



EARTHPORT PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 30 June 2009

Earthport plc

DIRECTORS AND ADVISERS

DIRECTORS

M Harrison	Non Executive Chairman
L Browne CBE	Non Executive Vice Chairman
J Bergman	Executive
P Chappell	Executive
Lady Olga Maitland	Non Executive

SECRETARY

P Chappell

REGISTERED OFFICE

21 New Street
London EC2M 4TP

INDEPENDENT AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

BANKERS

Barclays Bank plc
1 Churchill Place
London E14 5HP

NOMINATED ADVISER AND BROKER

Panmure Gordon (UK) Limited
155 Moorgate
London EC2M 6XB

REGISTRARS

Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

SOLICITORS

Pinsent Masons LLP
CityPoint
One Ropemaker Street
London EC2Y 9AH

REGISTERED NUMBER

3428888

EXECUTIVE CHAIRMAN'S STATEMENT

INTRODUCTION

The challenges of the global economy, particularly those faced by financial services companies, in 2008-2009 are well documented and the repercussions of industry uncertainty were felt at Earthport, as everywhere else. Nonetheless, dramatic change and consolidation in the banking sector, as well as other commercial sectors, is bringing with it fresh opportunities to provide core services such as transaction banking through cost-effective, innovative delivery models. Earthport's services enable banks to address new market segments, capture new revenue, liquidity and market share, and reduce costs.

The financial results were not as positive as we had hoped. Earthport revenues fell to £1.57m in the year ended 30 June 2009 from £1.92m in the previous year, and net losses increased from £3.4m to £7.3m. Operating costs increased, primarily due to an increase in option and warrant-related costs to £2.2m from £0.5m; this is a non-cash item. Other factors included rises in: staff and contractor costs to £3.4m from £2.8m; write offs to £420,000 from £65,000; and travel and entertainment costs to £368,000 from £223,000. In addition, last year's tax credit of £280,000 was written off this year.

Despite the above, we have begun creating foundations from which your Company can grow to occupy a valuable place in the global payments market. We have expanded our global footprint: Earthport USA was established in April 2008 and Earthport Middle East in January 2009. Both are making rapid progress. The opening of the US office is a key step developing new business leads in that market and we are now gaining significant traction. Pleasing progress has also been made by Earthport Middle East. Several new clients, Al Ghurair Exchange House, Al Ghurair International Exchange House, Al Ansari Exchange House and Lulu Exchange House have already been signed. While they did not contribute to revenue for the year ended 30 June 2009, they are contributing to revenue for the current year.

Progress was also made on several other fronts. In March 2008, Earthport announced that it was collaborating with Adobe Systems to develop and market a secure trade financing solution as a product for the financial services community, and the initial client was a major UK financial institution. In February 2009, we were able to name that financial institution as Lloyds TSB. Development of the service continues through into 2010. We are delighted to be working with such a high-profile financial services brand.

Earthport has vigorously promoted its strategy as a white label supplier to others, especially banks. This clear focus coincided with dramatic change in the banking industry, in which key services such as transaction banking have emerged from the credit crunch with greater commitment and focus than ever before. In parallel, major regulatory initiatives, including the G8 commitment to reducing remittance fees by at least 50%, play directly to Earthport's strengths.

The corporate market continues to express deepening dissatisfaction with the payments services it can source through traditional channels. Meanwhile, SEPA (the Single Euro Payments Area) continues to struggle to articulate a value proposition to corporate clients. Earthport has widened its services to corporates, from its standard credit transfer to support for open account trade, a cheaper and above all lower fraud risk alternative to plastic card for internet transactions, and increasingly into the e-invoicing market. These segments significantly widen Earthport's accessible target market.

Earthport's business model continues to receive positive feedback from target customers, industry analysts and industry press. Our application for a full eMoney licence is currently with the FSA, and will considerably strengthen the offering. Whilst the unexpected effects of last year's troubled environment disrupted a number of advanced sales campaigns, the widened market opportunity coupled with the positive effect of industry regulatory changes gives us confidence that the next 12 months will see step-function improvements in transaction volumes, breadth and quality of clients served, and, as a result revenue growth.

EXECUTIVE CHAIRMAN'S STATEMENT

On 30 June 2009, Earthport announced a strategic review. The review led to discussions with a number of prominent organisations and global corporate entities. Some of these discussions resulted in new business developments whilst others have advanced existing business relationships and enabled the organisations concerned to receive a better insight into the long term strategy and potential of Earthport. As well as raising Earthport's profile with third parties, ongoing discussions range from franchising opportunities to developing new strategic channels to market.

We remain encouraged by Earthport's ability to get the attention of large, global organisations. As a small company, perseverance and focus will be key to closing deals and increasing market penetration. In our favour, we have the ability and talent to innovate at a time when larger players in the industry are hampered by market circumstances and when innovation is in high demand.

OPERATIONAL AND FINANCIAL REVIEW

Transaction volume for the year ended 30 June 2009 grew by 51% compared to the year ended 30 June 2008. From July to December 2008, transaction volume grew 81% over the same period in 2007. From January to June 2009, transaction volume grew 33% over the same period in 2008.

The results were disappointing. Revenue for the year ended 30 June 2009 has decreased by 18.1% to £1.57m (2008: £1.92m). The fall in revenue was primarily attributable to certain one-off items booked in 2008. The Group's operating loss has increased by 106% to £6.69m (2008: £3.25m). Operating costs increased, primarily due to an increase in option and warrant-related costs to £2.16m from £0.54m, a non-cash item. Other factors included rises in: staff and contractor costs to £3.4m from £2.8m; write offs to £420,000 from £65,000; travel and entertainment costs to £368,000 from £223,000. Finance costs fell to £0.33m (2008: £0.41m). Net loss increased by 116% to £7.30m (2008: £3.38m). This includes the write off of last year's tax credit of £280,000. The loss per share increased 73% to 8.92p (2008: 5.14p). During the year, the Group raised £2.9m of equity, net of expenses. Debt was reduced to £0.7m (2008: £1.10m). Cash decreased to £0.89m (2008: £3.66m).

BUSINESS/BANKING OPERATIONS

During the last 12 months Earthport has continued with its efforts to consolidate and grow the Earthport banking network. Within the key payment market place of Europe this consolidation has focussed on growing the existing banking relationships with SEB Group and the Raiffeisen Group resulting in significant improvements to both geographic coverage and system automation. Following this partnership approach Earthport has improved and expanded coverage in the Middle East and South East Asia through the establishment of a banking relationship with Standard Chartered Bank (SCB). Integration and testing continues on local accounts opened through the SCB relationship in Thailand, Vietnam and the Philippines. Each of these is expected to be operational by the calendar year end.

Recently Earthport has taken on local representation in the Middle East, Japan and Brazil. This has facilitated the establishment of local banking relationships in these traditionally hard to acquire banking territories and it is anticipated that there will be growing transactional demand for these regions as we bring them online.

Earthport client volume increased in 2009 and we have strived to improve and invest in our payment processes and tools to facilitate this ever increasing collection and payment demand. To this end a significant amount of effort has been expended in upgrading the validation of customer supplied bank data to increase the performance levels of Earthport's payment platform.

EXECUTIVE CHAIRMAN'S STATEMENT

IT DEVELOPMENT

The work delivered by the Development Team continues to provide a strong basis on which to provide additional capabilities and features to the EPS2 payment platform. Among the most exciting achievements has been the completion of the industry-standard WSDL interface that allows our customers to integrate their computer systems to ours significantly faster, and with a richer set of commands. We currently have two top-tier clients integrating using the new interfaces. Early feedback has been extremely encouraging. The WSDL interface will enable our customers to benefit immediately, at no cost and with no additional effort, from expansions to our banking coverage.

The past year has seen enhancements in the automation of sanctions/embargo list checking, conformance to the American-led FATF-VII (Financial Action Task Force recommendation 7) recommendations, and implementation of the Payment Services Directive (PSD).

Recognising that a substantial portion of our future business is likely to come from customers with a need for large numbers of remittances, we have invested in a batch input framework capable of handling extremely large numbers of instructions. This will benefit many of our existing customers whose computer systems currently spend much time 'talking' to our computer systems, and where submission of a batch of payments better fits their business model.

To improve further our service and the value we offer to payment processing customers, we have enhanced our bank registration processes, focusing on two main areas. The first is improving bank validation to reduce the possibility of incorrect data being entered. The second is by using state-of-the-art technology to find the most appropriate way to send a user's payment, often via payment networks that would be inaccessible to the clients themselves. The result is to provide faster reflection time, lower settlement cost, and in some instances enabling payments that would not otherwise be possible.

As reported in last year's Annual Report, the program of server consolidation and upgrades has been performed to improve further resilience and reliability, with system availability continuing to exceed our 99% targets.

BOARD CHANGES

Finally, as has been announced, I have moved to a non-executive Chairman role. Lance Browne will be increasing his involvement in your Company by taking the role of Vice-Chairman.

Mike Harrison
Non Executive Chairman
23 October 2009

Earthport plc

CHIEF EXECUTIVE OFFICER'S STATEMENT

Whilst we announce these results today, these reflect the impact to the business predominantly during the second half of the last fiscal year (January to June).

Things have normalised now for your business and its prospective clients. For Earthport the recession created challenges and we have survived and become stronger. We are now better prepared than ever to take advantage of the upturn with substantial momentum and focus. We are committed to ensuring that this year we deliver on the opportunity that has been afforded to us by the uniqueness of our proposition, service and position.

Everybody in the Earthport organisation firmly believes and understands the focus and effort that is required to increase our run rate revenue and execute on the opportunities at hand to transform our business

OUTLOOK

Earthport has made steady progress since the end of June 2009. Once again the presence of the Company at Sibos, 14 to 18 September 2009, in Hong Kong showcased its capabilities to the banking world and helped pave the way forward with future clients and partners. Our position on the IBM stand allowed maximum access to business opportunities and, combined with our sponsorship of the Financial Services Club survey on the readiness of the market for SEPA and PSD, provided substantial exposure to the important decision makers present at this major event.

