

COMPANY REGISTRATION NUMBER 02359322

EZYBONDS (UK) PLC AND SUBSIDIARIES

**FINANCIAL STATEMENTS
FOR THE 18 MONTHS ENDED
31 DECEMBER 2012**

EZYBONDS (UK) PLC

FINANCIAL STATEMENTS

18 MONTHS ENDED 31 DECEMBER 2012

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EZYBONDS (UK) PLC

CORPORATE DIRECTORY

THE BOARD OF DIRECTORS

Phillip J Pryor
Anthony G Liston
Sean S McShane

COMPANY SECRETARY

Anthony G Liston

REGISTERED OFFICE

Heathrow Business Centre
65 High Street
Egham
Surrey
TW20 9EY

SHARE REGISTRARS

Capita IRG
Bourne House
34 Beckenham Road
Beckenham
Kent
BR3 4TU

AUDITOR

Menzies LLP, Chartered Accountants
Heathrow Business Centre
65 High Street
Egham
Surrey
TW20 9EY

BANKERS

National Westminster Bank Plc
Cavell House
2a Charing Cross Road
London
WC2H 0PD

SOLICITORS

Osborne Clarke
One London Wall
London
EC2Y 5EB

CORPORATE ADVISERS

W.H. Ireland Limited
11 St James' Square
Manchester
M2 6WH

EZYBONDS (UK) PLC

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the company will be held at 11.00 am on Wednesday 3 July 2013 at Level 1, 601 Dean Street, Albury, New South Wales, Australia.

An Explanatory Memorandum containing information in relation to each of the following resolutions accompanies this Notice of Annual General Meeting (refer page 4). This Notice of Annual General Meeting should be read in conjunction with the Explanatory Memorandum.

1 Ordinary Business

As ordinary business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:

Ordinary Resolutions

1.1 Adoption of audited financial statements

To receive and adopt the audited consolidated financial statements of the Group for the financial period ended 31 December 2012 together with the Chairman's Statement, the Directors' Report and the Independent Auditors' Report.

2 Special Business

As special business to consider and, if thought fit, pass the following resolutions; in the case of resolutions 2.1 as an Ordinary Resolution and in the case of resolution 2.2 as a Special Resolution:

Ordinary Resolutions

2.1 Authority to issue shares

That the Directors be and they are hereby generally and unconditionally authorised pursuant to section 549 of the Companies Act 2006 to exercise any power of the Company to allot and grant rights to subscribe for or to convert securities into shares of the Company up to a maximum nominal amount equal to the nominal amount of the authorised but unissued share capital at the date of the passing of this resolution. Provided that the authority hereby given shall expire 5 years after the passing of this resolution unless previously renewed or varied save that the Directors may, notwithstanding such expiry, allot any shares or grant any such rights under this authority in pursuance of an offer or agreement so to do made by the Company before the expiry of this authority.

Special Resolution

2.2 Waiver of pre-emption rights

That subject to the passing of Resolution 2.1 above the Directors be empowered pursuant to Section 569 of the Companies Act 2006 until the Company's next Annual General Meeting to allot or agree to allot equity securities pursuant to the authority conferred by the said resolution above as if Section 561 of the Companies Act 2006 did not apply to any such allotment provided that the Company may make any offer or agreement before the expiry of this authority which would or might require equity securities to be allotted after this authority had expired and the Directors may allot equity securities in pursuance of any such offer or agreement. For the purposes of this resolution the expression 'equity securities' and 'allot' shall bear the meanings respectively given to the same in Section 560 of the Companies Act 2006.

Dated: 10 June 2013

By order of the Board

Anthony G Liston
Company Secretary

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EZYBONDS (UK) PLC

NOTICE OF MEETING

PROXY INSTRUCTIONS

A member (entitled to attend and vote) is entitled to appoint up to two proxies to attend and vote at the meeting in his/her place. A proxy form is included within this Annual Report (refer to pages 27 to 28). A separate proxy form must be used for each proxy. You can obtain an additional proxy form from the Company (or by photocopying the proxy form). You may appoint each proxy to represent a specified proportion or number of your voting rights. To do this, follow the instructions on the proxy form. If you do not specify a proportion or number, each proxy may exercise half of your votes. To be effective, a duly completed proxy form and (where applicable) any power of attorney or a duly certified copy of the power of attorney must be received by the Company not less than 48 hours before the time for commencement of the meeting and if not so deposited shall be invalid. Please send by post to Heathrow Business Centre, 65 High Street, Egham, Surrey, London, United Kingdom TW20 9EY or by facsimile to +44 (0)1784 497 101.

All joint holders of shares must sign the proxy form. If the proxy form is signed by a member's attorney, the power of attorney or a certified copy of it must be lodged with the proxy form. If a member that is a corporation appoints a proxy, the member must execute in accordance with its constitution (if any) and the law of the place of its incorporation.

The proxy need not be a member, but must be a natural person. A proxy may be appointed by reference to an office held by the proxy (eg "the Company Secretary").

The appointment of a proxy will not prevent you from subsequently attending and voting at the meeting in person.

EZYBONDS (UK) PLC

NOTICE OF MEETING

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of shareholders of Ezybonds (UK) plc ("Ezybonds" or the "Company") in connection with the business to be conducted at the Annual General Meeting of the Company to be held on Wednesday 3 July 2013 at 11.00 am (Australian time).

This Explanatory Memorandum forms part of the Notice of Annual General Meeting of the Company and comments on the resolutions described below. This Explanatory Memorandum is intended to assist shareholders in understanding the background to and legal and other reasons for the resolutions proposed.

The Directors recommend that shareholders read this Explanatory Memorandum in full before making a decision in relation to the resolutions.

Enquiries

All enquiries in relation to the contents of the Notice of Annual General Meeting or the Explanatory Memorandum should be directed to the Directors, Mr Liston and Mr McShane (telephone: +61 (0)404 199 200).

1.1 Adoption of audited accounts

The Companies Act 2006 requires that the audited consolidated accounts of the Group be laid before the Annual General Meeting.

Shareholders will be given a reasonable opportunity at the Annual General Meeting to ask questions and make comments on the Group's 2012 audited consolidated accounts.

2.1 Authority to issue shares

Under UK company law, specifically section 549, of the Companies Act 2006, Directors may not generally allot any shares, issue securities convertible into shares, or grant options to subscribe for shares without authority given either by a provision in the company's articles of association or by ordinary resolution (meaning simple majority) of the shareholders of the company. In addition, the authority granted to Directors of a public company may not continue for a period of more than five years.

