



Planet Payment, Inc.

June 2008 Interim Results

Financial Highlights

All figures are in US dollars unless otherwise stated. Percentage changes shown are against the comparative period for the first six month period of 2007 unless otherwise stated.

- Total revenue increased 110% to \$14.3m (2007: \$6.8m)
- Gross Profit increased 103% to \$4.6m (2007: \$2.3m).
- Revenue from core multi-currency processing increased 72% to \$9.7m (2007: \$5.7m), and represented 68% of total revenue.
- Revenue from non-multi-currency processing increased 346% to \$4.2m (2007: \$0.9m) and represented 30% of total revenue. The iPAY processing business contributed \$3.1m in revenue since its acquisition in April 2008.
- Transaction volume from core multi-currency processing services increased 65% to \$287.4m (2007: \$174.3m).
- The Company's operating costs as a percentage of revenue decreased to 74% from 131% in 2007 with a consequent 14% improvement in the EBITDA loss of \$4.3m for the period, (2007 loss: \$5.0m). The net income loss for the six month period was \$6.3m, an 11% improvement (2007 loss: \$7.1m).

Operational Highlights

- Active merchant locations at the end of June 2008 grew 510% to 10,006 (June 2007: 1,641 locations), primarily attributable to the iPAY acquisition. Organic growth in active merchant locations excluding iPAY was 79% to 2,930. Of these, 2,247 locations were using Planet Payment's core multi-currency processing services (June 2007: 867 locations).
- Planet Payment services, including iPAY, were processed through over 16,000 individual points of sale at merchant locations using our services (over 9,300 excluding iPAY) at the end of June 2008.
- During the first six months of 2008, the Company activated its core multi-currency services with seven new banking channels across Greater China, Malaysia, Taiwan and the United States.
- The Company's business in the Asia-Pacific region continued to make progress with growing merchant adoption from our existing banking partners in Greater China as well as merchant adoption from our new customers in Malaysia and Taiwan.
- The Company acquired the assets of the iPAY processing business in April 2008 and retained key personnel. The integration of the technology platform and business lines is continuing according to plan, with the offering of multi-currency processing on track for later this year.
- Asia-Pacific reach broadened through agreements with Global Payments [NYSE:GPN] to offer Planet Payment's Pay In Your Currency services in India - service scheduled to commence in Q4 2008 and with DBS Bank (Hong Kong) to offer our services in Hong Kong and Macau.
- The Company continued to certify additional terminal applications supporting the Company's multi-currency applications for retail and restaurant merchants across Asia-Pacific and the US.
- Our product suite was enhanced with the roll-out of connectivity for MICROS integrated point of sale systems in the Asia-Pacific region. The first merchant is a premier hotel in Macau, which opened its doors in late August.

Forward-Looking Statements. Information contained in this report 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. 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.

CHAIRMAN AND CEO INTERIM REPORT

I am pleased to announce the Company's interim results for the six months ended 30 June 2008. Our customers continue to leverage our innovative processing solutions to grow new revenue streams and allow their merchants to seek increased sales by attracting foreign visitors and shoppers. Our strong results reflect 110% growth in total revenue to \$14.3m over the first half of 2008 (2007: \$6.8m), principally attributable to the efforts of our banking partners in Greater China and the United States.

During the first six months of 2008, the Company activated its core multi-currency services with seven new banking channels across Greater China, Malaysia, Taiwan and the United States. The agreement announced in May with DBS Bank (Hong Kong) Limited strengthened the Company's network of customers in Greater China. Contributions from these banking customers are expected to grow in the second half of 2008.

In April, we acquired the assets of the iPAY processing services. We are delighted to welcome the iPAY team of seasoned payment professionals to Planet, both they and the iPAY platform are integrating well with our business.

In June, the Company furthered its Asia-Pacific reach through an agreement with Global Payments [NYSE:GPN] to offer multi-currency processing in India. This service is due to launch in the fourth quarter of this year.

