



Planet Payment Reports First Quarter 2009 Results

TOTAL REVENUE INCREASES 100%; GROSS PROFIT INCREASES 111%

15, May 2009 - Planet Payment, Inc. (UK: LSE:AIM: PPT and PPTR; USA: OTCQX: PLPM), a leading international payment and data processor, today announced its results for the three month period ended March 31, 2009.

First Quarter 2009 Financial Highlights

- Total revenue increased 100% to \$10.3m (Q1'08: \$5.2m)
 - Multi-Currency revenue grew 34% to \$6.3m (Q1'08: \$4.7m)
 - Processing revenue was up 797% to \$4.0m (Q1'08: \$0.4m)
- Gross profit increased 111% to \$3.6m (Q1'08: \$1.7m)
- Total settled transaction volume increased 184% to over \$446m (Q1'08: \$157m)
- Operating costs as a percentage of revenue decreased to 45% (Q1'08: 88%)
- Adjusted EBITDA loss narrowed by 84% to \$0.3m (Q1'08 loss: \$2.1m)
- Net loss was reduced by 54% to \$1.4m (Q1'08 loss: \$2.9m)

The Company's continued focus on near-term profitability, combined with its prior cost saving measures resulted in further narrowing of the adjusted EBITDA loss by 48% to \$0.3m as compared to fourth quarter 2008 (Q4'08: \$0.6m). Net loss was also reduced sequentially by 36% to \$1.4m over the prior quarter (Q4'08: \$2.1m).

First quarter is historically the Company's slowest quarter of the year, due primarily to reduced international business travel in Greater China during January and February around the Chinese New Year, while fourth quarter is typically the most active. This quarter's seasonal revenue reduction of 12% was lower than in the prior year, when first quarter 2008 revenue was down over 27% as compared to fourth quarter 2007. The Company also saw a rebound in multi-currency transaction volume in March approaching levels achieved in the latter part of 2008.

During the first quarter the Company achieved a number of important operational milestones. The Company extended its reach across Asia-Pacific with the activation of multi-currency processing services in India, following the agreement signed with Global Payments in 2008. In North America, the Company benefited from its first full quarter of its Pay In Your Currency Service launched in fourth quarter 2008 at Dillards, Inc. one of the largest retailers in the United States. The Company also signed an agreement to provide processing services in Canada in support of the partnership formed between Integrated Card Exchange (ICE), an affiliate of CardWorks, Inc., and Peoples Trust, a leading provider of financial services in Canada. An agreement was also signed with The Bancorp Bank to offer its full suite of products to the bank's merchants and ISOs in the United States.

An additional 400 merchant locations were activated during the quarter, bringing the Company's total as of March 31, 2009 to 8,360 locations. The Company's momentum is further demonstrated by the fact that approximately 66% of core multi-currency transaction volume processed in March 2009 arose from merchant locations activated in 2008 and that 7% of the March 2009 volume derived from locations activated in the first quarter of 2009.

Commenting on the results, Philip Beck, Chairman of Planet Payment, Inc., said:

“Our first quarter results reflect the continued robustness of our business model in the face of the current uncertainty in the marketplace. Our solutions offer our financial institution and other business customers a creative approach and effective tools to increase efficiency, open new sales channels and maximize revenues. The further narrowing of our adjusted EBITDA loss in the first quarter demonstrates the Company’s continuing progress towards positive cash flow in the near term and our ultimate goal of long term profitability.”

Additional breakdown on the Company’s performance can be found in the Management Discussion and Analysis appended to this release. In accordance with the rules of the OTCQX market, the Company's First Quarter Report, including its Condensed Consolidated Financial Statements (unaudited), as of and for the three months ended March 31, 2009 and 2008 and as of December 31, 2008 have been posted on the OTCQX website at www.otcqx.com and on the Company’s website at www.planetpayment.com.

Enquiries:

Planet Payment, Inc.
Seth Asofsky (CFO)

Tel: + 1 516 670 3200
www.planetpayment.com

Redleaf Communications (UK PR for Planet Payment)
Emma Kane /Rebecca Sanders-Hewett / Henry Columbine

Tel: +44 20 7566 6700
planet@redleafpr.com

ICR, Inc. (US IR for Planet Payment)
Brian Prenoveau, CFA

Tel: + 1 203 682 8200

Canaccord Adams, Inc. (US) (DAD for Planet Payment)
Andy Viles

Tel: +1 617-371-3900

Canaccord Adams Ltd (UK) (Nomad for Planet Payment)
Mark Williams / Andrew Chubb

Tel: +44 20 7050 6500

About Planet Payment:

Planet Payment’s Common shares trade on AIM under the symbols PPT for unrestricted Common shares and PPTR for Reg S Common shares and in the United States on the OTCQX under the symbol PLPM.

Planet Payment enables processors, acquiring banks and their merchants to accept process and reconcile credit card transactions in multiple currencies, allowing cardholders to view prices and settle transactions in their native currency. The *Pay in Your Currency*[™] service is Planet Payment’s suite of multi-currency processing solutions, which includes a multi-currency pricing e-commerce service and a Dynamic Currency Conversion service. Planet Payment’s *BuyVoice*[®], a mobile payment and commerce solution, allows merchants to accept payments and sell product to customers using any mobile or landline phone. With the acquisition of the *iPAY*[®] business, Planet Payment also offers comprehensive Internet processing solutions for credit card and electronic check payments.

Planet Payment is headquartered in New York and has offices in Atlanta, Beijing, Bermuda, New Castle Delaware, London, Hong Kong, Shanghai and Singapore.

