

We create unique
software that helps
people and complex
organisations work
faster and smarter.

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About Us

Infonic plc is a publicly quoted innovative software company.

Our shares are listed in London on the Alternative Investment Market.

We are a global leader in providing unique software which is used every day to improve efficiency for some of the world's leading companies, military and maritime organisations and government departments.

Our software expertise is focused on document and text capture, distribution and analysis.

Business Highlights

1. £8.3m contract to supply Infonic Geo-Replicator to the UK Ministry of Defence.
2. Infonic's unique Sentiment technology integrated into the Thomson Reuters global trading system.
3. DHL installs Infonic Document Manager into 35 major locations serving over 100 user sites.
4. Geo-Replicator sales success in France, Norway, Switzerland, Hong Kong & Singapore.
5. Infonic selected as preferred document management partner for Konica Minolta Business Solutions UK.
6. Group sales pipeline increased by 800% at year end.

Financial Highlights

2007 Financial Highlights versus 18 month period ended 31 December 2006

£16.2M (£6.9M)

2007 contracts won

93.6% (90.5%)

Gross margin

£8.8M (£6.5M)

Revenue

0.9P (-3.0P)

Adjusted eps

£2.0M (-£2.4M)

Operating profit *

-£218k (-£3.036k)

Net debt

* Before depreciation, amortisation and exceptional costs.



Infonic solutions power complex global businesses, improving information management and enabling better business processes.

Company Overview

Infonic is a global leader in providing business software solutions. The company's three divisions deliver software to blue-chip international clients including Thomson Reuters, Shell, Fujitsu, PwC, Dredging International, RJ Reynolds, the U.S. Army, the U.S. Air Force, the U.S. Navy, the UK Ministry of Defence, and the French and Singapore Governments.

Our expertise is focused on document and text capture, distribution and analysis.

Geo-Replicator

Our Geo-Replicator software uses powerful, patented data compression and synchronisation technology to replicate data rapidly between servers and laptops and server-to-server. This is vital where servers are separated geographically and data transmission would ordinarily be slow and where personnel work remotely but need access to replicated data in the field. The software works with Microsoft SharePoint as well as other key platforms such as IBM's Lotus Notes. Geo-Replicator's software is relied upon by a diverse set of clients such as the US Navy, BP Alaska Tankers, Christian Aid and the Federal Aviation Administration.

Document Management

Infonic's Document Manager software makes possible the digital capture, storage, search and retrieval of any type of document, including scanned images, word documents, e-mails and pdfs. Our software enables businesses to dispense with hard copy filing and stores documents in secure folder systems which permitted users can access simultaneously. We are the preferred supplier of document management software to DHL, the global leader in international freight and Konica Minolta Business Solutions, the imaging and printing company. Our global clients include TNT, Optimax, Dairy Crest, Christian Salvesen, Friends of the Earth and the Texas Department of Public Safety.

Text Analytics

We are leaders in the field of computational linguistics, which is the science of using computers to decompose and understand language. Our primary text analytics software product, Sentiment, automatically understands, analyses and reports on the underlying events and sentiment behind thousands of news stories, reading unstructured news in milliseconds and presenting the end user with an instant understanding of content. Sentiment has a number of applications such as giving financial traders a time advantage in understanding whether the news sentiment behind a stock is positive, negative or neutral. We are working in partnership with Thomson Reuters to embed the Sentiment software in the Thomson Reuters data management system which is used by banks and hedge funds.

Global Locations



Case Study: Document Manager

DHL

In 2007 Infonic became a preferred supplier of Document Management software to DHL UK, the global leader in international freight.

Delivering success

Infonic's Document Management team has a proven track record of delivering successful solutions within DHL UK and has steadily increased the use of Document Manager throughout DHL's UK operations. Document Manager is installed on servers at 35 DHL UK sites, and is used by DHL employees and customers across a further 100+ sites.

DHL uses Infonic Document Manager to capture, store and provide user access to millions of operational documents, including more than five million Proof of Delivery documents, supplier invoices and HR documents.

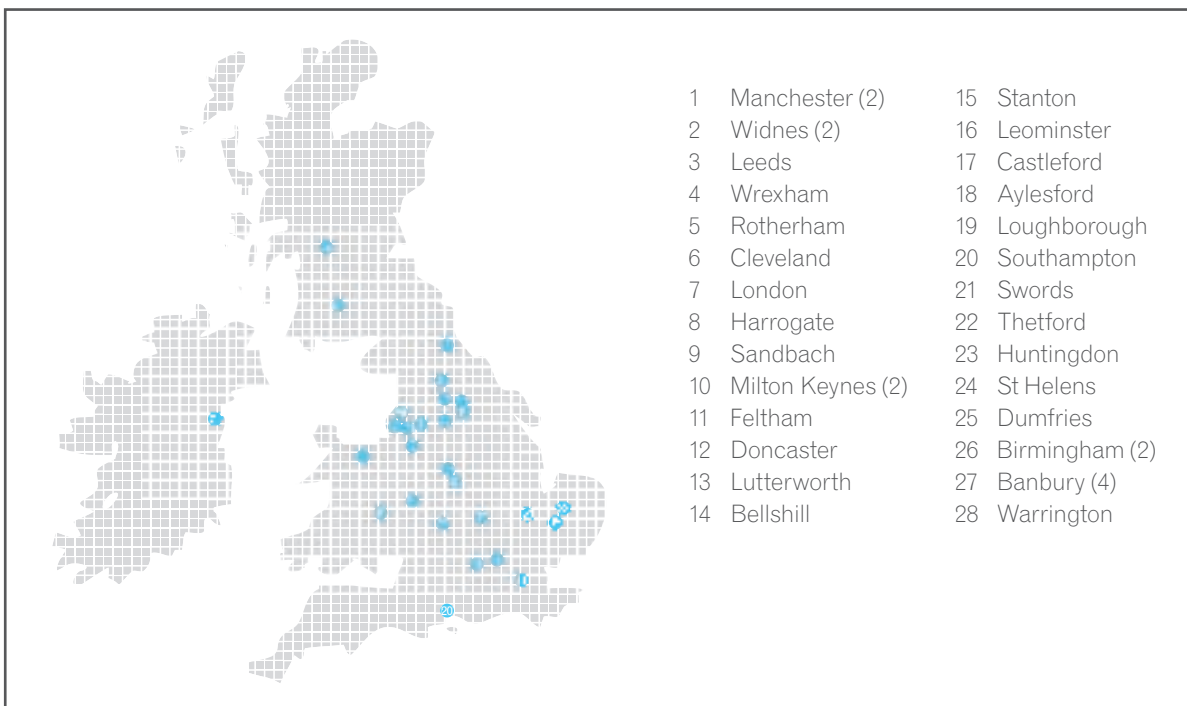
Document Manager is also an integral part of the Business Solutions DHL provides to other organisations. These include major clinical trials projects and a three-year supply chain contract with the UK's Mitchells & Butlers pub chain.

DHL is a large and dynamic company with many different operating systems. The ease with which Document Manager integrates with DHL's existing business systems including Oracle HRMS and legacy Transport Management and Finance Systems continues to be critical to the successful working of all the software within DHL.

Planned rollout projects should see total document volumes handled by Document Manager inside DHL increase by 50% during 2008, and hopefully extend to territories including the Middle East and Eastern Europe.

Infonic customers in the logistics sector also include: CEVA, Tradeteam, TNT, Stan Robinson, RH Freight, Salvesen and SwissPort.

Map of UK with DHL installations



Case Study: Sentiment

Thomson Reuters

Thomson Reuters is the world's leading provider of news and data for professional markets and is the exclusive distributor of Infonic's automated sentiment analysis technology within the financial services sector, under the brand name of RNSE (Reuters News Sentiment Engine).

This relationship began in early 2006 when Infonic and Thomson Reuters agreed to test a prototype of the automated sentiment analysis software within a number of major hedge funds and investment banks. This sentiment analysis engine produced "sentiment scores" for Thomson Reuters news articles covering a number of the most frequently traded shares. For example, every Thomson Reuters news article on Vodafone Group Plc was automatically attributed a score between zero and one – zero being wholly negative, and one wholly positive.

Infonic then partnered with Thomson Reuters to develop a commercial solution which Thomson Reuters could sell to the world's major banks, investment funds and hedge funds. Thomson Reuters has trained its sales force and embedded the technology into its global data centres and has dedicated technical and sales staff working on the project.

Quantifying the market's moods

Financial traders aim to make money under all market conditions. Any additional data or analysis which gives them an advantage is highly coveted. Sentiment can tell the traders whether news coverage behind a stock is positive, negative or neutral with the resulting sentiment/price gap providing an arbitrage opportunity that can add significant value in a fast-moving trading

environment. The Thomson Reuters RNSE data is fed directly to "algorithmic" trading systems which then allow computers to determine whether to buy or sell particular shares.

Infonic's Sentiment software is being installed on a growing number of client sites alongside existing proprietary trading systems. The software is also being deployed within Thomson Reuters' own RNSE computers which provide trading banks with an enriched financial news service.

Algorithmic trading was one of the fastest growing areas in equity trading in 2007. It is set to penetrate other asset classes including commodities and foreign exchange in 2008. Infonic will continue to provide cutting edge solutions across these markets.

Today in the US and the UK, over one third of all share trades are executed exclusively by computers. This proportion is set to grow as only computers can realistically manage the increasingly huge volumes of news and data being generated every day within the financial markets.

Our sentiment engine is one of the most accurate commercially automated sentiment product available on the market today.

The application of such technology is growing exponentially:

- 33% of American share trades are currently algorithmic.*
- 50% of American share trades will be algorithmic by 2010.*

* The Economist, 21 June 2007. Research from the Aite Group.



Infonic's technology delivers efficient replication of content both ways between ship and shore.

Case Study: Geo-Replicator

United States Navy

The US Navy is Infonic's largest customer. The Navy's Distance Support Program uses Infonic Geo-Replicator on over 260 ship servers. Most of the Navy's land bases also have Infonic's Geo-Replicator software installed.

The Navy uses Geo-Replicator software to support a range of its activities around the globe. The software's patented compression algorithms enable transmission of the Navy's technical manuals, safety information and training materials over limited bandwidth satellite networks to users at sea.

Geo-Replicator also enables US Navy engineers on board ship to send aggregated engine sensor data back to shore based engineers to support maintenance scheduling. This highly complex data is gathered by shipboard diagnostic systems and sent via Geo-Replicator to shore based engineers and designers to be analysed.

Fourteen ancillary commands are now using Geo-Replicator technology to support their commands for such things as morale and welfare information. Over a million Navy files are being updated using Geo-Replicator every day.

Before Infonic's Geo-Replicator was installed the Navy's information updates were either not sent, or burned to CD and mailed monthly to each ship. By updating documents and data every night with Geo-Replicator the US Navy has improved ship battle readiness and safety. It has also reduced maintenance cycle times by 20% and saved millions of dollars in annual maintenance costs by making it possible to transmit data to and from ships.

Government and Military Geo-Replicator customers include:

- United States Navy
- Federal Aviation Administration, USA
- United States Air Force
- United States Army
- United States Marine Corps
- Ministry of Defence, United Kingdom

Chairman's Statement



I am delighted to be able to report that all of our technologies are selling well in our chosen markets. Our full-year results clearly demonstrate that our innovative software appeals to a broad and increasing range of multinational customers.

When reporting half-year results I stated that Mark and his team have transformed a research and development business into a profitable, sales and marketing-led global software corporation. The Company is now EBITDA positive which puts us in a strong position going forward.

This has been the single largest challenge of the last twenty four month period, however, I am pleased to report that the overall value of contracts won and delivered during the year, as well as the very healthy sales pipeline, shows that they have succeeded in achieving their goal and have created a very sustainable company.

Introduction

I must commend the entire team for the way that they have worked to cope with increased volumes of complex customer sales, installations and support. The hard work invested and the processes that they have honed during 2007 will reap dividends in 2008 and beyond.

2008 is off to a strong start with our Document Management and Text Analytics divisions trading particularly well. We look forward to building on the success of 2007 and the diversity of our product range, and customers, gives us confidence in our ability to achieve our financial targets for the year.

Business progress and core strategy

2007 was the critical year in which the Group consolidated its position, completed the integration of the five businesses we acquired between 2004 and 2006 under the single Infonic plc brand, and redefined our strategy around the three core product areas of Document Management, Geo-Replication and Text Analytics.

Strengthening our proposition and our team

An important area of focus which has already begun to yield results was the strengthening of our UK and international sales teams. Simultaneously, we instituted substantial cost savings by providing central shared administrative functions across the Group.

The Infonic value proposition, to help our customers capture, distribute and analyse important documents and text stored within their businesses, remains compelling, and a strong differentiator for us in the markets in which we operate.