Resolution 2.1 is required to be passed in order to comply with both section 549 of the Companies Act 2006 and the Company's Articles of Association and to allow the Directors general authority to allot shares for general purposes.

2.2 Waiver of pre-emption rights

Section 561 of the Companies Act 2006 requires that before equity shares are allotted in return for cash they must be first offered to existing shareholders on a right of first refusal basis and in proportion to the respective shareholders' existing holdings (the "Pre-emption Rights").

Section 569 of the Companies House 2006 allows the shareholders of a company to disapply their Pre-emption Rights by passing a special resolution, subject to Resolution 2.1 also being passed.

Resolution 2.2 is the form of resolution which will allow the disapplication of Pre-emption Rights.

The Company is seeking the waiver of Section 561 Pre-emption Rights in order for the Directors to make allotments for general purposes without the need to first offer those shares to existing shareholders.

The waiver of pre-emption rights following the passing of Resolution 2.2 will expire at the Company's 2014 Annual General Meeting.

Registered office:

Heathrow Business Centre
65 High Street
Egham
Surrey
TW20 9EY

By order of the board

Anthony G Liston
Company Secretary

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EZYBONDS (UK) PLC

CHAIRMAN'S STATEMENT

18 MONTHS ENDED 31 DECEMBER 2012

The last 18 months has seen the continual development of the Ezybonds multi-currency payment system by Ezybonds Inc, a trading partner of Ezybonds. While integration has continued with merchants, the Directors acknowledge the delays in the implementation phase from that previously advised by Ezybonds Inc. However, the Directors are advised that the payments system is now operating successfully, and that a number of Ezybonds merchants are now integrating with the Ezybonds Payment Platform. The Board of Directors are optimistic there will be a significant rollout of the Ezybonds processes in the 2nd half of the new financial year.

This year the audited Group turnover is £129,319. The Group has reported an operating profit before the disposal of Ozland Technology of £8,692 compared to the operating loss of £41,208 in 2011. The Group incurred a loss on disposal of Ozland Technology of £739,442.

At a meeting of warrant holders held on the 23 March 2012, it was agreed to extend the exercise date of the ISDX-quoted warrants from 30 March 2012 to 30 September 2012. At a subsequent General Meeting held on the 14 September 2012, it was agreed to extend the warrant exercise date to 30 March 2013. Subsequent to the financial year-end there were warrant holder meetings on 25 March 2013 and 26 April 2013, it was agreed to alter the exercise price of the warrants to 3.5p and that the final exercise date is to be amended to 15 December 2013.

In November 2012, the Directors announced that they completed a placement with Ezybonds Inc to raise £480,000 by way of the issue of 4,800,000 fully paid ordinary shares at an issue price of 10p per share and 4,800,000 free warrants, each warrant is now exercisable at 3.5p and expiring 15 December 2013.

On the 25th June 2012, Ezybonds Inc and EzyPromotions Limited executed a variation to the Royalty Agreement to the effect that the Royalty is increased from 50% to 60%, for a consideration of 50,000,000 fully paid ordinary shares in the Company.

Also in November 2012, the Directors advised that Priority One Network Group ("Priority One") will acquire 37,000,000 shares in the Company, with the consideration being Aud\$1,750,000 in cash, and the balance constituting 12,962,357 shares in Priority One. This arrangement is conditional upon Priority One's shares being listed on the Australian Securities Exchange which they have advised should be completed prior to 30 June 2013. Your Directors will advise you of any updates to this arrangement.

The Directors conducted a detailed impairment review of the carrying value of the investment of EzyPromotions Limited. EzyPromotions Limited receives a Royalty of 60% of the net income generated by the Ezybonds Payment Platform. As at 31 December 2012, the combined cost across the group of the investment was £46,763,558. The impairment review conducted by the Directors involved reviewing all of the merchants contracted to Ezybonds, identifying the transaction types and fees that would be expected to be generated over a five year period. A Net Present Value calculation was prepared, using a conservative cost of capital rate of 40% which resulted in a Net Present Value in excess of the cost of the asset. Further disclosure has been provided within Note 10 to the financial statements. For this reason the Directors decided not to adjust the value of the investment.

During the past few months your Directors have conducted a review of the administration of the Company. A number of options are currently under discussion including a review as to whether the Company would benefit from a move to another stock market such as AIM, the junior market of the London Stock Market. Further updates will be provided in due course if they are required.

In December 2012 shareholders agreed to conduct a share division. This resulted in reducing the nominal value of each fully paid share from 10p to 1p, but not changing the number of shares on issue, or the market value of the shares. At the same meeting a new set of Articles of Association were also approved.

The Directors remain confident that the Ezybonds brand will continue to secure a prominent place in the emerging global payments industry and continue to provide cost effective and timely remittance of funds for its growing number of merchants and clients.

Anthony G Liston
Chairman

EZYBONDS (UK) PLC

THE DIRECTORS' REPORT

18 MONTHS ENDED 31 DECEMBER 2012

The Directors present their report and the financial statements of the group for the 18 months ended 31 December 2012.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the group is the promotion of Ezybonds™ through its marketing entity, EzyPromotions Limited. EzyPromotions Limited has the worldwide marketing and distribution rights for the Ezybonds intellectual property. Attaching to these rights is the right in perpetuity to 60% of all the revenue received by Ezybonds Inc (excluding revenue derived from funds held in the Bonus Pool Account).

RESULTS AND DIVIDENDS

The loss for the period amounted to £730,670. The Directors have not recommended a dividend.

A review of the Group's business and future prospects are given in the Chairman's Statement.

At the present time the Directors do not consider the use of Key Performance Indicators appropriate for evaluating the performance of the Group.

FINANCIAL INSTRUMENTS

Details of the Group's financial risk management objectives and policies are included in note 15 to the accounts.

THE DIRECTORS AND THEIR INTERESTS

The directors who served the Company during the period together with their beneficial interests in the shares of the company were as follows:

	Class of share	At 31 December 2012	At 1 July 2011
Phillip J Pryor	Ordinary shares of 10p each	18,606,000	18,606,000
	Share warrants (5p)	9,960,000	9,960,000
Anthony G Liston	Ordinary shares of 10p each	5,048,380	5,048,380
	Share warrants (5p)	600,000	600,000
Sean S McShane	Ordinary shares of 10p each	500,000	500,000
	Share warrants (5p)	700,000	700,000

The director's warrants referred to above represent 11,110,000 warrants to subscribe for 10p ordinary shares at 5p per ordinary share at any time before 30 March 2013. These warrants have been extended to an exercise date of 15 December 2012, and a price of 3.5p. For more information refer Note 23 – After Balance Day Events.

