



EARTHPORT PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2011

Earthport plc

DIRECTORS AND ADVISERS

DIRECTORS

P Hickman	Non-Executive Chairman
H Uberoi	Executive
Z Karim	Executive
P Thomas	Executive
Lady Olga Maitland	Non-Executive
V Ramgopal	Non-Executive
T Williams	Non-Executive

SECRETARY

A Ali

REGISTERED OFFICE

21 New Street
London EC2M 4TP

INDEPENDENT AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
25 Farringdon Street
London EC4A 4AB

BANKERS

Barclays Bank plc
1 Churchill Place
London E14 5HP

NOMINATED ADVISER AND BROKER

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

JOINT BROKER

Charles Stanley & Co Limited
25 Luke Street
London EC2A 4AR

REGISTRARS

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

SOLICITORS

Bird & Bird LLP
15 Fetter Lane
London EC4A 1JP

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BOARD STATEMENT

This last year at Earthport has been characterised by reorganisation and investing for growth. Much progress has been made in transforming and preparing Earthport to become a global payments infrastructure provider and there have been notable successes along the way.

Earthport ended fiscal 2010 with a record number of monthly transactions processed in June 2010. The number processed in July 2010 was also a record number for July. In August and September 2010, the “Bring Money Home” and the “Earthport Direct” services were launched, respectively. Also in August, the first corporate client went live under Earthport’s previously announced IBM GERS contract. The IBM GERS solution is an expense reporting and payment system which IBM markets to its corporate clients.

In October 2010, £7.5 million of equity was raised from institutional and other investors, with confidence in the business being underlined by the fundraising being oversubscribed. These funds were for growth and working capital.

In November 2010, the Board was significantly strengthened with the addition of Philip (Phil) Hickman as Non-Executive Chairman and Terence (Terry) Williams as a Non-Executive Director. Phil, (61), had a successful 32 year career with HSBC where he held several roles including Managing Director (Europe) for HSBC Global Payments & Cash Management and Head of Planning & Development (Commercial and Corporate) for HSBC Ltd. Phil currently sits on the Board of Alfa Bank Holdings SA in Russia, Elephant Talk Communications Inc in the USA and is Chairman of Validsoft Limited. Phil’s experience and network are directly applicable to Earthport’s business.

Terry, (64), is Chairman of Calastone, an independent cross-border transaction network for the mutual funds industry. From 2002 to 2008, Terry was Chairman of Coexis Ltd, where he was instrumental in helping the business become a leading provider of technology solutions for the global securities markets. Terry founded Wilco, the computer services company offering open systems technology for the back office. He was responsible for positioning Wilco as a global leader. In 1996, Wilco was acquired by ADP Ltd with Terry as Chairman and CEO of the acquired business.

At the same time as the above appointments, Mike Harrison, the previous Non-Executive Chairman, resigned his position. Mike has played an important role at Earthport during a period of significant change. We thank him for his contribution and wish him well. Lance Browne also resigned as Non-Executive Vice Chairman. We thank Lance for his contributions during his time at Earthport and wish him well.

Also in November 2010, the Compliance Team was strengthened with the hiring of a new Head of Compliance who has experience at the Dubai FSA and London Clearing House. He is also a qualified chartered accountant having started his career at PWC. The level of staffing in the Compliance Team was also increased.

Paul Thomas, (47), was appointed as an Executive Director and Head of Sales and Marketing in January 2011. Paul has almost two decades of experience in the securities software arena. He joined from Fiserv, where he was head of sales, with responsibility for the post-trade securities processing and corporate actions processing software solutions of Fiserv’s Investment Services business.

Since Paul’s appointment, the sales team has been revamped and expanded. Marketing functions and product development functions have also been added.

In January 2011, an experienced new Head of Professional Services (client integration) was hired who has managed development, operations and client services divisions within securities processing organisations such as Broadridge, Coexis and GBST. The Professional Services team was rebuilt from the bottom up and now comprises dedicated professionals in London, New York and the Middle East.

The Banking Operations Team which covered three functions, banking operations, client services and support and banking network was reorganised into its constituent parts, and each part was expanded. This has enabled better focus and more effective operations in each of these key areas.

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BOARD STATEMENT (continued)

In February of this year, Earthport was awarded winner of the Best Alternative Payments Programme in the Card and Payment Awards 2011. Competitors included Barclays, HSBC and Moneybookers. These prestigious awards focus on customer service, excellence and innovation.

A very significant step for Earthport in April 2011 has been becoming authorised by the UK Financial Services Authority (“FSA”) as a Payments Institution (“PI”) regulated under the Payments Services Regulations (“PSRs”) 2009. Obtaining this formal licence has enhanced Earthport’s credibility and has been important in progressing some of the new business initiatives Earthport has been targeting.

In June 2011, Earthport announced the “go live” of a number of clients including Legitas, a market leading provider of outsourced payroll services, and a top UK based foreign exchange house. Both are examples of Earthport successfully addressing new segments. Both contracts contain minimum monthly revenue commitments with both clients exceeding their monthly minimums to date.

Subsequent to the year end, in August 2011, a holder of £500,000 (£565,000 including accrued interest) of Earthport loan notes converted the notes and accrued interest to equity. At that point the conversion extinguished all Earthport debt.

Also subsequent to the year end, Earthport announced the go live of additional clients and its “epXchange” point of sale solution. IBM GERS, which, as mentioned above, went live with its first client in August 2010, has now added more clients including a global consumer personal care company and a global hotel and lodging company. In October 2011, Earthport announced that it was live processing transactions for Western Union’s direct to bank solution. Also in October, Earthport announced that it will be utilising a Bank Of America Merrill service to expand further its banking network and offering additional coverage in Latin America, Asia-Pac and Europe. Through the year, the launch of various services and on-boarding of various clients has assisted in clarifying and sharpening Earthport’s strategy, one area of which is becoming a white-label supplier to financial institutions, aggregators, money service businesses and fx houses. Consistent with this strategy, focus on certain products such as Earthport Direct and Bring Money Home has been de-emphasised as these services are offered by existing and potential clients of Earthport.

Finally, in November 2011, Earthport announced that £10.6 million of funding was raised from institutional and other investors. Of the funding raised, £7.5 million was through the issuance of equity, £1.6 million was through the issuance of convertible loan notes, which automatically convert to equity on permission being obtained to issue sufficient equity, and £1.5 million is through the issuance of equity conditional on permission being obtained to issue sufficient equity. These permissions are being sought at the upcoming Annual General Meeting.

As in the last fund raise, investor confidence was demonstrated by the round being oversubscribed; the largest shareholders continuing to support Earthport; and the addition of new global institutional investors. The funds are expected to be used to grow further the sales team, expand geographically, for potential regulatory bonding requirements and for general working capital.

As mentioned at the outset, the year has been one of reorganisation and investing for growth. Much effort has been put in, much progress has been made; and strategy has been clarified enabling greater focus on segments that are demonstrating traction.

Financial Review

Transaction volumes for the year ended 30 June 2011 were up by 24% compared to the prior year. Total revenue for the year ended 30 June 2011 was up 28% to £2,488,000 (2010: £1,947,000). Transactional revenue was up 10% reflecting the increase in transaction volumes. Other revenue (including foreign exchange and integration) was up 72%. Gross profit was up 32% to £1,926,000 (2010: £1,459,000). Gross margin was slightly higher at 77% (2010: 75%).

Administrative expenses increased by 18% to £6,763,000 (2010: £5,728,000). This increase occurred in the second half of the year as Earthport started its reorganising and investment for growth. Administrative expenses for the six months to December 2010 were £2,872,000 while those for the six months to 30 June 2011 were £3,891,000. The primary reason for the rise was an increase in staff costs: staff costs (excluding non-cash

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BOARD STATEMENT (continued)

share-based payments) for the year ended 30 June 2011 were up 9% to £4,218,000 (2010: £3,864,000). The main other items contributing to the increase were sales and marketing costs, recruitment costs and travel and entertainment. The increases primarily reflect activity in sales and marketing, which has already begun bearing fruit in the form of new client wins.

The share-based payment charge of £2,368,000 (2010: £426,000) is a non-cash item. This relates to options granted to employees and Directors during the year.

Operating loss before share-based payment charge increased by 13% to £4,837,000 (2010: £4,269,000). Including the share-based payment charge of £2,368,000, operating loss increased by 54% to £7,205,000 (2010: £4,670,000).

Finance costs of £314,000 related to warrants granted during the year and interest payable on debt. Overall, loss for the year before share-based payment charge increased by 11% to £5,151,000 (2010: £4,653,000). Including the share-based payment charge of £2,368,000 (2010: £426,000), loss before taxation rose 48% to £7,519,000 (2010: £5,079,000).

Debt was reduced to £500,000 from £586,000 by way of repayment of unsecured loans. Subsequent to the year end, in August 2011, debt was further reduced to zero by way of conversion of a loan note and its accrued interest to equity. As part of the recent £10.6 million fund raise, £1.6 million of convertible loan notes were issued. These are expected to convert to equity following the upcoming Annual General Meeting.

Cash and cash equivalents at the year end were £3,826,000. With the recent post balance sheet warrant exercises and successful fundraising of £10.6 million (of which £1.5 million is equity conditional on permissions being sought at the upcoming Annual General Meeting to issue equity and is therefore yet to be received, the cash and cash equivalents position of the Company as at 21 November 2011 was £9.7 million (this amount does not include the £1.2 million that would result upon the exercise of 11,045,455 warrants which have an exercise price of 11 pence and expire on 31 December 2011).

Sales and Marketing

With Paul Thomas joining as Head of Sales and Marketing in January 2011, a review of the function was undertaken in January and February with the objective of creating a sales and marketing plan for the remainder of the current and the next fiscal year.

Target market analysis was undertaken by product leading to market segmentation from which sales plans were created for the European, North American and Middle Eastern sales teams. During this process a sales resourcing strategy was generated together with an integrated marketing plan. Sales managers, with leadership roles were appointed in each of the territories and recruitment commenced aligned to the sales planning and segmentation process.

By the end of the fiscal year, new sales resources had been added in London and New York, covering the European and North American territories, respectively. Further resources have been added to all teams since the end of the fiscal year.