Continuous programme of investment is bearing fruit

Our heavy investment in research and development, such as implementing the key Microsoft SharePoint 2007 server-to-server replication release for our Geo-Replicator product, allowed us to win a landmark contract worth £8.3m with the UK Ministry of Defence as part of the EDS Atlas consortium.

We also secured strategic partnerships with Konica Minolta and Thomson Reuters, increased the number of our customers, and sold for the first time into new geographical markets, such as France, Germany, Switzerland and Norway. Our strong belief in our products is supported by the knowledge that they are used in a variety of critical environments where it is essential to install software engineered to the highest standards.

The strategy is yielding strong results

We recorded strong organic growth with our strategy of focusing on core products in tightly defined markets and geographies. Although our products have global appeal it is easy for a company of our size to become too thinly spread, therefore, an absolutely essential element of our operations revolves around profitable, focused, achievable sales activity.

Recognised revenues for the year topped £8.8m, which is more than 37.5% higher than the £6.5m recorded in for the previous 18 month accounting period, or 49.2% higher than the preceding 12 months.

In addition, our Operating Profit before depreciation, amortisation & exceptional costs was a healthy £2m compared with a negative £2.4m in the previous period and, importantly, positive cash flow from operating activities was over £2.2m.

Successful fundraising

In December 2007 we completed a successful fundraising which raised £3.1m from institutional investors, despite difficult market conditions for raising finance. We were particularly pleased that a number of sizeable institutions chose to subscribe for shares and join our strong and supportive institutional shareholder base. We are using the funding to invest further in sales and marketing and to enhance the functionality of our products.

Outlook

Whilst organic growth has been sustained and continues to be encouraging, it is still central to the company's strategy to consider further acquisitions if we identify synergies with potential acquisitions that will be earnings enhancing.

We are monitoring world markets carefully and continue to focus, if possible, on niches that can experience rapid return on investment from our technologies. We are confident of continued growth and expansion in 2008, built upon the firm foundations put in place in 2007.

Robert Lowe

Guildford
19 May 2008

Chief Executive Officer's Review



After three years of acquisition activity, 2007 was the year we drove our business forward through strong organic growth. Utilising shared, centralised corporate expertise across the whole Group, we rolled out major new releases for our software solutions, sold into new sectors and adopted a coherent unified branding.

We instituted cost savings as a result of the centralisation of functions, and ploughed the proceeds into investing in our sales force.

We raised £3.1m towards the end of 2007 which will further fuel the development and growth of the company.

Results

The Group's revenues for the year to 31 December 2007 were £8.8m (18 months to 31 December 2006: £6.5m), up 37.5%, or 49.2% comparing like-for-like trading periods.

This strong but focused revenue growth, combined with careful cost management of our underlying business, resulted in a reduction of administrative expenses from £8.2m for the 18 months to 31st December 2006 down to £6.3m for the current period under review.

Revenue per employee grew from £80,600 in 2006 to £113,400 in 2007, an increase of 53.3%.

The Group made an operating profit before depreciation, amortisation and exceptional costs of £2m (2006: loss of £2.4m).

At 31 December 2007 we had £4.4m in cash, which has been topped up post year end by the previously announced receipt of £3.1m less expenses from a placing of ordinary shares.

Geographic coverage

£7.6m or 85.6% of the Group's recognised revenue was generated in the UK, £1.0m or 11.0% in the US, and just under £0.3m, or 3.4% in the rest of the world (Europe and Asia-Pacific).

Towards the end of 2007 we made several key strategic hires in North America. We can report strong interest from our Singapore operation serving the Asia-Pacific region and an extremely strong pipeline in Germany. We hope that all of these regions will form a greater proportion of our revenues in 2008.

Dealing with the three business divisions in turn Geo-Replicator

Geo-Replicator generated £5.4m of revenue in 2007 worldwide, representing 60.8% of the Group total.

Several landmark deals were contracted and delivered during the year, most notably with the UK Ministry of Defence and the US Department of Defense.

This technology was acquired in its basic form at the end of 2005 for £3.9m.

We are pleased that in the last two years we have re-engineered the business to produce £7.6m of recognisable revenue and £3.3m of profit from operations.

Our Geo-Replicator product, which used to be known as iOra, works with Microsoft SharePoint as well as other key platforms, such as IBM's Lotus Notes.

SharePoint is a widely used collaboration and storage sharing platform which scales information from the workgroup up to the enterprise platform, but it does not have any built-in replication ability.

Infonic's Geo-Replicator allows data items to be replicated quickly across the SharePoint platform between the server and laptops and server-to-server. This is essential where servers are separated geographically and the transmission of data items would ordinarily be slow, and also where personnel work remotely but need access to replicated information in the field.

Our software uses unique and powerful patented data compression and synchronisation technology to give effect to this. Our software is relied upon and is invaluable in terms of the fields our clients operate in, such as the armed forces, humanitarian relief, shipping and oil companies.

Chief Executive Officer's Review

In November 2007 we launched our Geo-Replicator SharePoint 2007 release, which is a major development from our previous SharePoint 2003 release.

The division secured an £8.3m contract win to supply Geo-Replicator to the UK Ministry of Defence as part of the EDS Atlas consortium directly resulting from this SharePoint 2007 release.

During the fourth quarter of 2007 the Board decided to defer the recognition of the majority of the deal value of the US Navy Collaboration at Sea Program to 2008 due to budget allocation delays within the Program. However, the Program has informed us that their internal delays have no impact on their desire to roll-out our software to up to 1,000 servers globally. We look forward to completing this installation and continue to extend our reach into other programs within the US Navy and Marine Corps.

Whilst the main focus of the company's activities during 2007 has been server-to-server sales for the SharePoint 2007 release, we continue to support clients using the SharePoint 2003 release and to provide related consultancy advice, including to clients such as Fujitsu and PwC. This technology leads the market and is well-placed to serve a burgeoning market for software-based information replication.

Document Management

In 2007 our Document Management division generated £2.8m in revenue, 31.6% of the Group's total revenue.

This division was acquired at the beginning of 2006, since when we have enhanced the offering and almost doubled sales growth. During the 30 month period to 31st December 2007 the division generated £1.1m in profit from operations, against a purchase price of £1.4m.

This is an established product line for the Group, providing consistent revenues, but with opportunities for future growth.

Our proprietary Document Manager software (formerly known as TokOpen) enables the digital capture, storage, search and retrieval of any type of document, including scanned images, word documents, e-mails and pdfs. Our software allows businesses to dispense with hard copy filing and stores documents in secure folder systems which permitted users can access simultaneously.

We have continued to invest in and develop these products. In September 2007 we launched the new look TokOpen 2.4, which has a new Microsoft Vista-style appearance and interface.

In 2007 we also launched our .Net Document Manager version, which provides enhanced functionality in a web-based version.

We also established some important strategic alliances to promote the sales of this product in 2007. We became the preferred supplier of Document Management software to Iris Enterprise, in connection with its Exchequer finance accounting package, and we entered into new partnering relationships with PS Financials and RDT in relation to their packages.

Most significantly, we became the preferred supplier of Document Management software under a new strategic partnership with Konica Minolta Business Solutions, the imaging and printing company.

During the year we were pledged to deliver some important Document Management solutions to clients including Norwich Primary Care Trust, and for Swiss Ports, as part of its SAP integration. SAP integration is a strength of the product which we continue to build upon.

Customers range in diversity from the Emergency Animal Hospital of North West Austin, Texas to Mansfield Oil, and from Christian Salvesen to Friends of the Earth. This is a product line with a wide appeal to customers due to the clear technological differentiation and rapid return on investment. Consequently, we believe it is poised for even better results in 2008.

Text Analytics

Our primary text analytics software product Sentiment, automatically understands, analyses and reports on the underlying events and sentiment behind thousands of news stories, reading unstructured news in milliseconds and presenting the end user with an instant understanding of the content. It is the result of years of complex research into practical applications for computational linguistics, which is the science of using computers to decompose and understand language. We lead in this field.

The Sentiment product has a variety of applications, such as enabling financial traders to understand the news sentiment behind certain stocks. Sentiment can tell the trader whether news coverage behind a stock is positive, negative or neutral. The resulting real-time sentiment 'signal' has been proven in testing to assist in pinpointing pricing movements before they occur. The resulting sentiment/price gap results in an arbitrage opportunity that can add significant value to complex trading environments.

Thomson Reuters partnership:

Infonic spent 2007 preparing its Sentiment software for revenue generation.

- During the year we also secured a partnership with Thomson Reuters to embed our Sentiment software into the Thomson Reuters data management layer for financial institutions like banks and hedge funds.
- Scores generated from the software are sent to trading companies to aid algorithmic trading.
- Traders can analyse news and market sentiment for the first time, in relation to price movements.
- Various financial organisations are already using the system.
- The system can either be used as part of a wider system deployed by the client, or on a platform hosted by Thomson Reuters.
- Thomson Reuters have some 370,000 terminals which they host across the globe with over 2,600 customers.
- We hope to provide more detail about sales progress in this lucrative marketplace during the course of 2008 in conjunction with Thomson Reuters own marketing team but early signs are very encouraging.

Our Sentiment team also comprises an intelligence team which provides consultancy services to corporate customers, providing tracking and analysis of comment being made about the client, online. Trading in this online area has been steady throughout the year with significant revenues being generated at customers such as Weber Shandwick and Fitch Ratings.

Outlook

We have a range of powerful and innovative software technologies which we continued to enhance in 2007. We have also solidified our presence in the niche sectors in which we operate and believe that the momentum we are currently experiencing can only continue with the increased need to organise and understand digital data.

We have invested in an experienced sales and marketing team with blue chip backgrounds to ensure strong international growth.

Trading has been encouragingly strong in 2007 and the year marked a turnaround point for us financially. We are seeing a rise in the size and scope of projects and we are very excited about our progress.

We are confident that we will continue to see returns on this strategy in 2008 and beyond, helped by the funding we secured in December 2007.

Mark Thompson

Guildford
19 May 2008



Board of Directors



▲ Robert Lowe

Non-executive Chairman

Robert brings 33 years business experience to Infonic, including 20 within the IT industry. He is also non-executive director of Delling plc and Turbotec Products plc. Robert was previously deputy CEO and President of the North American Operations of Superscape plc, International Vice President of Intersolv and Division President at Micro Focus.

▼ Mark Thompson

Chief Executive Officer

Before founding Infonic, Mark was CFO of Eystorm Media, and a senior manager at Getty Images and Accenture. Mark is professionally trained as a lawyer and accountant with corporate finance experience in a range of FTSE 100 companies including Coopers & Lybrand, United Biscuits and Amersham International.



▲ Dan Wajzner

Chief Technology Officer

Dan has a breadth of senior IT management experience within companies including ITIM Associates, Sybase Professional Services and the OASIS Group. He has managed projects at clients including the House of Commons, Marks and Spencer, Punch Pub Company, Littlewoods Home Shopping, National Lotteries Charities Board, Swiss Bank Corporation, Hypotheken Bank, Royal London Insurance, and BT.



▼ Jeremy Fletcher

Chief Financial Officer

Jeremy's 25 years business experience includes 17 years senior management within international IT companies. He spent nine years at Storage Technology Ltd as Finance Director for Northern Europe, responsible for \$300m turnover. Jeremy is a member of the Chartered Institute of Management Accountants.



▲ Dawson Buck

Non-executive director

Dawson has been an officer and director of a number of quoted companies including ANGLE plc. Dawson was CEO of Automated Security Holdings plc, with a turnover of £450m and 3000 employees. He founded Automatic Loss Prevention Limited which sold for \$252m in 1981. He was then SVP for European operations at Sensormatic Electronics Corporation. Dawson brings a wealth of practical and operational experience to the team.



▲ David Ure

Non-executive Director

David, previously a Board of Director of Reuters, was responsible for the acquisition of Teknekron and the public offering of TIBCO Software. He also managed creation of the Radianz joint venture to develop a financial market extranet. David is, or has served as, a non-executive director on the boards of TIBCO Software, WebEx, Woolwich Bank, Radianz, Iris Financial Solutions, Blackwell Publishing, Independent Television News (ITN) and Neteconomy.



