financial expenses	**(106)**	**-**	**(106)**	(87)
Net finance costs	**(106)**	**-**	**(106)**	(87)
Share of loss of equity accounted investee net of taxation	**-**		**-**	(200)
Profit/(Loss) before tax	**483**	**523**	**1,006**	(979)
Taxation	**-**	**-**	**-**	(838)
Profit/(Loss)/ for the year attributable to owners of the Company	**483**	**523**	**1,006**	(1,817)

Revenue

Revenue was £4.9m, 12% down on 2011. An element of this reduction was due to more challenging trading conditions which included changes by Google to their algorithm. This affected not only the natural rankings of our Cityvisitor directory, but also our AdSense revenue. The balance of the revenue reduction was due to the restructure of the business during the latter part of the 2011 financial year, whereby we have fewer, but higher quality sales people, allowing for a more profitable business model.

Margins

Gross margins increased to 43% from 36% reflecting higher sales per sales person from the streamlined operation.

Directors' Report *(continued)*

Activities and review of the business *(continued)*

Results

The new structure dramatically reduced overheads, and therefore the business has been able to make an operating profit of £589k before exceptional items. Despite the more efficient business model, trading remains challenging with income from Google having reduced by £184k from the prior year as a result of changes to the Google Algorithm. This decline was offset by a £200k rental saving due to our major shareholder's decision to waive rent for our Darlington facility. In addition to this, unpaid rent at the Darlington premises has been written off. The exceptional items relate entirely to the write off of rental creditors and rental provisions from prior years.

Cash flow

Overall cash outflow in the year of £197k included the following non-operational expenditure: loan repayments of £233k, clearance of deferred VAT of £152k, capital expenditure on redevelopment of the company's website of £101k, and redundancy payments of £50k. All of these in conjunction with the rental write back of £523k contribute to a strengthened financial position at the year end, with net liabilities reduced by more than £1m.

Financial key performance indicators (KPIs)

The following KPIs are part of the tools used by management to monitor the business performance:

	2012	2011	
Sales	**£4.9m**	£5.6m	
Gross profit margin	**43.5%**	36.10%	Gross profit/turnover
Continuing operating profit/(loss) margin	**9.75%**	(1.37)%	Operating (loss)/profit/turnover
Creditor days	**53 days**	46 days	Trade creditors/credit purchases
Performance per sales executive	**£72,960**	£61,900	Total telesales revenue/average number of telesales executives

Significant business developments

In April 2011, Google's Panda update (an algorithm change affecting search engine results) affected the natural rankings of the Company's main directory www.city-visitor.com. The short term effect was to increase costs and reduce revenue from Google. Costs and revenues have since stabilised and the current run rate has been taken into account when assessing the Company's going concern position.

In November 2011, the Company launched with a redeveloped version of Cityvisitor - www.cityvisitor.co.uk.

In November 2011, and again in March, April and June 2012, Yahoo! Local experienced technical issues which temporarily affected sales, and although these issues appear to have been resolved, there remains some uncertainty over Yahoo!'s resourcing of the Local platform in the UK.

Deferred tax asset

The Board have decided to continue with the policy of not recognising the deferred tax asset as a result of the rationalisation of the business in 2011, and the uncertainty surrounding the timing of future profits.

Proposed dividend

The directors do not recommend the payment of a dividend *(2011: £nil).*

Directors' Report *(continued)*

Activities and review of the business *(continued)*

Board changes

There were no board changes in the year.

Directors and their interests

Details of the membership of the Board and directors' interests in the Company's ordinary share capital at the year end are disclosed below:

	Beneficial Holdings	
	At 31 March 2012 No.	At 31 March 2011 No.
S M Barnes	**1,665,340**	1,665,340
D R Hood	**48,389,970**	47,437,707
A R Thirkill	**1,647,417**	1,647,417
D I J Oliver	**1,823,344**	1,823,344

	Non-Beneficial Holdings	
	At 31 March 2012 No.	At 31 March 2011 No.
S M Barnes	**43,741**	43,741

Details of the membership of the Board and directors' interests in the Company's preference share capital are disclosed below:

	Beneficial Holdings	
	At 31 March 2012 No.	At 31 March 2011 No.
D R Hood	**100,000**	100,000

There have been no changes in the above interests between 31 March 2012 and the date of this report.

The options granted to directors and outstanding as at 31 March 2012 are shown below:

	Class of share	**Options outstanding at 31 March 2012**	**Options outstanding at 31 March 2011**	**Exercise price (pence)**	**Vesting year**
Directors					
A R Thirkill	Ordinary 5p	3,000	3,000	25.0	2009 – 2016
A R Thirkill	Ordinary 5p	120,000	120,000	28.5	2011 – 2018
M A Riley	Ordinary 5p	150,000	150,000	24.5	2011 – 2018
S M Barnes	Ordinary 5p	1,250,000	1,250,000	5.0	2013 – 2020
D I J Oliver	Ordinary 5p	1,250,000	1,250,000	5.0	2013 – 2020
M A Riley	Ordinary 5p	500,000	500,000	5.0	2013 – 2020
J P Simpson	Ordinary 5p	250,000	250,000	5.0	2013 – 2020
A R Thirkill	Ordinary 5p	1,250,000	1,250,000	5.0	2013 – 2020

Options are exercisable no earlier than three years following the date of grant, and no later than ten years following the date of grant.

Directors' Report *(continued)*

Directors and their interests *(continued)*

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report. The Company provided qualifying third party indemnity provisions to certain directors of associated companies during the financial year and at the date of this report.

Substantial shareholdings

Mr D R Hood owns 81.91% of the ordinary share capital of the Company. Mr D I J Oliver owns 3.09% of the ordinary share capital of the Company. The directors are not aware of any other shareholdings representing 3% or more of the issued share capital of the Company at the date of this report.

Principal risks and uncertainties

The liquidity risk of the Group is managed centrally. Liquidity risk arises from the Group's management of working capital and the finance charges and principal payments on debt financing. It is a risk that the Group will have difficulty in meeting its financial obligations as they fall due. The Group currently has sufficient liquid resources to meet the liquidity requirements of the business and its future plans.

The Group finances its operations through equity and other borrowings. The interest calculated on other borrowings is at base rate plus 2.5%, with the exception of £666,667, which is at 10%. The Group's exposure to interest rate risk arises from fluctuations in base rate. The Group reviews borrowings at Board meetings.

The Group monitors its fixed cost base and utilises the KPIs as illustrated on page 3 to assess its business performance.

Further details are contained in note 23.

The Group's operations expose it to a variety of financial risks that include the effects of changes in seasonal and economic patterns and trends which may affect the markets for the services the Group offers. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group. Other risks include requirements for further funds, management of operational capacity, dependence on senior management and employees, recruitment risk, technology risk and partner and third party risk and are considered below.

Requirements for further funds

There may be a requirement for the Group to raise further funds in the future in order to fully exploit opportunities available.

Management of operational capacity

Following the Group's strategic decision to consolidate the business, there has been a restriction in operational capacity. This will undoubtedly impact on the Group's ability to respond quickly to opportunities in a rapidly evolving market. Such changes may place a significant strain on the Group's management, as well as operational, financial and personnel resources. Therefore, the Group's further prospects will depend on its ability to manage these resources in an efficient manner.

Dependence on senior management and employees

As with any company, the Group's results are dependent upon the performance and continued services of the Group's senior management and other key personnel.