In parallel with the development of the sales organisation, a marketing function was established, and several key projects initiated, including the appointment of a new public relations agency and the appointment of a third party lead generation agency to help demand creation. A project was also commenced to re-position the core service proposition through a new messaging platform, forming the basis for future brand and collateral initiatives. A full time marketing executive was added. In addition, a new product development function was created.

The final quarter of the fiscal year saw the sales and marketing activities significantly increase the value of the sales pipeline, with the value of the sales pipeline doubling in the final quarter. Seven new contracts were signed from January 2011 to June 2011.

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BOARD STATEMENT (continued)

Banking Network and Payment Operations

The Banking Operations Team which covered three functions, payment operations, client support and banking network was reorganised into its constituent parts, and each part was expanded. This has enabled better focus and more effective operations in each of these key areas.

In January a new Head of Professional Services was hired to lead the Payment Operations, Client Support and Professional Services team. The Professional Services team was rebuilt from the bottom up and now comprises dedicated professionals in London, New York and the Middle East. A streamlined and standardised approach to client implementations means that clients can be on-boarded more cost effectively and quickly than before.

Client Support has been significantly improved through the implementation of an automated call-tracking system and the creation of a team of qualified client support staff whose focus is to ensure that the experience of live clients is as positive as possible.

Payment Operations has been re-focused into a team whose goal is efficient processing of client transactions. Wide ranging improvements, from the tightening of settlement periods, the improvement in quality of delivery to the reduction of manual and paper-based processes, have been made. As Earthport strives to provide excellent client experience, the Payment Operations team are focusing on ensuring that the experience continues to improve while processing volumes and transaction values increase.

The important area of maintaining and growing Earthport's banking network has a team dedicated to it. The Banking Network Team focuses solely on the on-boarding and management of relationships with the many banking partnerships Earthport engages to deliver services globally.

Last year this area had three dedicated staff. During the year this increased to five with the addition of regional specialists covering the key Asia-Pac and Latin American regions. The Team is expected to grow further.

The ability to expand banking coverage into previously difficult geographies has directly benefitted from Earthport becoming an authorised PI, a development that has renewed confidence and motivation within key banking partners and also paved the way for meaningful and structured engagement with new providers in several critical territories.

Complex banking projects such as Japanese Zengin and a renewed South African ACH were delivered. Several multi-geography projects with key providers across Asia, Africa, and the Americas were initiated with significant progress made.

As a result, local delivery capability currently encompasses 49 countries and is targeted to grow further over the next year.

Compliance

Shortly after the successful fundraising in October 2010, the Compliance Team was strengthened with the hiring of a new Head of Compliance who has experience at the Dubai FSA and London Clearing House. The level of staffing in the Compliance Team was increased from two at the beginning of the period to six at the end of the period. This reflects the increased focus placed on Compliance by Earthport.

A very significant step for Earthport in April has been becoming authorised by the UK FSA as a PI regulated under the PSRs 2009. As part of this process Earthport has also been passported as a PI throughout the European Economic Area. Obtaining this formal licence, rather than relying on the transitional provisions of the PSRs, has enhanced Earthport's credibility and has been important in progressing some of the new business initiatives Earthport has been targeting, particularly as Earthport's core focus going forward is building relationships with regulated institutions.

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BOARD STATEMENT (continued)

IT Development

The year to 30 June 2011 saw further adoption of the new web services platform. Some large existing customers have successfully migrated onto this new platform. Enhancements to this system continue, with the focus being on ease of access for customers to new territories opened by the Banking Network Team.

Post the year end, Earthport saw the successful launch of “epXchange”, an additional interface based point of sale product that allows easy access to the Earthport banking network with little or no integration effort.

System security and availability remain major priorities. Initiatives undertaken in these areas include significant enhancements in both infrastructure and processes, including a major investment in a second data centre. The foundations are being laid to take uptime targets beyond the current 99.9%.

Board Changes

During the year several Board changes were made. In November 2010, Mike Harrison retired as Non-Executive Chairman and Lance Brown stepped down as Non-Executive Vice Chairman. Simultaneously, Phil Hickman was appointed Non-Executive Chairman and Terry Williams was appointed as Non-Executive Director. In January 2011, Paul Thomas was appointed as Executive Director.

Outlook

Earthport is at an exciting point in its evolution. Significant investment into the infrastructure (both people and systems) has been made and has prepared Earthport for growth. The sales team now has 14 sales people and is expected to grow further. The pipeline of clients has grown from around 50 in January 2011 to over 250 in October 2011 covering all target industry segments. There has been a month on month increase in transactions every month from March 2011 and this is expected to continue going forward. In October 2011, 40% more transactions were processed than in June 2011.

As the Board looks forward, it is clear that the client demand for high volume cross-border payments is significant and Earthport is well positioned to address this opportunity. This is being demonstrated by the number and type of new clients being signed up and in the pipeline. Given the recurring nature of the revenues and the increasing number of clients, transaction revenues are expected to grow month on month for the foreseeable future. Most new clients are being signed up on terms that include monthly minimum revenue and multi-year contract terms.

In order to maximise the value of some of the recent client wins and to convert the large pipeline of potential clients into revenue producing clients faster, Earthport is continuing to invest in its global network and product offering. Although we do not expect Earthport to generate a profit in the financial year ending 30 June 2012, we do expect the rate of growth of transaction revenue to accelerate further over the coming months as recent clients’ increase their volumes and new clients go live.

Much progress has been made in transforming Earthport into a global white-label cross-border payment service provider. The Board looks forward to the future with confidence.

The Board

22 November 2011

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 2011. Earthport plc is a public listed parent company, incorporated and domiciled in England and quoted on AIM.

PRINCIPAL ACTIVITIES

The principal activity of the Group is the provision of payment services through the combination of a network of segregated bank accounts in various geographies (the banking network), sophisticated software which mirrors the international movements of funds from bank to bank, the knowledge base embedded in the platform and the organisation related to each of the countries that Earthport delivers payments to. This service is available to financial institutions, aggregators, money service businesses and FX houses.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

A review of the development of the business during the year is given in the Board Statement on pages 2 to 6. This also includes reference to the Group's future prospects.

KEY PERFORMANCE INDICATORS

The Directors consider that the key performance indicators for the business are the number of transactions processed, the number of geographies in which Earthport has segregated bank accounts, Earthport's straight throughput rate and Earthport's IT system availability. Earthport continues to open segregated bank accounts in new geographies and develop its infrastructure platform. Sales and marketing work to increase the volume of transactions processed by Earthport.

The number of transactions processed for the year to 30 June 2011 by Earthport increased by 24% compared to the previous year. As at the date of these accounts, Earthport has segregated bank accounts in 49 geographies. As at November last year it had segregated bank accounts in 45 geographies. Earthport's straight throughput rate remains above 99%, and its IT system availability remains at or above 99.9%.

The Directors consider that the current financial key performance indicators for Earthport are its revenue and gross net profit margins. The revenue for the year ended 30 June 2011 was £2,488,000 (2010: £1,947,000); and gross margin was 77% (2010: 75%). Given that Earthport is currently loss making and was so last year, any profit based key performance indicators are not meaningful.

RISKS AND UNCERTAINTIES

The Directors consider that the principal risks and uncertainties affecting the Group are as below.

Earthport has exposure to the timing of growth in transaction volumes. Growth may come from an increase in transactions processed for existing clients and new clients. Increasing the number of geographies in which Earthport has segregated bank accounts is also expected to increase the number of transactions processed.

Earthport is reliant on its network of segregated bank accounts in different geographies in order to be able to process transactions. Maintaining a reputation of good standing is key in maintaining and growing this network. Diminution of this network is a risk. Earthport's clients rely on it to process transactions. Maintaining a reputation of good standing is key in maintaining and growing Earthport's client base. Consequently, Earthport has exposure to reputational risk. Earthport, through its corporate governance, procedures and policies, mitigates the risk of reputational damage.

IT system downtime is also a risk, as is a breach of IT security. These risks are mitigated by having robust IT security systems and procedures (having such systems is a condition of obtaining PI authorisation) and 24 hour IT operations support. IT obsolescence is also a risk. This is mitigated by having a dedicated IT development team which maintains and updates Earthport's IT systems.

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DIRECTORS' REPORT (continued)

The changing regulatory environment is a risk. This is mitigated by having a dedicated Compliance Team which monitors and keeps Earthport up to date and compliant with regulations.

Loss of key staff is a risk. This is mitigated by key staff being incentivised and tied in through option packages.

Financial risk management policies are set out in note 27.

EVENTS AFTER THE REPORTING PERIOD

Conversion of debt to equity

On 12 August 2011 the Company agreed with the holder of a Loan Note to convert the Note to equity. As a result, £500,000 of debt plus £64,536 accrued interest was converted to 3,707,955 new ordinary shares of 10 pence each.

Fundraising

In November 2011, Earthport raised £10.6 million of funding from institutional and other investors. Of the funding raised, £7.5 million was through the issuance of equity, £1.6 million was through the issuance of convertible loan notes which automatically convert to equity on permission being obtained to issue sufficient equity and £1.5 million is through the issuance of equity conditional on permission being obtained to issue sufficient equity. This £1.5 million is expected to be received after the permissions to issue equity are obtained. These permissions are being sought at the upcoming Annual General Meeting.

Exercise of warrants

As at 22 November 2011, warrants exercisable at 11 pence per share and expiring on 31 December 2011 over 5,454,545 shares had been exercised.

GOING CONCERN

The Directors believe that the Group has demonstrated further progress in achieving its objective of positioning the Group as an infrastructure supplier to the global payments industry. In addition the Group has raised £10.6 million (£1.5 million conditional on permissions being obtained at the upcoming Annual General Meeting to issue equity and disapply pre-emption rights) of funding through the issue of equity and convertible loan notes. The Directors have prepared cashflow forecast covering a period extending beyond 12 months from the date of these financial statements. After taking account of anticipated overheads costs and revenue, the Board are confident that sufficient funds are in place to support the going concern status of the Company. Therefore the Directors 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 £7.52m (2010: £5.08m).

The Directors are unable to recommend the payment of a dividend for the year (2010: £Nil).

