



EARTHPORT PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2010

Earthport plc

DIRECTORS AND ADVISERS

DIRECTORS

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

SECRETARY

A Ali

REGISTERED OFFICE

21 New Street
London EC2M 4TP

INDEPENDENT AUDITOR

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

BANKERS

Barclays Bank plc
1 Churchill Place
London E14 5HP

NOMINATED ADVISER AND BROKER

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

REGISTRARS

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

SOLICITORS

Bird & Bird LLP
15 Fetter Lane
London EC4A 1JP

Earthport plc

BOARD STATEMENT

INTRODUCTION

The year to 30 June 2010 was one of significant change within the Company. The Board undertook a thorough review of all operations and subsequently realigned Earthport to focus on its key development and growth opportunities. The Board has been significantly restructured and it is confident of Earthport's future prospects.

The first half of the year was characterised by a lack of focus on the business and underperformance. A misguided strategic review was conducted and there was non-receipt of payment in relation to significant contracts.

On 2 December 2009, Zafar Karim was appointed as an Executive Director to the Board. On 20 January 2010, James Bergman, the Chief Executive Officer resigned from the Company. Following his departure, Earthport raised £875,000 and shortly thereafter, in February 2010, a further £4.1m was raised. At the same time the Board and management team was strengthened with the appointment of Hank Uberoi as an Executive Director.

The Board then undertook a full review of Earthport's management, existing business, operations, technology, products and market opportunities leading to a strengthening of Company processes and relations with customers and suppliers. A new strategy was formulated and, following Peter Chappell's retirement as an Executive Director, Vinode Ramgopal was appointed as a Non-Executive Director in April 2010.

As a result of the various changes, combined with the restoration of customer confidence in Earthport, existing customers began to increase transaction volumes and new customers signed contracts with the Company. Several clients were signed in the Middle East and the first corporate client went live with the IBM General Expense Reporting Solution.

Following the year end, new products were launched in August/September 2010 including Earthport Direct. This product is a key milestone as it allows SME customers to contract and go live in a very short time frame utilising our web based interface.

Having stabilised the Company and demonstrated traction in targeted market segments, the focus shifted to planning the next phase of growth. As part of this, the Company consulted several advisers, all with significant experience in payments. On the basis of these discussions and demonstrated business wins, the management clarified the business opportunity and execution strategy at a detailed level. The Company raised a further £7.5m of growth capital by way of an over-subscribed equity placing in October 2010. The funding was raised from institutional and other investors including both existing and new shareholders. As a result, the Company is now fully funded to achieve its significant potential.

Following the successful funding round, Mike Harrison has retired as Non-Executive Chairman. Lance Brown has also stepped down as Vice Chairman and Non-Executive Director. Philip Hickman has joined the Board as Non-Executive Chairman and Terence Williams has also joined as a Non-Executive Director. In addition, the Company continues to strengthen the management team.

Whilst this has been a year of significant change, the Company is now well positioned with a Board that consists of executives and entrepreneurs with a successful track record and the resources necessary to achieve significant growth over the coming years.

BOARD STATEMENT

OPERATIONAL AND FINANCIAL REVIEW

Transaction volumes for year ended 30 June 2010 were up 18% compared with the prior year. Transaction volumes rose from July to September 2009 although these then started to fall hitting their nadir in February 2010. Following completion of the February 2010 fund raising and strengthening of management, transaction volumes started to recover in March 2010 and reached a peak in June 2010, when transaction volumes were up 80% on February 2010. June 2010 included transaction volume associated with the FIFA World Cup. Post year end, transaction volumes for July, August, September and October 2010, whilst lower than June 2010, were up 29% per month on average compared with the same months in 2009.

Total revenue for the year ended 30 June 2010 was up 24% to £1.9m (2009: £1.6m). Transactional revenue was up 14% reflecting primarily an increase in the transaction volumes. Other revenues (including foreign exchange and integration) were up 54%. Gross profit was up 25% to £1.5m (2009: £1.2m). Gross margin increased slightly to 75% from 74%.

Administrative expenses increased to £5.7m (2009: £5.5m). Whilst some administrative costs fell, and costs per employee remained broadly stable, legal and professional costs rose to £926,000 from £585,000. This increase was due to the significant increase in legal costs associated with restructuring the Company. The share based payment charge fell significantly as a result of £1.9m being written back due to the cancellation of options of directors and employees leaving the Company. The net share-based payment charge was £426,000 compared with £2.2m for the prior year. The share-based payment charge is a non-cash item.

Operating loss decreased 30% to £4.7m (2009: £6.7m).

Finance costs increased to £409,000 from £325,000. This was primarily due to additional interest on short term debt (repaid after the February 2010 funding round) and remaining charge associated with warrants issued in the year ended 30 June 2009.

Loss for the year fell to £5.1m from £7.3m for the prior year.

The Company's total debt decreased 17% to £586,000 (2009: £704,000). This was due to the full repayment of secured debt. As at the year end and today's date there are now no remaining charges or liens on the Company's assets.

Cash as at year end was £559,000. With the recent successful fund raising of £7.5m, the cash and equivalents position of the Company as at the date of these accounts was £7.2m.

BUSINESS/BANKING OPERATIONS

The past 12 months have seen the deployment of improved functionality and product enhancement across the epClearing platform. Many of these enhancements have been under gestation for some time. Delivery has streamlined core processes such as FX and Treasury Management, Payment Validation, Auto-Batching cycles, Management Information Systems and Exception Handling. As a result operational efficiency and capacity has improved.

The growth of the Company's Banking coverage has rallied well in the face of significant market challenges, notably the ever-changing regulatory requirements governing the processing of 3rd Party Payments across multiple geographies. Key successes were attained with the addition of new delivery channels in key markets, and the streamlining of several under-developed channels across the Asia-Pacific region.

Excellent progress was made in establishing a local payment offering in both Japan and parts of Africa. Both of these are expected to be live in early 2011. Ongoing efforts include the securing of new delivery channels in various South Asian corridors, in the LACA territories, and across Africa. Several initiatives in support of these objectives are now underway.

Earthport plc

BOARD STATEMENT

IT DEVELOPMENT

The year to 30 June 2010 has seen many of our new customers go live on the new WSDL interface. The feedback on the interface has been positive, both in terms of its ease of use and the features offered. Services provided have been further added to throughout the year. Security and privacy of our customer's data has been further enhanced by the encryption of critical customer data. Our system availability continues to exceed our 99.9% targets.

BOARD CHANGES

During the year several Board changes were made and most notably, as we announced on 18 November 2010, Mike Harrison retired as Non-Executive Chairman and Lance Brown stepped down as Non-Executive Director. Simultaneously, Philip Hickman was appointed Non-Executive Chairman and Terence Williams was appointed as Non-Executive Director.