Independent Auditors' Report to the Shareholders of Infonic plc

At 31 December 2007

We have audited the Group and Parent Company Financial Statements (the "Financial Statements") of Infonic plc for the year ended 31 December 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, Group Statement of Recognised Income and Expense, the accounting policies and the related notes 1 to 30. These Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' Responsibilities for preparing the Annual Report and the Group Financial Statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and for preparing the Parent Company Financial Statements and the Directors' Remuneration Report in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements and the part of the Directors' Remuneration Report required to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Directors' Remuneration Report required to be audited have been properly prepared in accordance with the Companies Act 1985 and whether, in addition, the Group Financial Statements have been properly prepared in accordance with Article 4 of the IAS Regulation. We also report to you whether in our opinion the Directors' Report is consistent with the Financial Statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement, the Chief Executive Officer's Review that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. This other information comprises the Chairman's Statement, the Chief Executive Officer's Review, the Directors' Report, the Directors' Remuneration Report and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements and the part of the Directors' Remuneration Report required to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its loss for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the Parent Company Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Parent Company's affairs as at 31 December 2007;
- the Parent Company Financial Statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.

Littlejohn (formerly known as CLB Littlejohn Frazer)

Chartered Accountants and Registered Auditors
1 Westferry Circus
Canary Wharf
London, E14 4HD

19 May 2008

Group Balance Sheet

At 31 December 2007

	Note	At 31 December 2007 £	At 31 December 2006 £
Non-current assets			
Property, plant and equipment	7	121,913	89,885
Intangible assets	8	9,474,643	8,112,891
		9,596,556	8,202,776
Current assets			
Trade receivables	10	1,065,730	1,687,255
Other current assets	10	2,109,143	1,395,567
Cash and cash equivalents	11	4,387,956	273,794
		7,562,829	3,356,616
Total assets		17,159,385	11,559,392
Current liabilities			
Trade and other payables	15	(4,810,597)	(4,062,780)
Financial liabilities	16	(4,584,221)	(2,718,425)
		(9,394,818)	(6,781,205)
Non-current liabilities			
Deferred tax liability	17	(776,484)	(562,208)
Financial liabilities	16	(21,476)	(591,437)
		(10,192,778)	(7,934,850)
Total liabilities		(10,192,778)	(7,934,850)
Net assets		6,966,607	3,624,542
Capital and reserves attributable to equity holders of the Company			
Called-up share capital	12	2,249,966	1,304,593
Share premium account	12	23,177,723	20,211,293
Share option reserve	12	733,342	779,215
Share purchase reserve	12	330,922	429,836
Share based payments reserve		119,479	45,436
Translation reserve		(5,768)	11,004
Retained earnings	14	(19,638,405)	(19,156,835)
		6,967,259	3,624,542
Minority Interest		(652)	–
Total equity		6,966,607	3,624,542

The Financial Statements were approved and authorised for issue by the Board of Directors on 19 May 2008, and were signed on its behalf by:

Mark Thompson
Director

Jeremy Fletcher
Director

The Notes on pages 24 to 45 form part of these Financial Statements.

Company Balance Sheet

At 31 December 2007

	Note	At 31 December 2007 £	Restated at 31 December 2006 £
Fixed assets			
Intangible assets		4,511	12,244
Investments	9	10,008,710	9,822,742
		10,013,221	9,834,986
Current assets			
Debtors	10	13,161,986	8,724,231
Cash and cash equivalents	11	548,421	169,258
		13,710,407	8,893,489
Creditors: amounts falling due within one year	15	(5,635,303)	(2,608,398)
Net current assets		8,075,104	6,285,091
Total assets less current liabilities		18,088,325	16,120,077
Creditors: amounts falling due after one year		(1,081,014)	(1,298,722)
Net assets		17,007,311	14,821,355
Capital and reserves			
Called-up share capital	12	2,249,967	1,304,593
Share premium account	12	23,177,723	20,211,293
Share option reserve	12	733,342	779,215
Share purchase reserve	12	330,921	429,836
Share based payments reserve		119,479	45,436
Profit and loss account	14	(9,604,121)	(7,949,018)
Shareholder funds		17,007,311	14,821,355

The Financial Statements were approved and authorised for issue by the Board of Directors on 19 May 2008, and were signed on its behalf by:

Mark Thompson
Director

Jeremy Fletcher
Director

The Notes on pages 24 to 45 form part of these Financial Statements.

Group Income Statement

For the year ended 31 December 2007

	Note	Year ended 31 December 2007 £	18 months to 31 December 2006 £
Continuing operations:			
Revenue	4	8,842,108	6,455,342
Cost of sales		(563,793)	(612,831)
Gross profit		8,278,315	5,842,511
Administrative expenses	6	(6,297,483)	(8,239,112)
Operating profit / (loss) before depreciation, amortisation of intangibles and exceptional items		1,980,832	(2,396,601)
Depreciation and amortisation of intangibles		(741,161)	(389,659)
Exceptional items			
Write off of irrecoverable intercompany balance following liquidation of subsidiary undertaking	26	(1,178,240)	–
Other	26	(404,906)	(8,255,606)
Operating loss		(343,475)	(11,041,866)
Finance income	20	15,012	21,710
Finance costs	20	(88,880)	(437,694)
Finance costs – exceptional	20/26	(1,542,124)	(206,830)
Loss before taxation		(1,959,467)	(11,664,680)
Taxation	21	(159,630)	119,936
Loss for the financial year / period		(2,119,097)	(11,544,744)
Attributable to:			
Equity holders of the Company		(2,108,192)	(11,544,744)
Minority interest		(10,905)	–
		(2,119,097)	(11,544,744)
Earnings per share from continuing operations attributable to the equity holders of the Company during the year:			
Basic	22	(1.2p)	(12.4p)

The Notes on pages 24 to 45 form part of these Financial Statements.

Group Statement of Recognised Income and Expense

	Year ended 31 December 2007 £	18 months to 31 December 2006 £
Currency translation differences	6,032	35,469
Net expense recognised directly in equity	6,032	35,469
Loss for the year	(2,119,097)	(11,544,744)
Total recognised loss for the year / period	(2,113,065)	(11,509,275)
Attributable to:		
Equity holders of the company	(2,102,160)	(11,509,275)
Minority interest	(10,905)	–
	(2,113,065)	(11,509,275)

The Notes on pages 24 to 45 form part of these Financial Statements.

Group Cash Flow Statement

For the year ended 31 December 2007

	Year ended 31 December 2007 £	18 months to 31 December 2006 £
Cash generated from / (used in) operations		
Loss before interest and taxation	(343,475)	(11,041,866)
Adjustments for:		
Depreciation and amortisation	741,161	389,659
Goodwill impairment charge	–	7,014,914
Write off of irrecoverable intercompany balance following liquidation of a subsidiary undertaking	935,279	–
IFRS share based payment expense	74,043	45,436
Foreign exchange losses	49,404	20,284
	1,456,412	(3,571,573)
Increase in trade and other receivables	(320,762)	(881,449)
Increase in trade payables	1,066,585	2,300,790
Cash generated from / (used in) operations	2,202,235	(2,152,232)
Interest paid	(1,552,617)	(651,274)
Corporation tax paid	(15,298)	(1,075)
Net cash from / (used in) operating activities	634,320	(2,804,581)
Cash flows from investing activities		
Purchase of property, plant and equipment	(96,238)	(180,627)
Proceeds from sale of equipment	4,819	4,212
Purchase of intangible assets	(1,840,146)	(3,871,063)
Interest received	15,012	21,710
Acquisition of subsidiary (net of cash acquired)	(91,967)	–
Net cash used in investing activities	(2,008,520)	(4,025,768)
Cash flows from financing activities		
Proceeds from issue of share capital (net of share issue costs)	3,767,016	3,652,337
Proceeds from long-term borrowings	4,160,933	1,651,312
Payment of long-term borrowings	(1,537,644)	–
Payment of finance lease liabilities	(41,467)	–
Net cash from financing activities	6,348,838	5,303,649
Net increase / (decrease) in cash and cash equivalents	4,974,638	(1,526,700)
Cash and cash equivalents at beginning of year	(586,682)	940,018
Cash and cash equivalents at end of year	4,387,956	(586,682)

The Notes on pages 24 to 45 form part of these Financial Statements.

Notes to the Financial Statements

For the year ended 31 December 2007

GENERAL INFORMATION

Infonic plc is a company listed on the AIM market and incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given at the back of this report. The nature of the Group's operations and its principal activities are set out in the Chief Executive's Review. The Financial Statements are presented in pounds sterling, the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out below.

Going concern

The directors have reviewed projections for the 12 month period from the date of signing of these Financial Statements. Based on the level of projected income, current and expected level of costs and additional borrowings obtained after the year end, the directors are of the opinion that it is appropriate to prepare the Financial Statements on a going concern basis. Should there be any shortfall in projected income or significant delay in receipts or significant overrun in costs, without additional funding this may cause the Company and Group to have insufficient resources to trade as a going concern.

Basis of preparation of Financial Statements

The Financial Statements have been prepared in accordance with EU-endorsed International Financial Reporting Standards (IFRS), International Financial Reporting Intermediate Committee (IFRIC) interpretations and the Companies Act 1985 applicable to companies reporting under IFRS. The Financial Statements have been prepared under the historical cost convention.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 1.

The Financial Statements of Infonic plc (the Company) have been prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards.

1 Summary of significant Group accounting policies

The principal accounting policies applied in the preparation of these Consolidated Financial Statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

First-time adoption of International Financial Reporting Standards (IFRS)

The Group has adopted IFRS for the first time in its respective Financial Statements.

The Group has applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" to provide a starting point for reporting under IFRS. The date of transition to IFRS was 1 July 2005, and all comparative information in these Financial Statements has been restated to reflect the Group's adoption of IFRS.

The transition to IFRS reporting has resulted in a number of changes to the financial statements, the Notes thereto and the accounting policies, compared with previous annual reports. These changes are set out in Note 28. The accounting policies that have been applied in the opening balance sheet have also been applied throughout all periods presented in the Group's financial statements.

Standards and interpretations in issue but not yet effective or not yet relevant

IFRS 8 "Operating Segments" requires companies to adopt management approach to reporting on their operating segments. This standard is effective for the year ending 31 December 2009.

A revised version of IAS 1 "Presentation of Financial Statements" will require information in financial statements to be aggregated on the basis of shared characteristics, and introduce a statement of comprehensive income. The revision is effective for the year ending 31 December 2009.

A revised version of IAS 23 "Borrowing Costs" removes the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. This revision is effective for borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009.

An amendment to IFRS 2 "Share-based Payment" clarifies that vesting conditions are service conditions and performance conditions only, and specifies that all cancellations whether by the entity or by other parties, should receive the same accounting treatment. This amendment is effective for the year ending 31 December 2009.

IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" considers how certain grants of equity instruments should be treated under IFRS 2 "Share-based Payment". The interpretation is effective for the year ending 31 December 2008.

IFRIC 12 "Service Concession Arrangements" addresses how service concession operators should apply existing IFRSs to account for the obligations they undertake and rights they receive in service concession arrangements. As none of the Group entities is involved in public-to-private service concession arrangements, this interpretation is not relevant to the Group.

IFRIC 13 "Customer Loyalty Programmes" addresses accounting by entities that grant loyalty award credits to customers who buy goods and services. This interpretation is effective for the year ending 31 December 2009.

IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" provides guidance on how to assess the limit in IAS 19 "Employee Benefits" on the amount of the surplus that can be recognised as an asset. This interpretation is effective for the year ending 31 December 2008.

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the Financial Statements of the Group, except for additional disclosures on segregated results and the statement of comprehensive income, when the relevant standards come into effect.

Basis of consolidation

The Group Financial Statements consolidate the Financial Statements of Infonic plc and all its subsidiary undertakings made up to 31 December 2007.

Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

The acquisition of subsidiaries has been accounted for using the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. There has been no retrospective adoption of IFRS 3, business combinations, in respect of acquisitions prior to the date of transition to IFRS.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the Financial Statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group treats transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the Income Statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets in the subsidiary.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in its associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with policies adopted by the Group.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of other geographical segments.

Foreign currencies

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the entity operates (its "functional currency"). The Financial Statements are presented in Pounds Sterling (£), which is the Company's functional and presentation currency.

The assets and liabilities in the Financial Statements of foreign subsidiaries and related goodwill are translated at the rate of exchange ruling at the Balance Sheet date. Income and expenses are translated at the actual rate. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to the 'Currency Translation Reserve' in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss.

Property, plant and equipment

Property, plant and equipment is stated at cost or fair value, net of depreciation and any provision for impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is provided on all property, plant and equipment, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Property, plant and equipment – 2 years
Motor vehicles – 5 years
Scanning bureau – 3 years
Leasehold improvements – 3 years
Fixtures and fittings – 3 years

Material residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

An asset is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount, and are recognised in the Income Statement.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Notes to the Financial Statements

For the year ended 31 December 2007

1 Summary of significant Group accounting policies (continued)

Leasing and hire purchase commitments

A finance lease is one in which a significant portion of the risks and rewards of ownership are transferred to the lessee. Assets obtained under finance leases and hire purchase contracts are capitalised in the Balance Sheet and are depreciated over their useful lives. The interest element of the rental obligations is charged to the Income Statement over the period of the lease, and represents a constant proportion of the balance of capital repayments outstanding.

