Infoserve Group plc
("Infoserve" or "the Group")

Unaudited Condensed Consolidated Financial Statements for the six months ended 30 September 2008

Infoserve Group plc (AIM:INFS), one of the leading online local search specialists in the UK, is pleased to announce its half year results for the six month period to 30 September 2008. Infoserve provides UK businesses, mainly SMEs, with sophisticated online marketing products that deliver, through the Group's partnerships with both Google and Yahoo! and its 9-year knowledge of the market, wide-ranging solutions to enable businesses to be found when consumers are searching for the goods and services they provide in specific locations. It is estimated that 60% of all online searches are local in nature, and Infoserve aims to bring buyers and sellers together online.

OPERATING HIGHLIGHTS

- Strategic cost review successfully implemented with operating capability maintained and expected fixed cost reductions achieved.
- Collaboration with Google continued and sophisticated tools created to build AdWords campaigns for SMEs.
- Yahoo!Local relationship cemented, resulting in continued sales growth and closer technical and development collaboration.
- Range of search engine optimisation products launched to exploit Group proficiency in this important area.
- New bespoke internal customer and data management system implemented to increase targeting and focus in sales campaigns.

FINANCIAL HIGHLIGHTS

- Turnover £2.65 million (restated H1 2007 £2.24 million), up over 18%.
- Cost of sales reduced by £0.49 million through improved productivity from sales executives.
- Gross profit £0.79 million (restated H1 2007 £0.11 million loss), an increase of £0.90 million.
- Loss before tax £0.60 million (restated loss H1 2007 £1.95 million), a reduction of £1.35 million.
- Loss per share 3.14p (restated H1 2007 11.32p).

POST PERIOD HIGHLIGHTS

- Loan facility provided by D R Hood extended by £250,000.
- Record sales in October of £542,000, exceeding previous record (September 2008) by £58,000.
- Announced major recruitment drive looking for up to 70 new sales executives by mid 2009.
- New Yahoo!Local site design launched in October to give better advertiser exposure.

James Newman, Chairman of Infoserve Group plc, commented: "The first half of 2008, whilst operationally challenging, was encouraging as we saw the benefits of our overhead reduction programme and increases in revenues and gross margins combine to produce a dramatic improvement in our financial performance."

Steve Barnes, CEO of Infoserve Group plc, added: "The second half has started well and we remain confident that the second half results will reflect the cementing of our relationship with Yahoo! and the growing success of our Google AdWords Reseller programme. These will make further positive contributions over the coming months. We have seen continued improvements in sales per day and productivity of sales executives, and we have further supplemented this by improvements to our internal operating systems, driven by our newly created bespoke software. Although the overall economic climate is very difficult, we believe that local paid-for search will continue to grow and will fuel the market share increase of online advertising versus traditional media."

For further information, please contact:

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CHAIRMAN'S STATEMENT

I am delighted to report that the Group has made good progress over the last six months and is close to achieving a breakeven trading performance on a monthly basis**.**

Results

Turnover in the period increased to £2.65 million (restated H1 2007 £2.24 million), an increase of over 18% compared with the same period in 2007. This growth has been achieved mainly through the improved efficiencies of the sales team in leveraging our contracts with Google and Yahoo! and the development of other new products.

Productivity per sales person continues to rise and revenues have only been restricted by the difficulties in increasing the telesales headcount as quickly as had been hoped.

As a result of the improved productivity and a revised pricing structure, gross margins have increased and a gross profit of £793,000 has been achieved against a gross loss in the same period last year of £115,000.

Following the strategic review of overhead costs last year, I am delighted to report that administrative expenses in the six months to 30 September 2008 have reduced by £363,000 compared to the same period last year, without any effect on day to day operations or customer service.

The combination of increased sales and lower costs has led to a much reduced operating loss after amortisation of £0.49 million compared to £1.86 million, as restated, last year. After taking into account net interest payable, there was a loss before taxation of £0.6 million (restated H1 2007 £1.95 million).

During the year ended 31 March 2008, the Group reviewed its revenue recognition policy and this resulted in taking a more prudent approach, with revenue on renewal sales being spread more evenly over the life of the paid business listing.

The loss per share was 3.14p compared to 11.32p, as restated, in the first half of 2007.

Cash

As a result of the continuing growth in sales revenues and a reduction in overhead costs, the cash outflow from trading and investing activities has been modest in the last six months at only £0.31 million, significantly lower than the same period last year.