There were various other changes throughout the year including Zafar Karim being appointed to the Board as an Executive Director on 2 December 2009; Hank Uberoi joined the Board on 18 February also as an Executive Director; and Vinode Ramgopal was appointed to the Board as a Non-Executive Director on 30 April 2010. Also in the period, Peter Chappell retired as an Executive Director on 31 May 2010; and James Bergman left the Board on 20 January 2010 and is no longer involved with the Company in any capacity.

OUTLOOK

The significant changes in the Company over the past 12 months have strengthened the Company's position in terms of products, competitiveness, resources and this is beginning to show demonstrable results.

The next period will be one of investment, execution and growth. The Company plans to expand its sales resources significantly in several geographies in order to capture the opportunities clearly available.

While the prospects for Earthport are very promising, future success will not be immediate. The Company has developed a significant pipeline of opportunities which are being turned into contracts and will be implemented into revenue producing transactions. In some market segments the implementation and ramp up period is long but the size and recurring nature of the revenue is large.

We presently expect revenue from the current pipeline to start ramping up in early 2011 – slowly at first and then accelerating as the number of implementations increases and the live clients start increasing volumes. While we do not expect the Company to generate a profit in the full financial year ending June 2011, we do expect to end this period with a strong run-rate of revenues and to be well positioned for profitability in the periods ahead.

THE BOARD

22 November 2010

Earthport plc

DIRECTORS' REPORT

The directors submit their report together with the financial statements of the Company and its subsidiaries (the Group) for the year ended 30 June 2010.

PRINCIPAL ACTIVITIES

The principal activity of the group is the provision of epClearing, the combination of a network of segregated bank accounts in more than 50 geographies and sophisticated software which mirrors the international movements of funds from bank to bank. This service is available to banks, financial institutions and corporates, including their customers.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

A review of the development of the business during the year is given in the Board Statement on pages 2 to 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 epClearing, our straight throughput rate and our IT system availability.

The Company will continue to develop its infrastructure platform and to focus sales and marketing effort to increase the volume of transactions processed through epClearing. 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. To achieve growth the business requires expansion of its banking coverage. The risk of downtime on IT systems is also a principal factor for the Board, and this is mitigated by having a 24 hour IT operations support. IT system availability has been at or above 99.9%. Financial risk management policies are set out in note 27.

EVENTS SINCE THE BALANCE SHEET DATE

On 14 October 2010, the Company announced the raising of £7.5m in additional finance through the issue of 62.5m ordinary shares at 12p per share. As at the date of this report, the Company had £7.2m of cash and equivalents.

GOING CONCERN

The directors believe that the Group has demonstrated further progress in achieving its objective of positioning the Group as an infrastructure supplier to the global payments industry. In addition the Group has raised £7.5m of equity finance. Therefore the directors consider that it is appropriate to prepare the Group's financial statements on a going concern basis, which assumes that the Company is to continue in operational existence for the foreseeable future. When assessing the foreseeable future, the directors have looked at a period of twelve months from the date of approval of the financial statements.

RESULTS AND DIVIDENDS

The Group loss for the year after taxation amounted to £5.08m (2009: £7.30m).

The directors are unable to recommend the payment of a dividend for the year (2009: £Nil).

Earthport plc

DIRECTORS' REPORT

SHARE CAPITAL

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

DIRECTORS

The following directors have held office since 1 July 2009:

Lady Olga Maitland	
Z Karim	(appointed 2 December 2009)
J Bergman	(resigned 20 January 2010)
H Uberoi	(appointed 18 February 2010)
V Ramgopal	(appointed 30 April 2010)
P Chappell	(retired 31 May 2010)
P Hickman	(appointed 18 November 2010)
T Williams	(appointed 18 November 2010)
M Harrison	(retired 18 November 2010)
L Browne CBE	(resigned 18 November 2010)

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

Zafarullah (Zafar) Karim (Executive Director, Chief Financial Officer) was appointed as an Executive Director on 2 December 2009, having joined the company as Chief Financial Officer earlier that year. Zafar has been instrumental in driving change in the Company from winter 2009. He played significant roles in the 2010 and earlier fundraisings, and has been critical in the 2010 re-vamping and re-energising of the Company. Zafar has over two decades of experience in finance including several years focusing on financial strategy, risk management and investment selection in a proprietary fund and as a consultant to various businesses and entrepreneurs in relation to their financial and investment strategies. From 1994 to 2002 Zafar worked for NM Rothschild in London, Warsaw, Prague and Johannesburg. Here he garnered deep and wide-ranging experience in a range of sectors, including financial services, products and geographies. Zafar started his career in 1990 in the investment banking division of Salomon Brothers. Zafar was educated at Churchill College, Cambridge.

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

DIRECTORS' REPORT

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

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

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

ELECTION OF DIRECTORS

In accordance with the articles of association, all of the directors will be offering themselves for re-appointment at the next Annual General Meeting.

DIRECTORS' INDEMNITY INSURANCE

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

Earthport plc

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES

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

	<i>Ordinary shares of 10p each</i> 30 June 2010	<i>Ordinary shares of 10p each</i> 30 June 2009 (or date of appointment if later)
M Harrison	1,360,000	160,000
Lance Browne CBE	-	-
H Uberoi	9,554,545	8,310,000
Z Karim	443,419	43,419
Lady Olga Maitland	32,500	-
V Ramgopal	-	-

Details of transactions with related parties during the year are disclosed in note 23 to the financial statements.

The directors believe that equity incentives are an important element of the remuneration of the executive directors and the senior management team in order to align directors' interests with the interests of shareholders. The directors' interests in options over the shares of the Company are as follows:

	<i>Average Exercise prices</i>	<i>Ordinary shares of 10p each</i> 30 June 2010	<i>Ordinary shares of 10p each</i> 30 June 2010	<i>Ordinary shares of 10p each</i> 30 June 2009 (or date of appointment if later)	<i>Ordinary shares of 10p each</i> 30 June 2009 (or date of appointment if later)
		Options	Warrants	Options	Warrants
M Harrison	50p	6,250,000	-	6,250,000	-
L Browne CBE	53p	750,000	-	750,000	-
H Uberoi	11p	-	14,647,905	-	-
Z Karim	-	-	-	-	-
Lady Olga Maitland	53p	200,000	-	200,000	-
V Ramgopal	-	-	-	-	-

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

Warrants issued to Hank Uberoi were in relation to his role in the fund raising in February 2010.

