

Date: 9 November 2010
On behalf of: Planet Payment, Inc. (“the Company” or “Planet Payment”)
Embargoed until: 0700 hrs

Planet Payment Reports Third Quarter 2010 Results

MOMENTUM CONTINUES TO BUILD THIRD QUARTER TOTAL REVENUE INCREASES 32% THIRD QUARTER MULTI-CURRENCY REVENUE INCREASES 47%

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 and nine month periods ended September 30, 2010.

The third quarter of 2010 was another period of solid growth. Total revenue was up 32% to \$15.5m (Q3'09: \$11.7m), with multi-currency revenue up 47% to \$12.5m (Q3'09: \$8.5m). Gross profit for the period increased 22% to \$5.0m (Q3'09: \$4.1m). Adjusted EBITDA for the quarter increased to \$0.4m from \$0.2m in Q3'09. On a GAAP basis, net loss narrowed by 44% to (\$0.4m) compared to the Q3'09 loss: (\$0.8m), and also narrowed by 47% sequentially over the prior quarter (Q2'10 loss (\$0.7m). See Table 1 for reconciliation of net loss to Adjusted EBITDA.

For the nine month period ended September 30, 2010 (“YTD'10”), total revenue increased 31% to \$43.2m (YTD'09: \$33m), with multi-currency revenue up 51% to \$34.1m (YTD'09: \$22.6m). Gross profit for the period increased 18% to \$13.7m (YTD'09: \$11.6m). Adjusted EBITDA loss for the nine month period approached breakeven to (\$0.04m) compared to a YTD'09 loss of (\$0.04m). On a GAAP basis, net loss narrowed by 13% to (\$2.7m) compared to a YTD'09 loss of (\$3.1m). See Table 1 for reconciliation of net loss to Adjusted EBITDA.

Planet Payment's revenue growth reflects an increase in transaction processing volumes primarily driven by increases in active merchant locations as well as improving economic conditions. The Company's 46 banking and processing customers have continued to roll out Planet Payment's solutions in sixteen countries as reflected by the addition of 3,800 active merchant locations since Q3'09, a 39% increase. During the third quarter of 2010, the Company began activating the merchant pipeline from newly signed acquirers in Canada, the United Arab Emirates, Philippines, Singapore, Brunei, Sri Lanka, the Maldives and South Africa, adding over 1,600 new merchant locations in these countries alone.

During the third quarter, the Company continued to broaden and enhance its services, including:

- Expanding debit card processing with the certification of Maestro® for the Middle East and Africa, complementing Planet Payment's support of VISA® Debit and Interac® in Canada
- Adding EMV support for online PIN entry for the Middle East and Africa, building on the Company's existing support of EMV for the Asia Pacific, Canada and Europe regions
- Signing agreements to integrate to the iPAY gateway a suite of enhanced, e-commerce, merchant fraud detection and prevention services.

Planet Payment's momentum continues to build with a strong pipeline of new prospects for our multi-currency processing services in existing and new regions, including the Middle East, South Africa and Latin America.

On October 22, 2010, the Company raised \$6.03 million, before expenses, via a placing of 4,500,000 common shares. The net proceeds of the placing will provide additional working capital to maintain and enhance the growth of the Company's business, as well as provide a source of repayment of debt.

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

“Our services help acquirers open new sales channels, merchants sell more goods and services and cardholders enjoy informed choice and transparency at the point-of-sale. As a result of our efforts this year to roll out our innovative products to new customers and taking into account the customary fourth quarter seasonal uplift in our business, we look forward to increased revenue and gross profit, resulting in positive cash flows and adjusted EBITDA for the balance of 2010.”

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 Third Quarter Report, including its Consolidated Condensed Financial Statements (unaudited), as of and for the three and nine months ended September 30, 2010 and 2009 and as of December 31, 2009 have been posted on the OTCQX website at www.otcqx.com and on the Company's website at www.planetpayment.com.

