PSI-PAY LIMITED

Registered Number 05899168

Directors' report and financial statements for the year to 31st December 2009

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OFFICERS AND PROFESSIONAL ADVISORS

Directors

Mr PA Templeman
Mr J Daw
Mr A Davis

Secretary

Mr J Daw

Registered Office

Riches & Company
42-46 High Street
Esher
Surrey
KT10 9QY

Bankers

Barclays Bank plc
1 Churchill Place
London
E14 5HP

Auditor

BDO LLP
Prospect Place
85 Great North Road
Hatfield
Hertfordshire
AL9 5BS

Chief Executive Officer's Statement

I am delighted to be able to present the annual report and accounts for PSI-Pay Ltd 2009 is a year that we will all remember, with few precedents for such a rapid and dramatic change in the business environment There has been considerable consolidation amongst our client base, and many regulatory changes including the implementation of the new Payment Services Directive The global banking crisis introduced new uncertainty, and has had a lasting impact on our banking partners' activities

Against this backdrop of instability the Company remained focused and was able to achieve a number of significant, planned, milestones The company became authorised and regulated by the Financial Services Authority (FSA) as an e-money issuer at the end of 2008 and in 2009 these permissions were passported across the whole of the European Economic Area on a country by country basis

The Company also made a successful application to become a principal member of MasterCard International during the year and the first active card, which will be denominated in Euros and is due to be released in April 2010 This will then enable the Company to replace the co-branded cards that the Company has previously issued in conjunction with a third party bank and opens the way for the company to also undertake the role of sponsor for other third party card programmes

Our technical team continued to deliver improvements in leaps ad bounds, and we now have a fully operational current account available (www positivewallet com) which is aimed at individuals with a poor credit history who have difficulty in obtaining financial services from the high street banks The account has a number of unique account has a number of unique features such as the ability to create sub accounts for the easy management of household budgets and our partnership with Experian, the international credit checking agency, enables us to offer customers access to their "Credit Expert" service

Other developments include the updating of the EcoCard e-wallet (www ecocard com) and he launch of a dedicated i-phone application EcoCard is a fully multi - currency internet payment mechanism which has mechanism which has been running since 2001 and is aimed in particular at the on-line gaming sector It is currently integrated to more than 2,000 gaming sites across the world, excluding the US where it has been withdrawn for regulatory reasons Customers are able to load their account by credit card, debit card, or bank transfer, to spend and receive funds from merchants, and to withdraw their funds by a variety of means including a Sterling or Euro denominated ATM card

Other assets improved over the year include the Fraud Detection Engine (FDE) which uses positive and negative databases and a combination of velocity, new usage, and geolocator checks This product assists our skilled Risk team to manage credit card fraud and other high risk products

Chief Executive Officer's Statement (Cont.)

Financially the company had net assets in excess of £1 4m at the year end, and is well within the balance sheet ratios set by the FSA Although he company is not yet profitable it has been promised the continued support of its parent company, PSI Holdings, which is based in Gibraltar

Lastly, I would very much like to take this opportubity to thank the staff of PSI-Pay and also its sister company IbanPay which provides us with many valuable back office services We believe that having such an efficient service provider in a low cost EU location such as Latvia provides us with significant competitive advantages

Going fowards we expect the financial markets to continue to be troubled for some time to come However, this high degree of instability inevitably generate a constant stream of exciting new opportunities for a creative and dynamic organisation such as PSI-Pay to thrive upon with great success I therefore expect the following years to see a consolidation of the excellent progress that the company has made, and also that that in time PSI-Pay will become a major force in the provision of niche financial services Watch this space!

Paul Templeman

Chief Executive Officer

DIRECTORS REPORT

The directors present their annual report and the audited financial statements for the year to 31st December 2009

Principal activities

The principal activity of the company is that of an e-money issuer regulated by the Financial Services Authority (Registration No 481195), and this regulatory status has been passported to include all EEA states

On 21st October 2009 the company became a Principal Member of MasterCard International (ICA 11918) and has permission to issue prepaid MasterCards

On 23rd July 2009 it acquired certain assets and liabilities of Ecocard Ltd, a payment processing company incorporated in the Marshall Islands The Company currently uses both the EcoCard and Positive trading names

Although the company has begun operating as an e-money issuer, it continues to invest in the infrastructure to support the anticipated growth in the business over the next twelve to 24 months The company generated a loss of £483,292 during the year to 31 December 2009, primarily as a result of this investment

The financial statements have been prepared on a going concern basis The directors consider this appropriate despite losses in both the current and prior year The directors consider the going concern basis to be appropriate as the company had net assets of £1,411,595 as at December 2009 and will continue to receive support from its parent company On 14th April 2010 the company issued an additional £500,000 of preference shares to existing shareholders

