eXpansys

Tomorrow's Gadgets Today

eXpansys plc

Annual Report and Financial Statements

30 April 2009

eXpansys has a reputation for offering the newest gadgets to customers before anyone else.

Welcome
to eXpansys

- 50 Websites in 15 languages & 16 currencies, taking payment by 9 different methods
- Over 500,000 visitors per day
- Leading brand & reputation
- International logistics

Contents

eXpansys... an introduction

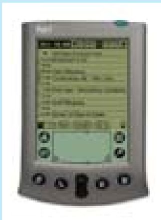
We believe in providing an interactive & hassle-free shopping experience, competitive prices & strong post-sales support. As a result a large proportion of our revenue comes from our repeat customers.

eXpansys history at-a-glance

2009 marks eXpansys' 10-year years, we have grown from a online retailer. It is our goal to new gadgets and outstanding

Jul 1998 - Feb 1999

1998 - Founded as a software developer company.
1999 - Having established an internet presence began trading.



February 1999 saw the birth of Palm's ultra-popular Palm V. With its slim profile and popular OS, it was one of the best selling devices of its time.

August 2000

Roger Butterworth joined eXpansys and the decision to focus on internet retailing was made.

Microsoft announced Pocket PCs in April 2000. The Compaq iPAQ H3600 became the most popular due to its expansion pack system.

September 2004

Acquired Portable Add Ons and Steve Muttram joined the company.

i-mate launched the JAM in late 2004. With its compact design, it quickly became one of the best selling Pocket PC phones of the year.

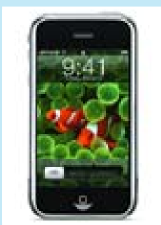
April 2005

Acquired US-based competitor mobileplanet.com

Launched in late 2004, the Motorola RAZR V3 became the most popular phone of 2005 and even 2006. Over 50 million people bought it.

July 2007

Acquired UK-based company YooNoo, specialising in GPS navigation solutions.



In June 2007, Apple once again launched a product that would revolutionise the industry. The iPhone became the new standard for mobiles.

November 2007

Acquired Singapore-based O2 Asia and, using its infrastructure, formed MWg as a new brand of Windows Mobile devices.

Asus launched the Eee PC, becoming the first low cost, Linux based, mini-laptop. It soon became popular with educational institutions.

anniversary of trading online. In those ten UK-based start-up to a leading global continue that growth by offering the hottest service during and after each purchase.

January 2001

Acquired UK-based competitor 21Store.com and opened the first international sales office in the United States.

This same month, Apple launched the iPod and iTunes, which would redefine the way people buy, store and listen to music.

December 2002

Began European expansion creating a sales presence in Montepellier, France run by Frederic Pont.

The Sony Ericsson P800 was amongst the most popular devices of 2002. Its brilliant, large colour touchscreen made it a unique phone.

January 2004

Opened a Hong Kong sales office servicing the Far East and forged a strategic agreement with an Australian partner.

The long awaited OQO model 01started shipping in Autumn 2004. As the first hand-sized UMPC with a QWERTY keyboard it set the bar for future UMPCs.

December 2005

Acquired UK-based company ORA, a well-known accessories brand.

ORA

ORA accessories range from spare stylii to high-quality leather cases. They are an attractive alternative to manufacturer branded accessories.

February 2006

Acquired France-based, pan-European competitor Nomatica, specialising in digital cameras and peripherals.

HTC decided to start selling devices under their own brand and in June 2006 launched the TyTN (shown) and MTeoR, starting HTC's brilliant rise to fame.

April 2007

Floated on the London Stock Exchange's AIM, raising £10 million.

In June 2007, HTC launched the Touch, featuring the stylish & innovative touch flow interface which raised the bar for Windows Mobile menu systems.

April 2008

Portix, eXpansys' distribution business, was sold to Micro-P.

In early 2008, Sony Ericsson announced the Xperia X1, its first Windows Mobile phone. It became the most awaited WM phone of the year.

October 2008

MWg ceased to do business worldwide as it was a significant drain on the Group's resources.

In this same month, HTC and T-Mobile launched the first phone to feature the much awaited Google Android Operating System.

June 2009

Placed new ordinary shares on the market, raising £2 million.

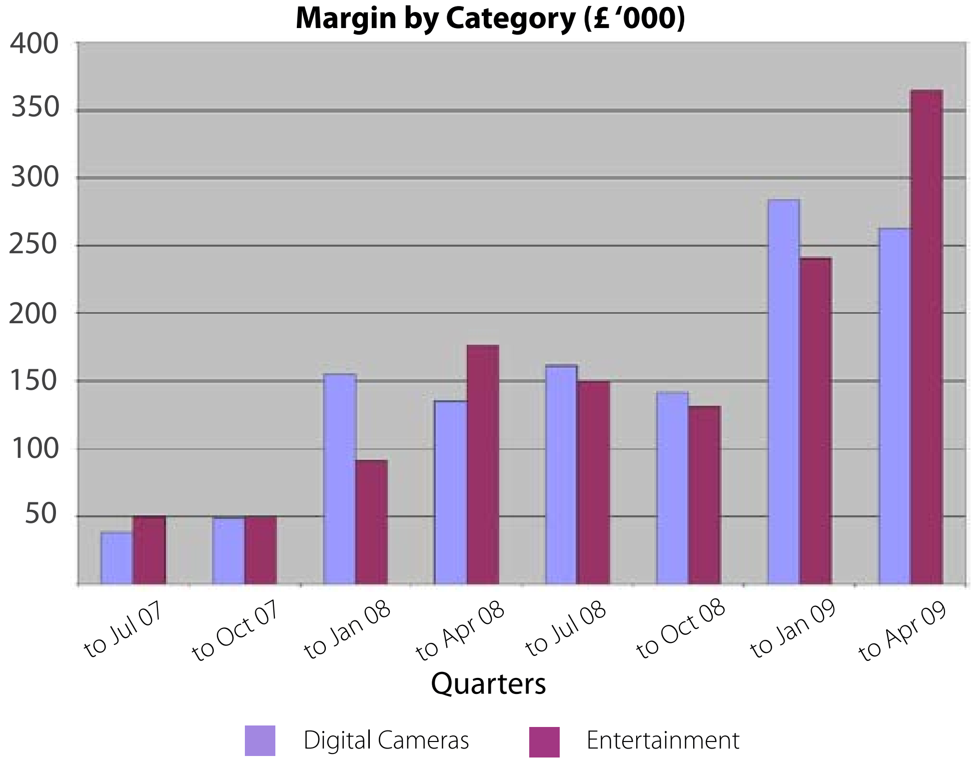
Nokia launched the N97, its first phone featuring both a touch screen and a full QWERTY keyboard, making it a popular choice.

Tomorrow's gadgets today

Product Portfolio Expansion

We have continued to add new product categories to our offering, alongside significant reductions in overall stock levels.

Two of the most successful additions have been digital cameras and camcorders, and entertainment products. The graph below shows the growth these two categories have experienced this fiscal year.



Some other categories which we're working to expand include:

- Laptops, netbooks and related accessories
- Networking products (primarily WiFi)
- Gaming consoles, games and accessories
- Prepay handsets
- Computing products, components and peripherals
- Storage solutions (primarily network attached storage, home storage and hard drives)
- Barcode scanners and ruggedized PDAs

Marketing Communications

Our Marketing team understands the importance of keeping customers informed about the hottest new gadgets, promotions, price drops, industry news and more. We use a variety of tools to stay in touch with our customers including:

Email Campaigns

These have been one of the most successful marketing tools for us this year.

The subscriber base of 300,000 customers grows day by day.
Customers sign up on our homepage or by participating in competitions to win products.

eXpansys UK weekly Friday Deals email campaign

eXpansys Europe email campaign in Italian. This campaign is also sent in French, Spanish, Dutch, Portuguese, German, Greek and English.

eXpansys UK Product-Flash: New product announcement

Print Advertising

We use magazine advertising, vouchers and in box stuffers to keep existing and prospective customers informed of the latest gadgets and promotions.

Our corporate sales staff also send brochures to their B2B customers with a special product selection and corporate pricing.

Online Marketing

The rotating banner system on our websites allows us to highlight the latest promotions and in-stock items. We also have successful banner campaigns on affiliate technology enthusiast websites.

Additionally, eXpansys' staff around the world contribute to the "Insider Blog" on our site. It is a great way of keeping customers informed about new products and industry news as each post will be sent to potential new customers who may have Google alerts set up to include blog posts.

Banner ads

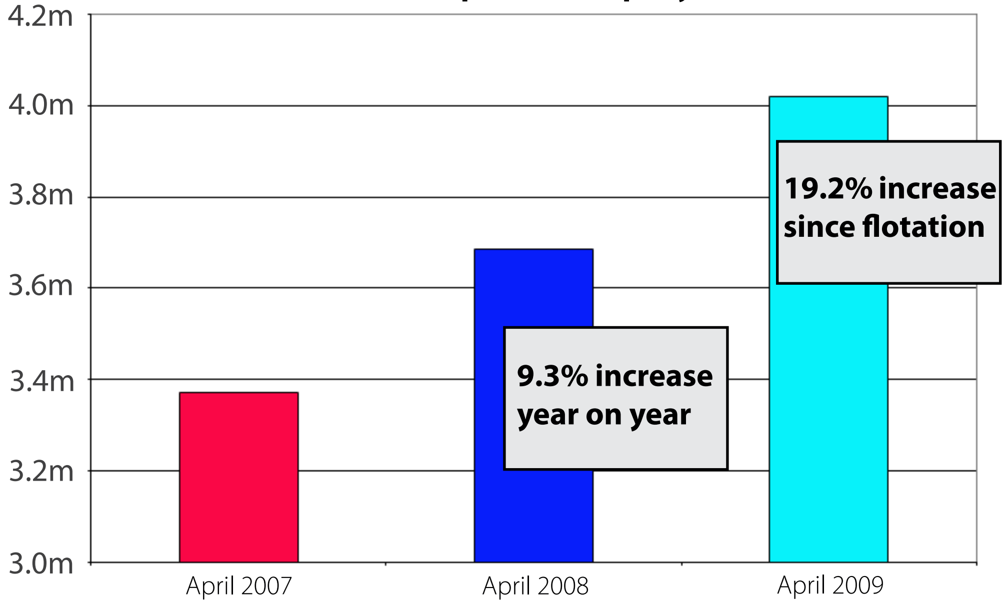
Insider Blog

Website Performance

Unique Visitors

Over 4 million unique visitors during the year, a 9% increase on 2008.

Number of unique visitors per year



Number of unique visitors per month

Active methods of increasing page views

- Encouraging links with online user communities and forums to increase exposure and to forge strong ties.
- Voucher exchange programmes and email marketing campaigns increase traffic by 10%.
- Increased traffic through affiliates and partner sites.
- Forging links via Social Networking sites targeting specific fan-base communities and end users.
- Working with the press to increase our “where to buy” presence in online and offline publications.

eXpansys Website Redesign

We've made a number of improvements to the eXpansys website. Below are a few of the ways we've improved the site:

Home Page Product Boxes

In an effort to increase current products in a more relevant and useful way to customers, we've added new ranking boxes to showcase product as: Top selling, New releases, Most popular and Featured.

Tabbed Menu System

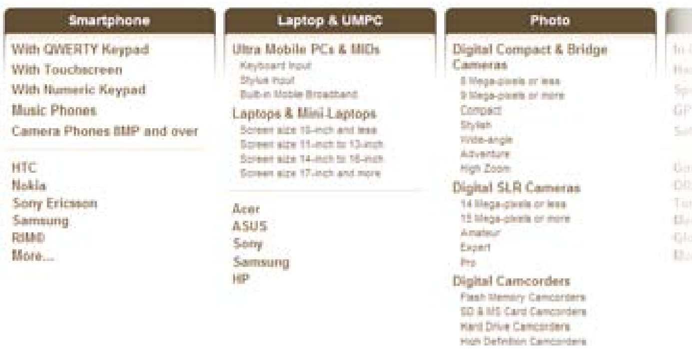
We implemented a new menu system which features the main categories as tabs at the top of the page. When a customer mouses over the tab, it unfolds into a drop-down menu that shows the primary subcategories and top manufacturers, giving the customer added browsing flexibility.

Category Page Redesign

The new layout of the category pages allows categories to be browsed more easily and also provides search engines full access to the entire product category index.

Home Page Category Explorer

There is now a comprehensive product category menu system at the bottom of the home page, designed to allow customers to browse the site more easily and see the full offering at a glance.



Financial Performance

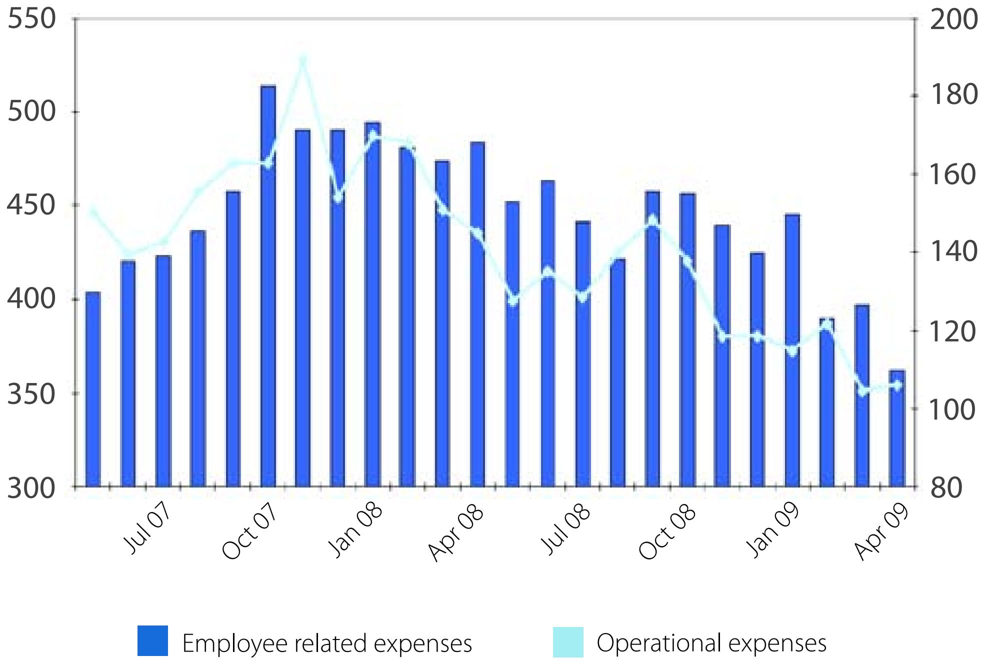
Management has focused on three key areas during the year to April 2009:

- reducing business risk
- improving management of working capital
- challenging all costs

Against the background of a global economic crisis, the core business has achieved:

- reduction in inventory of £5.0m
- reduction in receivables of £3.6m
- repayment of £1.5m UK banking facilities leading to a monthly £15,000 reduction in interest expense
- reduction in monthly employee related expenses of £122,000 and operational expenses of £40,000

Reduction in costs (£ '000)



MWg business in Singapore closed with a loss of £1.4m

Working Capital Management

- Positive cashflow from operating activities of £1.0m (2008: cash outflow of £0.5m)
- Maintenance of cash levels year on year, despite repayment of payables of £4.4m and UK bank facilities of £1.5m
- Post year end inflow of £1.9m from share issue

Statement & Reviews

Chairman's Statement

"Through our swift action to reduce costs, rationalise the business and raise additional working capital we have created a stronger, leaner Group."