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DIRECTORS' REPORT (continued)

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 2010:

Lady Olga Maitland	
Z Karim	
H Uberoi	
V Ramgopal	
P Hickman	(appointed 18 November 2010)
T Williams	(appointed 18 November 2010)
P Thomas	(appointed 11 January 2011)
M Harrison	(resigned 18 November 2010)
L Browne CBE	(resigned 18 November 2010)

Lady Olga Maitland (Non-Executive Director) 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.

Zafarullah (Zafar) Karim (Executive Director, Chief Financial Officer) was appointed as an Executive Director on 2 December 2009, having joined the Company as Chief Financial Officer earlier that year. Zafar has over two decades of experience in finance including several years focusing on financial strategy, risk management and investment selection in a proprietary fund and as a consultant to various businesses and entrepreneurs in relation to their financial and investment strategies. From 1994 to 2002 Zafar worked for NM Rothschild in London, Warsaw, Prague and Johannesburg. Here he garnered deep and wide-ranging experience in a range of sectors, including financial services, products and geographies. Zafar started his career in 1990 in the investment banking division of Salomon Brothers. Zafar was educated at Churchill College, Cambridge.

Hank Uberoi (Executive Director) was appointed as an Executive Director on 18 February 2010. Hank is Managing Director of HU Investments LLC, which holds 9,554,545 ordinary shares in the Company. Hank is currently an investor in private and public companies globally. He is a Director of several private companies and organisations in the USA, UK and Asia. He has also previously served on the board of a NYSE listed company. In November 2006 he was appointed as the Chairman of the Technology Governing Board for the State of New Jersey, USA, a role he served until 2008. Until April 2004 he was the Chief Operating Officer and head of an Equities Investment Business at Citadel Investment Group in Chicago where he was on the Management Committee of the firm. Hank joined Citadel in 2002 from Goldman Sachs, where he spent 14 years, most recently as a partner and co-Chief Operating Officer of the Technology Division. While at Goldman, he served on several firm-wide governance boards, including the firm's Compensation Committee. He graduated from Williams College, Massachusetts with a BA, Magna Cum Laude.

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DIRECTORS' REPORT (continued)

Vinode Ramgopal (Non-Executive Director) was appointed as a Non-Executive Director on 30 April 2010. Vinode is the CEO and Chairman of Marco Polo Group Limited, a financial services firm focused on Global Emerging Markets. The Marco Polo Group has several companies including Marco Polo Network Inc. an electronic platform for trading securities listed on the exchanges of over 70 countries; and Marco Polo Securities, a FINRA registered broker dealer, offering agency execution services in over 70 countries. Marco Polo was founded in 2001 with Headquarters in New York and representative offices in Hong Kong, Singapore, Brazil and South Africa. Vinode was formerly Head of the Global Privatisation Group at Lehman Brothers and former Head of Lehman Brothers M&A practice for Asia (ex-Japan), Latin America and Eastern Europe. In the course of a 14 year career at Lehman, Vinode led teams that completed over \$30 billion of cross-border M&A transactions. Vinode was educated at the London School of Economics and Merton College, Oxford.

Philip (Phil) Hickman (Non-Executive Chairman) was appointed as a Non-Executive Chairman on 18 November 2010. Phil had a successful 32 year career with HSBC. Here he held various roles including Head of Developing Countries Division, Managing Director (Europe) for HSBC Global Payments and Cash Management and Head of Planning and Development (Commercial and Corporate) for HSBC Limited. After leaving HSBC in 2001, Phil became Chief Executive Officer at Intelligent Processing Solutions Limited. In 2003, he left to become Director at PGH Business Solutions Limited, an independent consultancy focusing on numerous areas within business including payment systems, business process outsourcing and strategic development. Phil is a Non-Executive Director of Alfa Bank Holdings SA in Russia, a Non-Executive Director of Elephant Talk Communications Inc and Chairman of ValidSoft Limited.

Terence (Terry) Williams (Non-Executive Director) was appointed as a Non-Executive Director on 18 November 2010. Terry is currently Chairman of Calastone, the independent cross-border transaction network for the mutual funds industry. From 2002 to 2008 Terry was Chairman of Coaxis Limited, where he was instrumental in helping the business become a leading provider of technology solutions for the global securities markets. Terry founded Wilco, the computer services company offering open systems technology for the back office and modern development techniques for its 'Gloss' trading and settlement system. He was responsible for positioning Wilco as a global leader. In 1996, Wilco was acquired by ADP Limited with Terry as the Chairman and CEO of the acquired business.

Paul Thomas (Executive Director) was appointed as an Executive Director on 11 January 2011. Paul is Executive Director of Sales and Marketing. Prior to Earthport, Paul worked at Fiserv, a leading global provider of information management and electronic commerce systems for the financial services industry, where he was Managing Director of international operations of its investment services business. Paul was responsible for the development of new business for processing software solutions to some of the world's largest financial services organisations. Paul has nearly twenty years of experience in the financial services software arena. Prior to joining Fiserv he was the head of sales and marketing at Broadridge (previously ADP Wilco), where he played a leading role in developing the global sales organisations including the opening of a Frankfurt office and establishing a sales presence in Asia Pacific. Paul jointly founded Iceberg Software, a developer of trading systems, which was acquired by ADP Wilco. He has also worked in a sales capacity at a number of other market leading and innovative companies including Bloomberg and Sungard.

ELECTION OF DIRECTORS

In accordance with the articles of association, one third of Directors are required to retire at each Annual General Meeting. At the upcoming General Meeting, Phil Hickman and Hank Uberoi will be retiring and standing for re-election. Paul Thomas, who was appointed after the last Annual General Meeting shall be standing for election.

DIRECTORS' INDEMNITY INSURANCE

The Directors have taken out an insurance policy to cover Directors' and Officers' liabilities.

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DIRECTORS' REPORT (continued)

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</i> 30 June 2011	<i>Ordinary shares of 10p each</i> 30 June 2010 (or date of appointment if later)
H Uberoi	9,554,545	9,554,545
Z Karim	860,087	443,419
Lady Olga Maitland	32,500	32,500
P Hickman	100,000	-
T Williams	3,806,493	-
V Ramgopal	-	-
P Thomas	-	-

Details of transactions with related parties during the year are disclosed in note 23 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>Weighted</i> <i>Average</i> <i>Exercise</i> <i>prices</i>	<i>Ordinary shares</i> <i>of 10p each</i> 30 June 2011	<i>Ordinary shares</i> <i>of 10p each</i> 30 June 2011	<i>Ordinary shares</i> <i>of 10p each</i> 30 June 2010 (or date of appointment if later)	<i>Ordinary shares</i> <i>of 10p each</i> 30 June 2010 (or date of appointment if later)
		Options	Warrants	Options	Warrants
H Uberoi	18p	15,000,000	14,647,905	-	14,647,905
Z Karim	25p	4,750,000	-	-	-
Lady Olga Maitland	49p	200,000	-	200,000	-
P Hickman	25p	300,000	-	-	-
V Ramgopal	25p	200,000	-	-	-
T Williams	14p	200,000	681,818	-	-
P Thomas	25p	1,000,000	-	-	-

Warrants issued to Hank Uberoi were in relation to his role in the fundraising in February 2010. The exercise price is 11pence and the expiry date for the warrants is as follows: 227,273 warrants expire on 31 December 2011; and 14,420,632 warrants expire on 31 December 2014.

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DIRECTORS' REPORT (continued)

MAJOR INTERESTS IN SHARES

As of 22 November 2011 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>
Schroder Investment Management	35,949,613	14.1
Henderson Global Investors	28,717,561	11.2
Blackrock Inc	19,705,882	7.7
Millennium Global High Yield Fund Ltd	12,753,059	5.0
Hawkwood Capital LLP	12,427,349	4.9
JMS Family Partners	10,416,666	4.1
H U Investments LLC	9,554,545	3.7

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 2011 amounted to £Nil (2010: 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.

POLICY ON PAYMENT OF SUPPLIERS

The Group aims to pay suppliers at the end of the month following the month in which the invoice is received. At 30 June 2011, the Company had an average of 54 days purchases outstanding in trade payables (2010: 58 days).

FINANCIAL INSTRUMENTS

Details of financial instruments and financial risk management policies are set out in note 27 to the financial statements.

ANNUAL GENERAL MEETING

The notice of the meeting for the 2011 Annual General Meeting is set out on page 47.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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 auditor is 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 auditor.

Earthport plc

DIRECTORS' REPORT (continued)

AUDITOR

Baker Tilly UK Audit LLP has expressed its willingness to continue in office as auditor 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

Hank Uberoi - Director

Zafar Karim - Director

22 November 2011

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 2011 comprised three executive Directors and four non-executive Directors. The Board meets regularly throughout the year.

AUDIT COMMITTEE

The Audit Committee comprises Phil Hickman (Chairman), Lady Olga Maitland and Vinode Ramgopal. 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 auditor. 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 comprises Vinode Ramgopal (Chairman), Phil Hickman and Terry Williams. 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 discussion involving their own remuneration.

NOMINATIONS COMMITTEE

The Nominations Committee comprises Hank Uberoi (Chairman), Phil Hickman, Lady Olga Maitland and Terry Williams. 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.

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.

Company law requires the directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange 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 Group and Company and of the profit or loss of the group for that year.

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 Group and 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 17 to 46. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 15 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent's affairs as at 30 June 2011 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 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 other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

DAVID CLARK (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
25 Farringdon Street
London, EC4A 4AB

22 November 2011

Earthport plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2011

	<i>Notes</i>	2011 £'000	2010 £'000
Continuing operations:			
Revenue	4	2,488	1,947
Cost of sales		(562)	(488)
Gross profit		<u>1,926</u>	<u>1,459</u>
Administrative expenses	8	(6,763)	(5,728)
Operating loss before share-based payment charge and exceptional items		<u>(4,837)</u>	<u>(4,269)</u>
Share-based payment charge		(2,368)	(426)
Exceptional items	9	-	25
Operating loss		<u>(7,205)</u>	<u>(4,670)</u>
Finance costs	6	(314)	(409)
Loss before taxation	7	<u>(7,519)</u>	<u>(5,079)</u>
Income tax expense	10	-	-
Loss for the year and total comprehensive income attributable to owners of the parent		<u><u>(7,519)</u></u>	<u><u>(5,079)</u></u>
Loss per share – basic and fully diluted	11	<u><u>(4.42p)</u></u>	<u><u>(5.26p)</u></u>

There were no items of other Comprehensive Income for the year.