The Plus Markets quoted share price of the Company's ordinary shares as at 31 December 2012 was 5.0p (2011 – 5.00p) per ordinary 10p share and has varied between 3.0p and 7.50p (2011 2.50p and 7.50) per ordinary 10p share during the period.

SUBSTANTIAL INTERESTS

At the date of signing this report the following interests in three per cent or more of the issued ordinary share capital were noted in the Company's share register:

	% of ordinary £0.10 shares
Roy Nominees Limited	18.0%
Pershing Nominees Limited	8.5%
Rainforest Pty Ltd	4.1%
Morstan Nominees Limited	4.1%

EZYBONDS (UK) PLC

THE DIRECTORS' REPORT *(continued)*

18 MONTHS ENDED 31 DECEMBER 2012

GOING CONCERN

The Directors believe it is appropriate for the group's financial statements to be prepared on this basis for the reasons explained under note 1.

POLICY ON THE PAYMENT OF CREDITORS

It is the general policy of the company to pay for the supply of goods and services within 30 days of the date of any invoice or, in the case of certain suppliers, in accordance with the terms and conditions of each transaction. The number of days outstanding between receipt of invoices and date of payment, calculated by reference to the amount owed to trade creditors at the year-end as a proportion of the amounts invoiced by suppliers during the period was 0 (2011 - 82) days.

CORPORATE GOVERNANCE

The Board supports the highest standards of corporate governance and requires its members and the staff of the Company to act with integrity and objectivity in relation to:

- * compliance with the law;
- * record keeping;
- * conflicts of interest;
- * confidentiality;
- * professional conduct;
- * dealing with suppliers, advisers and regulators; and
- * dealing with the community and employees.

The Board's primary role is the protection and enhancement of long-term shareholder value. The Board is responsible for the overall corporate governance of the Group including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Given the current size and scope of the operations of the Company, the full Board has assumed those responsibilities that are ordinarily assigned to a Nomination Committee, a Remuneration Committee and an Audit Committee.

The Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The Company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the consolidated entity's business objectives.

The composition of the Board will be reviewed during the forthcoming year to ensure that the Board has the appropriate mix of expertise and experience.

The Board reviews its processes to ensure that it is able to carry out its functions in the most effective manner.

DIRECTORS' RESPONSIBILITIES

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 financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 affairs of the Company and the Group and of the profit or loss of the group for that year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group 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.

EZYBONDS (UK) PLC

THE DIRECTORS' REPORT *(continued)*

18 MONTHS ENDED 31 DECEMBER 2012

In so far as the Directors are aware:

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

AUDITOR

Menzies LLP, Chartered Accountants are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Registered office:
Heathrow Business Centre
65 High Street
Egham
Surrey
TW20 9EY

Signed by order of the Directors

Anthony G Liston
Company Secretary

Approved by the Directors on

EZYBONDS (UK) PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EZYBONDS (UK) PLC and Subsidiaries

18 MONTHS ENDED 31 DECEMBER 2012

We have audited the group and parent company financial statements ("the financial statements") of Ezybonds (UK) PLC and subsidiaries for the period ended 31 December 2012 on pages 11 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on pages 7 to 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 December 2012 and of the group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

EMPHASIS OF MATTER - Intangible Assets, Investments and Debtors

In forming our opinion on the financial statements we have considered the adequacy of the disclosures made in note 10, note 12 and note 13 concerning the carrying value of the group's intangible assets, the company's investment in subsidiary undertakings and amount owed by that undertaking.

The support for the carrying value of intangible assets and recovery of the investment in and amount owed by the subsidiary undertaking are dependant upon the future cash flow generated from the royalty assets owned by that subsidiary. The business to which these royalty assets relate remains in the development stage. In addition, the royalties derive from a business that is not under the control of the company. The Directors have prepared cash flow forecasts for the royalty assets that necessarily include significant assumptions regarding potential revenue growth over the next five years. The significance of these assumptions, and uncertainty regarding the future revenues to be generated from the royalty agreements, represent material uncertainties which impact the value of the intangible assets in the group balance sheet and value of the investment and recoverability of the debtor due from the group undertaking's in the company's balance sheet. The financial statements do not include any adjustments that would result if these assumptions proved to be incorrect and an impairment or recoverability provision was required against the carrying value of these assets.

OPINION ON OTHER MATTERS 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.

EZYBONDS (UK) PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF EZYBONDS (UK) PLC and Subsidiaries

18 MONTHS ENDED 31 DECEMBER 2012

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.

ANDREW COOK FCA (Senior Statutory Auditor)
For and on behalf of
MENZIES LLP, CHARTERED
ACCOUNTANTS
Chartered Accountants
& Statutory Auditor

Heathrow Business Centre
65 High Street
Egham
Surrey
TW20 9EY

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EZYBONDS (UK) PLC

GROUP PROFIT AND LOSS ACCOUNT

18 MONTHS ENDED 31 DECEMBER 2012

	Note	2012			2011 Restated		
		Cont. £	Discont. £	Total £	Cont. £	Discont. £	Total £
GROUP TURNOVER	3	129,319		129,319	117,743	202,742	320,485
Direct costs		-		-	-	(112,949)	(112,949)
Gross Profit		129,319		129,319	117,743	89,793	207,536
Administrative expenses		(120,627)		(120,627)	(47,535)	(201,209)	(248,744)
OPERATING PROFIT/ (LOSS)	4	8,692		8,692	70,208	(111,416)	(41,208)
Interest receivable		80	-	80	29	-	29
Loss on disposal of investments		(739,442)		(739,442)			
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		(730,670)		(730,670)	70,237	(111,416)	(41,179)
Tax on profit/loss on ordinary activities	7	-	-	-	-	-	-
PROFIT/(LOSS)FOR THE FINANCIAL PERIOD	8	(730,670)		(730,670)	70,237	(111,416)	(41,179)
Earnings per share (pence)							
Basic	9			<u>(0.02)</u>			<u>(0.01)</u>
Diluted	9			<u>(0.02)</u>			<u>(0.01)</u>

The activities of the group are separated between continuing and discontinuing for activities in relation to the existing group entities and Beijing Ozland Technology Co Limited, a subsidiary disposed in the prior period.

The group has no recognised gains or losses other than the results for the period as set out above.

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Profit and Loss Account.

The notes on pages 15 to 25 form part of these financial statements.

