



EARTHPORT PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

Year ended 30 June 2008

Earthport plc

DIRECTORS AND ADVISERS

DIRECTORS

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

SECRETARY

P Chappell

REGISTERED OFFICE

21 New Street
London EC2M 4TP

INDEPENDENT AUDITORS

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

BANKERS

Barclays Bank plc
1 Churchill Place
London E14 5HP

NOMINATED ADVISER AND BROKER

Cenkos Securities plc
6.7.8 Tokenhouse Yard
London EC2R 7AS

REGISTRARS

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

SOLICITORS

Pinsent Masons LLP
CityPoint
One Ropemaker Street
London EC2Y 9AH

REGISTERED NUMBER

3428888

EXECUTIVE CHAIRMAN'S STATEMENT

INTRODUCTION

I am delighted to report a strong set of results for the year ended 30 June 2008. Revenues have grown very strongly and we expect will continue to grow in the financial year ending 30 June 2009. The year has seen great progress from Earthport, successfully developing the Company's enormous global opportunity. Further market success and sales traction have been accompanied by good financial progress: balance sheet improvement and debt reduction.

In many ways, these results reflect the efforts that we have made since May 2005 to build a robust business tailored to the international high volume payments requirements of the world's financial institutions and corporates. Although we remain mindful of the current market conditions, the Company is on plan and our future looks bright thanks to our market positioning and the growing need for our services by our existing and targeted customers.

FINANCIAL REVIEW

The year to 30 June 2008 has been one of steady progress. Revenue for the year ended 30 June 2008 has increased by 79% to £1.92m (2007: £1.07m). The Group's operating loss fell by 17% to £3.34m (2007: £4.03m). Finance costs have fallen 13% to £0.33m (2007: £0.38m). The loss per share fell 53% to 5.14p (2007: 10.98p). During the year, the Group raised £10.6m of equity, net of expenses. Debt was reduced to £1.10m (2007: £2.12m). Cash increased to £3.66m (2007: £0.46m).

OPERATIONAL REVIEW

During the first half of FY 2008, monthly transaction volume doubled while monthly foreign exchange ("FX") revenues increased more than fivefold. During the second half of FY 2008, monthly revenues were up 175% over the same period last year, while average transaction-driven monthly revenues were up 65%.

During the second half of FY 2008, monthly transaction volume grew 65% while FX revenues increased 19% over the first half of FY 2008. By the same comparison, monthly revenues were up 20% while transaction driven-monthly revenues grew 32%.

This improvement brings Earthport another step up in performance and closer to profitability. More importantly, through the company's increased focus on existing key clients and the development of additional strategic partner and customer relationships, this momentum is charted to continue.

Relationship with IBM: At Sibos 2007 in October, Earthport was one of only two technology companies invited to participate on IBM's stand. Also, as a Business Partner, Earthport featured in IBM's Product Guide for the event. Already our relationship with IBM and the exposure to IBM's sales force and the clients and prospects visiting Sibos has meant that significant and specific market opportunities are taking shape.

The Banking Sector: On 20 May 2008 Earthport announced an agreement with Standard Chartered Bank (SCB) to deliver an operational turnkey remittance solution for international transfers from Dubai for the large number of overseas workers who send money home. On 26 June 2008 the Earthport UPN was demonstrated to the global managers of SCB.

Earthport is negotiating with other banks to deliver a similar turnkey solution and to provide the Trade Services Lite (TS Lite) product which has been developed jointly with Adobe.

In addition TS Lite is being tested by a UK high street bank, which has a large client base of small-to-medium sized Corporates (SMEs) that trade internationally.

EXECUTIVE CHAIRMAN'S STATEMENT

International Payments Industry: During the past 12 months, Earthport has focussed on a number of strategic service providers in the Money Transfer business and specifically on intermediaries that require a money transfer infrastructure, either for themselves or for their clients. In these applications, Earthport in effect becomes a back-end payments service utility, to which payments services can be outsourced. Furthermore, in this market we have concentrated on segments where there is proven demand for services in multiple international currencies, such as in the travel industry, entertainment business and the migrant remittance market.

Market Coverage Strategy: Approximately half of Earthport's existing client base is comprised of corporates, whose businesses involve many low-value money transfers. Hitherto this market has not been particularly well served by the traditional system. However, for these clients, service is the key to success and time is of the essence: from customer contact, through the sales and integration processes, through to revenue realisation. The ability to rapidly integrate our UPN payments system into their back-office enables them to deliver measurable improvements to the service level and price that they offer their customers, quickly and with real bottom-line benefits.

Summary: As a result of understanding our markets more clearly and focussing more accurately, we have been able to offer a better and more responsive service to our existing client base; whilst at the same time we have been able to identify major strategic opportunities. These include banks, corporate clients and government based organisations (US, UK, EU and International) that need to undergo a transformation in their payments strategy and delivery processes.

Some of these new opportunities have arisen through our relationship with IBM, but many others have come through the increasing 'clear vote of confidence' in Earthport's capabilities, that we are receiving in both Financial Services and other strategic markets. So, FY 2008 has been very encouraging. However we feel that the next 6 to 12 months will see an even greater degree of consolidation and success and lead Earthport well into growth and profitability.

Business/Banking Operations

During the past 12 months, the priority for Earthport has been to consolidate key strategic banking relationships within the existing network, with a view to better leveraging the partnership opportunities they present. In particular, the expansion in coverage and service via the SEB Group has enabled Earthport to grow considerably in key European markets and, with other long-standing banking partners set to adopt a similar model, we see further International expansion following on in the near future.

Thus the focus continues on growing the portfolio. Initially, growth is targeted in the lucrative AsiaPac sector, where our partnership with IBM is adding real leverage and value. Furthermore, a recent restructuring of our partnership with ANZ Australia is now affording exciting opportunities to develop key Asian markets including Indonesia, The Philippines and Thailand. In addition, the growing relationship with SCB is enlarging our coverage in the territories covered by SCB.

Earthport has experienced a significant growth in client volume during FY 2008 and this growth continues to drive our need to constantly review the processes that we employ to handle bulk payment and collection demand. Working closely with the IT Development team, Earthport's Business Operations team has been able to consistently demonstrate greater levels of genuine Straight Through Processing (STP). This increased level of automation has provided measurable levels of performance improvements and has contributed to a further reduction in exception ratios.

EXECUTIVE CHAIRMAN'S STATEMENT

IT Development

During the past 12 months the Development Team at Earthport has achieved a number of goals. Specifically the ideas and objectives that were set in the re-architecting program we embarked on some 24 months ago have turned into a series of delivered milestones. This in turn provided a whole new impetus to the development team's productivity.

As a result of the successes that we have achieved during the latter part of 2007 and in 2008, we have been able to add new members to our team and been able to provide a whole new set of challenges to other long-standing team members. And we believe that it is this consolidation that will yield the results that will enable Earthport to maintain and improve its technological superiority in the International Bank-2-Bank payments industry.

Platform Evolution: During the past few months, a new release of our next generation platform, EPS2, was put into production. This release focused on improved automation of back office functions and automated support for several new settlement banks.