Through the contract with Mcashback, an international cash to bank account service has been established with a leading international retailer. Currently, at the rollout stage, this service is expected to expand rapidly by opening more access points and covering more countries.

The IBM GERS conference on 16 to 17 September 2009 opened up opportunities for the Company as a number of companies at the conference expressed interest in utilising the Earthport system. Earthport USA is pursuing other serious opportunities and expects to close some of these in the near future.

As previously mentioned, Earthport Middle East has already signed several Exchange Houses which are used by migrant workers to remit money home. While they did not contribute to revenue for the year ended 30 June 2009, they contributing to revenue for the current year. The resulting transaction volumes are expected to increase as users grow in numbers and the country coverage widens. As announced earlier this year, Earthport did not receive the £2m it was expecting from its Middle East partner, and this has had an obvious detrimental affect.

Despite this, the Board believes that through various other arrangements, the Company will have sufficient resources to continue to develop the business to its full potential.

The Lloyds TSB initiative, now named Lemur, is at the internal testing stage, having received some customer feedback. It continues to make progress against the background of the Lloyds TSB / HBoS merger.

The European Payments Services Directive, which comes into force in November 2009, is a new regulatory regime giving consumer protection to payments services provided by firms such as Earthport - and thus significantly strengthens Earthport's proven value proposition. Earthport's approach to the PSD is to be compliant in Europe, and to provide the same service level to its clients outside Europe, and thus to drive best practice globally.

The clients coming on line as I write and those in the immediate pipeline will help consolidate our desired positioning at the forefront of the international payments industry.

Earthport is on track to achieve its goal of becoming the utility of choice for high volume international payments, which is utilised by banks, financial institutions and corporates.

James Bergman
Chief Executive Officer
23 October 2009

Earthport plc

DIRECTORS' REPORT

The directors submit their report together with the financial statements of the Company and its subsidiaries (the Group) for the year ended 30 June 2009.

PRINCIPAL ACTIVITIES

The principal activity of the group is the provision of Universal Payments Network (UPN), the combination of a network of segregated bank accounts in more than 60 countries and sophisticated software which mirrors the international movements of funds from bank to bank. This service is available to banks, financial institutions and corporates for their customers.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

A review of the development of the business during the year is given in the Non-Executive Chairman's and Chief Executive Officer's Statement on pages 2 to 5. This also includes reference to the Group's future prospects.

KEY PERFORMANCE INDICATORS

The directors consider that the key performance indicator of the business is the number of transactions processed through the UPN.

The Company will continue to develop its infrastructure platform and to focus sales and marketing effort to increase the volume of transactions processed through the UPN. Continued growth in the number of transactions will demonstrate the progress needed to realise the Group's potential and to see the Group through to profitability.

RISKS AND UNCERTAINTIES

The directors consider that the principal risks and uncertainties affecting the Group relate to the timing of growth in transaction volumes and the potential impact of further delay on the follow-on funding arrangements.

EVENTS SINCE THE BALANCE SHEET DATE

Since the balance sheet date, the Company has raised £0.41 in additional finance through the issue of equity. In addition, a £1m Loan Note dated 5 October 2009 has been fully subscribed to.

As at the balance sheet date, £20,000 was due to the Company from J Bergman, a director of the Company, relating to unpaid share capital. Since the balance sheet date this amount has been paid by J Bergman.

GOING CONCERN

Notwithstanding the risks and uncertainties outlined above, the directors believe that the Group has demonstrated progress in achieving its objective of positioning the Group as an infrastructure supplier to the global payments industry, and therefore consider that it is appropriate to prepare the Group's financial statements on a going concern basis, which assumes that the Company is to continue in operational existence for the foreseeable future. When assessing the foreseeable future the directors have looked at a period of twelve months from the date of approval of the financial statements.

RESULTS AND DIVIDENDS

The Group loss for the year after taxation amounted to £7.30m (2008: £3.38m).

The directors are unable to recommend the payment of a dividend for the year (2008: £Nil).

Earthport plc

DIRECTORS' REPORT

SHARE CAPITAL

Changes to the Company's share capital during the year are set out in note 18 to the financial statements.

DIRECTORS

The following directors have held office since 1 July 2008:

M Harrison
J Bergman
P Chappell
L Browne CBE
Lady Olga Maitland
J Hill (resigned 26 September 2008)

Mike Harrison continued as an Executive Chairman throughout the fiscal year. Since taking over in May 2005 Mike has revitalised Earthport, setting the strategy and establishing the role of utility for multiple international payments. To achieve this, a major rebuild of the technology and the proliferation of the banking network were key. On the way he addressed the legacy problems and has extinguished the Company's debt. In addition he is Managing Director of The Steering Partnership Limited. Mike was previously Managing Director of Cedar Group from 1997 to 2002. He also spent two years at Informix between 1995 and 1997, running Northern Europe, the Middle East and Africa. Between 1990 and 1995 Mike was Managing Director of Oracle Corporation UK Limited - the company's largest operating unit. Mike helped redesign the UK and worldwide operations and saw turnover rise from £90 million to £210 million. Previously Mike ran the UK and Ireland operations for Data General from 1986 to 1990 and set up the software and services division of Burroughs between 1982 and 1986 - turning a £5m loss into a £5m profit. Mike culminated a seventeen-year career with IBM, from 1965 to 1982, by running the IBM UK Network Services Division.

James Bergman joined the Board on 19 December 2007 and became Chief Executive Officer on 19 June 2008 moving up from Sales and Marketing Director. He has been a major factor in Earthport's recent contract wins and the establishment of a solid pipeline of potential future opportunities, thus reinforcing his position within the Company. James joined the Company from ZAN Partners Limited, an independent wealth management firm, who assisted in the funding round of March 2007. His responsibilities at ZAN encompassed new business development and marketing which provided an excellent background to the Financial Markets. From August 2004 to April 2006 he was Global Account Director at EMC Computer Systems (UK) Limited, where he successfully managed a portfolio of Strategic Enterprise Accounts within the Financial Services and Media Sectors to ensure that all elements of the business relationship were maximised with a successful end result for both the client and the EMC. From June 2003 to August 2004 he was Business Development Director at Infonet UK Limited. This role consisted of selling Infonet's core products into global multinational corporations, often responding to bid requests and interfacing with "C-Level" executives.

Peter Chappell was appointed as an Executive Director on 26 September 2008. He has worked at Earthport since 1997. Whilst continuing as Company Secretary, he has particular responsibility for Corporate Affairs and Human Resources. Prior to his present role within Earthport, from 1995 to 1998 Peter was a director of Walton Consulting Limited, which was absorbed into Earthport in 1997. From 1991-1996 he was Chairman of the Employment Network (UK) Limited, an innovative computerised recruitment company that evolved onto the Internet in 1993, being renamed PeopleBank. From 1989-1991 Peter was a senior consultant with Trimedia Communications. Peter became a member of the Stock Exchange in 1966 and became a managing partner of Sheppards and Chase from 1968 to 1989 where he ran institutional sales and research from 1985 to 1989.

Lance Browne CBE was appointed as Non-Executive Director on 15 September 2008. Lance is Vice Chairman of Standard Chartered Bank (China) Limited. Standard Chartered Bank is one of the very few international banks, which has a license to clear local currencies in China. He began his career in China in 1979 in engineering and finance and has continued to further his career there ever since. Past appointments in China include Chairman of the British Chambers in Shanghai and Beijing, Chief Representative of the 48 Group and

Earthport plc

DIRECTORS' REPORT

Chairman of the Foreign Bankers Association. He is an Honorary Citizen of Shanghai and was awarded a CBE for his work and accomplishments in China.

Lady Olga Maitland was appointed as Non-Executive Director on 26 September 2008. Lady Olga was CEO of the International Association of Money Transfer Networks (IAMTN) from 2005 to 2008. Prior to IAMTN, from 1997 to 2005, she was a freelance journalist. She has been President of the Defence and Security Forum since 1983 and President of the Algerian British Business Association since 2005. Between 1992 and 1997 Lady Olga was Conservative Member of Parliament for Sutton and Cheam and was appointed Parliamentary Private Secretary to the Minister of State for Northern Ireland.

ELECTION OF DIRECTORS

In accordance with the articles of association, Peter Chappell, Lance Browne and Lady Olga Maitland will offer themselves for election. Pursuant to his move from Executive Chairman to Non-Executive Chairman, Mike Harrison will be offering himself for re-election. Mike Harrison, James Bergman and Peter Chappell have executive service agreements to 31 December 2010.

DIRECTORS' INDEMNITY INSURANCE

The directors have taken out an insurance policy to cover directors' and officers' liabilities.

DIRECTORS' INTERESTS IN SHARES

The directors' interests in the shares of the Company at the balance sheet date were as follows:

	<i>Ordinary shares of 10p each 30 June 2009</i>	<i>Ordinary shares of 10p each 30 June 2008 (or date of appointment if later)</i>
M Harrison	160,000	160,000
J Bergman	28,714	28,714
P Chappell	221,217	86,217

Details of transactions with related parties during the year are disclosed in note 29 to the financial statements.

The directors believe that equity incentives are an important element of the remuneration of the executive directors and the senior management team in order to align directors' interests with the interests of shareholders.

The directors' interests in options over the shares of the Company are as follows:

	<i>Average Exercise prices</i>	<i>Ordinary shares of 10p each 30 June 2009</i>	<i>Ordinary shares of 10p each 30 June 2008 (or date of appointment if later)</i>
M Harrison	50p	6,250,000	6,250,000
J Bergman	45p	6,250,000	3,250,000
P Chappell	42p	2,026,316	1,226,000
L Browne CBE	53p	750,000	-
Lady Olga Maitland	58p	200,000	-

Options must be exercised between the third and seventh anniversary of the date of grant.