Directors' Report *(continued)*

Principal risks and uncertainties *(continued)*

Recruitment and retention

The Group's business is dependent on achieving sales through telephone sales personnel. Businesses that employ telephone sales personnel can experience a high rate of staff turnover, which can increase the costs of recruitment and training, and divert management resources from other functions in the operation of the Group.

Technology

The Group's business is dependent on various technologies it utilises in the creation and operation of its websites, the search facilities provided to its partners, and the creation and maintenance of its data, as well as in other areas of its operations.

The Group obtains the data for its business directories from third party suppliers, although the Group then maintains and updates this data through its own research and data collection, minimising any risk of data loss.

Partners and third parties

The Group's agreements with its partners are of a fixed term nature and therefore pose a risk should the Group not be able to renew these agreements as they expire. In addition to the Group's contract with Yahoo! it is also reliant on rankings in the search engine Google, although it has managed to mitigate some of this risk through pay per click advertising. Changes by either of these search engines pose a significant risk to the Group.

Employee relations

The Group supports the employment of disabled people wherever possible, both in recruitment and by retention of those who become disabled during their employment.

Appropriate steps are taken to inform and consult employees regarding matters affecting them and the Group.

The Group's policy regarding health and safety is to ensure that, as far as is practical, there is a working environment which will minimise the risk to health and safety of employees and those persons who are authorised to be on its premises.

Policy and practice on payment of creditors

It is the Group's policy to agree and clearly communicate the terms of payment as part of the commercial arrangements negotiated with suppliers, and then to pay according to those terms based upon the timely receipt of an accurate invoice.

At the year end there were 53 days *(2011: 46 days)* purchases in trade payables, calculated in accordance with the requirements set down in the Companies Act 2006. This represents the ratio, expressed in days, between the amounts invoiced to the Group by its suppliers in the year and the amounts due to trade creditors at the year end.

Political and charitable contributions

Neither the Company nor its subsidiary made any political donations or incurred any political expenditure during the year. Charitable donation made was £200 *(2011: £260).*

Directors' Report *(continued)*

Disclosure of information to auditor

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

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the net liabilities and net current liabilities, which the directors believe to be appropriate.

Further details regarding going concern can be found in note 1 on page 18.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG Audit Plc will therefore continue in office.

By order of the Board

J P Simpson
Secretary

Infoserve Group plc
South Side Aviation
Leeds Bradford International Airport
Leeds
LS19 7UG

19 June 2012

Company Registered Number 05750143

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare both the Group and the Parent Company financial statements in accordance with IFRSs as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

KPMG Audit Plc
1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditor's report to the members of Infoserve Group plc (formerly Cityvisitor Group plc)

We have audited the financial statements of Cityvisitor Group plc (formerly Infoserve Group plc) for the year ended 31 March 2012 set out on pages 11 to 46. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2012 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Infoserve Group plc (formerly Cityvisitor Group plc) *(continued)*

Emphasis of matter – going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Group's and the Company's ability to continue as a going concern. This depends, in particular, on the substantial achievement of cash flow forecasts, and the deferral of loan repayments to a shareholder who is also a director. These conditions, along with other matters explained in note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt on the Group's and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the Company were unable to continue as a going concern.

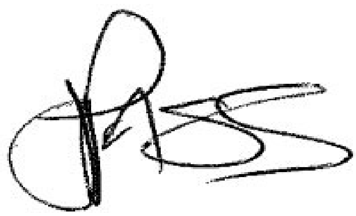
Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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



Johnathan Pass (Senior Statutory Auditor)

For and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
1 The Embankment
Leeds
West Yorkshire
LS1 4DW

19 June 2012

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2012

	Note	**2012 Continuing £000**	**2012 Exceptional £000**	**2012 Total £000**	2011 Total £000
Revenue	*1,2*	**4,952**	**-**	**4952**	5,626
Cost of sales		**(2,798)**	**-**	**(2,798)**	(3,595)
Gross profit		**2,154**	**-**	**2,154**	2,031
Administrative expenses		**(1,565)**	**523**	**(1,042)**	(2,723)
Results from operating activities	*1,3*	**589**	**523**	**1,112**	(692)
Financial expenses	*6*	**(106)**	**-**	**(106)**	(87)
Net finance costs		**(106)**	**-**	**(106)**	(87)
Share of loss of equity accounted investee net of taxation		**-**	**-**	**-**	(200)
Profit/(loss) before tax		**483**	**523**	**1,006**	(979)
Taxation	*7*	**-**	**-**	**-**	(838)
Profit/(loss) for the year attributable to owners of the Company	*20*	**483**	**523**	**1,006**	(1,817)

The Group has no other comprehensive income for the current or prior year.

The notes on pages 17 to 46 form part of these consolidated financial statements.

Statements of Financial Position
At 31 March 2012

	Note	**Group**		**Company**	
		2012	2011	**2012**	2011
		£000	£000	**£000**	£000
Non-current assets					
Property, plant and equipment	*9*	**116**	140	**-**	-
Intangible assets	*10*	**554**	510	**-**	-
Investment in subsidiary	*11*	**-**	-	**-**	-
		670	650	**-**	-
Current assets					
Trade and other receivables	*14*	**207**	323	**614**	1,655
Cash and cash equivalents	*15*	**349**	546	**-**	-
		556	869	**614**	1,655
Total assets		**1,226**	1,519	**614**	1,655
Current liabilities					
Interest-bearing loans and borrowings	*16*	**(204)**	(225)	**-**	-
Trade and other payables	*17*	**(2,387)**	(3,361)	**(80)**	(146)
Provisions	*19*	**-**	(160)	**-**	-
		(2,591)	(3,746)	**(80)**	(146)
Non-current liabilities					
Interest-bearing loans and borrowings	*16*	**(2,196)**	(2,307)	**(100)**	(100)
Trade and other payables	*17*	**(15)**	(17)	**-**	-
Provisions	*19*	**(267)**	(320)	**-**	-
		(2,478)	(2,644)	**(100)**	(100)
Total liabilities		**(5,069)**	(6,390)	**(180)**	(246)
Net (liabilities)/assets		**(3,843)**	(4,871)	**434**	1,409

Statements of Financial Position *(continued)*
At 31 March 2012

	Note	**Group**		**Company**	
		2012	2011	**2012**	2011
		£000	£000	**£000**	£000
Equity attributable to equity holders of the Parent					
Share capital	*20*	**2,954**	2,954	**2,954**	2,954
Share premium	*20*	**3,871**	3,871	**3,871**	3,871
Retained earnings	*20*	**(10,668)**	(11,696)	**(6,391)**	(5,416)
Total equity		**(3,843)**	(4,871)	**434**	1,409

These financial statements were approved by the Board of directors on 19 June 2012 and were signed on its behalf by:

Stephen M Barnes
Non Executive Chairman

Jonathan P Simpson
Joint Managing Director

Company Registered Number 05750143

The notes on pages 17 to 46 form part of these consolidated financial statements.