Graham Dawber
Non-executive Chairman

There is no doubt that the results are disappointing and that this has been another tough year for the Group. Our swift action to reduce costs, rationalise the business and raise additional working capital have, however, improved our prospects considerably, creating a stronger, leaner Group which the Board believes is capable of achieving sustainable profitability in the short to medium term.

Major review and improvement programme

As the economic climate worsened, with the inevitable impact on revenue and margins, management conducted a major review of Group operations and implemented a successful business improvement programme, the details of which are in our Chief Financial Officer's Review. In short, we took immediate action to preserve and support the Group's core operations, closing the Singaporean venture, Mobile & Wireless Group (MWg) which, despite early promise, had become a major drain on the Group's cash resources; outsourcing our UK warehousing operations; reducing headcount and related costs; raising additional working capital; and addressing our historical inventory and debtor issues.

Fundraising

After the year end, the Company raised £1.92 million net of expenses in a Placing of 133,333,333 shares at 1.5 pence per share with Virtual Phone Shop Limited (VPS), a company controlled by Peter Jones, to provide the Group with the additional working capital. VPS now holds 81% of the Company's share capital.

People

Stephen Vincent, a director of VPS, has today joined the Board of eXpansys as a Non-Executive Director, following the successful completion of the Placing. Stephen's knowledge of our sector is profound and the expertise garnered as Finance Director of Phones International Group will be highly valued by the Group. On behalf of everyone at eXpansys, I welcome him to the Board.

I also take this opportunity to thank Barry Roberts, who resigned as Chairman at our AGM in October 2008, for his contribution to the Group and, on behalf of the Board, wish him all the best for the future.

Our staff have shown exceptional dedication in the face of extremely difficult trading conditions and I would like to thank them all for their commitment and enthusiasm.

Outlook

Despite the turbulent economic conditions and cash flow issues we have faced, I believe that eXpansys is through the worst and the Group is much better positioned to take advantage of any upturn in discretionary spend purchases.

Our priority for the first half of the current year is to cope with the difficult ongoing market conditions and complete our improvements to the Group's operations. The Board remains cautiously optimistic and, using our strong branding and global infrastructure, aims to return the Group to sustainable profitability in the short to medium term.

Graham Dawber
Non-Executive Chairman
22 July 2009

"Using our strong branding and global infrastructure, we aim to return to sustainable profitability in the short to medium term."

Chief Executive's Operating Review

"We have taken decisive action to mitigate increasingly difficult global conditions and change the business to a new model with lower costs and considerably less stock risk."

Roger Butterworth
Chief Executive Officer

In my half year statement to shareholders, I outlined the decisive actions we had taken to mitigate the increasingly difficult global market conditions and to change the eXpansys business over to a new business model with lower costs and considerably less stock risk. I am pleased to report that these actions were successful and that we made further progress throughout the second half of the year, which I expect to continue giving rise to considerable improvement in our results.

Our markets

While there have been regional variations in timing, all of the markets in which we operate have been adversely affected by the poor economic conditions of the last 12 months. Both consumers and businesses have drastically reduced their expenditure on significant discretionary purchases, including portable technology products, and this, combined with the shortage of cash caused by the losses in our MWg business and the reduced availability of both supplier credit and bank credit, has affected the eXpansys business severely.

Following the year end, we addressed our cash shortfall through an issue of new shares and increased credit facilities, provided by our new investor. In addition to this, we are beginning to see some return of consumer spending in our UK, USA and Far East operations. The business in mainland Europe, which was last to suffer the effects of the global downturn, however, is still significantly affected by it.

Business review

The Company's core market remains the online sale of portable electronic devices. We continue to operate through four subsidiaries, eXpansys UK Limited, eXpansys SAS in Montpellier, France, which services mainland Europe, eXpansys Inc in Chicago, selling throughout the Americas, and eXpansys (Hong Kong) Limited, which covers the China and Australasian region.

As I noted in my half year report, the Group's operations in Singapore were closed down at the end of October 2008, incurring substantial losses. These losses are fully accounted for in these full year results.

During the year under review, we sought to reduce our overheads substantially through the outsourcing of our UK warehousing and call centre functions. This has been achieved and the business in the UK has a greatly reduced overhead as a result. Whilst we reduced inventory substantially in the UK and elsewhere, better Electronic Data Interface (EDI) links with our suppliers ensured stock was available for next day shipment to our UK customers. The process of reducing the stock that we own and have physical control of, while increasing the stock that we can call upon electronically, will continue throughout the current financial year.

New products remain a significant source of revenue for the Group. Our early adopter customer base values our ability to deliver the very latest technology as fast as possible and we were doubly affected when several major manufacturers decided to delay new product releases because of the adverse economic conditions. However, in June 2009, there were major new releases from Nokia, Apple and HTC.

“I believe the prospects of the Group are very good indeed.”

Placing and major new shareholder

Following the £1.92 million working capital fundraising in June 2009, VPS - a division of Phones International Group - became our largest investor with a shareholding of 81% in the business. Phones International has been a business partner of eXpansys since 2001. Data Select, a wholly owned subsidiary of Phones International, has provided trade credit of £1.25 million, and has helped us to secure further credit from third party suppliers. This has resulted in a significant improvement in our cash flow and consequently in revenues, which will assist in our aim to deliver sustainable profitability going forward.

Prospects

The last year was undoubtedly a very challenging time for the Group. Our products have always been discretionary spend items and the global economic downturn has hit Group sales hard. The Board, however, reacted swiftly and the resulting review and overhaul of Group operations has strengthened eXpansys significantly and created a leaner business, which is better able to handle harsh trading conditions and well positioned to take advantage of any upturn. The reduction in our sales was exacerbated by manufacturers withholding new product releases - our lifeblood - for better times. New products such as the Nokia N97, HTC Hero and Apple i-Phone 3GS are now beginning to come to market and I am pleased to report that eXpansys has benefited from these.

Whilst we remain cautious, I am now more hopeful for the future of the business than I have been for some time and believe the prospects of the Group in FY 2010 are very good indeed.

Roger Butterworth
Chief Executive Officer
22 July 2009

Chief Financial Officer's Review

"This year has been about reducing business risk, improving working capital management and challenging all costs."

Cate Hulme
Chief Financial Officer

Focus on reducing risk and challenging costs

In light of the ongoing harsh economic conditions, our focus, this year, was fixed firmly on reducing business risk, improving management of working capital and challenging all costs. Despite the Group's poor financial performance, I am pleased to report that we successfully addressed these key issues.

We have taken decisive action by closing the Singaporean business, Mobile & Wireless Group (MWg), during October 2008 in order to reduce ongoing trading losses and improve cash flow. During the first half of the year, MWg incurred a trading loss of £370,000 (2008: trading loss of £1.1 million), with a loss on disposal of £1.0 million which have been shown as discontinued operations in the Income Statement.

Additional radical action was taken to reduce costs further. We closed our UK warehouse in December 2008, outsourcing the warehousing and logistics operations. These premises were successfully sublet in April 2009. A global redundancy programme was also undertaken during the year, incurring exceptional costs of £179,000. Headcount was reduced by 86 to 142 with a further reduction of 11 post year end. These combined actions have reduced monthly employee related expenses by £122,000 with a further £40,000 reduction in operational expenses.

Significant improvements in working capital

We made significant progress in the management of working capital within our ongoing operations, despite the very difficult economic conditions:

- repaying UK bank debt in full, £1.5 million, reducing the Group's dependency on unreliable support
- generating positive cashflow from operating activities of £1.0 million, compared to 2008 cash outflow of £0.5 million
- reducing inventory by £5.0 million
- decreasing receivables by £3.6 million
- achieving a net repayment of creditors, in addition to the banking facilities, of £4.4 million

Operating Results

Like for like revenue decreased by £9.0 million to £47.1 million (2008: £66.8 million which included £10.7 million attributable to non-core distribution business, Portix, sold in April that year).

A significant proportion of our oldest inventory was obtained through historical business acquisitions pre flotation. We had expected to sell these products profitably and had, therefore, avoided aggressive pricing policies. In order to focus on moving the restructured business forward, we focused on realising cash through the sale of this older stock and now believe it has become necessary to make provisions for this inventory, which led to exceptional costs of £2.1 million. This has depressed our gross profit margin for the year under review to 21.1%. Pre-exceptionals, the gross profit margin would have increased to 25.5%.

Exceptional administration expenses were also incurred during the year of £684,000 relating to redundancies and reorganisation costs, £734,000 bad debt write offs netted against a release of warranty provision of £286,000.

Non-exceptional administration costs for the full year were reduced by 10.0% to £8.9 million, (2008: £9.9 million) due to the restructuring highlighted above.

The disposal of the non-core UK distribution business in April 2008, resulted in a profit on disposal of £187,000, with an immediate cash consideration of £760,000 and £400,000 deferred consideration payable, dependent on two trading contracts being awarded to the acquiror. Unfortunately, £300,000 of the deferred consideration did not become payable, leading to a write off in the current year.

There were also reductions in interest charges on bank loans and overdrafts by £224,000 to £235,000, due to the repayment of the UK banking facilities during the year.

Post balance sheet events

On 15 June 2009, we issued 133,333,333 new ordinary shares, raising £2 million, to Virtual Phone Shop Limited, a company controlled by Peter Jones.

Cate Hulme
Chief Financial Officer
22 July 2009

"Decisive, radical action taken to reduce costs, improve cash flow and build a stronger business for the future."

Board of Directors

Graham Dawber FCA

Non-Executive Director, aged 60

Graham joined PricewaterhouseCoopers (then Coopers & Lybrand) in 1965, qualified as a Chartered Accountant in 1970 and was admitted to the partnership in 1980, following a two year secondment to the firm in Nigeria. He also worked with the firm in Switzerland, Belgium and Mexico. As a general practice partner he had significant experience in listed company flotations, acquisition and disposal assignments and his client portfolio included listed companies and other organisations demanding effective and comprehensive corporate governance arrangements. Graham retired from PricewaterhouseCoopers in 2005 and since then has been appointed a Governor of Manchester Metropolitan University and Chairman of its Audit Committee, and Chairman of the Risk and Audit Committee of Her Majesty's Courts Service, North West Region.

Roger Butterworth BSc

Chief Executive Officer, aged 40

Roger invested into the eXpansys business and became CEO in August 2000. Before joining eXpansys he was the UK business manager of Clarity Technology Distribution Limited, a supplier to eXpansys and a division of Horizon Technology Group which floated on the Official List in 1999. During the four years that Roger was in charge, Clarity grew from start-up to a business with annual turnover of over £10 million. Prior to Clarity, Roger worked in sales and sales management for ICL.

Roger holds a BSc in Marine Physics from the University of Wales.

Cate Hulme BSc Hons ACA

Chief Financial Officer, aged 36

Cate joined eXpansys in October 2005 as CFO, from PricewaterhouseCoopers LLP, having qualified as a Chartered Accountant with Ernst & Young LLP in 1998. Throughout her career in finance she has specialised in fast growing entrepreneurial and AIM listed companies and has had a close working relationship with the Company since 2000.

Cate holds a first class degree in Mathematics from the University of Manchester.

Steve Muttram

President, North American Operations, aged 44

Steve joined the Group via the acquisition of Portable Add-Ons Limited in September 2004 where he had been Managing Director since joining in 1999. He led a successful management buy out of the business in November 2000 and has over 22 years experience in the IT communications industry, having previously worked as the EMEA Sales Manager at Xircom Inc from 1995 - 1999, (bought by Intel in 2000) a manufacturer of PCMCIA connectivity cards. At Computer 2000 from 1989 -1995 he spent the last four years as a Business Manager of networking and communication products at a time when annual sales grew from £2 million to £15.5 million.

Frederic Pont

President European Operations, aged 42

Frederic accelerated the international expansion of eXpansys by creating eXpansys Southern Europe in November 2002 and translating the Group's web-sites for non-English speaking jurisdictions. Before joining eXpansys he was Worldwide Engineering Controller at Palm and Montpellier Site Director. He actively participated in the Palm-Palmsource demerger. Previously he was CFO of Smartcode Technologie S.A.R.L. at the time of its sale to 3Com Inc (Palm's parent company) in 1999.

Frederic is a chartered accountant and has worked at both Deloitte and KPMG.

Stephen Vincent, FCMA

Non-Executive Director, aged 39

Following the recent investment by Virtual Phone Shop, Stephen joined the Board of eXpansys as a Non Executive Director. Stephen is the Finance Director of Phones International Group, whom he joined in May 2000 during its second year of operations. He is either a director or acts as an advisor to the vast array of other businesses in which Peter Jones has an investment. He is also a trustee of the Peter Jones Foundation.

Prior to joining Phones International Group, Stephen held a variety of senior finance roles, having initially trained with a small firm of Chartered Accountants in the City.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Annual Reports & Financial Statements 2009

Directors' Report

The directors present their report and financial statements for the year ended 30 April 2009.

Results and dividends

The loss for the year after taxation attributable to members of the parent company was £4,713,000 (2008: £2,174,000). The directors do not recommend the payment of a dividend (2008: £nil).

Principal activities and review of the business

The principal activities of the Group continued to be the retail and distribution of high tech products on a worldwide basis.

Business review and future developments

A review of the business, the future developments and the Group's KPIs are presented in the Chairman's Statement on page 15 , Chief Executive's Operating Review on page 17 and the Chief Financial Officer's Review on page 19.

Financial and non financial KPIs

The Board recognises the importance of both financial and non financial key performance indicators. The Board considers that its financial KPIs during the financial year were gross margin, distribution costs as a percentage of revenue and administration costs and the principal non-financial KPI is the number of unique IP addresses visiting the websites.

	2009	2008 restated*
Gross margin	21.1%	19.2%
Gross margin (excluding exceptionals)	22.5%	21.5%
Distribution costs as a percentage of revenue	6.8%	5.5%
Administration costs (£000)	10,035	10,307
Administration costs (excluding exceptionals) (£000)	8,903	9,889
Unique visitors ('000)	4,021	3,686

*restated for the segregation of results of operations discontinued during 2009

Events since the balance sheet date

On 15 June 2009, 133,333,333 new ordinary shares were issued pursuant to a Placing of new ordinary shares at 1.5 pence per share, raising £2 million with costs incurred of £0.08 million.

Following the admission of the 133,333,333 ordinary shares to AIM on 16 June 2009, the Company's total issued share capital was 178,171,007 ordinary shares of 0.25 pence each.

Directors' Report (continued)

Going concern

The Group has firm relationships with suppliers and key business partners in all key locations from which the Group operates and, as a result of this and the post balance sheet share issue for net funds of £1.92 million, the directors believe that the Group has adequate credit facilities to be well placed to successfully manage its business risks despite the current uncertain global economic outlook.

Therefore, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Principal risks and uncertainties

The Directors consider that the principal risks and uncertainties facing the Group are broadly grouped as current economic environment, business continuity, wirelessly connected device market, e-commerce industry and financial instrument risks. The Board recognises that the nature and scope of risks can change and so regularly reviews the risks faced by the Group as well as the systems and controls to mitigate them.

Current economic environment

The economic environment impacts on spending on the devices and accessories we sell in many ways, including employment levels, availability of credit, consumer debt levels and many other factors influence customers' spending decisions. However, the 'feel good' factor is a positive influence on discretionary spending on these goods. In addition, due to the international nature of the Group there are usually opposite changes in different locations, leading to a reduction in economic risks.

Business continuity

The Group's retailing business is mainly conducted through its websites and, as such, the Group's business is dependent on the efficient functioning of its IT infrastructure supporting the website.

The Group has in place a comprehensive business continuity plan, which is updated as and when required and has a thorough approach to backing up data and data recovery. IT resources are housed at two separate sites with redundant warm standby servers at each location enabling a speedy recovery of IT operations, in the event of a significant failure of a site. In addition, business interruption insurance is in place to cover losses resulting from any downtime.