An operating lease is one in which a significant portion of the risks and rewards of ownership are retained by the lessor. Rentals payable under operating leases are charged to the Income Statement on a straight-line basis over the term of the lease.

Intangible assets

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

Goodwill arising on the acquisition of a business, representing the difference between the cost of acquisition and the fair value of the identifiable net assets acquired, is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable. The net book value of goodwill at 1 July 2005 (the date the IFRS 1 exemption applied from) has been treated as deemed cost.

Computer software is included as an intangible asset only when it is separately identifiable from the computer hardware.

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of intangible assets, unless such lives are indefinite. Development costs are amortised. Goodwill is systematically tested for impairment at each Balance Sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Computer software – 2 years

Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets when the following criteria are met:

- completion of the asset is technically feasible so that it will be available for sale;
- management intends to complete the asset and use or sell it;
- the entity is able to use or sell the asset;
- the generation of probable future economic benefits is demonstrable;
- adequate technical, financial and other resources exist to complete the development and use or sell the asset;
- the expenditure attributable to the asset during its development can be reliably measured.

If these criteria are not met, development costs are recognised as an expense as incurred.

Capitalised development costs are amortised from the point at which the asset is ready for use on a straight-line basis over 5 years. Development assets are tested annually for impairment.

Impairment of intangible assets and property, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from the business combination on which the goodwill arose, and represent the lowest level within the Group at which management monitors the related cash flows.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use, are tested for impairment at least annually. All intangible assets and property, plant and equipment with a finite life are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal discounted cash flow evaluation. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. Impairment losses are charged to administrative expenses.

Financial Instruments

Financial assets are recognised in the Balance Sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. Interest receivable and payable is accrued and credited/charged to the Income Statement in the period to which it relates.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Trade payables are recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

Trade receivables

Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits, bank overdrafts, and short-term, highly liquid investments that are readily convertible into known amounts of cash, and are subject to an insignificant risk of changes in value.

Taxation

Current tax is the tax currently payable based on the taxable profit for the year.

Deferred tax is provided in full with no discounting, using the liability method, on temporary differences between the carrying amounts of assets and liabilities and their tax bases, except when, at the initial recognition of the asset or liability, there is no effect on accounting or taxable profit or loss. Deferred tax is determined using tax rates and laws that have been substantially enacted by the Balance Sheet date, and that are expected to apply when the temporary difference reverses.

Tax losses available to be carried forward, and other tax credits to the Group, are recognised as deferred tax assets, to the extent that it is probable that there will be future taxable profits against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of the tax expense in the Income Statement, except where they relate to items that are charged or credited directly to equity (such as the revaluation of land), in which case the related deferred tax is also charged or credited directly to equity.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the Income Statements over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

Provisions

These are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation, using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Employee benefits

The Group supports various personal pension arrangements. The Group also operates a defined contribution stakeholder pension scheme. This is a scheme under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in current and prior years. Agreed contributions are charged to the Income Statement as they become payable.

The Group operates an equity-settled, share based compensation plan. The fair value of the employee services received in exchange for the grant of options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each Balance Sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises revisions of original estimates in the Income Statement, with a corresponding adjustment to equity.

Notes to the Financial Statements

For the year ended 31 December 2007

1 Summary of significant Group accounting policies (continued)

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable by the Group for goods supplied and services provided in the ordinary course of the Group's activities, excluding VAT and trade discounts. Revenue is recognised upon the performance of services or the transfer of risk to the customer.

Revenue from the sale of goods under managed contracts is recognised when all of the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods, which is generally when goods are despatched to customers,
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- a signed agreement is in place;
- no specific vendor obligations remain.

Revenues from consulting services provided on a time basis are recognised at the time the service is performed.

Revenue from maintenance contracts are recognised over the term of the contract on a straight line basis.

Deferred income arises where services are invoiced in advance of performance. The amount is released to the Income Statement in subsequent periods with reference to the stage of completion at the Balance Sheet date.

Interest

Interest is recognised using the effective interest method, which calculates the amortised cost of a financial asset and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Critical accounting estimates and judgements

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

The Group conducts annual impairment tests of goodwill. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate to calculate the present value.

Research and development expenditure

Capitalisation of research and development expenditure requires the entity to consider the probable economic benefits that are expected to be delivered from a research and development project. This in turn requires the entity to estimate the future cash flows that are expected to arise as well as a suitable discount rate.

2 Company accounting policies

The Financial Statements of Infonic plc (the Company) have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

The principal accounting policies of the Company:

a) Investments

Investments in subsidiaries are carried at cost less amounts written off.

b) Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the Balance Sheet date.

c) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

e) FRS 20 'Share based payments'

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to equity.

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

3 Financial risk management

Financial risk factors

The Group's operations expose it to a variety of financial and other risks that include the effect of changes in debt market prices and foreign currency exchange rates, credit risk, liquidity risk and interest rate risk. The Group has a risk management programme in place that seeks to limit the adverse effects on the financial performance of the Group by monitoring levels of debt finance and the related finance costs. The Group does not use derivative financial instruments to manage interest rate costs and, as such, no hedge accounting is applied.

Foreign exchange risk

The Group undertakes sale and purchase transactions denominated in foreign currencies. These currencies (primarily the US dollar) are reasonably stable, and the risk is managed by maintaining bank accounts denominated in those currencies.

Credit risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. No debt finance is currently utilised. The amount of exposure to any individual party is subject to a limit, which is reassessed annually by the Board.

No credit limits were exceeded during the year, and management does not expect any losses from non-performance by these counterparties.

Notes to the Financial Statements

For the year ended 31 December 2007

3 Financial risk management (continued)

Liquidity risk

The Group actively maintains a mixture of long-term and short-term debt finance that is designed to ensure that the Group has sufficient available funds for operations and planned expansions. Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables is assumed to approximate to their fair values, due to their short-term nature.

Other risks and uncertainties

Other key business risks affecting the Group are set out below.

Risks are formally reviewed by the Board, and appropriate processes are put in place to monitor and mitigate them. If more than one event occurs, it is possible that the overall effect of such events would compound the possible adverse effects on the Group.

Computer risk

Our offices use sophisticated scheduling software to manage the activities of the business. Failure of these systems would cause serious disruption. Back-ups of all systems are taken on a regular basis and the Group has developed disaster recovery measures to use in the event of our major software product failing.

Contract risk

In order to retain our contracts, the Group must ensure that it continues to operate to high standards of quality and meet the needs of our customers. Prior to contracts reaching their normal termination dates, we advise customers of the benefits of extending the contractual relationship. There is a risk that they will not be re-awarded.

Global market conditions

Significant parts of the world economy have slowed down in 2008, which could affect the sales of the Company's solutions. Infonic feels that some of its businesses are likely to be protected from this, particularly because some of its products are sold to non-commercial clients, such as in the government sector, educational establishments and the armed forces.

Competition

Some of the Company's businesses operate in highly competitive markets, where there are a variety of similar technologies. Competitors may develop rival technologies which could undermine sales of our solutions. In order to mitigate this risk, we continue to monitor market conditions, pricing and industry developments, enhancing our sales channels and functionality as appropriate. We undertake routine market research to understand our customers' expectations and whether their needs are being met.

Employees

The performance of the company depends on the retention of key staff. To mitigate these issues, the Company has implemented a number of measures that are designed to retain key individuals.

4 Segmental information

Segment information is presented in respect of the Group's business segments. At 31 December 2007, the Group is organised on a worldwide basis into two main business segments, Geo-Replication and Document Management. The primary format, business segments, is based on the Group's management and internal reporting structures. The other Group operations include our Text Analytics/Sentiment business.

Segment results and assets and liabilities include items directly attributable to a segment.

	At 31 December 2007 £	At 31 December 2006 £
Balance sheet		
Assets		
Geo-Replication	12,137,165	5,688,035
Document Management	4,742,177	2,974,626
Other	23,063,821	12,328,095
	39,943,163	20,990,756
Liabilities		
Geo-Replication	(6,004,604)	(601,729)
Document Management	(3,853,964)	(1,275,191)
Other	(23,117,988)	(15,489,294)
	(32,976,556)	(17,366,214)
Net assets / (liabilities)		
Geo-Replication	6,132,561	5,086,306
Document Management	888,213	1,699,435
Other	(54,167)	(3,161,199)
Total	6,966,607	3,624,542
Income statement		
	Year ended 31 December 2007	18 months to 31 December 2006
Revenue		
Geo-Replication	5,372,279	2,264,034
Document Management	2,798,282	2,783,503
Other	671,547	1,407,805
Total	8,842,108	6,455,342
Profit / (loss) from operations		
Geo-Replication	1,753,541	1,512,708
Document Management	366,548	716,431
Other	(139,257)	(4,625,740)
Total	1,980,832	(2,396,601)

Notes to the Financial Statements

For the year ended 31 December 2007

4 Segmental information (continued)

An analysis of turnover by geographical destination is given below:

	Year to 31 December 2007 £	18 months to 31 December 2006 £
UK	7,568,913	4,018,560
Europe	52,310	638,995
Rest of World	1,220,885	1,797,787
	8,842,108	6,455,342

Geographical analysis for total assets and capital expenditure is given below:

	Total assets		Total capital expenditure	
	31 December 2007 £	31 December 2006 £	Year to 31 December 2007 £	18 months to 31 December 2006 £
UK	7,940,702	4,357,688	2,096,433	3,345,715
Rest of World	(974,095)	(733,146)	22,694	4,332
	6,966,607	3,624,542	2,119,127	3,350,047

5 Income

An analysis of the Group's income is as follows:

	Year ended 31 December 2007 £	18 months to 31 December 2006 £
Revenue from services provided and sale of related goods	8,842,108	6,455,342
Interest Income	15,012	21,710
	8,857,120	6,477,052

6 Expenses by nature

	Year ended 31 December 2007 £	18 months to 31 December 2006 £
Research and non-capitalised development costs	56,406	37,211
Employee benefits	2,988,833	4,017,761
Depreciation, amortisation and impairment charges	741,161	389,659
Auditors remuneration		
– as auditors	133,431	156,287
– other services (see below)	32,569	–
Transportation costs	518,358	591,694
Operating lease payments	267,871	132,955
Other expenses	4,446,954	12,171,641

	Year ended 31 December 2007 £	18 months to 31 December 2006 £
Auditors' remuneration		
Fees payable to the Company's auditor and its associates for other services provided to the Company and its subsidiaries:		
Working capital review and report	27,949	–
Services relating to litigation	4,620	–

7 Property, plant and equipment

	Plant and machinery £	Motor vehicles £	Scanning bureau £	Leasehold improvements £	Fixtures & fittings £	Total £
Cost						
At 1 July 2005	134,149	–	–	–	8,553	142,702
Acquired from acquisitions	405,358	7,587	13,177	23,314	63,302	512,738
Additions	78,651	–	–	21,378	3,029	103,058
Disposals	(1,346)	–	–	–	–	(1,346)
Transfers & adjustments	(38,507)	(789)	(1,103)	–	156	(40,243)
At 31 December 2006	578,305	6,798	12,074	44,692	75,040	716,909
Additions	85,819	–	–	–	10,419	96,238
Acquired from acquisitions	4,378	–	–	–	30,221	34,599
Disposals	(4,356)	(6,331)	–	–	–	(10,687)
Transfers & adjustments	(1,861)	(467)	–	–	756	(1,572)
At 31 December 2007	662,285	(0)	12,074	44,692	116,436	835,487
Depreciation						
At 1 July 2005	69,682	–	–	–	7,181	76,863
Acquired from acquisitions	368,388	2,655	6,315	21,684	45,860	444,902
Charge for the period	96,262	1,020	2,646	11,131	6,465	117,524
Disposals	(636)	–	–	–	–	(636)
Transfers & adjustments	(11,878)	177	–	–	72	(11,629)
At 31 December 2006	521,818	3,852	8,961	32,815	59,578	627,024
Charge for the year	57,442	950	2,381	7,126	11,624	79,523
Acquired from acquisitions	1,459	–	–	–	12,089	13,548
Disposals	(1,331)	(4,538)	–	–	–	(5,869)
Transfers & adjustments	(1,166)	(264)	–	–	778	(652)
At 31 December 2007	578,222	(0)	11,342	39,941	84,069	713,574
Net Book Value						
At 31 December 2007	84,063	(0)	732	4,751	32,367	121,913
At 31 December 2006	56,487	2,946	3,113	11,877	15,462	89,885

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For the year ended 31 December 2007

8 Intangible fixed assets

	Software licences £	Development costs £	Goodwill £	Total £
Impairment tests for goodwill				
Cost				
At 1 July 2005	–	–	5,112,606	5,112,606
Additions	77,569	3,169,420	–	3,246,989
Disposals	(9,282)	–	–	(9,282)
Transfers & Adjustments	36,792	–	–	36,792
At 31 December 2006	105,079	3,169,420	5,112,606	8,387,105
Additions	13,537	1,758,161	251,191	2,022,889
At 31 December 2007	118,616	4,927,581	5,363,797	10,409,994
Amortisation				
At 1 July 2005	–	–	–	–
Charge for the period	61,704	210,431	–	272,135
Disposals	(5,780)	–	–	(5,780)
Transfers & Adjustments	7,859	–	–	7,859
At 31 December 2006	63,783	210,431	–	274,214
Charge for the year	30,743	630,394	–	661,137
At 31 December 2007	94,526	840,825	–	935,351
Net Book Value				
At 31 December 2007	24,090	4,086,756	5,363,797	9,474,643
At 31 December 2006	41,296	2,958,989	5,112,606	8,112,891
At 1 July 2005	–	–	5,112,606	5,112,606

Goodwill is allocated to the Group's cash-generating units (CGUs), identified according to business segment.