MAJOR INTERESTS IN SHARES

As of 22 November 2010 the Company had been notified, in accordance with the Companies Act 2006, of the following interests in the issued ordinary share capital of the Company:

	<i>Ordinary shares of 10p each</i>	<i>%</i>
Schroder Investment Management	33,300,201	16.9
Gartmore Investment Ltd	22,357,540	11.4
Hawkwood Capital LLP	13,427,345	6.8
James M Sheridan	10,416,667	5.3
H U Investments LLC	9,554,545	4.9
Millennium Global High Yield Fund Ltd.	9,263,199	4.7
UBS AG London	7,500,000	3.8

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.

DIRECTORS' REPORT

CHARITABLE AND OTHER DONATIONS

Charitable donations made in the year ended 30 June 2010 amounted to £Nil (2009: £290). No contributions for political purposes were made in either year.

EMPLOYEES

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

SUPPLIERS

The Group aims to pay suppliers at the end of the month following the month in which the invoice is received. At 30 June 2010, the Company had an average of 58 days purchases outstanding in trade creditors (2009: 35 days).

FINANCIAL INSTRUMENTS

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

ANNUAL GENERAL MEETING

The notice of the meeting for the 2010 Annual General Meeting is set out on page 42.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

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

AUDITOR

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

By order of the Board

Hank Uberoi
Zafar Karim

22 November 2010

Earthport plc

CORPORATE GOVERNANCE

COMPLIANCE WITH THE COMBINED CODE

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

BOARD OF DIRECTORS

The Board of Directors at 30 June 2010 comprised two executive directors and four non-executive directors. The Board meets regularly throughout the year.

AUDIT COMMITTEE

The Audit Committee comprises Lady Olga Maitland (chairman) and, following his appointment, Vinode Ramgopal, who replaced Lance Browne CBE on the Audit Committee. The purpose of the Committee is to ensure the preservation of good financial practices throughout the Group; to monitor that controls are enforced to ensure the integrity of financial information; to review the interim and annual financial statements; and to provide a line of communication between the Board and external auditor. The Committee is also responsible for reviewing the independence of the Auditors and for agreeing their remuneration. The terms of any related party transactions are required to be approved by the Committee.

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Vinode Ramgopal replacing Lance Browne CBE and comprises all the non executive directors. 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 Hank Uberoi replacing Lance Browne CBE and includes all the Board members. It meets as necessary to select suitable candidates for the appointment of directors and other senior appointments.

INTERNAL CONTROL

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

CLIENT FUNDS

The safety and security of clients' funds is of paramount importance to the Company. All client funds are held in segregated bank accounts. Although the Company is not regulated by the Financial Services Authority ("FSA"), the company seeks to follow, as far as practicable, the FSA's guidelines in respect of segregated accounts.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare Group and Company financial statements for each financial year. The directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and have elected to prepare the Company financial statements in accordance with IFRS as adopted by the EU.

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

Under Company Law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the Group and Company and of the profit or loss of the group for that year.

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

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

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Earthport plc website.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EARTHPORT PLC

We have audited the group and parent company financial statements (“the financial statements”) on pages 14 to 41. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and the parent's affairs as at 30 June 2010 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EARTHPORT PLC

Matters on which we are required to report by exception

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

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

DAVID CLARK

(Senior Statutory Auditor)

For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor

Chartered Accountants

25 Farringdon Street

London

EC4A 4AB

22 November 2010

Earthport plc

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2010

	Notes	2010 £'000	2009 £'000
Continuing operations:			
Revenue	4	1,947	1,568
Cost of sales		(488)	(402)
Gross profit		<u>1,459</u>	<u>1,166</u>
Administrative expenses	8	(5,728)	(5,534)
Share-based payment – charge		(2,371)	(2,162)
Share-based payment – credit arising from leavers in the year		1,945	-
Exceptional items	9	25	-
Impairment of available-for-sale-investment		-	(160)
Operating loss		<u>(4,670)</u>	<u>(6,690)</u>
Finance costs	6	(409)	(325)
Loss before taxation	7	<u>(5,079)</u>	<u>(7,015)</u>
Taxation	10	-	(280)
Loss attributable to owners of the parent		<u>(5,079)</u>	<u>(7,295)</u>
Loss per share – basic and fully diluted	11	<u>(5.26p)</u>	<u>(8.92p)</u>

Earthport plc

CONSOLIDATED STATEMENT OF FINANCIAL POSITION at 30 June 2010

	<i>Notes</i>	2010 £'000	2009 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	117	90
		<hr/>	<hr/>
Current assets			
Trade and other receivables	14	1,254	1,117
Cash and cash equivalents	15	559	885
		<hr/>	<hr/>
		1,813	2,002
		<hr/>	<hr/>
Total assets		1,930	2,092
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	16	(741)	(1,250)
Borrowings	17	(586)	(407)
		<hr/>	<hr/>
		(1,327)	(1,657)
		<hr/>	<hr/>
Non-current liabilities			
Borrowings	17	-	(297)
		<hr/>	<hr/>
Total liabilities		(1,327)	(1,954)
		<hr/>	<hr/>
NET ASSETS		603	138
		<hr/> <hr/>	<hr/> <hr/>
Equity			
Capital and reserves			
Ordinary shares	18	36,457	31,810
Share premium	19	45,375	46,774
Own shares reserve	20	(101)	(101)
Merger reserve		9,200	9,200
Share-based payment reserve		3,853	3,440
Warrant reserve		1,688	233
Retained earnings		(95,869)	(91,218)
		<hr/>	<hr/>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		603	138
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved and authorised for issue by the Board on 22 November 2010 and were signed on its behalf by:

Hank Uberoi - Director
Zafar Karim - Director

Earthport plc

COMPANY STATEMENT OF FINANCIAL POSITION at 30 June 2010

	<i>Notes</i>	2010 £'000	2009 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	117	90
Investments	13	1	1
		<u>118</u>	<u>91</u>
Current assets			
Trade and other receivables	14	1,357	1,324
Cash and cash equivalents	15	559	832
		<u>1,916</u>	<u>2,156</u>
Total assets		<u>2,034</u>	<u>2,247</u>
Liabilities			
Current liabilities			
Trade and other payables	16	(1,492)	(1,670)
Borrowings	17	(586)	(407)
		<u>(2,078)</u>	<u>(2,077)</u>
Non-current liabilities			
Borrowings	17	-	(297)
Total liabilities		<u>(2,078)</u>	<u>(2,374)</u>
NET LIABILITIES		<u>(44)</u>	<u>(127)</u>
Equity			
Capital and reserves			
Ordinary shares	18	36,457	31,810
Share premium	19	45,375	46,774
Merger reserve		9,200	9,200
Share-based payment reserve		3,853	3,440
Warrant reserve		1,688	233
Retained earnings		(96,617)	(91,584)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		<u>(44)</u>	<u>(127)</u>

The financial statements were approved and authorised for issue by the Board on 22 November 2010 and were signed on its behalf by:

Hank Uberoi - Director
Zafar Karim - Director

Earthport plc

CONSOLIDATED STATEMENT OF CASH FLOWS for the year ended 30 June 2010

	Notes	2010 £'000	2009 £'000
NET CASH USED IN OPERATING ACTIVITIES	25	(5,024)	(5,116)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(95)	(40)
FINANCING ACTIVITIES			
Issue of ordinary share capital (net of costs paid)		4,911	2,783
Issue of loan notes		500	-
Repayment of term loans		(618)	(397)
NET CASH IN FLOWS FROM FINANCING ACTIVITIES		4,793	2,386
NET DECREASE IN CASH AND CASH EQUIVALENTS		(326)	(2,770)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		885	3,655
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		559	885

Earthport plc

COMPANY STATEMENT OF CASH FLOWS for the year ended 30 June 2010

	<i>Notes</i>	2010 £'000	2009 £'000
NET CASH USED IN OPERATING ACTIVITIES	25	(4,971)	(5,168)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(95)	(40)
FINANCING ACTIVITIES			
Issue of ordinary share capital (net of costs paid)		4,911	2,783
Issue of loan notes		500	-
Repayment of term loans		(618)	(397)
NET CASH IN FLOWS FROM FINANCING ACTIVITIES		4,793	2,386
NET DECREASE IN CASH AND CASH EQUIVALENTS		(273)	(2,822)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		832	3,654
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		559	832

Earthport plc

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2010

	Ordinary shares	Attributable to owners of the parent				Warrant reserve	Retained earnings	Total
		Share premium	Own share reserve	Merger reserve	Share-based payment reserve			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2008	30,968	44,732	-	9,200	1,354	816	(84,755)	2,315
Loss for the year, being total comprehensive income for the year	-	-	-	-	-	-	(7,295)	(7,295)
Transactions with owners								
Share-based payments								
- employee share options	-	-	-	-	2,162	-	-	2,162
- warrants	-	-	-	-	-	173	-	173
Issue of ordinary shares	842	2,042	-	-	-	-	-	2,884
Exercise of share options	-	-	-	-	(76)	-	76	-
Exercise of warrants	-	-	-	-	-	(756)	756	-
Own shares	-	-	(101)	-	-	-	-	(101)
Total transactions with owners	842	2,042	(101)	-	2,086	(583)	832	5,118
Balance at 30 June 2009	31,810	46,774	(101)	9,200	3,440	233	(91,218)	138
Loss for the year, being total comprehensive income for the year	-	-	-	-	-	-	(5,079)	(5,079)
Transactions with owners								
Share-based payments								
- employee share options	-	-	-	-	426	-	-	426
- warrants	-	-	-	-	-	1,870	-	1,870
Issue of ordinary shares	4,647	707	-	-	-	-	-	5,354
Exercise of share options	-	-	-	-	(13)	-	13	-
Cost of share issues	-	(2,106)	-	-	-	-	-	(2,106)
Exercise of warrants	-	-	-	-	-	(415)	415	-
Total transactions with owners	4,647	(1,399)	-	-	413	1,455	428	5,544
Balance at 30 June 2010	36,457	45,375	(101)	9,200	3,853	1,688	(95,869)	603

Earthport plc

COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2010

	Attributable to owners of the parent						Total
	Ordinary shares	Share premium	Merger reserve	Share-based payment reserve	Warrant reserve	Retained earnings	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 July 2008	30,968	44,732	9,200	1,354	816	(85,272)	1,798
Loss for the year, being total comprehensive income for the year	-	-	-	-	-	(7,144)	(7,144)
Transactions with owners							
Share-based payments							
- employee share options	-	-	-	2,162	-	-	2,162
- warrants	-	-	-	-	173	-	173
Issue of ordinary shares	842	2,042	-	-	-	-	2,884
Exercise of share options	-	-	-	(76)	-	76	-
Exercise of warrants	-	-	-	-	(756)	756	-
Total transactions with owners	842	2,042	-	2,086	(583)	832	5,219
Balance at 30 June 2009	31,810	46,774	9,200	3,440	233	(91,584)	(127)
Loss for the year, being total comprehensive income for the year	-	-	-	-	-	(5,461)	(5,461)
Transactions with owners							
Share-based payments							
- employee share options	-	-	-	426	-	-	426
- warrants	-	-	-	-	1,870	-	1,870
Issue of ordinary shares	4,647	707	-	-	-	-	5,354
Exercise of share options	-	-	-	(13)	-	13	-
Cost of share issues	-	(2,106)	-	-	-	-	(2,106)
Exercise of warrants	-	-	-	-	(415)	415	-
Total transactions with owners	4,647	(1,399)	-	413	1,455	428	5,544
Balance at 30 June 2010	36,457	45,375	9,200	3,853	1,688	(96,617)	(44)

Earthport plc

NOTES TO THE FINANCIAL STATEMENT

for the year ended 30 June 2010

1. GENERAL INFORMATION

Earthport plc is a public limited company incorporated and domiciled in England and Wales under the Companies Act 2006. The address of its principal place of business and registered office is 21 New Street, London EC2M 4TP. The nature of the Group's operations and its principal activities are set out in the Directors' Report on pages 5-9.

2. GOING CONCERN

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

Since the balance sheet date, the Company has raised £7.5m in additional finance through the issue of equity.

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 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 having raised £7.5m in equity financing 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.

New and amended standards adopted by the group

The following standards have been adopted during the year:

IAS 1 (Revised) "Presentation of Financial Statements"
IFRS 7 "Financial Instruments: Disclosures" amendments
IFRS 8 "Operating Segments"

Although the adoption of these standards has had no impact on the financial position and performance of the group, additional disclosures have been provided to comply with the revised standards. Changes have also been made with regards to the presentation of the primary financial statements.

On adoption of IAS 1 (Revised) the directors elected to present items of income and expenses in two separate statements. The Consolidated Statement of Recognised Income and Expenses has been represented as a Consolidated Statement of Comprehensive Income. 'Cash Flow Statement' has been renamed 'Statement of Cash Flows'.

The IFRS7 amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurement by level within a fair value measurement hierarchy.

The adoption of IFRS 8 does not give rise to any change in segment disclosures.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

3. ACCOUNTING POLICIES (Continued)

At the date of authorisation of these financial statements, the following Standards and Interpretations relevant to the group operations that have been applied in these financial statements were in issue but not yet effective or endorsed (unless otherwise stated).