Statement of Cash Flows
For the year ended 31 March 2012

	Note	**Group**		**Company**	
		2012	2011	**2012**	2011
		£000	£000	**£000**	£000
Cash flows from operating activities					
Profit/(loss) for the year		**1006**	(1,817)	**(997)**	(3,887)
Adjustments for:					
Depreciation		**36**	60	**-**	-
Amortisation		**127**	97	**-**	-
Financial expense		**106**	87	**-**	-
Impairment of investment		**-**	-	**22**	565
Profit on sale of property, plant and equipment		**-**	(19)	**-**	-
Equity-settled share-based payment expenses		**22**	27	**-**	-
Share of loss of equity accounted investee		**-**	200	**-**	-
Taxation		**-**	838	**-**	90
		1,297	(527)	**(975)**	(3,232)
(Increase)/decrease in trade and other receivables		**116**	(96)	**64**	3
Increase/(decrease) in trade and other payables		**(980)**	348	**(66)**	(12)
(Decrease)/increase in provisions		**(213)**	400	**977**	3,241
Change in deferred government grant		**(1)**	(2)	**-**	-
		219	123	**-**	-
Interest paid		**-**	(4)	**-**	-
Net cash from operating activities		**219**	119	**-**	-
Cash flows from investing activities					
Proceeds from the sale of property, plant and equipment		**-**	26	**-**	-
Interest received	*6*	**-**	-	**-**	-
Acquisition of property, plant and equipment	*9*	**(12)**	(30)	**-**	-
Acquisition of other intangible assets	*10*	**(171)**	(122)	**-**	-
Investment in equity accounted investee	*12*	**-**	(160)	**-**	-
Net cash from investing activities		**(183)**	(286)	**-**	-
Cash flows from financing activities					
(Repayment)/advance of loans		**(233)**	600	**-**	-
Net cash from financing activities		**(233)**	600	**-**	-
Net increase/(decrease) in cash and cash equivalents		**(197)**	433	**-**	-
Cash and cash equivalents at 1 April		**546**	113	**-**	-
Cash and cash equivalents at 31 March	*15*	**349**	546	**-**	-

The notes on pages 17 to 46 form part of these consolidated financial statements.

Consolidated and Company Statements of Changes in Equity
For the year ended 31 March 2012

Group

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2010	2,954	3,871	(9,906)	(3,081)
Total comprehensive income for the year:				
Loss for the financial year attributable to equity shareholders of the Parent Company	-	-	(1,817)	(1,817)
Total comprehensive income for the year	-	-	(1,817)	(1,817)
Transactions with owners recorded directly in equity:				
Equity-settled share-based payment transactions	-	-	27	27
Total contributions by and distributions to owners	-	-	27	27
Balance at 31 March 2011	2,954	3,871	(11,696)	(4,871)
Balance at 1 April 2011	2,954	3,871	(11,696)	(4,871)
Total comprehensive income for the year:				
Profit for the financial year attributable to equity shareholders of the Parent Company	-	-	1,006	1,006
Total comprehensive income for the year	-	-	1,006	1,006
Transactions with owners recorded directly in equity:				
Equity-settled share-based payment transactions	-	-	22	22
Total contributions by and distributions to owners	-	-	22	22
Balance at 31 March 2012	**2,954**	**3,871**	**(10,668)**	**(3,843)**

The notes on pages 17 to 46 form part of these consolidated financial statements.

Consolidated and Company Statements of Changes in Equity *(continued)*
For the year ended 31 March 2012

Company

	Share capital £000	**Share premium £000**	**Retained earnings £000**	**Total equity £000**
Balance at 1 April 2010	2,954	3,871	(1,556)	5,269
Total comprehensive income for the year:				
Loss for the financial year attributable to equity shareholders of the Parent Company	-	-	(3,887)	(3,887)
Total comprehensive income for the year	-	-	(3,887)	(3,887)
Transactions with owners recorded directly in equity:				
Equity-settled share-based payment transactions	-	-	27	27
Total contributions by and distributions to owners	-	-	27	27
Balance at 31 March 2011	2,954	3,871	(5,416)	1,409
Balance at 1 April 2011	2,954	3,871	(5,416)	1,409
Total comprehensive income for the year:				
Loss for the financial year attributable to equity shareholders of the Parent Company	-	-	(997)	(997)
Total comprehensive income for the year	-	-	(997)	(997)
Transactions with owners recorded directly in equity:				
Equity-settled share-based payment transactions	-	-	22	22
Total contributions by and distributions to owners	-	-	22	22
Balance at 31 March 2012	**2,954**	**3,871**	**(6,391)**	**434**

The notes on pages 17 to 46 form part of these consolidated financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Infoserve Group plc (the "Company") 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 Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in jointly controlled entities. The Parent Company financial statements present information about the Company as a separate entity and not about its Group.

Both the Parent Company financial statements and the Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the Parent Company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual statement of comprehensive income and related notes that form a part of these approved financial statements.

The Parent Company loss after tax in the year was £997,017 *(2011:* £3,887,293 loss*).*

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.

New IFRS and amendments to IAS and interpretations not applied

There are a number of new and updated standards and interpretations issued by the IASB and IFRIC that are effective for financial statements after this reporting period. The following have yet to be adopted by the Group:

International Financial Reporting Standards		**Effective for accounting periods starting after**
IAS 1	Amendment to Presentation of Other Comprehensive Income	1 January 2012
IAS 12	Amendment to Deferred Tax – Recovery of Underlying Assets	1 January 2012
IFRS 7	Amendment to Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
IFRS 9	Financial instruments	1 January 2013
IFRS 13	Fair Value Movements	1 January 2013
IAS 19	Amendment to Employee Benefits	1 January 2013
IAS 27	Amendment to Separate Financial instruments	1 January 2013
IAS 28	Amendment to Investment in Associates and Joint Venture	1 January 2013
IFRS 32	Amendment to Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 9	Financial Instruments	1 January 2015

The application of these standards and interpretations is not anticipated to have a material effect on the Group's financial statements except for additional disclosure.

Notes *(continued)*

1 Accounting policies *(continued)*

Measurement convention

The financial statements are prepared on the historical cost basis, except for interest-bearing borrowings.

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the net liabilities and net current liabilities, which the directors believe to be appropriate for the following reasons:-

The Group meets its day to day working capital requirements through its current account having fully drawn down on its loan accounts. May 2012 management accounts include a cash balance of £221,467 The Group continues to operate within its available funds.

The Group has also received loans from Mr Hood, a controlling shareholder and director, totalling £2.30 million including accrued interest. Repayments of these loans commenced in July 2011 and repayments in the year totalled £233k. Loan repayments under the original loan agreement should total £25,000 per month from January 2012, however it has been agreed informally that £17,000 per month will be repaid until further notice. The Group has agreed a temporary rent free period with one of its landlords, Amerdale Investments LLP of which Mr Hood is the majority partner, and in addition all historic deferred rentals have been written off.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 2 to 7. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Activities and review of the business on pages 2 to 4. In addition, notes 1 and 23 to the financial statements include the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

As described in the Directors' Report on pages 2 to 7, the current economic environment continues to be challenging. Whilst the Group has reported an operating profit for the year, the directors believe that the general economic conditions create some uncertainties over future trading results and cash flows. The directors have prepared sensitised cash flow forecasts for the period to March 2014. The sensitised forecasts allow for a 10% reduction in sales from budget for twelve months to March 2013 at a similar gross margin with sales reverting to budget from April 2013, committed capital expenditure as it falls due, and the continuation of loan repayments. On the basis of these forecasts the Group is expected to continue to operate within current funding arrangements for at least the next twelve months from the date of these financial statements, although in the sensitised cash flow forecasts, the size of the cash headroom is minimal at certain times without further mitigating actions that the directors believe that they could make.