The Group has appropriate security measures in place to protect access to and from its systems and is certified to comply with the latest PCI compliance standards. The Group also has comprehensive internal security procedures including physical server access control, secure VPNs, strong password policies, document storage and destruction, anti-virus software, software update policies and server audit logs.

In addition, the Group is subject to risks beyond its control in this area as it relies upon the proper functioning of the telecommunications network in the UK and overseas. However, the Board considers these risks to be minimal.

Directors' Report (continued)

Wirelessly connected device market risks

Consumer demand, manufacturer supply, competition and regulation can all impact on gross margin obtained within our market and therefore the Group focuses on protecting our margins through balancing efficient supply chain and logistics with group wide bulk purchasing.

In addition, our products are subject to rapid technological change and therefore often subject to price deflation as new products are manufactured as technology improves. However, the Group has extensive experience of sourcing new 'must have' products to replace these products.

E-commerce industry risks

The accessibility of the wider internet infrastructure is important to the Group's business. The reliability of the internet is proven to be generally very high and as such the Directors consider that any risk to business is minimal and generally outside of the Group's control. Other e-commerce industry risks include on line fraud, worldwide regulatory requirements and economic downturn affecting consumer spending.

Financial risk management objectives and policies

The Group uses financial instruments including cash, bank overdraft and loans and finance leases, as well as trade receivables and payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. Further information in respect of financial instruments is disclosed in note 25 to the financial statements.

These financial instruments expose the Group to a number of financial risks, including liquidity risk, interest rate risk, foreign exchange rate risk and credit risk. The Directors have agreed policies for managing each of these risks and they regularly review these policies.

- The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and financing its operations mainly through supplier credit facilities, thereby reducing its exposure to interest rate fluctuations. The Board believes that, even in current retail environment, the Group has adequate resources to fund ongoing cash requirements in the medium term.

- The Group arranges their financing in currencies consistent with requirements to settle suppliers in line with customers denominated in foreign currencies.

- The Group is exposed to exchange risk on overseas earnings and fluctuations in translated values of foreign currency assets and liabilities and the Group's principal translation currency exposures are United States Dollar and Euros.

- The Group's principal financial assets are cash and trade receivables, hence the principal credit risk arises from its trade receivables. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits, debtors ageing and payment history are regularly reviewed by the directors on an individual customer basis. The Board recognises that credit risk is a feature of all businesses, especially international businesses. However, it believes that all reasonable steps to mitigate loss are taken.

Directors' Report (continued)

Relationships

Other than our shareholders, the Group's performance and value are influenced by other stakeholders, principally our suppliers, customers, employees and other strategic partners. The Group's approach with all these parties is founded on the principles of open and honest dialogue based on a mutual understanding of needs and objectives.

Suppliers

The Group does not follow any formal code or standard on payment practice. However, it recognises the importance of maintaining good business relationships with its suppliers and settles their invoices within agreed terms provided that all trading terms and conditions have been complied with. The average number of days credit taken on the outstanding balance at the year end is 51 (2008: 59).

Employment

The Group recognises and places considerable value on the contribution made by all employees to the development of the Group and the achievement of its goals. The Group seeks to keep all its employees informed on matters affecting them as employees and affecting the Group as a whole.

The Group is committed to creating an environment to attract, retain and motivate employees of high calibre and significant emphasis is placed upon personal development and training to meet both the employee's and the Group's targets.

Applications for employment by disabled persons are always fully considered, bearing in mind aptitudes of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Directors' Report (continued)

Directors

The directors who served during the year and their interests in the share capital of the Company as at 30 April 2009 were as follows:

	April 2009 Ordinary 0.25p shares	*April 2008 Ordinary 0.25p shares*
Roger Butterworth	8,505,847	8,505,847
Cate Hulme	-	-
Steve Muttram	1,594,960	1,594,960
Frederic Pont	1,794,960	1,794,960
Graham Dawber	-	-
Barry Roberts (resigned October 2008)		43,000

Share options:

	Exercise Price (pence)	*Outstanding as at 30 April 2008*	*Granted*	*Expired*	*Outstanding as at 30 April 2009*
Issued 6 March 2007					
Cate Hulme	10.25	425,320	-	-	425,320
Issued 30 April 2008					
Roger Butterworth	20.00	1,892,551	-	-	1,892,551
Cate Hulme	20.00	500,000	-	-	500,000
Steve Muttram	20.00	354,879	-	-	354,879
Frederic Pont	20.00	354,879	-	-	354,879

Substantial shareholders

Other than the Directors' interests shown previously, as at 21 July 2009 the Company had been notified of the following interests of 3% or more in its issued share capital:

	Number of Ordinary Shares	*%*
Peter Jones	145,241,592	81
Matt Kydd	8,505,847	5

Directors' Report (continued)

Disclosure of information to the auditors

The directors who were members of the board at the time of approving the Directors' Report are listed on pages 21 and 22. Having made enquiries of fellow directors and of the Group's auditors, each of the directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the Group's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors

A resolution to re-appoint Ernst & Young LLP as the Group's auditors will be put to the members at the forthcoming annual general meeting.

On behalf of the board on 22 July 2009

C Hulme
Director

Corporate Governance Report

Introduction

Although the rules of AIM do not require the Company to comply with the Combined Code on Corporate Governance ("the Code"), the Company recognises the importance of sound corporate governance, supports the principles set out within the Code and will attempt to comply insofar as it is practicable and appropriate for a public company of its size and nature.

A statement of the Directors' responsibilities in respect of the financial statements is set out on page 36.

Set out below are the key areas that the Directors believe are important to good corporate governance, and the procedures that have been established to ensure compliance.

The Board

The Board now comprises a Non Executive Chairman, a Non Executive Director and four Executive Directors. Biographical details of each member of the board are given on pages 21 and 22.

The Board is collectively responsible for promoting the Company's and Group's success by directing its affairs in the long term interests of the shareholders, in addition to meeting the proper interests of employees, customers, suppliers and other stakeholders.

All directors are equally accountable in law for this stewardship and decisions are taken by all directors sharing the same relevant and timely information and combined knowledge and experience. The non executive directors have a particular responsibility to ensure that the Group's operational performance and progress on its strategy is reviewed and monitored.

The Board meets monthly, either by telephone conference or in person, and has a formal schedule of matters which are reserved for its decision. These include strategic planning, business acquisitions and disposals, authorisation of major capital expenditure and material contractual arrangements. It undertakes regular monitoring of financial results together with comparison of these against expectations. Other matters are delegated to the executive members of the board, supported by policies for reporting to the Board.

Board papers are circulated in advance of each meeting so that all directors are fully briefed and provided with the information they need. All directors may take independent professional advice in furtherance of their duties at the Company's expense.

Minutes of all Board and Committee meetings are taken and circulated for approval, prior to signing by the Chairman.

The Company has adopted a code for dealings in its ordinary shares for directors and senior employees which is considered appropriate for an AIM quoted company.

Details of the Directors' service agreements are given in the Remuneration Report on pages 34 and 35.

Accountability and audit

All the Directors are equally accountable under law for the proper stewardship of the Group's affairs. The Board acts in a way which allows all Directors to bring their independent judgement to bear on issues of strategy, performance and resources, including key appointments and standard of conduct.

Corporate Governance Report (continued)

Audit Committee

The Audit Committee, chaired by Graham Dawber, invites the Executive Directors where relevant. The Board is satisfied that there is recent and relevant financial experience within the committee.

The Audit Committee is responsible for reviewing a wide range of financial matters including the half year and annual reports and financial statements before their submission to the Board, monitoring the quality of internal financial controls and ensuring that the financial performance of the Group is properly measured and reported on.

The Audit Committee advises the Board on the appointment of external advisors and on their remuneration both for audit and non-audit work, and discusses the nature and scope of the audit with the external auditors. It has unrestricted access to the Group's auditors and ensures that auditor independence has not been compromised.

The Committee has met twice during the year, in order to discuss reports from the Group's external auditors and other related matters.

Remuneration Committee

The Remuneration Committee, chaired by Graham Dawber, invites the Chief Executive Officer to attend where relevant. It is responsible for determining the contract terms, remuneration and other benefits for Executive Directors, including the performance related bonuses. It also seeks to ensure that the overall remuneration packages are sufficiently competitive to attract, retain and motivate high quality executive directors and that they are rewarded in a way that is consistent with the interests of the shareholders.

The Committee has met twice during the year.

The remuneration of the Non Executive Chairman is reviewed by the Board.

Shareholder relations

The Board is accountable to the Company's shareholders and as such it is important for the board to appreciate the requirements of shareholders and equally that the shareholders understand how the actions of the board and short-term financial performance relates to the achievement of the Company's longer term goals.

The reporting calendar is denominated by the publication of interim and final results each year, and these interim and annual reports to shareholders are provided on the website (www.eXpansys.com).

The Company meets with its institutional shareholders and analysts as appropriate and will use the annual general meeting to encourage communication with shareholders. The Chief Executive Officer and Chief Financial Officer discuss the results of meetings with shareholders with the Board.

The largest shareholder now has a representative on the Board.

Corporate Governance Report (continued)

Internal control and risk management

The Board recognises its overall responsibility for the Group's systems of internal control and for monitoring their effectiveness.

Such systems are designed to manage rather than eliminate risks and can only provide reasonable and not absolute assurance against misstatement or loss. They include financial, operational and compliance controls and risk management. This will be achieved primarily by considering the risks potentially affecting the Group and from discussions with the external auditors.

The key elements of the Group's system of internal control are as follows:

- a risk based approach has been adopted by the Board in order to focus available resources on the Group's most significant areas of risk;
- an organisational structure with clearly defined responsibilities and reporting;
- executive directors are closely involved in the management of the business at a detailed level, supported by daily, weekly and monthly analyses of the performance of each segment of the business and key performance indicators associated with the trading risks facing the Group;
- regular visits by the Chief Executive and Chief Financial Officers to the business locations;
- detailed annual budgets are prepared, reviewed in detail and approved by the Board and actual performance is reported against these budgets on a weekly and monthly basis; and
- the Group has established controls over security of data and has disaster recovery plans in place.

eXpansys plc does not have an internal audit function as the Board considers that such a function is not appropriate given the size of the Group.

Remuneration Report

Introduction

Companies trading on AIM are not required to provide a formal remuneration report. However, in line with current best practice this report provides information of directors to enable a greater level of understanding as to how Directors' Remuneration is determined.

Information not subject to audit

Remuneration Committee and Policy

The Remuneration Committee of the Board is responsible for considering Executive Directors' remuneration packages and makes its recommendations to the Board. The Committee now comprises of Graham Dawber.

The remuneration of the Non Executives is considered by the Board as a whole.

Remuneration packages are designed to be competitive and to reward above average performance, whilst supporting the Group's business strategy.

Service contracts

The service contracts and letters of appointment of the directors include the following terms:

	Date of contract	*Notice period (months)*
Executive directors		
Roger Butterworth	20 December 2006	12
Cate Hulme	20 December 2006	6
Steve Muttram	15 August 2007	12
Frederic Pont	15 January 2004	12
Non executive directors		
Graham Dawber	12 March 2007	3
Stephen Vincent	28 May 2009	3

Remuneration Report (continued)

Information subject to audit

Directors' remuneration

The remuneration of the directors during the year ended 30 April 2009 was as follows:

	Date of Appointment	*Basic salary and fees £*	*Bonuses £*	*Total 2009 £*	*Total 2008 £*
Executive directors					
Roger Butterworth	August 2000	191,667	-	191,667	200,000
Cate Hulme	January 2006	100,000	-	100,000	124,303
Steve Muttram	December 2006	161,430	-	161,430	135,304
Frederic Pont	December 2006	152,097	43,372	195,469	172,645
Non executive directors					
Barry Roberts (resigned October 2008)	April 2007	26,250	-	26,250	35,000
Graham Dawber	April 2007	20,000		20,000	20,000
Stephen Vincent	June 2009	-	-	-	-
		651,444	43,372	694,816	687,252

The bonus paid to Frederic Pont during the year was contractual and non performance related.

Share based incentives

On 6 March 2007, 425,320 pre flotation share options were granted to Cate Hulme with an exercise price of 10.25 pence.

On 30 April 2008, further equity settled share options were granted, exercisable at the discretion of the option holder, for up to ten years from issue date:

	Number of shares under option	*Exercise price (pence)*
Roger Butterworth	1,892,551	20.0
Cate Hulme	500,000	20.0
Steve Muttram	354,879	20.0
Frederic Pont	354,879	20.0

On behalf of the board on 22 July 2009

Graham Dawber
Chairman of the Remuneration Committee

Statement of directors' responsibilities in relation to the Group financial statements

The directors are responsible for preparing the annual report and the Group financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

The directors are required to prepare Group financial statements for each financial year which present fairly the financial position of the Group and the financial performance and cash flows of the Group for that period.

In preparing those Group financial statements, the directors are required to:

- select suitable accounting policies in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- state that the Group has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the Group financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of eXpansys plc

We have audited the group financial statements of eXpansys plc for the year ended 30 April 2009 which comprise the Group Income Statement, Group Statement of Recognised Income and Expense, Group Balance Sheet, Group Cash flow Statement and the related notes 1 to 31. 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.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 30 April 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditors' report to the members of eXpansys plc (continued)

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 group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

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

- 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.

Other matter

We have reported separately on the parent company financial statements of eXpansys Plc for the year ended 30 April 2009 and on the information in the Directors' Remuneration Report that is described as having been audited.