EZYBONDS (UK) PLC

GROUP BALANCE SHEET

31 DECEMBER 2012

		2012		2011 Restated	
	Note	£	£	£	£
FIXED ASSETS					
Goodwill and intangible assets	10		46,763,558		40,743,837
Negative goodwill	10		-		-
			<u>46,763,558</u>		<u>40,743,837</u>
Tangible assets	11		-		-
Investments	12		-		1
			<u>46,763,558</u>		<u>40,743,838</u>
CURRENT ASSETS					
Debtors	13	48,539		120,658	
Cash at bank		507,141		2,124	
		<u>555,680</u>		<u>122,782</u>	
CREDITORS					
Amounts falling due within one year	14	16,000		71,875	
			<u>539,680</u>		<u>50,907</u>
NET CURRENT ASSETS			<u>539,680</u>		<u>50,907</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>47,303,238</u>		<u>40,794,745</u>
CAPITAL AND RESERVES					
Called-up equity share capital	17	50,374,410		43,135,247	
Share premium account	18	1,724,550		1,724,550	
Merger reserve	18	916,320		916,320	
Other reserves	18	17,400		17,400	
Profit and loss account	18	(5,729,442)		(4,998,772)	
SHAREHOLDERS' FUNDS	19	<u>47,303,238</u>		<u>40,794,745</u>	

These financial statements were approved by the directors and authorised for issue on, and are signed on their behalf by:

.....
Anthony G Liston

The notes on pages 15 to 25 form part of these financial statements.

EZYBONDS (UK) PLC

BALANCE SHEET

31 DECEMBER 2012

		2012		2011 Restated	
	Note	£	£	£	£
FIXED ASSETS					
Tangible assets	11		–		–
Investments	12		23,347,239		22,588,077
			<u>23,347,239</u>		<u>22,588,077</u>
CURRENT ASSETS					
Debtors	13	22,545,317		17,620,657	
Cash at bank		507,141		2,124	
		<u>23,052,458</u>		<u>17,622,781</u>	
CREDITORS					
Amounts falling due within one year	14	51,059		106,933	
				<u>106,933</u>	
NET CURRENT ASSETS			<u>23,001,399</u>		<u>17,515,848</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>46,348,638</u>		<u>40,103,925</u>
CAPITAL AND RESERVES					
Called-up equity share capital	17		50,374,410		43,135,247
Share premium account	18		1,724,550		1,724,550
Other reserves	18		17,400		17,400
Profit and loss account	18		(5,767,722)		(4,773,272)
			<u>46,348,638</u>		<u>40,103,925</u>
SHAREHOLDERS' FUNDS			<u>46,348,638</u>		<u>40,103,925</u>

These financial statements were approved by the directors and authorised for issue on, and are signed on their behalf by:

.....

Anthony G Liston

Company Registration Number: 02359322

The notes on pages 15 to 25 form part of these financial statements.

EZYBONDS (UK) PLC

GROUP CASH FLOW STATEMENT

18 MONTHS ENDED 31 DECEMBER 2012

	2012		2011 Restated	
	£	£	£	£
NET CASH OUTFLOW FROM OPERATING ACTIVITIES		24,937		(27,913)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received		80		29
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		-		-
CASH OUTFLOW BEFORE FINANCING		<u>25,017</u>		<u>(27,884)</u>
FINANCING				
Issue of equity share capital	480,000		-	
NET CASH INFLOW FROM FINANCING		<u>480,000</u>		<u>-</u>
INCREASE / (DECREASE) IN CASH		<u>505,017</u>		<u>(27,884)</u>
RECONCILIATION OF OPERATING PROFIT/LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES				
		2012		2011
		£		£
Operating profit/(loss)		8,692		(41,208)
Depreciation		-		101,968
Decrease in debtors		72,120		(47,680)
Increase / (decrease) in creditors		(55,875)		160,672
Decrease in fixed assets		-		242,178
Decrease in negative goodwill		-		(443,843)
Net cash outflow from operating activities		<u>24,937</u>		<u>(27,913)</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS				
		2012		2011
		£		£
Increase /(Decrease) in cash in the period		505,017		(27,884)
Movement in net funds in the period		<u>505,017</u>		<u>(27,884)</u>
Net funds at 1 July 2011		2,124		30,008
Net funds at 31 December 2012		<u>507,141</u>		<u>2,124</u>
ANALYSIS OF CHANGES IN NET FUNDS				
		At		At
		1 Jul 2011	Cash flows	31 Dec 2012
		£	£	£
Net cash:				
Cash in hand and at bank		2,124	505,017	507,141
Net funds		<u>2,124</u>	<u>505,017</u>	<u>507,141</u>

The notes on pages 15 to 25 form part of these financial statements.

EZYBONDS (UK) PLC

MANAGEMENT INFORMATION

18 MONTHS ENDED 31 DECEMBER 2012

1. BASIS OF PREPARING THE FINANCIAL STATEMENTS

Going Concern

The Group generated a loss of £730,670 in the 18 Month period ending 31 December 2012.

The Group's future income will be derived from the royalty agreements secured by EzyPromotions Limited with Ezybonds Inc. This agreement entitles EzyPromotions Limited to a 60% share of all revenue received by Ezybonds Inc (excluding revenue derived from funds held in the Bonus Pool Account).

Income is expected to be generated under these agreements during the year ended 31 December 2013 and in the years thereafter. The Directors have prepared detailed projections for a period of 24 months commencing from 1 January 2013. The Directors have carefully considered the assumptions and sensitivities of these projections and are confident that the group will remain within the level of finance available for the foreseeable future.

In arriving at this view, the Directors acknowledge the inherent uncertainty akin to the current economic climate and the inherent risks that surround the achievability and timing of the projected income. The commencement of the income streams deriving from the royalty agreements with Ezybonds Inc have begun to flow at the point of finalising these financial statements and based on their current knowledge, the Directors remain confident that the group will achieve the positive forecast results and cash flows for the next 12 months.

The Directors consider that the cash balances reported in these accounts are adequate to fund the operational activities of the company. The Directors are also aware of several interested parties who they believe are willing to subscribe to additional shares to add to the cash resources of the Company.

The Directors of the Group have concluded that the combination of these circumstances does mean the Group is able to continue trading within its current working capital position. Having considered any associated uncertainties, and given the potential to raise additional finance, the Directors have a reasonable expectation that the group has adequate resources to continue in operational existence for a period of 12 months from the date the accounts were signed and as such have prepared the accounts on the going concern basis.