Whilst the directors remain confident of continuing to operate within the current funding facilities, should trading deteriorate significantly, the Group will find it difficult to secure alternative funding. Accordingly the directors believe that the combination of these circumstances represents a material uncertainty that may cast significant doubt upon the Group's and the Company's ability to continue as a going concern and they may therefore be unable to realise assets and discharge liabilities in the ordinary course of business. Nevertheless, after making full enquiries, and considering all the uncertainties described above, the directors believe that the Group and The Company will be able to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and financial statements. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Notes *(continued)*

1 Accounting policies *(continued)*

Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring the venturers' unanimous consent for strategic financial and operating decisions. The consolidated financial statements include the Group's proportionate share of the entity's assets, liabilities, revenue and expenses with items of a similar nature on a line by line basis, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Functional currency

These consolidated financial statements are presented in sterling, which is the Company's functional currency. All financial information presented in sterling has been rounded to the nearest thousand.

Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are treated as distributions and are recorded directly in equity.

Notes *(continued)*

1 Accounting policies *(continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

• leasehold improvements	• over the life of the lease
• office equipment	• 20% per annum straight line
• computer equipment	• 33.3% per annum straight line

Intangible assets

Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends, has the technical ability and has sufficient resources to complete development and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful life of the intangible asset. Other intangible assets are amortised from the date they are available for use. Intangible assets are systematically tested for impairment at each balance sheet date. The estimated useful lives are as follows:

• core data	indefinite life - continually updated and reviewed annually
• data refreshes	1 year
• data management system	3 years
• website development costs	3 years

The Group's main source of income is via outbound telesales to small and medium sized entities ("SMEs"). As such, owning and updating as complete as possible data set of UK businesses, with associated intelligence on that business, is critical to our performance. Group's data asset is made up of initial purchases (core data) and ongoing refreshing and maintenance of this data (data refreshes).

'Core data' includes the initial external costs including raw data, database structure developments, taxonomy enhancements and keyword associations. The initial expenditure and development of business records, associated database structure, extensive keyword and key phase associations occurred has a net book value of £440k as at 31 March 2012 *(2011: £440k).*

This data is kept up to date monthly. The total costs of the data provider in providing this maintenance is capitalised and fully amortised in the same financial year. This cost is to enable our core data to be kept as up to date as possible.

Data and associated taxonomy is a fundamental ingredient to both the supply and sale of the Group's online business directories. As such the Group expects to use this asset for as long as it continues in its core business. The Group

Notes *(continued)*

1 Accounting policies *(continued))*

owns the asset indefinitely and believes the future costs of maintaining the asset to be sustainable. For these reasons the Group deem its core data asset to have an indefinite useful life, foreseeing no limit to the period over which the benefit from the asset will be received.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in equity securities

Investments in subsidiaries are carried at cost less impairment in the Parent Company financial statements.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Impairment excluding deferred tax assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax

Notes *(continued)*

1 Accounting policies *(continued)*

discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which their expenses are recognised. Grants that compensate the Group for the costs of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

Share-based payment transactions

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the Company grants share-based payment awards over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

Where the Company grants rights to its Parent's equity instruments to the Group's or the Company's employees, the Group or the Company, as the case may be, account for these share-based payments as cash-settled.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes *(continued)*

1 Accounting policies *(continued)*

Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk adjusted, future cash flows at a pre-tax risk-free rate.

Provisions are made for onerous leases where property is vacant. A provision is recognised for the best estimate of the unavoidable lease payments reduced by the estimated sublease rentals that the Company reasonably expects to generate.

Revenue

Revenue represents the amounts derived from the provision of services during the year stated net of Value Added Tax. Revenue is recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related expenditure charged as an operating cost.

Within the ‘suite’ of web based advertising products, the Group offers customers both one off advertising products and longer term advertising, whilst often sold in combination, these products require different accounting treatments.

Revenue includes income related to term advertising that is invoiced in advance at the inception of the agreement. It is the Group’s policy to recognise the revenue evenly over the agreed term. Revenue generated from the construction of websites is recognised once the work has been completed.

Where products are sold in bundles, the revenue is allocated according to the relative internal list price less an even allocation of any discounts given from the list prices.

Segment reporting - An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. All operating segments’ operating results are reviewed regularly by the Chief Operating Decision Maker (“CODM”) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available (see note 2).

Expenses

Operating lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense.

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the statement of comprehensive income (see foreign currency accounting policy). Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date the entity’s right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes *(continued)*

1 Accounting policies *(continued*

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs 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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Whilst some outcomes have been affected by the volatility in the financial markets, all judgements and assumptions in the accounting policies remain consistent with previous years.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Consideration of impairment to the carrying values of assets has been made and we concluded that the individual carrying values reported of intangible and other operating assets are supportable by value in use. The carrying values of intangibles relate mainly to the Group's database and data management systems and as such are core to the Group's operations. The Group has used forecasted earnings streams to justify the carrying values of the assets and the directors have considered reasonable downsized forecasts.

- The impact of the current economic conditions on the assessment of going concern has been considered.

- Note 9 and note 10 – Property, plant and equipment and Intangible assets – Depreciation/amortisation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the accounting policies for property, plant and equipment and intangible assets. The selection of these residual values and estimated lives requires the exercise of judgement. The Group is required to assess whether there is indication of impairment to the carrying value of assets. In making that assessment, judgements are made in estimating value in use. The directors consider that the individual carrying values of assets are supportable by value in use.

- Note 13 - Deferred tax assets – Represents the extent to which future profits are expected to be offset by losses in the foreseeable future. The Group recognises expected liabilities and assets for tax based on an estimation of the likely taxes affect, which requires judgement as to the ultimate tax determination of certain items.

- Note 17 - Deferred income - Relates to sales invoiced for which the revenue has yet to be recognised. These are recognised over the life of the agreement with the customer.

- Note 18 - Measurement of share-based payments - The fair value of employee share options is measured using the Black Scholes model.

- Note 19 - Provisions and contingencies (onerous leases) – The estimate of excess charges due to non-utilisation of property. This provision is an estimate based on the condition of the property and local market conditions. The actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

Notes *(continued)*

1 Accounting policies *(continued)*

Exceptional items

Items which relate to significant exceptional items are presented in a separate column. This helps to provide a better indication of the underlying performance. Exceptional costs are analysed in note 3.

2 Segmental information

The Board is regarded as the CODM and sees the Group as offering a 'suite' of web based advertising products. 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 the Group 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 the Group has one reportable segment. The turnover, operating profit/(loss) and net liabilities of the Group are all attributable to the one class of business.