In addition to this increase in functionality, as EPS2 has matured, particularly during the first months of 2008, a measurable improvement in system up-time has been achieved in excess of its target of 99.9% availability. Naturally these performance improvements have realised significant benefits in our Banking Operations area, both in terms of customer satisfaction and more particularly, in terms of the delivery of higher degrees of automation and continuity.

During the remainder of 2008, this evolution of system Reliability, Availability and Serviceability (RAS) will continue. However, these improvements in RAS have provided the opportunity for us to plan and now begin the deployment of significantly more powerful server configurations. To this end, during the next few months of 2008 we shall be upgrading many of our servers to further improve resilience and more importantly increased scalability.

FUTURE DEVELOPMENTS

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

Fiscal Year 09 (to 30 June 2009) is already demonstrating more progress towards this goal and will see the Company firmly established in this very large global market with increased presence, clients and revenues.

Mike Harrison
Executive Chairman

Earthport plc

DIRECTORS' REPORT

The directors are pleased to submit their report together with the financial statements of the Company and its subsidiaries (the Group) for the year ended 30 June 2008.

PRINCIPAL ACTIVITIES

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

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

A review of the development of the business during the year is given in the Executive Chairman's Statement on pages 2 to 4. This also includes reference to the Group's future prospects.

KEY PERFORMANCE INDICATORS

The directors consider that the key performance indicator of the business is the number of transactions processed through the Universal Payments Network ("UPN"). The increase in reported revenue for the year reflects increased transaction volumes, both in our traditional markets and from new clients.

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

RISKS AND UNCERTAINTIES

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

EVENTS SINCE THE BALANCE SHEET DATE

On 9 July 2008, the Company announced that it had raised £0.5m from the exercise of warrants.

GOING CONCERN

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

RESULTS AND DIVIDENDS

The group loss for the year after taxation amounted to £3.38m (2007: £4.40m).

The directors are unable to recommend the payment of a dividend for the year (2007: £Nil).

SHARE CAPITAL

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

DIRECTORS' REPORT

DIRECTORS

The following directors have held office since 1 July 2007:

M Harrison	
J Bergman	(appointed 19 December 2007)
P Chappell	(appointed 26 September 2008)
L Browne CBE	(appointed 15 September 2008)
Lady Olga Maitland	(appointed 26 September 2008)
N Clayton	(resigned 19 December 2007)
C Medway	(resigned 27 March 2008)
D Fife	(resigned 9 June 2008)
J Hill	(resigned 26 September 2008)

Mike Harrison has continued as an Executive Chairman throughout the year. Since taking over in May 2005 Mike has revitalised Earthport, setting the strategy and establishing the role of utility for multiple international payments. To achieve this, a major rebuild of the technology and the proliferation of the banking network were key. On the way he sorted out the legacy problems and has extinguished the Company's debt. In addition he is Managing Director of The Steering Partnership Limited. Mike was previously Managing Director of Cedar Group from 1997-2002. He also spent two years at Informix between 1995 and 1997, running Northern Europe, the Middle East and Africa. Between 1990 and 1995 Mike was Managing Director of Oracle Corporation UK Limited - the company's largest operating unit. Mike helped redesign the UK and worldwide operations and saw turnover rise from £90 million to £210 million. Previously Mike ran the UK and Ireland operations for Data General from 1986-1990 and set up the software and services division of Burroughs between 1982 and 1986 - turning a £5m loss into a £5m profit. Mike culminated a seventeen-year career with IBM, from 1965-82, by running the IBM UK Network Services Division.

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

Peter Chappell was appointed as an Executive Director on 26 September 2008. He has worked at Earthport since 1987. Whilst continuing as Company Secretary, he has particular responsibility for Corporate Affairs and Human Resources. Prior to his present role within Earthport, from 1995-1998 Peter was a director of Walton Consulting Limited, which was absorbed into Earthport in 1997. From 1991-1996 he was Chairman of the Employment Network (UK) Limited, an innovative computerised recruitment company that evolved onto the Internet in 1993, being renamed PeopleBank. From 1989-1991 Peter was a senior consultant with Trimedia Communications. Peter became a member of the Stock Exchange in 1966 and became a managing partner of Sheppards and Chase from 1968-1989 where he ran institutional sales and research from 1985-1989.

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DIRECTORS' REPORT

DIRECTORS (continued)

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

Lady Olga Maitland was appointed as Non-Executive Director on 26 September 2008. Lady Olga was CEO of the International Association of Money Transfer Networks (IAMTN) from 2005-2008. Prior to IAMTN, from 1997-2005, 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 1992-1997 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.

Neil Clayton, Finance Director, who joined the board on 28 February 2005, left the Company and resigned from the board on 19 December 2007.

Colin Medway, Non-Executive Director, was appointed on 24 May 2006. To avoid any risk of conflict by combining his guidance of the financial team with his Non-Executive Director role, he stepped down from the board with effect from 27 March 2008.

David Fife was appointed Chief Executive on 1 November 2006 and joined the board on 1 February 2007. He returned to the USA in October 2007 for family health reasons. David resigned from the board on 9 June 2008.

Jonathan Hill, Non-Executive Director, was appointed on 15 July 2006. He continued as a Non-Executive Director until 26 September 2008. He was formerly Chief Executive of General Capital Group plc.

ELECTION OF DIRECTORS

In accordance with the articles of association, Mike Harrison and James Bergman, being eligible, offer themselves for re-election. Mike Harrison and James Bergman have executive service agreements to 31 December 2010.

DIRECTORS' INDEMNITY INSURANCE

The directors have not taken out an insurance policy to cover directors' and officers' liabilities. However, the Articles of Association of the Company permit the Company to indemnify directors to the extent permitted by the Companies Act.

DIRECTORS' INTERESTS IN SHARES

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

	<i>Ordinary shares of 10p each 30 June 2008</i>	<i>Ordinary shares of 10p each 30 June 2007 (or date of appointment if later)</i>
M Harrison	160,000	150,000
J Bergman	28,714	-
P Chappell	86,217	86,217

Details of transactions with related parties during the year are disclosed in note 28 to the financial statements.

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DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES (continued)

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

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

	<i>Average Exercise prices</i>	<i>Ordinary shares of 10p each 30 June 2008</i>	<i>Ordinary shares of 10p each 30 June 2007 (or date of appointment if later)</i>
M Harrison	50p	6,250,000	2,250,000
J Bergman	47p	3,250,000	-
P Chappell	42p	1,226,000	1,226,000
L Browne CBE	65p	500,000	-
Lady Olga Maitland	65p	75,000	-

The awards for executive directors are subject to performance criteria. Options must be exercised between the third and seventh anniversary of the date of grant, and vest as follows:

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

Performance criteria for 6,750,000 of the options held by executive directors:

- 1,820,000 vesting upon first IBM sales pipeline client bank signing, either direct with Earthport or through IBM as prime contractor. They can be exercised from 1 January 2009.
- 1,090,000 vesting if the share price reaches and stays at or above 100p for two calendar months. They can be exercised from 1 March 2010.
- 1,090,000 vesting if the share price reaches and stays at or above 150p for two calendar months. They can be exercised from 1 March 2010.
- 1,251,250 vesting upon first IBM sales pipeline client bank signing, either direct with Earthport or through IBM as prime contractor. They can be exercised from 1 July 2010.
- 749,375 vesting if the share price reaches and stays at or above 100p for two calendar months. They can be exercised from 1 March 2010.
- 749,375 vesting if the share price reaches and stays at or above 150p for two calendar months. They can be exercised from 1 July 2010.