We are fortunate that our major shareholder continues to support the Group by providing a loan facility and guaranteeing the Group's bank overdraft.

Going concern

As announced on 29 October 2008, the Group has recently entered into a further loan facility agreement with D R Hood providing access of up to £250,000. On the basis of this undertaking, the directors have reviewed the cash projections, funding arrangements and the nature and extent of shareholder support for the next twelve months and the foreseeable future, and believe that the Group can operate within these arrangements and facilities. Accordingly they believe the going concern assumption to be an appropriate basis for the preparation of the financial statements.

Dividend

The Board is not recommending a dividend as all funds are required for the development of the business.

External discussions

On 15 August 2008, the Group made an announcement that it was in early discussions which may or may not lead to an offer being made for the Group (the "Discussions"). The Discussions and other subsequent approaches are still preliminary in nature and there can be no certainty that an offer will ultimately be forthcoming or on what terms. A further announcement will be made in due course.

Having regard to these Discussions and the requirements of the Panel on Takeovers and Mergers, the Group has voluntarily chosen to comply with the reporting requirements as set out in IAS 34 *Interim Financial Reporting* and the appropriate sections of the Disclosure and Transparency Rules.

Business developments

The new contract awarded to the Group to be a Google Authorised AdWords Reseller has started well after a period of systems and technical development, which should provide a useful customised product to sell to our core customer base.

The relationship with Yahoo!, both commercial and technical, continues to grow and the development of our own and bought in complementary products, has added significantly to the range of options we are able to offer our customers.

Current trading

Since the half year end, the business has continued to make good progress, with October being a record month for total revenues and productivity. Sales in November, whilst not at this level, have continued well with the business achieving the second highest daily average to date. Recruitment and retention have been much better than in previous periods as the employment market moves in favour of the Group's requirements.

Outlook

The Group continues to increase its revenues every half year, despite the ongoing difficulties of recruiting sufficient quality sales personnel. Margins are increasing and overhead costs are under control, thus reducing the monthly cash outflow.

The strong customer relationships enjoyed by the Group with the two leading search engines and the development of new products puts the Group in a very strong position to take advantage of the continued growth in the paid-for online local search market.

James H Newman
Chairman 12 December 2008

OPERATIONAL REVIEW

Market drivers

Paid-for search continues to dominate online marketing expenditure (57.15% of all online advertising in 2007), with an estimated 60% of all online searches now appearing to be local in nature. Despite the credit crunch, online advertising grew in Q3 2008 by 11.4% year on year, continuing, albeit at a slower rate, the extraordinary transition from outdoor, radio, press, and even television advertising, to online in general and paid-for search in particular. The local element of that search is growing fastest, and this performance, particularly in the context of the decline of traditional paper directories, with the largest UK directory experiencing a 9.4% decline in paper revenues and one of the major local newspaper groups announcing a 17.4% decline in print advertising, illustrates the optimism surrounding the online local search market. As 90% of all household consumer spending on goods and services takes place within 20 miles of where individual consumers live or work, we are perfectly placed to help businesses with a solution.

Trading performance

Against this backdrop, the Group's 18.6% revenue increase, allied to a 20.9% reduction in cost of sales, has helped us achieve a 69.3% improvement in financial performance for the six months ended 30 September 2008.

The Group's closer relationship with Google has enabled us to focus on our Authorised AdWords Reseller status. Much work by the development and technical teams has taken place to build a sophisticated keyword selection tool, which enables even the smallest SME to have their business and the keyword descriptions of their business featured in prominent advertising directly on the Google search engine. We believe that we have built one of the most sophisticated and intelligent AdWords tools, designed to produce advertising campaigns which give value for money to SMEs as well as generating revenues for both Google and ourselves.

We have cemented our relationship with Yahoo! and have seen continued growth in sales of enhanced listings on the Yahoo!Local directory. The relationship now also embraces much closer technical and development collaboration, working closely together to produce regular site improvements from both a design and user experience perspective.

We continue to recruit and build our sales team in Darlington, and our continued focus on improving training and development will ensure that we maximise our return on each sales executive. We aim to grow the sales team in the second half by 30%.

Business developments

During the first half of the year we launched a range of search engine optimisation (SEO) products for the first time. Our proficiency in this area is demonstrated by over seventeen million first page results on the major search engines for our Cityvisitor website alone. We have launched a range of products from an introductory low cost package for even the smallest of businesses, right up to a sophisticated SEO solution for major organisations who are aiming to secure a large range of keywords in prominent positions on the main search engines.