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About Planet Payment

Planet Payment's Common shares trade in the UK 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 is a leading international payment and data processor, providing banks and their merchants with innovative solutions to accept, process and reconcile payments, anytime, anywhere and in any currency. Our customer base of more than 45 acquiring banks and processors stretches from North America, to the Middle East, to Asia Pacific, including China, Hong Kong, Macau, Taiwan, Malaysia and India.

Planet Payment is headquartered in New York and has offices in Atlanta, Beijing, Bermuda, Delaware, London, Hong Kong, Shanghai and Singapore. Visit www.planetpayment.com for more information on the Company and its services. For up-to-date information follow Planet Payment on Twitter at [@PlanetPayment](https://twitter.com/PlanetPayment) or join [Planet Payment's page on Facebook](https://www.facebook.com/PlanetPayment).

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 its business partners, are forward-looking statements. Such forward-looking statements are based on a number of assumptions regarding Planet Payment's present and future business strategies, and the environment in which Planet Payment expects to

operate in future, which assumptions may or may not be fulfilled in practice. Implementation of some or all of the new services referred to is subject to regulatory, or other third party approvals. 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 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 commencing operations in new countries and regions 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.

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 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 headings "*Forward Looking Statements*" and "*Risk Factors*" below.

The financial information with respect to the nine and three month periods ended September 30, 2010 and 2009 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. In addition management utilizes these measures in monitoring performance. These non-GAAP key business indicators, which include Adjusted EBITDA, cash operating expenses, cash compensation expense, transaction volumes, merchant locations and same store sales, should not be considered replacements for and should be read in conjunction with the GAAP financial measures.

RESULTS OF OPERATIONS

Nine Months Ended September 30, 2010 Compared to the Nine Months Ended September 30, 2009

Revenue: Total revenue increased 31% to \$43.2m (YTD'09: \$33m) as a result of the increase in multi-currency processing from new merchant deployments in new and existing regions. Active merchants as of September 30, 2010 increased 39% to 13,664 (YTD'09: 9,827). Revenue from multi-currency processing services increased 51% to \$34.1m (2009: \$22.6m), while revenue from processing services decreased 12% to \$9.1m (2009: \$10.3m), and represented 21% of total revenue (YTD'09: 31%).

Transaction Volume: The Company processed total settled transaction volume of \$1.9b, up 26% over the same period in 2009 (YTD'09: \$1.5b). Transaction volume from multi-currency processing services increased 52% to \$922m (YTD'09: \$607m). Settled processing volume increased to \$995m (YTD'09: \$911m). Approximately 29% of multi-currency transaction volume processed in September 2010 was attributed to merchants activated since September 2009 and 22% of the September 2010 volume derived from locations activated in the first nine months of 2010. The Company has activated more than 3,800 new merchant locations since September 30, 2009, of which approximately 3,600 locations were activated during the first nine months of 2010.

Gross Profit: Gross profit rose 18% to \$13.7m (YTD'09: \$11.6m). Overall gross margin percentage was 32% as compared to 35% in 2009 due to certain customers achieving processing volume tiers in 2010 and also due to certain implementations, development and processing fees which had no associated direct costs of sales in 2009.

Operating Expenses: The Company's operating costs as a percentage of revenue decreased to 36% compared to 44% in Q3'09. Operating expenses grew \$1.7m to \$15.6m (YTD'09: \$13.8m). Cash operating expenses increased 19% to \$13.8m (YTD'09: \$11.6m) in support of service launches in new markets in 2010 and due to the reinstatement of salaries, which had been reduced in Q4 of 2008 through most of 2009.

Cash compensation expenses totaled \$9.8m, an increase of 35% over the same period in 2009, representing 71% of total cash operating expenses. (YTD'09: \$7.2m, representing 59% of total cash operating expenses). Increases were due primarily to the reinstatement of previously reduced salaries (as explained above) and to bonuses paid during the first nine months of 2010. Other cash operating expenses decreased 8% over 2009.