Forward-Looking Statements. Information contained in this announcement may include ‘forward-looking statements’. All statements other than statements of historical facts included herein, including, without limitation, those regarding the financial position, business strategy, plans and objectives of management for future operations of both Planet Payment and the business, which was the subject of the iPAY acquisition (including development plans and objectives relating to Planet Payment’s and such acquired business) are forward-looking statements. Such forward-looking statements are based on a number of assumptions regarding Planet Payment’s present and future business strategies, the assets acquired, contracts assumed and personnel hired and the environment in which Planet Payment expects to operate in future, which assumptions may or may not be fulfilled in practice. Actual results may vary materially from the results anticipated by these forward-looking statements as a result of a variety of risk factors, including the risk that implementation, adoption and offering of the service by processors, acquirers, merchants and others may take longer than anticipated, or may not occur at all, regulatory changes, particularly in China and changes in card association regulations and practices; general economic risk and volume of international travel and commerce and others. Additional risks may arise with respect to the acquired assets and assumed

contracts of which Planet Payment is not fully aware at this time. See the Company's Quarterly Report for the period, filed at www.otcqx.com for other risk factors which investors should consider. These forward-looking statements speak only as to the date of this announcement and cannot be relied upon as a guide to future performance. Planet Payment expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this announcement to reflect any changes in its expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

**CONSOLIDATED CONDENSED BALANCE SHEETS
AS OF MARCH 31, 2009 AND DECEMBER 31, 2008**

| | March 31 2009 | December 31 2008 |
|--|--------------------------|-----------------------------|
| | (unaudited) | (audited) |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 2,682,038 | \$ 246,848 |
| Other current assets | 4,859,029 | 4,964,087 |
| Total current assets | 7,541,066 | 5,210,935 |
| PROPERTY AND EQUIPMENT, net | 1,176,810 | 1,179,154 |
| Intangible assets, net | 4,083,957 | 3,953,838 |
| Other assets | 400,043 | 399,587 |
| TOTAL | \$ 13,201,877 | \$ 10,743,514 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | 4,035,991 | 4,265,262 |
| Long-term and Convertible debt-less current maturities | 13,462,681 | 13,080,080 |
| Total liabilities | 17,498,672 | 17,345,342 |
| Stockholders' equity (deficit): | (4,296,795) | (6,601,828) |
| TOTAL | \$ 13,201,877 | \$ 10,743,514 |

See notes to consolidated condensed financial statements.

**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
FOR THE PERIODS ENDED MARCH 31, 2009 AND 2008**

| | Three months ended March 31 | |
|--|------------------------------------|----------------|
| | 2009 | 2008 |
| | (unaudited) | (unaudited) |
| REVENUE: | | |
| Multicurrency processing revenue | \$ 6,269,983 | \$ 4,669,586 |
| Other revenue | 4,048,617 | 487,252 |
| Total Revenue | 10,318,600 | 5,156,838 |
| COST OF SALES: | | |
| Multicurrency processing cost of sales | 3,956,268 | 2,941,851 |
| Other cost of sales | 2,738,030 | 496,508 |
| Total cost of sales | 6,694,298 | 3,438,359 |
| Gross Profit | 3,624,302 | 1,718,479 |
| Total operating expenses | 4,689,535 | 4,529,520 |
| Loss From Operations | (1,065,233) | (2,811,041) |
| Total other expense | (286,057) | (132,812) |
| Loss before Provision for Income Taxes | (1,351,290) | (2,943,853) |
| Provision for income taxes | - | - |
| Net Loss | \$ (1,351,290) | \$ (2,943,853) |

See notes to consolidated condensed financial statements.

**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2009 AND 2008**

| | Three months ended March 31 | |
|---|------------------------------------|---------------------|
| | 2009 | 2008 |
| | (unaudited) | (unaudited) |
| Cash flows from operating activities: | | |
| Net loss | (1,351,290) | (2,943,853) |
| Other cash flows from operating activities | 1,018,325 | 608,592 |
| Net cash used in operating activities | <u>(332,965)</u> | <u>(2,335,261)</u> |
| Cash flows from investing activities: | | |
| Capital expenditures | (445,855) | (544,810) |
| Other investing activities | - | - |
| Net cash used in investing activities | <u>(445,855)</u> | <u>(544,810)</u> |
| Cash flows from financing activities: | | |
| Proceeds from issuance of common stock | 3,000,359 | 25,355 |
| Proceeds from convertible debt and Loans Payable | 389,547 | - |
| Proceeds from SB credit line | - | 2,394,104 |
| Payment of capital-raising expense | (175,896) | (90,000) |
| Proceeds from redemption of investments | - | 1,225,000 |
| Net cash provided by financing activities | <u>3,214,010</u> | <u>3,554,459</u> |
| Increase / (decrease) in cash and cash equivalents | 2,435,190 | 674,388 |
| Cash and cash equivalents—beginning of period | <u>246,848</u> | <u>2,824,739</u> |
| Cash and cash equivalents—end of period | <u>\$ 2,682,038</u> | <u>\$ 3,499,127</u> |

See notes to consolidated condensed financial statements.