The first half saw us roll out a new version of our bespoke CRM system, which has allowed us to provide much more specific targeting of potential customers to our sales teams in Darlington and Leeds. We are now able to be very focused, right down to individual towns and keywords, in designing and building targeted campaigns to maximise revenues in areas that give both the customers and ourselves the greatest added value. This Oracle-based solution is inherently scalable and will grow as our sales force numbers increase.

We continue to search for new partnerships that can add value to our product portfolio and there are a number of discussions taking place. We anticipate at least one major new relationship being finalised in the second half, which will further bolster our product offering.

FINANCIAL REVIEW

The financial performance of the business reflects the strategic decisions the business took approximately twelve months ago. Our decision to invest in the training and development of our sales force as well as our product portfolio has increased our performance per sales executive from £46,600 to £57,000 on an annualised basis.

This has resulted in an increase in our gross profit by £908,000, with gross margins at almost 30%. The focus on our cost base has led to a reduction in administrative expenses excluding amortisation, by over £360,000, to just under £1.2 million. Consequently, our loss for the six months to 30 September 2008 is £599,000, an improvement of £1.35 million on the same period last year.

Capital expenditure has been reduced substantially with expenditure of £93,000 compared to £332,000 for the six months to September 2007.

As a result of the improved sales performance and the strategic cost review, the cash utilisation has fallen significantly over the last twelve months. The cash outflow for the six months to September 2008 was £0.31 million, compared to a £1.26 million outflow, before taking into account the proceeds from the Group's share issue, for the same period twelve months ago.

The Group continues to carry a deferred tax asset of £0.84 million, the same balance as at 31 March 2008.

STATEMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

Pursuant to the requirements of the Disclosure and Transparency Rules, Infoserve Group plc provides the following information on its principal risks and uncertainties.

The principal risks and uncertainties to which the Group is exposed were detailed in our Annual Report and Financial Statements for the year ended 31 March 2008. The items listed below remain unchanged and where new risks have been identified or existing risks previously disclosed have changed, they are discussed in more detail.

- Market price risk
- Interest rate risk
- Credit risk
- Capital risk
- Maturity of financial liabilities

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.

The major shareholder has provided the Board of directors with a written undertaking not to seek repayments in accordance with the terms and conditions of his loan agreements until such time as the Group is cashflow positive or there is a fundamental change in the share ownership of the Group.

As announced on 29 October 2008, the Group has recently entered into a further loan facility agreement with D R Hood providing access of up to £250,000.

The ability to produce new products that satisfy the target markets

Infoserve operates in an emerging market where new products and services are required. Infoserve is developing these both by itself and in collaboration with its business partners in anticipation of market trends. These products may not entirely meet the market's needs or competitors may develop alternative solutions. We develop new services for customers which may then be subject to consumer uptake by their customers, leading to uncertainty about the level of future revenue growth.

Competitive pressures

Infoserve operates in a market subject to competition. Competitive pressures in certain markets may lead to pricing pressure, and thus lower margins, or to new entrants in such markets. Infoserve seeks to differentiate the product offering but competitive pressure may be evident at the time of sale or renewal.

Factors outside Infoserve's control such as a downturn in the industry or economy

Whilst Infoserve provides a wide range of products to the SME market, a downturn in the demand for local search solutions and general consumer demand could affect the level of future revenues.

The departure of key personnel

Infoserve is a growing business and the Group's results are dependent upon the performance and continued services of the Group's senior management and other key technical or sales personnel.

OUTLOOK

We continue to drive recruitment in our Darlington sales office, and have recently announced that we are looking for 70 additional sales staff. Our radical overhaul of Training and Development will ensure that we maximise and accelerate the overall productivity of these new people, and continue to improve retention of our sales executives.

Development continues on our internal systems, with the clear goal of driving down costs, improving operating efficiencies, and giving better customer service. We expect, by the end of the second half, to have all our sales team equipped to perform the entire sales transaction and effectively create most of the product features online at the time of sale, thereby greatly reducing error rates and cost.

We will increasingly sell across a portfolio of products to offer better value for money. We now offer product solutions right across the online spectrum, including search engine optimisation at varying levels, where we work with customers to have their own websites prominently found when people are searching. Our Google AdWords Authorised Reseller programme ensures that we can achieve a prominent position for any business on Google search pages, whilst our Yahoo!Local exclusive partnership offers the opportunity, not only to have guaranteed positions, but also to highlight and describe the goods and services offered by our customers. We continue to build websites for businesses of all sizes and aim by the end of March 2009 to become the UK's only genuine local full service, one stop online marketing provider.