EBITDA: Adjusted EBITDA loss for the period was (\$0.04m) compared to a loss of (\$0.04m) a year ago. See Table 1 below for a reconciliation of Net loss to adjusted EBITDA. The adjusted EBITDA loss for the first nine months reflects increases in operating expenses in support of service launches in new markets in 2010 and the reinstatement of salaries, which had been reduced in Q4 of 2008 through most of 2009.

Net Loss: Net loss for the period was (\$2.7m) compared to a net loss of (\$3.1m) for the first nine months of 2009.

Three Months Ended September 30, 2010 Compared to the Three Months Ended September 30, 2009

Revenue: Total revenue increased 32% to \$15.5m (Q3'09: \$11.7m) as a result of the increase in multi-currency processing from new merchant deployments in all regions. Revenue from multi-currency processing services increased 47% to \$12.5m (Q3'09: \$8.5m), while revenue from processing services decreased 5% to \$3.1m (Q3'09: \$3.2m), and represented 20% of total revenue (Q3'09: 27%).

Transaction Volume: The Company processed total settled transaction volume of \$700m, up 28% over the same period in 2009 (Q3'09: \$547m). Transaction volume from multi-currency processing services increased 42% to \$323m (Q3'09: \$228m). Settled processing volume increased to \$377m (Q3'09: \$319m).

The Company activated approximately 1,800 new merchant locations during the third quarter of 2010, which contributed modestly to Q3 transaction volumes and revenue.

Improving economic conditions also contributed to increased volumes. The Company's same store multi-currency volume in the hospitality, retail and e-commerce sectors rebounded in the period, as evidenced by the average 21% increase in third quarter same store volume over third quarter 2009.

Gross Profit: Gross profit rose 22% to \$5.0m (Q3'09: \$4.1m). Overall gross margin percentage was 32% as compared to the Q3'09 gross margin percentage of 35% due to certain customers achieving processing volume tiers in 2010, development and processing fees which had no associated direct costs of sale.

Operating Expenses: The Company's operating costs as a percentage of revenue decreased to 33% compared to 39% in Q3'09. Operating expenses grew \$0.6m, to \$5.2 (Q3'09: \$4.6m). Cash operating expenses increased 17% to \$4.6m (Q3'09: \$3.9m) in support of service launches in new markets in 2010 and as a result of the reinstatement of salaries which had been temporarily reduced.

Cash compensation expenses totaled \$3.1m, an increase of 40% over Q3'09, representing 68% of total cash operating expenses for the quarter (Q3'09: \$2.2m, representing 57% of total cash operating expenses). Increases were due to the reinstatement of temporarily reduced salaries. Other cash operating expenses decreased 13% over 2009.

EBITDA: Adjusted EBITDA for the period was \$0.4m compared to \$0.2m a year ago. See Table 1 below for a reconciliation of Net loss to adjusted EBITDA.

Net Loss: Net loss for the period was (\$0.4m) compared to a net loss of (\$0.8m) a year ago.

Table 1. Reconciliation of Net Loss to Adjusted EBITDA
For the three and nine month periods ended September 30, 2010 and 2009
(in millions)

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Net loss	\$(0.4)	\$(0.8)	\$(2.7)	\$(3.1)
Interest expense, net	0.3	0.3	0.9	0.8
Depreciation and amortization	0.3	0.3	1.1	1.1
Stock compensation expense	0.2	0.2	0.6	1.0
Other non-cash expense		0.2		0.1
Adjusted EBITDA	\$0.4	\$0.2	(\$0.1)	(\$0.1)

CONSOLIDATED CONDENSED BALANCE SHEETS
As of September 30, 2010 and December 31, 2009

	September 30	December 31
	2010	2009
	(unaudited)	(audited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 1,142,860	\$ 3,752,423
Other current assets	<u>8,074,735</u>	<u>5,932,366</u>
Total current assets	9,217,595	9,684,789
PROPERTY AND EQUIPMENT, net	1,359,152	992,633
Intangible assets, net	5,298,967	4,873,263
Other assets	<u>261,058</u>	<u>297,528</u>
TOTAL	<u>\$ 16,136,772</u>	<u>\$ 15,848,213</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities	9,199,464	7,361,465
Long-term and convertible debt-less current maturities	<u>9,132,308</u>	<u>9,036,402</u>
Total liabilities	<u>18,331,772</u>	<u>16,397,867</u>
Stockholders' (deficit):	<u>(2,195,000)</u>	<u>(549,654)</u>
TOTAL	<u>\$ 16,136,772</u>	<u>\$ 15,848,213</u>

See notes to consolidated condensed financial statements.