MAJOR INTERESTS IN SHARES

As of 31 October 2008 the Company had been notified, in accordance with Sections 198 to 208 of the Companies Act 1985, of the following interests in the issued ordinary share capital of the Company:

	<i>Ordinary shares of 10p each</i>	<i>%</i>
Millennium Global High Yield Fund	9,197,647	11.40
H U Investments L.L.C.	8,085,605	10.02
Hawkwood Capital LLP	5,393,686	6.68
Artemis Investment Management Limited	3,979,814	4.93
Kenny Shovell	5,200,223	3.97
CIM Special Situations Fund Limited	2,995,000	3.71

DIRECTORS' REPORT

MAJOR INTERESTS IN SHARES (continued)

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

No charitable donations were made in the year ended 30 June 2008 (2007: £Nil). No contributions for political purposes were made in either period.

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.

SUPPLIERS

The Group's payment policy is to pay suppliers at the end of the month following the month in which the invoice is received. At 30 June 2008, the Company had an average of 38 days purchases outstanding in trade creditors (2007: 53 days).

FINANCIAL INSTRUMENTS

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

ANNUAL GENERAL MEETING

The notice of the meeting for the 2008 Annual General Meeting is set out on page 43.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITORS

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

AUDITORS

Baker Tilly UK Audit LLP have expressed their willingness to continue in office as auditors of the Company and in accordance with Section 385 of Companies Act 1985, 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

P Chappell
Secretary

14 November 2008

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 2008 comprised two executive directors and one non-executive director. After the year-end the board has changed to three executive directors and two non-executive directors. The Board meets regularly throughout the year. Committees of the board are chaired by a non-executive director and comprise all board members.

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATIONS COMMITTEE

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

INTERNAL CONTROL

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

CLIENT FUNDS

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

UK Company law requires the directors to prepare group and company financial statements for each financial year. Under that law the directors are required to prepare group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and have elected to prepare the company financial statements in accordance with International Financial Reporting Standards ("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 1985 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.

The company financial statements are required by law to give a true and fair view of the state of affairs of the company.

In preparing each of the group and company financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the requirements of the Companies Act 1985. 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 financial information contained on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EARTHPORT PLC

We have audited the Group and parent Company financial statements on pages 14 to 42.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union ("EU") are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EARTHPORT PLC

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 1985, of the state of the group's affairs as at 30 June 2008 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 June 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985;
and
- the information given in the Directors' Report is consistent with the financial statements.

BAKER TILLY UK AUDIT LLP
Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

14 November 2008

Earthport plc

CONSOLIDATED INCOME STATEMENT for the year ended 30 June 2008

	Notes	2008 £'000	2007 £'000 <i>As restated</i>
Continuing operations:			
Revenue	4	1,915	1,077
Cost of sales		(390)	(340)
Gross profit		<u>1,525</u>	<u>737</u>
Administrative expenses	8	(4,861)	(4,765)
Operating loss		<u>(3,336)</u>	<u>(4,028)</u>
Finance costs	6	(325)	(375)
Loss before taxation	7	<u>(3,661)</u>	<u>(4,403)</u>
Taxation	9	280	-
Loss attributable to equity shareholders of the company		<u>(3,381)</u>	<u>(4,403)</u>
Loss per share – basic and fully diluted	10	<u>(5.14p)</u>	<u>(10.98p)</u>

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE for the year ended 30 June 2008

	2008 £'000	2007 £'000
Loss attributable to the equity shareholders of the company	(3,381)	(4,403)
Total recognised income and expense for the year, attributable to the equity shareholders of the company	<u>(3,381)</u>	<u>(4,403)</u>

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CONSOLIDATED BALANCE SHEET

at 30 June 2008

	<i>Notes</i>	2008 £'000	2007 £'000 <i>As restated</i>
Assets			
Non-current assets			
Property, plant and equipment	12	139	99
Investments	13	160	160
Deferred tax asset	9	280	-
		<u>579</u>	<u>259</u>
Current assets			
Trade and other receivables	14	2,436	1,084
Cash at bank and in hand	15	3,655	455
		<u>6,091</u>	<u>1,539</u>
Total assets		6,670	1,798
Liabilities			
Current liabilities			
Trade and other payables	16	(3,254)	(4,119)
Borrowings	17	(340)	(1,053)
		<u>(3,594)</u>	<u>(5,172)</u>
Non-current liabilities			
Borrowings	17	(761)	(1,067)
Total liabilities		(4,355)	(6,239)
NET ASSETS/(LIABILITIES)		2,315	(4,441)
Equity			
Capital and reserves			
Ordinary shares	18	30,968	28,253
Share premium	19	44,732	36,801
Merger reserve	20	9,200	9,200
Equity reserve	21	-	1,136
Share-based payment reserve	22	1,354	868
Warrant reserve	23	816	1,204
Retained earnings	24	(84,755)	(81,903)
EQUITY ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		2,315	(4,441)

The financial statements were approved and authorised for issue by the board on 14 November 2008 and were signed on its behalf by:

M Harrison (Director)
J Bergman (Director)

Earthport plc

COMPANY BALANCE SHEET at 30 June 2008

	<i>Notes</i>	2008 £'000	2007 £'000 <i>As restated</i>
Assets			
Non-current assets			
Property, plant and equipment	12	139	99
Investments	13	161	161
Deferred tax asset	9	280	-
		<u>580</u>	<u>260</u>
Current assets			
Trade and other receivables	14	2,339	1,040
Cash at bank and in hand	15	3,654	442
		<u>5,993</u>	<u>1,482</u>
Total assets		6,573	1,742
Liabilities			
Current liabilities			
Trade and other payables	16	(3,674)	(4,540)
Borrowings	17	(340)	(1,053)
		<u>(4,014)</u>	<u>(5,593)</u>
Non-current liabilities			
Borrowings	17	(761)	(1,067)
Total liabilities		(4,775)	(6,660)
NET ASSETS/(LIABILITIES)		1,798	(4,918)
Equity			
Capital and reserves			
Ordinary shares	18	30,968	28,253
Share premium	19	44,732	36,801
Merger reserve	20	9,200	9,200
Equity reserve	21	-	1,136
Share-based payment reserve	22	1,354	868
Warrant reserve	23	816	1,204
Retained earnings	25	(85,272)	(82,380)
EQUITY ATTRIBUTABLE TO THE EQUITY SHAREHOLDERS OF THE COMPANY		1,798	(4,918)