Ernst & Young LLP

Jan Gregory (Partner)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
22 July 2009

Group income statement

for the year ended 30 April 2009

	Notes	2009 £000	2008 £000 restated*
Revenue	3	47,052	66,789
Exceptional cost of sales	7	(2,057)	(1,576)
Other cost of sales		(35,077)	(52,421)
Total cost of sales		(37,134)	(53,997)
Gross profit		9,918	12,792
Distribution costs		(3,182)	(3,657)
Exceptional administrative expenses	7	(1,132)	(418)
Other administrative expenses		(8,903)	(9,889)
Total administrative expenses		(10,035)	(10,307)
Operating loss from continuing operations	5	(3,299)	(1,172)
Exceptional operating loss	7	(3,189)	(1,994)
Other operating (loss) / profit		(110)	822
Finance revenue	9	35	28
Finance costs	10	(235)	(459)
(Loss) / profit on disposal of distribution business		(300)	187
Loss from continuing operations before taxation		(3,799)	(1,416)
Tax credit	11	465	366
Loss for the year from continuing operations		(3,334)	(1,050)
Discontinued operations			
Loss for the year from discontinued operations	12	(1,379)	(1,124)
Loss for the year		(4,713)	(2,174)

* restated for the segregation of results of operations discontinued during 2009

Group income statement (continued)

for the year ended 30 April 2009

	Notes	2009 £000	2008 £000 restated*
Loss for the year attributable to:			
Equity holders of the parent		(4,713)	(2,174)
Minority interest		-	-
Loss for the year		(4,713)	(2,174)

Earnings per share (pence)

	Notes	2009	2008
Basic and diluted loss per share from continuing operations	13	(7.4)p	(2.6)p
Basic and diluted loss per share from loss for the year	13	(10.5)p	(5.3)p

* restated for the segregation of results of operations discontinued during 2009

Group statement of recognised income and expense

for the year ended 30 April 2009

	Notes	*2009* *£000*	*2008* *£000* *restated**
Income and expense recognised directly in equity			
Currency translation differences	28	669	43
Deferred taxation on share based payment	11	-	(179)
Net income / (expense) recognised directly in equity		669	(136)
Loss for the year from continuing operations before taxation		(3,799)	(1,416)
Tax credit	11	465	366
Loss for the year from discontinued operations		(1,379)	(1,124)
Total recognised expense relating to the year		(4,044)	(2,310)
Attributable to:			
Equity holders of the parent		(4,044)	(2,310)
Minority interest		-	-
		(4,044)	(2,310)

* restated for the segregation of results of operations discontinued during 2009

Group balance sheet

for the year ended 30 April 2009

	Notes	2009 £000	2008 £000
ASSETS			
Non current assets			
Plant and equipment	14	470	751
Intangible assets	15	4,949	4,812
Deferred income tax assets	11	1,289	812
		6,708	6,375
Current assets			
Inventories	19	1,540	6,912
Trade and other receivables	18	2,082	6,459
Income tax receivable		37	-
Cash and short term deposits	20	405	2,179
		4,064	15,550
Total assets		10,772	21,925
LIABILITIES			
Current liabilities			
Trade and other payables	21	(6,754)	(11,250)
Financial liabilities	22	(248)	(2,124)
Income tax payable		-	(79)
Government grants		(86)	(44)
Provisions	24	(22)	(625)
		(7,110)	(14,122)
Non current liabilities			
Financial liabilities	22	(203)	(263)
Deferred tax liabilities	11	(7)	(60)
		(210)	(323)
Total liabilities		(7,320)	(14,445)
Net assets		3,452	7,480

Group balance sheet

for the year ended 30 April 2009

	Notes	*2009*	*2008*
		£000	*£000*
Capital and reserves			
Equity share capital	26,28	9,165	9,165
Merger reserve	28	750	750
Currency translation	28	688	19
Retained earnings	28	(7,151)	(2,454)
eXpansys Group shareholders' equity	28	3,452	7,480
Minority interest		-	-
Total equity		3,452	7,480

The financial statements of eXpansys plc ("the Group") for the year ended 30 April 2009 were authorised for issue by the Board of Directors on 22 July 2009 and the balance sheet was signed on the Board's behalf by

R Butterworth
CEO

C Hulme
CFO

Group cash flow statement

for the year ended 30 April 2009

	Notes	2009 £000	2008 £000 restated*
Operating activities			
Operating loss from continuing operations		(3,299)	(1,172)
Adjustments to reconcile loss for the year to net cash flow from operating activities			
Exceptional write down of deferred consideration		(300)	-
Depreciation of plant and equipment	14	321	590
Amortisation of intangible assets	15	775	575
Share based payments		16	1
Currency movements		(112)	4
Decrease / (increase) in inventories		4,968	(598)
Decrease / (increase) in trade and other receivables		3,597	(484)
(Decrease) / increase in trade and other payables		(4,415)	2,520
Cash generated from continuing operations		1,551	1,436
Discontinued operations: MWg	12	(152)	(1,499)
Income tax paid		(182)	(4)
Interest paid		(200)	(430)
Net cash flow from operating activities		1,017	(497)
Investing activities			
Payments to acquire subsidiary undertaking		-	(303)
Cash acquired with subsidiary undertaking		-	271
Inflow on disposal of distribution business		-	760
Discontinued operations: MWg	12	(158)	(171)
Payments to acquire plant and equipment		(136)	(64)
Payments to acquire intangible assets		(560)	(572)
Net cash flow from investing activities		(854)	(79)
Financing activities			
Proceeds from share issues		-	400
New borrowings		26	-
Repayment of borrowings		(18)	(28)
Repayments of capital element of finance leases and hire purchase contracts		(168)	(222)
Net cash flow from financing activities		(160)	150
Increase / (decrease) in cash	31	3	(426)
Cash and cash equivalents at the beginning of the year	31	313	739
Cash and cash equivalents at the year end	20,31	316	313

* restated for the segregation of results of operations discontinued during 2009

Notes for the group financial statements

for the year ended 30 April 2009

1. Authorisation of financial statements and statement of compliance with IFRSs

The financial statements of eXpansys plc and its subsidiaries (the 'Group') for the year ended 30 April 2009 were authorised for issue by the Board of Directors on 22 July 2009 and the balance sheet was signed on the Board's behalf by Roger Butterworth and Cate Hulme.

eXpansys plc is a public limited company incorporated and domiciled in England and Wales, and the address of its registered office is 3 Hardman Square, Spinningfields, Manchester, M3 3EB, United Kingdom. The Company's shares are traded on the Alternative Investment Market.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Finance Reporting Interpretation Committee (IFRIC) interpretations as adopted by the European Union as they apply to the financial statements of the Group for the year ended 30 April 2009.

The principal accounting policies adopted by the Group are set out in note 2.

2. Accounting policies

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Finance Reporting Interpretation Committee (IFRIC) interpretations as adopted by the European Union as they apply to the financial statements of the Group for the year ended 30 April 2009 and applied in accordance with Companies Act 1985.

The accounting policies which follow set out those policies which apply in preparing the Group financial statements for the year ended 30 April 2009.

The Group financial statements are presented in Sterling (being the Group's functional and measurement currency) and all values are rounded to the nearest thousand pounds (£000) except where indicated otherwise.

The Company continues to apply UK GAAP in the preparation of its individual financial statements, which are contained on pages 97 to 112.

Notes for the group financial statements

for the year ended 30 April 2009

2. Accounting policies (continued)

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates. Estimates and assumptions used in the preparation of the financial statements are continually reviewed and revised as necessary. Whilst every effort is made to ensure that such estimates and assumptions are reasonable, by their nature they are uncertain, and, as such, changes in estimates and assumptions may have a material impact in the financial statements.

The key sources of estimation uncertainty that have significant risk of causing material adjustment to carrying amounts of assets and liabilities within the next financial year are the measurement of:

- indefinite life intangible assets (including goodwill);
- inventories; and
- trade receivables; and
- taxation.

The measurement of intangible assets including goodwill on a business combination involves estimation of future cash flows and the selection of a suitable discount rate. The Group determines whether indefinite life intangible assets are impaired on an annual basis and this requires an estimation of the value in use of the cash generating units to which the intangible assets are allocated. This involves estimation of future cash flows and choosing a suitable discount rate. Any estimates of future economic benefits made in relation to these assets may differ from the benefits that ultimately arise, and materially affect the recoverable value of the asset.

Calculation of inventory provisions requires judgements to be made which include forecast consumer demand and inventory loss trends.

Provisions for irrecoverable receivables are based on extensive historical evidence, and the best available information in relation to specific issues, but are nevertheless inherently uncertain.

The complex nature of tax legislation across the tax jurisdictions in which the Group operates necessitates the use of many estimates and assumptions, where the outcome may differ from that assumed. The extent to which tax losses can be utilised depends on the extent to which taxable profits are generated in the relevant jurisdictions in the foreseeable future, and on the tax legislation then in force, and as such the value of associated deferred tax assets is uncertain.

Notes for the group financial statements

for the year ended 30 April 2009

2. Accounting policies (continued)

Basis of consolidation

The Group financial statements consolidate the financial statements of eXpansys plc and the entities it controls drawn up to 30 April each year.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct and indirect ownership of voting rights; currently exercisable or convertible potential voting rights; or by way of contractual agreement. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting year as the parent company and are based on consistent accounting policies. All inter company balances and transactions, including unrealised profits arising from them, are eliminated.

Minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group and is presented separately within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Transactions with minority shareholders

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

Notes for the group financial statements

for the year ended 30 April 2009

2. Accounting policies (continued)

Foreign currency translation

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the functional currency). The Group financial statements are presented in Sterling, which is the parent's functional currency.

Transactions in foreign currencies are initially recorded in the functional currency by applying the spot rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement, except when hedge accounting is applied and for differences on monetary assets and liabilities that form part of the Group's net investment in a foreign operation. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss. Material transactions in foreign currencies are hedged using forward purchases or sales of the relevant currencies, where this is deemed appropriate.

The assets and liabilities of foreign operations are translated into Sterling at the rate of exchanges ruling at the balance sheet date. Goodwill is held in the currency of the operations to which it relates. Income and expenses are translated at average exchange rates for each month. The resulting exchange differences are taken directly to the translation reserve, a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The principal exchange rates against Sterling used in these financial statements are as follows:

	Average year ended 30 April 2009	*Average year ended 30 April 2008*	*Closing 30 April 2009*	*Closing 30 April 2008*
Euro	1.189	1.395	1.107	1.270
United States Dollar	1.668	2.011	1.467	1.984
Hong Kong Dollar	12.967	15.674	11.373	15.459

Notes for the group financial statements

for the year ended 30 April 2009

2. Accounting policies (continued)

Goodwill

Business combinations on or after 1 May 2006 (being the date of transition) are accounted for under IFRS 3 using the purchase method. Any excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recognised in the balance sheet as goodwill and is not amortised. Adjustments are made where necessary to bring the accounting policies of acquired businesses into alignment with those of the Group. Any goodwill asset arising on the acquisition of subsidiaries with a functional currency different from that of the Group, is included within the assets and liabilities of those entities and translated at the closing rate.

After initial recognition, goodwill is stated at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment, at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired.

For the purposes of impairment testing, goodwill is allocated to the related cash–generating units monitored by management, usually at business segment level or statutory company level as the case may be. Where the recoverable amount of the cash generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the income statement.

The carrying amount of goodwill allocated to a cash-generating unit is taken into account when determining the gain or loss on disposal of the unit, or of an operation within it.

Intangible assets

Intangible assets acquired separately from a business are carried initially at cost. An intangible asset acquired as part of a business combination is recognised outside goodwill if the asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably.

Expenditure relating to clearly defined and identifiable development projects is recognised as an intangible asset only after all the following criteria are met:

- the project's technical feasibility and commercial viability can be demonstrated;
- the availability of adequate technical and financial resources and an intention to complete the project have been confirmed; and
- the correlation between development costs and future revenues has been established.

Expenditure on internally generated intangible assets unable to meet these criteria is taken to the income statement in the year in which it is incurred.

Following initial recognition, the historical cost model is applied, with intangible assets being carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with finite life have no residual value and are amortised on a straight line basis over their expected useful lives with charges included in administrative expenses, as follows:

- trademarks - 20 years;
- website development costs - 5 years

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. In addition, the carrying value of capitalised development expenditure is reviewed for impairment annually before being brought into use.

Notes for the group financial statements

for the year ended 30 April 2009

2. Accounting policies (continued)

Website development costs

The Group's websites and other revenue generating software are developed internally. Costs incurred in this development up to the date that the asset is brought into use are capitalised as intangible assets only where they lead to the creation of an enduring asset delivering benefits at least as great as the expenditure incurred. Once the websites and software reach the operating stage, subsequent expenditure meeting the definition of an intangible assets and the relevant recognition criteria, is also capitalised. In other circumstances costs are charged to the income statement as incurred.

Amounts capitalised are written down over their expected useful economic life of 5 years on a straight line basis.

Acquisition intangibles

Acquired intangible assets such as customer bases and other intangible assets acquired through a business combination are capitalised separately from goodwill and amortised over their expected useful lives of up to 5 years on a straight line basis. The value attributed to such assets is based on the future economic benefit that is expected to be derived from them, calculated as the present value of future cash flows.

Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes cost directly attributable to making the asset capable of operating as intended. Borrowing costs attributable to assets under construction are recognised as an expense as incurred.

Depreciation has been provided on all plant and equipment on a straight line basis over its expected useful lives, at annual rates between 20% and 33%.

The carrying values of plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

Notes for the group financial statements

for the year ended 30 April 2009

2. Accounting policies (continued)

Leases

Assets held under finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease, with a corresponding liability being recognised for the lower of the fair value of the lease asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the income statement so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term. Rent free periods are amortised through the income statement over the period of the lease.

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used, these calculations corroborated by valuation multiples, or other available fair value indicators. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Notes for the group financial statements

for the year ended 30 April 2009

2. Accounting policies (continued)

Provisions

A provision is recognised when:

- the Group has a legal or constructive obligation as a result of a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount can be reliably estimated.

If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Increases in the provision due to passage of time are recognised as interest expense.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Warranty provision

On 31 October 2007, the Company entered into an agreement with O2 Asia to purchase its stock and other assets, and assumed responsibility for all historical warranty obligations. Provision was made at that time of entering the agreement for the estimated cost of product warranties on product out in the market still under warranty historically sold by O2 Asia, and further provisions are made relating to the expected costs for new warranties at the time revenue is recognised.

The warranty provision is established based upon our best estimates of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. The measurement of warranty provision involves estimation of the level of repairs and returns expected on certain products sold within the last twelve months, based on historical warranty claim information, as well as recent trends that might suggest that past cost information may differ from future claims. Factors that could impact the estimated claim information include parts and labour costs. A review is performed quarterly of the adequacy of this provision. However there remains a risk that the provision does not match the level of actual failures and costs incurred to repair those faults.

The warranty obligation was only for 12 months and therefore there is no provision as at April 2009.

Notes for the group financial statements

for the year ended 30 April 2009

2. Accounting policies (continued)

Financial assets

Financial assets are recognised when the Group becomes party to the contracts that give rise to them and are classified as: financial assets at fair value through the profit and loss; loans and receivables; held-to-maturity investments; or as available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year end. When financial assets are recognised initially, they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through the profit and loss, directly attributable transaction costs.

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset is impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognised in administration costs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised costs at the reversal date.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in the income statement.

Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Notes for the group financial statements

for the year ended 30 April 2009

2. Accounting policies (continued)

Derivative financial instruments and hedging (continued)

For those derivatives designated as hedges and for which hedge accounting is deemed appropriate, the hedging relationship is documented at its inception. This documentation identifies the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how effectiveness will be measured throughout its duration. Such hedges are expected at inception to be highly effective.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or a firm commitment; or
- cash flow hedges when hedging exposure to variability in cash flows that is either an unrecognised assets or liability or attributable to a highly probable forecast transaction.

Any gains or losses arising from changes in the fair value of derivatives that do not qualify for hedge accounting are taken to the income statement. The treatment of gains and losses arising from revaluing derivatives designated as hedging instruments depends on the nature of the hedging relationship, as follows:

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for example when the forecast purchase that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

There were no hedges during either year.

Notes for the group financial statements

for the year ended 30 April 2009

2. Accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition and is calculated uniquely for each item of inventory. Net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal. Provision is made for obsolete or defective items where appropriate.

Trade and other receivables

Trade receivables, which generally have 30 to 60 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. The time value of money is not material.

Provision is made when there is objective evidence that the Group will not be able to recover balances in full. Significant financial difficulties in the customer, probability that the customer will enter bankruptcy or financial reorganisation and default in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying value of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'Distribution costs'.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'Distribution costs' in the income statement.

Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at banks and short term deposits with an original maturity of three months or less.

For the purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest bearing loans and borrowings

Obligations for loans and borrowings are recognised when the Group becomes party to the related contracts and are measured initially at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in finance revenue and finance cost.

Notes for the group financial statements

for the year ended 30 April 2009

2. Accounting policies (continued)

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantially enacted by the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying value of deferred income tax assets are reviewed at each balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income statement.

Shares

Proceeds on issue of shares are included in shareholder's equity, net of transaction costs. The carrying amount is not remeasured in subsequent years.

Notes for the group financial statements

for the year ended 30 April 2009

2. Accounting policies (continued)

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services, excluding discounts, rebates, VAT and other sales taxes or duty.

The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on despatch of the goods.

It is the Group's policy to comply with sales legislation in the countries into which it sells, as a minimum, and therefore retail customers have a right to return within up to 28 days (dependent on country of sale). A provision for estimated returns is made, representing the profit on goods sold during the year which will be returned and refunded after the year end based on past experience. Revenue is reduced by the value of sales returns provided for during the year.