Financial Risk Management

The company's operations expose it to a number of financial risks that include mainly the effects of foreign currency risk, liquidity risk, credit risk, and fraud risk

Foreign currency risk
The Company issues e-money in a number of different currencies snd this may result in significant foreign exchange exposures which may or may not be reduced through the use of heding techniques Foreign currency risk is monitored on a daily basis to ensure that potential exposure is kept within the FSA requirement for e-money issuers

Liquidity risk
The company is financed entirely through equity and does not have any external debt At 31 December2009 the company had a positive net cash balance and further equity funding has been provided by shareholders since the year end

Credit risk
It is the company's policy to extend a small amount of credit for a very short period of time to its customers in certain circumstances This carries a credit risk which the company monitors on a regular basis and takes appropriate action where necessary to mitigate losses

Fraud risk
The company faces the risk of fraud from customers that seek to abuse the payment methods that it offers Accodingly, the company has policies and procedures to identify suspicious transactions to prevent significant levels of fraud occuring Management continually review these policies and procedures and enhance them where new threats are identified

Results and dividends

The profit and loss account is set out on page 6 and shows the loss for the year
No dividends were distributed during the year (2008 - £nil)

Directors
The directors who held office during the year were as follows

Mr P Templeman
Mr A Davis
Mr J Daw (appointed 24th February 2009)
Mr T Hoskins (resigned 3rd July 2009)
Mr G Lewis (resigned 3rd July 2009)

Directors' responsibilities
The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions The maintenance and integrity of the company's website is the responsibility of the directors The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein

In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They prevention and detection of fraud and other irregularities

Auditors
The current directors have taken all the steps that he ought to have taken to make himself aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information The directors are not aware of any relevant information of which the auditors are unaware The auditors are deemed to be reappointed under section 487(2) of the Companies Act 2006

On behalf of the board

Mr JJ Daw
Secretary

Independent auditor's report to the shareholders of PSI-Pay Limited

To the shareholders of PSI-Pay Ltd
We have audited the financial statements of PSI-Pay Ltd for the year ended 31 December 2009 which comprise the profit and loss account, the balance sheet, and the cash flow statement These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the statement of directors' responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, have been prepared in accordance with the Companies Act 2006 and give a true and fair view We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements In addition we report to you if, in our opinion, the company has not kept adequate accounting records, if we have not received all of the information and explanations we require for our audit, or if certain disclosures of directors' remuneration specified by law are not made

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 2006 or has been expressly authorised to do so by our prior written consent Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion
In our opinion -
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- the financial statements have been properly prepared in accordance with the Companies Act 2006,
- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended, and
- the information given in the directors' report is consistent with the financial statements

BDO LLP

BDO LLP
Chartered accountants
Hatfield, United Kingdom
Date
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

PROFIT & LOSS ACCOUNT
For the year ended 31st December 2009

	Note	Year to 31/12/2009 £	Year to 31/12/2008 Restated £
Turnover	2	**1,050,619**	894,542
Cost of sales		**219,946**	214,140
Gross profit		**830,673**	680,402
Other operating expenses (net)		**1,315,200**	896,818
Operating loss	3	**(484,527)**	(216,416)
Interest receivable and similar income	4	**1,235**	0
Loss on ordinary activities before taxation		**(483,292)**	(216,416)
Taxation on loss on ordinary activities	7	**0**	0
Loss for the financial year		**(483,292)**	(216,416)

All amounts relate to continuing activities

All recognised gains and losses in the current and prior year are included in the profit and loss account

There are no recognised gains or losses in the current or peior year other than the loss for the year

There is no difference between the losses for the financial years as stated and the historical cost losses

The notes on pages 9-14 form part of these financial statements

BALANCE SHEET
As at 31st December 2009

	Note		At 31/12/2009 £		At 31/12/2008 £
Fixed Assets					
Tangible assets	8		**54,536**		60,351
			54,536		60,351
Current assets					
Debtors	9	**3,093,573**		117,397	
Cash at bank and in hand		**1,049,661**		1,200,667	
		4,143,234		1,318,064	
Creditors amounts falling due within one year	10	**2,786,175**		83,528	
Net current assets			**1,357,059**		1,234,536
Total assets less current liabilities			**1,411,595**		1,294,887
Creditors amounts falling due after one year	11		**0**		500,000
Net assets			**1,411,595**		794,887
Capital and reserves					
Called up share capital	12		**2,200,003**		1,100,003
Profit and loss account	13		**(788,408)**		(305,116)
Shareholders' funds	13		**1,411,595**		794,887