The following table shows a segment-level summary of the goodwill allocation:

	2007 £	2006 £
Geo-Replication	2,438,533	2,192,842
Document Management	1,099,845	1,094,345
Sentiment	1,825,419	1,825,419
	5,363,797	5,112,606

Impairment test for goodwill

The Group tests goodwill annually for impairments, or more frequently if there are indications that goodwill may have been impaired.

The recoverable amount of a CGU is determined based on value-in-use calculations. These use pre-tax cash flow projections, based on financial budgets approved by management, covering a five-year period. Cash flows beyond this period are extrapolated using the estimated growth rates given below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in-use calculations are:

	Geo- Replicator	Document Management	Sentiment
Gross margin	95%	95%	95%
Growth rate	10%	7.50%	25%
Discount rate	10%	10%	10%

These assumptions have been used for the analysis of each CGU within the business segment.

Management determined budgeted gross margin based on past performance and its expectations of market development. The weighted average growth rates used are consistent with the forecasts included in industry reports. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

9 Investments in subsidiary undertakings

Investments in Group undertakings are recorded at cost, which is the fair value of the consideration paid.

	2007 £	2006 £
Cost at 1 January / 1 July	9,822,742	9,435,026
Additions	185,968	6,053,569
Impairment	–	(5,665,853)
Cost at 31 December	10,008,710	9,822,742

Additions of £117,521 relate to the acquisition of Infonic (Asia Pacific) Pte Ltd (formerly known as Corpora Software (Asia Pacific) Pte Ltd) (see note 24), with the balance relating to prior period acquisitions of Infonic Geo-Replicator Limited (formerly known as iOra Limited) and Infonic Document Management Limited (formerly known as Tokairo Limited).

Subsidiary undertakings

Name of company	Country of registration	% held	Nature of business
Corpora Software Limited	England & Wales	100	Software development
Heat Software Limited	England & Wales	100	Dormant
Infonic Inc (formerly Corpora Software Inc)	USA	100	Software sales
Infonic Media Analysis Limited (formerly Infonic Limited)	England & Wales	100	Internet research and software development
Algorithmix Limited	England & Wales	100	Research and software development
Infonic Geo-Replicator Limited (formerly iOra Limited)	England & Wales	100	Software development
iOra Inc	USA	100	Software sales
Infonic Document Management Limited (formerly Tokairo Limited)	England & Wales	100	Software development
Tokairo Holdings Inc (formerly Tokairo Inc)	USA	100	Holding company
Infonic (Asia Pacific) Pte Limited (formerly known as Corpora Software (Asia Pacific) Pte Limited)	Singapore	78	Software sales
Infonic (UK) Limited	England & Wales	100	Software sales
Infonic Portfolio Services Limited	England & Wales	100	Dormant
Infonic Group Nominees Limited	England & Wales	100	Dormant

All these subsidiary undertakings have been included in the consolidation.

10 Trade and other receivables

	Group		Company	
	2007	2006	2007	2006 (restated)
	£	£	£	£
Trade receivables	1,233,305	1,834,547	–	–
Less provision for impairment of trade receivables	(167,575)	(147,292)	–	–
Trade receivables – net	1,065,730	1,687,255	–	–
Prepayments	2,066,432	1,149,726	78,764	30,515
Other debtors	42,711	245,841	60,774	122,415
Amounts owed by Group undertakings	–	–	1,380,625	–
Current portion	3,174,873	3,082,822	1,520,163	152,930
Non-current portion: amounts owed to Group undertakings	–	–	11,641,823	8,571,301
Total debtors	3,174,873	3,082,822	13,161,986	8,724,231

All non-current receivables are intercompany balances that are interest free with no specific repayment dates.

At 31 December 2007, trade receivables of £165,575 (2006: £147,292) were impaired. The individually impaired receivables relate mainly to wholesalers, which are in unexpectedly difficult economic situations. It is expected that a portion of the receivables will be recovered.

Notes to the Financial Statements

For the year ended 31 December 2007

10 Trade and other receivables (continued)

The aging of net trade receivables is as follows:

	2007 £	2006 £
Up to 3 months	952,647	1,590,177
Over 3 months	113,083	97,078
	1,065,730	1,687,255

Movements on the Group provision for impairment of trade receivables are as follows:

	2007 £	2006 £
Opening balance	147,292	–
Provision for receivables impairment	51,858	147,292
Unused amounts reversed	(31,575)	–
Closing balance	167,575	147,292

The creation and release of the provision for impaired receivables is included in administrative expenses in the Income Statement. Amounts charged to the provision account are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets.

11 Cash and cash equivalents

Cash, cash equivalents and bank overdrafts with right of offset include the following for the purposes of the Cash Flow Statement:

	Group		Company	
	31 December 2007 £	31 December 2006 £	31 December 2007 £	31 December 2006 £
Cash at bank and in hand	194,465	273,794	45,157	169,258
Short-term bank deposits	4,769,018	–	503,286	–
Bank overdrafts	(575,527)	(860,476)	(22)	(77,199)
Total	4,387,956	(586,682)	548,421	92,059

12 Called-up share capital

Group and Company	31 December 2007		31 December 2006		Total £	
	No of shares	£	No of shares	£		
Authorised						
Ordinary share capital of 1p each	225,000,000	2,250,000	150,000,000	1,500,000		
	No. of shares	Ordinary shares £	Share premium £	Share option reserve £	Share purchase reserve £	
Called up, allotted and fully paid						
Ordinary shares of 1p each						
At 1 July 2005	58,963,301	589,633	14,132,702	794,217	276,283	15,792,835
Exercise of employee options	8,337,806	83,378	–	(60,874)	–	(22,504)
Acquisition of subsidiaries	27,233,233	272,332	2,984,724	45,872	153,553	3,456,481
Acquisition funding	6,500,000	65,000	–	–	–	65,000
Issue of shares (net of expenses)	29,425,000	294,250	3,093,867	–	–	3,388,117
At 31 December 2006	130,459,340	1,304,593	20,211,293	779,215	429,836	22,724,937
Acquisition of subsidiaries	2,254,118	22,541	698,987	(45,873)	(98,914)	576,741
Acquisition funding	17,625,447	176,254	–	–	–	176,254
Issue of shares (net of expenses)	74,657,760	746,578	2,267,443	–	–	3,014,021
At 31 December 2007	224,996,665	2,249,966	23,177,723	733,342	330,922	26,491,953

On 11 January 2008 the Company increased its authorised share capital to £3,250,000

Shares issued in the year:

Date issued	Detail	No. of shares	£
31/12/2007	Opening balance	130,459,340	1,304,593
19/02/2007	Acquisition funding	2,872,062	28,721
22/03/2007	Acquisition funding	1,123,596	11,236
22/03/2007	Acquisition funding	165,909	1,659
03/04/2007	Acquisition – Infonic Geo-Replicator deferred consideration	2,254,118	22,541
03/04/2007	Acquisition funding	1,039,501	10,395
23/04/2007	Acquisition funding	1,440,922	14,409
16/05/2007	Acquisition funding	230,000	2,300
21/05/2007	Acquisition funding	8,005,106	80,051
11/06/2007	Share placing	60,285,032	602,850
19/06/2007	Acquisition funding	1,818,182	18,182
19/07/2007	Acquisition funding	930,169	9,302
11/12/2007	Share placing	14,372,728	143,727
		224,996,665	2,249,966

Costs of £635,635 in respect of share placings in the year have been offset in the share premium account.

	Share based payment reserve £	Translation reserve £
Other reserve movements		
At 1 July 2005	–	–
Share scheme charge	45,436	–
Foreign exchange translations	–	11,004
At 31 December 2006	45,436	11,004
Share scheme charge	74,043	–
Foreign exchange translations	–	(16,772)
At 31 December 2007	119,479	(5,768)

13 Share options

Options have been granted under the Company's 2003 Share Option Scheme Rules ("the Scheme"). At 31 December 2007 the following options were outstanding:

	Option price					Total
	15p	7p	5.5p	2.4655p	1p	
Approved						
As at 1 January 2007	–	10,590,114	–	365,039	58,754	11,013,907
Granted during the year	–	2,038,557	12,309,940	–	–	14,348,497
Lapsed or surrendered	–	(11,378,671)	–	–	–	(11,378,671)
As at 31 December 2007	–	1,250,000	12,309,940	365,039	58,754	13,983,733
Unapproved						
As at 1 January 2007	200,000	4,333,557	–	303,713	1,067,757	5,905,027
Granted during the year	–	4,827,886	525,000	–	–	5,352,886
Lapsed or surrendered	(200,000)	(4,333,557)	–	–	(1,067,757)	(5,601,314)
As at 31 December 2007	–	4,827,886	525,000	303,713	–	5,656,599

No options were exercised in 2007.

Typically options issued under the Scheme are exercisable one year after grant, conditional on continuous employment during that period. The options expire five years after the date of grant. The options issued at 2.4655p expire ten years after the date of grant. During the year ended 31 December 2007 the Board took the decision that in order to retain staff across the Group, it was advisable to rescind most of the options granted at 7p and to grant new options at 5.5p. Most employees agreed to surrender their 7p options in return for new options exercisable at 5.5p a share. Employees leaving the company before the date of exercise of their options may only retain those options subject to Board approval.

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For the year ended 31 December 2007

14 Retained earnings

Group	£
At 30 June 05 as reported	(7,755,103)
Prior year adjustment	107,543
At 1 July 2005	(7,647,560)
Loss for the period	(13,930,521)
Exchange movement	35,469
At 31 December 2006 as reported	(21,542,612)
IFRS adjustment	2,385,777
At 1 January 2007	(19,156,835)
Loss for the year	(2,119,097)
Exchange movement	65,759
Liquidation of subsidiary	1,681,508
Minority Interest	112,479
Write off of intercompany debt	(222,219)
At 31 December 2007	(19,638,405)

Company - Reconciliation of shareholder funds	Ordinary shares £	Share premium £	Shares to be issued £	Other reserves £	Retained Earnings £	Total £
At 1 July 2005	589,633	14,132,702	1,070,499	–	(437,569)	15,355,265
Loss for period	–	–	–	–	(8,483,703)	(8,483,703)
New equity of share capital	714,960	–	–	–	–	714,960
Premium on new share capital	–	6,358,055	–	–	–	6,358,055
Share issue expenses	–	(279,464)	–	–	–	(279,464)
Contingent shares to be issued	–	–	138,552	–	–	138,552
Share scheme charge under FRS20	–	–	–	45,436	–	45,436
At 31 December 2006	1,304,593	20,211,293	1,209,051	45,436	(8,921,272)	13,849,101
Prior year adjustment	–	–	–	–	972,254	972,254
At January 2007 as restated	1,304,593	20,211,293	1,209,051	45,436	(7,949,018)	14,821,355
Loss for period	–	–	–	–	(1,655,103)	(1,655,103)
New equity of share capital	945,374	–	–	–	–	945,374
Premium on new share capital subscribed	–	3,602,065	–	–	–	3,602,065
Share issue expenses	–	(635,635)	–	–	–	(635,635)
Acquisitions of subsidiaries	–	–	(144,788)	–	–	(144,788)
Share scheme charge	–	–	–	74,043	–	74,043
At 31 December 2007	2,249,967	23,177,723	1,064,263	119,479	(9,604,121)	17,007,311

The prior year adjustment in the Company for the period ended 31 December 2006 relates to the management charges for the period being charged out to various subsidiaries, these charges had been recorded in the relevant subsidiaries and accounted for upon consolidation.