Earthport plc – company number 03428888

CONSOLIDATED STATEMENT OF FINANCIAL POSITION at 30 June 2011

	<i>Notes</i>	2011 £'000	2010 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	133	117
		<hr/>	<hr/>
Current assets			
Trade and other receivables	14	671	1,254
Cash and cash equivalents	15	3,826	559
		<hr/>	<hr/>
		4,497	1,813
		<hr/>	<hr/>
Total assets		4,630	1,930
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	16	(892)	(741)
Borrowings	17	(500)	(586)
		<hr/>	<hr/>
Total liabilities		(1,392)	(1,327)
		<hr/>	<hr/>
NET ASSETS		3,238	603
		<hr/>	<hr/>
Equity			
Share capital	18	43,643	36,457
Share premium	19	46,560	45,375
Own shares reserve	20	(954)	(101)
Merger reserve		9,200	9,200
Share-based payment reserve		6,221	3,853
Warrant reserve		1,956	1,688
Retained earnings		(103,388)	(95,869)
		<hr/>	<hr/>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		3,238	603
		<hr/>	<hr/>

The financial statements on pages 17 to 46 were approved and authorised for issue by the Board on 22 November 2011 and were signed on its behalf by:

Hank Uberoi - Director
Zafar Karim - Director

Earthport plc – company number 03428888

COMPANY STATEMENT OF FINANCIAL POSITION at 30 June 2011

	<i>Notes</i>	2011 £'000	2010 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	133	117
Investments	13	1	1
		<u>134</u>	<u>118</u>
Current assets			
Trade and other receivables	14	709	1,357
Cash and cash equivalents	15	3,822	559
		<u>4,531</u>	<u>1,916</u>
Total assets		<u>4,665</u>	<u>2,034</u>
Liabilities			
Current liabilities			
Trade and other payables	16	(1,637)	(1,492)
Borrowings	17	(500)	(586)
Total liabilities		<u>(2,137)</u>	<u>(2,078)</u>
NET ASSETS/(LIABILITIES)		<u>2,528</u>	<u>(44)</u>
Equity			
Share capital	18	43,643	36,457
Share premium	19	46,560	45,375
Own shares reserve	20	(853)	-
Merger reserve		9,200	9,200
Share-based payment reserve		6,221	3,853
Warrant reserve		1,956	1,688
Retained earnings		(104,199)	(96,617)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>2,528</u>	<u>(44)</u>

The financial statements on pages 17 to 46 were approved and authorised for issue by the Board on 22 November 2011 and were signed on its behalf by:

Hank Uberoi - Director
Zafar Karim - Director

Earthport plc

CONSOLIDATED STATEMENT OF CASHFLOWS for the year ended 30 June 2011

	<i>Notes</i>	2011 £'000	2010 £'000
NET CASH USED IN OPERATING ACTIVITIES	25	(4,088)	(5,024)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(78)	(95)
FINANCING ACTIVITIES			
Issue of ordinary share capital (net of costs paid)		7,419	4,911
Issue of loan notes		100	500
Repayment of term loans		(86)	(618)
NET CASH IN FLOWS FROM FINANCING ACTIVITIES		7,433	4,793
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,267	(326)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		559	885
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		3,826	559

Earthport plc

COMPANY STATEMENT OF CASHFLOWS for the year ended 30 June 2011

	<i>Notes</i>	2011 £'000	2010 £'000
NET CASH USED IN OPERATING ACTIVITIES	25	(4,092)	(4,971)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(78)	(95)
FINANCING ACTIVITIES			
Issue of ordinary share capital (net of costs paid)		7,419	4,911
Issue of loan notes		100	500
Repayment of term loans		(86)	(618)
NET CASH IN FLOWS FROM FINANCING ACTIVITIES		7,433	4,793
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,263	(273)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		559	832
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		3,822	559

Earthport plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2011

	Share Capital	Share premium	Own share reserve	Merger reserve	Share-based payment reserve	Warrant reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2009	31,810	46,774	(101)	9,200	3,440	233	(91,218)	138
Loss for the year, being total comprehensive income for the year	-	-	-	-	-	-	(5,079)	(5,079)
Share-based payments								
- employee share options	-	-	-	-	426	-	-	426
- warrants	-	-	-	-	-	1,250	-	1,250
Issue of ordinary shares	1,347	377	-	-	-	-	-	1,724
Conversion of loan note	3,300	330	-	-	-	620	-	4,250
Exercise of share options	-	-	-	-	(13)	-	13	-
Cost of Share Issue	-	(2,106)	-	-	-	-	-	(2,106)
Exercise of warrants	-	-	-	-	-	(415)	415	-
Total transactions with owners	4,647	(1,399)	-	-	413	1,455	428	5,544
Balance at 30 June 2010	36,457	45,375	(101)	9,200	3,853	1,688	(95,869)	603
Loss for the year, being total comprehensive income for the year	-	-	-	-	-	-	(7,519)	(7,519)
Share-based payments								
- employee share options	-	-	-	-	2,368	-	-	2,368
- warrants	-	-	-	-	-	268	-	268
Issue of ordinary shares	7,103	1,251	(853)	-	-	-	-	7,501
Conversion of loan notes	83	17	-	-	-	-	-	100
Cost of share issues	-	(83)	-	-	-	-	-	(83)
Total transactions with owners	7,186	1,185	(853)	-	2,368	268	(7,519)	2,635
Balance at 30 June 2011	43,643	46,560	(954)	9,200	6,221	1,956	(103,388)	3,238

Earthport plc

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2011

	Share Capital	Share premium	Own share reserve	Merger reserve	Share-based payment reserve	Warrant reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2009	31,810	46,774	-	9,200	3,440	233	(91,584)	(127)
Loss for the year, being total comprehensive income for the year	-	-	-	-	-	-	(5,461)	(5,461)
Share-based payments								
- employee share options	-	-	-	-	426	-	-	426
- warrants	-	-	-	-	-	1,250	-	1,250
Issue of ordinary shares	1,347	377	-	-	-	-	-	1,724
Conversion of loan note	3,300	330	-	-	-	620	-	4,250
Exercise of share options	-	-	-	-	(13)	-	13	-
Cost of Share Issue	-	(2,106)	-	-	-	-	-	(2,106)
Exercise of warrants	-	-	-	-	-	(415)	415	-
Total transactions with owners	4,647	(1,399)	-	-	413	1,455	428	5,544
Balance at 30 June 2010	36,457	45,375	-	9,200	3,853	1,688	(96,617)	(44)
Loss for the year, being total comprehensive income for the year	-	-	-	-	-	-	(7,582)	(7,582)
Share-based payments								
- employee share options	-	-	-	-	2,368	-	-	2,368
- warrants	-	-	-	-	-	268	-	268
Issue of ordinary shares	7,103	1,251	(853)	-	-	-	-	7,501
Conversion of loan notes	83	17	-	-	-	-	-	100
Cost of share issues	-	(83)	-	-	-	-	-	(83)
Total transactions with owners	7,186	1,185	(853)	-	2,368	268	(7,582)	2,572
Balance at 30 June 2011	43,643	46,560	(853)	9,200	6,221	1,956	(104,199)	2,528

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

1. GENERAL INFORMATION

Earthport plc is a public limited company incorporated and domiciled in 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 pages 7-13.

2. GOING CONCERN

The Directors believe that the Group has demonstrated further progress in achieving its objective of positioning the Group as an infrastructure supplier to the global payments industry. In addition, the Group has raised £10.6 million (£1.5 million conditional on permissions being obtained at the upcoming Annual General Meeting to issue equity and disapply re-emption rights) of funding through the issue of equity and convertible loan notes. The Directors have prepared cashflow forecast covering a period extending beyond 12 months from the date of these financial statements. After taking account of anticipated overheads costs and revenue the Board are confident that sufficient funds are in place to support the going concern status of the Company. Therefore, the Directors 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.

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.

New and amended standards adopted by the Group

The following standards have been adopted in these financial statements and the Directors do not consider that there was any material impact:

- IFRS 2 – Group cash settled share-based payment transactions
- IAS 36 – Impairment of Assets
- IFRIC 17 – Distribution of non cash assets to owners
- The amendments to IFRS 3 relating to (a) transition for contingent consideration from business acquired under IFRS 3 (2004), (b) measurement of Non-Controlling Interests, and (c) un-replaced and voluntarily replaced Share-based Payment awards.
- IAS 27 – Describing the transition for amendments resulting from IAS 27 (2008).
- IAS 32 – Financial Instruments: Presentation – Amendments relating to classification of rights issues.
- IFRIC 19 – Extinguishing liabilities with equity instruments.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

3. ACCOUNTING POLICIES (continued)

At the date of authorisation of these financial statements, the following Standards and Interpretations relevant to the group operations that have been applied in these financial statements were in issue but not yet effective or endorsed (unless otherwise stated). All amendments, except where otherwise stated, are applicable for periods commencing on or after 1 January 2013:

- The amendments to IFRS 1 relating to (a) accounting policy changes in year of adoption, (b) revaluation as deemed cost and of deemed cost for operations subject to rate regulation (c) additional exemptions for first time adopters, and (d) limited exemption from comparative IFRS 7 disclosure for first-time adopters.
- IFRS 7 – Clarification of Disclosures.
- IFRS 9 – Financial Instruments – Classification and Measurement.
- IFRS 10 – Consolidated Financial Statements.
- IFRS 11 – Joint Arrangements.
- IFRS 12 – Disclosure of Interests in Other Entities.
- IFRS 13 – Fair Value Measurement.
- IAS 1 – Clarification of the Statement of Changes in Equity ('SOCE')
- IAS 24 – Related Party Disclosures – Revised definition of related parties.
- IAS 27 – Separate Financial Statements (as amended 2011).
- IAS 28 – Investment in Associates and Joint Ventures (as amended 2011).
- IAS 34 – Interim Financial Reporting.

The Directors anticipate that the adoption of these Standards and Interpretations as appropriate in future periods will have no material impact on the financial statements of the group.

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 2011. 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 from client transactions is recognised on completion of the transactions as they occur. Revenue from foreign exchange is recognised on completion of the associated transactions. Revenue from client implementation and consultancy is recognised as the services are performed. In the normal course of business, certain balances arise which are not allocable to any client. Efforts are made to allocate such balances. If such balances remain unallocated for a period of at least six months, then, in accordance with client contracts, they are recognised as revenue.