The Company is in ongoing discussions with banks and technology companies around the world, with a view to entering into new agreements for our services. In these times of turmoil in the global markets, these discussions demonstrate that financial institutions continue to turn to our outsourced solutions to help them enhance their profitability and enter new markets.

Finally, the Company has retained Canaccord Adams, Inc., an affiliate of our UK Nomad, to start the process of applying to have the Company's PPT shares listed on the Pink Sheets OTCqx in the United States. This is intended to facilitate the trading and settlement of trades in the Company's stock.

FINANCIAL OVERVIEW

Total revenue increased 110% to \$14.3m (2007: \$6.8m) led by new merchant deployments with banking partners in Greater China, Malaysia, Taiwan and the United States. The acquisition of the iPAY business in April 2008 contributed \$3.1m of total revenue, during the remainder of the period. Transaction volume from core multi-currency processing services increased 65% to \$287.4m (2007: \$174.4m). Consequently, revenue from core multi-currency processing increased 72% to \$9.7m (2007: \$5.7m). As a result of the iPAY acquisition, revenue from processing services (i.e. non multi-currency processing) increased 346% to \$4.2m and represented 30% of total revenue in the first half of 2008 (compared to 14% in the first half of 2007).

Active merchant locations at the end of June 2008 grew 510% to 10,006 (June 2007: 1,641 locations), primarily attributable to the iPAY acquisition. Organic growth in active merchant locations excluding iPAY was 79% to 2,930. Of these, 2,247 locations were using Planet Payment's core multi-currency processing services (June 2007: 867 locations). Planet Payment services, including iPAY were processed through over 16,000 individual points of sale at merchant locations using our services (over 9,300 excluding iPAY).

Gross profit rose 103% to \$4.6m (2007: \$2.3 m). Overall gross margin percentage was at a similar level, at 32% for the first half of 2008, compared to 33% for the first half of 2007.

The Company's operating costs as a percentage of revenue decreased to 74% from 131% in the first half of 2008. Operating expenses grew 18%, or \$1.6m, to \$10.5m (10%, or \$0.9m, increase excluding iPAY). Cash operating expenses increased 22% to \$8.9m (2007: \$7.3m) due to the acquisition of iPAY and additional sales, marketing, and operations personnel to support the business ramp up in Asia and the US. Cash operating expenses, excluding iPAY, grew 12%, or \$0.9m, to \$8.1m. EBITDA loss for the period was \$4.3m, a 14% improvement (2007 loss: \$5.0m). (EBITDA loss excludes depreciation and amortization expense of \$0.5m, non-cash stock-related compensation expense arising from SFAS 123R of \$0.7m, allowance for doubtful accounts of \$0.3m, and other non-cash expense of \$0.15m.)

Cash compensation expenses totalled \$4.9m, an increase of 24% over the first half of 2007 (12% increase excluding iPAY), representing 55% of total cash operating expenses for the first half of 2008 (2007: \$4.0m, representing 54% of total cash operating expenses). Headcount grew from 83 in June 2007 to 150 in June 2008, with nearly 60% of the growth attributable to the iPAY acquisition. Other cash operating expenses (i.e. excluding cash compensation expense) increased 20% over the first half of 2007 (11% increase excluding iPAY).

These cost increases, offset by growing revenue, led to an improvement in net loss of approximately 11% to \$6.3m (2007 loss: \$7.1m).

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 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.

CURRENT TRADING AND OUTLOOK

The second half of 2008 has started well, but more slowly than anticipated, due to the impact of the recent market turmoil on decision making and in part due to less summer travel to China than expected. However, additional merchant adoption across Greater China, Malaysia, Taiwan and the United States accounted for strong growth during July and August 2008, combined, as compared to July and August 2007, combined. In July and August, the Company activated its core multi-currency services with three new banking channels in Hong Kong and Macau. Furthermore, a robust pipeline of approximately 1,000 merchant locations, primarily from our banking channels in China, Malaysia and Taiwan, were signed and enrolled in our system in July and August 2008, in readiness for future processing.

It is worth noting that the settlement currency in most of these countries is the US Dollar or currencies tied closely to the US Dollar, so that our overall financial results are less sensitive to major fluctuations in the US Dollar exchange rate, as compared to other companies with significant foreign earnings.