The Company has elected to take the exemption under Section 230 of the Companies Act 1985 from presenting the Parent Company Income Statement.

The loss for the Parent Company for the year was £1,655,103 (2006: £7,949,018).

15 Trade and other payables

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Trade payables	875,373	681,755	599,862	191,074
Social security and other taxes	1,951,241	1,740,538	132,169	365,753
Other creditors	773,059	640,769	86,209	579,280
Accruals and deferred income	1,210,924	999,718	243,777	212,153
Total	4,810,597	4,062,780	1,062,017	1,348,260

16 Borrowings

Group	2007 £	2006 £
Non-current		
Debentures and other loans	–	557,437
Finance lease liabilities	21,476	34,000
	21,476	591,437
Current		
Bank overdrafts	–	860,475
Debentures and other loans	4,558,990	1,823,885
Finance lease liabilities	25,231	34,065
	4,584,221	2,718,425
	4,605,697	3,309,862

Maturity of debt

The borrowings are repayable as follows:

	Debt £	Other Loans £	Finance Leases £	Total 2007 £	Debt £	Other Loans £	Finance Leases £	Total 2006 £
Within one year	–	4,558,990	25,231	4,584,221	860,475	1,823,885	34,065	2,718,425
Between one and two years	–	–	21,476	21,476	–	557,437	34,000	591,437
	–	4,558,990	46,707	4,605,697	860,475	2,381,322	68,065	3,309,862

Bank and other borrowings

Total borrowings include unsecured liabilities of £4,558,990 (2006: £3,241,797), with an approximate average interest of 8% (2006: 7%).

The Group's borrowings are funded through hedge funds and a revolving credit facility. Amounts repaid under this facility can be redrawn. Amounts outstanding at year end under this facility were repaid in full through January and February 2008.

17 Deferred tax assets and liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. Deferred tax liabilities are temporary timing differences arising on tangible and intangible assets.

The offset amounts are as follows:

	2007 £	2006 £
Deferred income tax assets to be recovered within 12 months	–	–
Deferred income tax liabilities to be settled after more than 12 months	776,484	562,208
Deferred income tax liabilities (net)	776,484	562,208

The movement on the deferred income tax account is as follows:

	Intangibles £
At 1 January 2007	562,208
Charged to income statement	214,276
At 31 December 2007	776,484

The deferred tax charge arises from the capitalisation of development costs, but which are deducted in determining taxable profit. The development costs have a tax base of nil. The temporary differences is the difference between the carrying amount of the development costs and their tax base of nil.

The Group has UK trading corporation tax losses available to be carried forward for offset against future taxable profits amounting to approximately £14,023,000 (2006 – £12,853,000). These tax losses will reduce the tax charge of future periods until the Group achieves sufficient profits to utilise the losses. These losses give rise to a deferred tax asset of approximately £2,664,000 (2006 – £2,442,000). No deferred tax assets have been recognised as there is currently insufficient certainty that the assets will be recorded.

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18 Employees

	Year ended 31 December 2007 £	18 months to 31 December 2006 £
Staff costs (including executive directors)		
Wages and salaries	2,513,569	3,404,719
Social security costs	351,274	343,752
Pension contributions – defined contribution plans	49,947	223,854
Share option costs	74,043	45,436
	2,988,833	4,017,761

	Year ended 31 December 2007	18 months to 31 December 2006
Average number of employees (including executive directors)		
Consulting	18	10
Software development	25	20
Research	3	4
Sales	17	20
Administration, finance and business development	15	19
	78	73

By location

UK	71	67
USA	7	6
	78	73

19 Directors' remuneration

	Year ended 31 December 2007 £	18 months to 31 December 2006 £
Emoluments	765,188	615,267
Company pension contributions to defined contribution schemes	14,615	25,560
Compensation for loss of office	–	33,000
Sums paid to third parties for directors' services	40,674	45,825
	820,477	719,652

Retirement benefits are accruing for directors under a defined contribution pension scheme.

	Year ended 31 December 2007 £	18 months to 31 December 2006 £
Highest Paid Director		
Emoluments	277,823	279,011
Company pension contributions to defined contribution schemes	6,250	9,375
	284,073	288,386

In addition to the sum above the highest paid director also received £84,746 in relation to remuneration relating to previous periods but not paid prior to 2007.

20 Finance income and costs

	Year ended 31 December 2007 £	18 months to 31 December 2006 £
Interest expense:		
– bank borrowings	4,351	8,743
– interest payable on other debts	73,413	428,951
– interest payments on leases	11,116	–
– exceptional	1,542,124	206,830
Finance costs	1,631,004	644,524
Finance income – interest income on short-term bank deposits	(14,023)	(21,710)
– interest from trade debtors	(989)	–
Net finance costs	1,615,992	622,814

21 Taxation

	Year ended 31 December 2007 £	18 months to 31 December 2006 £
The tax / (credit) represents:		
Research and development tax credits	(39,171)	(683,219)
Adjustments in respect of prior periods	(16,450)	–
Overseas corporation tax	975	1,075
Total current tax	(54,646)	(682,144)
Deferred tax – origination and reversal of timing differences (note 17)	214,276	562,208
Taxation	159,630	(119,936)

UK tax is calculated at 19% (2006: 19%) of taxable profit. Overseas tax is calculated at the rates ruling in the relevant countries. The tax charge is explained as follows:

	Year ended 31 December 2007 £	18 months to 31 December 2006 £
Loss before tax	(1,959,467)	(11,664,680)
Loss on ordinary activities multiplied by standard rate of corporation tax of 19% (2006 – 19%)	(372,299)	(2,216,289)
Effect of:		
Research and development amortisation	119,775	39,982
Expenses not deductible for tax	96,118	–
Depreciation in excess of capital allowances	3,900	–
Utilisation of tax losses	(112,817)	–
Losses to be carried forward	349,192	2,176,307
Finance lease rentals	(1,188)	–
Group relief utilised	(8,534)	–
Research and development	(39,171)	(683,219)
Foreign income taxed at higher rate	975	1,075
Adjustments to tax charge in respect of previous periods	(16,450)	–
Additional 50% reduction for research and development	(74,147)	–
Charge for the year / period	(54,646)	(682,144)

Notes to the Financial Statements

For the year ended 31 December 2007

22 Earnings per share

Basic

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year / period.

	2007	2006
Loss attributable to equity (£)	(2,108,192)	(11,544,744)
Weighted average number of ordinary shares in issue	178,155,366	93,069,857
Basic earnings per share (pence per share)	(1.2)	(12.4)

An adjusted profit / (loss) per share of 0.9p (2006: (3.0p)) has been calculated as the directors feel that adding back amortisation of other intangible assets and exceptional items more fairly reflects the underlying business.

Adjusted profit / (loss) is calculated as follows:

	2007	2006
Loss for the purpose of basic earnings per share (£)	(2,108,192)	(11,544,744)
Add back:		
Amortisation of other intangible assets	661,137	272,135
Exceptional costs	3,125,270	8,462,436
	3,786,407	8,734,571
Earnings / (loss) for the purpose of adjusted earnings per share (£)	1,678,215	(2,810,173)
Weighted average number of shares	178,155,366	93,069,857
Adjusted earnings / (loss) in pence per share	0.9p	(3.0)p

No diluted loss per share is presented as the effect on the exercise of the options would be to decrease the loss per share.

23 Commitments

Operating lease commitments

The Group leases various offices and plant and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure charged to the Income Statement during the year is shown in Note 6.

	Land & buildings		Other	
	2007	2006	2007	2006
	£	£	£	£
Expiry date:				
Within one year	175,855	151,892	19,439	13,629
Between two and five years	311,758	522,643	59,187	24,987
	487,613	674,535	78,626	38,616

24 Business combinations

On 1 July 2007, the Group acquired 78% of the share capital of Corpora Software (Asia Pacific) Pte Limited, which has since been re-named Infonic Software (Asia Pacific) Pte Limited. The acquired business contributed revenues of £33,111 and net loss of £38,663 to the Group for the period from 1 July 2007 to 31 December 2007. The principal activity of the acquired business is to sell the Groups software products in the Asia Pacific region. If the acquisition had occurred on 1 January 2007, Group revenue would have been £70,321, and loss before allocations would have been £118,935. These amounts have been calculated using the Group's accounting policies, and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged had the fair value adjustments to property, plant and equipment and intangible assets applied from 1 July 2007, together with the consequential tax effects.

Details of net assets acquired and goodwill are:

	£	£
Purchase consideration:		
– cash paid		117,521
Total purchase consideration		117,521
Fair value of net liabilities	83,619	
Company's share of net liabilities acquired (78%)		65,223
Goodwill		182,744

The goodwill is attributable to the workforce of the acquired business.

During the period ended 31 December 2006 the company made two acquisitions for a total consideration of £6,053,570, the value of net asset acquired attributable to the company were £1,886,266, leaving an amount for goodwill of £4,167,304.

The assets and liabilities as at 1 July 2007 arising from the acquisition were:

	Fair value £	Acquiree's carrying amount £
Cash and cash equivalents	25,554	25,554
Property, plant and equipment	21,051	21,051
Trade and other receivables	5,191	5,191
Trade and other payables	(135,415)	(135,415)
Net liabilities acquired	(83,619)	(83,619)
Minority interests (22%)	(18,396)	(18,396)
Net liabilities acquired	(65,223)	(65,223)
Purchase consideration settled in cash	117,521	
Cash and cash equivalents in subsidiary acquired	(25,554)	
Cash outflow on acquisition	91,967	

25 Related party transactions

During the period Mark Thompson pledged £602,543 (2006: £361,515) of personal assets to secure Group funds.

Mark Thompson also acted as guarantor on sundry loans and facilities totalling a maximum of £625,000 (2006: £77,000) during the year. These loans and facilities are still outstanding at the period end.

Mark Thompson's total average risk in respect of guarantees and loans to the Group totalled £1,227,543 (2006: £788,515) during the period. His exposure was unsecured at all times.

During 2006 the average risk in respect of guarantees and loans to the Group totalled £260,000 for Dan Wajzner and £100,000 for Robert Lowe.

Sums were accrued during the twelve month period to each of the guarantors named above at a rate of 13.5% per annum. This rate was determined to be reasonable compensation for the encumbrance of their personal assets and the risk that they had entered into on behalf of the Group. Also any reasonable fees or charges incurred in connection with providing this support has been accrued to each guarantor.

26 Exceptional items

The nature of these amounts can be split into four categories: financing and legal costs associated with acquisitions both concluded and unconcluded, costs relating to restructuring after the acquisitions had taken place, impairments of investments and goodwill and the liquidation of subsidiary company, Exago Limited.

	Year ended 31 December 2007 £	18 months to 31 December 2006 £
Acquisition related	1,733,919	1,104,254
Restructuring	213,111	343,266
Impairments	–	7,014,916
Liquidation of subsidiary undertaking	1,178,240	–
	3,125,270	8,462,436

27 Contingencies

The Group has contingent liabilities in respect of the company and fellow subsidiaries providing a cross composite guarantee. At the year end overdrafts under this guarantee amounted to £860,475.

Notes to the Financial Statements

For the year ended 31 December 2007

28 Events after the balance sheet date

Share placing

The Company finalised a share placing via its brokers FinnCap on 15 January 2008 for a total of £3,094,251. £790,500 of this amount was received on 10 December 2007 and the balance of £2,303,751 was received on 15 January 2008.

New premises

A decision to move the headquarters to larger premises within the Surrey Research Park was made by the Board and a new lease was signed on 3 March 2008. The new lease is for 10 years with an option to determine on the lease on 30 June 2013. The annual rent for the property is £205,000 which will be reviewed on 30 June 2013.

Business combinations

On 8 January 2008 the Group (through its Texan subsidiary Tokairo Holdings, Inc) entered into an agreement to acquire 51% of the share capital of Infonic Document Management LLC (formerly known as Tokairo LLC). The Group made a contribution of \$208,163 to Infonic Document Management LLC, which sells the Group's Document Management software in North America.

Increase in share capital

As at 24 April 2008 the issued share capital of the Company was 268,787,056 ordinary 1p shares, representing an increase of 43,790,391 ordinary 1p shares from the issued share capital of 224,996,665 ordinary 1p shares on 31 December 2007. 41,886,382 shares of this increase relates to shares issued pursuant to the placing (issued at a price of 5.5p a share) and the remainder of the increase (1,904,009) relates to shares issued pursuant to entitlements to shares arising out of acquisition agreements and the exercise of share options.

Bank and other borrowings

Of these, loans outstanding totalling £1,832,405 at the year end have been consolidated into one new loan, and will be paid down monthly over ten months commencing from April 2008.

Other loans of £2,715,650 outstanding at the year end have since been fully settled.