A geographical analysis of turnover is given below:

	2012	2011
	£000	£000
United Kingdom	**4,926**	5,612
Channel Islands	**13**	14
Europe	**13**	-
	4,952	5,626

3 Expenses and auditor's remuneration

Included in the profit/(loss) for the year are the following:

	2012	2011
	£000	£000
Amortisation of intangible assets	**127**	97
Depreciation of property, plant and equipment – owned assets	**36**	60
Profit on sale of property, plant and equipment	**-**	(19)
Operating lease costs – land and buildings	**33**	318
Release of government grant	**(2)**	(2)

Notes *(continued)*

3 Expenses and auditor's remuneration *(continued)*

Included in the exceptional items for the year are the following:

	2012 £000	2011 £000
Onerous lease provision	**(213)**	400
Accrued rent waived by Landlord	**(310)**	-
Share of loss of equity accounted investee	**-**	200
Redundancy	**-**	215

Auditor's remuneration:

	2012 £000	2011 £000
Audit of these financial statements	**8**	8
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**7**	7
Other services pursuant to such legislation	**3**	2
Other services relating to taxation	**3**	3

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

4 Staff numbers and costs

The average number of persons employed by the Group and Company (including directors) during the year, analysed by category, was as follows:

	Number of employees Group		Number of employees Company	
	2012	2011	**2012**	2011
Management	**7**	7	**7**	7
Telesales and support	**82**	119	**-**	-
Head office	**24**	29	**-**	-
	113	155	**7**	7

The aggregate payroll costs of these persons were as follows:

	Group 2012 £000	2011 £000
Wages and salaries	**2,645**	3,570
Share-based payments (see note 18)	**22**	27
Social security costs	**258**	341
Other pension costs	**7**	97
	2,932	4,035

Notes *(continued)*

5 Directors' remuneration

	2012 **£000**	2011 £000
Directors' emoluments	**273**	353
Company contributions to money purchase pension plans	**1**	92
Share-based payments	**22**	22

	Directors' emoluments		Company contributions to money purchase pension plans		Share-based payments	
	2012 **£000**	2011 £000	**2012** **£000**	2011 £000	**2012** **£000**	2011 £000
Executive Directors						
D I J Oliver	**78**	87	**-**	12	**6**	4
M A Riley	**77**	83	**-**	11	**3**	5
J P Simpson	**77**	84	**-**	11	**1**	1
Non Executive Directors						
D R Hood	**-**	-	**-**	-	**-**	-
A R Thirkill	**13**	21	**-**	-	**6**	8
S M Barnes	**28**	75	**1**	58	**6**	4
	273	353	**1**	92	**22**	22

Acting in his capacity as a non executive director, D R Hood continues to waive his right to receive a non executive director's fee.

Directors' rights to subscribe for shares in the Company and its subsidiaries are indicated below:

	Number of options		
	At start of year	**At end of year**	Exercise price (pence)
Directors			
A R Thirkill	3,000	3,000	25.0
A R Thirkill	120,000	120,000	28.5
M A Riley	150,000	150,000	24.5
S M Barnes	1,250,000	1,250,000	5.0
D I J Oliver	1,250,000	1,250,000	5.0
M A Riley	500,000	500,000	5.0
J P Simpson	250,000	250,000	5.0
A R Thirkill	1,250,000	1,250,000	5.0

For further details of the options, refer to note 18.

	Number of directors	
	2012	2011
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	4

Notes *(continued)*

6 Financial income and expenses

	2012 **£000**	2011 £000
Interest payable on loans and borrowings	**101**	82
Interest on shares classified as a liability	**5**	5
Financial expenses	**106**	87

7 Taxation

Recognised in the statement of comprehensive income

	2012 **£000**	2011 £000
Deferred tax		
De-recognition of deferred tax asset	**-**	(838)
Total tax in statement of comprehensive income	**-**	(838)

Reconciliation of effective tax rate

	2012 **£000**	2011 £000
Profit/(loss) for the year	**1,006**	(1,817)
Total tax expense	**-**	(838)
Profit/(loss) excluding taxation	**1,006**	(979)
Tax using the UK corporation tax rate of 26% *(2011: 28%)*	**262**	(274)
Non deductible expenses	**33**	77
Effect of tax losses not recognised	**(295)**	197
Total tax expense	-	-

No current or deferred tax has been credited or charged direct to equity.

8 Dividends

The directors propose no dividend to be paid for the year *(2011: £nil)*.

Notes *(continued)*

9 Property, plant and equipment – Group

	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
Balance at 1 April 2010	132	605	737
Additions	5	25	30
Disposals	(1)	(24)	(25)
Balance at 31 March 2011	136	606	742
Balance at 1 April 2011	136	606	742
Additions	1	11	12
Disposals	-	(2)	(2)
Balance at 31 March 2012	**137**	**615**	**752**
Depreciation			
Balance at 1 April 2010	34	526	560
Depreciation charge for the year	8	52	60
Disposals	-	(18)	(18)
Balance at 31 March 2011	42	560	602
Balance at 1 April 2011	42	560	602
Depreciation charge for the year	9	27	36
Disposals	-	(2)	(2)
Balance at 31 March 2012	**51**	**585**	**636**
Net book value			
At 1 April 2010	98	79	177
At 31 March 2011 and 1 April 2011	94	46	140
At 31 March 2012	**86**	**30**	**116**

Refer to note 17 for information on grants received to fund a portion of the plant and equipment additions in the current year.

Notes *(continued)*

10 Intangible assets – Group

	Data costs £000	Website development costs £000	Data management system £000	Total £000
Cost				
Balance at 1 April 2010	818	485	85	1,388
Additions	64	49	9	122
Balance at 31 March 2011	882	534	94	1,510
Balance at 1 April 2011	882	534	94	1,510
Additions	70	101	-	171
Balance at 31 March 2012	**952**	**635**	**94**	**1,681**
Amortisation				
Balance at 1 April 2010	378	485	40	903
Amortisation for the year	64	4	29	97
Balance at 31 March 2011	442	489	69	1,000
Balance at 1 April 2011	442	489	69	1,000
Amortisation for the year	70	38	19	127
Balance at 31 March 2012	**512**	**527**	**88**	**1,127**
Net book value				
At 1 April 2010	440	-	45	485
At 31 March 2011 and 1 April 2011	440	45	25	510
At 31 March 2012	**440**	**108**	**6**	**554**

Amortisation charge:

The amortisation charge is recognised in the following line items in the statement of comprehensive income:

	2012 £000	2011 £000
Cost of sales	**127**	97

Notes *(continued)*

10 Intangible assets – Group *(continued)*

Indefinite life intangible assets considered significant in comparison to the Group's total carrying amount of such assets have been allocated to cash generating units or groups of cash generating units as follows:

	2012	2011
	£000	£000
Core data	**440**	440

Impairment testing:

At 31 March 2012, the Group's intangible assets were tested for impairment.

The recoverable amount of the intangible asset is determined from value in use calculations. The key assumptions are those regarding discount and growth rates. Growth rates incorporate anticipated volume and direct cost changes. Management used pre-tax discount factors of 20% over the forecast period. Management have applied such a discount factor to take into account inherent uncertainties involved in a continually changing online market.

When performing the impairment review the growth rates contained in the first year in the management approved forecasts show close to zero growth reflecting the current volatility of the UK market. This analysis took into account external views of the market and the likely time of recovery from the current economic environment.

At the beginning and end of the financial period the value in use of the intangible assets exceeded their book value and therefore no impairment was required.

The recoverable amount of core data has been calculated with reference to its value in use. The key assumptions of this calculation are shown below:

	2012	2011
Period on which management approved forecasts are based	**2 years**	2 years
Growth rate applied beyond approved forecast period	**3%**	3%
Discount rate	**20%**	20%

Notes *(continued)*

11 Investment in subsidiary

The Company has the following investment in a subsidiary company:

	Total £000
Cost	
Balance at 1 April 2010	538
Additions – equity-settled share-based payments	27
Balance at 31 March 2011	565
Balance at 1 April 2011	565
Additions – equity-settled share-based payments	22
Balance at 31 March 2012	**587**
Provisions	
Balance at 1 April 2011	565
Impairment loss	22
Balance at 31 March 2012	**587**
Net book value	
At 1 April 2010	538
At 31 March 2011 and 1 April 2011	-
At 31 March 2012	**-**

Refer to note 10 for details of the assumptions used when assessing the carrying value of the investment.