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.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

3. ACCOUNTING POLICIES (continued)

Share-based payments and warrants

The Group offers executive and employee share schemes. For all grants of share options and warrants, the fair value as at the date of grant is calculated using an option pricing model and the corresponding expense is recognised either in the income statement or within equity over the vesting period. The expense of options granted is recognised as a staff cost and the associated credit is made against equity and included in the share-based payment reserve. The fair value of warrants granted in respect of equity fundraising activities are offset against the share premium account.

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 substantially enacted at the balance sheet date. Deferred tax is measured on an undiscounted basis.

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 cashflows 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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

3. ACCOUNTING POLICIES (continued)

Pensions

The Group offers a stakeholder pension scheme to all employees and the 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, 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 is 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 initially measured 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 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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

3. ACCOUNTING POLICIES (continued)

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 and Company balance sheet.

Exceptional items

Exceptional items are non-recurring items which are disclosed separately because of their size or nature.

IT development costs

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.

Significant judgements and estimates

Capitalisation of development expenses

In determining whether development expenses should be capitalised, the Company makes estimates and assumptions based on the ability to reliably measure the costs and on the expected future economic benefits generated by products that are the result of these development costs. It is the Director's judgement that currently costs and future economic benefit cannot be measured with sufficient reliability to capitalise these cost at this time.

Share-based payment

Recognition and measurement of share-based payments require estimation of the fair value of awards at the date of grant. Judgement is also exercised when estimating the number of awards that will ultimately vest. Both of these judgements have a significant impact on the amounts recognised in the profit or loss and in the balance sheet. To assist in determining each award's fair value, the Directors engage a qualified and independent valuation expert. Estimation of the number of awards that will ultimately vest is based on historic vesting trends for similar awards, taking into consideration specific features of the awards and the current intrinsic value of those awards.

Substance over form

Historically and recently the Company has funded itself primarily with the use of equity. On certain occasions the Company has not had sufficient permissions to issue the required amount of equity. In these instances the Company has issued convertible loan notes which mandatorily convert to equity upon the granting of permissions to issue sufficient equity and disapply sufficient pre-emptive rights. In the Directors' judgement the substance of the transactions in which such convertible loan notes have been issued is that the issuance was one of equity and not of debt. Consequently, such issuances have been accounted for as the issuance of equity. Reference is made to note 18.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

4. REVENUE

Revenue, loss and net assets/liabilities are all attributable to one business segment operating from Groups headquarters in London, the United Kingdom. This is consistent with the information reviewed by the chief operating decision maker. The segmental analysis by location of customers is as follows:

	2011 £'000	2010 £'000
United Kingdom	1,828	1,296
Europe	357	311
North America	219	231
Rest of the world	84	109
	<u>2,488</u>	<u>1,947</u>

There are two customers who individually contribute 15% and 16% respectively towards the total revenue (2010: three; 10%, 13% and 20%).

5. EMPLOYEES

	2011 No.	2010 No.
The average monthly number of persons (including Executive Directors) employed by the Group during the year was:		
Directors	3	3
Other employees (excluding contractors)	47	38
	<u>49</u>	<u>41</u>

	2011 £'000	2010 £'000
Staff costs for the above persons:		
Wages, salaries, commission and other	3,101	2,623
Social security costs	334	287
Share-based payment	2,368	426
Other pension costs	100	109
	<u>5,903</u>	<u>3,445</u>

Of the staff costs shown above, £14,000 (2010: £30,000) is included in cost of sales.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

5. EMPLOYEES (continued)

Directors emoluments

	Basic salary and fees £'000	Pension £'000	2011 Total £'000	2010 Total £'000
Non-Executive Chairman:				
M Harrison (resigned 18 November 2010)	33	-	33	69
P Hickman	25	-	25	-
Non-Executive Vice Chairman:				
L Browne (resigned 18 November 2010)	15	-	15	36
Executive Directors:				
J Bergman (resigned 20 January 2010)	-	-	-	131
P Chappell (retired 31 May 2010)	-	-	-	140
Z Karim (appointed 2 December 2009)	100	5	105	44
H Uberoi (appointed 18 February 2010)*	-	-	-	-
P Thomas	80	1	81	-
Non-Executive Directors:				
Lady Olga Maitland	36	-	36	36
V Ramgopal (appointed 30 April 2010)	27	-	27	6
T Williams	11	-	11	-
	327	6	333	462
	327	6	333	462

* Hank Uberoi receives a fixed £5,000 per month towards his expenses, including international travel and accommodation that he incurs in relation to Earthport. He received no other emoluments or reimbursements.

As part of his retirement, 2,026,316 options held by Peter Chappell lapsed and he received the termination benefit of £30,000 included above and was granted 1,250,000 options with an exercise price of 25p.

Defined contribution pension benefits are being accrued for two (2010: three) Directors.

Social security costs in respect of the Directors were £34,000 (2010: £34,000).

The share-based payment charge in respect of the Directors was £919,000 (2010: £133,000).

The Directors are considered to be the key management of the Group.

6. FINANCE COSTS	2011 £'000	2010 £'000
Interest payable on secured loans and loan notes	46	201
Other finance costs (warrant costs)	268	208
	314	409
	314	409

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

7.	LOSS BEFORE TAXATION	2011 £'000	2010 £'000
	Loss before taxation is stated after charging:		
	Depreciation of property, plant and equipment	63	68
	Development costs (included in administrative expenses in the income statement)	378	700
	Operating leases:		
	- Property	130	131
	Fees payable to the Company's auditor		
	- For the audit of the Company's annual financial statements	50	38
	Fees payable to associates of the Company's auditor		
	- For tax compliance and advisory services	3	7
		-----	-----
8.	ADMINISTRATIVE EXPENSES	2011 £'000	2010 £'000
	Staff and contractor costs	4,218	3,864
	Travel and entertainment costs	331	216
	Professional services costs	652	707
	Sales and marketing costs	291	23
	IT operational costs	186	105
	Other operational costs	207	72
	Other overheads	815	672
	Depreciation	63	69
		-----	-----
		6,763	5,728
	Cost of sales includes bank transaction charges and sales commission.		
9.	EXCEPTIONAL ITEMS	2011 £'000	2010 £'000
	Redundancies	-	(301)
	Provision against amounts owed by employee benefit trust	-	(202)
	Write back of expired liabilities	-	721
	Exceptional transaction costs	-	(193)
		-----	-----
		-	25

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

10. TAXATION	2011 £'000	2010 £'000
Current tax charge		
Deferred tax charge	-	-
	<u> </u>	<u> </u>
Factors affecting the tax charge for the year:		
Loss before taxation	(7,519)	(5,079)
Loss before tax multiplied by effective standard rate of corporation tax in the UK of 27.5% (2010: 28%)	(2,068)	(1,422)
	<u> </u>	<u> </u>
Deferred tax charge	-	-
	<u> </u>	<u> </u>
Tax effect of:		
Expenses not deductible for tax purposes	7	51
Timing differences not recognised for deferred tax purposes	17	51
Share-based payment costs not recognised for deferred tax purposes	651	119
Losses carried forward	1,393	1,201
	<u> </u>	<u> </u>
Tax charge for the year	-	-
	<u> </u>	<u> </u>

Tax trading losses carried forward of £63m (2010: £59m) have not been recognised due to uncertainty over the timing of their reversal.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

11. 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.

	2011 £'000	2010 £'000
Loss attributable to equity shareholders of the Company	(7,519)	(5,079)
	<u> </u>	<u> </u>
	2011 Number	2010 Number
Weighted average number of ordinary shares in issue (thousands)	175,613	96,802
Less: own shares held (thousands)	(5,451)	(180)
	<u> </u>	<u> </u>
	170,162	96,622
	<u> </u>	<u> </u>
	2011	2010
Basic and fully diluted loss per share (pence)	(4.42p)	(5.26p)
	<u> </u>	<u> </u>
EPS excluding share-based payment charge and exceptional items		
Loss before share-based payment charge and exceptional items	(4,837)	(4,269)
Basic and fully diluted loss per share (pence)	(2.84p)	(4.42p)

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.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

12. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Computer equipment £'000	Fixtures fittings and equipment £'000	Short leasehold improvement £'000	Total £'000
Cost				
At 1 July 2009	6,420	399	206	7,025
Additions	78	5	12	95
Disposals	(6,257)	(391)	(148)	(6,796)
At 1 July 2010	241	13	70	324
Additions	60	11	7	78
At 30 June 2011	301	24	77	402
Depreciation				
At 1 July 2009	6,355	387	192	6,934
Charge for the year	46	7	15	68
Disposals	(6,258)	(391)	(147)	(6,796)
At 1 July 2010	143	3	60	206
Charge for the year	53	2	8	63
At 30 June 2011	196	5	68	269
Net book value				
At 30 June 2011	105	19	9	133
At 30 June 2010	97	10	10	117
At 30 June 2009	64	12	14	90

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 2011

13. INVESTMENTS

Company	£'000
Investment in subsidiaries:	
Cost at 30 June 2009, 2010 and 2011	11,073
Provision for impairment at 30 June 2009, 2010 and 2011	(11,072)
	<u>1</u>
Net book value at 30 June 2009, 2010 and 2011	<u><u>1</u></u>

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%
Earthport North America Inc.	United States of America	Sales support	100%

14. TRADE AND OTHER RECEIVABLES

	2011 £'000	Group 2010 £'000	2011 £'000	Company 2010 £'000
Trade receivables	254	197	254	197
Other receivables	249	867	285	968
Amount due from subsidiary undertakings	-	-	2	2
Prepayments	168	190	168	190
	<u>671</u>	<u>1,254</u>	<u>709</u>	<u>1,357</u>
	<u><u>671</u></u>	<u><u>1,254</u></u>	<u><u>709</u></u>	<u><u>1,357</u></u>

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

14. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables amounted to £210,000 (2010: £197,000), net of a provision of £Nil (2010: £Nil) for impairment. Movement on the group provisions for impairment were as follows:

	2011 £'000	2010 £'000
At 1 July	-	-
Provision for receivables impairment	11	65
Receivables written off during the year	(11)	(65)
At 30 June	-	-

The average credit period taken on sales of services is 31 days (2010: 37 days). No interest is charged on overdue balances. The Directors consider that the carrying amount of trade receivables approximates their fair value.