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (unaudited)
FOR THE THREE MONTHS ENDED MARCH 31, 2009**

| | Preferred Stock \$0.01 Par Value 4,000,000 Shares Authorized | | Common Stock \$0.01 Par Value 70,000,000 Shares Authorized | | Additional Paid-In Capital \$ | Warrants \$ | Accumulated Deficit \$ | Total Stockholders' Equity (Deficit) \$ |
|----------------------------------|---|--------------------|---|--------------------|--|------------------|------------------------------|--|
| | Series A Shares Issued | Par Value \$ | Shares Issued | Par Value \$ | | | | |
| BALANCE— DECEMBER 31, 2008 | <u>2,243,750</u> | <u>22,438</u> | <u>26,931,007</u> | <u>269,310</u> | <u>64,243,699</u> | <u>1,286,617</u> | <u>(72,423,892)</u> | <u>(6,601,828)</u> |
| Stock issued | | | 6,975,428 | 69,754 | 3,093,599 | | | 3,163,353 |
| Warrants exercised | | | | | | | | 0 |
| Options exercised | | | | | | | | 0 |
| Value of warrants issued | | | | | | 48,887 | | 48,887 |
| Stock option expense | | | | | 444,083 | | | 444,083 |
| Net loss | | | | | | | (1,351,290) | (1,351,290) |
| BALANCE—March 31, 2009 | <u>2,243,750</u> | <u>22,438</u> | <u>33,906,435</u> | <u>339,064</u> | <u>67,781,381</u> | <u>1,335,504</u> | <u>(73,775,182)</u> | <u>(4,296,795)</u> |

See notes to consolidated condensed financial statements.

**NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
AS OF AND FOR THE THREE MONTHS ENDED MARCH 31, 2008 and 2009 (UNAUDITED) AND
THE YEAR ENDED DECEMBER 31, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Description — Planet Payment, Inc. (the “Company”) was incorporated in the State of Delaware in October 1999 as Planet Group, Inc. and changed its name to Planet Payment, Inc. on June 18, 2007. The Company enables processors, acquiring banks and their merchants to accept process and reconcile credit card transactions in multiple currencies, allowing cardholders to view prices and settle transactions in their native currency. The *Pay in Your Currency*[™] service is the Company’s suite of multi-currency processing solutions, which includes a multi-currency pricing e-commerce service and a Dynamic Currency Conversion service. The Company’s *BuyVoice*[®], a mobile payment and commerce solution, allows merchants to accept payments and sell product to customers using any mobile or landline phone. With the acquisition of the *iPAY*[®] business, the Company also offers comprehensive Internet processing solutions for credit card and electronic check payments. On March 20, 2006, the Company’s common shares were admitted to trading on the London Stock Exchange’s Alternative Investment Market (AIM) market. On November 19, 2008, the Company’s common shares were also admitted to trading on the OTCQX market tier operated by Pink OTC Markets Inc in the United States.

The Company is a registered third-party processor for acquiring banks under both Visa and MasterCard card association rules. Visa and MasterCard operating regulations require the Company to be sponsored by an acquirer in order to process card transactions. The Company is currently registered with each card association for each bank, with which it has a processing agreement. Accordingly, although not a member of either card association (all members are banks), the Company is required to comply with all applicable card association rules.

Interim Period Format and Scope of Condensed Statements — In the opinion of management, the unaudited consolidated condensed financial statements include all adjustments, which consist of normal recurring accruals, necessary to present fairly the financial position as of March 31, 2009, the results of operations for the three months ended March 31, 2009 and 2008, the cash flows for the three months ended March 31, 2009 and 2008 and the changes in shareholders’ equity for the three months ended March 31, 2009. In accordance with accounting principles generally accepted in the United States of America for interim financial information, these statements do not include certain information and footnote disclosures required for complete annual financial statements. The results of operations and the cash flows for the three months ended March 31, 2009 and 2008 are not necessarily indicative of the results to be expected for the full year and should be read in conjunction with the most recent annual audited consolidated financial statements of the Company as of and for the year ended December 31, 2008. Financial information for the period ended December 31, 2008 has been derived from the audited consolidated financial statements.

Principles of Consolidation — The consolidated condensed financial statements include the accounts of the Company, two wholly owned U.S. subsidiaries (one wholly owned subsidiary and 70% owned subsidiary for the three months ended March 31, 2008), and six wholly owned foreign subsidiaries located in Bermuda, Hong Kong, Ireland, Isle of Man, The People’s Republic of China and Singapore. All inter-company accounts and transactions are eliminated on consolidation.

Foreign Currency Translation — Statements of operations accounts are translated at the average exchange rates during the period. Assets and liabilities are translated at the balance sheet date exchange rates. The related adjustments for all accounts are included in net income. These amounts are immaterial for all periods presented and have not been reported separately.

Cash and Cash Equivalents — Cash and cash equivalents consist of cash and highly liquid debt instruments purchased with an original maturity of three months or less.

Accounts Receivable — The Company evaluates the collectability of its accounts receivable based on a combination of factors. In cases where the Company is aware of circumstances that may impair a specific customer’s ability to meet its financial obligations, an allowance is recorded against amounts due thereby reducing the net recognized receivable to the amount that the Company reasonably believes will be collected. For all other customers, the Company recognizes an allowance for doubtful accounts based on the length of time the receivables are past due, the current business environment and historical experience. As of March 31, 2009 and December 31, 2008, the Company has included an allowance for doubtful accounts of approximately \$1.9 million due to certain receivables being subject to litigation.

Inventory – Commencing in June 2006, certain payments made to Servebase Computers, Ltd. (“Servebase”) have been applied to the purchase of software licenses for resale. The licenses are for a point-of-sale credit card application that has been customized to the Company’s specifications, in order to support the Company’s multi-currency applications. Inventory is valued at the lower of cost or market price. Cost is arrived at using the first-in, first-out method. Market price is estimated based on current sales of licenses.

Property and Equipment — Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|--|-----------|
| Equipment | 5 years |
| Hardware | 5 years |
| Software | 5 years |
| Furniture and fixtures | 5–7 years |
| Leasehold improvements (period of lease) | 7 years |

Expenditures for maintenance and repairs, which do not improve or extend the useful life of the respective asset, are charged to expense as incurred.