IFRS1 (amended)/IAS27 amended – Cost of an investment in a Subsidiary; Jointly Controlled Entity or Associate

IFRS2 (amended) Share-based Payments – Amendment; cash-settled share-based payment transactions

IFRS3 (revised 2008) Business Combinations – Comprehensive revision on applying the acquisition method

IFRS9 Financial Instruments

IAS24 (revised 2009) Related Party Disclosures

IAS27 (revised 2008) Consolidated and Separate Financial Statements – Consequential amendments arising from amendments from IFRS3

IAS28 (revised 2008) Investment in Associates – Consequential amendments arising from amendments to IFRS3

IAS31 Interests in Joint Ventures – Consequential amendments arising from amendments to IFRS3

IAS32 (amended) Classification of Rights Issues

IAS39 Financial Instruments: Recognition and Measurement – Amendments relating to eligible hedged items

IFRIC14 (amended) Prepayments of a Minimum Funding Requirement

IFRIC17 Distribution of Non-cash Assets to Owners

IFRIC18 Transfer of Assets from customers

IFRIC19 Extinguishing Financial Liabilities with Equity Instruments

Annual Improvement Project - May 2008

Annual Improvement Project - May 2009

The directors anticipate that the adoption of these standards and interpretations as appropriate in future periods will have no material impact on the financial statements of the group when the relevant standards come into effect for periods commencing on 1 July 2010.

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 2010. 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

3. ACCOUNTING POLICIES (Continued)

Share-based payments and warrants

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. The fair value of warrants granted in respect of equity fund raising activities are offset against the share premium account.

Current and deferred income tax

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

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

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

Impairment of non-financial assets

The carrying amounts of the Group's property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated and compared to its carrying value. Where the asset does not generate 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.

Property, plant and equipment and depreciation

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

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

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

Leasing

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

3. ACCOUNTING POLICIES (Continued)

Pensions

The Group offers a stakeholder pension scheme to all employees and the contributions are charged to the income statement as they are incurred.

Financial risk management and financial instruments

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

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

It is the Group's policy that no trading in financial instruments 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 initially measured at fair value and subsequently at amortised cost using the effective interest rate method, if material. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is evidence that the asset is impaired.

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

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

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

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

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

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

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

3. ACCOUNTING POLICIES (Continued)

Employee benefit trust

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

Exceptional items

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

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:

	2010 £'000	2009 £'000
United Kingdom	1,296	1,224
Europe	311	56
North America	231	288
Rest of the world	109	-
	<u>1,947</u>	<u>1,568</u>

There are three customers who individually contribute 10%, 13% and 20% respectively towards the total revenue (2009: two 10% and 27%).

5. EMPLOYEES

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

	2010 No.	2009 No.
Directors	3	4
Administration and technical	38	33
	<u>41</u>	<u>37</u>

	2010 £'000	2009 £'000
Staff costs for the above persons:		
Wages, salaries, commission and other	2,623	2,422
Social security costs	287	273
Share-based payment	426	2,162
Other pension costs	109	31
	<u>3,445</u>	<u>4,888</u>

Of the staff costs shown above, £30,000 (2009: £60,000) is included in cost of sales and the remainder in administrative expenses.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

5. EMPLOYEES (Continued)

DIRECTORS' EMOLUMENTS

	Basic salary and fees £'000	Termination Benefit £'000	Pension £'000	2010 Total £'000	2009 Total £'000
Non executive chairman:					
M Harrison (retired 18 November 2010)	68	-	1	69	256
Non executive vice chairman:					
L Browne (resigned 18 November 2010)	36	-	-	36	29
Executive directors:					
J Bergman (resigned 20 January 2010)	125	-	6	131	256
P Chappell (retired 31 May 2010)	105	30	5	140	125
Z Karim (appointed 2 December 2009)	42	-	2	44	-
H Uberoi (appointed 18 February 2010)*	-	-	-	-	-
Non-executive directors:					
J Hill (resigned 26 September 2008)	-	-	-	-	3
Lady Olga Maitland	36	-	-	36	27
V Ramgopal (appointed 30 April 2010)	6	-	-	6	-
	<u>418</u>	<u>30</u>	<u>14</u>	<u>462</u>	<u>696</u>

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

As part of his retirement, 2,026,316 options held by Peter Chappell lapsed and he received the termination benefit above and was granted 1,250,000 options.

Defined contribution pension benefits are being accrued for three directors (2009: three).

Social security costs in respect of the directors were £34,000 (2009: £68,000).

The share-based payment charge in respect of the directors was £133,000 (2009: £1,353,000).

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

6. FINANCE COSTS

	2010 £'000	2009 £'000
Interest payable on secured loans and loan notes	201	152
Other finance costs	208	173
	<u>409</u>	<u>325</u>

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

7. LOSS BEFORE TAXATION	2010	2009
	£'000	£'000
Loss before taxation is stated after charging:		
Depreciation of property, plant and equipment	68	89
Development costs (included in administrative expenses in the income statement)	700	771
Operating leases:		
- Property	131	134
Fees payable to the Company's auditor		
- For the audit of the Company's annual financial statements	38	39
Fees payable to associates of the Company's auditors		
- For tax compliance and advisory services	7	7
	<u> </u>	<u> </u>
8. ADMINISTRATIVE EXPENSES	2010	2009
	£'000	£'000
Staff costs	2,989	2,666
IT maintenance and support costs	893	1,013
Facilities, travel and other costs	917	1,046
Legal and professional costs	926	585
Depreciation	68	89
Bad debts (credit)/expense	(65)	135
	<u> </u>	<u> </u>
	5,728	5,534
	<u> </u>	<u> </u>
Cost of sales includes bank transaction charges and sales commission.		
9. EXCEPTIONAL ITEMS	2010	2009
	£'000	£'000
Redundancies	(301)	-
Provision against amounts owed to employee benefit trust	(202)	-
Write back of expired liabilities	721	-
Exceptional transaction costs	(193)	-
	<u> </u>	<u> </u>
	25	-
	<u> </u>	<u> </u>

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2010

10. TAXATION	2010 £'000	2009 £'000
Deferred tax charge	-	280
Factors affecting the tax charge for the year:		
Loss before taxation	(5,079)	(7,015)
Loss before tax multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	(1,422)	(1,964)
Deferred tax charge	-	(280)
	<u>(1,422)</u>	<u>(2,244)</u>
Expenses not deductible for tax purposes	51	80
Timing differences not recognised for deferred tax purposes	51	82
Share-based payment costs not recognised for deferred tax purposes	119	653
Losses not recognised for deferred tax purposes	1,201	1,429
De-recognition of tax losses brought forward	-	(280)
Tax charge for the year	<u>-</u>	<u>(280)</u>

Tax trading losses carried forward of £59m (2009: £53m) have not been recognised due to uncertainty over the timing of their reversal.