The Company's revenue stream is dependent upon the continued on-going operation of the Ezybonds Payment Platform operated by Ezybonds Inc. The Directors have relied upon statements from Ezybonds Inc that it has the financial resources to continue to operate the Ezybonds platform.

Prior Year Adjustment

As a result of a reassessment of the agreements relating to the purchase of the additional royalty from Ezybonds Inc, it was deemed necessary to adjust the prior year comparatives presented within these financial statements. The restatement has been undertaken in order to transfer £17,500,000 previously allocated to Investments to Amounts due from Group undertakings. This adjustment has no impact upon the prior year Profit and Loss Account and Accumulated Reserves, but does serve to have a material impact upon the appearance of the Company Balance Sheet. This adjustment has been reflected further within Notes 12 *Investments* and Note 13 *Debtors*.

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

Basis of consolidation

The Group financial statements comprise the financial statements for Ezybonds (UK) PLC and its subsidiary undertakings Ezymarketing Limited, EzyPromotions Limited, Ozland Technology Pty Ltd and Beijing Ozland Technology Co Limited, up to the point of deemed disposal. No profit and loss account is presented for Ezybonds (UK) PLC as permitted by Section 408 of the Companies Act 2006.

Turnover

The turnover shown within the profit and loss account represents the following components;

- Income received in accordance with the license agreement held between Ezybonds Inc and EzyPromotions Limited
- Income received in respect of the provision of services provided by Beijing Ozland Technology Co Limited and guaranteed income payable to the former parent company of Beijing Ozland Technology Co Limited, Ozland Technology Pty Ltd until sold.

Income associated with the provision of services deriving from Beijing Ozland Technology Co Limited ceased in the year to 31 June 2011 following the deemed disposal of the Group's controlling interest within this company.

All income is stated net of VAT.

EZYBONDS (UK) PLC

MANAGEMENT INFORMATION

18 MONTHS ENDED 31 DECEMBER 2012

2. ACCOUNTING POLICIES *(continued)*

Goodwill

Goodwill arising from the purchase of subsidiary undertakings represents the excess of the fair value of the purchase consideration over the fair value of the net assets acquired.

The goodwill is capitalised as an intangible asset and amortised on a straight line basis from the time of acquisition over its useful economic life unless a permanent diminution in value occurs, in which case the goodwill is written down to the appropriate carrying value.

Amortisation

Amortisation is calculated to write off the cost of goodwill over the period of its useful economic life as follows:-

Goodwill on acquisition of subsidiary undertakings - 20 years straight line

No amortisation has been charged in the period because the business to which the goodwill relates has not yet commenced trading activities to the level intended.

Fixed asset investments

Fixed asset investments are included in the Company's balance sheet at cost after provision for any permanent diminution in value. The Company has taken advantage of Section 612 of the Companies Act 2006 and where consideration for purchase of a subsidiary undertaking includes the issue of shares, these have been included at nominal value.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Computer equipment - 33 1/3% per annum

Point of sale terminals - 20% per annum

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

EZYBONDS (UK) PLC

MANAGEMENT INFORMATION

18 MONTHS ENDED 31 DECEMBER 2012

2. ACCOUNTING POLICIES *(continued)*

Foreign currencies

Company

Transactions in foreign currencies are translated at the exchange 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. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are taken to the profit and loss account. Exchange differences arising on non-monetary items, carried at fair value, are included in the profit and loss account, except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recorded in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

Group

For the purposes of preparing consolidated financial statements, the assets and liabilities of foreign subsidiary undertakings are translated at the exchange rates ruling at the balance sheet date. Profit and loss items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly in the year, in which case the exchange rates ruling at the dates of the transactions are used. Exchange differences arising are taken to the Group's foreign currency translation reserve. Such exchange differences are recognised in the profit and loss account in the year in which a foreign subsidiary undertaking is disposed of.

Goodwill and fair adjustments arising on the acquisition of a foreign subsidiary undertaking are treated as assets and liabilities of the foreign subsidiary and translated at the closing rate.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Investments

All investments are initially recorded at cost, being the fair value of the consideration given and including acquisition costs associated with the investment. All purchases and sales of investments are recognised using trade date accounting.

Investments classified as held-to-maturity are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit and loss account when the investment is derecognised, or impaired, as well as through the amortisation process.

Investments are fair valued using quoted market prices, independent appraisals, discounted cash flow analysis or other appropriate valuation models at the balance sheet date.

Trade and other debtors

Trade and other debtors are recognised and carried forward at invoiced amounts less provisions for any doubtful debts. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents are included in the balance sheet at cost. Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

Interest-bearing loans and borrowings

All loans and borrowings are recognised initially at cost, which is the fair value of the consideration received, net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Gains or losses are recognised in the profit and loss account when liabilities are derecognised or impaired, as well as through the amortisation process.

Derivative financial instruments

The group does not use derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and currency fluctuation risk.

EZYBONDS (UK) PLC

MANAGEMENT INFORMATION

18 MONTHS ENDED 31 DECEMBER 2012

3. TURNOVER

An analysis of turnover is given below:	2012	2011 Restated
	£	£
Overseas	<u>129,319</u>	<u>320,485</u>

4. OPERATING LOSS

Operating loss is stated after charging:	2012	2011 Restated
	£	£
Depreciation of owned fixed assets	-	101,968
Net profit /(loss) on foreign currency translation	(4,897)	(1,296)
Auditor's remuneration	<u>12,500</u>	<u>10,750</u>

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the Group during the financial period amounted to:

	2012	2011 Restated
	No	No
Administrative staff (including directors)	<u>3</u>	<u>9</u>

The aggregate payroll costs of the above were:

	2012	2011 Restated
	£	£
Wages and salaries	-	50,014
Social security costs	-	13,365
	<u>-</u>	<u>63,379</u>

6. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services was:

	2012	2011 Restated
	£	£
Remuneration receivable	<u>-</u>	<u>-</u>

7. TAXATION ON ORDINARY ACTIVITIES

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 20% (2011 - 19%).

	2012	2011 Restated
	£	£
Loss on ordinary activities before taxation	<u>(730,670)</u>	<u>(41,179)</u>
Loss on ordinary activities by rate of tax	(146,134)	(7,824)
Capital allowances for period in excess of depreciation	(665)	19,374
Utilisation / (Unrelieved) tax losses	(445)	(11,550)
Expenses not deductible for tax purposes	<u>147,888</u>	-
Total current tax	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The Group has excess management costs of £1,991,798 (2011 - £1,994,023) which are available for carry forward against future taxable profits of the parent company only.

No deferred tax asset has been recognised in respect of the above losses because their utilisation is not considered sufficiently certain.