Total revenue increased 148% (63% excluding iPAY), with core multi-currency revenue increasing 75%, over the same periods. Based on July and August 2008 estimates, the Company's annualized revenue run rate is approximately \$41m. The Company's annualized transaction volume, based on August 2008 figures, is estimated to be approximately \$2 billion, with core-multi-currency transaction volume comprising \$720 million.

The integration of the iPAY electronic payments platform is progressing well and the Company is on target to begin offering its multi-currency processing services through this platform in the fourth quarter of 2008, in addition to the Company's offerings with third-party gateway technology partners.

We expect to achieve further momentum in transaction growth rates and increasing revenues in the remainder of 2008.



Philip Beck
Chairman and Chief Executive Officer

**CONSOLIDATED CONDENSED BALANCE SHEETS
AS OF JUNE 30, 2008 AND 2007 AND DECEMBER 31, 2007**

	June 30		December 31
	2008	2007	2007
	(unaudited) \$	(unaudited) \$	(audited) \$
Assets			
Cash and cash equivalents	3,075,050	2,979,675	2,824,739
Other current assets	5,578,548	1,636,746	7,698,592
Total current assets	8,653,598	4,616,421	10,523,331
Property and equipment - net	2,877,277	2,336,144	2,499,838
Intangible assets - net	2,045,868	971,775	744,791
Other assets	402,239	241,283	332,104
Total	13,978,982	8,165,623	14,100,064
Liabilities and Stockholders' Equity			
Current liabilities	4,500,165	2,274,733	2,491,891
Long-term liabilities-long term debt-less current maturities	12,631,817	9,163,288	9,371,517
Total liabilities	17,131,982	11,438,021	11,863,408
Stockholders' equity (deficit):	(3,153,000)	(3,272,398)	2,236,656
Total	13,978,982	8,165,623	14,100,064

See notes to consolidated condensed financial statements.

**CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2008 AND 2007, AND THE YEAR
ENDED DECEMBER 31, 2007**

	June 30		December 31
	2008	2007	2007
	(unaudited)	(unaudited)	(audited)
	\$	\$	\$
Revenue			
Multicurrency processing revenue	10,025,272	5,833,685	15,722,763
Other revenue	4,254,689	965,240	2,493,673
Total Revenue	14,279,961	6,798,925	18,216,436
Cost of Sales			
Multicurrency processing cost of sales	6,256,578	3,712,801	9,357,086
Other cost of sales	3,452,185	833,284	2,367,447
Total cost of sales	9,708,763	4,546,085	11,724,533
Gross Profit	4,571,198	2,252,840	6,491,903
Total operating expenses	10,530,076	8,904,464	19,121,051
Loss from Operations	(5,958,878)	(6,651,624)	(12,629,148)
Total other expense	(336,846)	(430,601)	(745,427)
Loss before Provision for Income Taxes	(6,295,724)	(7,082,226)	(13,374,575)
Provision for income taxes	-	-	3,618
Net Loss	(6,295,724)	(7,082,226)	(13,378,193)

See notes to consolidated condensed financial statements.

**CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2008 AND 2007, AND THE
YEAR ENDED DECEMBER 31, 2007**

	June 30		December 31
	2008	2007	2007
	(unaudited)	(unaudited)	(audited)
	\$	\$	\$
Cash flows from operating activities:			
Net loss	(6,295,724)	(7,082,226)	(13,378,194)
Other cash flows from operating activities	1,138,758	1,040,227	3,591,771
Net cash used in operating activities	(5,156,966)	(6,041,999)	(9,786,423)
Cash flows from investing activities:			
Capital expenditures	(2,182,834)	(588,937)	(1,546,202)
Other investing activities	-	-	(6,000,000)
Net cash used in investing activities	(2,182,834)	(588,937)	(7,546,202)
Cash flows from financing activities:			
Proceeds from issuance of common stock	-	2,750,425	13,262,553
Proceeds from convertible debt	3,000,000	5,000,000	5,000,000
Proceeds from SB credit line	1,580,111	-	-
Payment of capital-raising expense	(90,000)	-	-
Repayment of long term debt	-	-	(20,375)
Proceeds from redemption of investments	3,100,000	-	-
Issuance of warrants	-	-	55,000
Net cash provided by financing activities	7,590,111	7,750,425	18,297,178
Increase / (decrease) in cash and cash equivalents	250,311	1,119,489	964,553
Cash and cash equivalents—beginning of period	2,824,739	1,860,186	1,860,186
Cash and cash equivalents—end of period	3,075,050	2,979,675	2,824,739