The financial statements were approved and authorised for issue by the board on 14 November 2008 and were signed on its behalf by:

M Harrison (Director)
J Bergman (Director)

Earthport plc

CONSOLIDATED CASH FLOW STATEMENT for the year ended 30 June 2008

	<i>Notes</i>	2008 £'000	2007 £'000
NET CASH USED IN OPERATING ACTIVITIES	32	(4,851)	(3,889)
<hr/>			
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(144)	(38)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(144)	(38)
<hr/>			
FINANCING ACTIVITIES			
Issue of ordinary share capital (net of costs paid)		8,466	4,364
Drawdown of term loans		-	410
Repayment of term loans		(271)	(207)
Repayment of unsecured loan		-	(250)
NET CASH FLOWS FROM FINANCING ACTIVITIES		8,195	4,317
<hr/>			
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,200	390
<hr/>			
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		455	65
<hr/>			
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		3,655	455
<hr/> <hr/>			

Earthport plc

COMPANY CASH FLOW STATEMENT for the year ended 30 June 2008

	<i>Notes</i>	2008 £'000	2007 £'000
NET CASH USED IN OPERATING ACTIVITIES	32	(4,839)	(3,888)
<hr/>			
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(144)	(38)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(144)	(38)
<hr/>			
FINANCING ACTIVITIES			
Issue of ordinary share capital (net of costs paid)		8,466	4,364
Drawdown of term loans		-	410
Repayment of term loans		(271)	(207)
Repayment of unsecured loan		-	(250)
NET CASH FLOWS FROM FINANCING ACTIVITIES		8,195	4,317
<hr/>			
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,212	391
<hr/>			
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		442	51
<hr/>			
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		3,654	442
<hr/> <hr/>			

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

1. GENERAL INFORMATION

Earthport plc is a public limited company incorporated and domiciled in the England and Wales under the Companies Act 1985. The address of its principal place of business and registered office is 21 New Street, London EC2M 4TP. The nature of the Group's operations and its principal activities are set out in the Directors' Report on page 5.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

3. ACCOUNTING POLICIES

Basis of preparation

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

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

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

IFRS 1	(Amendment) First time adoption of International Financial Reporting Standards
IFRS 2	(Amendment) Share-based payment vesting conditions and cancellations
IFRS 3	(Revised) Business combinations
IFRS 7	(Amendment)
IFRS 8	Operating Segments
IAS 1	(Revised) Presentation of financial statements
IAS 23	(Revised) Borrowing costs
IAS 27	(Revised) Consolidated and separate financial statements
IAS 28	(Amendment)
IAS 32	(Amendment) Financial instruments: presentation and disclosure
IFRIC 12	Service concession arrangements
IFRIC 13	Customer loyalty programmes
IFRIC 14	IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction
IFRIC 15	Agreements for the construction of real estate
IFRIC 16	Hedges of a net investment in a foreign operation
	Annual Improvements Project

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group when the relevant Standards and Interpretations come into effect.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

3. ACCOUNTING POLICIES (Continued)

Basis of consolidation

The Group financial statements consolidate the financial statements of Earthport plc and all of its subsidiaries for the year ended 30 June 2008. The results of subsidiaries acquired or sold are included in the Group financial statements from the date control passes, until control ceases. Profits and balances arising on trading between Group companies are excluded from the financial statements. All companies in the Group make up their financial statements to the same date.

Revenue recognition

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

Foreign currency translation

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

Share-based payments

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

Current and deferred income tax

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

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

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

Impairment of non-financial assets

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

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

3. ACCOUNTING POLICIES (Continued)

Intangible assets

a) Development expenditure

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

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

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

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

b) Goodwill

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

Property, plant and equipment and depreciation

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

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

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

Available-for-sale investments

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

Leasing

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

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

3. ACCOUNTING POLICIES (Continued)

Pensions

The Group offers a stakeholder pension scheme to all employees but the Group does not make any contributions to the scheme. In addition, certain employees and directors are entitled to receive, under their contracts of employment, contributions from the Company to their individual money purchase retirement plans. These are charged to the income statement as they are incurred.

Financial risk management and financial instruments

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

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

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

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

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

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

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

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

4. REVENUE

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

	2008 £'000	2007 £'000
UK	1,582	860
Europe	182	150
North America	151	67
	<u>1,915</u>	<u>1,077</u>

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

5. EMPLOYEES	2008 No.	2007 No.
The average monthly number of persons (including directors) employed by the group during the year was:		
Directors	2	2
Administration and technical	27	30
	<u>29</u>	<u>32</u>
	2008	2007
	£'000	£'000
Staff costs for the above persons:		
Wages and salaries	1,938	1,722
Social security costs	213	201
Share-based payments	539	380
Other pension costs	4	14
	<u>2,694</u>	<u>2,317</u>

All staff costs are included in administrative expenses in the income statement (2007: All).

DIRECTORS' EMOLUMENTS

	Basic salary and fees £'000	Loss of office £'000	Pension £'000	2008 Total £'000	2007 Total £'000
Executive chairman:					
M Harrison	145	-	-	145	145
Executive directors:					
N Clayton (resigned 19 December 2007)	56	120	4	180	127
D Fife (resigned 9 June 2008)	34	-	-	34	57
J Bergman (appointed 19 December 2007)	75	-	-	75	-
Non-executive directors:					
J Hill	20	-	-	20	20
C Medway (resigned 27 March 2008)	20	-	-	20	20
	<u>350</u>	<u>120</u>	<u>4</u>	<u>474</u>	<u>369</u>

No directors exercised share options during the year.

Defined contribution pension benefits are being accrued for one director (2007: one).

Social security costs in respect of the directors were £37,000 (2007: £34,000).

The share-based payment charge in respect of the directors was £240,000 (2007: £145,000).

For the purpose of key management remuneration disclosure, the directors of the Company are considered to be the key management.

Fees paid to M Harrison include £25,000 (2007: £25,000) paid to The Steering Partnership Limited, a company in which he has a controlling interest.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

6.	FINANCE COSTS	2008 £'000	2007 £'000
	Interest payable on secured loans	325	375
		<u> </u>	<u> </u>
7.	LOSS BEFORE TAXATION	2008 £'000	2007 £'000 <i>As restated</i>
	Loss before taxation is stated after charging:		
	Depreciation of property, plant and equipment	104	124
	Development costs (included in administrative expenses in the income statement)	607	818
	Operating leases:		
	- Property	105	150
	Fees payable to the Company's auditors:		
	- For the audit of the Company's annual financial statements:		
	- Baker Tilly UK Audit LLP	45	45
	- Baker Tilly	-	7
	Fees payable to associates of the Company's auditors:		
	- For tax compliance and advisory services	8	20
	- For other services	-	3
		<u> </u>	<u> </u>
8.	ADMINISTRATIVE EXPENSES	2008 £'000	2007 £'000
	Staff costs	2,694	2,317
	IT development and support costs	773	937
	Facilities, travel and other costs	898	931
	Legal and professional costs	392	456
	Depreciation and amortisation	104	124
		<u> </u>	<u> </u>
		4,861	4,765
		<u> </u>	<u> </u>