Earthport plc

DIRECTORS' REPORT

Certain of the awards for M Harrison and J Bergman are subject to performance criteria as set out below.

2,250,000 of M Harrison's options vest as follows:

- Following the first six month period reporting a profit before tax excluding exceptional items: 40%
- Upon reporting a balance sheet with positive net assets: 10%
- On growth in the Total Shareholder Return ("TSR"), with the exercise price being the base price, of 300%: 25%
- On further growth in the TSR, from 300% to 550% (prorated): 25%

1,820,000 of M Harrison's options vest upon first IBM sales pipeline client bank signing, either direct with Earthport or through IBM as prime contractor. They can be exercised from 1 January 2009.

1,090,000 of M Harrison's vest if the share price reaches and stays at or above 100p for two calendar months. They can be exercised from 1 March 2010.

1,090,000 of Mr Harrison's options vest if the share price reaches and stays at or above 150p for two calendar months. They can be exercised from 1 March 2010.

1,251,250 of J Bergman's options vest upon first IBM sales pipeline client bank signing, either direct with Earthport or through IBM as prime contractor. They can be exercised from 1 July 2010.

749,375 of J Bergman's options vest if the share price reaches and stays at or above 100p for two calendar months. They can be exercised from 1 March 2010.

749,375 of J Bergman's options vest if the share price reaches and stays at or above 150p for two calendar months. They can be exercised from 1 July 2010.

MAJOR INTERESTS IN SHARES

As of 22 October 2009 the Company had been notified, in accordance with the Companies Act 2006, of the following interests in the issued ordinary share capital of the Company:

	<i>Ordinary shares of 10p each</i>	<i>%</i>
Schroders PLC	10,165,467	11.48
Millennium Global High Yield Fund	9,239,227	10.44
H U Investments L.L.C.	8,310,000	9.39
Hawkwood Capital LLP	5,393,686	6.09
Smith and Williamson Investment Management	4,733,625	5.35
Artemis Investment Management Limited	3,892,857	4.40
Kenny Shovell	3,211,000	3.63

Save for these interests, the directors have not been notified that any person is directly or indirectly interested in 3% or more of the issued ordinary share capital of the Company.

CHARITABLE AND OTHER DONATIONS

Charitable donations made in the year ended 30 June 2009 amounted to £290 (2008: £Nil). No contributions for political purposes were made in either year.

EMPLOYEES

The Group places considerable value on the awareness and involvement of its employees in the Group's performance. Within the bounds of commercial confidentiality, information is disseminated to all levels of staff about matters that affect the progress of the Group and are of interest and concern to them as employees.

DIRECTORS' REPORT

SUPPLIERS

The Group's payment policy is to pay suppliers at the end of the month following the month in which the invoice is received. At 30 June 2009, the Company had an average of 35 days purchases outstanding in trade creditors (2008: 38 days).

FINANCIAL INSTRUMENTS

Details of financial instruments and financial risk management policies are set out in note 33 to the financial statements.

ANNUAL GENERAL MEETING

The notice of the meeting for the 2009 Annual General Meeting is set out on page 45.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITORS

The directors who were in office at the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditors are unaware. Each of the directors has confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors.

AUDITOR

Baker Tilly UK Audit LLP has expressed their willingness to continue in office as auditors of the Company and a resolution to reappoint Baker Tilly UK Audit LLP and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

Peter Chappell

Secretary

23 October 2009

Earthport plc

CORPORATE GOVERNANCE

COMPLIANCE WITH THE COMBINED CODE

Under the rules of the AIM Market the Company is not required to comply with the Combined Code. The Board of Directors are committed to high standards of corporate governance and have regard to the principles of the Combined Code. The Corporate Governance procedures that have been in effect during the year are described below.

BOARD OF DIRECTORS

The Board of Directors at 30 June 2009 comprised three executive directors and two non-executive directors. The Board meets regularly throughout the year. Committees of the board are chaired by a non-executive director and comprise all board members.

AUDIT COMMITTEE

The Audit Committee is chaired by Lady Olga Maitland. The purpose of the Committee is to ensure the preservation of good financial practices throughout the Group; to monitor that controls are enforced to ensure the integrity of financial information; to review the interim and annual financial statements; and to provide a line of communication between the board and external auditors. The Committee is also responsible for reviewing the independence of the Auditors and for agreeing their remuneration. The terms of any related party transactions are required to be approved by the Committee.

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Lance Browne CBE. It is responsible for the executive directors' remuneration, other benefits and terms of employment, including performance related benefits and share options. Board members absent themselves from discussions involving their own remuneration.

NOMINATIONS COMMITTEE

The Nominations Committee is chaired by Lance Browne CBE. It meets as necessary to select suitable candidates for the appointment of directors and other senior appointments.

INTERNAL CONTROL

The board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. A comprehensive business plan and budget is in place and actual results are compared to this plan and reported to the board on a monthly basis.

CLIENT FUNDS

The safety and security of clients' funds is of paramount importance to the Company. All client funds are held in segregated bank accounts. Although the Company is not regulated by the Financial Services Authority ("FSA"), these segregated accounts are operated by the Company under the guidelines and regulations set by the FSA.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

UK Company law requires the directors to prepare Group and Company financial statements for each financial year. Under that law the directors are required to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under Company Law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Company.

In preparing each of the Group and Company financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of 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 Earthport plc website.

Legislation in the United Kingdom governing the position and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EARTHPORT PLC

We have audited the Group and parent Company financial statements ("the financial statements") on pages 15 to 44. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provision of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

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

In forming our opinion on the financial statements, we have considered the adequacy of the disclosures made in the financial statements concerning the following matters:

- the disclosure made in note 2 to the financial statements explaining that the financial statements have been prepared on an ongoing basis, the validity of which depends on the Company's and Group's ability to generate sufficient cash flows to finance current and future liabilities as they fall due. We have been unable to obtain sufficient evidence that the Company and Group will be able to generate sufficient cash flows to finance these liabilities.

Opinion: disclaimer on view given by financial statements

Because of the potential significance, to the financial statements, of the matter referred to in the paragraph above, we are unable to form an opinion as to whether:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs at as 30 June 2009 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on the other matter prescribed by the Companies Act 2006

Notwithstanding our disclaimer on the view given by the financial statements, in our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EARTHPORT PLC

Matters on which we are required to report by exception

In respect alone of our work on going concern, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

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

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

PAUL RICHARD WATTS (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

23 October 2009

Earthport plc

CONSOLIDATED INCOME STATEMENT for the year ended 30 June 2009

	Notes	2009 £'000	2008 £'000
Continuing operations:			
Revenue	4	1,568	1,915
Cost of sales	8	(402)	(390)
Gross profit		<u>1,166</u>	<u>1,525</u>
Administrative expenses	8	(5,534)	(4,234)
Share-based payment		(2,162)	(539)
Impairment of available-for-sale-investment	13	(160)	-
Operating loss		<u>(6,690)</u>	<u>(3,248)</u>
Finance costs	6	(325)	(413)
Loss before taxation	7	<u>(7,015)</u>	<u>(3,661)</u>
Taxation	9	(280)	280
Loss attributable to equity shareholders of the Company		<u>(7,295)</u>	<u>(3,381)</u>
Loss per share – basic and fully diluted	10	<u>(8.92p)</u>	<u>(5.14p)</u>

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE for the year ended 30 June 2009

	2009 £'000	2008 £'000
Loss attributable to the equity shareholders of the company	(7,295)	(3,381)
Total recognised income and expense for the year, attributable to the equity shareholders of the company	<u>(7,295)</u>	<u>(3,381)</u>

Earthport plc – Registered number 3428888

CONSOLIDATED BALANCE SHEET

at 30 June 2009

	<i>Notes</i>	2009 £'000	2008 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	90	139
Investments	13	-	160
Deferred tax asset	9	-	280
		<u>90</u>	<u>579</u>
Current assets			
Trade and other receivables	14	1,117	2,436
Cash at bank and in hand	15	885	3,655
		<u>2,002</u>	<u>6,091</u>
Total assets		2,092	6,670
Liabilities			
Current liabilities			
Trade and other payables	16	(1,250)	(3,254)
Borrowings	17	(407)	(340)
		<u>(1,657)</u>	<u>(3,594)</u>
Non-current liabilities			
Borrowings	17	(297)	(761)
Total liabilities		(1,954)	(4,355)
NET ASSETS		138	2,315
Equity			
Capital and reserves			
Ordinary shares	18	31,810	30,968
Share premium	19	46,774	44,732
Own shares reserve	20	(101)	-
Merger reserve	21	9,200	9,200
Share-based payment reserve	23	3,440	1,354
Warrant reserve	24	233	816
Retained earnings	25	(91,218)	(84,755)
EQUITY ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		138	2,315

The financial statements were approved and authorised for issue by the board on 23 October 2009 and were signed on its behalf by:

M Harrison (Director)
J Bergman (Director)

Earthport plc – Registered number 3428888

COMPANY BALANCE SHEET at 30 June 2009

	<i>Notes</i>	2009 £'000	2008 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	90	139
Investments	13	1	161
Deferred tax asset	9	-	280
		<u>91</u>	<u>580</u>
Current assets			
Trade and other receivables	14	1,324	2,339
Cash at bank and in hand	15	832	3,654
		<u>2,156</u>	<u>5,993</u>
Total assets		2,247	6,573
Liabilities			
Current liabilities			
Trade and other payables	16	(1,670)	(3,674)
Borrowings	17	(407)	(340)
		<u>(2,077)</u>	<u>(4,014)</u>
Non-current liabilities			
Borrowings	17	(297)	(761)
Total liabilities		(2,374)	(4,775)
NET (LIABILITIES)/ASSETS		(127)	1,798
Equity			
Capital and reserves			
Ordinary shares	18	31,810	30,968
Share premium	19	46,774	44,732
Merger reserve	21	9,200	9,200
Share-based payment reserve	23	3,440	1,354
Warrant reserve	24	233	816
Retained earnings	26	(91,584)	(85,272)
EQUITY ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		(127)	1,798