Company	Principal activity	Country of incorporation	Class of shares held	Ownership 2012	Ownership 2011
Infoserve Limited	The provision of e-marketing services	England and Wales	5p Ordinary and £1 Preference	**100%**	100%
Infoserve.com Limited	Dormant	England and Wales	Ordinary	**100%**	100%
Cityvisitor Group plc	Dormant	England and Wales	Ordinary	**100%**	100%
City-Visitor Limited	Dormant	England and Wales	Ordinary	**100%**	100%
2i Local Media Limited	Dormant	England and Wales	Ordinary	**100%**	100%

Notes *(continued)*

12 Investment in jointly controlled entity

Infoserve Limited continues to hold 50% of the shareholding in the joint venture agreement with Iliffe News and Media Limited ("INML"), the media arm of Yattendon Investment Trust. Under the agreement, the joint venture company ("2iLocal") offered SMEs the opportunity to purchase a combined internet and print advertising package. Infoserve Limited and INML each own 50% with no casting vote of the issued share capital of 2iLocal Limited.

On 31 January 2011, 2iLocal Limited ceased trading. During the year, the Group's share of losses was nil. A full review of the outstanding liabilities of the joint entity has been performed as at 31 March 2012 and the Company is confident that its exposure to 2i Local Limited is limited to the £160,000 loan, a £500 investment and £32,337 of trade debtors. All these assets are fully written down.

This continues to be recorded as a discontinued operation.

13 Deferred tax assets – Group

Unrecognised deferred tax asset

Deferred tax assets have not been recognised in respect of the following items:

	2012 **£000**	2011 £000
Tax losses	2,282	2,577

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted.

Recognition, therefore, involves judgement regarding the future financial performance of the legal entity in which the deferred tax asset has been recognised.

The directors have considered current trading results and reviewed detailed budgets and projections for the next two accounting periods. Their review of this information has been used to assess whether these timing differences will reverse or be utilised with sufficient certainty in the foreseeable future. The decision to continue not recognise a deferred tax asset was reached as the Board do not consider there to be sufficient certainty that these amounts will be used in the next two to three years.

13 Deferred tax assets – Company

Unrecognised deferred tax asset

Deferred tax assets have not been recognised in respect of the following items:

	2012 **£000**	2011 £000
Tax losses	**50**	35

Notes *(continued)*

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted.

Recognition, therefore, involves judgement regarding the future financial performance of the legal entity in which the deferred tax asset has been recognised.

The directors have considered current trading results and reviewed detailed budgets and projections for the next two accounting periods. Their review of this information has been used to assess whether these timing differences will reverse or be utilised with sufficient certainty in the foreseeable future. The decision to continue not recognise a deferred tax asset was reached as the Board do not consider there to be sufficient certainty that these amounts will be used in the next two to three years.

14 Trade and other receivables

	Group		**Company**	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Due from subsidiary undertaking	-	-	**614**	1,655
Trade receivables	**35**	95	-	-
Prepayments and accrued income	**167**	225	-	-
Other receivables	**5**	3	-	-
	207	323	**614**	1,655

At 31 March 2011 trade receivables are shown net of an allowance for doubtful debts of £66,828 *(2011:* £61,954*)* arising from a provision for potential non-payment of debts.

15 Cash and cash equivalents

	Group		**Company**	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Cash and cash equivalents per statement of financial position	**349**	546	-	**-**
Cash and cash equivalents per cash flow statement	**349**	546	**-**	**-**

Notes *(continued)*

16 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings. For more information about the Group and Company's exposure to interest rate risk and market price risk, see note 23.

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Non-current liabilities				
D R Hood loan account	**2,096**	2,207		-
Shares classified as a liability (note 20)	**100**	100	**100**	100
	2,196	2,307	**100**	100
Current liabilities				
Current portion of D R Hood loan account	**204**	225	-	-
	204	225	-	-

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Fair value 2012 £000	Carrying amount 2012 £000	Fair value 2011 £000	Carrying amount 2011 £000
D R Hood loan	£	Linked to base rate + 2.5%	**2024**	**1,487**	**1,487**	1,561	1,561
D R Hood loan	£	Linked to base rate + 5%	**N/A**	**18**	**18**	18	18
D R Hood loan	£	10% per annum	**2014**	**795**	**795**	853	853
Shares classified as a liability	£	5% per annum	**N/A**	**100**	**100**	100	100
				2,400	**2,400**	2,532	2,532

Refer to note 22 for loan repayment details.

Notes *(continued)*

17 Trade and other payables

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Trade payables	**318**	833	-	-
Non-trade payables and accrued expenses	**812**	1,056	**80**	146
Deferred income	**1,255**	1,470	-	-
Deferred government grants	**2**	2	-	-
Current liabilities	**2,387**	3,361	**80**	146
Deferred government grants	**15**	17	-	-
Non-current liabilities	**15**	17	-	-

Included within accrued expenses is £30,000 *(2011: £25,000)* in respect of accrued interest on shares classified as a liability. This amount is payable when the Company has distributable profits.

During 2008, the Group received a government grant of £25,000 for the fit out of the leased property at Pioneer House in Darlington; £1,667 of the grant has been recognised within administrative expenses in the consolidated statement of comprehensive income.

Deferred income relates to sales invoiced for which the revenue has not yet been recognised.

18 Employee benefits

Defined contribution plans

The Group operates a defined contribution pension plan.

The total expense relating to this plan in the current year was £ 6,644 *(2011: £97,145).*

Share-based payments – Group

The Unapproved Share Option Plan and Enterprise Management Schemes were introduced in April 2006. Under these plans the directors can grant options in the Parent Company to employees of the Group. Options are granted with a fixed exercise price. Options may be exercised no earlier than the third anniversary of the date of grant and no later than the tenth anniversary of the date of grant.

Exercise of an option is subject to continuing employment. There are no other vesting conditions attached to the options and no performance criteria have been set.

Notes *(continued)*

18 Employee benefits *(continued)*

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2012 (pence)	**Number of options 2012 (number)**	Weighted average exercise price 2011 (pence)	Number of options 2011 (number)
Outstanding at the beginning of the period	**7.2**	**5,040,900**	27.57	490,900
Forfeited during the period	**28.11**	**(168,600)**	-	-
Granted during the period	**-**	**-**	5.00	4,550,000
Outstanding at the end of the period	**6.47**	**4,872,300**	7.20	5,040,900
Exercisable at the end of the period	**27.28**	**322,300**	28.92	340,900

The options outstanding at the year end have an exercise price in the range of 5p to 38p *(2011: 5p to 38p)* and a weighted average contractual life of 4.5 years *(2011: 5.5 years).*

The fair value of employee share options is measured using the Black Scholes model. Measurement inputs and assumptions are as follows:

Grant date	18 September 2007	18 March 2008
Fair value at measurement date - pence	17.71	14.26
Weighted average share price - pence	38	28.5
Exercise price - pence	38	28.5
Expected volatility (expressed as % used in the modelling under Black Scholes model)	36.70%	41.28%
Option life (expressed as weighted average life in years used in the modelling under Black Scholes model)	6.5	6.5
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	5%	5%

Grant date	7 July 2008	22 June 2010
Fair value at measurement date - pence	12.68	2.87
Weighted average share price - pence	24.5	4.625
Exercise price - pence	24.5	5.0
Expected volatility (expressed as % used in the modelling under Black Scholes model)	43.85%	61.82%
Option life (expressed as weighted average life used in the modelling under Black Scholes model)	6.5	6.5
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	5%	5%

The expected volatility is based on the historic volatility calculated based on the weighted average remaining life of the share options.