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

9. TAXATION	2008 £'000	2007 £'000
Deferred tax credit	(280)	-
Factors affecting the tax credit for the year:		
Loss before taxation	(3,661)	(4,403)
Loss before tax multiplied by standard rate of corporation tax in the UK of 29.5% (2007: 30%)	(1,080)	(1,320)
Deferred tax credit	280	-
	<u>(800)</u>	<u>(1,320)</u>
Expenses not deductible for tax purposes	12	5
Timing differences not recognised for deferred tax purposes	28	41
Consolidation adjustment on inter-company provisions	-	49
Shared-based payment costs not recognised for deferred tax purposes	131	114
Different tax rate applied for deferred tax purposes	15	-
Losses not recognised for deferred tax purposes	614	1,111
Recognition of tax losses carried forward	280	-
Tax credit for the year	<u>280</u>	<u>-</u>

The change in the UK standard rate of corporation tax from 30% to 28% with effect from 1 April 2008 is not expected to have a material impact on future taxation charges.

Further tax trading losses carried forward of £48m (2007: £46m) have not been recognised due to uncertainty over the timing of their reversal.

The deferred tax asset recognised in respect of trading losses is based on an assessment of trading projections for the foreseeable future.

The movement on the deferred tax asset is as follows:

	2008 £'000	2007 £'000
At 1 July	-	-
Income statement – recognition of tax losses	280	-
At 30 June	<u>280</u>	<u>-</u>

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

10. LOSS PER SHARE

The loss per share is calculated by dividing the loss attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	2008	2007
	£'000	£'000
Loss attributable to equity shareholders of the company	(3,381)	(4,403)
	<u> </u>	<u> </u>
	2008	2007
	Number	Number
Weighted average number of ordinary shares in issue (thousands)	65,804	40,088
	<u> </u>	<u> </u>
	2008	2007
Basic and fully diluted loss per share (pence)	(5.14p)	(10.98p)
	<u> </u>	<u> </u>

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

11. INTANGIBLE ASSETS

Group and Company

	Acquired software £'000
Cost	
At 30 June 2006, 30 June 2007 and 30 June 2008	8,252
Amortisation and impairment	
At 30 June 2006, 30 June 2007 and 30 June 2008	8,252
Net book value	
At 30 June 2006, 30 June 2007 and 30 June 2008	<u> </u> -

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

12. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Computer equipment and software	Fixtures fittings and equipment	Short leasehold improvement	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2006	6,265	389	147	6,801
Additions	35	4	-	39
At 1 July 2007	6,300	393	147	6,840
Additions	83	2	59	144
At 30 June 2008	6,383	395	206	6,984
Depreciation				
At 1 July 2006	6,124	381	112	6,617
Charge for the year	86	3	35	124
At 1 July 2007	6,210	384	147	6,741
Charge for the year	83	2	19	104
At 30 June 2008	6,293	386	166	6,845
Net book value				
At 30 June 2008	90	9	40	139
At 30 June 2007	90	9	-	99
At 30 June 2006	141	8	35	184

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 2008

13. INVESTMENTS	2008	2007
Group and Company	£'000	£'000
Available-for-sale investment	160	160
	<u> </u>	<u> </u>

The Company holds 0.5% of Altair Financial Services International plc, an unquoted company specialising in the area of prepaid debit cards. The investment is held at cost, which, in the opinion of the directors, approximates fair value. There were no movements on the investment from 1 July 2006 to 30 June 2008.

Company

	£'000
Investment in subsidiaries:	
Cost at 30 June 2006, 30 June 2007 and 30 June 2008	11,073
Provision for impairment at 30 June 2006, 30 June 2007 and 30 June 2008	(11,072)
	<u> </u>
Net book value at 30 June 2006, 30 June 2007 and 30 June 2008	1
	<u> </u>

The Company's subsidiaries are:	Country of incorporation	Nature of business	Holding
EnsurePay Limited	England and Wales	On line services	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 Solutions Limited	England and Wales	Dormant	100%
Earthport Asiapac Limited	England and Wales	Dormant	100%
Zabadoo.com Limited	England and Wales	Dormant	100%
Epal Limited	England and Wales	Dormant	100%
Earthport USA Limited	England and Wales	Dormant	100%

14. TRADE AND OTHER RECEIVABLES

	2008	Group	2008	Company
	£'000	2007	£'000	2007
		£'000		£'000
Trade receivables	1,059	191	910	93
Other receivables	1,240	752	1,239	752
Amount due from subsidiary undertakings	-	-	53	54
Prepayments	137	141	137	141
	<u>2,436</u>	<u>1,084</u>	<u>2,339</u>	<u>1,040</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Trade receivables amounted to £1,059,000 (2007: £191,000), net of a provision of £65,000 (2007: £142,000) for impairment. Movement on the group provisions for impairment were as follows:

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

14. TRADE AND OTHER RECEIVABLES (continued)

	2008 £'000	2007 £'000
At 1 July	142	69
Provisions for receivables impairment	65	73
Receivables written off during the year	(142)	-
At 30 June	<u>65</u>	<u>142</u>

The average credit period taken on sales of services is 154 days (2007: 66 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 an amount in respect of unpaid share capital amounting to £625,000 due from Rob Cunningham (former company director). (2007: £625,000) - see note 18.

The principal reason for the increase in other receivables was in regard to foreign exchange revenues amounting to £483,000 at 30 June 2008 (2007: £Nil).

15. CASH AND CASH EQUIVALENTS

	2008 £'000	Group 2007 £'000	2008 £'000	Company 2007 £'000
Cash at bank and in hand	<u>3,655</u>	<u>455</u>	<u>3,654</u>	<u>442</u>

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

16. TRADE AND OTHER PAYABLES

	2008 £'000	Group 2007 £'000	2008 £'000	Company 2007 £'000
Trade payables	496	653	315	472
Other payables	1,063	1,097	913	937
Amount due to subsidiary undertakings	-	-	751	751
Other taxation and social security	836	1,742	836	1,753
Accruals and deferred income	859	627	859	627
	<u>3,254</u>	<u>4,119</u>	<u>3,674</u>	<u>4,540</u>

Trade payables and accruals principally comprise amounts outstanding in respect of operating costs. The average credit period taken for trade purchases is 38 days (2007: 53 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 2008

17. BORROWINGS	2008 £'000	2007 £'000
Current liabilities		
Secured loans	340	286
Convertible loan notes	-	767
	<u>340</u>	<u>1,053</u>
Non-current liabilities	2008 £'000	2007 £'000
Secured loans	761	1,067
	<u>761</u>	<u>1,067</u>

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

On 26 June 2008, convertible loan notes amounting to £767,000 all with a maturity date of 30 June 2008 and interest rate of 15% were converted into 2,189,614 ordinary shares of 10p each at the option of the note holder.