As we reported in our AGM statement, the Board remains confident that as a result of the cost reductions and product initiatives introduced over the last twelve months, the Group will continue to achieve its objectives in the current financial year.

Infoserve Group plc
Responsibility statement of the directors in respect of the condensed consolidated financial statements

As previously stated, on 15 August 2008 the Group announced it was in early discussions that may or may not lead to an offer being made for Group. Having regard to these discussions and the requirements of the Panel on Takeovers and Mergers, the Group has voluntarily chosen to comply with the reporting requirements as set out in IAS 34 *Interim Financial Reporting* and the appropriate sections of the Disclosure and Transparency Rules.

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

- The interim management report includes a fair review of the information required by:

  a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

Stephen M Barnes	**David C Balbi**
Chief Executive Officer	Finance Director

12 December 2008

Independent review report to Infoserve Group plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2008 which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated statement of cash flows, the condensed consolidated statement of changes in shareholders' equity, and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2008 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the AIM Rules.

KPMG Audit Plc
Chartered Accountants
1 The Embankment
Neville Street
Leeds, LS1 4DW

12 December 2008

Infoserve Group plc
Condensed Consolidated Income Statement (unaudited)

	Note	**Six months to 30 September 2008 (unaudited) £'000**	Six months to 30 September 2007 (unaudited) Restated £'000	Year ended 31 March 2008 £'000
Revenue – continuing operations		**2,651**	2,235	4,651
Cost of sales		**(1,858)**	(2,350)	(4,122)
Gross profit		**793**	(115)	529
Amortisation of intangible assets		**(102)**	(198)	(251)
Administrative expenses		**(1,186)**	(1,549)	(2,975)
Total administrative expenses		**(1,288)**	(1,747)	(3,226)
Operating loss - continuing operations		**(495)**	(1,862)	(2,697)
Financial income		**2**	19	34
Financial expenses		**(106)**	(110)	(227)
Net financing costs		**(104)**	(91)	(193)
Loss before tax		**(599)**	(1,953)	(2,890)
Taxation		**-**	-	(55)
Loss for the period		**(599)**	(1,953)	(2,945)
Basic and diluted loss per share	*6*	**(3.14p)**	(11.32p)	(16.22p)

Loss for the period is attributable to the equity holders of the parent.

Infoserve Group plc
Condensed Consolidated Balance Sheet (unaudited)

	Note	**As at 30 September 2008 (unaudited)**	As at 30 September 2007 (unaudited) Restated	As at 31 March 2008
		£'000	£'000	£'000
Non-current assets				
Property, plant and equipment		**328**	492	397
Intangible assets		**577**	560	594
Deferred tax assets	*5*	**838**	893	838
		1,743	1,945	1,829
Current assets				
Trade and other receivables		**253**	318	282
Cash and cash equivalents		**18**	956	329
		271	1,274	611
Total assets		**2,014**	3,219	2,440
Current liabilities				
Interest-bearing loans and borrowings		**(2,839)**	(1,401)	(2,123)
Trade and other payables		**(2,873)**	(2,851)	(2,825)
Provisions		**(80)**	-	(80)
		(5,792)	(4,252)	(5,028)
Non-current liabilities				
Interest-bearing loans and borrowings		**(408)**	(1,639)	(1,023)
Trade and other payables		**(21)**	(22)	(21)
		(429)	(1,661)	(1,044)
Total liabilities		**(6,221)**	(5,913)	(6,072)
Net liabilities		**(4,207)**	(2,694)	(3,632)
Equity attributable to equity holders of the parent				
Share capital		**954**	954	954
Share premium		**3,871**	3,871	3,871
Retained earnings		**(9,032)**	(7,519)	(8,457)
Total equity		**(4,207)**	(2,694)	(3,632)