EZYBONDS (UK) PLC

MANAGEMENT INFORMATION

18 MONTHS ENDED 31 DECEMBER 2012

8. PROFIT / (LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the financial statements of the parent company was £994,450 (2011 – profit £70,237).

9. EARNINGS PER SHARE

The basic earnings per ordinary share is calculated by dividing profit for the year less non-equity dividends and other appropriations in respect of non-equity shares by the weighted average number of equity shares outstanding during the year.

The diluted earnings per ordinary share is calculated by dividing profit for the year less non-equity dividends and other appropriations in respect of non-equity shares by the weighted average number of equity shares outstanding during the year (after adjusting both figures for the effect of dilutive potential ordinary shares).

The calculation of basic and diluted earnings per ordinary share is based upon the following data:

Earnings

	2012	2011 Restated
	£	£
Earnings for the purposes of basic earnings per share	(730,670)	(41,179)
Earnings for the purposes of diluted earnings per share	<u>(730,670)</u>	<u>(41,179)</u>

Number of shares

	2012	2011 Restated
	No	No
Basic weighted average number of shares	307,362,288	298,622,561
Weighted average number of shares for the purposes of diluted earnings per share	<u>307,362,288</u>	<u>298,622,561</u>

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

EZYBONDS (UK) PLC

MANAGEMENT INFORMATION

18 MONTHS ENDED 31 DECEMBER 2012

10. INTANGIBLE FIXED ASSETS

Group	Goodwill £	Royalty Entitlements £	Total £
COST			
At 1 July 2011	23,243,837	17,500,000	40,743,837
Additions	1,759,162	5,000,000	6,759,162
Disposals	(739,441)	-	(739,441)
At 31 December 2012	<u>24,263,558</u>	<u>22,500,000</u>	<u>46,763,558</u>
AMORTISATION			
At 1 July 2010 and 31 December 2012	-	-	-
NET BOOK VALUE			
At 31 December 2012	<u>24,263,558</u>	<u>22,500,000</u>	<u>46,763,558</u>
At 30 June 2011	<u>23,243,837</u>	<u>17,500,000</u>	<u>40,743,837</u>

On consolidation the intangible fixed assets of the group are represented by two significant assets. These are goodwill on consolidation of £24,263,558 and Royalty Entitlements of £22,500,000 that are in addition to the original purchase of EzyPromotions Limited. Note 13 *Debtors* refer to the amount owing by EzyPromotions Limited to the parent company resulting from the purchase of the additional Royalty Entitlements. The Directors believe that this amount outstanding will be serviced in full from future revenues.

£24,263,558 of the goodwill above arises on the consolidation of EzyPromotions Limited into the group accounts. At the date of acquisition, EzyPromotions Limited has no identifiable assets or liabilities other than the worldwide marketing and distribution rights to the Intellectual Property of Ezybonds Inc. The entire fair value of the consideration of £24,263,558, which includes £1,759,164 of additions in the current year, has therefore been allocated to goodwill. The goodwill arising on the acquisition was attributable primarily to the fact that EzyPromotions Limited was originally granted a royalty entitling it to 15% of the fees generated by the Ezybonds online payment gateway.

Subsequent to the purchase of EzyPromotions Limited in 2005, there have been a number of additional royalty increments purchased from Ezybonds Inc for a total cost of £22,500,000. In June 2012 an additional 10% Royalty was purchased for the consideration of 50,000,000 Ezybonds UK Plc 10p fully paid shares. These increments amount to 45% of the fees generated by the Ezybonds online payment gateway. On consolidation the total entitlement to revenue is now 60% of the fees generated by Ezybonds. (Excluding revenue derived from funds held in the Bonus Pool Account)

The Directors conducted a detailed impairment review of the value of the carrying value of the investment of EzyPromotions Limited and royalty entitlements. EzyPromotions Limited receives a Royalty of 60% of the net income generated by the Ezybonds Payment Platform. As at 31 December 2012, the combined cost across the group of the investment in shares and royalty entitlements is £46,763,558. The impairment review required the Directors to make a number of assumptions; these included the volume and timing of the merchant and customer integration, determination of the volume and type of client transactions, which was based on historical data and fees generation which was based on actual transaction fees. From this data a financial forecast for a five year period was generated. A Net Present Value calculation was prepared, using a conservative cost of capital rate of 40% which resulted in a Net Present Value in excess of the cost of the assets held.

The payments platform is expected to generate significant profits in the future and, as a result, EzyPromotions Limited is expected to be profitable once the income stream begins to be generated. The Directors currently anticipate that profits will begin to be generated in the year ended 31 December 2013. However, there can be no certainty with regards to the level of income that might be generated and if the Directors' projections are not fulfilled this will adversely affect the value of goodwill and royalty entitlements. The Directors consider the future value of the income stream is at least the carrying value of the intangible assets held, and therefore no provision is deemed necessary.

Ezybonds Inc has advised the Directors that it is committed to the development, implementation and growth of the Ezybonds Payments Platform, and that it has the resources to support these activities.

During the period ended 31 December 2012 the company disposed of the share capital of Ozland Technology Pty Ltd for £1. Refer to Note 12 *Investments*.

EZYBONDS (UK) PLC

MANAGEMENT INFORMATION

18 MONTHS ENDED 31 DECEMBER 2012

11. TANGIBLE FIXED ASSETS

Group	Computer equipment £
COST	
At 1 July 2011	-
Disposal	-
At 31 December 2012	<u>-</u>
DEPRECIATION	
At 1 July 2011	-
Charge for the period	-
Depreciation released on disposals	-
At 1 December 2012	<u>-</u>
NET BOOK VALUE	
At 31 December 2012	<u>-</u>
At 30 June 2011	<u>-</u>
Company	Computer equipment £
COST	
At 1 July 2011 and 31 December 2012	<u>11,663</u>
DEPRECIATION	
At 1 July 2011 and 31 December 2012	<u>11,663</u>
NET BOOK VALUE	
At 31 December 2012	<u>-</u>
At 30 June 2011	<u>-</u>

EZYBONDS (UK) PLC

MANAGEMENT INFORMATION

18 MONTHS ENDED 31 DECEMBER 2012

12. INVESTMENTS

Company	Investment in subsidiary undertakings £ Restated
COST	
At 1 July 2011	23,036,577
Additions	1,759,162
Disposals	(1,000,000)
At 31 December 2012	<u>23,795,739</u>
AMOUNTS WRITTEN OFF	
At 1 July 2011 and 31 December 2012	<u>448,500</u>
NET BOOK VALUE	
At 31 December 2012	<u>23,347,239</u>
At 30 June 2011	<u>22,588,077</u>

During the year ended 30 June 2006 the Group acquired 100% of the share capital of EzyPromotions Limited, a company registered in the Cook Islands. During the period ended 31 December 2012, shares were accrued as further purchase consideration in respect of this purchase agreement, making the total cost £22,588,077.