Intangible Assets — Intangible assets are recorded at cost. Intangible assets are being amortized on a straight-line basis over their estimated lives, as follows:

| | |
|----------------------|----------|
| License agreements | 7 years |
| Patents | 15 years |
| Trademarks | 15 years |
| Customer contracts | 5 years |
| Capitalized Projects | 5 years |

The Company performs an annual impairment test comparing the estimated fair value of the intangibles to its carrying value. No impairment was recorded for the year ended December 31, 2008 and the three month period ending March 31, 2009.

The Company follows American Institute of Certified Public Accountants Statement of Position (SOP) 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. The Company develops software that is used in providing processing services to customers. Software development costs are capitalized once technological feasibility of the software has been established. Costs incurred prior to establishing technological feasibility are expensed as incurred. Technological feasibility is established when the Company has completed all planning, designing, coding and testing activities that are necessary to determine that a product can be produced to meet its design specifications, including functions, features and technical performance requirements. Capitalization of costs ceases when the product is available for general use. Software development costs are amortized using the straight-line method over the estimated useful life of the software, which is generally five years. During the three months ended March 31, 2009 and 2008, the amount capitalized was \$256,257 and \$250,000, respectively.

Security Deposits — Security deposits are primarily held by landlords to cover rental obligations and are included in Other Assets in the consolidated condensed financial statements.

Restricted Cash — Restricted cash is primarily held by processing partners where the Company holds a share of underwriting risk and for other potential liabilities under processing agreements.

Due to Merchants — Due to merchants represents funds collected on behalf of merchants using the iPAY gateway ACH product, which are held on average for three days before payment to the merchant, as part of our risk management procedures and the amount held is included in settlement assets and are included in Current Liabilities in the consolidated condensed financial statements.

Use of Estimates — The preparation of financial statements are in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make certain estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include valuation of stock options and warrants, allowance for bad debts, asset capitalization and impairment testing. Actual results could differ from those estimates.

Revenue Recognition — Processing revenue is based on the mark up and fees charged to customers for services provided in facilitating the sale of goods and services by means of credit and debit cards and does not include the gross sales price paid by the ultimate buyer. Revenues are recorded on a gross basis and offset by the associated costs of sales and are recognized at the time of settlement of the transactions.

Revenue from multi-currency processing is based on the margin earned on the conversion of credit card transactions from one currency into another currency. Multi-currency conversion revenue is recognized when the settlement proceeds of relevant credit card transactions are paid by the Card Associations to the relevant acquiring bank, with which the Company undertakes the multi-currency processing service.

Transaction based fees are earned at the time the transaction is submitted for processing. Administrative fees revenue comprises fixed monthly amounts, which are recognized at the time charged to each customer. Fees arising from referral of business to third-party processors are recognized upon receipt.

Certain members of the Company's point-of-sale software development team provide external development and consulting services to third parties under the name Planet Technology Services (PTS). The revenue associated with PTS is principally time and materials consulting revenue that is recognized when earned and invoiced.

Income Taxes — The Company accounts for income taxes in accordance with FASB Statement No. 109, *Accounting for Income Taxes*, which requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. Deferred tax assets and liabilities represent the future tax consequence for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. In July 2006, the FASB issued FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*. FIN No. 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in an income tax return. FIN No. 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN No. 48 was adopted by the Company on January 1, 2007 and its effect was not material.

Fair Value of Financial Instruments — SFAS No. 107, *Disclosure about Fair Value of Financial Instruments*, requires certain disclosures regarding the fair value of financial instruments. Cash and cash equivalents, receivables, debt, accounts payable, due to merchants, accrued expenses and amounts due to affiliates are reflected in the consolidated financial statements at fair value because of the short-term maturity of these instruments. The carrying value of long term and convertible debt approximates fair value.

Stock Incentive Plan — The Company adopted FASB Statement No. 123(R), *Share Based Payment*, effective January 1, 2006. FASB Statement No. 123(R) requires compensation cost related to share-based payments to employees to be recognized in the financial statements based on their fair value. This method requires that the provisions of FASB Statement No. 123(R) be applied to new awards and awards modified, repurchased or cancelled after the effective date. See Note 7 for disclosure on the Company's stock incentive plan.

2. GOING CONCERN

The Company has incurred net operating losses and negative cash flows from operations during the three month periods ending March 31, 2009 and 2008, and the year ended 2008. During the three month period ended March 31, 2009, the Company's operations were largely funded by equity capital and other financing including a March 2009 private placing of common shares that raised an additional \$3,000,000 (before expenses) (see Note 9). During the three month period ended March 31, 2009, additional retail and hotel merchant locations were launched in the United States, Greater China, Malaysia, and India. During the three months ended March 31, 2009, revenue and gross profit grew 100% and 111%, respectively, as compared to the three month period ended March 31, 2008. Further bank and merchant implementations have occurred since March 31, 2009 and are planned for the rest of 2009, which the Company believes will have a positive impact on the Company's revenue and cash flows. In October 2008, the Company amended its operating plan, in order to align the Company's cash operating expenses with its current and projected revenue. Amongst a number of cost cutting measures the Company adopted, the Company has laid-off approximately 10% of its global work force and has reduced cash compensation to all directors and officers and most employees across the Company. The Company believes that the operating plans and implementations, together with the investment capital raised, will be sufficient to support the Company's current liquidity requirements, but there are no assurances that these plans and proposals will come to fruition and the ultimate ability of the Company to continue as a going concern is dependent on the Company achieving positive cash-flow from operations.