18. SHARE CAPITAL	2008 £'000	2007 £'000
Authorised		
At 1 July (69,412,642 ordinary shares of 10p each)	6,941	6,941
Increase in the ordinary share capital in the year	10,000	-
At 30 June (169,412,642 ordinary shares of 10p each)	<u>16,941</u>	<u>6,941</u>
Deferred shares of 7.5p each: 307,449,810 (2007: 307,449,810)	23,059	23,059
At 30 June	<u>40,000</u>	<u>30,000</u>
Issued		
At 1 July (51,945,677 ordinary shares of 10p each)	5,194	3,210
Shares issued in the year	2,715	1,984
At 30 June (79,088,009 ordinary shares of 10p each)	<u>7,909</u>	<u>5,194</u>
Deferred shares of 7.5p each: 307,449,792 (2007: 307,449,792)	23,059	23,059
At 30 June	<u>30,968</u>	<u>28,253</u>

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

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

18. SHARE CAPITAL (continued)

During the year to 30 June 2008 a total of 27,142,332 ordinary shares of 10p each were allotted, of which 21,450,626 were allotted for cash consideration of £8,465,966, a further 5,691,706 were allotted upon conversion of £2,179,612 of convertible loan notes and loan notes interest.

The following share issues were completed during the year:

2008	No of shares issued	Average premium in pence	Total premium £
September 2007	9,677,419	21.00	2,032,258
October 2007	3,332,968	30.57	1,018,820
November 2007	3,487,160	21.19	738,784
December 2007	48,532	25.00	12,133
February 2008	90,651	25.00	22,663
March 2008	213,000	25.00	53,250
April 2008	6,200,792	53.23	3,300,513
May 2008	1,460,572	25.00	365,143
June 2008	2,631,238	24.69	649,711
2007	No of shares issued	Average premium in pence	Total premium £
July 2006	598,086	31.80	190,191
October 2006	761,190	11.00	83,731
November 2006	476,190	11.00	52,381
December 2006	8,695,651	13.00	1,130,435
March 2007	4,641,955	13.00	603,454
April 2007	208,333	14.00	29,167
May 2007	4,464,287	18.00	803,572

Transaction costs amounting to £262,000 (2007: £264,000) in regard to issue of shares were deducted from equity and charged against share premium.

At 30 June 2008, there remained £625,000 (2007: £625,000) due in respect of unpaid share capital. This is included in other receivables (see note 14).

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

18. SHARE CAPITAL (continued)

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

<i>Last date when exercisable</i>	<i>Exercise price</i>	<i>No. of Options outstanding at 1 July 2007</i>	<i>Granted No.</i>	<i>Extended / (lapsed) No.</i>	<i>Exercised No.</i>	<i>No. of Options outstanding at 30 June 2008</i>
31 October 2007	0.32	2,187,716	-	(1,152,519)	(1,035,197)	-
31 December 2007	0.32	1,729,036	-	(1,729,036)	-	-
31 March 2008	0.35	446,428	-	(20,000)	(426,428)	-
31 July 2008	0.35	-	-	1,729,036	-	1,729,036
31 October 2008	0.35	-	-	3,071,427	(2,000,000)	1,071,427
31 December 2008	0.35	1,836,239	215,217	-	(563,094)	1,488,362
31 December 2009	0.23	2,075,000	-	-	-	2,075,000
11 June 2017	0.29	-	250,000	-	-	250,000
27 March 2018	0.65	-	650,000	-	-	650,000
		<u>8,274,419</u>	<u>1,115,217</u>	<u>1,898,908</u>	<u>(4,024,719)</u>	<u>7,263,825</u>

The fully diluted share capital at 30 June 2008 may be analysed as follows:

	No. of Ordinary 10p shares	
	2008	2007
Shares in issue at 30 June	79,088,009	51,945,677
Employee share options (see note 31)	16,039,080	7,156,808
Other options	7,263,825	8,274,419
Convertible loan notes	-	5,180,048
Fully diluted number of shares	<u>102,390,914</u>	<u>72,556,952</u>

19. SHARE PREMIUM Group and Company

	2008	2007
	£'000	£'000
		<i>As restated</i>
At 1 July	36,801	35,161
Premium on shares issued	8,193	1,904
Expenses of share issues	(262)	(264)
At 30 June	<u>44,732</u>	<u>36,801</u>

20. MERGER RESERVE Group and Company

	2008	2007
	£'000	£'000
At 1 July and 30 June	<u>9,200</u>	<u>9,200</u>

The merger reserve represents the premium attributable to shares issued in consideration of the costs of acquisition of subsidiaries in prior years as required by s131 of the Companies Act 1985.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

21. EQUITY RESERVE	2008	2007
Group and Company	£'000	£'000
At 1 July	1,136	1,364
Conversion of loan notes	(1,136)	(228)
At 30 June	<u>-</u>	<u>1,136</u>

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

22. SHARE-BASED PAYMENT RESERVE	2008	2007
Group and Company	£'000	£'000
		<i>As restated</i>
At 1 July	868	488
Equity settled share-based payments – employees	539	380
Options exercised during the year	(53)	-
At 30 June	<u>1,354</u>	<u>868</u>

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

23. WARRANT RESERVE	2008	2007
Group and Company	£'000	£'000
		<i>As restated</i>
At 1 July	1,204	190
Equity settled share-based payments – warrants	88	1,014
Warrants exercised during the year	(476)	-
At 30 June	<u>816</u>	<u>1,204</u>

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

24. RETAINED EARNINGS	2008	2007
Group	£'000	£'000
At 1 July	(81,903)	(77,478)
Loss for the year attributable to equity shareholders of the Company	(3,381)	(4,403)
Options exercised during the year	53	-
Warrants exercised during the year	476	-
Conversion of loan notes	-	(22)
At 30 June	<u>(84,755)</u>	<u>(81,903)</u>

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

25. RETAINED EARNINGS	2008	2007
Company	£'000	£'000
At 1 July	(82,380)	(77,914)
Loss for the year attributable to equity shareholders of the Company	(3,421)	(4,444)
Options exercised during the year	53	-
Warrants exercised during the year	476	-
Conversion of loan notes	-	(22)
At 30 June	<u>(85,272)</u>	<u>(82,380)</u>

As permitted by Section 230 Companies Act 1985, a separate income statement has not been presented in respect of the Company.

26. COMMITMENTS UNDER OPERATING LEASES	2008	2007
	£'000	£'000
Minimum lease payments under operating leases recognised as an expense in the year	<u>105</u>	<u>150</u>

At 30 June 2008 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008	2007
	£'000	£'000
Within one year	90	70
In the second to third year	180	-
In the third to fifth year	113	-
	<u>383</u>	<u>70</u>

27. **PENSION COMMITMENTS**

The Company offers a stakeholder pension scheme to all employees but the Company does not make any contributions to the scheme. In addition, certain employees and directors are entitled to receive, under their contracts of employment, contributions from the company to their individual retirement plans. These commitments are accrued and amounted to £91,000 at 30 June 2008 (2007: £84,000).