The financial statements were approved and authorised for issue by the board on 23 October 2009 and were signed on its behalf by:

M Harrison (Director)
J Bergman (Director)

Earthport plc

CONSOLIDATED CASH FLOW STATEMENT for the year ended 30 June 2009

	<i>Notes</i>	2009 £'000	2008 £'000
NET CASH USED IN OPERATING ACTIVITIES	32	(5,116)	(4,851)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(40)	(144)
FINANCING ACTIVITIES			
Issue of ordinary share capital (net of costs paid)		2,783	8,466
Repayment of term loans		(397)	(271)
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,386	8,195
NET INCREASE IN CASH AND CASH EQUIVALENTS		(2,770)	3,200
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		3,655	455
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		885	3,655

Earthport plc

COMPANY CASH FLOW STATEMENT for the year ended 30 June 2009

	<i>Notes</i>	2009 £'000	2008 £'000
NET CASH USED IN OPERATING ACTIVITIES	32	(5,168)	(4,839)
<hr/>			
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(40)	(144)
<hr/>			
FINANCING ACTIVITIES			
Issue of ordinary share capital (net of costs paid)		2,783	8,466
Repayment of term loans		(397)	(271)
<hr/>			
NET CASH FLOWS FROM FINANCING ACTIVITIES		2,386	8,195
<hr/>			
NET INCREASE IN CASH AND CASH EQUIVALENTS		(2,822)	3,212
<hr/>			
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		3,654	442
<hr/>			
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		832	3,654
<hr/>			

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

1. GENERAL INFORMATION

Earthport plc is a public limited company incorporated and domiciled in the England and Wales under the Companies Act 2006. The address of its principal place of business and registered office is 21 New Street, London EC2M 4TP. The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 6.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The financial statements have been prepared on the assumption that the Group is a going concern.

Since the balance sheet date, the Company has raised additional finance through the issue of equity of £0.41m. In addition a £1m Loan Note dated 5 October 2009 has been fully subscribed to.

When assessing the foreseeable future the directors have looked at a period of twelve months from the date of approval of the financial statements. The forecast cash-flow requirement of the business is contingent upon the ability of the Group to generate future sales. The uncertainty as to the timing of the future growth in sales, together with the potential impact on the follow-on funding arrangements require the directors to consider the Group's ability to continue as a going concern. Notwithstanding this uncertainty, the directors believe that the Group has demonstrated progress in achieving its objective of positioning the Group as an infrastructure supplier to the global payments industry, and therefore consider that it is appropriate to prepare the Group's financial statements on a going concern basis, which assumes that the Company is to continue in operational existence for the foreseeable future.

3. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The financial statements have been prepared under the historical cost convention and the principal accounting policies are set out below.

At the date of issue of this statement the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 1	Revised IFRS 1 First-time adoption of IFRS
IFRS 2	Share-based payments – Amendment, vesting conditions and cancellations
IFRS 3	Business combinations – Comprehensive revision on applying the acquisition method
IFRS 7	Financial Instruments: Disclosures – Amendment; Reclassification of Financial Assets
IFRS 8	Operating Segments
IAS 1	Presentation of financial statements – Comprehensive revision including requiring a statement of comprehensive income
IAS 23	Borrowing costs – Comprehensive revision to prohibit immediate expensing
IAS 27	Consolidated and Separate Financial Statements – Amendments arising from IFRS 3
IAS 27	Consolidated and Separate Financial Statements – Amendments, cost of an investment in a subsidiary, jointly controlled entity or associate
IAS 28	Investment in Associates – Consequential amendments arising from IFRS 3
IAS 39	Financial Instruments: Recognition and Measurement – Amendment; Reclassification of Financial Assets
IAS 39	Financial Instruments: Recognition and Measurement – Amendment; Eligible hedged items

The directors anticipate that the adoption of these Standards and Interpretations in future years will have no material impact on the financial statements of the Group.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

3. ACCOUNTING POLICIES (Continued)

Basis of consolidation

The Group financial statements consolidate the financial statements of Earthport plc and all of its subsidiaries for the year ended 30 June 2009. The results of subsidiaries acquired or sold are included in the Group financial statements from the date control passes, until control ceases. Profits and balances arising on trading between Group companies are excluded from the financial statements. All companies in the Group make up their financial statements to the same date.

Revenue recognition

Revenue on the sale of software licences and from the service agreements is recognised upon delivery to the customer providing that there is evidence of a contract, the fee is fixed or determinable, no significant customer obligations remain and collection of the resulting receivable is probable. In circumstances where a significant vendor obligation exists (such as the installation and acceptance of the software), revenue recognition is delayed until the obligation has been satisfied. Revenue from client transaction volume is billed monthly in arrears. Revenue from software implementation, consultancy and training is recognised as the services are performed.

Foreign currency translation

The functional and presentational currency of the parent Company and its subsidiaries is the UK Pound Sterling. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date and exchange differences taken to the income statement.

Share-based payments

The Company offers executive and employee share schemes. For all grants of share options, the fair value as at the date of grant is calculated using an option pricing model and the corresponding expense is recognised over the vesting period. The expense is recognised as a staff cost and the associated credit is made against equity and included in the share-based payment reserve.

Current and deferred income tax

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

Deferred tax expected to be payable or recoverable on differences at the balance sheet date between the tax bases and liabilities and their carrying amounts for financial reporting purposes is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible differences can be utilised.

Deferred tax is calculated at the rates of taxation which are expected to apply when the deferred tax asset or liability is realised or settled, based on the rates of taxation enacted or substantively enacted at the balance sheet date.

Impairment of non-financial assets

The carrying amounts of the Group's property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where the carrying value exceeds the recoverable amount, a provision for the impairment loss is established with a charge being made to the income statement.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

3. ACCOUNTING POLICIES (Continued)

Intangible assets

a) Development expenditure

Development expenditure is only recognised as an intangible asset if each of the following conditions have been met:

- It is technically feasible to complete the asset so that it will be available for use
- It is reasonably expected that the asset is likely to generate net future economic benefits
- Development costs in relation to the asset can be reliably measured
- Management intends to complete the asset and use or sell it

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight line basis over the estimated useful life of the asset.

Where no intangible asset can be recognised, development expenditure is treated as expenditure in the period in which it is incurred.

b) Goodwill

Goodwill on consolidation, being the excess of the purchase price over the fair value of the net assets of subsidiary undertakings at the date of acquisition, is capitalised in accordance with IFRS3 *Business combinations*. Goodwill is tested annually for impairment, or more frequently when there is an indication that goodwill may be impaired. Goodwill is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed in a subsequent period.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less depreciation and provision for impairment. Depreciation is provided at rates calculated to write down assets to their estimated residual values over their expected useful life, as follows:

Leasehold improvements: short lease	-	straight line per annum over lease term
Fixture, fittings and equipment	-	20% - 33% straight line per annum
Computer equipment	-	33% straight line per annum

The carrying values of property, plant and equipment are reviewed for impairment annually and when events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is taken direct to the income statement.

Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. The investments are held at fair value, with gains and losses taken to equity. The gains and losses taken to equity are recycled through the income statement on realisation. If there is objective evidence that the asset is impaired, the cumulative loss that has been recognised is removed from equity and recognised in the income statement.

Leasing

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged against income on a straight-line basis over the lease term.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

3. ACCOUNTING POLICIES (Continued)

Pensions

The Group offers a stakeholder pension scheme to all employees and has started making contributions to the scheme since July 2007. These contributions are charged to the income statement as they are incurred.

Financial risk management and financial instruments

Financial assets and liabilities are recognised in the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument.

The Group's principal financial instruments comprise secured and unsecured short-term creditors, finance leases, cash, short-term deposits and loans. The main purpose of these financial instruments is to finance the Group's operations, including any acquisitions where relevant. The Group has various other financial instruments, such as trade receivables and trade payables that arise directly from its operations.

It is the Group's policy that no trading in financial instruments shall be undertaken. The Group borrows at both fixed and floating rates of interest. The Group's policy in relation to the finance is to ensure that sufficient liquid funds are maintained for operations.

Trade receivables are measured at initial recognition at fair value and subsequently at amortised cost using the effective interest rate method, if material. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is evidence that the asset is impaired.

Cash and cash equivalents: comprise cash in hand, demand deposits and other short-term highly liquid investments that are readily converted into a known amount of cash and are subject to insignificant changes in value.

Trade payables are initially measured at fair value and subsequently at amortised cost using the effective interest rate method, if material.

Compound financial instruments: The fair value of the liability portion of a convertible loan is determined using a market interest rate for an equivalent non-convertible loan. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' 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 statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Equity instruments issued by the Company are recognised at the proceeds received net of direct issue costs.

Employee benefit trust

Shares to be awarded, and those that have been awarded, but have yet to vest unconditionally are held at cost by an employee benefit trust and shown as a deduction from equity in the Group balance sheet.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

4. REVENUE

Revenue, loss and net assets/liabilities are all attributable to one business segment operating from the United Kingdom. The segmental analysis by location of customers is as follows:

	2009 £'000	2008 £'000
United Kingdom	1,224	1,582
Rest of Europe	56	182
North America	288	151
	<u>1,568</u>	<u>1,915</u>

5. EMPLOYEES

The average monthly number of persons (including directors) employed by the group during the year was:

	2009 No.	2008 No.
Directors	4	3
Administration and technical	33	27
	<u>37</u>	<u>30</u>

	2009 £'000	2008 £'000
Staff costs for the above persons:		
Wages, salaries and commission	2,422	1,938
Social security costs	273	213
Share-based payment	2,162	539
Other pension costs	31	4
	<u>4,888</u>	<u>2,694</u>

Of the staff costs shown above, £60,000 (2008: £112,000) is included in cost of sales, and £4,828 (2008: £2,582) is included in administrative expenses.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

5. EMPLOYEES (Continued)

DIRECTORS' EMOLUMENTS

	Basic salary and fees £'000	Pension £'000	2009 Total £'000	2008 Total £'000
Executive chairman:				
M Harrison	245	11	256	145
Executive directors:				
N Clayton (resigned 19 December 2007)	-	-	-	180
D Fife (resigned 9 June 2008)	-	-	-	34
J Bergman (appointed 19 December 2007)	245	11	256	75
P Chappell	120	5	125	-
Non-executive directors:				
J Hill (resigned 26 September 2008)	3	-	3	20
C Medway (resigned 27 March 2008)	-	-	-	20
L Browne (appointed 15 September 2008)	29	-	29	-
Lady Olga Maitland (appointed 26 September 2008)	27	-	27	-
	<u>669</u>	<u>27</u>	<u>696</u>	<u>474</u>

No directors exercised share options during the year.