Retail sales are usually made in cash or by credit card. No element of financing is deemed present as credit sales are made with terms of up to 60 days, which is consistent with the market practice.

Rendering of services

Revenue from provision of marketing services is recognised when the services are provided, generally no longer than a three month period, and from other support services on an accruals basis in accordance with the substance of the relevant agreements with customers.

Interest income

Revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all related conditions will be met, usually on submission of a valid claim for payment. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the expenditure that they are intended to compensate. The grant income is recognised within wages and salaries in administration expenses.

Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised as an expense when incurred.

No borrowing costs were capitalised during either year.

Notes for the group financial statements

for the year ended 30 April 2009

2. Accounting policies (continued)

Exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Share based payments

The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by the directors using an appropriate pricing model. In valuing equity settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity settled award is cancelled, it is treated as if it had vested on the date of the cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

There are no cash settled share based payment transactions.

Notes for the group financial statements

for the year ended 30 April 2009

2. Accounting policies (continued)

New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS / IFRSs)	***Effective date***
IFRS 2 Amendment to IFRS 2 – Vesting Conditions and Cancellations	1 January 2009
IFRS 3 Business Combinations (revised January 2008)	1 July 2009
IFRS 8 Operating Segments	1 January 2009
IAS 1 Presentation of Financial Statements (revised September 2007)	1 January 2009
IAS 23 Borrowing Costs (revised March 2007)	1 January 2009
IAS 27 Consolidated and Separate Financial Statements (revised January 2008)	1 July 2009
IAS 32 / IAS1 Puttable financial instruments (revised February 2008)	1 January 2009
IAS 39 Eligible Hedged Items	1 July 2009

International Financial Reporting Interpretations Committee (IFRIC)	***Effective date***
IFRIC 12 Service Concession Arrangements	1 January 2008
IFRIC 13 Customer Loyalty Programmes	1 July 2008
IFRIC 15 Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16 Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 17 Distributions of Non Cash Assets to Owners	1 July 2009
IFRIC 18 Transfers of Assets from Customers	1 July 2009

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the measurement of the Group's results or net assets. However it is anticipated that they are likely to result in certain changes in the presentation of the Group's financial statements in the period of initial application.

Notes for the group financial statements

for the year ended 30 April 2009

3. Revenue

Revenue recognised in the income statement is analysed as follows:

			2009			*2008*
	Continuing Operations	*Discontinued Operations*	*Total*	*Continuing Operations*	*Discontinued Operations*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
						*restated**
Sale of goods	46,372	2,099	48,471	66,168	2,866	69,034
Rendering of services	680	-	680	621	-	621
	47,052	2,099	49,151	66,789	2,866	69,655

No revenue was derived from exchanges of goods or services in either year.

2008 results were restated for the segregation of results of operations discontinued during 2009.

Notes for the group financial statements

for the year ended 30 April 2009

4. Segment information

The Group is managed and reported, on a worldwide basis, according to operating divisions aligned to the main trading subsidiaries:

- eXpansys UK Limited, incorporated in United Kingdom, shipping to United Kingdom and the rest of the world from warehouses in United Kingdom;
- eXpansys Nomatica SAS, incorporated in France, shipping to Continental Europe from its warehouse in Montpelier, France;
- eXpansys Inc (formerly Mobile Planet Inc), incorporated in United States of America, shipping to United States and Canada, from its warehouse in Bloomington, Chicago, United States of America;
- eXpansys Hong Kong Limited, incorporated in Hong Kong, shipping to the Far East from its warehouse in Hong Kong; and
- Mobile & Wireless Group PTE Limited (MWg), incorporated in Singapore during November 2007 and discontinued in October 2008, shipping on a world wide basis through the warehouses in the rest of the Group and direct from suppliers.

Therefore the primary segment reporting format is determined to be geographical segments by origin as the Group's risks and rates of return are affected predominantly by differences in geographic location. Segmental analysis by destination would not be materially different.

Secondary segment information (business segments) has not been reported separately as all of the revenue and expenses and all the assets relate to the one continuing activity, being the sale of portable communication and computing devices.

Transfer prices between business segments are set on an arms length basis in a manner similar to transactions between third parties. Segment revenue, segment expense and segment result includes transfers between business segments. Those transfers are eliminated on consolidation.

Segment assets consist primarily of plant and equipment, intangible assets, inventories, trade and other receivables and cash and cash equivalents. Unallocated assets comprise goodwill and intercompany balances.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise intercompany balances and financial liabilities.

Capital expenditure comprises additions to plant and equipment and intangible assets, including additions resulting from acquisitions through business combinations.

The following tables present revenue and (loss) / profit and certain asset and liability information regarding the Group's business segments for the years ended 30 April 2009 and 2008.

During the year the MWg business was discontinued, therefore, 2008 results were restated for the segregation of the results of these operations.

Notes for the group financial statements

for the year ended 30 April 2009

4. Segment information (continued)

Year ended 30 April 2009

	Continuing Operations					Discontinued Operations
	UK & rest of world £000	*Continental Europe £000*	*USA & Canada £000*	*Far East £000*	*Total £000*	*MWg £000*
Revenue						
Sales to external customers	14,310	20,317	8,532	3,893	47,052	2,099
Inter-segment sales	8,775	3,209	1,445	1,142	14,571	277
Segment revenue	**23,085**	**23,526**	**9,977**	**5,035**	**61,623**	**2,376**
Results						
Segment result	(1,941)	86	(502)	(942)	(3,299)	(370)
Group operating loss					**(3,299)**	
Net finance costs					(200)	
Exceptional write off of deferred consideration					(300)	
Loss before taxation for continuing operations					**(3,799)**	
Tax credit					465	
Loss for the year for continuing operations					**(3,334)**	
Assets and liabilities						
Segment assets	5,853	3,069	820	324	10,066	
Unallocated assets					706	
Total assets					**10,772**	
Segment liabilities	(5,780)	(1,923)	(819)	(598)	(9,120)	
Unallocated liabilities					1,800	
Total liabilities					**(7,320)**	
Other segment information						
Plant and equipment capital expenditure	82	18	6	30	136	-
Intangible assets capital expenditure	560	-	-	-	560	-
Impairment of trade receivables (note 5)	736	-	-	-	736	-
Depreciation	204	41	22	54	321	-
Amortisation	608	104	10	53	775	-

Notes for the group financial statements

for the year ended 30 April 2009

4. Segment information (continued)

Year ended 30 April 2008

					Continuing Operations	*Discontinued Operations*
	UK & rest of world	*Continental Europe*	*USA & Canada*	*Far East*	*Total*	*MWg*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Year ended 30 April 2008						
Revenue						
Sales to external customers	32,738	17,422	12,968	3,661	66,789	2,866
Inter-segment sales	13,778	3,921	4,376	2,803	24,878	-
Segment revenue	**46,516**	**21,343**	**17,344**	**6,464**	**91,667**	**2,866**
Results						
Segment result	(1,080)	390	(469)	(13)	(1,172)	(1,124)
Group operating loss					**(1,172)**	
Profit on disposal of division					187	
Net finance costs					(431)	
Loss before taxation for continuing operations					**(1,416)**	
Tax credit					366	
Loss for the year for continuing operations					**(1,050)**	
Assets and liabilities						
Segment assets	11,354	3,373	1,714	788	17,229	1,219
Unallocated assets					3,477	
Total assets					**20,706**	
Segment liabilities	(9,624)	(2,363)	(1,330)	(368)	(13,685)	(2,281)
Unallocated liabilities					1,521	
Total liabilities					**(12,164)**	
Other segment information						
Plant and equipment capital expenditure	257	23	16	96	392	183
Intangible assets capital expenditure	810	-	-	-	810	-
Impairment of trade receivables (note 5)	103	-	-	-	103	-
Depreciation	474	44	24	18	560	30
Amortisation	575	-	-	-	575	-

Notes for the group financial statements

for the year ended 30 April 2009

5. Group operating loss from continuing operations

This is stated after charging/(crediting):

	2009 £000	2008 £000 restated*
Depreciation of owned plant and equipment	207	416
Depreciation of leased plant and equipment	114	174
Amortisation of purchased trademarks	167	47
Amortisation of website development costs	608	528
Total depreciation and amortisation expense	1,096	1,165
Net foreign currency differences	106	121
Cost of inventories recognised as an expense	37,134	53,997
Including: exceptional write down of inventories to net realisable value	2,057	1,576
Operating lease rentals - property	524	744
Government grants	(26)	(14)
Impairment of trade receivables recognised in administration costs	736	103

2008 results were restated for the segregation of results of operations discontinued during 2009.

Notes for the group financial statements

for the year ended 30 April 2009

6. Auditors' remuneration

The Group paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Group.

	2009	*2008*
	£000	*£000*
Audit of the financial statements	35	35
Other fees to auditors: (*)		
Local statutory audits for subsidiaries	29	29
	64	64

(*) All amounts included in other fees to auditors relate to the Company and its UK subsidiaries.

eXpansys (Hong Kong) Limited is audited by another auditor. Not included in the above analysis are audit fees for that company in respect of the local statutory audit. These totalled HK$140,000 (£12,200) for the year ended 30 April 2009 and HK$140,000 (£9,300) for the year ended 30 April 2008.

7. Exceptional items

	2009	*2008*
	£000	*£000*
Cost of sales		
Exceptional stock write downs in order to generate cash	2,057	1,576
Administrative expenses		
Costs relating to restructuring of group financing arrangements	-	29
Costs in relation to redundancies in eXpansys UK and eXpansys Inc	179	389
Provision against two debts due from overseas businesses in financial difficulties	734	-
Cost of Australian office reorganisation	295	-
Release of warranty provision (note 24)	(286)	-
Cost of UK warehousing reorganisation	210	-
	1,132	418
Total exceptional costs	3,189	1,994

All of the exceptional items in the table above are deemed allowable for corporation tax purposes.
2008 results were restated for the segregation of results of operations discontinued during 2009.

Notes for the group financial statements

for the year ended 30 April 2009

8. Staff costs and directors' emoluments

Staff costs, including directors' remuneration, were as follows:

	2009 *£000*	*2008* *£000*
Wages and salaries	3,269	4,751
Social security costs	714	804
	3,983	5,555

Included in wages and salaries is a total expense of share-based payments of £nil (2008: £1,000), all of which arise from transactions accounted for as equity-settled share-based payment transactions.

The average monthly number of employees, including directors, during the year, were as follows:

	2009 *No.*	*2008* *No.*
United Kingdom	54	85
Europe (outside of UK)	55	47
United States of America	24	25
Far East	51	40
	184	197

Aggregate compensation to key management personnel, being the directors of eXpansys plc, was as follows:

	2009 *£000*	*2008* *£000*
Aggregate emoluments	695	687

In relation to the highest paid director:

	2009 *£000*	*2008* *£000*
Aggregate emoluments	195	200

Notes for the group financial statements

for the year ended 30 April 2009

9. Finance revenue

	2009 £000	2008 £000
Bank interest receivable	35	28

2008 results were restated for the segregation of results of operations discontinued during 2009.

10. Finance costs

	2009 £000	2008 £000
Bank loans and overdrafts	215	144
Other loans	-	265
Finance charges payable under finance leases and hire purchase contracts	20	50
	235	459

2008 results were restated for the segregation of results of operations discontinued during 2009.

Notes for the group financial statements

for the year ended 30 April 2009

11. Taxation

(a) Tax on loss on ordinary activities

Tax charged in the income statement

	2009 £000	2008 £000
Current income tax		
UK corporation tax – continuing operations	-	5
Foreign tax	68	57
Current income tax charge	68	62
Amounts overprovided in previous years	(3)	(4)
Total current income tax	65	58
Deferred tax		
Origination and reversal of temporary differences	(530)	(424)
Total deferred tax	(530)	(424)
Tax credit in the income statement	(465)	(366)

	2009 £000	2008 £000
The tax credit in the income statement is disclosed as follows:		
Income tax credit on continuing operations	(465)	(366)
Tax relating to items charged or credited to equity		
Deferred tax		
Share based payment	-	179
Tax credit in the statement of recognised income and expense	(465)	(187)

Notes for the group financial statements

for the year ended 30 April 2009

11. Taxation (continued)

(b) Reconciliation of the total tax charge

The tax credit in the income statement for the year is different from the standard rate of corporation tax in the UK of 28% (2008: 30%).

The differences are reconciled below:

	2009 *£000*	*2008* *£000*
Loss from continuing operations before taxation	(3,799)	(1,416)
Accounting loss before income tax	(3,799)	(1,416)
Accounting loss multiplied by the standard rate of corporation tax of 28% (2008: 30%)	(1,064)	(425)
Expenses not deductible for tax purposes	48	-
Income not taxable for tax purposes	-	(41)
Tax overprovided in previous years	(3)	(4)
Deferred tax movements not provided for	434	-
Tax losses not relievable against current tax	119	53
Tax rate difference	1	27
Other	-	24
Total tax income reported in the income statement	(465)	(366)

(c) Unrecognised tax losses

The Group has tax losses which arose in USA of £3,431,000 (2008: £1,434,000) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose. Deferred taxation assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in subsidiaries which have previously been loss making.

(d) Temporary differences associated with Group investments

At 30 April 2009, there was no recognised deferred tax liability (2008: £nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

Notes for the group financial statements

for the year ended 30 April 2009

11. Taxation (continued)

(e) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2009 £000	2008 £000
Deferred tax liability		
Accelerated capital allowances	7	60
Deferred tax asset		
Depreciation in advance of capital allowances	243	179
Other timing differences	4	8
Tax losses carried forward	1,042	625
	1,289	812
Deferred tax in the income statement		
Accelerated capital allowances	(116)	(45)
Other timing differences	4	(1)
Tax losses	(418)	(378)
Deferred income tax credit	(530)	(424)

Unrecognised deferred taxation asset

A deferred taxation asset of £1,187,000 (2008: £672,000) has not been recognised at the year end as it is uncertain that there will be sufficient future profits enabling the asset to be realised.

	2009 £000	2008 £000
Accelerated capital allowances	-	5
Other timing differences	-	(11)
Tax losses	1,187	678
	1,187	672

Notes for the group financial statements

for the year ended 30 April 2009

12. Discontinued operations

In October 2008, the Board took the decision to close MWg and therefore this business has been treated as discontinued in the financial statements.

The results of MWg for 2009 and 2008 are presented below:

	2009	*2008*
	£000	*£000*
Revenue	2,099	2,866
Cost of sales	(1,339)	(1,998)
Gross margin	760	868
Expenses	(1,104)	(1,977)
Operating loss	(344)	(1,109)
Finance costs	(26)	(15)
Loss before tax from discontinued operation	(370)	(1,124)
Loss on disposal of discontinued operation	(1,009)	-
Tax	-	-
Loss for the year from discontinued operations	(1,379)	(1,124)

The business commenced trade in November 2007 and therefore the results for 2008 financial year include only six months of trade. The results for 2009 financial year also include only six months of trade since the business was closed at the end of October 2008.