Included in other receivables is £151,000 (2010: £451,000) in respect of unpaid share capital, the full amount of which is due to be recovered by 30 November 2011.

15. CASH AND CASH EQUIVALENTS

	2011 £'000	Group 2010 £'000	2011 £'000	Company 2010 £'000
Cash at bank and in hand	3,826	559	3,822	559

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

	2011 £'000	Group 2010 £'000	2011 £'000	Company 2010 £'000
Trade payables	507	391	468	391
Other payables	4	5	4	5
Amount due to subsidiary undertakings	-	-	784	751
Other taxation and social security	123	160	123	160
Accruals and deferred income	258	185	258	185
	892	741	1,637	1,492

Trade payables and accruals principally comprise amounts outstanding in respect of operating costs. The average credit period taken for trade purchases is 54 days (2010: 58 days). The Directors consider that the carrying amounts for trade and other payables approximate their fair value.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

17. BORROWINGS	2011	2010
Current liabilities	£'000	£'000
Unsecured loans	-	86
Loan notes	500	500
	<u>500</u>	<u>586</u>
	<u><u>500</u></u>	<u><u>586</u></u>

The unsecured loans were repaid in full during the year.

After the reporting date, the loan note and accrued interest amounting to £500,000 and £65,000 respectively were converted into 3,707,955 ordinary shares of 10p each at the option of the note holder on 15 August 2011. At that point all debt was extinguished. As at the date of these accounts the Group had £1.6m of convertible loan notes which are to be converted to equity following the expected granting of permissions at the forthcoming Annual General Meeting.

18. SHARE CAPITAL	2011	2010
	£'000	£'000
Authorised		
169,412,642 ordinary shares of 10p each	16,941	16,941
307,449,810 deferred shares of 7.5p each	23,059	23,059
At 30 June	<u>40,000</u>	<u>40,000</u>
Issued		
At start of year: 133,976,340 (2010: 87,511,340) ordinary shares of 10p each	13,398	8,751
Shares issued in the year: 62,500,000 (2010: 46,465,000) ordinary shares of 10p each	6,250	4,647
Joint Share Ownership Option Plan: 5,270,631 (2010: Nil) ordinary shares of 10p	853	-
Conversion of loan note: 833,333 (2010: Nil) ordinary shares of 10p	83	-
At end of year: 202,580,307 (2009: 133,976,340) ordinary shares of 10p each	<u>20,584</u>	<u>13,398</u>
307,449,792 deferred shares of 7.5p each	23,059	23,059
At end of year	<u>43,643</u>	<u>36,457</u>
	<u><u>43,643</u></u>	<u><u>36,457</u></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.

The Company operates a Joint Share Ownership Option Plan (JSOP). The purpose of the plan is to incentivise the senior employees and Directors of the Company. JSOP holds 5,270,631(2010: £Nil) shares with an exercise price of 25p per share.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

18. SHARE CAPITAL (continued)

During the year to 30 June 2011 a total of 62,500,000 ordinary shares of 10p each were allotted for cash consideration of £7,500,000 and 833,333 ordinary shares of 10p each due to conversion of a loan note amounting to £100,000.

The following share issues were completed during the year:

2011	No of shares issued	Average premium in pence	Total Premium £
November 2010	62,500,000	2.00	1,250,000
January 2011	833,333	2.00	16,667
	<u>63,333,333</u>		<u>1,266,667</u>
2010	No of shares issued	Average premium in pence	Total Premium £
July 2009	1,455,000	13.82	201,081
January 2010	7,010,000	2.51	175,951
February 2010	5,000,000	-	-
March 2010	33,000,000	1.00	330,000
	<u>46,465,000</u>		<u>707,032</u>

The issuance of equity in March 2010 resulted from sufficient permissions being obtained to issue equity and disapply pre-emption rights at an Extraordinary General Meeting held in March 2011. These permissions allowed for the conversion of convertible loan notes issued in February 2010 to be converted to equity. At issuance, these convertible loan notes had attached to them 16,500,00 warrants. The fair value of these warrants was estimated at £620,000. In the Directors' judgement, the substance of the issuance of the convertible loan notes was that it as an issuance of equity. This fair value was therefore set off against the share premium account as costs associated with the issue of shares.

In addition to the above fair value of warrants, transaction costs amounting to £82,500 (2010: £2,106,000) in regard to issue of shares were deducted from equity and charged against the share premium account.

Included in other receivables (note 14) is £151,000 (2010: £451,000) in respect of unpaid share capital.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

18. SHARE CAPITAL (continued)

Other than the employee share options set out in note 24, warrants have been granted under the terms of the Company's fundraising activities with exercise prices and dates shown in the table below.

<i>Last date when exercisable</i>	<i>Exercise price</i>	<i>No. of Warrants outstanding at 1 July 2010</i>	<i>Granted No.</i>	<i>Lapsed No.</i>	<i>Exercised No.</i>	<i>No. of Warrants outstanding at 30 June 2011</i>
15 September 2011	0.58	250,000	-	-	-	250,000
31 December 2011	0.11	16,500,000	-	-	-	16,500,000
4 January 2013	0.10	-	1,875,000	-	-	1,875,000
31 December 2014	0.11	20,085,880	-	-	-	20,085,880
		<u>36,835,880</u>	<u>1,875,000</u>	<u>-</u>	<u>-</u>	<u>38,710,880</u>

The fair value of warrants granted in the year was £268,000 (2010: £1,664,000).

The fully diluted share capital at 30 June 2011 may be analysed as follows:

	No. of Ordinary 10p shares	
	2011	2010
Shares in issue at 30 June	202,580,304	133,976,340
Employee share options (see note 24)	39,589,442	13,563,777
Warrants	38,710,880	36,835,880
Maximum potential fully diluted number of shares	<u>280,880,626</u>	<u>184,375,997</u>

19. SHARE PREMIUM Group and Company

	2011 £'000	2010 £'000
At 1 July	45,375	46,774
Premium on shares issued	1,268	707
Expenses of share issues	(83)	(2,106)
At 30 June	<u>46,560</u>	<u>45,375</u>

The share premium account represents the excess of consideration received for shares issued above their nominal value net of transaction costs.

20. OWN SHARES RESERVE At 30 June

	2011 £'000	2010 £'000
Group	954	101
Company	853	-

In the year ended 30 June 2009, the employee benefit trust acquired 180,000 ordinary shares in the Company for cash consideration of £101,000. The Company also issued 5,270,631 shares under the Joint Share Ownership Plan for consideration of £853,000.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

21. COMMITMENTS UNDER OPERATING LEASES

	2011 £'000	2010 £'000
Minimum lease payments under operating leases recognised as an expense in the year	90	90

At 30 June 2011 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2011 £'000	2010 £'000
Within one year	90	90
In the second to third year	45	135
	<u>135</u>	<u>225</u>

22. PENSION COMMITMENTS

The Group offers a stakeholder pension scheme to all employees and all the contributions are charged to the income statement as they are incurred and amounted to £100,000 (2010: £109,000).

23. 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	2011 £'000	2010 £'000
Earthport Enterprises Limited	2	2
	<u>2</u>	<u>2</u>
Inter-company payables	2011 £'000	2010 £'000
Earthport Enterprises Limited	750	750
Travelpay Limited	1	1
Earthport North America Inc	<u>33</u>	<u>-</u>
	<u>784</u>	<u>751</u>

During the year Earthport North America charged fees of £287,000 to Earthport plc, and Earthport plc levied interest charges of £5,000 to Earthport North America.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

24. SHARE-BASED PAYMENTS

The Company has a share option scheme for all employees of the Group. Options granted during the fiscal year 2011 have an exercise price of 25 pence, and in the majority of circumstances vest over 3 years. Option grants including vesting conditions for executive Directors are determined by the Remuneration Committee. The following options were granted with the following vesting conditions: 6,583,333 options vesting when the Company's consolidated net cash generated from operating activities is positive over any rolling six month period; and 6,583,333 vesting when the Company has consolidated Earnings Before Interest, Tax, Depreciation, Amortisation, exceptional items and share-based payment charges/credits of £1m over any rolling six month period. Options qualify for EMI relief where appropriate. If the options remain unexercised after a period of 10 years from the date of vesting, the options expire. Unvested 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 (£)
	2011		2010	
Options at beginning of the year	13,563,777	0.442	22,762,593	0.565
Granted during the year	34,092,234	0.250	-	-
Lapsed during the year	(7,095,000)	0.528	(9,048,816)	0.442
Exercised during the year	-	-	(150,000)	0.320
Replaced	(971,569)	0.548	-	-
Outstanding at the end of the year	<u>39,589,442</u>	<u>0.442</u>	<u>13,563,777</u>	<u>0.442</u>

Of the outstanding options at 30 June 2011, 16,298,786 were exercisable (2010: 2,525,500). The options outstanding at 30 June 2011 had a weighted average remaining contractual life of 5 years (2010: 5 years). The total expense in respect of employees share-based payments recognised during the year was £2,368,000 (2010: £426,000). No options were exercised in the year ended 30 June 2011, the weighted average share price at the date of exercise was Nil (2010:77p).

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:

	Warrants		Options	
	2011	2010	2011	2010
Weighted average share price	22.75p	11p	20.07p	68.5p
Weighted average exercise price	10p	11p	25p	63.3p
Volatility	76.0%	82.7%	74.51%	91.50%
Expected life	18 months	30 month	64 months	60 months
Risk free rate	0.69%	1.23%	2.8	4.7
Expected dividend yield	0%	0%	0%	0%

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 2011

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

Group	2011 £'000	2010 £'000
Loss before tax	(7,519)	(5,079)
Depreciation of property, plant and equipment	63	68
Share-based payment expense	2,368	426
Finance costs	314	409
Operating cash outflow before movements in working capital	(4,774)	(4,176)
Decrease/(Increase) in receivables	580	(137)
Increase/(Decrease) in payables	151	(509)
Cash used by operations	(4,043)	(4,822)
Interest paid	(45)	(202)
Net cash used in operating activities	(4,088)	(5,024)

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

Company	2011 £'000	2010 £'000
Loss before tax	(7,582)	(5,461)
Depreciation of property, plant and equipment	63	68
Share-based payment expense	2,368	426
Finance costs	314	409
Operating cash outflow before movements in working capital	(4,837)	(4,558)
Decrease/(Increase) in receivables	648	(33)
Increase/(Decrease) in payables	145	(178)
Cash used by operations	(4,044)	(4,769)
Interest paid	(48)	(202)
Net cash used in operating activities	(4,092)	(4,971)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

26. EVENTS AFTER THE REPORTING PERIOD

Conversion of debt to equity

On 12 August 2011 Company agreed with the holder of a Loan Note to convert the Note to equity. As a result, £500,000 of debt plus £64,536 accrued interest had been converted to 3,707,955 new ordinary shares of 10 pence each.