Defined contribution pension benefits are being accrued for three directors (2008: one).

Social security costs in respect of the directors were £68,000 (2008: £37,000).

The share-based payment charge in respect of the directors was £1,352,887 (2008: £240,000).

For the purposes of this note, the directors are considered to be the key management of the Group.

6. FINANCE COSTS

	2009 £'000	2008 £'000
Interest payable on secured loans	152	325
Other finance costs	173	88
	<u>325</u>	<u>413</u>

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

7. LOSS BEFORE TAXATION	2009 £'000	2008 £'000
Loss before taxation is stated after charging:		
Depreciation of property, plant and equipment	89	104
Development costs (included in administrative expenses in the income statement)	771	607
Operating leases:		
- Property	134	105
Fees payable to the Company's auditors:		
- For the audit of the Company's annual financial statements	39	45
Fees payable to associates of the Company's auditors:		
- For tax compliance and advisory services	7	8
	<u> </u>	<u> </u>
8. ADMINISTRATIVE EXPENSES	2009 £'000	2008 £'000
Staff costs	2,666	2,067
IT development and support costs	1,013	773
Facilities, travel and other costs	1,046	833
Legal and professional costs	585	392
Depreciation and amortisation	89	104
Bad debts	135	65
	<u>5,534</u>	<u>4,234</u>

Cost of sales includes bank transaction charges and sales commission.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

9. TAXATION	2009 £'000	2008 £'000
Deferred tax charge/(credit)	280	(280)
Factors affecting the tax charge/(credit) for the year:		
Loss before taxation	(7,015)	(3,661)
Loss before tax multiplied by standard rate of corporation tax in the UK of 28% (2008: 29.5%)	(1,964)	(1,080)
Deferred tax charge/(credit)	(280)	280
	<u>(2,244)</u>	<u>(800)</u>
Expenses not deductible for tax purposes	36	12
Timing differences not recognised for deferred tax purposes	82	28
Share-based payment costs not recognised for deferred tax purposes	653	131
Different tax rate applied for deferred tax purposes	44	15
Losses not recognised for deferred tax purposes	1,429	614
(De-recognition)/recognition of tax losses carried forward	(280)	280
Tax (charge)/credit for the year	<u>(280)</u>	<u>280</u>

Tax trading losses carried forward of £53m (2008: £48m) have not been recognised due to uncertainty over the timing of their reversal.

The movement on the deferred tax asset is as follows:

	2009 £'000	2008 £'000
At 1 July	280	-
Income statement – (de-recognition)/recognition of tax losses	(280)	280
At 30 June	<u>-</u>	<u>280</u>

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

10. LOSS PER SHARE

The loss 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.

	2009 £'000	2008 £'000
Loss attributable to equity shareholders of the company	(7,295)	(3,381)
	<u> </u>	<u> </u>
	2009 Number	2008 Number
Weighted average number of ordinary shares in issue (thousands)	81,950	65,804
Less: own shares held	(180)	-
	<u> </u>	<u> </u>
	81,770	65,804
	<u> </u>	<u> </u>
	2009	2008
Basic and fully diluted loss per share (pence)	(8.92p)	(5.14p)
	<u> </u>	<u> </u>

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purposes of calculating the diluted loss per share are identical to those used for basic loss per ordinary share. This is because the exercise of share options and other benefits would have the effect of reducing loss per share and is therefore not dilutive under the terms of IAS33.

11. INTANGIBLE ASSETS

Group and Company

	Acquired software £'000
Cost	
At 30 June 2007, 30 June 2008 and 30 June 2009	8,252
	<u> </u>
Amortisation and impairment	
At 30 June 2007, 30 June 2008 and 30 June 2009	8,252
	<u> </u>
Net book value	
At 30 June 2007, 30 June 2008 and 30 June 2009	-
	<u> </u>

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

12. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Computer equipment and software	Fixtures fittings and equipment	Short leasehold improvement	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2007	6,300	393	147	6,840
Additions	83	2	59	144
At 1 July 2008	6,383	395	206	6,984
Additions	36	4	-	40
At 30 June 2009	6,419	399	206	7,024
Depreciation				
At 1 July 2007	6,210	384	147	6,741
Charge for the year	83	2	19	104
At 1 July 2008	6,293	386	166	6,845
Charge for the year	62	1	26	89
At 30 June 2009	6,355	387	192	6,934
Net book value				
At 30 June 2009	64	12	14	90
At 30 June 2008	90	9	40	139
At 30 June 2007	90	9	-	99

Depreciation for all years is included in administrative expenses in the income statement.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

13. INVESTMENTS	2009	2008
Group and Company	£'000	£'000
Available-for-sale investment	-	160

Altair Financial Services International plc has been taken into administration and thus the investment has been fully provided against.

Company	£'000
Investment in subsidiaries:	
Cost at 30 June 2007, 30 June 2008 and 30 June 2009	11,073
Provision for impairment at 30 June 2007, 30 June 2008 and 30 June 2009	(11,072)
Net book value at 30 June 2007, 30 June 2008 and 30 June 2009	1

The Company's subsidiaries are:	Country of incorporation	Nature of business	Holding
EnsurePay Limited	England and Wales	Dormant	100%
Earthport Enterprises Limited	England and Wales	Dormant	100%
Earthport Newco Limited	England and Wales	Dormant	100%
Travelpay Limited	England and Wales	Dormant	100%
Mobilepay Limited	England and Wales	Dormant	100%
Earthport Middle East Limited	England and Wales	Dormant	100%
Earthport Asiapac Limited	England and Wales	Dormant	100%
Zabadoo.com Limited	England and Wales	Dormant	100%
Epal Limited	England and Wales	Dormant	100%
Earthport USA Limited	England and Wales	Dormant	100%

14. TRADE AND OTHER RECEIVABLES

	2009 £'000	Group 2008 £'000	2009 £'000	Company 2008 £'000
Trade receivables	159	1,059	159	910
Other receivables	864	1,240	1,018	1,239
Amount due from subsidiary undertakings	-	-	53	53
Prepayments	94	137	94	137
	<u>1,117</u>	<u>2,436</u>	<u>1,324</u>	<u>2,339</u>

Trade receivables amounted to £159,000 (2008: £1,059,000), net of a provision of £Nil (2008: £65,000) for impairment. Movement on the group provisions for impairment were as follows:

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

14. TRADE AND OTHER RECEIVABLES (continued)

	2009 £'000	2008 £'000
At 1 July	65	142
Provision for receivable impairment	135	65
Receivables written off during the year	(200)	(142)
At 30 June	<u>-</u>	<u>65</u>

The average credit period taken on sales of services is 40 days (2008: 154 days). No interest is charged on overdue balances. The directors consider that the carrying amount of trade receivables approximates their fair value.

Other receivables include £471,000 (2008: £625,000) in respect of unpaid share capital and £173,000 (2008: £483,000) in respect of foreign exchange revenues.

15. CASH AND CASH EQUIVALENTS

	2009 £'000	Group 2008 £'000	2009 £'000	Company 2008 £'000
Cash at bank and in hand	885	3,655	832	3,654
	<u>885</u>	<u>3,655</u>	<u>832</u>	<u>3,654</u>

Cash and cash equivalents comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

16. TRADE AND OTHER PAYABLES

	2009 £'000	Group 2008 £'000	2009 £'000	Company 2008 £'000
Trade payables	704	805	524	623
Other payables	168	754	17	605
Amount due to subsidiary undertakings	-	-	751	751
Other taxation and social security	179	836	179	836
Accruals and deferred income	199	859	199	859
	<u>1,250</u>	<u>3,254</u>	<u>1,670</u>	<u>3,674</u>

Trade payables and accruals principally comprise amounts outstanding in respect of operating costs. The average credit period taken for trade purchases is 35 days (2008: 38 days). The directors consider that the carrying amounts for trade and other payables approximate their fair value.

Other payables includes £Nil (2008: £557,000) in respect of amounts due to R Cunningham, a former director of the Company.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

17. BORROWINGS	2009	2008
	£'000	£'000
Current liabilities		
Secured loans	407	340
	<u> </u>	<u> </u>
	2009	2008
	£'000	£'000
Non-current liabilities		
Secured loans	297	761
	<u> </u>	<u> </u>

Loan facilities are provided by General Capital Venture Finance Limited and Michael Gerson Finance Plc. The facility is repayable over 5 years at a fixed interest rate of 15%, secured by means of an all-monies mortgage debenture over the Company's assets.