See notes to consolidated condensed financial statements.

**CONSOLIDATED CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2008**

	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
	Series A		Junior Preferred		Shares Issued	Par Value				
	Shares Issued	Par Value	Shares Issued	Par Value						
		\$		\$		\$		\$	\$	
BALANCE— December 31, 2007	2,243,750	22,438	-	-	26,375,518	263,755	62,020,354	1,371,124	(61,441,014)	2,236,656
Stock issued					108,498	1,085	61,914			62,999
Beneficial conversion adjustment										-
Stock issued to acquire subsidiary										-
Warrants exercised					222,945	2,230	231,050	(233,280)		-
Options exercised					17,926	180	(180)			-
Value of warrants issued								149,819		149,819
Stock Option Expense							693,250			693,250
Net loss									(6,295,724)	(6,295,724)
BALANCE— June 30, 2008	2,243,750	22,438	-	-	26,724,887	267,250	63,006,388	1,287,664	(67,736,739)	(3,153,000)

See notes to consolidated condensed financial statements

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

As of and for the six-months ended June 30, 2008 and 2007 and the year ended December 31, 2007

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 banks and their merchants to accept and process credit card transactions in multiple currencies, thereby providing localized pricing to foreign customers. The Company’s processing solution integrates with banks, processors, gateways and point-of-sale solution providers to provide the key elements of a dynamic currency conversion and multi-currency processing solution that is designed to be fully compliant with card association regulations. On March 20, 2006, the Company’s common shares were admitted to trading on the London Stock Exchange’s AIM market.

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 June 30, 2008 and 2007, the results of operations for the six months ended June 30, 2008 and 2007, the cash flows for the six months ended June 30, 2008 and 2007 and the changes in shareholders’ equity for the six months ended June 30, 2008 and 2007. 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 six months ended June 30, 2008 and 2007 and the cash flows for the six months ended June 30, 2008 and 2007 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, 2007. Financial information for the period ended December 31, 2007 has been derived from the audited Consolidated Financial Statements.

Principles of Consolidation— The consolidated financial statements include the accounts of the Company, two wholly owned U.S. subsidiaries (one acquired in April 2008), a 70% owned U.S. subsidiary and seven wholly owned foreign subsidiaries located in Bermuda, British Virgin Islands, Hong Kong, Ireland, Isle of Man, The People’s Republic of China and Singapore, as well as a 51% joint venture in the UK in 2007. 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.

Investment Securities — Investment securities consist of auction rate securities with auction reset periods less than 12 months, classified as available-for-sale securities and stated at fair value based on market prices from independent sources, with unrealized gains and losses excluded from earnings, and reported as a separate component of stockholders equity in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Available-for-sale investments are evaluated for other than temporary impairment on an ongoing basis.

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 June 30, 2008, the Company has included an allowance for doubtful accounts of approximately \$1.6 million due to certain receivables being subject to litigation.

Other Current Assets — Commencing in July 2006, certain payments made to Servebase have been applied to the purchase of software licenses for resale that are being recorded as other current assets.

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, 2007.

The Company follows AICPA Statement of Position 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 six months ended June 30, 2008, the amount capitalized was \$542,676

Goodwill — Goodwill represents the excess purchase price over the fair value of net assets acquired from business acquisitions. The Company tests for impairment at least annually and will test for impairment more frequently if events or circumstances indicate that an asset may be impaired. The Company tests for impairment by comparing the fair value of goodwill, as determined by using a discounted cash flow method, with its carrying

value. Any excess of carrying value over the fair value of the goodwill would be recognized as an impairment loss in continuing operations. No impairment was recorded for the year ended December 31, 2007.