During the period ended 31 December 2012 the company disposed of the share capital of Ozland Technology Pty Ltd for £1.

Included within the investment brought forward, £448,500 relates to Ezymarketing Limited, a wholly owned subsidiary, which was acquired in December 2000 and is incorporated in Great Britain.

In light of the fact that Ezymarketing Limited are no longer trading and have no immediate intentions to return to a trading position, full provision has been made against the asset.

		Location of Incorporation	Share Ownership	Profit / (Loss) £	Shareholder Reserves £
Ezymarketing Ltd	- 2012	England & Wales	100%	-	14,957
	- 2011		100%	-	14,957
EzyPromotions Ltd	- 2012	Cook Islands	100%	3,222	23,324
	- 2011		100%	-	21,102

As detailed in note 10 the Directors carried out a detailed impairment review in relation to the investment held in EzyPromotions Limited and on the basis of this review no provision against the carrying value is deemed necessary.

13. DEBTORS

	Group		Company	
	2012	2011 Restated	2012	2011 Restated
	£	£	£	£
Trade debtors	43,027	115,146	43,027	115,145
Other debtors	5,512	5,512	5,512	5,512
Amounts due from group undertakings	-	-	22,496,778	17,500,000
	<u>48,539</u>	<u>120,658</u>	<u>22,545,317</u>	<u>17,620,657</u>

The amount owing from group undertakings includes an amount of £22,500,000 that relates to the purchase of the royalty increments that amount to 45% of the fees generated by the Ezybonds online payment gateway. Based upon their review of future income streams expected to be generated the Directors believe that this outstanding amount will be serviced in full from future revenues.

EZYBONDS (UK) PLC

MANAGEMENT INFORMATION

18 MONTHS ENDED 31 DECEMBER 2012

14. CREDITORS: Amounts falling due within one year

	Group		Company	
	2012	2011 Restated	2012	2011 Restated
	£	£	£	£
Trade creditors	-	28,301	-	28,300
Other creditors	-	28,688	-	28,688
Amounts owed to group undertakings	-	-	35,059	35,059
Accruals and deferred income	16,000	14,886	16,000	14,886
	<u>16,000</u>	<u>71,875</u>	<u>51,059</u>	<u>106,933</u>

15. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments comprise cash, liquid resources and various items, such as debtors and creditors that arise directly from its operations. It is, and has been throughout the period of review, the Group's policy that financial derivatives shall not be used. As a result, the Group has not used interest rate hedges and currency swaps during the period.

The main risk arising from the Group's financial instruments is interest rate risk. The Group monitors its interest rate risk primarily through monthly cash flow forecasting.

Short term and debtors and creditors

Short term debtors and creditors have been excluded from the following disclosures.

Interest rate risk

The Group finances its operations through shareholder equity and working capital. Throughout the period the Group's exposure to interest rate fluctuations was on its cash deposits which are held at variable rates of interest.

Foreign currency risk

The Group enters into certain transactions in US dollars, Australian Dollars. The risk of currency fluctuations was not considered sufficiently significant to take specific steps to mitigate the risk.

Interest rate risk profile of financial assets and liabilities

The interest rate profile of the Group's financial assets and liabilities were:

	Financial Assets / (Liabilities)	
	2012	2011 Restated
	£	£
Financial assets		
Sterling cash balances and United States \$	507,141	2,124

Fair value of financial instruments

The Group's financial instruments, which comprise cash and short-term deposits, are carried at cost, which is also considered to be equivalent to their fair value.

16. RELATED PARTY TRANSACTIONS

There were no related party transactions during the period.

EZYBONDS (UK) PLC

MANAGEMENT INFORMATION

18 MONTHS ENDED 31 DECEMBER 2012

17. SHARE CAPITAL

Allotted and fully paid up

	2012		2011 Restated	
	No	£	No	£
Ordinary shares of £0.10 each	<u>355,307,493</u>	<u>35,530,749</u>	<u>305,307,493</u>	<u>30,530,749</u>

Accrued shares to be allotted

	2012		2011 Restated	
	No	£	No	£
Shares still to be issued in respect of direct funding of £0.10 each	4,800,000	480,000	-	-
Shares still to be issued in respect of purchase consideration for subsidiary undertakings of £0.10 each	<u>143,636,602</u>	<u>14,363,661</u>	<u>126,044,981</u>	<u>12,604,498</u>
	<u>148,436,602</u>	<u>14,843,661</u>	<u>126,044,981</u>	<u>12,604,498</u>
Share Capital	<u>503,744,095</u>	<u>50,374,410</u>	<u>431,352,474</u>	<u>43,135,247</u>

The shares to be issued above refer to additional shares expected to be issued in accordance with the original purchase agreement for EzyPromotions Limited. This agreement requires sufficient shares to be issued as to provide Ezybonds Inc with 29.9% of the Company's issued share capital.

Share issues

During the period the company has issued 50,000,000 Ordinary shares of 10p each.

These issues were made up as follows:

(a) 50,000,000 Ordinary shares of 10p each, issued at 10p.

The shares issued above are 50,000,000 Ordinary shares of 10p each, which have been issued as consideration in accordance with the purchase agreement to acquire an additional 10% Royalty from Ezybonds Inc.

All other share issues have been undertaken in the normal course of business.

Share options and warrants

At 31 December 2012 there are 120,668,508 (2011 – 120,668,508) outstanding share warrants exercisable at 3.5p at any time before 15 December 2013. Each of which permits the holder to subscribe for one Ordinary 3.5p share at the specified exercise prices and before the stated expiration dates. As at 31 December 2012 the warrant exercise price was 5p pence, but this was reduced to 3.5p at a meeting of warrant holders held on 25 March 2013.

The 4,800,000 shares still to be issued relate to the capital fundraising concluded on 29 November 2012. These shares were issued on 15 May 2013.

The 143,636,602 accrued shares (2011 – 126,044,981) relate to the purchase of EzyPromotions Limited.