The movement on the deferred tax asset is as follows:

	2010 £'000	2009 £'000
At start of the year	-	280
Income statement – de-recognition of tax losses	-	(280)
At end of the year	<u>-</u>	<u>-</u>

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

11. LOSS PER SHARE

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

	2010	2009
	£'000	£'000
Loss attributable to equity shareholders of the company	(5,079)	(7,295)
	<u> </u>	<u> </u>
	2010	2009
	Number	Number
Weighted average number of ordinary shares in issue (thousands)	96,802	81,950
Less: own shares held	(180)	(180)
	<u> </u>	<u> </u>
	96,622	81,770
	<u> </u>	<u> </u>
	2010	2009
Basic and fully diluted loss per share (pence)	(5.26p)	(8.92p)
	<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.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2010

12. PROPERTY, PLANT AND EQUIPMENT

Group and Company

	Computer equipment	Fixtures fittings and equipment	Short leasehold improvement	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 July 2008	6,383	395	206	6,984
Additions	36	4	-	40
At 1 July 2009	6,419	399	206	7,024
Additions	78	5	12	95
Disposals	(6,257)	(391)	(148)	(6,796)
At 30 June 2010	240	13	70	323
Depreciation				
At 1 July 2008	6,293	386	166	6,845
Charge for the year	62	1	26	89
At 1 July 2009	6,355	387	192	6,934
Charge for the year	46	7	15	68
Disposals	(6,258)	(391)	(147)	(6,796)
At 30 June 2010	143	3	60	206
Net book value				
At 30 June 2010	97	10	10	117
At 30 June 2009	64	12	14	90
At 30 June 2008	90	9	40	139

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 2010

13. INVESTMENTS

Company	£'000
Investment in subsidiaries:	
Cost at 30 June 2008, 30 June 2009 and 30 June 2010	11,073
Provision for impairment at 30 June 2008, 30 June 2009 and 30 June 2010	(11,072)
Net book value at 30 June 2008, 30 June 2009 and 30 June 2010	<u>1</u>

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

14. TRADE AND OTHER RECEIVABLES

	2010 £'000	Group 2009 £'000	2010 £'000	Company 2009 £'000
Trade receivables	197	159	197	159
Other receivables	867	864	968	1,018
Amount due from subsidiary undertakings	-	-	2	53
Prepayments	190	94	190	94
	1,254	1,117	1,357	1,324
	1,254	1,117	1,357	1,324

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

14. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables amounted to £197,000 (2009: £159,000), net of a provision of £Nil (2009: £Nil) for impairment. Movement on the group provisions for impairment were as follows:

	2010 £'000	2009 £'000
At 1 July	-	65
Provision for receivables impairment	62	135
Receivables written off during the year	(62)	(200)
At 30 June	-	-

The average credit period taken on sales of services is 37 days (2009: 40 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 £451,000 (2009: £471,000) in respect of unpaid share capital, the full amount of which is due to be recovered by 30 November 2011, and £253,000 (2009: £173,000) in respect of foreign exchange revenues.

15. CASH AND CASH EQUIVALENTS

	2010 £'000	Group 2009 £'000	2010 £'000	Company 2009 £'000
Cash at bank and in hand	559	885	559	832

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

	2010 £'000	Group 2009 £'000	2010 £'000	Company 2009 £'000
Trade payables	391	704	391	524
Other payables	5	168	5	17
Amount due to subsidiary undertakings	-	-	751	751
Other taxation and social security	160	179	160	179
Accruals and deferred income	185	199	185	199
	741	1,250	1,492	1,670

Trade payables and accruals principally comprise amounts outstanding in respect of operating costs. The average credit period taken for trade purchases is 58 days (2009: 35 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 2010

17. BORROWINGS

	2010 £'000	2009 £'000
Current liabilities		
Secured loans	-	176
Unsecured loans	86	231
Loan notes	500	-
	<u>586</u>	<u>407</u>
Non current liabilities		
	2010 £'000	2009 £'000
Non-current liabilities		
Secured loans	-	297
	<u>-</u>	<u>297</u>

The secured loan facility provided by General Capital Venture Finance Limited was settled in full during the year and an all-monies mortgage debenture over the Company's assets was released at the same time.

The Michael Gerson Finance Plc unsecured loan facility is repayable over 5 years at a fixed interest rate of 15%. The loan note amounting to £500k has passed its maturity date and not been repaid. No demand for repayment has been received.

18. SHARE CAPITAL

	2010 £'000	2009 £'000
Authorised		
169,412,642 ordinary shares of 10p each	16,941	16,941
307,449,810 deferred shares of 7.5p each	23,059	23,059
At 30 June	<u>40,000</u>	<u>40,000</u>
Issued		
At start of year: 87,511,340 (2009: 79,088,009) ordinary shares of 10p each	8,751	7,909
Shares issued in the year: 46,465,000 (2009: 8,423,331) ordinary shares of 10p each	4,647	842
At end of year: 133,976,340 (2009: 87,511,340) ordinary shares of 10p each	<u>13,398</u>	<u>8,751</u>
307,449,810 deferred shares of 7.5p each	23,059	23,059
At end of year	<u>36,457</u>	<u>31,810</u>

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

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

18. SHARE CAPITAL (continued)

During the year to 30 June 2010 a total of 46,465,000 ordinary shares of 10p each were allotted for cash consideration of £5,353,950.

The following share issues were completed during the year:

2010	No of shares issued	Average premium in pence	Total Premium £
July 2009	1,455,000	13.82	201,081
January 2010	7,010,000	2.51	175,951
February 2010	5,000,000	-	-
March 2010	33,000,000	1.00	330,000
	<u>46,465,000</u>		<u>707,032</u>
2009	No of shares issued	Average premium in pence	Total premium £
July 2008	1,729,036	21.50	371,743
August 2008	21,163	25.00	5,291
September 2008	183,280	25.00	45,820
December 2008	494,687	25.00	123,672
January 2009	323,250	25.00	80,813
April 2009	500,000	25.00	125,000
May 2009	3,560,000	25.00	890,000
June 2009	1,611,915	24.78	399,433
	<u>8,423,331</u>		<u>2,041,772</u>

Transaction costs amounting to £2,106,000 (£1,664,000 of warrant charge and £442,000 in fees) (2009: nil) in regard to issue of shares were deducted from equity and charged against the share premium account.

Included in other receivables (note 14) is £451,000 (2009: £471,000) in respect of unpaid share capital.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

18. SHARE CAPITAL (continued)

Other than the employee share options set out in note 24, warrants have been granted under the terms of the Company's 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 Warrants outstanding at 1 July 2009</i>	<i>Granted No.</i>	<i>Lapsed No.</i>	<i>Exercised No.</i>	<i>No. of Warrants outstanding at 30 June 2010</i>
31 December 2009	0.23	2,075,000	-	(760,000)	(1,315,000)	-
15 September 2011	0.58	250,000	-	-	-	250,000
31 December 2011	0.11	-	16,500,000	-	-	16,500,000
31 December 2014	0.11	-	20,085,880	-	-	20,085,880
		<u>2,325,000</u>	<u>36,585,880</u>	<u>(760,000)</u>	<u>(1,315,000)</u>	<u>36,835,880</u>

The fair value of warrants granted in the year was £511,000 (2009: £344,000).