Three new loans have been agreed; one of £600,000, a second of \$2,000,000 and a third of £1,500,000, all at 8% interest repayable within 180 days.

29 Parent undertaking and ultimate controlling party

In the opinion of the board there is no ultimate controlling party.

30 Reconciliation of previous GAAP to IFRS

Restatement of financial information under International Financial Reporting Standards (IFRS)

This is the first year that the Group has presented its financial statements under IFRS. The Company reported under UK GAAP in its previously published financial statements for the period ended 31 December 2006. The following reconciliations after the application of its IFRS accounting policies as detailed in note 1 to the accounts above have been prepared and are set out below together with explanatory notes on the impact of the transition to IFRS.

The areas of accounting that are most significantly impacted are:

- the treatment of purchased goodwill
- accounting for business combinations
- the effects of changes in foreign exchange rates
- the capitalisation of development costs

The following table summarises the impact of the adoption on the Group's loss for the year ended 31 December 2007 and the period ended 31 December 2006.

	Year ended 31 December 2007 £	18 months to 31 December 2006 £
Loss before tax as reported under UK GAAP	(4,898,645)	(14,612,665)
IFRS adjustments:		
Reversal of goodwill amortisation	1,800,165	3,894,838
Impairment of goodwill	–	(3,894,838)
Foreign Exchange translations	11,246	(11,004)
Capitalisation of development costs	1,758,161	3,169,420
Amortisation on development costs	(630,394)	(210,431)
Loss before tax as reported under IFRS	(1,959,467)	(11,664,680)

The Income Statement has not been adjusted on a line by line basis for the period ended 31 December 2006 as the overall effect is not material to the Group's results, but has been for the year ended 31 December 2007.

The impact on total equity at 30 June 2005, 31 December 2006 and 31 December 2007

	Year ended 30 June 2005 £	18 months to 31 December 2006 £	Year ended 31 December 2007 £
Net assets as reported under UK GAAP	8,145,275	1,227,761	1,856,170
IFRS adjustments:			
Reversal of goodwill amortisation	2,201,942	3,894,838	1,800,165
Impairment of goodwill	(2,201,942)	(3,894,838)	–
Capitalisation of development costs	–	3,169,420	4,927,581
Amortisation on development costs	–	(210,431)	(840,825)
Deferred tax liability on development costs	–	(562,208)	(776,484)
Net assets as reported under IFRS	8,145,275	3,624,542	6,966,607

1 Intangible assets

a) Goodwill

Under IAS 38 Intangible Assets, goodwill is not amortised but instead is reviewed annually for impairment. The Group has elected to not apply IFRS 3 retrospectively, therefore the net book value of goodwill has been frozen at 30 June 2005 with no further amortisation charged on goodwill held at that date or on subsequent acquisitions.

An impairment review is also required at the date of transition under IFRS 1 in accordance with the guidelines set out in IAS 36 'Impairment of Assets' regardless of whether any indications of impairment exist. The Group reviewed the goodwill held at the date of transition and an impairment was made.

b) Research and Development

Under IAS 38 Intangible Assets research and development projects which meet certain criteria are capitalised and amortised over the period of their economic benefit. The Group has determined that it has certain projects which meet the IAS 38 criteria and therefore should be capitalised.

2 Deferred taxation

Deferred tax under UK GAAP was not provided due to materiality.

IAS 12 'Income Taxes' requires that full provision be made for all taxable temporary timing differences except those arising on goodwill. The principal impact of adopting IAS 12 has been to recognise deferred tax liabilities on the temporary differences arising on capitalisation of research and development projects.

Directors' Report

The directors present their Report, together with the Group Financial Statements and Auditors' Report, for the year ended 31 December 2007.

Principal activities and business review

The principal activities of the Company during the year under review were software sales and marketing supported by ongoing product development.

The results for the year to 31 December 2007 are set out in the Group income statement on page 21.

Business environment

The three divisions of the Company operate in slightly differing business environments, although there are many commonalities.

Document Management

The Document Management software market is highly fragmented. There are a number of large market leaders, Infonic's Document Manager solution operating in the middle tier of providers and document management functionality, where there are many competitors.

Infonic has differentiated its product from its competitors by concentrating on marketing in particular sectors which need Document Management software, such as logistics and accounts payable. Infonic has also been concentrating on developing channels for the sale of Document Manager, such as it being sold as part of Finance and Human Resource systems, and as part of a case management solution for insurance brokers.

Infonic's Document Manager has an easy to use user interface and it is competitively priced. Infonic has also developed a hosted solution for its software in addition to the deployed model.

Geo-Replication

Companies can deal with the delays in synchronising data items between geographically remote servers and servers to laptops in two different ways: by investing in faster hardware such as routers, or implementing specialised software, such as using Infonic's Geo-Replicator product. The Geo-Replication market space is serviced by a relatively limited number of specialised suppliers.

Infonic distinguishes itself in the market in terms of the functionality of its Geo-Replicator offering, which offers unique compression and virtualisation technologies. Infonic also sees providing consultancy advice in relation to the set up of client SharePoint portals as a key area to help win business for its Geo-Replicator product.

Text Analytics (Sentiment)

The text analytics business space is very specialist with a small number of participants, as it is an emerging technology. There are comparatively few competitors.

Infonic has concentrated on developing the accuracy of the results of its automated sentiment software engine, which is on par with human checking, and on ensuring that its software can deal with large data throughputs.

Strategy

The Company's objectives are

- to grow through the development of its separate business areas, which are supported by a few centrally pooled corporate support functions;
- to develop its sales reach, and market awareness; and
- to seek out acquisition and joint venture opportunities which add value to the Company.

The Company develops its businesses accordingly to the relevant market conditions for the particular division.

Over 2007 the Company invested in developing its sales function, particularly in newer markets like continental Europe, the Asia Pacific region and North America, where it believes there are the most opportunities for higher growth.

While 2007 was the year for consolidating the Group following on from the acquisitions made in the previous years, the Group will continue to consider strategic acquisitions of other software providers whose products and businesses would complement Infonic's existing businesses.

Research and development

We will continue to invest in enhancing the software of our business divisions, trying where appropriate to be proactive in terms of assessing what developments will provide market leading functionality and which may result in revenue growth. The directors regard the investments in research and development as integral to the continuing success of the business.

Future outlook

We believe that the Document Management business can continue to grow, particularly through targeting sales of the product in different sectors, and through channels, packaging Document Manager as part of larger solutions.

Infonic feels that there is considerable scope for the development of the Geo-Replication market, such as the implementation of the Company's technology in the raw materials extraction industries and in different regional markets.

The text analytics market is still at an early stage of development and so potential customers need to be educated in terms of the availability and application of this powerful technology, but we are confident that demand will increase.

We therefore believe that each of the Company's businesses will grow healthily in 2008 in their respective sectors.

Key Performance Indicators ("KPIs")

We have made significant progress in the year on the Group's overriding objectives. The Board monitors progress on the overall Group strategy and the individual strategic elements by reference to these KPIs.

Performance during the year, together with historical trend data, is set out in the table below:

	2007	2006	Definition, method of calculation and analysis
Growth in sales	8.8m	6.4m	The increase exceeded our growth plans. Sales have improved due to our success in the Geo-Replication market, and continued strong growth in the Document Management business
Gross margin (%)	94%	90%	Gross margin is improved on last year as a result of the renegotiation of contracts with a number of our suppliers, and because of the increased proportion of high margin of GR deals
EBITDA	1.981m	(2.397)m	Significant turnaround due to growth in revenues in Geo-Replication and Document Management
OPEX	6.297m	8.239m	Consolidation of costs after merger of various acquired entities produced considerable and targeted savings in OPEX (Operational Expenditure)

Results and dividends

The trading results for the year, and the Group's financial position at the end of the period, are shown in the attached financial statements. Further commentary is given in the Chairman's Statement and the Chief Executive's Review.

The directors are not recommending the payment of a dividend (2006: £nil).

Directors and their interests

The directors who served with the Company during the year including their beneficial interests in shares of the Company, is as follows:

Director	Class of share	31 Dec 2007	31 Dec 2006
Robert Lowe *	Ordinary	429,333	96,000
Mark Thompson **	Ordinary	2,500,170	2,410,170
Jeremy Fletcher ***	Ordinary	1,908,181	–
Dawson Buck ****	Ordinary	767,045	312,500
Daniel Wajzner	Ordinary	1,325,872	1,235,872
David Ure	Ordinary	–	–

* 333,333 of these shares are held through a related party of the director.

** 245,000 of these shares are held through a related party of the director.

*** 1,454,545 of these shares are held through a related party of the director.

**** 454,545 of these shares are held through a related party of the director.

Jeremy Fletcher and David Ure joined the Board of Directors during 2007.

As at 1 May 2008 the following were interested in 3% or more of the Company's share capital:

Name	No. of shares	Percentage
Pacific Continental Securities Limited	33,120,681	12.32
Cazenove Capital Management	18,765,000	6.98
Singer & Friedlander	14,097,032	5.25
Legal & General Investment Management	12,000,000	4.46
M&G Investment Management	11,674,460	4.34
Robin Seth Esq	8,080,909	3.00

During 2007 the market price of the company's shares ranged between 8.62p and 4.5p. On 31 December 2007 the market price was 5.63p.

Directors' indemnity

The Company has made qualifying third-party indemnity provisions for the benefit of its directors in the form of obtaining Directors' and Officers' Liability Insurance.

Directors' Report

Charitable contributions

During the year ended 31 December 2007 the Group has made the following charitable contributions:

Royal Marines Rifle Association	£6,000
Make-a-Wish Foundation	£1,000
National Autistic Society	£250

Post balance sheet events

Please refer to note 28.

Policy and practice on payment of creditors

The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. The Group does not have a standard or code which deals specifically with the payment of suppliers.

Branches outside the UK

The Group has operations in the United States of America and Singapore, and a sales reseller office in Germany.

Directors' responsibilities

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 Financial Statements for each financial year. Under that law the directors have prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The directors have elected to prepare the Company Financial Statements under UK Generally Accepted Accounting Practice (UK GAAP). The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing these Financial Statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state that the Group Financial Statements comply with IFRSs as adopted by the European Union and parent company financial statements in accordance with UK GAAP, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis, unless it is inappropriate to presume that the Group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the Financial Statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group, and enable them to ensure that the Financial Statements comply with the Companies Act 1985 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of 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 United Kingdom governing the preparation and dissemination of the Financial Statements may differ from legislation in other jurisdictions.

International Financial Reporting Standards

The directors have implemented International Financial Reporting Standards for the first time this year, in respect of the Group Financial Statements, as required by the Alternative Investment Market. The 2006 accounts have been restated to comply with these new standards.

The impact of the transition on the Group's results is set out in note 30.

Provision of information to auditors

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Auditors

Since the previous Annual General Meeting our auditors CLB Littlejohn Frazer have changed their name to Littlejohn. A resolution to reappoint Littlejohn will be proposed at the next Annual General Meeting.

This report was approved by the Board on 19 May 2008 and signed on its behalf.

Nick Sarker

Company Secretary

Statement on Corporate Governance

The following statement of corporate governance reflects the position of the Company as at 31 December 2007.

The Board is responsible for the Group's corporate governance policy and recognises the importance of high standards of integrity, and consistently seeks to apply the principles set out in the Combined Code on Corporate Governance (the Code) to the extent that they are appropriate for, and applicable to, a company of Infonic's size quoted on the Alternative Investment Market (AIM).

Board of Directors

The Board of Directors meets regularly to review strategic, operational and financial matters, including proposed acquisitions and divestments.

It approves the interim and annual Financial Statements, the annual financial plan, significant contracts and capital investment in addition to reviewing the effectiveness of the internal control systems and business risks faced by the Group.

Where appropriate, it has delegated authority to committees of directors. Information is supplied to the Board in advance of meetings and the Chairman ensures that all directors are properly briefed on the matters being discussed. The roles of the Chairman and Chief Executive Officer are separate and have been so throughout the year.

Non-executive directors are appointed for non-specified terms, and re-appointment is not automatic. All of the non-executive directors have extensive business experience and are considered by the Board to be independent.

All directors have access to the advice and services of the Company Secretary and all the directors are able to take independent professional advice, if necessary, at the Company's expense. Directors offer themselves for re-election at the Annual General Meeting following their appointment and thereafter in accordance with the Company's Articles of Association.

Board Committees

The non-executive directors serve on the Nomination, Remuneration and Audit Committees. Mark Thompson also serves as an executive representative on each of these committees.

In accordance with its terms of reference the principal function of the Audit Committee is to determine the appropriateness of accounting policies to be used in the Group's annual results. In addition the Committee is responsible for assessing the Group's audit arrangements and the Group's system of internal controls, and reviewing the half-yearly and annual results before publication. It also recommends the appointment of the Company's external auditors. The Chief Executive Officer and Chief Financial Officer attend the meetings by invitation. The auditors have unrestricted access to the Audit Committee. The Audit Committee has met twice during the year.