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
For the three and nine month periods ended September 30, 2010 and 2009

	Three Months Ended September 30		Nine Months Ended September 30	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
REVENUE:				
Multicurrency processing revenue	\$ 12,468,126	\$ 8,506,885	\$ 34,072,645	\$ 22,571,928
Processing & other revenue	<u>3,071,202</u>	<u>3,242,568</u>	<u>9,152,964</u>	<u>10,437,654</u>
Total Revenue	15,539,328	11,749,453	43,225,609	33,009,582
COST OF SALES:				
Multicurrency processing cost of sales	8,061,235	5,163,557	22,198,929	13,863,956
Processing & other cost of sales	<u>2,443,577</u>	<u>2,470,807</u>	<u>7,292,739</u>	<u>7,538,820</u>
Total cost of sales	<u>10,504,812</u>	<u>7,634,364</u>	<u>29,491,668</u>	<u>21,402,776</u>
Gross Profit	5,034,516	4,115,089	13,733,941	11,606,806
Total operating expenses	<u>5,186,228</u>	<u>4,624,527</u>	<u>15,556,572</u>	<u>13,839,329</u>
Loss From Operations	(151,712)	(509,438)	(1,822,631)	(2,232,523)
Total other expense	<u>(297,572)</u>	<u>(295,944)</u>	<u>(878,720)</u>	<u>(873,856)</u>
Loss before Provision for Income Taxes	(449,284)	(805,382)	(2,701,350)	(3,106,379)
Provision for income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Loss	<u>\$ (449,284)</u>	<u>\$ (805,382)</u>	<u>\$ (2,701,350)</u>	<u>\$ (3,106,379)</u>

See notes to consolidated condensed financial statements.

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
For the nine month periods ended September 30, 2010 and 2009

	Nine Months Ended September 30	
	2010	2009
	(unaudited)	(unaudited)
Cash flows from operating activities:		
Net loss	(2,701,350)	(3,106,378)
Other cash flows from operating activities	1,466,819	1,922,276
Net cash used in operating activities	(1,234,531)	(1,184,102)
Cash flows from investing activities:		
Capital expenditures	(1,933,020)	(2,044,681)
Net cash used in investing activities	(1,933,020)	(2,044,681)
Cash flows from financing activities:		
Proceeds from issuance of common stock	400,776	3,000,359
Proceeds from convertible debt and loans payable	-	457,775
Proceeds from long term debt	157,212	-
Payment of capital-raising expense	-	(175,896)
Repayment of long term debt	-	-
Net cash provided by financing activities	557,988	3,282,238
	-	-
Increase / (decrease) in cash and cash equivalents	(2,609,563)	53,455
Cash and cash equivalents—beginning of period	3,752,423	246,848
Cash and cash equivalents—end of period	\$ 1,142,860	\$ 300,303

See notes to consolidated condensed financial statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the nine month period ended September 30, 2010