Security Deposits — Security deposits are primarily held by landlords to cover rental obligations or processing partners where the Company holds a share of underwriting risk.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. 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.

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 Statement of Financial Accounting Standards (SFAS) 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 No. 48, *Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109* (FIN 48). FIN 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 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 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.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — Including an Amendment of FASB Statement No. 115*. This Statement permits entities to measure many financial instruments and certain other items at fair value. This election is made on an instrument-by-instrument basis and is irrevocable. Unrealized gains and losses on items for which the fair value option has been

elected are reported in earnings. This statement is effective for fiscal years beginning after November 15, 2007. The Company did not elect the fair value option for any of its existing financial assets and liabilities.

Stock Incentive Plan — The Company adopted SFAS 123R, *Share Based Payment*, effective January 1, 2006. SFAS 123R 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 SFAS 123R 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 during the six month periods ending June 30, 2008 and 2007, and the year 2007. During the six month period ending June 30, 2008, the Company’s operations were largely funded by equity capital and other financing including an April 2008 private placement of convertible debt that raised an additional \$3,000,000 (before expenses) (see Note 4). During the six month period ended June 30, 2008, additional banks as well as retail and hotel merchant locations were launched in the United States, Europe and Greater China, which have resulted in an increase in the Company’s gross profit. During the six month period ended June 30, 2008, revenue and gross profit grew 110% and 107%, respectively, as compared to the six month period ended June 30, 2007. Further bank and merchant implementations have occurred since June 30, 2008 and are planned for the rest of 2008, which the Company believes will have a positive impact on the Company’s revenue and cash flows. The Company believes that these 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. INVESTMENT SECURITIES

Available-for-sale investment securities consist of the following:

	Cost at June 30, 2008	Gross Unrealized Gain	Gross Unrealized Loss	Fair Value at June 30, 2008
Auction Rate Securities (“ARS”)	\$ 2,900,000	\$ -	\$ -	\$ 2,900,000
Total	\$ 2,900,000	\$ -	\$ -	\$ 2,900,000

All of the ARS, but one, are perpetual preferred stock in closed end funds (\$2.3 million) and the other being a note issued by a closed end fund in the amount of \$600,000. The interest on the Company’s auction rate securities is subject to auction resets and redemption every 7 days, though the perpetual preferred securities may not have a stated maturity date, or the note may have a stated maturity of greater than 10 years. As of June 30, 2008, the average rate of return on these securities was approximately 3.797%. There were no realized gains or losses on these investments for the six month period ended June 30, 2008.

As of June 30, 2008, the Company had \$2.9 million of auction rate securities as compared to \$6.0 million on December 31, 2007. Since February 11, 2008, the Company has experienced difficulty in selling additional securities due to the failure of the auction mechanism, which provides liquidity to these securities, however a number of the issuers of ARS that the Company held have redeemed some or all of the ARS that they have issued. Citigroup, Inc., the parent company of Citi Smith Barney, the Company’s broker, (collectively “Citi”) announced in August 2008 that it had reached a settlement with the New York Attorney General, the Securities and Exchange

Commission and other state regulatory agencies, under which Citi agreed that by November 5, 2008 it will purchase at par ARS from certain Citi Smith Barney customers, including the Company, that had been purchased from Citi prior to February 11, 2008. As the outstanding balance of ARS is expected to be sold at par prior to December 31, 2008, the Company does not believe such securities are impaired.

In March 2008, Smith Barney provided an Express Credit Line cash advance, at a rate indexed to the Fed Funds rate, against 50% of the outstanding par value of the ARS, or \$2.4 million. At June 30, 2008, the outstanding balance on the Express Credit Line was \$1.6 million. Upon the August settlement announcement, Citi has agreed to increase the cash advance rate to 100% of the outstanding par value of the ARS. As the cash advance rate has been increased to 100% of the outstanding par value of the ARS, the Company does not believe that the failure of the auction mechanism will have a material impact on the Company's liquidity.