In accordance with its terms of reference the Nomination and Remuneration Committee determines the level and make-up of remuneration (including bonuses and options) of the executive directors and certain senior management. This also includes formulation of remuneration policy throughout the Group, embracing both share options and bonuses. The Committee also evaluates the balance of skills, knowledge and experience on the Board and considers all new Board appointments and re-appointments against this evaluation.

Operating Board

The Operating Board comprises the Chief Executive Officer and senior managers within the Group. The Operating Board meets on a fortnightly basis to discuss policy and operational issues. Those issues outside the delegated authority levels set by the plc Board are referred to the plc Board for its decision.

Relations with shareholders

The Board welcomes the views of shareholders.

The Annual General Meeting (AGM) is used as an opportunity to communicate with shareholders. All shareholders are encouraged to attend the Company's AGM, in order to take advantage of the opportunity to ask questions of the directors.

Additional information is supplied through the circulation of the trading updates, the Interim Report and the Annual Report and Accounts. During the year the Company issued a series of announcements to the Stock Exchange. The Chief Executive, and other directors from time to time meet individual institutional shareholders and provide such information as is permissible in order to facilitate a better understanding of the Group's business and operations.

Shareholders may also contact the Company in writing.

Statement on Corporate Governance

Internal control

The Group maintains an ongoing process in respect of internal control to safeguard the shareholders' investment and the Group's assets and to facilitate the effective and efficient operation of the Group. These processes enable the Group to respond appropriately, and in a timely fashion, to significant business, operational, financial, compliance and other risks which may otherwise prevent the achievement of the Group's objectives. The Group recognises that it operates in a highly competitive market that can be affected by factors and events outside its control. It is committed to minimising risks arising wherever possible and accepts that internal controls, rigorously applied and monitored, are an essential tool in achieving this objective.

The key elements of Group internal control, which have been fully effective during the year to 31 December 2007 are set out below:

- the existence of a clear organisational structure with well defined lines of responsibility and delegation of authority from the Board to its executive directors and operating divisions;
- a procedure for the regular review of reporting of business issues and risks by operating divisions;
- regular review meetings with the operating management;
- the establishment of prudent operating and financial policies.

The directors have overall responsibility for establishing financial and other reporting procedures to provide them with a reasonable basis on which to make proper judgements as to the financial position and prospects of the Group, and have responsibility for establishing the Group's system of internal control and for monitoring its effectiveness. The Group's systems are designed to provide directors with reasonable assurance that physical and financial assets are safeguarded, transactions are authorised and properly recorded and material errors and irregularities are either prevented or detected with the minimum delay. However, systems of internal financial control can provide only reasonable and not absolute assurance against material misstatement or loss.

The key features of the systems of internal financial control include:

- comprehensive financial planning process with an annual financial plan approved by the Board;
- monthly comparison of actual results against plan;
- regular reporting to the Board on treasury and legal matters;
- clearly defined investment control guidelines and procedures.

The majority of the Group's financial and management information is processed and stored on computer systems. The Group is dependent on systems that require sophisticated computer networks. The Group has established controls and procedures over the security of data held on such systems.

Internal audit

The need for an internal audit function is reviewed on an annual basis by the Audit Committee taking into account the size and complexity of the Group. At present there is no intention to establish an internal audit function.

Remuneration Report

For the year ended 31 December 2007

Remuneration policy

The Company's policy for the current year and subsequent years is to ensure that remuneration packages paid to directors are competitive when compared to similar companies and to recognise the long-term growth plans of the Company whilst ensuring due consideration of short-term objectives, in order to closely align the interests of the directors with those of the Company and the shareholders. Within these overall objectives the Company provides basic salary, benefits, share options and pension contributions. Details of performance conditions relating to the Share Option Scheme can be found under the relevant headings below.

Remuneration Committee

The Remuneration Committee, which comprises all of the non-executive directors and Mark Thompson, determines Group remuneration policy and the remuneration of executive directors and certain other senior management (including bonuses and options). Mark Thompson does not attend meetings at which his own remuneration is being determined and neither do any of the non-executive directors at which their remuneration is discussed.

Pensions

The Company operates a defined contribution scheme of which eligible employees, including the executive directors, are entitled to be members. The Company's standard contribution rate for these employees, including the executive directors, is a matching contribution of either 3% or 5% of basic salary including earnings above the HM Revenue and Customs earnings cap.

Pension contributions for executive directors are shown below:

	Year to 31 December 2007 £	18 months to 31 December 2006 £
Mark Thompson	6,250	9,375
Dan Wajzner	5,000	7,500
Richard Jennings	–	8,685
Jeremy Fletcher	3,366	–

Service contracts

Mark Thompson's and Dan Wajzner's service contracts can be terminated on twelve months' written notice by either the company or the relevant director. Jeremy Fletcher and Robert Lowe's service contracts are terminable on three months' written notice. David Ure's and Dawson Buck's service contracts are terminable on one month's written notice. None of the service contracts of the directors provide for compensation for loss of office.

Directors' emoluments

This part of the Remuneration Report is auditable. The disclosures below include remuneration for the current and prior years whilst acting as directors of the Company and of Corpora Software Limited (where appropriate).

	Salary / fees and car allowance £	Bonus £	Other benefits £	Year to 31 December 2007 Total excluding pension contributions £	18 months to 31 December 2006 Total excluding pension contributions £
Non-Executive					
Robert Lowe	75,000	–	9,203	84,203	108,573
Dawson Buck ²	26,000	–	2,174	28,174	49,248
David Ure ¹	12,500	–	–	12,500	–
Executive					
Mark Thompson	182,000	92,655	3,168	277,823	279,011
Daniel Wajzner	132,000	65,000	4,552	201,552	201,879
Jeremy Fletcher ¹	74,441	25,423	601	100,465	–
Richard Jennings ³					22,381
	501,941	183,078	19,698	704,717	661,092

¹ Both appointed as directors in July 2007.

² Directors' fees are paid through a third party.

³ Richard Jennings was a director in 2006 but not in 2007.

In addition to the sums detailed above, Robert Lowe received £16,399 and Mark Thompson received £84,746 in relation to remuneration relating to previous periods but not paid prior to 2007.

Remuneration Report

For the year ended 31 December 2007

Company's policy on grant of share options

Share options are granted to executive directors on an ad hoc basis when the Board and Remuneration Committee consider that it is warranted by the performance of the individual director. There is no policy for share options to be awarded at regular intervals or at particular times in the financial calendar.

Share options

This part of the remuneration report is auditable. Options are normally first capable of exercise one year after the date of grant and expire five years after the date of grant.

	As at 1 Jan 2007	Surrendered	Granted during 2007	Options held at 31 Dec 2007	Exercise price per ordinary share (pence)	Vesting date (for options still in existence)	Expiry date or status
Robert Lowe	790,000	(790,000)	–	–	7p	19/09/2007	surrendered
			790,000	790,000	5.5p	11/06/2008	11/06/2012
Mark Thompson	1,428,557	(1,428,557)			7p	19/09/2007	surrendered
			1,999,980	1,999,980	5.5p	11/06/2008	11/06/2012
			3,101,443	3,101,443	7p	11/09/2007	11/06/2012
Jeremy Fletcher			500,000	500,000	7p	21/02/2008	21/02/2012
			500,000	500,000	5.5p	11/06/2008	11/06/2012
Daniel Wajzner	1,428,557	(1,428,557)			7p	19/09/2007	surrendered
			1,999,980	1,999,980	5.5p	11/06/2008	11/06/2012
			1,726,443	1,726,443	7p	15/12/2007	15/09/2012
Dawson Buck	303,713			303,713	2.4655p	* see note	07/11/2013
	325,000	(325,000)			7p		surrendered
			325,000	325,000	5.5p	11/06/2008	11/06/2012

* Exercisable from 6 April 2004; these options were granted under a rollover agreement entered into during the purchase of Exago Limited. Mr Buck previously held options in Exago Limited.

No options were exercised by any director in 2007.

Robert Lowe
Chairman

Notice of Annual General Meeting

NOTICE is hereby given that an Annual General Meeting of the Company will be held at the Company's offices at 8 Copperhouse Court, Caldecotte, Milton Keynes, Buckinghamshire MK7 8NL on Friday 20 June 2008 at 9 am for the following purposes:

To consider and, if thought fit, to pass the following resolutions:

Ordinary resolutions

1. To re-appoint Jeremy Fletcher as a director of the Company.
2. To re-appoint David Ure as a director of the Company.
3. To receive and adopt the report of the directors and the audited Financial Statements of the year ended 31 December 2007 and the report of the auditors thereon.
4. To appoint Littlejohn (formerly known as CLB Littlejohn Frazer) as the Company's auditors until the conclusion of the next Annual General Meeting of the Company and to authorise the directors to fix the auditors' remuneration.
5. THAT in substitution for all existing unexercised authorities and powers, the directors of the Company ("the Directors") be and are hereby generally and unconditionally authorised for the purpose of section 80 of the Companies Act 1985 ("the Act") to exercise all and any of the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to a maximum nominal amount of £900,000 to such persons at such times and generally on such terms and conditions as the Directors may determine (subject always to the articles of association of the Company) provided that this authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at annual general meeting of the Company in 2011 or on 31 December 2011, whichever is the earlier, and provided further that the Directors may before the expiry of such period make an offer or agreement which would or might require relevant securities to be allotted after such expiry of such period and the Directors may allot relevant securities in pursuance of any such offers or agreements as if the authority conferred hereby had not expired.

Special Resolution

6. THAT, subject to and conditional upon passing of resolution 5 and in substitution for all existing unexercised authorities and powers, the Directors be and are hereby empowered pursuant to section 95 of the Act to allot equity securities (as defined in section 94 of the Act) as if section 89(1) of the Act did not apply to any such allotment provided that this authority and power shall be limited to:
 - a. the allotment of equity securities in connection with a rights issue or similar offer in favour of ordinary shareholders where the equity securities respectively attributable to the interest of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them subject only to such exclusions or other arrangements as the Directors may consider appropriate to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulated body in any territory; and
 - b. to the allotment (otherwise than pursuant to sub-paragraphs (a) and (b) above) of equity securities up to an aggregate nominal amount of £270,000, and shall expire at the annual general meeting of the Company in 2011 or 31 December 2011, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry of such period and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

BY ORDER OF THE BOARD

Nick Sarker

Company Secretary

19 May 2008

Registered office:

As at the date of this notice:

4 Stirling House
Stirling Road
Surrey Research Park
Guildford
Surrey, GU2 7RF

Expected in June 2008:

20 Alan Turing Road
Surrey Research Park
Guildford
Surrey, GU2 7YF

Notes:

1. Any member entitled to attend and vote at the Meeting is entitled to appoint one or more proxies (who need not be a member of the company) to attend and, on a poll, vote in his place. A form of proxy is enclosed for this purpose.
2. To be valid, the form of proxy duly signed, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of such power or authority or a copy certified in accordance with the Powers of Attorney Act 1971 or in some other way approved by the directors of the company), must be deposited at the office of the company's registrars, Neville Registrars not less than 48 hours before the time fixed for the meeting. Completion of a form of proxy will not preclude a member from attending and voting at the meeting if he wishes so to do.
3. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders who are registered on the register of members of the company as at close of business on 18 June 2008 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after that time shall be disregarded in determining the right of any person to attend and vote at the meeting.

Registered Office, Directors and Professional Advisers

Directors

Dawson Buck
Jeremy Fletcher
Robert Lowe
Mark Thompson
David Ure
Dan Wajzner

Company Secretary

Nick Sarker

Business address and registered office

As at the date of publication of this report:

4 Stirling House
Stirling Road
Surrey Research Park,
Guildford
Surrey, GU2 7RF

Expected in June 2008:

20 Alan Turing Road
Surrey Research Park
Guildford
Surrey, GU2 7YF

Auditors

Littlejohn (formerly CLB Littlejohn Frazer)
1 Westferry Circus
Canary Wharf
London, E14 4HD

Principal bankers

Coutts & Co
440 Strand
London, WC2R 0QS

AIM nominated adviser and broker

FinnCap
4 Coleman Street
London, EC2R 5TA

Solicitors

Smithsons
10 Williams House, Manchester Science Park
Lloyd Street North
Manchester, M15 6SE

Registrars

Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands, B63 3DA

Registered number

04089596

The logo for Infonic, featuring the word "infonic" in a white, lowercase, sans-serif font. The letters "i" and "o" have small blue dots above them. The logo is set against a solid blue rectangular background.