18. SHARE CAPITAL	2009	2008
	£'000	£'000
Authorised		
At 1 July (169,412,642 ordinary shares of 10p each)	16,941	6,941
Increase in authorised share capital in the year	-	10,000
At 30 June (169,412,642 ordinary shares of 10p each)	<u>16,941</u>	<u>16,941</u>
Deferred shares of 7.5p each: 307,449,810 (2008: 307,449,810)	23,059	23,059
At 30 June	<u>40,000</u>	<u>40,000</u>
Issued		
At 1 July (79,088,009 ordinary shares of 10p each)	7,909	5,194
Shares issued in the year	842	2,715
At 30 June (87,511,340 ordinary shares of 10p each)	<u>8,751</u>	<u>7,909</u>
Deferred shares of 7.5p each: 307,449,792 (2008: 307,449,792)	23,059	23,059
At 30 June	<u>31,810</u>	<u>30,968</u>

Deferred shares carry no rights to receive any dividend or other distribution. The holders of the deferred shares have no rights to receive notice, attend, speak or vote at any general meeting of the Company. On a return of capital on liquidation or otherwise, the holders of the deferred shares are entitled to receive the nominal amount paid up on the deferred shares after the repayment of £10,000,000 per ordinary share.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

18. SHARE CAPITAL (continued)

During the year to 30 June 2009 a total of 8,423,331 ordinary shares of 10p each were allotted for cash consideration of £2,884,159.

The following share issues were completed during the year:

2009	No of shares issued	Average premium in pence	Total premium £
July 2008	1,729,036	21.50	371,743
August 2008	21,163	25.00	5,291
September 2008	183,280	25.00	45,820
December 2008	494,687	25.00	123,672
January 2009	323,250	25.00	80,813
April 2009	500,000	25.00	125,000
May 2009	3,560,000	25.00	890,000
June 2009	1,611,915	24.78	399,433
2008	No of shares issued	Average premium in pence	Total Premium £
September 2007	9,677,419	21.00	2,032,258
October 2007	3,332,968	30.57	1,018,820
November 2007	3,487,160	21.19	738,784
December 2007	48,532	25.00	12,133
February 2008	90,651	25.00	22,663
March 2008	213,000	25.00	53,250
April 2008	6,200,792	53.23	3,300,513
May 2008	1,460,572	25.00	365,143
June 2008	2,631,238	24.69	649,711

Transaction costs amounting to £Nil (2008: £262,000) were charged against the share premium account.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

18. SHARE CAPITAL (continued)

Other than the employee share options set out in note 31, further warrants have been granted under the terms of the Company's fund-raising activities with exercise prices and dates shown in the table below.

<i>Last date when exercisable</i>	<i>Exercise price</i>	<i>No. of Options outstanding at 1 July 2008</i>	<i>Granted No.</i>	<i>Extended / (lapsed) No.</i>	<i>Exercised No.</i>	<i>No. of Options outstanding at 30 June 2009</i>
31 July 2008	0.35	1,729,036	-	-	(1,729,036)	-
31 October 2008	0.35	1,071,427	-	-	(1,071,427)	-
31 December 2008	0.35	1,488,362	-	(611,085)	(877,277)	-
15 September 2009	0.58	-	250,000	-	-	250,000
31 October 2009	0.35	-	190,000	-	(190,000)	-
12 December 2009	0.35	-	4,000,000	-	(4,000,000)	-
31 December 2009	0.23	2,075,000	-	-	-	2,075,000
11 June 2017	0.29	250,000	-	(250,000)	-	-
27 March 2018	0.65	650,000	-	(650,000)	-	-
		<u>7,263,825</u>	<u>4,440,000</u>	<u>(1,511,085)</u>	<u>(7,867,740)</u>	<u>2,325,000</u>

The fair value of options granted in the year was £511,000 (2008: £344,000).

The fully diluted share capital at 30 June 2009 may be analysed as follows:

	No. of Ordinary 10p shares 2009	2008
Shares in issue at 30 June	87,511,340	79,088,009
Employee share options (see note 30)	22,762,593	16,039,080
Warrants	2,325,000	7,263,825
Fully diluted number of shares	<u>112,598,933</u>	<u>102,390,914</u>

19. SHARE PREMIUM

Group and Company	2009 £'000	2008 £'000
At 1 July	44,732	36,801
Premium on shares issued	2,042	8,193
Expenses of share issues	-	(262)
At 30 June	<u>46,774</u>	<u>44,732</u>

The share premium is the excess of consideration received for shares issued above their nominal value.

20. EMPLOYEE BENEFIT TRUST RESERVE

Group	2009 £'000	2008 £'000
At 30 June	<u>101</u>	<u>-</u>

During the year, the employee benefit trust acquired 180,000 ordinary shares in the Company.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

21. MERGER RESERVE	2009	2008
Group and Company	£'000	£'000
At 1 July and 30 June	9,200	9,200

The merger reserve represents the premium attributable to shares issued in consideration of the costs of acquisition of subsidiaries in prior years.

22. EQUITY RESERVE	2009	2008
Group and Company	£'000	£'000
At 1 July	-	1,136
Conversion of loan notes	-	(1,136)
At 30 June	-	-

The equity reserve represents the equity component of convertible loan notes.

23. SHARE-BASED PAYMENT RESERVE	2009	2008
Group and Company	£'000	£'000
At 1 July	1,354	868
Equity settled share-based payments	2,162	539
Options exercised during the year	(76)	(53)
At 30 June	3,440	1,354

The share-based payment reserve represents the cumulative charge to date in respect of unexercised share options at the balance sheet date.

24. WARRANT RESERVE	2009	2008
Group and Company	£'000	£'000
At 1 July	816	1,204
Equity settled share-based payments – warrants	173	88
Warrants exercised during the year	(756)	(476)
At 30 June	233	816

The warrant reserve (share warrants granted under the terms of the Company's funding activities in relation to new debt, broking fee and follow on funding strategies) represents the cumulative charge to date in respect of unexercised share warrants at the balance sheet.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

25. RETAINED EARNINGS	2009	2008
Group	£'000	£'000
At 1 July	(84,755)	(81,903)
Loss for the year attributable to equity shareholders of the Company	(7,295)	(3,381)
Options exercised during the year	76	53
Warrants exercised during the year	756	476
At 30 June	<u>(91,218)</u>	<u>(84,755)</u>
26. RETAINED EARNINGS	2009	2008
Company	£'000	£'000
At 1 July	(85,272)	(82,380)
Loss for the year attributable to equity shareholders of the Company	(7,144)	(3,421)
Options exercised during the year	76	53
Warrants exercised during the year	756	476
At 30 June	<u>(91,584)</u>	<u>(85,272)</u>

As permitted by Section 408 Companies Act 2006, a separate income statement has not been presented in respect of the Company.

27. COMMITMENTS UNDER OPERATING LEASES	2009	2008
	£'000	£'000
Minimum lease payments under operating leases recognised as an expense in the year	<u>90</u>	<u>105</u>

At 30 June 2009 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2009	2008
	£'000	£'000
Within one year	90	90
In the second to third year	180	180
In the third to fifth year	23	113
	<u>293</u>	<u>383</u>

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

28. PENSION COMMITMENTS

The Group offers a stakeholder pension scheme to all employees and has started making contributions to the scheme since July 2007. These contributions are charged to the income statement as they are incurred and amounted to £103,000 (2008: £91,000).

29. RELATED PARTY TRANSACTIONS

During the year the Company entered into transactions, in the ordinary course of business, with related parties as set out below:

The Company has a related party relationship with its subsidiaries.

Inter-company receivables	2009	2008
	£'000	£'000
Earthport Enterprises Limited	2	2
Travelpay Limited	5	5
Mobilepay Limited	20	20
Earthport Asiapac Limited	26	26
	<u>53</u>	<u>53</u>
	=====	=====
Inter-company payables	2009	2008
	£'000	£'000
Earthport Enterprises Limited	750	750
Travelpay Limited	1	1
	<u>751</u>	<u>751</u>
	=====	=====

There were no movements on these balances in the year ended 30 June 2009 or 30 June 2008.

Included in other receivables in note 14 is £20,000 due to the Company from J Bergman relating to unpaid share capital. Since the balance sheet date this amount has been repaid by J Bergman. The maximum amount outstanding was £20,000.

30. EVENTS SINCE THE BALANCE SHEET DATE

Since the balance sheet date, the Company has raised additional finance through the issue of equity of £0.41m. In addition a £1m Loan Note dated 5 October 2009 has been fully subscribed to.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

31. SHARE-BASED PAYMENTS

The Company has a share option scheme for all employees of the Group. Options are exercisable at a price equal to the averaged quoted market price on the three days prior to the date of grant. Vesting conditions are set by the Remuneration Committee, with a minimum of 50 per cent of options granted vesting after three years from the date of grant. In addition specific performance criteria may be set. Options qualify for EMI relief where appropriate. If the options remain unexercised after a period of 7 years from the date of vesting, the options expire. Options lapse if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
	2009		2008	
Options at beginning of the year	16,039,080	0.545	7,156,808	0.333
Granted during the year	7,625,000	0.426	9,890,000	0.633
Lapsed during the year	(551,000)	0.537	(683,228)	0.350
Exercised during the year	(350,487)	0.753	(324,500)	0.865
Outstanding at the end of the year	<u>22,762,593</u>	<u>0.565</u>	<u>16,039,080</u>	<u>0.545</u>

Of the 22,762,593 outstanding options at 30 June 2009 (2008: 16,039,080), 4,821,800 were exercisable (2008: 2,816,500). The options outstanding at 30 June 2009 had a weighted average exercise price of 57p (2008: 55p) and a weighted average remaining contractual life of 6 years (2008: 6 years). The total expense in respect of employees share-based payments recognised during the year was £2,162,000 (2008: £539,000). For options exercised in the year ended 30 June 2008, the weighted average share price at the date of exercise was 75p (2008:87p)

The fair value of the options has been calculated using the Black-Scholes Model. The model takes into account the following factors in determining the fair value of an option:

	2009	2008
Weighted average share price	41.2p	68.5p
Weighted average exercise price	40.1p	63.3p
Expected volatility	73.8%	91.5%
Expected life	65 months	60 months
Risk free rate	2.83	4.7
Expected dividend yield	0%	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the 60 months prior to the date of grant. The expected life used in the model has been based on management's best estimates for the effects of transferability, exercise restrictions and behavioural considerations.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

32. RECONCILIATION OF LOSS BEFORE TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

Group	2009 £'000	2008 £'000
Loss before tax	(7,015)	(3,661)
Depreciation of property, plant and equipment	89	105
Share-based payment expense	2,335	627
Finance costs	152	324
Impairment of available-for-sale investment	160	-
Operating cash out flow before movements in working capital	(4,279)	(2,605)
Decrease/(increase) in receivables	1,319	(1,352)
Decrease in payables	(2,004)	(743)
Cash used by operations	(4,964)	(4,700)
Interest paid	(152)	(151)
Net cash used in operating activities	(5,116)	(4,851)

RECONCILIATION OF LOSS BEFORE TAX TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

Company	2009 £'000	2008 £'000
Loss before tax	(6,864)	(3,699)
Depreciation of property, plant and equipment	89	105
Share-based payment expense	2,335	627
Finance costs	152	327
Impairment of available-for-sale investment	160	-
Operating cash out flow before movements in working capital	(4,128)	(2,640)
Decrease/(increase) in receivables	1,116	(1,300)
Decrease in payables	(2,004)	(744)
Cash used by operations	(5,016)	(4,684)
Interest paid	(152)	(155)
Net cash used in operating activities	(5,168)	(4,839)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

33. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash and various items arising directly from its operations, such as trade receivables and trade payables. The main purpose of these financial instruments is to provide working capital for the Group. The Group's policy is to obtain the highest rate of return on its cash balances, subject to having sufficient resources to manage the business on a day to day basis and not exposing the Group to unnecessary risk of default.