The fully diluted share capital at 30 June 2010 may be analysed as follows:

	No. of Ordinary 10p shares 2010	2009
Shares in issue at 30 June	133,976,340	87,511,340
Employee share options (see note 24)	13,563,777	22,762,593
Warrants	36,835,880	2,325,000
Fully diluted number of shares	<u>184,375,997</u>	<u>112,598,933</u>

19. SHARE PREMIUM

Group and Company

	2010 £'000	2009 £'000
At 1 July	46,774	44,732
Premium on shares issued	707	2,042
Expenses of share issues	(2,106)	-
At 30 June	<u>45,375</u>	<u>46,774</u>

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

20. OWN SHARES RESERVE

Group

	2010 £'000	2009 £'000
At 30 June	<u>101</u>	<u>101</u>

In the year ended 30 June 2009, the employee benefit trust acquired 180,000 ordinary shares in the Company for cash consideration of £101,000.

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

21. COMMITMENTS UNDER OPERATING LEASES

	2010 £'000	2009 £'000
Minimum lease payments under operating leases recognised as an expense in the year	90	90

At 30 June 2010 the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2010 £'000	2009 £'000
Within one year	90	90
In the second to third year	135	180
In the third to fifth year	-	23
	<u>225</u>	<u>293</u>

22. PENSION COMMITMENTS

The Group offers a stakeholder pension scheme to all employees and all the contributions are charged to the income statement as they are incurred and amounted to £109,000 (2009: £103,000).

23. RELATED PARTY TRANSACTIONS

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

The Company has a related party relationship with its subsidiaries.

Inter-company receivables	2010 £'000	2009 £'000
Earthport Enterprises Limited	2	2
Travelpay Limited	-	5
Mobilepay Limited	-	20
Earthport Asiapac Limited	-	26
	<u>2</u>	<u>53</u>
Inter-company payables	2010 £'000	2009 £'000
Earthport Enterprises Limited	750	750
Travelpay Limited	1	1
	<u>751</u>	<u>751</u>

At the end of the year all old balances due from Travelpay Limited, Mobilepay Limited and Earthport Asiapac Limited were written off.

Included in the provision against amounts owed to the employee benefit trust (note 9) is £30,000 due from directors (2009: £Nil).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

24. 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 (£)
	2010		2009	
Options at beginning of the year	22,762,593	0.565	16,039,080	0.545
Granted during the year	-	-	7,625,000	0.426
Lapsed during the year	(9,048,816)	0.442	(551,000)	0.537
Exercised during the year	(150,000)	0.320	(350,487)	0.753
Outstanding at the end of the year	<u>13,563,777</u>	<u>0.442</u>	<u>22,762,593</u>	<u>0.565</u>

Of the outstanding options at 30 June, 2,525,500 were exercisable (2009: 4,821,800). The options outstanding at 30 June 2010 had a weighted average remaining contractual life of 5 years (2009: 6 years). The total expense in respect of employees share-based payments recognised during the year was £426,000 (2009: £2,162,000). For options exercised in the year ended 30 June 2010, the weighted average share price at the date of exercise was 77p (2009:75p)

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:

	2010	2009
Weighted average share price	68.5p	41.2p
Weighted average exercise price	63.3p	40.1p
Expected volatility	91.50%	73.8%
Expected life	60 months	65 months
Risk free rate	4.7	2.83
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 2010

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

Group	2010 £'000	2009 £'000
Loss before tax	(5,079)	(7,015)
Depreciation of property, plant and equipment	68	89
Share-based payment expense	426	2,162
Finance costs	409	325
Impairment of available-for-sale investment	-	160
Operating cash out flow before movements in working capital	(4,176)	(4,279)
(Increase)/ decrease in receivables	(137)	1,319
Decrease in payables	(509)	(2,004)
Cash used by operations	(4,822)	(4,964)
Interest paid	(202)	(152)
Net cash used in operating activities	(5,024)	(5,116)

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

Company	2010 £'000	2009 £'000
Loss before tax	(5,461)	(6,864)
Depreciation of property, plant and equipment	68	89
Share-based payment expense	426	2,162
Finance costs	409	325
Impairment of available-for-sale investment	-	160
Operating cash out flow before movements in working capital	(4,558)	(4,128)
(Increase)/ decrease in receivables	(33)	1,116
Decrease in payables	(178)	(2,004)
Cash used by operations	(4,769)	(5,016)
Interest paid	(202)	(152)
Net cash used in operating activities	(4,971)	(5,168)

26. EVENTS SINCE THE BALANCE SHEET DATE

On 14 October 2010, the Company announced the raising of £7.5m in additional finance through the issue of 62.5m ordinary shares at a price of 12p per share.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

27. FINANCIAL INSTRUMENTS

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

Risk management policies

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

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

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

Credit risk

Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Maximum credit risk at 30 June 2010 was as follows:

	Group		Company	
	2010	2009	2010	2009
	£'000	£'000	£'000	£'000
Trade and other receivables	1,064	1,023	1,165	1,230
Cash and cash equivalents	559	885	559	832
	<u>1,623</u>	<u>1,908</u>	<u>1,724</u>	<u>2,062</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.

£197,000 of trade receivables was past due for payment as at 30 June 2010, by four months or less, of which £143,000 had been collected by 25 August 2010. 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 2010.

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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

27. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

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

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

Group	Less than 1 year	Between 1 and 5 years	Total
2010	£'000	£'000	£'000
Trade payables	391	-	391
Other payables	5	-	5
Accruals	185	-	185
Borrowings	586	-	586
Total	1,167	-	1,167
2009			
Trade payables	704	-	704
Other payables	168	-	168
Accruals	199	-	199
Borrowings	407	297	704
Total	1,478	297	1,775
Company	Less than 1 year	Between 1 and 5 years	Total
2010	£'000	£'000	£'000
Trade payables	391	-	391
Other payables	5	-	5
Accruals	185	-	185
Borrowings	586	-	586
Total	1,167	-	1,167
2009			
Trade payables	524	-	524
Other payables	17	-	17
Accruals	199	-	199
Borrowings	407	297	704
Total	1,147	297	1,444

Earthport plc

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2010

27. FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Group's interest rate exposure arises mainly from its interest bearing deposits. All cash is held in variable rate accounts. Based on the balance sheet value of cash and cash equivalents, a 1% change in interest base rates would lead to an increase or decrease in income and equity of £5,600 (2009: £8,300). No hedging is undertaken given the amounts involved.