3. LONG TERM DEBT

Long term debt at March 31, 2009 and December 31, 2008 consisted of the following:

| | March 31 2009 | December 31 2008 |
|---|--------------------------|-----------------------------|
| 8% Note payable to Inter-Atlantic Fund, L.P. due November 2010. Interest is payable annually in cash or common stock at the Company's election. The Company issued one warrant exercisable for 3,053,435 shares of common stock as additional consideration for entering into the note. As long as the note remains outstanding and Inter-Atlantic chooses to exercise the warrant, in part or in full, the principal amount of note must be offset against the purchase price of the common stock under the warrant. The note and warrant are only assignable together. | \$ 4,000,000 | \$ 4,000,000 |
| 9.29% Note payable to Hewlett Packard Financial Services Company, Principal and interest payable monthly through January 2014, The note is secured by the financed equipment. | 39,547 | 0 |
| Non-interest bearing amount from First Horizon Merchant Services, Inc. ("FHMS") and First Tennessee Bank National Association ("FTB") payable on demand. The advance is secured by the underlying cash flow associated with the contract in respect | | |

| | | |
|--|--------------|--------------|
| of which the advance was made. | 660,000 | 660,000 |
| Non-interest bearing amount from FHMS and FTB payable on demand. The advance is secured by the underlying cash flow associated with the contract in respect of which the advance was made. | 40,000 | 40,000 |
| | 4,739,547 | 4,700,000 |
| Less current portion | 706,946 | 700,000 |
| Long term portion | \$ 4,032,601 | \$ 4,000,000 |

In June 2006 the Company received a request for repayment of the \$700,000 of long-term debt which is payable on demand. The Company does not believe it is liable to repay such amount and no action has been taken by the creditor to collect it

Total interest expense related to Long Term Debt for the three months ended March 31, 2009 and 2008 was \$83,958 and \$86,729, respectively. Interest expense was accrued for 2008 and subsequently paid through issuance of common stock in 2009 (see Note 9).

4. CONVERTIBLE DEBT

In February 2007, the Company issued a \$5 million five-year term Note convertible into 2,272,727 common shares as part of a \$7.6 million private placing which included the issuance of 1,141,491 new common shares at a price of \$2.28 per share (equivalent to £1.16 per share). The Note carries an interest rate of 8% per annum and is convertible at any time at the option of the Noteholders, or automatically upon the achievement by the Company of certain milestones, namely a qualified U.S. initial public offering (IPO) or the achievement of certain liquidity and market value in the trading of the Company's common shares. Interest is payable semi-annually commencing June 30, 2007, provided that at the Company's sole option, interest payments through December 31, 2008, may be capitalized and added to the principal amount. Also, at the Company's election, subject to specified conditions, at any time after January 1, 2009, interest may be payable in the form of common shares at the fair market value. Interest payments due as of June 30, 2007, December 31, 2007, June 30, 2008 and December 31, 2008, combined totaling \$811,057, were capitalized. As a result of the \$100,000 Convertible Note referred to below, the interest rate increased to 9% per annum.

In April 2008, concurrent with the I-Pay acquisition (Note 5), the Company issued a further \$3 million Convertible Promissory Note, with a 4 year term, convertible into 1,333,333 common shares at a conversion price of \$2.25 per share. The Note carries an interest rate of 8% per annum and is convertible at any time at the option of the Noteholders, or automatically upon the achievement of certain milestones, namely a qualified U.S. IPO or the achievement of certain liquidity and market value in the trading of the Company's common shares. Interest is payable semi-annually commencing June 30, 2008, provided that at the Company's sole option, interest payments through December 31, 2008, may be capitalized and added to the principal amount. Also, at the Company's election, subject to specified conditions, at any time after January 1, 2009, interest may be payable in the form of common shares at the fair market value. Interest payments due as of June 30, 2008 and December 31, 2008, combined totaling \$168,870, were capitalized. As a result of the \$100,000 Convertible Note referred to below, the interest rate increased to 9% per annum

In December 2008, the Company issued a \$100,000 Convertible Promissory Note, with a 5 year term, convertible into 100,000 common shares at a conversion price of \$1.00 per share, to an existing shareholder. The Noteholder also received 25,000 warrants at an exercise price of \$1.00. In January and February 2009, the Company issued \$350,000 in Convertible Promissory Notes, with a 5 year term, convertible into 350,000 common shares at a conversion price of \$1.00 per share, to existing shareholders. The Noteholders also received 87,500 warrants at

an exercise price of \$1.00. The Company may prepay the unpaid balance of the Notes at any time on or after July 31, 2009 (First Measurement Date) without prior consent of the Noteholders and without penalty. As a result of the March 2009 private placing, the conversion price of the Notes and the exercise price under the Warrants were adjusted to \$0.45. The Notes carry an interest rate of 8% per annum. The interest rate will increase to 12% per annum after the First Measurement Date, and adjusts to a rate equal to the United States Prime Rate after June 30, 2010 (Second Measurement Date) if the Notes are not prepaid before either date. The Notes are convertible at any time at the option of the Noteholders, or automatically upon the Second Measurement Date at a conversion price of \$0.70 per share if the fair market value of the common shares is \$1.40 per share or higher. The Notes shall automatically convert upon maturity at a conversion price of \$0.70 per share, or the fair market value of the common shares subject to a minimum conversion price of \$0.35 per share. Interest is payable upon the First Measurement Date, provided that at the Company's sole option, interest payments through First Measurement Date may be capitalized and added to the principal amount. After the First Measurement Date, interest shall be payable quarterly in arrears commencing September 30, 2009, and may be payable in the form of common shares at the fair market value.