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

28. 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	2008	2007
	£'000	£'000
Earthport Enterprises Limited	2	3
Travelpay Limited	5	5
Mobilepay Limited	20	20
Earthport Asiapac Limited	26	26
	<u>53</u>	<u>54</u>
	<u><u>53</u></u>	<u><u>54</u></u>
Inter-company payables	2008	2007
	£'000	£'000
Earthport Enterprises Limited	750	750
Travelpay Limited	1	1
	<u>751</u>	<u>751</u>
	<u><u>751</u></u>	<u><u>751</u></u>

There were no movements on these balances in the year ended 30 June 2008 or 30 June 2007.

General Capital Venture Finance Limited

General Capital Venture Finance Limited ("GCVFL") is a wholly owned subsidiary of General Capital Group plc, a company in which Jonathan Hill, a director of Earthport plc, has an interest.

In the year ended 30 June 2006, the company issued 1,714,286 warrants to General Capital Venture Finance Limited ("GCVFL") in respect of an incentive regarding fund raising. These warrants were lapsed unexercised in the year ended 30 June 2007.

The principal outstanding under the secured debt facility provided by GCVFL at 30 June 2008 was £1,101,000 (2007: £1,372,000). During the year, interest amounting to £163,000 (2007: £203,000) was paid.

29. EVENTS SINCE THE BALANCE SHEET DATE

On 9 July 2008, the Company announced that it had raised £0.5m from the exercise of warrants.

30. CONTINGENT LIABILITIES

Rob Cunningham and Gelande Corporation Limited have between them filed 38 statutory demands amounting to £2.5m. The Company has a bona fide dispute on substantial grounds in respect of each of these demands and/or a cross or counterclaim. The demands have not been pursued since March 2006 and the Company will defend its position vigorously in respect of the matters alleged in the statutory demands if they are ever pursued.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

31. SHARE-BASED PAYMENTS

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

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

	Number of share options	Weighted average exercise price (£)	Number of share options	Weighted average exercise price (£)
	2008		2007	
Options at beginning of the year	7,156,808	0.333	5,815,131	0.352
Granted during the year	9,890,000	0.633	2,415,000	0.290
Lapsed during the year	(683,228)	0.350	(1,073,323)	0.359
Exercised during the year	(324,500)	0.865	-	-
Outstanding at the end of the year	<u>16,039,080</u>	<u>0.545</u>	<u>7,156,808</u>	<u>0.333</u>

Of the 16,039,080 outstanding options at 30 June 2008 (2007: 7,156,808), 2,816,500 were exercisable (2007: 953,400). The options outstanding at 30 June 2008 had a weighted average exercise price of 55p (2007: 33p) and a weighted average remaining contractual life of 6 years (2007: 5.8 years). The total expense in respect of employees share-based payments recognised during the year was £539,000 (2007: £380,000). For options exercised in the year ended 30 June 2008, the weighted average share price at the date of exercise was 87p. No options were exercised during the year ended 30 June 2007.

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:

	2008	2007
Weighted average share price	68.5p	29.0p
Weighted average exercise price	63.3p	29.0p
Expected volatility	91.5%	88.5%
Expected life	60 months	56 months
Risk free rate	4.7	5.6
Expected dividend yield	0%	0%

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

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

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

Group	2008 £'000	2007 £'000
Loss before tax	(3,661)	(4,403)
Depreciation of property, plant and equipment	105	124
Share-based payment expense	627	380
Finance costs	324	375
Operating cash out flow before movements in working capital	(2,605)	(3,524)
(Increase)/decrease in receivables	(1,352)	44
Decrease in payables	(743)	(83)
Cash used by operations	(4,700)	(3,563)
Interest paid	(151)	(326)
Net cash used in operating activities	(4,851)	(3,889)

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

Company	2008 £'000	2007 £'000
Loss before tax	(3,699)	(4,444)
Depreciation of property, plant and equipment	105	124
Share-based payment expense	627	380
Finance costs	327	376
Operating cash out flow before movements in working capital	(2,640)	(3,564)
(Increase)/decrease in receivables	(1,300)	76
Decrease in payables	(744)	(75)
Cash used by operations	(4,684)	(3,563)
Interest paid	(155)	(325)
Net cash used in operating activities	(4,839)	(3,888)

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

33. FINANCIAL INSTRUMENTS

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

Risk management policies

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

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

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

Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. Maximum credit risk at 30 June 2008 was as follows:

	Group		Company	
	2008	2007	2008	2007
	£'000	£'000	£'000	£'000
Trade and other receivables	2,299	943	2,149	845
Cash and cash equivalents	3,655	455	3,654	442
	<u>5,954</u>	<u>1,398</u>	<u>5,803</u>	<u>1,287</u>

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

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

£1,059,000 of trade receivables was past due for payment as at 30 June 2008, by four months or less, of which £226,000 was collected by 16 September 2008. 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 2008.

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

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

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

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

33. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

The 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. Group's treasury maintains flexibility in funding by maintaining availability under committed credit lines.

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

Group	Less than 1 year	Between 1 and 5 years	Total
	£'000	£'000	£'000
2008			
Trade payables	496	-	496
Other payables	1,063	-	1,063
Accruals and deferred income	859	-	859
Borrowings	340	761	1,101
Total	<u>2,758</u>	<u>761</u>	<u>3,519</u>
2007			
Trade payables	653	-	653
Other payables	1,097	-	1,097
Accruals and deferred income	627	-	627
Borrowings	1,053	1,067	2,120
Total	<u>3,430</u>	<u>1,067</u>	<u>4,497</u>
Company	Less than 1 year	Between 1 and 5 years	Total
2008	£'000	£'000	£'000
Trade payables	315	-	315
Other payables	1,664	-	1,664
Accruals and deferred income	859	-	859
Borrowings	340	761	1,101
Total	<u>3,178</u>	<u>761</u>	<u>3,939</u>
2007			
Trade payables	472	-	472
Other payables	1,688	-	1,688
Accruals and deferred income	627	-	627
Borrowings	1,053	1,067	2,120
Total	<u>3,840</u>	<u>1,067</u>	<u>4,907</u>

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

33. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Group's interest rate exposure arises mainly from its interest bearing deposits. All cash is held in variable rate accounts. Based on the balance sheet value of cash and cash equivalents, a 1% change in interest base rates would lead to an increase or decrease in income and equity of £36,500 (2007: £4,500).

Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises on financial assets and liabilities that are denominated in a currency other than the functional currency of the entity by which they are held. The group and company's exposure to currency risk was as follows:

Included in the Group cash and cash equivalents at 30 June 2008 was £29,041 in US Dollars (2007: £9,000) and £52,625 in Euros (2007: £Nil).

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 £8,000 (2007: £1,000).

Capital risk management

The Group manages its capital risk by ensuring that its capital, including share capital and retained earnings, is sufficient to support the ongoing needs of the business, and is organised to try and minimise the cost of capital over the medium term. The Group's current strategy is to maintain sufficient cash balances to satisfy ongoing needs.