With regard to the Company's investment in auction rate securities available-for-sale, no events or facts have come to the Company's attention with respect to such investment that would indicate an other-than-temporary impairment of the investment's value. The Company considered all evidence available to it, to evaluate the realizable value of its investments included in the SEC Staff Accounting Bulletin Topic 5.M, *Other-Than-Temporary Impairment of Certain Investments in Debt and Equity Securities*.

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. 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 and June 30, 2008, combined totalling \$585,789, were capitalized.

In April 2008, concurrent with the I-Pay acquisition, 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. The first interest payment in the amount of \$46,027 was capitalized as of June 30, 2008.

Convertible debt as of June 30, 2008 was the following:

Principal	Accrued Capitalized Interest	Total Convertible Debt	Maturity Date	Interest Rate	Conversion Price
\$ 5,000,000	\$ 585,789	5,585,789	Feb. 2, 2012	8%	\$ 2.20
\$ 3,000,000	\$ 46,027	3,046,027	Feb. 2, 2012	8%	\$ 2.25
\$ 8,000,000	\$ 631,816	\$ 8,631,816			

5. ACQUISITIONS AND JOINT VENTURE

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 did not have a material impact on the Company's financial statements.

In April 2008, the Company acquired certain assets relating to the former I-Pay e-commerce processing business from Pay By Touch Payment Solutions, LLC. The consideration was \$1,000,000 paid in cash upon closing. In addition, the Company incurred \$224,294 in additional costs; \$120,608 in curing 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 \$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 from Pay By Touch Payment Solutions, LLC are as follows:

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

6. RELATED-PARTY TRANSACTIONS

During the six months ended June 30, 2008 and 2007, 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):

	2008	2007
	\$	\$
Consulting/Professional fees	160,080	250,959
Rent	229,178	242,406

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 June 30, 2008 and December 31, 2007, a total of 7,299,055 and 6,519,197 shares, respectively, were reserved for issuance under the plans. No restricted stock awards have been issued as of June 30, 2008. No stock options granted in 2008 and 2007 were at a strike price lower than the market price at the time of the grant. As of June 30, 2008, 1,575,318 common shares remained available for future stock option and restricted stock awards under the Plan.

Stock option plan activity for the six-month period ended June 30, 2008 was as follows:

	Options	Weighted-Average Exercise Price \$
Balance— December 31, 2007	5,883,339	2.75
Granted	289,500	2.62
Exercised	(17,926)	1.67
Cancelled	(269,481)	4.17
Forfeited	(161,695)	2.88
Balance— June 30, 2008	5,723,737	2.70
Options exercisable at December 31, 2007	2,861,350	2.54
Options exercisable at June 30, 2008	3,448,378	2.49

Options Outstanding at June 30, 2008

Exercise Price \$	Number Outstanding	Weighted-Average Exercise Price \$	Weighted-Average Remaining Life (Years)	Number Exercisable
0.60	118,333	0.60	1.1	118,333
1.20	15,000	1.20	1.0	15,000
2.50	3,060,135	2.50	6.6	2,675,840
2.53	384,633	2.53	8.0	148,271
2.88	717,805	2.88	8.0	246,270
3.01	1,065,000	3.01	9.1	0
3.05	29,833	3.05	9.0	3,333
3.07	75,000	3.07	9.0	0
4.00	50,000	4.00	7.0	33,333
4.40	173,499	4.40	2.6	173,499
5.50	34,499	5.50	2.4	34,499
	5,723,737	\$ 2.70		3,448,378

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 123R effective January 1, 2006. SFAS 123R 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 123R 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 123R. For the six-months ended June 30, 2008, the Company incurred total share-based expense of \$693,250, \$572,675 related to employee compensation and \$120,575 related to non-employee directors and professionals. As of June 30, 2008, the total remaining unrecognized compensation expense related to the Company's unvested stock options was \$2.42 million. This unrecognized compensation expense is expected to be recognized over a weighted-average period of 1.6 years.