Fundraising

In November, Earthport raised £10.6 million of funding from institutional and other investors. Of the funding raised, £7.5 million was through the issuance of equity, £1.6 million was through the issuance of convertible loan notes which automatically convert to equity on permission being obtained to issue sufficient equity and £1.5 million is through the issuance of equity conditional on permission being obtained to issue sufficient equity. This £1.5 million is expected to be received after the permissions to issue equity are obtained. These permissions are being sought at the upcoming Annual General Meeting.

Exercise of warrants

As at 22 November 2011, warrants exercisable at 11 pence per share and expiring 31 December 2011 over 5,454,545 shares had been exercised.

27. FINANCIAL INSTRUMENTS

The Group has historically financed itself through equity, convertible loan notes and loan notes. More recently, it has funded itself through equity and convertible loan notes. Following conversion in August 2011 of an outstanding loan note to equity, the Group was entirely funded by equity. In November 2011 the Group raised £10.6 million of funds through the issuance of £7.5 million of equity, £1.5 million of conditional equity (conditional only on approvals being obtained at the Annual General Meeting to issue such equity) and £1.6 million of convertible loan notes (convertible on approvals being obtained at the AGM to convert the loan notes to equity). For the foreseeable future, the Group intends to continue to fund itself through equity and eventually own generated funds.

Pursuant to becoming authorised by FSA as a PI, the Group has been required to remain “capital adequate”. Capital Adequacy in this regard amounts to maintaining shareholders’ fund equivalent to at least 10% of 12 months of operating costs. Since becoming authorised as a PI, the Group has maintained capital adequacy

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 a high 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.

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.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

27. FINANCIAL INSTRUMENTS (continued)

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 2011 was as follows:

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Trade and other receivables	503	1,064	539	1,165
Cash and cash equivalents	3,826	559	3,822	559
	4,329	1,623	4,361	1,724
	4,329	1,623	4,361	1,724

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 cashflows.

£254,000 of trade receivables was past due for payment as at 30 June 2011, by four months or less, of which £242,000 had been collected by 22 November 2011. 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 2011.

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

27. FINANCIAL INSTRUMENTS (continued)

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 cashflows.

Group	Less than 1 year	Total
2011	£'000	£'000
Trade payables	507	507
Other payables	4	4
Accruals	258	258
Borrowings	500	500
Total	<u>1,269</u>	<u>1,269</u>
2010		
Trade payables	391	391
Other payables	5	5
Accruals	185	185
Borrowings	586	586
Total	<u>1,167</u>	<u>1,167</u>
Company	Less than 1 year	Total
2011	£'000	£'000
Trade payables	468	468
Other payables	4	4
Accruals	258	258
Borrowings	500	500
Total	<u>1,230</u>	<u>1,230</u>
2010		
Trade payables	391	391
Other payables	5	5
Accruals	185	185
Borrowings	586	586
Total	<u>1,167</u>	<u>1,167</u>

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2011

27. 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 £38,000 (2010: £6,000). No hedging is undertaken given the amounts involved.

Foreign currency risk

Currency risk is the risk that the fair value or future cashflows 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 2011 was £9,000 in US Dollars (2010: £12,000) and £56,000 in Euros (2010: £63,000).

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 £6,000 (2010: £8,000).

Capital management risk

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 2011	2010	Company 2011	2010
	Loans and Receivables £'000	Loans and Receivables £'000	Loans and Receivables £'000	Loans and Receivables £'000
Current assets				
Trade receivables	254	197	254	197
Other receivables	249	867	285	968
Cash and cash equivalents	3,826	559	3,822	559
Total current assets	4,329	1,623	4,361	1,724
	Other financial Liabilities £'000	Other financial Liabilities £'000	Other Financial Liabilities £'000	Other Financial Liabilities £'000
Liabilities				
Trade payables	507	391	468	391
Other payables	4	5	4	5
Accruals	258	185	258	185
Borrowings	500	586	500	586
	1,269	1,167	1,230	1,167

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

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Notice is hereby given that the Annual General Meeting of the Company will be held at the offices of Bird & Bird LLP at 15 Fetter Lane, London, EC4A 1JP on 16 December 2011 at 10 a.m. (London time) 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 2011 together with the Reports of the Directors and Auditors thereon.

Resolution 2. To re-elect Paul Thomas as an Executive Director, appointed to the Board during the financial year ended 30 June 2011, and required to stand down pursuant to Article 21.7 of the Articles of Association.

Resolution 3. To re-elect Philip Hickman as a Non-Executive Chairman who has retired by rotation in accordance with Articles 21.1 and 21.2 of the Articles of Association and is therefore required to stand for re-election pursuant to Article 21.

Resolution 4. To re-elect Hank Uberoi as an Executive Director who has retired by rotation in accordance with Articles 21.1 and 21.2 of the Articles of Association and is therefore required to stand for re-election pursuant to Article 21.

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 for the ensuing year.

SPECIAL BUSINESS

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

Resolution 6 **THAT** the Earthport PLC Employee Option Plan (the "**Plan**") be adopted in the form presented to the Annual General Meeting and initialled by the Chairman for the purposes of identification.

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- Resolution 7 **THAT** in substitution for all authorities in existence immediately prior to this resolution being passed, the directors of the Company (the "**Directors**") be and are hereby generally and unconditionally authorised to exercise all powers of the Company, pursuant to Section 551 of the Companies Act 2006 (the "**Act**"), to allot equity securities (within the meaning of Section 560 of the Act) up to an aggregate nominal amount of £ 15,549,641, such authority to be limited to:
- (a) the issue of 9,633,882 ordinary shares of 10 pence each ("**Ordinary Shares**") on the conversion of the Convertible Loan Notes (as such term is defined in the explanatory notes hereto);
 - (b) the issue of 8,823,529 Ordinary Shares pursuant to the Conditional Placing (as such term is defined in the explanatory notes hereto);
 - (c) subject to the restriction in Resolution 10 (c), the allotment of equity securities (otherwise than pursuant to paragraphs (a) and (b) above) up to an aggregate nominal amount of £13,703,900 which represents 50% of the nominal value of the Enlarged Share Capital (as such term is defined in the explanatory notes attached hereto).

provided that this authority shall expire at the conclusion of the next Annual General Meeting for the Company to be held in 2012 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 the Board may allot equity 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 resolutions as Special Resolutions:

- Resolution 8.
- (a) the allotment of equity securities pursuant to the authority granted under paragraph (a) and (b) of resolution 7 above;
 - (b) the allotment of equity securities in connection with an 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

- (c) the allotment of equity securities (otherwise than pursuant to subparagraph (a) and (b) above) up to an aggregate nominal amount of £6,851,950 which represents 25% of the nominal value of the Enlarged Share Capital (as such term is defined in the explanatory notes attached hereto);

provided that this authority shall expire at the conclusion of the next Annual General Meeting for the Company to be held in 2012 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 the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

Resolution 9. **THAT** the Company be generally and unconditionally authorised, for the purposes of Section 701 of the Act (as amended), to make one or more market purchases (within the meaning of Section 693(4) of the Act (as amended)) of Ordinary Shares provided that:

- (d) the maximum number of Ordinary Shares hereby authorised to be acquired is 68,519,500, being twenty five percent (25%) of the Enlarged Share Capital;
- (e) the minimum price which may be paid for any such Ordinary Share is £0.10, the nominal value of that share;
- (f) the maximum price which may be paid for any such Ordinary Share is an amount equal to one hundred and twenty percent (120%) 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
- (g) the authority conferred shall expire at the conclusion of the next Annual General Meeting of the Company to be held in 2012, 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.

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Resolution 10 **THAT**

(a) the Directors be authorised to create up to 68,519,50 convertible preference shares of 10 pence each (the “**Preference Shares**”) having the rights set out in the explanatory notes to these Resolutions and otherwise on such terms and having such other rights and restrictions as the Directors, acting in their discretion, shall determine;

(b) the creation of such Preference Shares be hereby approved notwithstanding that the same may constitute a variation of class rights of the Ordinary Shares for the purposes of article 3.1 of the Company’s articles of association;

(c) the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company, pursuant to Section 551 of the Act, to allot Preference Shares up to an aggregate nominal amount of £6,851,950 provided that (i) the aggregate nominal amount of all Preference Shares allotted pursuant to this authority, together with the aggregate nominal amount of all equity securities allotted pursuant to the authority granted pursuant to Resolution 7 (c) shall not exceed £13,703,900, and (2) this authority shall expire at the conclusion of the next Annual General Meeting for the Company to be held in 2012 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 the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired;

(d) the Directors be empowered pursuant to Section 570 and Section 571 of the Act to allot the Preference Shares for cash pursuant to the authority conferred on them pursuant to paragraph (c) above as if Section 561(1) of the Act did not apply to any such allotment provided that this authority shall expire at the conclusion of the next Annual General Meeting for the Company to be held in 2012 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 the Board may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; and

(v) for the purpose of giving effect to the rights to convert the Preference Shares into Ordinary Shares, the Directors be authorised to capitalise such amount as they shall determine standing to the credit of the Company’s share premium account or such other reserves which can be utilised for such purpose and to apply such amounts in paying up further shares to be allotted and issued to the holder(s) of the Preference Shares to be converted and the Directors shall be authorised to effect any consolidation and/or sub-division of any such Preference Shares so as to enable the conversion of any Preference Shares to Ordinary Shares at the relevant conversion ratio.