	Preferred Stock		Common Stock		Additional Paid-In Capital	Warrants	Cumulative Translation Adjustment	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	\$0.01 Par Value— 4,000,000 Shares Authorized Series A		\$0.01 par Value— 70,000,000 Shares Authorized						
	Shares Issued	Par Value	Shares Issued	Par Value					
BALANCE— DECEMBER 31, 2009	<u>2,243,750</u>	<u>\$ 22,438</u>	<u>39,170,213</u>	<u>\$ 391,701</u>	<u>\$ 73,969,455</u>	<u>\$1,517,983</u>	<u>\$ 0</u>	<u>\$ (76,451,230)</u>	<u>(549,654)</u>
Stock issued			303,371	3,034	397,742				400,776
Warrants exercised									0
Options exercised			13,668	137	(137)				0
Value of warrants issued						87,607			87,607
Stock option expense					555,120				555,120
Cumulative Translation Adjustment							12,501		12,501
Net loss								(2,701,350)	(2,701,350)
BALANCE— September 30 2010	<u>2,243,750</u>	<u>\$ 22,438</u>	<u>39,487,252</u>	<u>\$ 394,872</u>	<u>\$ 74,922,179</u>	<u>\$1,605,590</u>	<u>\$ 12,501</u>	<u>\$ (79,152,580)</u>	<u>\$(2,195,000)</u>

See notes to consolidated financial statements.

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 Visa, MasterCard, Discover, American Express and JCB 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 has third party processor agreements with American Express and JCB. The Company is currently registered with Visa and MasterCard 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 September 30, 2010 and December 31, 2009, the results of operations for the three and nine months ended September 30, 2010 and 2009, the cash flows for the nine months ended September 30, 2010 and 2009 and the changes in shareholders’ equity/deficit for the nine months ended September 30, 2010. 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 for the three and nine months ended September 30, 2010 and 2009 and the cash flows for the nine months ended September 30, 2010 and 2009 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, 2009. Financial information for the period ended December 31, 2009 has been derived from the audited consolidated financial statements.

Principles of Consolidation — The consolidated condensed financial statements include the accounts of the Company, one wholly owned U.S. subsidiary and seven wholly owned foreign subsidiaries located in Bermuda, Canada, 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 — Statement 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 September 30, 2010

and December 31, 2009, the Company has included an allowance for doubtful accounts of approximately \$1.4 million and \$1.9 million due to certain receivables being subject to litigation. The accounts receivable balance is included within the other current assets line in the Consolidated Condensed Balance Sheets.

Inventory –The Company purchased certain 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 anticipated sales price of licenses. The inventory balance is included within the other current assets line in the Consolidated Condensed Balance Sheets.

Property and Equipment — Property and equipment are recorded at cost less accumulated depreciation. 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 are amortized using the straight-line method over the lesser of the estimated useful life of the assets or the term of the underlying lease arrangements.

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 less accumulated depreciation. 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, 2009 and the nine month period ending September 30, 2010.

The Company follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 350, *Intangibles, Goodwill and Other* (“ASC 350”). 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 nine months ended September 30, 2010 and 2009, the amount capitalized was \$1,088,866 and \$886,900 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 and is included in other assets in the consolidated condensed financial statements.

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) and 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, provision for doubtful accounts, 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.

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 ASC 740, *Income Taxes*, which requires the recognition of deferred income taxes for differences between the bases 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.

Fair Value of Financial Instruments — FASB ASC 825, *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 condensed financial statements at cost which approximates fair value because of the short-term nature of these instruments. The carrying value of the short term portion of the long term and convertible debt approximates fair value primarily due to the short term nature of the debt and because the interest rates applicable to the debt are consistent with current market rates.

Stock Incentive Plan — FASB ASC 718, *Compensation – Stock Compensation* (“ASC 718”) requires compensation cost related to share-based payments to employees to be recognized in the consolidated condensed financial statements based on their fair value. This method requires that the provisions of ASC 718 be applied to new awards and awards modified, repurchased or cancelled after the effective date. See Note 6 for disclosure on the Company's stock incentive plan.

Warrants — The Company has issued detachable warrants to purchase common shares as part of certain debt instruments. These warrants have been accounted for as equity in accordance with the provisions of ASC 470-20, *Debt with Conversion and Other Options*. The fair value of the warrants is determined using the Black-Scholes Merton methodology. The fair value of the warrants is expensed to interest over the expected life of the loans. See Note 7 for disclosure on the Company's warrants.