Foreign currency risk

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

Included in the Group cash and cash equivalents at 30 June 2010 was £12,083 in US Dollars (2009: £85,159) and £63,345 in Euros (2009: £143,900).

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 £7,543 (2009: £22,906).

Capital management risk

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

Financial instruments recognised in the balance sheet

	Group	2009	Company	2009
	2010	Loans	2010	Loans
	Loans and	And	Loans And	And
	receivables	Receivables	Receivables	Receivables
	£'000	£'000	£'000	£'000
Current assets				
Trade receivables	197	159	197	159
Other receivables	867	864	968	1,018
Cash and cash equivalents	559	885	559	832
Total current assets	1,623	1,908	1,724	2,009
	1,623	1,908	1,724	2,009
	Other	Other	Other	Other
	financial	financial	Financial	Financial
	liabilities	liabilities	Liabilities	Liabilities
	£'000	£'000	£'000	£'000
Liabilities				
Trade payables	391	704	391	524
Other payables	5	168	5	768
Accruals	185	199	185	199
Borrowings	586	704	586	704
	1,167	1,775	1,167	2,195
	1,167	1,775	1,167	2,195

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

Earthport plc

Notice is hereby given that the Annual General Meeting of Earthport plc (the "**Company**") will be held at the offices of Bird & Bird LLP, 15 Fetter Lane, London EC4A 1JP on Thursday 16 December 2010 at 11 a.m. (London time) for the following purposes:

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

- | | | |
|------------|----|--|
| Resolution | 1. | To receive the financial statements for the year ended 30 June 2010 together with the Reports of the Directors and Auditors thereon. |
| Resolution | 2. | To re-appoint Philip Hickman as a Director (having been required to stand for reappointment pursuant to Article 21 of the Articles of Association). |
| Resolution | 3. | To re-appoint Terence Williams as a Director (having been required to stand for reappointment pursuant to Article 21 of the Articles of Association). |
| Resolution | 4. | To re-appoint Lady Olga Maitland as a Director (having been required to retire and stand for reappointment pursuant to Article 21 of the Articles of Association). |
| Resolution | 5. | To re-appoint Hank Uberoi, appointed to the Board during the financial year ended 30 June 2010 and, additionally, required to retire and stand for reappointment pursuant to Article 21 of the Articles of Association, as a Director. |
| Resolution | 6. | To re-appoint Zafarullah Karim, appointed to the Board during the financial year ended 30 June 2010 and, additionally, required to retire and stand for reappointment pursuant to Article 21 of the Articles of Association, as a Director. |
| Resolution | 7. | To re-appoint Vinode Bhesham Ramgopal, appointed to the Board during the financial year ended 30 June 2010 and, additionally, required to retire and stand for reappointment pursuant to Article 21 of the Articles of Association, as a Director. |
| Resolution | 8. | To re-appoint Baker Tilly UK Audit LLP as the Company's Auditor until the conclusion of the next Annual General Meeting, and to authorise the Directors to determine the Auditors' remuneration for the ensuing year. |

Earthport plc

Notes:

1. A member entitled to attend and vote at the meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of him. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. The proxy need not be a member of the Company. Please refer to the notes to the Form of Proxy for further information on appointing a proxy, including how to appoint multiple proxies (as the case may be).
2. If you wish your proxy to speak on your behalf at the meeting, you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them. If you wish to appoint a proxy other than the Chairman, write the full name of your proxy in the box provided in the Form of Proxy.
3. In the absence of instructions, the person appointed proxy may vote or abstain from voting as he/she thinks fit on the specified resolutions and, unless otherwise instructed, may also vote or abstain from voting on any other matter (including amendments to resolutions) which may properly come before the meeting.
4. In the case of joint holders, the signature of any one of them will suffice but the names of all joint holders should be stated. The vote of the senior who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the votes of the other holders. For this purpose, seniority is determined by the order in which the names stand in the register of members in respect of the joint holding.
5. To be effective, the enclosed Form of Proxy must be duly completed and deposited together with any power of attorney or other authority (if any) under which it is executed (or a duly certified copy of such power or authority) and lodged at the offices of the Company's registrars, Capita Registrars no later than 48 hours (excluding non working days) before the start of the meeting.
6. Completion and return of the Form of Proxy will not preclude a shareholder from attending and voting in person at the meeting.
7. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members entered on the register of members of the Company at 6 p.m UK time on Tuesday 14 December 2010 (being not more than 48 hours prior to the time fixed for the meeting) shall be entitled to attend and vote at the meeting or, if the meeting is adjourned, 6 p.m. UK time on such date being not more than two working days prior to the date fixed for the adjourned meeting. Changes to entries on the register of members after such time shall be disregarded in determining the right of any person to attend or vote at the meeting.
8. The following documents will be available for inspection at the meeting convened by this notice:
 - (a) Register of Directors' share interests
 - (b) Directors' service contracts

Annual General Meeting

Proxy Form

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

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

--

as my/our proxy to attend, speak and vote on my/our behalf at the General Meeting of the Company to be held at the offices of Bird & Bird LLP, 15 Fetter Lane, London EC4A 1JP on Thursday 16 December 2010 at 11 a.m and at any adjournment of the meeting.

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

	Resolution	For	Against	Vote withheld
Resolution 1	To receive the financial statements for the year ended 30 June 2010 together with the Reports of the Directors and Auditors thereon.			
Resolution 2	To re-appoint Philip Hickman as a Non-Executive Director.			
Resolution 3	To re-appoint Terence Williams as a Non-Executive Director.			
Resolution 4	To re-appoint Lady Olga Maitland as a Non-Executive Director.			
Resolution 5	To re-appoint Hank Uberoi as an Executive Director.			
Resolution 6	To re-appoint Zafarullah Karim as an Executive Director.			
Resolution 7	To re-appoint Vinode Bhesham Ramgopal as an Executive Director.			
Resolution 8	To re-appoint Baker Tilly UK Audit LLP as the Company's Auditor and to authorise the Directors to determine the Auditor's remuneration.			

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

.....

Signature: _____

Dated: _____ 2010

Earthport plc

Please return using envelope provided

Notes to the proxy form

1. As a member of the Company you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.
2. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, the Proxy Form should be photocopied and completed for each proxy holder
5. To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. To abstain from voting on a resolution, select the relevant "Vote withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
6. To appoint a proxy using this form, the form must be:
 - completed and signed;
 - sent or delivered to Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
 - received by Capita Registrars no later than 11a.m on Tuesday 14 December 2010, this being 48 hours before the start of the Meeting.
7. In the case of a member which is a company, this proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
8. Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
10. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Earthport plc