Risk management policies

The Group's finance function is responsible for procuring the Group's capital resources and maintaining an efficient capital structure, together with managing the Group's liquidity, foreign exchange and interest exposures.

All treasury operations are conducted within strict policies and guidelines that have been approved by the directors.

The Group's portfolio of cash and cash equivalents is managed such that there is no significant concentration of credit risk in any one bank or other financial institution. Management monitors closely the credit quality of the institutions with which it holds deposits.

Credit risk

Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Maximum credit risk at 30 June 2009 was as follows:

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Trade and other receivables	1,023	2,299	1,230	2,202
Cash and cash equivalents	885	3,655	832	3,654
	<u>1,908</u>	<u>5,954</u>	<u>2,062</u>	<u>5,856</u>

Before accepting a new customer, the Group assesses each potential customer's credit quality and risk. Customer contracts are drafted to reduce any potential credit risk to the Group. Where appropriate the customer's recent financial statements are reviewed.

The amount of trade receivables is presented in the balance sheet net of allowances for doubtful receivables. An allowance for impairment is made where a review of overdue accounts indicates circumstances, based on previous experience, where there might be a reduction in the recoverability of the cash flows.

£159,000 of trade receivables was past due for payment as at 30 June 2009, by four months or less, of which £112,000 had been collected by 23 October 2009. The directors are confident as to the recoverability of the remaining balance and thus no further impairment of the amount has been recognised in the financial statements at 30 June 2009.

There are no significant credit risks arising from financial assets that are neither past due nor impaired.

Cash and cash equivalents are held at banks with high credit ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk and the exposures are spread over numerous counter parties and customers.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

33. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group closely monitors its cash position to ensure that it has sufficient funds to meet the obligations of the Group as they fall due. The Group's treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	Less than 1 year	Between 1 and 5 years	Total
	£'000	£'000	£'000
2009			
Trade payables	704	-	704
Other payables	168	-	168
Accruals and deferred income	199	-	199
Borrowings	407	297	704
Total	<u>1,478</u>	<u>297</u>	<u>1,775</u>
2008			
Trade payables	805	-	805
Other payables	754	-	754
Accruals and deferred income	859	-	859
Borrowings	340	761	1,101
Total	<u>2,758</u>	<u>761</u>	<u>3,519</u>
Company	Less than 1 year	Between 1 and 5 years	Total
2009	£'000	£'000	£'000
Trade payables	524	-	524
Other payables	17	-	17
Accruals and deferred income	199	-	199
Borrowings	407	297	704
Total	<u>1,147</u>	<u>297</u>	<u>1,444</u>
2008			
Trade payables	623	-	623
Other payables	1,356	-	1,356
Accruals and deferred income	859	-	859
Borrowings	340	761	1,101
Total	<u>3,178</u>	<u>761</u>	<u>3,939</u>

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

33. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Group's interest rate exposure arises mainly from its interest bearing deposits. All cash is held in variable rate accounts. Based on the balance sheet value of cash and cash equivalents, a 1% change in interest base rates would lead to an increase or decrease in income and equity of £8,300 (2008: £36,500). No hedging is undertaken given the amounts involved.

Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises on financial assets and liabilities that are denominated in a currency other than the functional currency of the entity by which they are held. No hedging is undertaken given the amounts involved. The Group and Company's exposure to currency risk was as follows:

Included in the Group cash and cash equivalents at 30 June 2009 was £85,159 in US Dollars (2008: £29,041) and £143,900 in Euros (2008: £52,625).

Based on the balance sheet value of cash and cash equivalents, as shown above, a 10% change in the currency exchange rate would lead to an increase or decrease in the income and equity of £22,906 (2008: £8,000).

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.

Financial instruments recognised in the balance sheet

Group	Loans and receivables £'000
2009	
Current assets	
Trade receivables	159
Other receivables	864
Cash and cash equivalents	885
Total current assets	<u>1,908</u>
	Other financial liabilities £'000
Liabilities	
Trade payables	704
Other payables	168
Accruals	199
Borrowings	704
	<u>1,775</u>

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

33. FINANCIAL INSTRUMENTS (continued)

2008	Loans and receivables £'000	Available-for-sale £'000	Total £'000
Current assets			
Investments	-	160	160
Trade receivables	1,059	-	1,059
Other receivables	1,240	-	1,240
Cash and cash equivalents	3,655	-	3,655
Total current assets	<u>5,954</u>	<u>160</u>	<u>6,114</u>
			Other financial liabilities £'000
Liabilities			
Trade payables			805
Other payables			754
Accruals			259
Borrowings			340
			<u>2,158</u>
Company			
2009			Loans and receivables £'000
Current assets			
Trade receivables			159
Other receivables			1,018
Cash and cash equivalents			832
Total current assets			<u>2,009</u>
			Other financial liabilities £'000
Liabilities			
Trade payables			524
Other payables			768
Accruals			199
Borrowings			704
			<u>2,195</u>

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

33. FINANCIAL INSTRUMENTS (continued)

2008	Loans and receivables £'000	Available-for-sale £'000	Total £'000
Current assets			
Investments	-	160	160
Trade receivables	910	-	910
Other receivables	1,292	-	1,292
Cash and cash equivalents	3,654	-	3,654
Total current assets	<u>5,856</u>	<u>160</u>	<u>6,016</u>
			Other financial liabilities £'000
Liabilities			
Trade payables			623
Other payables			1,356
Accruals			259
Borrowings			1,101
			<u>3,339</u>

The carrying values of all financial instruments above approximate to their fair values.

Earthport plc

Notice is hereby given that the Annual General Meeting of EARTHPORT Plc (the “Company”) will be held at 21 New Street, London EC2M 4TP on 11 December 2009 at 3.00pm for the following purposes:

ORDINARY BUSINESS

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

- Resolution 1. To receive the financial statements for the year ended 30 June 2009 together with the Reports of the Directors and Auditors thereon.
- Resolution 2. To appoint Lance Browne CBE, appointed to the Board during the financial year ended 30 June 2009 in accordance with Article 89 of the Articles of Association of the Company, as a (Non-Executive) Director in accordance with Article 83 of the Articles.
- Resolution 3. To appoint Peter Andrews Chappell, appointed to the Board during the financial year ended 30 June 2009 in accordance with Article 89 of the Articles of Association of the Company, as an (Executive) Director in accordance with Article 83 of the Articles.
- Resolution 4. To appoint Lady Olga Maitland, appointed to the Board during the financial year ended 30 June 2009 in accordance with Article 89 of the Articles of Association of the Company, as a (Non-Executive) Director in accordance with Article 83 of the Articles.
- Resolution 5. To re-appoint Baker Tilly UK Audit LLP as the Company’s Auditor until the conclusion of the next Annual General Meeting, and to authorise the Directors to determine the Auditors’ remuneration.

SPECIAL BUSINESS

To consider and if thought fit, pass the following resolution as an ordinary resolution:

- Resolution 6. THAT with effect from the time of the passing of this resolution, the directors be generally and unconditionally authorised to exercise all powers of the Company, pursuant to Section 549 and Section 551 of the Companies Act 2006, to allot relevant securities (as defined in that Act) up to an aggregate nominal amount of £1,312,650, in accordance with Article 7.1 of the Articles of Association of the Company, provided that this authority shall expire at the conclusion of the next Annual General Meeting after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

To consider and if thought fit, pass the following resolution as a special resolution:

- Resolution 7. THAT, subject to the passing of resolution 7 above, the Directors be empowered pursuant to Section 570, Section 571 and Section 573 of the Companies Act 2006 to allot equity securities (within the meaning of Section 560 of the said Act) for cash pursuant to the authority conferred on them by the Articles of Association as if Section 561(1) of the said Act did not apply to any such allotment provided that this power shall be limited to:
- (a) The allotment of equity securities in connection with a rights issue, open offer or otherwise in favour of ordinary shareholders in proportion (as nearly as possible) to the respective number of shares held, or deemed to be held, by them subject only to such exclusions or other arrangements as the Directors may consider appropriate to deal with fractional entitlements or problems arising in any territory or with the requirements of any recognised regulatory body or stock exchange in any territory; and

- (b) The allotment of equity securities (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal value of £1,312,650, which represents fifteen percent (15%) of the current issued share capital of the Company. The Company is seeking this quantum instead of the norm of ten percent (10%) due to the number of options vesting over the next year.

Such power shall expire, unless sooner revoked, at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, 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, and notwithstanding such expiry, the Directors may allot equity securities pursuant to any such offer or agreement as if the power conferred by this resolution had not expired.