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

	Six months to 30 September 2008 (unaudited)	Six months to 30 September 2007 (unaudited) Restated	Year ended 31 March 2008
	£'000	£'000	£'000
Cash flow from operating activities			
Loss for the period	**(599)**	(1,953)	(2,945)
Adjustments for:			
Depreciation	**77**	82	166
Amortisation	**102**	198	251
Financial income	**(2)**	(19)	(34)
Financial expense	**106**	110	227
Loss on sale of property, plant and equipment	**-**	-	11
Equity settled share-based payment expenses	**24**	35	89
Taxation	**-**	-	55
Operating loss before changes in working capital	**(292)**	(1,547)	(2,180)
Decrease in trade and other receivables	**29**	87	123
Increase in trade and other payables	**45**	539	512
Increase in provisions	**-**	-	80
Change in deferred government grant	**(1)**	(1)	(2)
Cash utilised from operating activities	**(219)**	(922)	(1,467)
Interest paid	**(1)**	(1)	(1)
Net cash from operating activities	**(220)**	(923)	(1,468)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**-**	3	5
Interest received	**2**	19	34
Acquisition of property, plant and equipment	**(8)**	(96)	(100)
Acquisition of other intangible assets	**(85)**	(236)	(331)
Net cash from investing activities	**(91)**	(310)	(392)
Cash flows from financing activities			
Proceeds from the issue of share capital (net of costs)	**-**	1,884	1,884
Repayment of borrowings	**-**	(50)	(50)
Proceeds from the receipt of government grants	**-**	25	25
Net cash from financing activities	**-**	1,859	1,859
Net (decrease)/increase in cash and cash equivalents	**(311)**	626	(1)
Cash and cash equivalents at the beginning of the period	**329**	330	330
Cash and cash equivalents at the end of the period	**18**	956	329

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

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2007	731	2,210	(5,601)	(2,660)
Total recognised income and expense (restated)	-	-	(1,953)	(1,953)
Equity-settled share based payment transactions	-	-	35	35
Equity shares issued in the period	223	-	-	223
Premium on shares issued in the period	-	1,778	-	1,778
Costs on issue of shares	-	(117)	-	(117)
Balance at 30 September 2007	954	3,871	(7,519)	(2,694)
Balance at 1 April 2008	**954**	**3,871**	**(8,457)**	**(3,632)**
Total recognised income and expense	**-**	**-**	**(599)**	**(599)**
Equity-settled share based payment transactions	**-**	**-**	**24**	**24**
Balance at 30 September 2008	**954**	**3,871**	**(9,032)**	**(4,207)**
Balance at 1 April 2007	731	2,210	(5,601)	(2,660)
Total recognised income and expense	-	-	(2,945)	(2,945)
Equity-settled share based payment transactions	-	-	89	89
Equity shares issued in the year	223	-	-	223
Premium on shares issued in the year	-	1,778	-	1,778
Costs on issue of shares	-	(117)	-	(117)
Balance at 31 March 2008	954	3,871	(8,457)	(3,632)

Infoserve Group plc
Notes to the Condensed Consolidated Financial Statements (unaudited)

1. Significant accounting policies

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

The condensed consolidated financial statements of the Group for the six months ended 30 September 2008 comprise the financial statements of Infoserve Group plc and its subsidiaries (together referred to as the "Group").

(a) Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with the accounting policies set out in the Annual Report of Infoserve Group plc for the year ended 31 March 2008. The Annual Report and Financial Statements of the Group are prepared in accordance with the IFRSs as adopted by the EU. The prior year comparatives are derived from audited financial information for Infoserve Group plc as set out in the Annual Report and Financial Statements for the year ended 31 March 2008 and the unaudited financial information in the consolidated interim financial statements for the six months ended 30 September 2007. These condensed consolidated financial statements have been prepared under the historical cost convention, except in respect to certain financial instruments. As previously stated, on 15 August 2008 the Group announced it was in early discussions that may or may not lead to an offer being made for Group. Having regard to these discussions and the requirements of the Panel on Takeovers and Mergers, the Group has voluntarily chosen to prepare the condensed set of financial statements in accordance with the reporting requirements as set out in IAS 34 *Interim Financial Reporting* as adopted by the EU and the appropriate sections of the Disclosure and Transparency Rules. The condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated Annual Report and Financial Statements for the year ended 31 March 2008. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated Annual Report and Financial Statements of the Group as at and for the year ended 31 March 2008.

The condensed consolidated financial statements for the six months ended 30 September 2008 are unaudited but have been reviewed by the auditors. The condensed consolidated financial statements for the six months ended 30 September 2008 were approved by the directors on 12 December 2008.

The comparative figures for the financial year ended 31 March 2008 are not the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

The directors note that the Group has net liabilities, net current liabilities and sustained trading losses in the period.