Share options are granted under a continued employment service condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants.

Notes *(continued)*

18 Employee benefits *(continued)*

The total expenses recognised for the period arising from share-based payments are as follows:

	2012 **£000**	2011 £000
Equity-settled share-based payment expense	**22**	27

No options were exercised during the year.

19 Provisions

Group	**Onerous lease** **£000**
Balance at 1 April 2010	80
Balance at 31 March 2011	480
Balance at 1 April 2011	480
Charged to the income statement	(213)
Balance at 31 March 2012	**267**
Non – current	267
Current	-
	267

In 2006 the Group entered into a lease for office space, a distinct proportion of the building is vacant and available for sub-let. In May 2011 the company agreed a rental reduction to £200,000 per year. In July 2011 David Hood (in his capacity as landlord) agreed a temporary waiver of this rent charge. As at the year end this waiver remains in place. The annual rental attributed to the unoccupied space has been provided for. The onerous lease provision is the estimated liability based on future plans and current property market conditions. The provision represents two vacant floors and an estimation that it would take three years to sublet this space. Included in this estimation is an expectation that the waiver of rent would continue to at least March 2013.

Notes *(continued)*

20 Capital and reserves

Reconciliation of movement in capital and reserves – Group

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
Balance at 1 April 2010	2,954	3,871	(9,906)	(3,081)
Total recognised income and expense	-	-	(1,817)	(1,817)
Equity-settled share-based payment transactions	-	-	27	27
Balance at 31 March 2011	2,954	3,871	(11,696)	(4,871)
Balance at 1 April 2011	2,954	3,871	(11,696)	(4,871)
Total recognised income and expense	-	-	1,006	1,006
Equity-settled share-based payment transactions	-	-	22	22
Balance at 31 March 2012	**2,954**	**3,871**	**(10,668)**	**(3,843)**

Reconciliation of movement in capital and reserves – Company

	Share capital £000	Share premium £000	Retained earnings £000	Total parent equity £000
Balance at 1 April 2010	2,954	3,871	(1,556)	5,269
Total recognised income and expense	-	-	(3,887)	(3,887)
Equity-settled share-based payment transactions	-	-	27	27
Balance at 31 March 2011	2,954	3,871	(5,416)	1,409
Balance at 1 April 2011	2,954	3,871	(5,416)	1,409
Total recognised income and expense	-	-	(997)	(997)
Equity-settled share-based payment transactions	-	-	22	22
Balance at 31 March 2012	**2,954**	**3,871**	**(6,391)**	**434**

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the Parent Company is not presented as part of these financial statements.

Notes *(continued)*

20 Capital and reserves *(continued)*

The motive and purpose of each reserve within equity is as follows:

Reserve	*Description and purpose*
Retained earnings	Cumulative net gains and losses recognised earnings in the consolidated statement of comprehensive income.
Share premium	Amount subscribed for share capital in excess of nominal value, and deduction of costs of raising equity.

Share capital

	Cumulative preference shares of £1 each		**Ordinary share of 5p each**	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
At 1 April 2011	**100**	100	**2,954**	2,954
At 31 March 2012 – fully paid	**100**	100	**2,954**	2,954

	2012	2011
	£000	£000
Authorised		
100,000,000 Ordinary shares of 5p each	**5,000**	5,000
150,000 Cumulative preference shares of £1 each	**150**	150
	5,150	5,150
Allotted, called up and fully paid		
59,073,441 Ordinary shares of 5p each	**2,954**	2,954
100,000 Cumulative preference shares of £1 each	**100**	100
	3,054	3,054
Shares classified as liabilities	**100**	100
Shares classified in shareholders' funds	**2,954**	2,954
	3,054	3,054

Notes *(continued)*

20 Capital and reserves *(continued)*

The ordinary shares entitle the owner to one vote for every share held. The preference shares carry no voting rights. Neither the ordinary shares nor the preference shares are redeemable.

Interim and final dividends on the ordinary shares may be recommended by the Board at any time. The preference shares attract a fixed cumulative aggregate cash dividend of 5% per annum. This is payable when the Company has distributable reserves. Dividends shall be payable annually and no later than four months after the year end to which it relates.

Upon winding up the Company, the surplus assets of the Company remaining after payment of its liabilities shall be applied as follows:

(i) paying to the holders of the Preference shares an amount equal to the nominal value of such shares, together with a sum equal to all arrears or accrual of dividends;

(ii) the remaining assets shall belong and be distributed to the ordinary shareholders.

21 Operating leases

Non-cancellable operating lease rentals are payable as follows:

Group

	2012	2011
	£000	£000
Less than one year	**29**	270
Between one and five years	**810**	1,024
More than five years	**933**	1,335
	1,772	2,629

The year ending March 2012 benefited from a rent free period in Darlington which is expected to continue until at least 31 March 2013 whereupon it may revert to the currently negotiated level of £200,000 per annum.

During the year £32,906 was recognised as an expense in the statement of comprehensive income in respect of operating leases *(2011: £317,823)*.

22 Related parties

Group

Transactions with key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is disclosed in note 5. 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 the transactions with key management personnel and their related parties were no more favourable than those available, or which might 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 90.68 per cent *(2011: 89.07 per cent)* of the voting shares of the Company.

Notes *(continued)*

22 Related parties *(continued)*

At 31 March 2012, an amount of £ 811,552 *(2011: £911,552)* (being the principal loan A excluding interest) was owed by Infoserve Limited to D R Hood, a director and principal shareholder of Infoserve Group plc. 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 year amounted to £ 26,212 *(2011: £27,347)* and £675,364 remained unpaid at the year end *(2011: £649,152)* and is included within interest-bearing loans and borrowings. The Company commenced repayments of £12,500 per month from July 2011 which will continue until the principal loan and any outstanding interest is repaid.

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 2.5% above Barclays Bank plc base rate. Interest charged on the loan during the year amounted to £nil *(2011: £nil)* and £18,011 interest remained unpaid at the year end *(2011: £18,011)* and is included within interest-bearing loans and borrowings.

At 31 March 2012, an amount of £666,667 *(2011: £800,000)* (being the principal loan C excluding interest) was owed by Infoserve Limited to D R Hood, a director and principal shareholder of Infoserve Group plc. Interest is charged on the loan at a rate of 10%. Interest charged on the loan during the year amounted to £74,964 *(2011: £51,384)* and £128,430 of interest remained unpaid at the year end *(2011: £53,466)* and is included within interest-bearing loans and borrowings. During March 2012, Mr Hood informally agreed to accept loan repayments of £4,500 per month for the financial year ending 31 March 2013 against this loan. Thereafter, the loan will be repaid in equal monthly instalments of £12,500 commencing in April 2013 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 lease expenditure in the year included in administrative expenses from Amerdale Investments LLP amounted to £nil *(2011: £269,033)*. The amount owed by Infoserve Limited at the balance sheet date was £1,201 *(2011: £427,234)* and represents the current month's service charge. In July 2011, Amerdale Investments LLP agreed to write off the outstanding deferred rent up to June 2011 amounting to £427,234. The original lease is for a term of fifteen years at £246,405 per annum, with the first year being rent free. The current rental was reduced to £200,000 per annum in May 2011 and D R Hood has temporarily agreed to a waiver of this rent. This waiver continues to be in place.