The major classes of assets and liabilities of MWg as at 31 October 2008 were as follows:

	£000
Assets	
Property, plant and equipment	158
Inventory	404
Trade receivables	701
Cash	70
	1,333
Liabilities	
Trade payables	(633)
Other liabilities	(2,317)
	(2,950)
Net liabilities of disposal group	(1,617)

Notes for the group financial statements

12. Discontinued operations (continued)

The net cash flows attributable to MWg are as follows:

	2009 *£000*	*2008* *£000*
Operating cash flows	(152)	(1,499)
Investing cash flows	(158)	(171)
Net cash outflow	(310)	(1,670)
Basic and diluted loss per share from discontinued operations	(3.1)p	(2.7)p

13. Earnings per ordinary share

Basic earning per share amounts are calculated by dividing loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2009 *£000*	*2008* *£000*
Loss for the year from continuing operations	(3,334)	(1,050)
Loss for the year from discontinued operations	(1,379)	(1,124)
Less minority interests	-	-
Loss attributable to equity holders of the parent	(4,713)	(2,174)

	2009 *thousands*	*2008* *thousands*
Basic weighted average number of shares	44,838	40,914
Dilutive potential ordinary shares:		
Employee and consultant options	6,080	1,231
Warrants over options	403	904
Diluted weighted average number of shares	51,321	43,049

Notes for the group financial statements

for the year ended 30 April 2009

13. Earnings per ordinary share (continued)

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

Earnings per share from continuing operations before exceptional items

The Group presents as exceptional items on the face of the income statement, those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to facilitate better assessment of trends in financial performance.

To this end, basic and diluted earnings from continuing operations per share is also presented on this basis and using the weighted average number of ordinary shares for both basic and diluted amounts as per the table above.

The amounts for earnings per share from continuing operations after exceptional items are as follows:

	2009	*2008*
Basic loss per share from continuing operations	(7.4)p	(2.6)p

Net loss from continuing operations before exceptional items and attributable to equity holders of the parent is derived as follows:

	2009 *£000*	*2008* *£000*
Loss for the year from continuing operations	(3,334)	(1,050)
Less minority interests	-	-
Loss from continuing operations attributable to equity holders of the parent	(3,334)	(1,050)
Loss / (profit) on disposal of distribution business	300	(187)
Exceptional items after tax attributable to equity holders of the parent	3,189	1,994
Profit from continuing operations before exceptional items attributable to equity holders of the parent	155	757

Notes for the group financial statements

for the year ended 30 April 2009

13. Earnings per ordinary share (continued)

The amounts for earnings per share from continuing operations before exceptional items are as follows:

	2009	*2008*
Basic earnings per share from continuing operations before exceptional items	0.3p	1.9p
Diluted earnings per share from continuing operations before exceptional items	0.3p	1.8p

Notes for the group financial statements

for the year ended 30 April 2009

14. Plant and equipment

	£000
Cost:	
At 1 May 2007	2,215
Additions through separate acquisition	542
Acquisition of subsidiary	33
Disposals	(132)
Exchange difference on retranslation	34
At 30 April 2008 and 1 May 2008	2,692
Additions through separate acquisition	136
Disposals	(183)
Exchange difference on retranslation	214
At 30 April 2009	2,859
Depreciation:	
At 1 May 2007	1,432
Provided during the year	590
Disposals	(97)
Exchange difference on retranslation	16
At 30 April 2008 and 1 May 2008	1,941
Provided during the year	321
Disposals	(31)
Exchange difference on retranslation	158
At 30 April 2009	2,389
Net book value:	
At 30 April 2009	470
At 30 April 2008	751
At 1 May 2007	783

Assets held under finance leases

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 April 2009 was £61,000 (2008: £175,000).

Additions during the year include £nil (2008: £9,000) of plant and equipment held under finance leases and hire purchase.

Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

Notes for the group financial statements

for the year ended 30 April 2009

15. Intangible assets

	Negative goodwill on consolidation £000	*Positive goodwill £000*	*Trade marks £000*	*Website development £000*	*Total £000*
Cost:					
At 1 May 2007	(258)	3,554	215	2,695	6,206
Additions through:					
separate acquisition	-	-	20	-	20
internal development	-	-	-	570	570
Acquisition of subsidiary	-	220	-	-	220
Exchange difference on retranslation	-	(26)	33	-	7
Disposal	-	(336)	(2)	(42)	(380)
At 30 April 2008 and 1 May 2008	(258)	3,412	266	3,223	6,643
Additions through:					
separate acquisition	-	-	108	-	108
internal development	-	-		452	452
Exchange difference on retranslation	-	294	60	14	368
At 30 April 2009	(258)	3,706	434	3,689	7,571
Amortisation and impairment:					
At 1 May 2007	(258)	216	44	1,265	1,267
Amortisation during the year	-	-	47	528	575
Exchange difference on retranslation	-	-	8	-	8
Disposal	-	(17)	-	(2)	(19)
At 30 April 2008 and 1 May 2008	(258)	199	99	1,791	1,831
Amortisation during the year	-	-	167	608	775
Exchange difference on retranslation	-	32	(9)	(7)	16
At 30 April 2009	(258)	231	257	2,392	2,622
Net book value:					
At 30 April 2009	-	3,475	177	1,297	4,949
At 30 April 2008	-	3,213	167	1,432	4,812
At 1 May 2007	-	3,338	171	1,430	4,939

As from 1 May 2006, the date of transition to IFRS, goodwill was no longer amortised but is now subject to annual impairment testing (see note 16).

Notes for the group financial statements

for the year ended 30 April 2009

16. Impairment of goodwill

As required by IFRS 3, goodwill is subject to annual impairment reviews. These reviews are carried out using the following criteria.

Goodwill acquired through business combinations has been allocated for impairment testing purposes to three cash generating units, which are also reportable segments, as follows:

- eXpansys UK Limited cash-generating unit;
- eXpansys Inc cash-generating unit; and
- eXpansys Nomatica SAS cash-generating unit.

These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The recoverable amount of each CGU is determined based on calculating its value in use, using cash flow projections based on financial budgets approved by the board covering a three year period.

The discount rate applied to cash flow projections is 12.0% (2008: 11.9%) and is the Group's weighted average cost of capital.

Cash flows beyond the three year budget are extrapolated using a 2% growth rate (2008: 2%).

The tax rate used in the projections is 28% (2008: 28%).

Carrying amount of goodwill allocated to cash-generating units

	eXpansys UK £000	*eXpansys Inc £000*	*eXpansys Nomatica £000*	*Total £000*
Carrying amount of goodwill				
- 2009	218	2,485	772	3,475
- 2008	218	2,323	672	3,213

Key assumptions used in value in use calculations

The calculation of value in use is most sensitive to the following assumptions:

- Gross margin;
- Distribution and administration expenses;
- Discount rates; and
- Growth rate used to extrapolate cash flows beyond the budget period.

Notes for the group financial statements

for the year ended 30 April 2009

16. Impairment of goodwill (continued)

Gross margins and distribution and administration expenses are based on average values achieved in the three years preceding the start of the budget period. These are increased to reflect anticipated efficiency improvements due to shortening of the supply chain and in line with expected growth netted against anticipated efficiency improvements respectively.

Discount rates reflect management's estimate of return on capital employed required in each business. This is the benchmark used by management to assess operating performance and to evaluate future capital investment proposals.

Sensitivity to changes in assumptions

A sensitivity analysis has been performed on the base case assumptions used for assessing the goodwill.

With regards to the assessment of value in use of eXpansys UK and eXpansys Nomatica SAS cash-generating units, the directors believe that there are no reasonably possible changes in any of the key assumptions, which would cause the carrying value of the unit to exceed its recoverable amount.

For eXpansys Inc cash-generating unit, there are reasonably possible changes in key assumptions which could cause the carrying value of the unit to exceed its recoverable amount. Whilst the directors have given careful consideration to the key assumptions within these calculations, they recognise that the economic environment in which the business operates is currently very difficult to predict.

The directors have considered the possibility of the business achieving less revenue and gross margin than budgeted, due to consumers having a continuing adverse reaction to the current economic environment. Whilst the reduction in revenue would be partially offset by a reduction in revenue related costs, the directors would also take actions to mitigate the loss of gross margin by reducing other costs.

Should the business have a 5% reduction in forecast gross margin and be unable to reduce distribution and administration costs, the reduction in value in use would lead to an impairment of £395,000.

A reduction from 2% to nil in the growth rate beyond the three year budget, with no actions taken to change the cost structure forecast, would lead to an additional impairment of £229,000.

Notes for the group financial statements

for the year ended 30 April 2009

17. Investments

Details of Group undertakings

Details of the investments in which the Group holds more than 20% of the nominal value of any class of share capital are as follows (indirect holdings are described in the narrative below):

Name of ompany	*Holding*	*Nature of business*	*Country of incorporation*
eXpansys UK Limited	100%	Retail and distribution of high technology products	UK
MWg Smartphones Limited (ceased to trade in October 2008)	100%	Distribution of high technology products	UK
Yoonoo Limited	100%	Dormant	UK
Ubiquio Limited	100%	Dormant	UK
eXpansys US Limited	100%	Dormant	UK
eXpansys Southern Europe Limited	100%	Dormant	UK
eXpansys DE Limited	100%	Dormant	UK
Mobile & Wireless Marketing Limited (formerly Portix Group Limited)	100%	Dormant	UK
eXpansys Scandinavia AB	100%	Dormant	Sweden
eXpansys Nomatica SAS	100%	Retail and distribution of high technology products	France
eXpansys Inc (formerly Mobile Planet Inc)	100%	Retail and distribution of high technology products	USA
MWg North America Inc (ceased to trade in October 2008)	100%	Distribution of high technology products	USA
eXpansys (Hong Kong) Limited	100%	Retail and distribution of high technology products	Hong Kong
RCK Communications Limited	100%	Distribution of high technology products	Hong Kong
Mobile & Wireless Group PTE Limited (ceased to trade in October 2008)	90%	Distribution of high technology products	Singapore

All subsidiaries only have ordinary shares.

Notes for the group financial statements

for the year ended 30 April 2009

17. Investments (continued)

Indirect holding in eXpansys Nomatica SAS and eXpansys Traders SL

eXpansys plc holds 51% of the issued 1,000,000 Euro (2008: 700,000 Euro) share capital of eXpansys Nomatica SAS indirectly through eXpansys Southern Europe Limited and 49% directly by eXpansys plc.

eXpansys plc also holds 100% of the issued share capital of eXpansys Traders SL (dormant), incorporated in Spain, indirectly through eXpansys Nomatica SAS.

Indirect holding in eXpansys GmbH

eXpansys plc also holds 100% of the issued 35,620 Euro share capital of eXpansys GmbH (dormant), incorporated in Germany, held indirectly through eXpansys DE Limited.

Indirect holding in RCK Communications Limited and eXpansys Shenzen Trading Company

The company also holds 100% of the issued share capital of RCK Communications Limited (nature of business being the distribution of high technology products), incorporated in Hong Kong, and 100% of eXpansys Shenzen Trading Company (retail of high technology products), incorporated in China, held indirectly through eXpansys (Hong Kong) Limited.

Notes for the group financial statements

for the year ended 30 April 2009

18. Trade and other receivables

	2009 £000	2008 £000
Trade receivables	1,580	3,672
Less provisions for impairment of receivables	(476)	(316)
Trade receivables - net	1,104	3,356
Other taxes	47	68
Other receivables	126	355
Prepayments and accrued income	805	2,680
	2,082	6,459

Trade receivables are denominated in the following currencies

	2009 £000	2008 £000
Sterling	514	1,316
Euro	315	699
US Dollar	275	1,169
Hong Kong Dollar	-	172
	1,104	3,356

Trade receivables are only interest bearing if a customer defaults on payment terms and are generally on 30 to 60 days terms and are shown net of a provision for impairment.

The Group has established procedures to minimise the risk of default of trade receivables including detailed credit checks undertaken before a customer is accepted, which are regularly updated during the continuing relationship. Historically, these procedures have proved effective in minimising the level of impaired and past due debtors.

At 30 April, the analysis of trade receivables that were past due but not impaired is as follows:

			Past due but not impaired			
	Total £000	Neither past due nor impaired £000	< 30 days £000	30 to 60 days £000	60 to 90 days £000	> 90 days £000
2009	1,104	841	231	3	8	21
2008	3,356	858	1,197	351	177	773

Notes for the group financial statements

for the year ended 30 April 2009

18. Trade and other receivables (continued)

Movements in the provision for impairment of receivables were as follows:

	2009 *£000*	*2008* *£000*
At 1 May	316	219
Charge for the year	736	103
Amounts written off	(576)	(6)
At 30 April	476	316

19. Inventories

	2009 *£000*	*2008* *£000*
Goods for resale	3,089	7,828
Provision for obsolete and slow moving goods	(1,549)	(916)
	1,540	6,912

20. Cash and short-term deposits

	2009 *£000*	*2008* *£000*
Cash at bank and in hand	405	2,179

Cash at bank earns interest at floating rates based on daily bank deposit rates.

At 30 April 2009, the Group had no available undrawn committed borrowing facilities in respect of which all conditions precedent had been met (2008: £1.7 million).

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at 30 April:

	2009 *£000*	*2008* *£000*
Cash at bank and in hand	405	2,179
Bank overdrafts	(89)	(1,866)
	316	313

Notes for the group financial statements

for the year ended 30 April 2009

21. Trade and other payables

	2009	*2008*
	£000	*£000*
Trade payables	4,485	7,997
Social security and other tax payables	651	249
Other payables	238	496
Accruals and deferred income	1,380	2,508
	6,754	11,250

22. Financial liabilities

		Current		*Non-current*
	2009	*2008*	*2009*	*2008*
	£000	*£000*	*£000*	*£000*
Bank overdraft	89	1,866	-	-
Obligations under finance leases and hire purchase contracts (note 23a)	106	215	26	84
Instalments due on bank loans	53	43	177	179
	248	2,124	203	263

The bank overdraft is secured by a fixed and floating charge over the assets in the UK.

Bank loans

Bank loans comprise the following:

	2009	*2008*
	£000	*£000*
70,000 Euro 4.10% 3 year bank loan to June 2008	-	4
60,000 Euro 3.95% 4 year bank loan to July 2008	-	3
350,000 Euro 3.55% 7 year bank loan to July 2013	230	215
	230	222
Less current instalments due on bank loans	(53)	(43)
	177	179

Notes for the group financial statements

for the year ended 30 April 2009

23. Obligations under leases and hire purchase contracts

(a) Obligations under finance leases and hire purchase contracts

The Group uses finance leases and hire purchase contracts to acquire equipment. These leases have terms of renewal and purchase options. Renewals are at the option of the lessee.

Future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2009	*2008*
	£000	*£000*
Future minimum payments due:		
Not later than one year	106	188
After one year but not more than five years	36	109
After more than five years	-	28
	142	325
Less finance charges allocated to future periods	(10)	(26)
	132	299

The present value of minimum lease payments is analysed as follows:

	2009	*2008*
Not later than one year	106	215
After one year but not more than five years	26	84
	132	299

(b) Operating leases where the Group is lessee

The Group has entered into commercial leases on certain properties. These leases have an average duration of between 2 and 10 years with options for renewal, with such options being exercisable three months before the expiry of the lease term at rentals based on market prices at the time of exercise.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2009	*2008*
	£000	*£000*
Not later than one year	39	22
After one year but not more than two years	-	29
After two years but not more than five years	359	374
After five years	2,245	2,517
	2,643	2,942

Notes for the group financial statements

for the year ended 30 April 2009

24. Provisions

	Returns	*Warranties*	*Total*
	£000	*£000*	*£000*
At 1 May 2008			
Current	93	532	625
Non-current	-	-	-
	93	532	625
Utilised	(71)	(246)	(317)
Exceptional release of remaining provision	-	(286)	(286)
At 30 April 2009	22	-	22
Analysed as:			
Current	22	-	22
Non-current	-	-	-
	22	-	22

Provisions are required for expected returns and warranty claims on selected products sold during the last year, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred in the next financial year. Assumptions used to calculate the provisions were based on current sales levels and current information available about returns based on the one year warranty period for certain products sold.

Notes for the group financial statements

for the year ended 30 April 2009

25. Financial Instruments

The Group uses financial instruments including cash, bank overdraft, loans and finance leases, as well as trade receivables and payables that arise directly from its operations.