EZYBONDS (UK) PLC

MANAGEMENT INFORMATION

18 MONTHS ENDED 31 DECEMBER 2012

18. RESERVES

Group	Share premium account £	Other reserves £	Merger reserve £	Profit and loss account £
Balance brought forward	1,724,550	17,400	916,320	(4,998,772)
Loss for the period	–	–	–	(730,670)
Balance carried forward	<u>1,724,550</u>	<u>17,400</u>	<u>916,320</u>	<u>(5,729,442)</u>

Company	Share premium account £	Other reserves £	Profit and loss account £
Balance brought forward	1,724,550	17,400	(4,773,272)
Loss for the period	–	–	(994,450)
Balance carried forward	<u>1,724,550</u>	<u>17,400</u>	<u>(5,767,722)</u>

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £	2011 £
Profit / (Loss) for the financial period	(730,670)	(41,179)
New ordinary share capital subscribed	7,239,163	1,166,304
Net addition to shareholders' funds	<u>6,508,493</u>	<u>1,125,125</u>
Opening shareholders' funds	40,794,745	39,669,620
Closing shareholders' funds	<u>47,303,238</u>	<u>40,794,745</u>

20. CAPITAL COMMITMENTS

As at 31 December 2012 the Company had no capital commitments (2011 - £nil).

21. CONTINGENT LIABILITIES

As at 31 December 2012 the Company had no contingent liabilities (2011 - £nil).

22. EVENTS AFTER THE BALANCE SHEET DATE

Subsequent to the year end, at a meeting of the warrant holders held on 25 March 2013 it was agreed to amend the expiry date of all 5p warrants from 30 March 2013 to be exercisable at any time before 30 April 2013 and the exercise price amended from 5p to 3.5p.

In a subsequent meeting of the warrant holders held on 26 April 2013 it was then agreed to amend the expiry date of all 3.5p warrants from 30 April 2013 to be exercisable at any time before 15 December 2013.

At the Annual General Meeting held on 28 December 2012 it was agreed that each issued ordinary share of 10p each in the capital of the Company be subdivided and re-designated into one ordinary share of 1p each in the capital of the Company, having the same rights and being subject to the same restrictions as the existing ordinary shares, and nine deferred shares of 1p each in the capital of the Company, having the rights and being subject to the restrictions attached to them as set out in the articles of association of the Company. The share sub division took effect on the 2 January 2013. Any shares accrued to be issued as at 31 December 2012 were accrued at 10p per share, but it is anticipated that they will be issued at the ordinary share price of 1p.

23. ULTIMATE CONTROLLING ENTITY

The ultimate controlling entity cannot be determined as no one party has sufficient interest in the group's share capital to be able to control the actions of the group.

EZYBONDS (UK) PLC

MANAGEMENT INFORMATION

18 MONTHS ENDED 31 DECEMBER 2012

The following page does not form part of the statutory financial statements which are the subject of the independent auditor's report on pages 9 to 10.

EZYBONDS (UK) PLC

DETAILED GROUP PROFIT AND LOSS ACCOUNT

18 MONTHS ENDED 31 DECEMBER 2012

	2012		2011	
	£	£	£	£
TURNOVER				
License revenue received		129,319		320,485
COST OF SALES				
Direct costs		-		(112,949)
GROSS PROFIT		129,319		207,536
OVERHEADS				
Directors salaries	-		-	
Wages and salaries	-		63,379	
Office costs	27,324		21,025	
Travel and subsistence	42,860		8,475	
Telephone	4,198		5,505	
Sundry expenses	-		-	
Advertising, marketing consultancy and PR	-		7,140	
Legal and professional fees	22,630		20,165	
Consultancy fees and other associated costs	4,798		6,396	
Accountancy fees	10,208		2,908	
Auditors remuneration	12,500		9,516	
Depreciation of computer equipment	-		101,968	
Bank charges	1,005		972	
Foreign currency gains / losses	(4,897)		1,295	
		(120,627)		(248,744)
OPERATING PROFIT / (LOSS)		8,692		(41,208)
Bank interest receivable		80		29
Loss on disposal of investments		(739,442)		
LOSS ON ORDINARY ACTIVITIES		(730,670)		(41,179)

EZYBONDS (UK) PLC

FORM OF PROXY FOR USE AT THE ANNUAL GENERAL MEETING

EZYBONDS (UK) PLC

(Registered in England and Wales under company number 2359322)

The Company Secretary
Ezybonds (UK) Plc
Heathrow Business Centre
65 High Street
Egham
Surrey
TW20 9EY
United Kingdom

Proxy Form

I/We

*

of

being a member of Ezybonds (UK) plc ("Company") appoint:

name **

.....

of

.....

failing whom, or if no person is named, the chairman of the meeting as my proxy to vote and act on my behalf at the Annual General Meeting of the Company to be held on Wednesday 3 July 2013 at 11.00 am at Level 1 601 Dean Street, Albury, New South Wales, Australia and any other day to which that meeting is adjourned or postponed. My/Our proxy is authorised to exercise *** all of my/our voting rights. I/We direct that my/our proxy vote in the following manner:

Agenda Item

	For	Against	Abstain
1.1 Adoption of audited accounts	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.1 Authority to issue shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2.5 Waiver of pre-emption rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

****Executed by the member

Signature(s):

Name:

Capacity (e.g. director, attorney, or joint holder):

Date:

Explanatory notes

EZYBONDS (UK) PLC

FORM OF PROXY FOR USE AT THE ANNUAL GENERAL MEETING

- * Insert name(s) of member, as it appears in the register of members.
- ** Insert name and address of proxy. The proxy need not be a member, but must be a natural person. A proxy may be appointed by reference to an office held by the proxy (eg "the Company Secretary").
- *** A member is entitled to appoint up to two proxies to attend and vote at the meeting. A separate form must be used for each proxy. You can obtain an additional form from the Company at the address shown below (or by photocopying this form). You may appoint each proxy to represent a specified proportion or number of your voting rights. To do this, delete the word "all" and specify the proportion or number of your votes the proxy is to exercise. If you do not specify a proportion or number, each proxy may exercise half of your votes.
- **** All joint holders of shares must sign this form. If the form is signed by a member's attorney, the power of attorney or a certified copy of it must be lodged with the proxy form. If a member that is a corporation appoints a proxy, the member must execute in accordance with its constitution (if any) and the law of the place of its incorporation.

To be effective, a duly completed proxy form and (where applicable) any power of attorney or a certified copy of the power of attorney must be received by the Company at its registered office not less than 48 hours before the time for commencement of the meeting. Please send by post to Heathrow Business Centre, 65 High Street, Egham, Surrey, London, United Kingdom TW20 9EY or by facsimile to +44 (0) 871 666 0639.