During the year, Infoserve Limited made sales of £46,385 *(2011: £33,061)* to, and purchases of £44,685 *(2011: £57,956)* from Multiflight Limited, a company in which D R Hood is a director and principal shareholder. At the balance sheet date Infoserve Limited owed £ 66,512 *(2011: £81,577)* to Multiflight Limited.

During the year, Infoserve Limited made sales of £7,850 *(2011: £nil)* to, and purchases of £5,706 *(2011: nil)* from Freedom Medical Care Limited, a company in which D R Hood and A R Thirkill are directors and shareholders. At the balance sheet date Freedom Medical Care Limited owed Infoserve Limited £5,499 *(2011: £nil)*.

Acting in his capacity as a non-executive director, D R Hood continues to waive his right to receive a non-executive director's fee.

23 Financial instruments

Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Notes *(continued)*

23 Financial instruments *(continued)*

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest-bearing borrowings

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

Financial instruments

The Group is exposed through its operations to one or more of the following financial risks:

- Liquidity risk
- Market price risk
- Interest rate risk
- Credit risk

Policy for managing these risks is set by the Board. The policy for each of the above risks is described in more detail below.

Liquidity risk

The liquidity risk of the Group is managed centrally. Liquidity risk arises from the Group's management of working capital and the finance charges and principal payments on debt financing. It is the risk that the Group will have difficulty in meeting its financial obligations as they fall due. The Group currently has sufficient liquid resources to meet the liquidity requirements of the business and its future plans.

Maturity of financial liabilities

The carrying amounts of financial liabilities (excluding unamortised finance costs), all of which are UK based and exposed to cash flow or fair value interest rate risk, are repayable as follows:

	On demand 2012 £000	**Long term borrowing 2012 £000**	On demand 2011 £000	Long term borrowing 2011 £000
Less than one year	**204**	-	225	-
1 to 2 years	-	**300**	-	300
2 to 5 years	-	**900**	-	900
Over 5 years	-	**996**	-	1,107

The interest on the loans from D R Hood is charged at a rate of 2.5% above Barclays Bank plc base rate on the first £811,552 and at 10.0% on the remaining £666,667. The preference shares of £100,000 attract a fixed cumulative aggregate cash dividend of 5% per annum.

Loan repayments are currently informally agreed at £17,000 per month for the coming financial year. It is anticipated that these may return to the contracted £25,000 per month from April 2013.

Market price risk
Market price risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest

Notes *(continued)*

23 Financial instruments *(continued)*

rates, currency rates or other market factors. The Group's customer base is largely within the UK so changes in exchange rate pose no significant risk.

Interest rate risk

The Group finances its operations through equity and other borrowings. The interest calculated on other borrowings is at base rate plus 2.5% and a fixed rate of 10.0%. The Group's exposure to interest rate risk arises from fluctuations in base rate. The Group reviews borrowings at Board meetings.

The key sensitivity impacting the interest rate risk of the Group is movements in the base rate. It is estimated that a 0.5% movement in this rate would change the interest charge by £4,057 per year.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group's credit risk is primarily derived from its trade receivables. This risk is managed daily by the Group's credit control function who monitor recovery and ensure that outstanding debts are identified when these become overdue and appropriate action is taken to recover the amounts outstanding.

Due to the wide range of customers, the Group has no substantial exposure to any individual third party in respect of trade receivables.

The exposure to credit risk as at 31 March 2012 was as follows:

Group	**2012 £000**	2011 £000
Gross trade receivables	**102**	157
Provision for trade receivables	**(67)**	(62)
Net trade receivables	**35**	95
Cash and cash equivalents	**349**	546

The Board receives management information each month regarding sales and trade receivables and monitors the Group's performance. The following table illustrates the concentrations of credit risk within the Group as at the balance sheet date. All UK based.

	Gross debtors £000	**Provision £000**	**Due in 30 days £000**	**30 –60 days £000**	**Greater than 60 days £000**
31 March 2012	**102**	**(67)**	**19**	**27**	**56**
31 March 2011	157	(62)	49	42	66

All debts not settled by their due date have been provided for in full.

Notes *(continued)*

23 Financial instruments *(continued)*

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Balance at 1 April	**62**	14	-	**-**
Impairment loss recognised	**5**	48	-	**-**
Balance at 31 March	**67**	62	-	**-**

The Group's maximum credit risk is equal to the carrying value for trade receivables and cash and cash equivalents.

The Group's credit quality is considered by the directors to be high due to the volume of upfront payments that are received. Due to the nature of the Group's activities, the credit risk of failure of the largest customer is considered immaterial.

Fair values

The carrying values and fair values of each class of financial asset and liability during the year were:

	Carrying value		Fair value	
Group	**2012**	2011	**2012**	2011
	£000	£000	**£000**	£000
Trade receivables	**35**	95	**35**	95
Other receivables	**5**	3	**5**	3
Cash and cash equivalents	**349**	546	**349**	546
Bank overdraft	-	-	-	-
Trade payables	**(318)**	(833)	**(318)**	(833)
Interest-bearing loans and borrowings	**(2,400)**	(2,532)	**(2,400)**	(2,532)

Capital

The Group considers its capital to comprise its ordinary share capital, preference share capital and share premium account less accumulated retained losses.

It is the Group's policy to maintain its gearing ratios at a level that balances risks and returns and ensures that the Company has sufficient liquidity in the business.

Notes *(continued)*

24 Analysis of net debt

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Amounts falling due within one year:				
D R Hood loan in current liabilities	**204**	225	**-**	-
	204	225	**204**	-
Amounts falling due after more than one year:				
D R Hood loan in non-current liabilities	**2,096**	2,207	**-**	-
Shares classified as a liability	**100**	100	**100**	100
Total loans and other borrowings	**2,400**	2,532	**100**	100
Cash and cash equivalents	**(349)**	(546)	**-**	-
Net debt at the end of the year	**2,051**	1,986	**100**	100

The movement in net debt for the year ended 31 March 2012 arose as follows:

	Group		Company	
	2012	2011	**2012**	2011
	£000	£000	**£000**	£000
Net cash from operating activities	**(219)**	(119)	**-**	**-**
Cash flows from investing activities	**183**	126	**-**	**-**
Interest accrued on D R Hood loans	**101**	79	**-**	**-**
Investment in 2iLocal Limited	**-**	160	**-**	**-**
Movement in net debt in the year	**65**	246	**-**	**-**
Net debt as at 1 April 2010	**1,986**	1,740	**100**	100
Net debt as at 31 March 2011	**2,051**	1,986	**100**	100

25 Capital commitments

The Group had capital commitments at 31 March 2012 of £nil. *(2011: £71,000).*

26 Post balance sheet events

There are no significant post balance sheet events.