Financial instruments recognised in the balance sheet

Group	Loans and receivables £'000	Available-for-sale £'000	Total £'000
2008			
Current assets			
Investments	-	160	160
Trade receivables	1,059	-	1,059
Other receivables	1,240	-	1,240
Cash and cash equivalents	3,655	-	3,655
Total current assets	5,954	160	6,114
			Other financial liabilities £'000
Current liabilities			
Trade payables			496
Other payables			1,063
Accruals			259
Borrowings			340
			2,158

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

33. FINANCIAL INSTRUMENTS (continued)

2007	Loans and receivables £'000	Available-for-sale £'000	Total £'000
Current assets			
Investments	-	160	160
Trade receivables	191	-	191
Other receivables	752	-	752
Cash and cash equivalents	455	-	455
Total current assets	<u>1,398</u>	<u>160</u>	<u>1,558</u>

Current liabilities			
Trade payables			653
Other payables			1,097
Accruals			627
Borrowings			1,053
			<u>3,430</u>

Company	Loans and receivables £'000	Available-for-sale £'000	Total £'000
2008			
Current assets			
Investments	-	160	160
Trade receivables	910	-	910
Other receivables	1,292	-	1,292
Cash and cash equivalents	3,654	-	3,654
Total current assets	<u>5,856</u>	<u>160</u>	<u>6,016</u>

Current liabilities			
Trade payables			315
Other payables			1,664
Accruals			259
Borrowings			340
			<u>2,578</u>

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2008

33. FINANCIAL INSTRUMENTS (continued)

2007	Loans and receivables £'000	Available-for-sale £'000	Total £'000
Current assets			
Investments	-	160	160
Trade receivables	93	-	93
Other receivables	806	-	806
Cash and cash equivalents	442	-	442
Total current assets	1,341	160	1,501
Current liabilities			
Trade payables			472
Other payables			1,688
Accruals			627
Borrowings			1,053
			3,840

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

34. RECLASSIFICATION OF COMPARATIVE AMOUNTS

In order to enhance the transparency of the financial statements, the following reclassifications have been made:

Income statement

The Group restated its income statement in accordance with IAS 1 *Presentation of financial statements* and introduced a cost of sales category in the income statement amounting to £390,000 (2007: £340,000). In the 30 June 2007 previously published financial statements, the £340,000 was included in operating expenses.

Research and development expenditure

The Group has disclosed research and development expenditure amounting to £607,000 (2007: £818,000) in accordance with IAS 38 *Intangible assets* and restated note 7 loss before taxation.

Share based payments

The Group has restated its warrants reserve by reallocating £989,000 from the share premium account to the warrant reserve for the warrants granted in respect of brokers' fees and follow on funding strategies.

Earthport plc

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Earthport plc (the “Company”) will be held at the registered office of the Company, 21 New Street, London EC2M 4TP on 12 December 2008 at 11 a.m. for the following purposes:

Ordinary Business

1. To receive and adopt the report of the directors, the accounts and the audit report on the financial statements for the year ended 30 June 2008.
2. To re-elect Mr M Harrison as a director.
3. To elect Mr J Bergman as a director.
4. To appoint Baker Tilly UK Audit LLP as auditors and to authorise the directors to fix the auditors’ remuneration.

By Order of the Board,
P Chappell
Secretary

Registered Office
21 New Street
London EC2M 4TP

14 November 2008

Notice of Meeting Notes: -

1. Holders of ordinary shares, or their duly appointed representatives, are entitled to attend and vote at the AGM. Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend and speak and vote on their behalf at the meeting. A shareholder can appoint the Chairman of the meeting or anyone else to be his/her proxy at the meeting. A proxy need not to be a shareholder. More than one proxy can be appointed in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different ordinary share or shares held by that shareholder. To appoint more than one proxy, the Proxy Form should be photocopied and completed for each proxy holder. The proxy holder’s name should be written on the Proxy Form together with the number of shares in relation to which the proxy is authorised to act. The Proxy Form must also be marked to indicate that the proxy instruction is one of multiple instructions being given. All Proxy Forms must be signed and, to be effective, must be lodged with the company’s register so as to arrive not later than 48 hours before the time of the meeting, or in the case of an adjournment 48 hours before the adjourned time.
2. The return of a completed Proxy Form will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.
3. Only shareholders whose names appear on the register of members of the Company as at 48 hours before the time of the meeting shall be entitled to attend the AGM either in person or by proxy and the number of ordinary shares then registered in their respective names shall determine the number of votes such persons are entitled to cast on a poll at the AGM.
4. The statement of the rights of shareholders in relation to the appointment of proxies in note 1 does not apply to Nominated Persons. The rights described in that note can only be exercised by shareholders of the Company.
5. In order to facilitate voting by corporate representative at the AGM, arrangements will be put in place at the AGM so that (i) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (i) above.
6. In Accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company’s register of members at 6.00pm on the day which is two days before the day of the meeting or, if the meeting is adjourned, shareholders entered on the Company’s register of members at 6.00pm on the day two days before the date of any adjournment shall be entitled to attend and vote at the meeting.

EARTHPORT PLC

FORM OF PROXY

(for use by ordinary shareholders for the Annual General Meeting to be held on 12 December 2008)

I/We (block capitals)

of

.....

being (a) holder(s) of ordinary shares in the Company, hereby appoint the Chairman of the meeting or (Note 1)

.....

.....

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 12 December 2008 and at any adjournment thereof.

I/We direct my/our proxy to vote as indicated by an X in the appropriate column. (Note 2)

Ordinary Resolutions	For	Against	Abstain
1. To receive and adopt the report of the directors, the accounts and the audit report on the accounts for the year ended 30 June 2008.			
2. To re-elect Mr M Harrison as a director.			
3. To elect Mr J Bergman as a director.			
4. To appoint Baker Tilly UK Audit LLP as auditors and to authorise the directors to fix the auditors' remuneration.			

Signature(s) or Common Seal (Note 3)

Name

Dated2008

Notes:

1. Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be a member of the Company but must attend the meeting in person) of his own choice to attend and to vote in his/her place. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. If a member wishes to appoint a proxy other than the Chairman, delete the words "the Chairman of the Meeting or," initial the alteration and insert the name of the person you wish to appoint as your proxy. All members are entitled to attend and vote at the meeting, whether or not they have returned a form of proxy.
2. If you indicate that you want your vote withheld your proxy may abstain from voting and therefore there is no vote at law to be counted in the calculation of the proportion of votes for and against the resolution.
3. If a member is a corporation, this form of proxy must be executed under its common seal or by the signature of an officer or attorney duly authorised in writing.
4. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all joint holders should be stated, and the vote of the senior holder who tenders a vote will be accepted to the exclusion of the vote(s) of other joint holder(s), seniority being determined by the order in which the names stand in the register of members of the Company.
5. In order to be valid, this form of proxy, duly executed together with any power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power or authority, must be lodged at the Company's Registrars not less than 48 hours before the time of the meeting or any adjournment of the meeting.
6. The return of a completed Proxy Form will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.



Third fold and tuck in

Please
Affix
Postage
Stamp

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

Second fold

First fold