These financial statements were approved by the board of directors and authorised for issue on 22 April 2010 and were signed on its behalf by

Mr PA Templeman
Director

The notes on pages 9-14 form part of these financial statements

STATEMENT OF CASH FLOWS
For the year ending 31st December 2009

	Note	At 31 December 2009	At 31 December 2008
Net cash outflow from operating activities	14	**(719,610)**	(315,870)
Returns on investments and servicing of finance	14	**1,235**	0
Capital Expenditure and financial investment	14	**(32,645)**	(83,463)
Financing	14	**600,000**	1,100,000
(Decrease) / increase in cash		**(151,020)**	700,667

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Year to 31 December 2009	Year to 31 December 2008
(Decrease) / increase in cash	**(151,020)**	1,200,667
Cash inflow from issue of cumulative preference shares	**0**	(500,000)
Change in net funds resulting from cash flows	**(151,020)**	700,667
Net Funds at 1 January	**700,667**	0
Non cash movement	**500,000**	0
Net Funds at 31 December	**1,049,647**	700,667

The non-cash movement relates to the reclassification of preference sgares (see note 12)

ANALYSIS OF NET FUNDS

	At 1 January 2009	Cash Flow	Other non-cash items	31 December 2009
Cash at bank and in hand	1,200,667	(151,006)		1,049,661
Bank overdrafts		(14)		(14)
	1,200,667	(151,020)	0	1,049,647
Debt due after one year	(500,000)		500,000	
Total	700,667	(151,020)	500,000	1,049,647

The notes on pages 9-14 form part of these financial statements

NOTES
(forming part of the financial statements)

1 **Accounting policies**

Accounting convention
The financial statements have been prepared under the historical cost convention in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom Prior year cost of sales have been restated to more accurately reflect the trading that commenced in the year
The following principal accounting policies have been applied

Turnover
Turnover represents amounts received for goods and services net of VAT and trade discounts

Tangible fixed assets and depreciation
Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost, less estimated residual values, of each tangible fixed asset over their expected useful life, as follows

Fixtures, fittings & equipment	33 1/3% per annum

Leasing
Rentals payable under operating leases are charged against income on a straight line basis over the lease term

Financial liability and equity
Financial liabilities and equity are classified according to the substance of the finasncial instrument's contractual obligations, rather than the financial instrument's legal form

Deferred taxation
Deferred tax balances are recongised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted

Foreign Exchange
Foreign Currency transactions are translated at the rates ruling when they occured Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date Any differences are take to the profit and loss account

Going concern
The financial statements have been prepared on a going concern basis The directors consider this appropriate despite losses in both the current and prior year The directors consider the going concern basis to be appropriate as the company had net assets of £1,469,000 as at 31 December 2009 and will continue to receive support from its parent company

Pension Costs
Contributuons to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable

2 **Turnover**

Turnover arises solely within the European Union

NOTES (continued)

3 Operating loss

This is arrived at after charging	2009 £	2008 £
Depreciation of tangible fixed assets	38,461	28,754
Rentals under operating leases	144,638	134,187
Foreign exchange gains	(28,275)	(133,696)
Auditors' remuneration		
Audit services	17,500	9,200

4 Interest receivable and similar income

	2009 £	2008 £
Interest	1,235	0

5 Employees

	2009 £	2008 £
Staff costs (including directors) consist of		
Wages and salaries	604,598	560,410
Social security costs	69,645	63,713
Other pension costs	47,700	0
	721,943	624,123
Average monthly number employed including executive directors	13	11

6 Directors' remuneration

Directors' remuneration consists of	2009 £	2008 £
Directors' emoluments	443,714	300,000
Payments to defined contribution scheme	8,833	0
	452,547	300,000
Emoluments of highest paid director	103,083	100,000

NOTES (continued)

7 Taxation on loss on ordinary activities

	2009 £	2008 £
Current tax		
UK corporation tax @28 00% (2008 - 28 50%)	0	0
Deferred tax		
Origination and reversal of timing differences	0	(1)
Effect of tax rate on opening balance	0	1
Tax on loss on ordinary activities	0	0
before tax The differences are explained below		
Loss on ordinary activities before tax	(483,292)	(216,416)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 28 00% (2008 28 50%)	(135,322)	(61,673)
Effects of		
Expenses not deductible for tax purposes	4,221	3,965
Capital allowances in excess of depreciation	(1,221)	(2,018)
Unrelieved tax losses and other deductions arising in the period	132,322	59,726
	0	0