Due to the simple nature of these financial instruments, there is no material difference between book and fair values, discounting would not give a material difference to the results of the Group and the Directors believe that there are no material sensitivities that require additional disclosure.

In particular, the Group does not use forward foreign currency contracts.

With the exception of the analysis of currency exposures, the disclosures given below do not include short-term debtors and creditors.

Fair values of financial assets and financial liabilities

The estimated difference between the carrying amount and the fair value of the Group's financial assets and financial liabilities is not considered to be material.

Credit risk

Credit risk is the risk of financial loss due to a customer's failure to honour its debt where the Group provides goods and services on deferred terms and group policies are aimed at minimising such losses.

There are no significant concentrations of credit risk within the Group. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the balance sheet date.

The Group has established procedures to minimise the risk of default by trade debtors including detailed credit checks undertaken before a customer is accepted and close monitoring by the Board of ongoing balances. Goods may be sold on a cash-up-front basis to mitigate credit risk.

Historically, these procedures have proved effective in minimising the level of impaired debtors, however despite close monitoring of customers subject to credit limits to try to ensure that the Group's exposure to bad debts is not significant, there were two significant bad debts in the year to April 2009 amounting to £734,000, relating to overseas businesses in financial difficulties.

Notes for the group financial statements

for the year ended 30 April 2009

25. Financial Instruments (continued)

Interest rate risk profile of financial assets and liabilities

The Group's policy is to manage its cost of borrowing using a mix of fixed and variable rate debt.

The interest rate profile of the financial liabilities of the Group as at 30 April 2009 are as follows:

	Within 1 year £000	*1-2 years £000*	*2-3 years £000*	*3-4 years £000*	*4-5 years £000*	*More than 5 years £000*
Fixed rate						
350,000 3.55% Euro bank loan	53	45	44	44	44	-
Obligations under finance leases and hire purchase contracts	106	26	-	-	-	-
Floating rate						
Cash	(405)	-	-	-	-	-
Bank overdrafts	89	-	-	-	-	-

The interest rate profile of the financial liabilities of the Group as at 30 April 2008 are as follows:

	Within 1 year £000	*1-2 years £000*	*2-3 years £000*	*3-4 years £000*	*4-5 years £000*	*More than 5 years £000*
Fixed rate						
70,000 4.10% Euro bank loan	4	-	-	-	-	-
60,000 3.95% Euro bank loan	3	-	-	-	-	-
350,000 3.55% Euro bank loan	36	36	36	36	36	35
Obligations under finance leases and hire purchase contracts	215	84	-	-	-	-
Floating rate						
Cash	(2,179)	-	-	-	-	-
Bank overdrafts	1,866	-	-	-	-	-

Notes for the group financial statements

for the year ended 30 April 2009

25. Financial instruments (continued)

Foreign currency risk

The Group has invested in operations outside the United Kingdom and also buys and sells goods and services denominated in currencies other than Sterling. As a result the value of Group's non-Sterling revenues, purchases, financial assets and liabilities and cashflows can be affected significantly by movements in exchange rates in general and in US Dollar and Euro rates in particular.

The Group's currency exposures are those transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the income statement.

The companies comprising the Group undertake the majority of their transactions in their functional currency, with the exception of the UK subsidiary company, whose purchases and sales are mainly undertaken in either Sterling, US Dollars or Euros.

The material transactional currency exposures to the Group are therefore deemed to be those arising in the UK subsidiary on monetary liabilities related to purchases and monetary assets relating to sales. These currency exposures for monetary assets are disclosed in note 18 and the monetary liabilities relating to purchases are as follows:

	2009	*2008*
	£000	*£000*
US Dollar	189	2,090
Euro	60	28
Other	2	2
Total	251	2,120

Therefore, the directors believe that there tends to be a natural hedge across the group for monetary assets and liabilities and the impact of reasonably possible changes in exchange rates, with all other variables held constant, would not materially impact the Group's profit or loss before tax or equity.

At 30 April 2009 and 2008, there were no forward foreign currency contracts.

Notes for the group financial statements

for the year ended 30 April 2009

25. Financial instruments (continued)

Liquidity risk

The Group aims to mitigate liquidity risk by managing cash generation by its operations.

The table below summarises the maturity profile of the Group's financial liabilities at 30 April 2009 and 2008 based on contractual undiscounted payments.

	On demand £000	*Less than 3 months £000*	*3 to 12 months £000*	*1 to 5 years £000*	*More than 5 years £000*	*Total £000*
As at 30 April 2009						
Bank overdraft	89	-	-	-	-	89
Bank loans	-	13	40	177	-	230
Trade payables	-	4,485	-	-	-	4,485
Obligations under finance leases and hire purchase contracts	-	26	80	26	-	132
	89	4,524	120	203	-	4,936

	On demand £000	*Less than 3 months £000*	*3 to 12 months £000*	*1 to 5 years £000*	*More than 5 years £000*	*Total £000*
As at 30 April 2008						
Bank overdraft	1,866	-	-	-	-	1,866
Bank loans	-	16	27	144	35	222
Trade payables	-	5,348	2,649	-	-	7,997
Obligations under finance leases and hire purchase contracts	-	54	161	84	-	299
	1,866	5,418	2,837	228	35	10,384

Notes for the group financial statements

for the year ended 30 April 2009

26. Authorised and issued share capital

	2009 £000	2008 £000
Authorised:		
80,000,000 Ordinary shares of 0.25p each	200	200

	2009 £000	2008 £000
Allotted and called up:		
44,837,674 fully paid Ordinary shares of 0.25p each	112	112

During March 2008 the Company raised £404,000 for working capital purposes through the placing of 4,483,767 new ordinary shares of 0.25p each at a price of 9.0 pence per share.

On 15 June 2009 133,333,333 new ordinary shares were issued pursuant to a Placing of new ordinary shares at 1.5 pence per share, raising £2 million with costs incurred of £0.08 million.

Following the admission of the 133,333,333 ordinary shares to AIM on 16 June 2009, the Company's total issued share capital was 178,171,007 ordinary shares of 0.25 pence each.

Equity share capital on the balance sheet includes the allotted share capital as above and share premium of £9,053,000.

27. Share-based payments

Share options

On 6 March 2007, the Group adopted the eXpansys plc Enterprise Management Incentives and Unapproved Share Scheme and the following equity settled share options were granted:

	Number of shares under option	*Exercise price (pence)*
Cate Hulme (director)	425,320	10.25
Three employees	505,320	29.00
Thirteen employees	260,000	46.40
Consultant	40,000	29.00

The share options were conditional upon the Company's shares being floated on AIM by 31 May 2007 and are exercisable, at the discretion of the option holder, for up to ten years from issue date. The options vested on 11 April 2007, when the Company floated on AIM.

Notes for the group financial statements

for the year ended 30 April 2009

27. Share-based payments (continued)

On 30 April 2008, further equity settled share options were granted, exercisable at the discretion of the option holder, for up to ten years from issue date:

	Number of shares under option	*Exercise price (pence)*
Roger Butterworth (director)	1,892,551	20.0
Cate Hulme (director)	500,000	20.0
Steve Muttram (director)	354,879	20.0
Frederic Pont (director)	354,879	20.0
Thirteen employees	2,292,550	20.0

The fair value of equity settled share options granted is estimated as at the date of the grant using the Black-Scholes-Merton model, taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model for the year ended 30 April 2008.

Divdend yield (%)	0
Expected share price volatility (%)	15.3
Risk free interest rate (%)	4.4
Expected life of option (years)	2

The expected volatility reflects the assumption that the AIM index is indicative of future trends, which may also not necessarily be the actual outcome.

The expected life of options reflects the assumption that the option holders will hold the options for two years, which may also not necessarily be the actual outcome.

In addition, 320,000 of the share options issued in March 2007 were cancelled and reissued on 30 April 2008 with an exercise price of 20 pence.

During the year ended 30 April 2009, 505,320 (2008: 40,000) share options expired when the employees left the Company.

Notes for the group financial statements

for the year ended 30 April 2009

27. Share-based payments (continued)

	Exercise price (pence)	Outstanding as at 30 April 2007	Granted	Cancelled / Expired	Outstanding as at 30 April 2008
Issued 6 March 2007					
Cate Hulme (director)	10.25	425,320	-	-	425,320
Employees	29.00	505,320	-	(80,000)	425,320
Employees	46.40	260,000	-	(240,000)	20,000
Consultant	29.00	40,000	-	(40,000)	-
Issued 30 April 2008					
Roger Butterworth (director)	20.00	-	1,892,551	-	1,892,551
Cate Hulme (director)	20.00	-	500,000	-	500,000
Steve Muttram (director)	20.00	-	354,879	-	354,879
Frederic Pont (director)	20.00	-	354,879	-	354,879
Employees	20.00	-	2,292,550	-	2,292,550
Cancelled and reissued 30 April 2008					
Employees	20.00	-	280,000	-	280,000
Consultant	20.00	-	40,000	-	40,000
		1,230,640	5,714,859	(360,000)	6,585,499

	Exercise price (pence)	Outstanding as at 30 April 2008	Granted	Cancelled / Expired	Outstanding as at 30 April 2009
Issued 6 March 2007					
Cate Hulme (director)	10.25	425,320	-	-	425,320
Employees	29.00	425,320	-	(425,320)	-
Employees	46.40	20,000	-	(20,000)	-
Issued 30 April 2008					
Roger Butterworth (director)	20.00	1,892,551	-	-	1,892,551
Cate Hulme (director)	20.00	500,000	-	-	500,000
Steve Muttram (director)	20.00	354,879	-	-	354,879
Frederic Pont (director)	20.00	354,879	-	-	354,879
Employees	20.00	2,292,550	-	-	2,292,550
Cancelled and reissued 30 April 2008					
Employees	20.00	280,000	-	(60,000)	220,000
Consultant	20.00	40,000	-	-	40,000
		6,585,499	-	(505,320)	6,080,179

Notes for the group financial statements

for the year ended 30 April 2009

27. Share-based payments (continued)

The weighted average exercise price is 19.32 pence (2008: 20.03 pence) for the 6,080,179 shares (2008: 6,585,499) under option at 30 April 2009.

The weighted average exercise price of the shares expired during the year ended 30 April 2009 was 28.62 pence (2008: 40.60 pence) for the 505,320 (2008: 360,000) shares expired in the year.

The weighted average exercise price of shares granted during the year ended 30 April 2008 was 20 pence for the year 5,714,859 options granted in the year. There were no share options granted during the year ended 30 April 2009.

The expense to the profit and loss account during the year ended 30 April 2009 was £nil (2008: £1,000).

There were no cash settled share options and no share options were exercised during either year.

Warrants

On 4 April 2007, a warrant to subscribe for 403,539 0.25p ordinary shares at 58p each was issued to Cenkos Securities plc, the Company's Nominated Advisor and Broker. The transaction has been measured at the fair value of the equity instruments (as set out above) as there was no additional service performed in exchange for these options. The fair value of this award was not material.

On 30 October 2007, a warrant to subscribe for 1,000,000 0.25p ordinary shares at par was issued to O2, in the event that any of the stage payments under the Asset Agreement signed the same day, were late. The earliest available date for exercise is 5 February 2008 and latest is 15 August 2008. The transaction has been measured at the fair value of the service received in the form of a loan at £62,000. These warrants have expired during the year ended April 2009, since the consideration under the Asset Agreement was repaid in full.

Notes for the group financial statements

for the year ended 30 April 2009

28. Reconciliation of movements in equity

	Equity share capital £000	*Merger reserve £000*	*Currency translation reserve £000*	*Retained earnings £000*
At 1 May 2007	8,765	750	(24)	(150)
Issue of shares	400	-	-	-
Share based payment	-	-	-	49
Deferred tax movement on share based payments	-	-	-	(179)
Loss for the year	-	-	-	(2,174)
Exchange differences on retranslation of net assets of subsidiary undertakings	-	-	43	-
At 30 April 2008	9,165	750	19	(2,454)
Share based payment	-	-	-	16
Loss for the year	-	-	-	(4,713)
Exchange differences on retranslation of net assets of subsidiary undertakings	-	-	669	-
At 30 April 2009	9,165	750	688	(7,151)

	Share holder equity £000	*Minority interests £000*	*Total equity £000*
At 1 May 2007	9,341	-	9,341
Issue of shares	400	-	400
Share based payment	49	-	49
Deferred tax movement on share based payments	(179)	-	(179)
Loss for the year	(2,174)	-	(2,174)
Exchange differences on retranslation of net assets of subsidiary undertakings	43	-	43
At 30 April 2008	7,480	-	7,480
Share based payment	16	-	16
Loss for the year	(4,713)	-	(4,713)
Exchange differences on retranslation of net assets of subsidiary undertakings	669	-	669
At 30 April 2009	3,452	-	3,452

Notes for the group financial statements

for the year ended 30 April 2009

28. Reconciliation of movements in equity (continued)

Equity share capital

The balance classified as equity share capital includes the total net proceeds (both nominal value and share premium) on issue of the Company's equity share capital, comprising 0.25p ordinary shares.

Merger reserve

As a result of the acquisition of eXpansys Nomatica SAS in a share for share exchange, merger relief was taken and no share premium was recognised, rather the premium arising was credited to merger reserve.

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

29. Related party transactions

SCI CAP70

The French subsidiary, eXpansys Nomatica SAS, leases its premises in Montpelier from SCI CAP70, a company owned by Frederic Pont (director), Roger Butterworth (director) and Matt Kydd (director who resigned on 12 March 2007) amongst others. The directors believe that the lease is on arms length commercial terms. The lease commenced on 1 January 2007, lasts for eight years with a break clause at 31 December 2009 and rent is 71,000 Euros pa, payable quarterly in advance.

30. Post balance sheet events

On 15 June 2009, 133,333,333 new ordinary shares were issued pursuant to a Placing of new ordinary shares at 1.5 pence per share, raising £2 million with costs incurred of £0.08 million.

Following the admission of the 133,333,333 ordinary shares to AIM on 16 June 2009, the Company's total issued share capital was 178,171,007 ordinary shares of 0.25 pence each, and the ultimate controlling party has become Peter Jones.

Notes for the group financial statements

for the year ended 30 April 2009

31. Additional cash flow information

(a) Analysis of Group net debt

	At 1 May 2007 £000	Cash flow £000	New finance lease £000	At 30 April 2008 £000
Cash at bank and in hand	739	1,440	-	2,179
Bank overdrafts	-	(1,866)	-	(1,866)
	739	(426)	-	313
Finance leases	(492)	222	(29)	(299)
Bank loans	(250)	28	-	(222)
	(3)	(176)	(29)	(208)

	At 1 May 2008 £000	Cash flow £000	New finance lease £000	At 30 April 2009 £000
Cash at bank and in hand	2,179	(1,774)	-	405
Bank overdrafts	(1,866)	1,777	-	(89)
	313	3	-	316
Finance leases	(299)	167	-	(132)
Bank loans	(222)	(8)	-	(230)
	(208)	162	-	(46)

(b) Cash flows relating to operating exceptional items

Net cashflow from operating activities includes the following exceptional cash flows:

	2009 £000	2008 £000
Non recoverable distribution expenses	-	223
Costs relating to restructuring of group financing arrangements	-	29
Costs in relation to redundancies in eXpansys UK and eXpansys Inc	179	172
Cost of UK warehousing reorganisation	210	-
	389	424

eXpansys plc

Company Financial Statements

30 April 2009

Statement of directors' responsibilities in relation to the parent company financial statements

The directors are responsible for preparing the Annual 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that period.