Convertible debt as of December 31, 2008, was comprised of the following:

| Principal | Accrued Interest | Total Convertible Debt | Maturity Date | Interest Rate | Conversion Price |
|---------------------|-------------------------|-------------------------------|----------------------|----------------------|-------------------------|
| \$ 5,000,000 | \$ 811,057 | \$ 5,811,057 | February 7, 2012 | 9% | \$2.20 |
| \$ 3,000,000 | \$ 168,870 | \$ 3,168,870 | April 21, 2012 | 9% | \$2.25 |
| \$ 100,000 | \$ 153 | \$ 100,153 | December 24, 2013 | 8% | \$1.00 |
| <u>\$ 8,100,000</u> | <u>\$ 980,080</u> | <u>\$ 9,080,080</u> | | | |

Convertible debt as of March 31, 2009, was comprised of the following:

| Principal | Accrued Interest | Total Convertible Debt | Maturity Date | Interest Rate | Conversion Price |
|---------------------|-------------------------|-------------------------------|----------------------|----------------------|-------------------------|
| \$ 5,000,000 | \$ 940,014 | \$ 5,940,014 | February 7, 2012 | 9% | \$2.20 |
| \$ 3,000,000 | \$ 239,193 | \$ 3,239,193 | April 21, 2012 | 9% | \$2.25 |
| \$ 100,000 | \$ 2,126 | \$ 102,126 | December 24, 2013 | 8% | \$0.45 |
| \$ 100,000 | \$ 1,775 | \$ 101,775 | January 9, 2104 | 8% | \$0.45 |
| \$ 190,000 | \$ 2,074 | \$ 192,074 | February 9, 2014 | 8% | \$0.45 |
| \$ 60,000 | \$ 605 | \$ 60,605 | February 13, 2014 | 8% | \$0.45 |
| <u>\$ 8,450,000</u> | <u>\$ 1,185,787</u> | <u>\$ 9,635,787</u> | | | |

Total interest expense related to Convertible Debt for the three months ended March 31, 2009 and 2008 was \$205,707 and \$107,136, respectively.

5. ACQUISITIONS AND JOINT VENTURE / DISCONTINUED OPERATIONS

In January 2008, the Company terminated its joint venture with JourneyPay Limited by mutual agreement. As a result, the Company no longer contributes capital to the joint venture business and no longer consolidates the results of the joint venture's operations. Processing of transactions for JourneyPay continues under a prior processing agreement. The termination is accounted for and presented as discontinued operations in the Company's consolidated financial statements. In November 2008, the company entered into an amendment Agreement and sold its interest in the joint venture to JourneyPay Limited in consideration of a note receivable repayable with interest at a rate of 7% per annum over a period of approximately 5 years.

In April 2008, the Company acquired certain assets relating to the former iPay e-commerce processing business. The consideration was \$1,000,000 paid in cash upon closing. In addition, the Company incurred \$224,294 in additional costs; \$120,608 in assumed liabilities under contracts which were assigned as part of the transaction and \$103,686 in legal costs, thereby raising the total cost of the transaction to approximately \$1.22 million. The assets purchased consisted of hardware and equipment, software, licenses and intellectual property. The contracts assumed include contracts relating to a direct merchant acquiring portfolio and agent bank acquiring portfolio. In addition, the Company entered into a new lease of premises in New Castle, Delaware, where the business is based, for a period expiring October 2011, subject to a right to renew, at an initial rental of approximately \$312,000 per annum.

The assets purchased are as follows:

| | | |
|---------------------------------------|-----------|------------------|
| Hardware | \$ | 159,698 |
| Software | | 98,875 |
| Other Fixed Assets | | 98,367 |
| Intangible Asset - Customer Contracts | | 867,354 |
| Net assets acquired | <u>\$</u> | <u>1,224,294</u> |

6. RELATED-PARTY TRANSACTIONS

During the three months ended March 31, 2009 and 2008, the Company incurred the following general and administrative expenses to three affiliated companies that are principally owned by executives, directors or stockholders of the Company (N & A Consulting LLC, Synergy Corporate Technologies Ltd., and BDP Realty Associates LLC):

| | 2009 | 2008 |
|------------------------------|-------------|-------------|
| Consulting/Professional fees | \$ - | \$ 62,578 |
| Rent | 114,933 | 117,057 |

7. STOCK INCENTIVE PLAN

The Board of Directors and Stockholders approved a new equity incentive plan (“2006 Equity Incentive Plan” or “Plan”) in January 2006. The Remuneration Committee of the Board of Directors (the “Committee”) administers the Plan. Employees and certain contractors, who in the judgment of the Committee render significant service to the Company, are eligible to participate.

Under the terms of the Plan, participants may be granted restricted shares or options to purchase the Company’s common stock at the fair market value on the date the option is granted. Options granted generally vest equally over three years and expire ten years after the grant date. At March 31, 2009 and December 31, 2008, a total of 6,641,965 and 6,851,397 shares, respectively, were reserved for issuance under the Plan. No restricted shares have been issued as of March 31, 2009 and of the stock options granted in 2008, none were at a strike price lower than the market price at the time of the grant. At March 31, 2009, 657,090 common shares remained available for future stock option and restricted stock awards under the Plan.

Stock option plan activity for the three months ended March 31, 2009 was as follows:

| Options | Weighted-Average Exercise Price |
|----------------|--|
|----------------|--|

| | | | |
|--|------------------|----|-------------|
| Balance— December 31,2008 | 6,851,397 | \$ | 2.44 |
| Granted | - | | - |
| Exercised | - | | - |
| Cancelled | (31,973) | | 2.45 |
| Forfeited | (177,459) | | 3.01 |
| | <u>6,641,965</u> | | <u>2.43</u> |
| Balance—March 31, 2009 | 6,641,965 | \$ | 2.43 |
| Options exercisable at December 31, 2008 | <u>4,410,228</u> | \$ | <u>2.26</u> |
| Options exercisable at March 31, 2009 | <u>4,884,063</u> | \$ | <u>2.12</u> |