8 Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
As at 1st January 2009	90,078
Additions	32,646
As at 31st December 2009	**122,724**
Depreciation	
As at 1st January 2009	29,727
Charge for the year	38,460
As at 31st December 2009	**68,187**
Net book value	
As at 31st December 2009	**54,537**
As at 31st December 2008	60,351

NOTES (continued)

9 Debtors

	Note	2009 £	2008 £
Amounts due from Group companies		**1,334,306**	87,283
Other debtors		**1,747,334**	25,974
Prepayments and accrued income		**11,933**	4,140
		3,093,573	117,397

All amounts shown under debtors fall due for payment within one year

10 Creditors amounts falling due within one year

	2009 £	2008 £
Trade creditors	**88,802**	27,187
E-money float	**2,654,486**	0
Other taxation and social security	**15,373**	27,851
Bank loans and overdrafts	**14**	0
Other creditors	**0**	14,000
Accruals and deferred income	**27,500**	14,490
	2,786,175	83,528

11 Creditors amounts falling due after one year

	2009 £	2008 £
Preference Shares	**0**	500,000

12 Share capital

	2009 Number	2009 £	2008 Number	2008 £
Authorised				
Ordinary shares of £1 each	**2,000,000**	**2,000,000**	2,000,000	2,000,000
Redeemable Preference Shares of £1 each	**1,100,000**	**1,100,000**	500,000	500,000
	3,100,000	**3,100,000**	2,500,000	2,500,000
Allotted, called up, and fully paid				
Ordinary shares of £1 each	**1,100,003**	**1,100,003**	1,100,003	1,100,003
Redeemable Preference Shares of £1 each *	**1,100,000**	**1,100,000**	500,000	500,000
	2,200,003	**2,200,003**	1,600,003	1,600,003

* In accordance with FRS 25, the 500,000 cumulative preference shares of £1 each were presented as a liability in the company balance sheet in 2008 On 30 September 2009 the company issued 600,000 preference shares at par On the same day thte company resolved that all preference shares would no longer receive dividends
The 1,100,000 cumulative preference shares of £1 each are redeemable by the company at any time with not less than one month's written notice to the holders of the preference shares The preference shares carry no voting rights and rank in priority to the ordinary shares for repayment in the event of the company being wound up

13 Reconciliation of shareholders' funds and movement on reserves

	Share Capital £	Profit and loss account £	Total Shareholders funds £
Balance at 1st January 2009	1,100,003	(305,116)	794,887
Profit for the year		(483,292)	(483,292)
Issue of preference shares	600,000		600,000
Transfer of preference shares from liability to equity	500,000		500,000
Balance at 31st December 2009	2,200,003	(788,408)	1,411,595

14 Notes to the cashflow statement

	2009 £	2008 £
Operating profit/(loss)	**(484,527)**	(216,416)
Depreciation of tangible fixed assets	**38,460**	28,754
(Increase) / decrease in debtors	**(2,976,176)**	1,009,681
Increase / (decrease) in creditors	**2,702,633**	(1,137,869)
Net cash inflow (outflow) from operating activities	(719,610)	(315,850)
Returns on investments and servicing of finance		
Interest received	**1,235**	0
Net cash inflow from investments and servicing of finance	1,235	0
Capital Expenditure		
Payments to acquire tangible fixed assets	(32,645)	(83,463)
Financing		
Issue of preference share capital	**600,000**	500,000
Issue of ordinary share capital	**0**	1,100,000
	600,000	1,600,000

15 Acquisitions

On the 23 July 2009 the company acquired cash balances of £2,242,991 and corresponding liabilities from its parent company, PSI Holdings Ltd, for a total consideration of £1 There was no difference between the fair value and the book values of the net assets at that date PSI Holdings Ltd acquired the above assets and liabilities on the same date from EcoCard Limited, a company controled by Avi Shaked (see note 19)

16 Commitments under operating leases

The Company had annual commitments under non-cancellable operating leases as set out below

	2009 £	2008 £
Operating leases which expire within one year - Property	36,335	134,187

17 Post Balance Sheet Events

On the 14 April 2010 the company issued 500,000 redeemable preference shares of £1 each to PSI Holdings Ltd

18 Related Party Transactions and Balances

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with PSI Holdings Ltd on the basis that the company is a wholly owned subsidiary of that Company

Mr P Templeman is a director and major shareholder of Chargestream Ltd At 31 December 2009 the company was owed £1,601,164 by Chargestream Ltd (2008 - £ nil)

19 Ultimate parent company and controlling party

The company is controlled by its immediate parent company, PSI Holdings Ltd, incorporated in Gibraltar, which owns 100% of the company's shares The ultimate controlling part is Avi Shaked by virtue of his majority shareholding in PSI Holdings Ltd