The majority shareholder has provided the Board of directors with a written undertaking to not seek repayments in accordance with the terms and conditions of his loan agreements until such time as the Group is cash flow positive or there is a fundamental change in the share ownership of the Group.

On the basis of this undertaking, the directors have reviewed the cash projections, funding arrangements and the nature and extent of shareholder support for the next twelve months and the foreseeable future, and believe that the Company and Group can operate within these arrangements and facilities. Accordingly they believe the going concern assumption to be an appropriate basis for the preparation of the financial statements.

(b) Estimates

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

The preparation of the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and income and expenses. In preparing these condensed consolidated financial statements, the significant judgments made by the management in applying the Group's accounting policies and key source of estimation uncertainty were the same as those applied to the audited consolidated Annual Report and Financial Statements as at 31 March 2008.

(c) Prior year restatement

As previously reported within the Annual Report and Financial Statements for the year ended 31 March 2008, the Group historically recognised a fixed proportion of its online advertising revenue at the point of sale and spread the remainder of the revenue over the term of the agreement. Following a review, the following changes were implemented:

New business online advertising – no change.
Renewals of online advertising – spread evenly over the term of the agreement as this more accurately matches revenues with costs.

The change to the treatment of renewals has the following impact on the financial results of the Group:

	Six months to 30 September 2007 (unaudited) £'000
Decrease revenue	(161)
Increased deferred revenue	161
Increase losses	161

2. Segmental information

The directors consider that the Group only has one business segment being the provision of e-marketing services, other income is ancillary and does not constitute a segment in its own right. The turnover, operating loss and net liabilities of the Group are attributable to the one class of business.

3. Key management personnel compensation

	Six months to 30 September 2008 (unaudited) £'000	Six months to 30 September 2007 (unaudited) £'000	Year ended 31 March 2008 £'000
Directors' emoluments	**207**	187	349
Company contributions to money purchase pension plans	**26**	20	42
Share based payments	**24**	35	89

On 7 July 2008, 150,000 options were granted by the Group to M Riley at an option price of 24.5 pence per share.

4. Related party transactions

Transactions with key management personnel

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

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

Directors of the Group and their immediate relatives control 66.27 per cent *(30 September 2007: 66.27 per cent)* of the voting shares of the Group.

At 30 September 2008, an amount of £2,661,552 *(30 September 2007: £2,661,552)* was owed by Infoserve Limited to D R Hood, a director and principal shareholder of Infoserve Group plc and is included within interest-bearing loans and borrowings. D R Hood has given an undertaking to the Board not to seek repayment of the loan until such time that the Group is cash flow positive or there is a fundamental change in the share ownership of the Group. Interest is charged at a rate of 2.5% above Barclays Bank plc base rate. Interest charged on the loan during the period amounted to £100,246 *(30 September 2007: £108,963)* and £485,291 *(30 September 2007: £278,073)* remained unpaid at the period end and is included within interest-bearing loans and borrowings.

As previously reported Infoserve Limited entered into a lease agreement to rent property from Amerdale Investments LLP, a business in which D R Hood has an interest. The administrative expenses incurred from Amerdale Investments LLP amounted to £137,876 *(30 September 2007: £36,754)* and the amount owed by Infoserve Limited at 30 September 2008 was £86,094 *(30 September 2007: £39,656)*. The lease is for a term of fifteen years at £246,405 per annum, with the first year being rent free. The period between rent reviews is five years.

During the period, Infoserve Limited made sales of £16,698 *(30 September 2007: £17,981)* to and purchases of £40,492 *(30 September 2007: £27,100)* from Multiflight Limited, a company in which D R Hood is a director and principal shareholder. At 30 September 2008 Infoserve Limited owed £29,421 *(30 September 2007: £2,421)* to Multiflight Limited.

5. Taxation

The tax position for the period is based on the anticipated effective tax rate for the year to 31 March 2009.

The Board has prepared forecasts and continues to believe that the Group will become profitable in the future and therefore utilise the considerable tax losses built up over the last few years. It has accordingly carried forward a proportion of this recovery as a deferred tax asset in the balance sheet.

6. Earnings per share

The calculation of earnings per share is based upon the loss after taxation of £599,000 *(30 September 2007: £1,953,000)* divided by 19,073,241 *(30 September 2007: 17,251,747)*, being the weighted number of ordinary shares in issue during the period. Share options in issue did not have a dilutive impact on the loss per share calculation.

A copy of this announcement will be available from the Group's website, www.infoservegroup.com