To consider and if thought fit, pass the following resolution as a special resolution:

- Resolution 8. THAT the Company be generally and unconditionally authorised, for the purposes of Section 701 of the Companies Act 2006 (as amended), to make one or more market purchases (within the meaning of Section 693(4) of the Companies Act 2006 (as amended)) of Ordinary shares of £0.10 each of the Company ('ordinary shares') provided that:
- a) the maximum number of ordinary shares hereby authorised to be acquired is ten percent (10%) of the issued share capital;
 - b) the minimum price which may be paid for any such Ordinary share is £0.10, the nominal value of that share;
 - c) the maximum price which may be paid for any such ordinary share is an amount equal to one hundred and five percent (105%) of the average of the middle market quotations for an ordinary share as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange for the five business days immediately preceding the day on which the share is contracted to be purchased; and
 - d) the authority conferred shall expire at the conclusion of the next Annual General Meeting of the Company, but a contract for purchase may be made before such expiry date which will or may be executed wholly or partly thereafter, and a purchase of ordinary shares may be made in pursuance of any such contract.

By order of the Board

Peter Chappell
Director

Dated: 23 October 2009

Registered Office:

21 New Street
London
EC2M 4TP

Notes:

1. A member who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak, and to vote instead of him/her. A proxy need not be a member of the Company. Only shareholders, proxies and authorised representatives of corporations that are shareholders are entitled to attend the meeting.
2. In the case of joint holders the signature of one holder on the form of proxy will be accepted by the vote of the senior who tenders a vote whether in person or by proxy to the exclusion of the votes of any joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of such joint holdings.
3. In the case of a corporation the form of proxy must be signed on its behalf by a duly authorised officer of the corporation.
4. A form of proxy is provided with this notice. To be effective a form of proxy together with any power of attorney or other authority under which it is executed or a copy thereof certified notarially or in accordance with the Power of Attorney Act 1971 or as the Directors shall accept must be sent to the Company Secretary, c/o **Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to arrive not later than 48 hours before the start of the meeting.**
5. Any alteration made to the form of proxy should be initialled.
6. Completion of the form of proxy will not affect the right of a member to attend and vote at the meeting.
7. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the register of members of the Company as at **3.00pm on 9 December 2009**, this being 48 hours before the start of the Meeting, shall be entitled to attend and vote at this meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the right of any person to attend or vote at this meeting.
8. Resolution 7, which is an ordinary resolution, authorises the Directors to allot unissued shares or any other instrument including options up to an aggregate nominal value of £1,312,650. This authority, if granted, will expire on the conclusion of the next Annual General Meeting.
9. If shares are to be allotted using the authority under Resolution 7, and are to be paid for in cash, Section 561(1) of the Companies Act 2006 requires that those equity securities are offered first to existing shareholders in proportion to the number of Ordinary Shares they each hold at that time. An offer of this type is called a 'rights issue' and the entitlement to be offered the shares first is known as a 'pre-emption right'.

In certain circumstances however, it may be in the interests of the Company for the Directors to be able to allot some of the shares for cash other than by way of a rights issue. Resolution 8, which is a special resolution, asks shareholders to waive their pre-emption rights, but only for securities having a maximum aggregate nominal value of £1,312,650, which represents fifteen percent (15%) of the current issued share capital. This percentage is outside the guidelines of the Association of British Insurers, but provides the Directors with greater future flexibility. The Directors believe this is in the best interests of the shareholders. This authority will expire at the conclusion of the next Annual General Meeting unless revoked sooner.

10. In certain circumstances it may be advantageous for the Company to purchase its own shares and resolution 9 seeks authority from the shareholders to do so. The Directors intend to exercise this power only when, in light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase the underlying value per share having regard to the intent of the Institutional Guidelines and is in the best interests of shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account before deciding upon this course of action. Any shares purchased in this way will be cancelled and the number of shares in issue will be reduced accordingly.

Earthport plc

Resolution 9 specifies the maximum number of shares which may be acquired (10 % of the Company's issued ordinary share capital) and the maximum and minimum prices at which they may be bought. The Directors intend to seek renewal of these powers at subsequent Annual General Meetings.

11. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of determination by the Company of the number of votes they may cast), members must be entered on the Company's Register of Members by **3.00pm on 9 December 2009**, this being 48 hours before the start of the Meeting.
12. The following documents will be available for inspection at the meeting convened by this notice:
 - a) Register of Directors' share interests
 - b) Directors' service contracts

Annual General Meeting

Proxy Form

Before completing this form, please read the explanatory notes overleaf.

I/We being a member of the Company appoint the Chairman of the meeting or (see note 3)

--

as my/our proxy to attend, speak and vote on my/our behalf at the Annual General Meeting of the Company to be held at 21 New Street, London EC2M 4TP on 11 December 2009 at 3.00 pm and at any adjournment of the meeting.

I/We direct my/our proxy to vote on the following resolutions as I/we have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or abstain from voting at his or her discretion and I/we authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is properly put before the meeting.

	Resolution	For	Against	Vote withheld
Resolution 1	To receive the financial statements for the year ended 30 th June 2009 together with the Report of the Directors and Auditors thereon.			
Resolution 2	To appoint Lance Browne CBE as a Non-Executive Director.			
Resolution 3	To appoint Peter Andrews Chappell as an Executive Director.			
Resolution 4	To appoint Lady Olga Maitland as a Non-Executive Director.			
Resolution 5	To re-appoint Baker Tilly UK Audit LLP as the Company's Auditor and to authorise the Directors to determine the Auditor's remuneration.			
Resolution 6	To authorise the Directors to allot shares pursuant to Section 549 and Section 551 of the Companies Act 2006.			
Resolution 7	To waive rights of pre-emption on allotment of shares until the conclusion of the next Annual General Meeting of the Company after the passing of this resolution.			
Resolution 8	To grant the Directors the authority for the Company to purchase its own shares.			

Signature: _____

Dated: _____ 2009

Third fold and tuck in

Please
Affix
Postage
Stamp

Capita Registrars (Proxies)
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Second fold

First fold

Earthport plc

Notes to the proxy form

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
2. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact Capita Registrars Limited by telephone on 0871 664 0300 to obtain another hard copy proxy form.
5. To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To appoint a proxy using this form, the form must be:
 - completed and signed;
 - sent or delivered to the Company Secretary, Earthport plc, c/o Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
 - received by Capita Registrars no later than 3.00pm on 9 December 2009, this being 48 hours before the start of the Meeting.
7. In the case of a member which is a company, this proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
8. Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Earthport plc

9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

10. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

11. You may not use any electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.

Earthport plc

Notice is hereby given that a General Meeting of EARTHPORT Plc (the “Company”) will be held at 21 New Street, London EC2M 4TP on 11 December 2009 at 4.00pm, or if later, following the conclusion of the Annual General Meeting of which notice has been given to commence at 3.00pm on the same day at the same place as the aforesaid.

Pursuant to the provisions of Section 656 of the Companies Act 2006, to consider whether any, and if so, what steps should be taken to deal with the situation arising by virtue of the fact that the net assets of the Company are half or less of its called up share capital.

By order of the Board

Peter Chappell
Director

Dated: 23 October 2009

Registered Office:

21 New Street
London
EC2M 4TP

Earthport plc

Notes:

1. A member who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak, and to vote instead of him/her. A proxy need not be a member of the Company. Only shareholders, proxies and authorised representatives of corporations that are shareholders are entitled to attend the meeting.
2. In the case of joint holders the signature of one holder on the form of proxy will be accepted by the vote of the senior who tenders a vote whether in person or by proxy to the exclusion of the votes of any joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of such joint holdings.
3. In the case of a corporation the form of proxy must be signed on its behalf by a duly authorised officer of the corporation.
4. A form of proxy is provided with this notice. To be effective a form of proxy together with any power of attorney or other authority under which it is executed or a copy thereof certified notarially or in accordance with the Power of Attorney Act 1971 or as the Directors shall accept must be sent to the Company Secretary, c/o **Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU** so as to arrive not later than 48 hours before the start of the meeting.
5. Any alteration made to the form of proxy should be initialled.
6. Completion of the form of proxy will not affect the right of a member to attend and vote at the meeting.
7. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the register of members of the Company as at **4.00 pm on 9 December 2009**, this being 48 hours before the start of the Meeting, shall be entitled to attend and vote at this meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the right of any person to attend or vote at this meeting.
8. To be entitled to attend and vote at the General Meeting (and for the purpose of determination by the Company of the number of votes they may cast), members must be entered on the Company's Register of Members by **4.00 pm on 9 December 2009**, this being 48 hours before the start of the Meeting.

General Meeting

Proxy Form

Before completing this form, please read the explanatory notes overleaf.

I/We being a member of the Company appoint the Chairman of the meeting or (see note 3)

as my/our proxy to attend, speak and vote on my/our behalf at the General Meeting of the Company to be held at 21 New Street, London EC2M 4TP on 11 December 2009 at 4.00pm or if later, following the conclusion of the Annual General Meeting of which notice has been given to commence at 3.00pm on the same day at the same place as the aforesaid, and at any adjournment of the meeting.

Signature: _____

Dated: _____ 2009

Third fold and tuck in

Please
Affix
Postage
Stamp

Capita Registrars (Proxies)
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Second fold

First fold

Earthport plc

Notes to the proxy form

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
2. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact Capita Registrars Limited by telephone on 0871 664 0300 to obtain another hard copy proxy form.
5. To appoint a proxy using this form, the form must be:
 - completed and signed;
 - sent or delivered to the Company Secretary, Earthport plc, c/o Capita Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
 - received by Capita Registrars no later than 4.00pm on 9 December 2009, this being 48 hours before the start of the Meeting.
6. In the case of a member which is a company, this proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
7. Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
8. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
9. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
10. You may not use any electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.

Notes

Notes

Notes