Options Outstanding at March 31, 2009

| Exercise Price | Number Outstanding | Weighted-Average Exercise Price | Weighted-Average Remaining Life (Years) | Number Exercisable |
|----------------|--------------------|---------------------------------|---|--------------------|
| \$0.60 | 118,333 | \$0.60 | 0.4 | 118,333 |
| 1.20 | 1,183,018 | 1.20 | 9.1 | 531,665 |
| 2.50 | 3,035,134 | 2.50 | 5.9 | 2,879,579 |
| 2.53 | 381,300 | 2.53 | 7.3 | 259,938 |
| 2.88 | 710,305 | 2.88 | 7.3 | 478,703 |
| 3.01 | 861,710 | 3.01 | 8.3 | 292,347 |
| 3.05 | 19,167 | 3.05 | 8.3 | 7,167 |
| 3.07 | 75,000 | 3.07 | 8.3 | 75,000 |
| 4.00 | 50,000 | 4.00 | 6.3 | 33,333 |
| 4.40 | 173,499 | 4.40 | 1.9 | 173,499 |
| 5.50 | 34,499 | 5.50 | 1.7 | 34,499 |
| | <u>6,641,965</u> | <u>\$2.43</u> | | <u>4,884,063</u> |

The Company's Plan provides for acceleration of exercisability of the options upon the occurrence of certain events related to a change in control, merger, and sale of assets or liquidation of the Company.

As required, the Company adopted SFAS 123(R) effective January 1, 2006. SFAS 123(R) requires compensation cost related to share-based payments to employees to be recognized in the financial statements based on their fair value. Under the public company standard, companies must adopt SFAS 123(R) using the modified prospective application method. This method requires companies to (1) record compensation cost for the unvested portion of previously issued stock option awards that remain outstanding at the initial date of adoption and (2) record compensation cost for any awards issued, modified, repurchased or cancelled after the effective date of SFAS 123(R). For the three months ended March 31, 2009, the Company incurred total share-based expense of \$444,083; \$395,782 related to employee compensation and \$48,301 related to non-employee directors and professionals. For the three months ended March 31, 2008, the Company incurred total share-based expense of \$289,343; \$230,165 related to employee compensation and \$59,178 related to non-employee directors and professionals. As of March 31, 2009, the total remaining unrecognized compensation expense related to the

Company's unvested stock options was \$1.37 million. This unrecognized compensation expense is expected to be recognized over a weighted-average period of less than one year.

For awards granted in 2008, the Company used the Black-Scholes model for valuation. Assumptions, including volatility, term and risk-free rate, utilized in the model were provided by or confirmed by an independent entity. Since the Company had little historical information regarding the volatility of its share price, estimated volatility was based on the historic volatility of comparative companies from the same industry. As well, the Company believes that its historical share option experience does not provide a reasonable basis upon which to estimate expected term. Following the guidance of SAB Topic 14, *Share-Based Payment*, the Company used a “simplified” method to determine expected term based on the vesting and original contractual terms.

8. WARRANTS

The Company had outstanding warrants to purchase 4,619,689 shares of common stock as of March 31, 2009, in addition to the stock options granted under the stock incentive plan.

Warrant activity for the three months ended March 31, 2009 was as follows:

| | Warrants | Weighted-Average Exercise Price |
|--|------------------|---------------------------------------|
| BALANCE— December 31, 2008 | 4,526,399 | \$ 1.57 |
| Granted | 100,536 | 0.42 |
| Exercised | - | 0.94 |
| Cancelled | (7,246) | 2.24 |
| BALANCE— March 31, 2009 | 4,619,689 | \$ 1.55 |
| Warrants exercisable—December 31, 2008 | 4,526,399 | \$ 1.57 |
| Warrants exercisable— March 31, 2009 | 4,619,689 | \$ 1.55 |

Warrants Outstanding at March 31, 2009

| Exercise Price | Number Outstanding | Weighted - Average Exercise Price | Weighted-Average Remaining Life (Years) | Number Exercisable |
|-------------------|-----------------------|---|---|-----------------------|
| 0.25 | 166,740 | 0.25 | 3.8 | 166,740 |
| 0.45 | 112,500 | 0.25 | 5.3 | 112,500 |
| 0.75 | 6,402 | 0.75 | 0.5 | 6,402 |
| 1.00 | 576,669 | 1.00 | 0.3 | 576,669 |
| 1.31 | 3,053,435 | 1.31 | 1.5 | 3,053,435 |
| 2.50 | 220,903 | 2.50 | 4.8 | 220,903 |
| 3.00 | 77,466 | 3.00 | 0.5 | 77,466 |
| 3.07 | 186,486 | 3.07 | 0.5 | 186,486 |
| 4.00 | 36,000 | 4.00 | 0.5 | 36,000 |
| 5.50 | 183,088 | 5.50 | 4.8 | 183,088 |

4,619,689

\$ 1.55

4,619,689

During the three months ended March 31, 2009, the Company issued 13,036 warrants with an exercise price of \$0.25 per share as partial payment for legal services rendered and recognized an expense of \$48,886.

9. CAPITAL STOCK

During the three months ended March 31, 2009, the Company issued 316,428 new common shares, in payment of \$338,890 of accrued interest upon long term debt.

On March 16, 2009, the Company completed a private placing of 6,659,000 new common shares at a price of GBP 32 pence per share (approximately US\$0.45 per share) raising approximately \$3 million (before expenses). The common shares were issued to institutional and other investors in Europe, the UK and the US. The net proceeds of the March 2009 private placing will provide additional working capital.

The terms on the Company's various classes and series of capital stock are summarized as follows:

Series A Convertible Preferred Stock — The Series A preferred stock had the following right as of March 31, 2009:

Liquidation Preference — The holders of the Series A preferred stock are entitled upon a liquidation event, to receive back their original investment, in priority to any return of capital to all other stockholders, with no further participation.