By order of the Board
Philip Hickman
Chairman

Dated: 22 November 2011

Registered Office:
21 New Street
London, EC2M 4TP
EARTHPORT PLC

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Explanatory Notes to the Notice of Annual General Meeting

Notes:

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of him. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The proxy need not be a member of the Company. Please refer to the notes to the Form of Proxy for further information on appointing a proxy, including how to appoint multiple proxies (as the case may be).
2. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them. If you wish to appoint a proxy other than the Chairman, write the full name of your proxy in the box provided in the Form of Proxy.
3. In the absence of instructions, the person appointed proxy may vote or abstain from voting as he/she thinks fit on the specified resolutions and, unless otherwise instructed, may also vote or abstain from voting on any other matter (including amendments to resolutions) which may properly come before the meeting.
4. In the case of joint holders, the signature of any one of them will suffice but the names of all joint holders should be stated. The vote of the senior who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the votes of the other holders. For this purpose, seniority is determined by the order in which the names stand in the register of members in respect of the joint holding.
5. To be effective, the enclosed Form of Proxy must be duly completed and deposited together with any power of attorney or other authority (if any) under which it is executed (or a duly certified copy of such power or authority) and lodged at the offices of the Company's registrars, Capita Registrars no later than **10 a.m. on Wednesday 14 December** 2011 (being not more than 48 hours prior to the time fixed for the meeting).
6. Completion and return of the Form of Proxy will not preclude a shareholder from attending and voting in person at the meeting.
7. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members entered on the register of members of the Company at **6pm** UK time on **Wednesday 14 December** 2011 shall be entitled to attend and vote at the meeting or, if the meeting is adjourned, 6 p.m. UK time on such date being not more than two working days prior to the date fixed for the adjourned meeting. Changes to entries on the register of members after such time shall be disregarded in determining the right of any person to attend or vote at the meeting.
8. Resolution 6 is an ordinary resolution approving the Earthport PLC Employee Option Plan (the "**Plan**"). The Plan was adopted by the Board on 19 January 2011 and options have already been granted pursuant to it. The Plan allows options to be granted to executive directors and employees. Parts II and III respectively allow options to be granted tax efficiently to UK employees as "enterprise management incentive" options and to US employees as "incentive stock options". Shareholder approval for the Plan is necessary for options granted to US employees (pursuant to Part III of the Plan) to qualify for tax relief. Options can be exercised to the extent vested, vesting occurs one third per year on each anniversary of the vesting commencement date specified in the option certificate and is accelerated in full in the event of a change of control in the Company's ownership occurring. Options lapse on the tenth anniversary of the grant date or upon cessation or employment due to gross misconduct or following cessation of employment upon breach of non-compete, non-disclosure or other contractual obligations. Dilution is limited to 20% of the issued Ordinary Share capital (including in the denominator shares issuable pursuant to the exercise of warrants). The limit applies in any rolling 10 year period, shares utilised pursuant to all employees share schemes established by the company count towards the limit ignoring shares purchased in the market, options which have been released, cancelled or lapsed and shares allocated pursuant to options granted prior to when the Company was admitted to trading on AIM. Options are non-transferrable and are not pensionable. Options may not be granted at an exercise price below the mid-market closing

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price on the preceding dealing day. Options may be granted subject to performance conditions and conditions have been imposed in respect of options granted to executive directors to date.

9. 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 £15,549,641. This authority, if granted, will expire on the conclusion of the next Annual General Meeting. On 8 November 2011 the Company announced that it had conditionally raised gross proceeds of £10.6 Million through collectively (i) a placing of 43,877,797 Ordinary Shares (the "**Placing Shares**") at 17 pence per share (the "**Placing Price**") conducted by the Company's joint broker, Charles Stanley and Co. Limited; (ii) the issue of £1.6 million of unsecured convertible loan notes (the "**Convertible Loan Notes**") by the Company to certain institutional and other investors; and (iii) a conditional placing of a further 8,823,529 Ordinary Shares (the "**Conditional Placing Shares**") by the Company at the Placing Price with an institutional investor. The issue of the Placing Shares utilised the full amount of the residual authority granted to the Directors by the Company's shareholders at a General Meeting of the Company held on 1 November 2010 (after taking into account other allotments and issues of shares after the date that such authority was granted) to allot and issue shares on a non pre-emptive basis. As a result, the Company agreed to seek shareholder approval at the Company's next Annual General Meeting for (i) the conversion of the Convertible Loan Notes into up to 9,633,882 Ordinary Shares (the "**Conversion Shares**"), and (ii) the issue of Ordinary Shares as contemplated by the Conditional Placing.
10. The enlarged share capital of the Company following the issue of the Conditional Placing Shares and the Conversion Shares will be 274,078,009 Ordinary Shares (the "**Enlarged Share Capital**") assuming no further exercise of warrants or options following the date of this notice.
11. If resolutions 7 and 8 are not passed at the Annual General Meeting, or at any reconvened meeting at which such resolutions are proposed to be passed, interest shall be deemed to have accrued, and shall continue to accrue in respect of the Convertible Loan Notes at the rate of 1% per calendar month in arrears, from the date of issue of the Convertible Loan Notes until such time as the Conversion Shares are issued. To the extent that the Convertible Loan Notes remain unconverted, they shall be repayable by the Company at any time on or after 31 December 2015. The Company shall not have any right to prepay the Notes prior to this time save to the extent that any holder of Convertible Loan Notes requests repayment on or after the date of the Annual General Meeting or at any reconvened meeting at which resolutions 7 and 8 are proposed to be passed.
12. 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 Act 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 (i) in respect of the issue of the Conversion Shares (ii) in respect of the Conditional Placing Shares; (iii) in respect of the allotment of equity securities in connection with an open offer or rights issue subject to such exclusions or other such arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas shareholders and, additionally (iv) for the issue of securities having a maximum aggregate nominal value of **£6,851,950** which represents **twenty five percent (25%)** of the Enlarged 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.

13. 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. Resolution 9 specifies the maximum

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number of shares which may be acquired (25% of the Enlarged 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.

14. Resolution 10, which is a special resolution, seeks shareholder approval for the creation of a new class of Preference Shares and authority for the Directors to issue and allot up to 68,519,500 Preference Shares on a non-pre-emptive basis. This authority is in addition to the general authority to allot new shares sought under Resolution 7 provided that the aggregate nominal amount of Preference Shares issued and the aggregate nominal amount of Ordinary Shares issued pursuant to the general authority under Resolution 7(c) shall not exceed 50% of the nominal amount of the Enlarged Share Capital. The Preference Shares will be issued with the rights set out below and on such other terms as the Directors determine. The Company has no current intention to issue the Preference Shares but the grant of such authority will provide some flexibility to the Directors in respect of future financing options. No application will be made for the Preference Shares to be admitted to trading on AIM.

Preference Share rights:

1) Income:

The Preference Shares will carry the right to receive a fixed cumulative preferential dividend at a rate of between 0% and 7.5% per annum on the amount paid up on each Preference Share, including any premium, such rate to be determined by the Directors at the time of issue. Such cumulative preferential dividends will accrue from the date of issue of the Preference Shares and will either be payable quarterly in equal instalments in arrears or, at the Company's option, will be rolled up and be converted into Ordinary Shares at the time the Preference Shares are converted on the same basis as the amount paid up on the Preference Shares.

2) Capital:

On a sale, return of capital or on a liquidation, dissolution or similar winding up, the holders of Preference Shares shall be entitled in preference to the Ordinary Shares to receive the greater of (i) the principal amount paid up on each Preference Share held (including any premium), together with any accrued but unpaid cumulative preferential dividends, or (ii) the amount they would have received at such time if the Preference Shares (and any rolled up dividends) had been converted into Ordinary Shares at the then applicable conversion rate.

3) Voting rights:

Holders of Preference Shares shall have the right to receive notice of and attend and vote at all general meetings of the Company. Each Preference Shareholder shall have one vote per Preference Share.

4) Transfer:

The Preference Shares will be freely transferable on the same basis as the Ordinary Shares.

5) Conversion:

Each fully paid Preference Share will be convertible at the option of the relevant holder into fully paid Ordinary Shares at a rate to be determined by the Directors at the time of issue but subject to the proviso that the conversion price cannot be lower than the average mid-market closing price of the Ordinary Shares (as derived from the AIM appendix to the Daily Official List of the London Stock Exchange) for the previous thirty (30) days prior to the date of allotment of those Preference Shares.

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The following documents will be available for inspection from the date of this notice until the meeting at the Company's registered office and at the meeting convened by this notice:

- (a) Register of Directors' share interests
- (b) Directors' service contracts
- (c) The Plan

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Annual General Meeting

Proxy Form

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

I/We being a member of the Company appoint the **Chairman** of the meeting or the person named by me/us in the box below (see note 3 when appointing a person other than the Chairman as proxy)

--

as my/our proxy to attend, speak and vote on my/our behalf at the General Meeting of the Company to be held at the offices of Bird & Bird LLP, 15 Fetter Lane, London EC4A 1JP on Friday 16 December 2011 at 10 am 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 June 2011 together with the Reports of the Directors and Auditors thereon.			
Resolution 2	To re-elect Paul Thomas as an Executive Director.			
Resolution 3	To re-elect Philip Hickman as a Non-Executive Director.			
Resolution 4	To re-elect Hank Uberoi as an 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	That the Earthport PLC Employee Option Plan be adopted and initialled by the Chairman.			
Resolution 7	To authorise the Directors to allot shares pursuant to Section 551 of the Companies Act 2006.			
Resolution 8	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 9	To grant the Directors the authority for the Company to purchase its own shares.			
Resolution 10	To authorise the Directors to create the Preference Shares, to approve the creation of the Preference Shares without a separate meeting of the Company's shareholders, to authorise the Directors to allot the Preference Shares pursuant to Section 551 of the Companies Act 2006 and waive rights of pre-emption on the allotment of the Preference Shares until the conclusion of the next Annual General Meeting of the Company.			

Please print in BLOCK capitals your full name on the line below:

.....

Signature: _____ Dated: _____ 2011

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Notes to the proxy form

1. As a member of the Company you are entitled to appoint one or more proxies 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, the Proxy Form should be photocopied and completed for each proxy holder.
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 Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
 - received by Capita Registrars no later than 10 am on Wednesday 14 December 2011, 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.
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.

Please return using envelope provided