For awards granted in 2008 and 2007, 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, the Company used a "simplified" method to determine expected term based on the vesting and original contractual terms. The valuation for stock option awards for the six-months ended June 30, 2008 was:

Award Date	February 2008	May 2008	June 2008
Exercise Price	\$3.01	\$2.50	\$2.50
Implied Volatility	39.21 %	37.68 %	36.61 %
Expected Term (years)	6.5	6.5	6.5
Risk-Free Rate	3.21 %	3.47 %	3.77 %
Fair Value per Share of Stock Option	\$1.35	\$1.10	\$1.10

8. WARRANTS

The Company had outstanding warrants to purchase 5,399,365 shares of common stock as of June 30, 2008, in addition to the stock options granted under the Stock Incentive Plan.

Warrant activity for the six-months ended June 30, 2008 was as follows:

	Warrants	Weighted-Average Exercise Price
		\$
BALANCE— December 31, 2007	6,398,821	1.72
Granted	39,952	0.25
Exercised	(222,945)	1.05
Cancelled	(816,463)	2.72
BALANCE— June 30, 2008	5,399,365	\$ 1.58
Warrants exercisable—December 31, 2007	6,398,821	\$ 1.72
Warrants exercisable— June 30, 2008	5,399,365	\$ 1.58

Warrants Outstanding at June 30, 2008

Exercise Price \$	Number Outstanding	Weighted - Average Exercise Price \$	Weighted-Average Remaining Life (Years)	Number Exercisable
0.25	108,597	0.25	3.9	108,597
0.75	299,918	0.75	0.5	299,918
1.00	1,038,561	1.00	0.8	1,038,561
1.31	3,053,435	1.31	2.0	3,053,435
2.50	220,903	2.50	5.3	220,903
3.00	106,859	3.00	0.9	106,859
3.07	186,486	3.07	1.0	186,486
4.00	201,518	4.00	0.6	201,518
5.50	183,088	5.50	5.3	183,088
	5,399,365	1.58		5,399,365

During the six-month period ended June 30, 2008, the Company issued 39,952 warrants with an exercise price of \$0.25 per share as partial payment for legal services rendered and recognized an expense of \$149,820.

9. CAPITAL STOCK

In February 2007, the Company issued 1,141,491 new common shares resulting in proceeds totalling \$2.6 million as part of a \$7.6 million private placing which included the issuance of a \$5 million convertible note. The common shares were sold at a price of \$2.28 per share (equivalent to £1.16 per share).

During the six months ended June 30, 2008, the Company issued 240,871 new common shares as a result of the exercise of warrants and options (see Notes 7 and 8), and 108,498 new common shares, in payment of interest upon long term debt.

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

Series A Preferred Stock— Upon the admission to the AIM market in March 2006, substantially all of the rights, preferences and privileges of the Series A preferred stockholders, except for liquidation preference, terminated. Also, the conversion price applicable to Series A preferred stock was adjusted upon the admission to the AIM market, and thereafter the Series A preferred stock is convertible to 6,851,144 shares of common stock, in accordance with the terms of the Certificate of Designation of the Series A preferred stock. The Series A preferred stock had the following right as of June 30, 2008:

- **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 Net Income (Loss) per Common Share

Basic net income (loss) per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted net income (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 net income (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:

	For the six-month period ended June 30, 2008	For the six-month period ended June 30, 2007
	Number of shares	Number of shares
Weighted average number of common shares (for basic earnings per share)	26,594,461	21,608,662
Potential dilutive ordinary shares:		
Preferred shares	6,851,144	6,851,144
Warrants	5,826,385	6,872,202
Stock incentive plan	5,750,280	4,957,405
Convertible debt	3,108,265	1,893,939
Diluted basis	48,130,535	42,183,352
Net loss	\$ (6,295,724)	\$ (7,082,226)
Basic loss per share	(\$0.24)	(\$0.33)

11. SUBSEQUENT EVENTS

In July 2008, the \$161,079 6% Note Payable to TSYS Acquiring Solutions, LLC, and accrued interest of \$13,193, was repaid in full.

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