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: and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Independent auditors' report

to the members of eXpansys plc

We have audited the parent company financial statements of eXpansys plc for the year ended 30 April 2009 which comprise the Company Balance Sheet, and the related notes 1 to 13. 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). We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. The Directors are also responsible for the preparation of the Directors' Remuneration Report, which they have chosen to prepare.

Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). The company has also instructed us to audit the section of the Directors' Remuneration Report that has been described as audited. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 April 2009;
- 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.

Independent auditors' report (continued)

to the members of eXpansys plc

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 parent company financial statements.

Matters on which we are required to report by exception

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

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

Other matter

The part of the Directors' Remuneration Report that has been described as audited has been properly prepared in accordance with the basis of preparation as described therein.

We have reported separately on the group financial statements of eXpansys plc for the year ended 30 April 2009.

Ernst & Young LLP

Jan Gregory (Partner)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
22 July 2009

Company balance sheet
at 30 April 2009

	Notes	2009 £000	2008 £000
Fixed assets			
Tangible assets	4	1,288	1,327
Investments	5	8,867	8,867
		10,155	10,194
Current assets			
Debtors	6	152	663
		152	663
Creditors: amounts falling due within one year	7	(245)	(153)
Net current (liabilities) / assets		(93)	510
Total assets less current liabilities		10,062	10,704
Creditors: amounts falling due after more than one year	8	(2,833)	(608)
Provisions for liabilities	9	(7)	(60)
		7,222	10,036
Capital and reserves			
Share capital	11,12	112	112
Share premium	12	9,053	9,053
Merger reserve	12	750	750
Profit and loss account	12	(2,693)	121
Equity shareholders' funds	12	7,222	10,036

The financial statements of eXpansys plc ("the Company") for the year ended 30 April 2009 were authorised for issue by the Board of Directors on 22 July 2009 and the balance sheet was signed on the Board's behalf by

R Butterworth
CEO

C Hulme
CFO

Notes for the company financial statements

for the year ended 30 April 2009

1. Basis of preparation

The parent company financial statements of eXpansys plc ("the Company") are presented as required by the Companies Act 1985 and were approved for issue on 22 July 2009.

These financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

No profit and loss account is presented for eXpansys plc as permitted by section 230 of the Companies Act 1985. The loss for the year for the Company was £2,830,000 (2008: £77,000).

The Company has taken the exemption under FRS 1 not to present a cash flow statement.

The Company has also taken advantage of the exemption in paragraph 3C of FRS 25 *Financial Instruments : Disclosure and Presentation* and has not disclosed information required by paragraphs 51 to 95 of that standard, as the Group's consolidated financial statements, in which the Company is included, provide equivalent disclosures for the Group under IFRS7 *Financial Instruments.*

2. Accounting policies

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation has been provided at rates in order to write off the assets evenly over their estimated useful lives, as follows:

Website development	20% straight line

The directors regularly review the estimated useful economic lives of tangible fixed assets and amend these where the useful economic life is not felt to be appropriate.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Website development costs

Costs incurred in developing the websites and other internal software development up to the date that the asset is brought into use are capitalised as tangible fixed assets only where they lead to the creation of an enduring asset delivering benefits at least as great as the expenditure incurred. In other circumstances costs are charged to the profit and loss account as incurred.

Amounts capitalised are written down over their expected useful economic life of 5 years on a straight line basis.

Foreign currencies

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 translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Notes for the company financial statements

for the year ended 30 April 2009

2. Accounting policies (continued)

Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Deferred taxation

Deferred taxation 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.

Timing differences are differences between the Company's taxable profits and its profits as stated in the financial statements, leading to the inclusion of gains and losses in tax assessments in periods different to those in which they are recognised in the financial statements.

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 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 the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Share based payments

The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by the directors using an appropriate pricing model. In valuing equity settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the Company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and number of equity instruments that will ultimately vest.

All awards were granted after 7 November 2002 and therefore the transitional provisions of FRS20 do not apply.

There are no cash settled share based payment transactions.

Notes for the company financial statements

for the year ended 30 April 2009

3. Auditors' remuneration

	2009	*2008*
	£000	*£000*
Audit of the financial statements	18	18

Fees paid to Ernst & Young LLP and its associates for non-audit services to the Company itself are not disclosed in the individual accounts of eXpansys plc because Group financial statements are prepared which are required to disclose such fees on a consolidated basis.

4. Tangible assets

	Website development
	£000
Cost	
At 1 May 2008	2,775
Additions	579
At 30 April 2009	3,354
Depreciation	
At 1 May 2008	1,448
Charge for the year	618
At 30 April 2009	2,066
Net book value	
At 30 April 2008	1,327
At 30 April 2009	1,288

Notes for the company financial statements

for the year ended 30 April 2009

5. Investments

	Cost of shares in subsidiary undertakings £000
As at 1 May 2008 and 30 April 2009	8,867

Details of the investments in which the Company holds more than 20% of the nominal value of ordinary share capital are as follows (indirect holdings are described in the narrative below):

Name of Company	**Holding**	**Nature of Business**	**Country of incorporation**
eXpansys UK Limited	100%	Retail and distribution of high technology products	UK
eXpansys Inc (formerly Mobile Planet Inc)	100%	Retail and distribution of high technology products	USA
eXpansys (Hong Kong) Limited	100%	Retail and distribution of high technology products	Hong Kong
eXpansys Nomatica SAS	100%	Retail and distribution of high technology products	France
MWg Singapore Pte Limited (ceased trading October 2008)	90%	Distribution of high technology products	Singapore
MWg Smartphones Limited (ceased trading October 2008)	100%	Distribution of high technology products	UK
MWg North America Inc (ceased trading October 2008)	100%	Distribution of high technology products	USA
eXpansys US Limited	100%	Dormant	UK
eXpansys Southern Europe Limited	100%	Dormant	UK
eXpansys DE Limited	100%	Dormant	UK
eXpansys Scandinavia AB	100%	Dormant	Sweden
Ubiquio Limited	100%	Dormant	UK
Yoonoo Limited	100%	Dormant	UK
Mobile & Wireless Marketing Limited	100%	Dormant	UK

Notes for the company financial statements

for the year ended 30 April 2009

5. Investments (continued)

Indirect holding in eXpansys Nomatica SAS and eXpansys Traders SL

The Company holds 51% of the issued 1 million Euro share capital of eXpansys Nomatica SAS (nature of business being the retail and distribution of high technology products) indirectly through eXpansys Southern Europe Limited and 49% directly.

The Company also holds 100% of the issued share capital of eXpansys Traders SL (dormant), incorporated in Spain, indirectly through eXpansys Nomatica SAS.

Indirect holding in eXpansys GmbH

The Company also holds 100% of the issued 35,620 Euro share capital of eXpansys GmbH (dormant), incorporated in Germany, held indirectly through eXpansys DE Limited.

Indirect holding in RCK Communications Limited and eXpansys Shenzen Trading Company

The Company also holds 100% of the issued share capital of RCK Communications Limited (nature of business being the distribution of high technology products), incorporated in Hong Kong, and 100% of eXpansys Shenzen Trading Company (nature of business being the retail of high technology products), incorporated in China, held indirectly through eXpansys (Hong Kong) Limited.

6. Debtors

	2009	*2008*
	£000	*£000*
Amounts falling due within one year		
Other debtors	-	101
Prepayments and accrued income	152	135
Amounts owed by subsidiary undertakings	-	427
	152	663

7. Creditors: amounts falling due within one year

	2009	*2008*
	£000	*£000*
Trade creditors	71	65
Obligations under finance lease and hire purchase contracts (note 10)	29	24
Other creditors	104	-
Accruals and deferred income	41	64
	245	153

Notes for the company financial statements

for the year ended 30 April 2009

8. Creditors: amounts falling due after more than one year

	2009 £000	2008 £000
Obligations under finance lease and hire purchase contracts (note 10)	8	36
Amounts owed to subsidiary undertakings	2,825	572
	2,833	608

9. Provisions for liabilities

Deferred taxation provision

	2009 £000	2008 £000
Deferred taxation provision is as follows:		
Accelerated capital allowances	7	60
As at 1 May	60	39
(Credit) / charge to the profit and loss account	(53)	21
As at 30 April	7	60

10. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	2009 £000	2008 £000
Amounts payable:		
Within one year	29	29
In one to two years	11	29
In two to five years	-	10
	40	68
Less finance charges allocated to future periods	(3)	(8)
	37	60

Finance leases and hire purchases contracts are analysed as follows:

	£000	£000
Current obligations (note 7)	29	24
Non-current obligations (note 8)	8	36
	37	60

Notes for the company financial statements

for the year ended 30 April 2009

11. Share capital

Authorised and issued share capital

	2009 £000	2008 £000
Authorised:		
80,000,000 Ordinary shares of 0.25p each	200	200

	2009 £000	2008 £000
Allotted and called up:		
44,837,674 (2008: 44,837,674) fully paid Ordinary shares of 0.25p each	112	112

During March 2008 the Company raised £404,000 for working capital purposes through the placing of 4,483,767 new ordinary shares of 0.25p each at a price of 9.0 pence per share.

On 15 June 2009 133,333,333 new ordinary shares were issued pursuant to a Placing of new ordinary shares at 1.5 pence per share, raising £2 million with costs incurred of £0.08 million.

Following the admission of the 133,333,333 ordinary shares to AIM on 16 June 2009, the Company's total issued share capital was 178,171,007 ordinary shares of 0.25 pence each.

Share options

On 6 March 2007, the Group adopted the eXpansys plc Enterprise Management Incentives and Unapproved Share Scheme and the following equity settled share options were granted:

	Number of shares under option	*Exercise price (pence)*
Cate Hulme (director)	425,320	10.25
Three employees	595,320	29.00
Thirteen employees	260,000	46.40
Consultant	40,000	29.00

The share options were conditional upon the Company's shares being floated on AIM by 31 May 2007 and are exercisable, at the discretion of the option holder, for up to ten years from issue date. The options vested on 11 April 2007, when the Company floated on AIM.

Notes for the company financial statements

for the year ended 30 April 2009

11. Share capital (continued)

On 30 April 2008, further equity settled share options were granted, exercisable at the discretion of the option holder, for up to ten years from issue date:

	Number of shares under option	*Exercise price (pence)*
Roger Butterworth (director)	1,892,551	20.0
Cate Hulme (director)	500,000	20.0
Steve Muttram (director)	354,879	20.0
Frederic Pont (director)	354,879	20.0
Thirteen employees	2,292,550	20.0

The fair value of equity settled share options granted is estimated as at the date of the grant using the Black-Scholes-Merton model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model for the year ended 30 April 2008.

	2008
Dividend yield (%)	0
Expected share price volatility (%)	15.3
Risk free interest rate (%)	4.4
Expected life of option (years)	2

The expected volatility reflects the assumption that the AIM index is indicative of future trends, which may also not necessarily be the actual outcome.

In addition, 320,000 of the share options issued in March 2007 were cancelled and reissued with an exercise price of 20 pence.

During the year ended 30 April 2008, 40,000 of these share options expired when the employees left the Company.

Notes for the company financial statements

for the year ended 30 April 2009

11. Share capital (continued)

	Exercise price (pence)	Outstanding as at 30 April 2007	Granted	Cancelled / Expired	Outstanding as at 30 April 2008
Issued 6 March 2007					
Cate Hulme (director)	10.25	425,320	-	-	425,320
Employees	29.00	595,320	-	(595,320)	-
Employees	46.40	260,000	-	(260,000)	-
Consultant	29.00	40,000	-	(40,000)	-
Issued 30 April 2008					
Roger Butterworth (director)	20.00	-	1,892,551	-	1,892,551
Cate Hulme (director)	20.00	-	500,000	-	500,000
Steve Muttram (director)	20.00	-	354,879	-	354,879
Frederic Pont (director)	20.00	-	354,879	-	354,879
Employees	20.00	-	2,292,550	-	2,292,550
Cancelled and reissued 30 April 2008					
Employees	20.00	-	280,000	-	280,000
Consultant	20.00	-	40,000	-	40,000
		1,230,640	5,714,859	(360,000)	6,585,499

	Exercise price (pence)	Outstanding as at 30 April 2008	Granted	Cancelled / Expired	Outstanding as at 30 April 2009
Issued 6 March 2007					
Cate Hulme (director)	10.25	425,320	-	-	425,320
Employees	29.00	425,320	-	(425,320)	-
Employees	46.40	20,000	-	(20,000)	-
Issued 30 April 2008					
Roger Butterworth (director)	20.00	1,892,551	-	-	1,892,551
Cate Hulme (director)	20.00	500,000	-	-	500,000
Steve Muttram (director)	20.00	354,879	-	-	354,879
Frederic Pont (director)	20.00	354,879	-	-	354,879
Employees	20.00	2,292,550	-	-	2,292,550
Cancelled and reissued 30 April 2008					
Employees	20.00	280,000	-	(60,000)	220,000
Consultant	20.00	40,000	-	-	40,000
		6,585,499	-	(505,320)	6,080,179

Notes for the company financial statements

for the year ended 30 April 2009

11. Share capital (continued)

The weighted average exercise price is 19.32 pence (2008: 20.03 pence) for the 6,080,179 shares (2008: 6,585,499) under option at 30 April 2009.

The weighted average exercise price of the shares expired during the year ended 30 April 2009 was 28.62 pence (2008: 40.60 pence) for the 505,320 (2008: 360,000) shares expired in the year.

The weighted average exercise price of shares granted during the year ended 30 April 2008 was 20 pence for the year 5,714,859 options granted in the year. There were no share options granted during the year ended 30 April 2009.

The expense to the profit and loss account during the year ended 30 April 2009 was £nil (2008: £1,000).

There were no cash settled share options and no share options were exercised during either year.

Warrants

On 4 April 2007, a warrant to subscribe for 403,539 0.25p ordinary shares at 58p each was issued to Cenkos Securities plc, the Company's Nominated Advisor and Broker. The transaction has been measured at the fair value of the equity instruments (as set out above) as there was no additional service performed in exchange for these options. The fair value of this award was not material.

On 30 October 2007, a warrant to subscribe for 1,000,000 0.25p ordinary shares at par was issued to O2, in the event that any of the stage payments under the Asset Agreement signed the same day, were late. The earliest available date for exercise is 5 February 2008 and latest is 15 August 2008. The transaction has been measured at the fair value of the service received in the form of a loan at £62,000. These warrants have expired during the year ended April 2009, since the consideration under the Asset Agreement was repaid in full.

Notes for the company financial statements

for the year ended 30 April 2009

12. Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Share premium £000	Merger reserve £000	Profit and loss account £000	Total shareholders' funds £000
At 1 May 2006	53	145	750	11	959
Issue of shares	48	8,519	-	-	8,567
Share based payment	-	-	-	5	5
Profit for the year	-	-	-	134	134
At 30 April 2007	101	8,664	750	150	9,665
Issue of shares	11	389	-	-	400
Share based payment	-	-	-	48	48
Loss for the year	-	-	-	(77)	(77)
At 30 April 2008	112	9,053	750	121	10,036
Share based payment	-	-	-	16	16
Loss for the year	-	-	-	(2,830)	(2,830)
At 30 April 2009	112	9,053	750	(2,693)	7,222

13. Post balance sheet event

On 15 June 2009, 133,333,333 new ordinary shares were issued pursuant to a Placing of new ordinary shares at 1.5 pence per share, raising £2 million with costs incurred of £0.08 million.

Following the admission of the 133,333,333 ordinary shares to AIM on 16 June 2009, the Company's total issued share capital was 178,171,007 ordinary shares of 0.25 pence each, and the ultimate controlling party has become Peter Jones.

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R Butterworth
C Hulme
S Muttram
F Pont
S Vincent (Non Executive Director)

Secretary
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