Common Stock — The common stockholders are entitled to a distribution of all remaining assets (which may be more or less than the original investment), on a proportionate basis, in the event of the dissolution or winding up of the Company, after payment of all liabilities of the Company and the liquidation preference of all series of preferred stock then outstanding. The common stock has no conversion or redemption rights. The common stock is entitled to one vote per share at all general meetings of the Company. The common stockholders are entitled to share in all dividends and distributions, which may be declared by the Company, on a proportionate basis with all other classes and series of stock outstanding.

10. EARNINGS (LOSS) PER SHARE

Computation of Earnings (Loss) per Common Share — Basic earnings (loss) per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted earnings (loss) per common share is computed using the weighted-average number of common and dilutive common equivalent shares outstanding during the period. Dilutive common equivalent shares consist primarily of preferred shares, warrants, stock options and convertible debt. Due to the Company's net loss for all periods presented, the diluted earnings (loss) calculation is not provided, in that the results of this calculation would be anti-dilutive.

The basic earnings (loss) per share are calculated on the following data:

| 3 months ended March 31, 2009 | 3 months ended March 31, 2008 |
|--|--|
| Number of | Number of |

| | <u>shares</u> | <u>shares</u> |
|--|-----------------------|-----------------------|
| Weighted average number of common shares (for basic earnings per share) | 29,256,150 | 26,529,248 |
| Potential dilutive ordinary shares: | | |
| Preferred shares | 6,851,144 | 6,851,144 |
| Warrants | 4,620,870 | 6,057,798 |
| Stock incentive plan | 6,660,443 | 5,802,857 |
| Convertible debt | 4,599,776 | 3,441,598 |
| Diluted basis | <u>51,988,383</u> | <u>48,682,645</u> |
| Net Loss | <u>\$ (1,351,290)</u> | <u>\$ (2,943,853)</u> |
| Basic loss per share | <u>(\$0.05)</u> | <u>(\$0.11)</u> |

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the accompanying consolidated condensed financial statements and related notes thereto. The following discussion may contain forward-looking statements that reflect future plans, estimates, beliefs, and expected performance. The forward-looking statements are dependent upon events, risks, and uncertainties that may be outside our control. Our actual results could differ materially from those discussed in these forward-looking statements. As such, the forward-looking events discussed may not occur. See discussion under the heading "*Forward Looking Statements*" above.

The financial information with respect to the three month period ended March 31, 2009 and 2008 that is discussed below is unaudited. In the opinion of management, this information contains all adjustments, consisting of normal recurring accruals, necessary for the fair presentation of the results for such periods. The results of operations for the interim periods are not necessarily indicative of the results of operations for the full fiscal year. The Company provides certain non-GAAP financial measures in this statement, in order to provide investors with additional perspective of underlying business trends and results. These non-GAAP key business indicators, which include adjusted EBITDA loss, transaction volumes, annualized revenue run rates, merchant locations and points of sale, should not be considered replacements for and should be read in conjunction with the GAAP financial measures.

RESULTS OF OPERATIONS OVERVIEW All figures are in US dollars unless otherwise stated.

Three Months Ended March 31, 2009 Compared to the Three Months Ended March 31, 2008

Revenue: Total revenue increased 100% to \$10.3m (Q1'08: \$5.2m) as a result of the increase in multi-currency processing from new merchant deployments in all regions and the acquisition of the iPAY business. Revenue from multi-currency processing services increased 34% to \$6.3m (Q1'08: \$4.7m), while revenue from processing services (i.e. iPAY and other non multi-currency processing) increased 797% to \$4.0m (Q1'08: \$0.4m), and represented 39% of total revenue (Q1'08: 9%).

Transaction Volume: The Company processed total settled transaction volume of over \$446m, up 184% over the same period in 2008 (Q1'08: \$157m). Transaction volume from multi-currency processing services increased 35% to \$175m (Q1'08: \$129m). Settled processing volume grew 874% to \$272m (Q1'08: \$28m), primarily attributed to the iPAY processing business in North America.

Gross Profit: Gross profit rose 111% to \$3.6m (Q1'08: \$1.7m). Overall gross margin percentage of 35.2% improved over Q1'08's gross margin percentage of 33.3% due to certain implementation, development and processing fees which had no associated direct costs of sales.

Operating Expenses: The Company's operating costs as a percentage of revenue were significantly reduced to 45% from 88% in Q1'08. Operating expenses grew \$0.2m, to \$4.7m, (Q1'08: \$4.5m), only a 3.5% increase notwithstanding that 2009 expenses include the costs associated with the iPAY business, acquired in April 2008. Cash operating expenses increased only 4.6% to \$4.0m (Q1'08: \$3.8m).

Cash compensation expenses totalled \$2.4m, an increase of 4.5% over Q1'08, representing 60% of total cash operating expenses for the quarter (Q1'08: \$2.3m, representing 60% of total cash operating expenses). Headcount grew from 101 at the end of March 2008 to 130 at the end of March 2009, with nearly all of the growth attributable to the iPAY acquisition. Other cash operating expenses (i.e. excluding cash compensation expense) increased only 4.6% over 2008.

EBITDA: Adjusted EBITDA loss for the period decreased to \$0.3m, an 84% improvement (Q1'08 loss: \$2.1m). (Adjusted EBITDA loss excludes depreciation and amortization expense of \$0.3m and non-cash stock-related compensation expense arising from SFAS 123R of \$0.4m.) This further narrowing of the Adjusted EBITDA loss and the positive Adjusted EBITDA produced in March 2009 reflects the Company's continuing progress towards positive cash flow in the near-term.

Net Loss: The Company's higher revenues and significant reduction in costs as a percentage of revenues, led to a reduction in net loss of approximately 54% to \$1.4m (Q1'08loss: \$2.9m).