



Embargoed until 0700

9 May 2006

FireOne Group plc
("FireOne" or the "Company")

FireOne Announces Results for the First Quarter ended 31 March 2006

-- Quarterly Profit of \$8.2m or \$0.16 Per Share --

FireOne, the provider of payment processing services for the online gaming industry, today announces its results for the first quarter ended 31 March 2006.

Financial and Operational Highlights*

- Revenue increased 69% over the first quarter of 2005 (on a pro forma basis) to \$25.2 million in the first quarter of 2006. FirePay wallet revenue increased 104% over the first quarter of 2005 to \$18.8 million.
- Gross profit, defined as revenue less transaction processing costs, improved as a percentage of revenues to 64.5% in the first quarter of 2006 from 58.1% in the first quarter of 2005 (on a pro forma basis).
- Profit before income tax, depreciation, amortisation, foreign exchange and stock-based compensation expense increased 89% over the first quarter of 2005 (on a pro forma basis) to \$11.4 million in the first quarter of 2006.
- Net profit increased by 119% over the first quarter of 2005 (on a pro forma basis) to \$8.2 million for the first quarter of 2006, after allowing for \$1.3 million of amortisation of intangibles (Q1 2005: nil of amortisation of intangibles and \$0.2 million of stock-based compensation).
- Earnings per share on a diluted basis increased to \$0.16 for the first quarter of 2006.
- Payment volume increased 46% over the first quarter of 2005 to \$377 million in the first quarter of 2006. FirePay wallet volume increased 71% over the first quarter of 2005 to \$255 million.
- Cash and cash equivalents, cash held as reserves, short-term investments and settlement assets net of customer reserves and security deposits amounted to \$40.8 million at 31 March 2006.
- Final dividend of \$0.187 per share to be paid on 18 May 2006 to shareholders on the register as at 12 May 2006.
- Stabilization of the mix in FirePay volume between the non-guaranteed and guaranteed models.

** On 11 May 2005, FireOne and its subsidiaries acquired the online gaming processing business from a subsidiary of Optimal Group Inc. (NASDAQ: OPMR). To help illustrate the Company's historical trading performance prior to 11 May 2005, pro forma results have also been provided. All financial references are in U.S. dollars unless otherwise indicated.*

Commenting on the results, Ben Dalfen, Chief Executive Officer, said:

"We are very pleased with our first quarter results, which reflect anticipated seasonal effects coupled with margin improvements. The revenue growth resulting from the shift in FirePay volume from our non-guaranteed model to our guaranteed model experienced in previous quarters has now stabilized with the mix in FirePay volume. The flexibility of offering merchants either a guaranteed or non-guaranteed model remains a key competitive advantage.

The increase in our margins results from the successful implementation of enhanced risk management initiatives, significant customer service improvements including the introduction of a dedicated VIP consumer department, and generally from the leverage inherent in our business. For the remainder of the year, we will continue to execute upon our strategy of expanding FirePay into new geographies, supporting our merchant base with the innovative features they require and strengthening the FirePay customer service offering in all areas.

Having made an excellent start to this financial year, we look forward to the future with confidence.”

FireOne will hold a conference call on 9 May 2006 at 2.00 pm (BST) for analysts and institutional investors which will be webcast live on FireOne’s website at www.fireonegroup.ie.

A replay of the call may be heard from 3.00 pm (BST) on 9 May 2006 by dialing 001-514-861-2722 or 001-800-408-3053, passcode 3184660 #, and will be available for five business days thereafter.

Ends

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Notes to editors:

About FireOne Group

FireOne Group plc (London Stock Exchange (AIM): FPA) is a provider of payment processing services for the online gaming industry, providing the operators of online casinos, poker rooms and sports books and their customers with a secure, convenient and cost-effective system to transfer funds. FireOne Group and its subsidiaries process online gaming transactions through the use of credit and debit cards, electronic debit and through FirePay (www.firepay.com), a leading stored-value, electronic wallet. FirePay is used for non-gaming purchases as well.

On 2 June 2005, the ordinary shares of FireOne commenced trading on the AIM market of the London Stock Exchange following the placing by Optimal Group Inc. of 10 million ordinary shares representing 20% of the issued share capital of the Company on a non-diluted basis. Optimal Group Inc. holds 40 million ordinary shares in the Company representing approximately 76% of the issued share capital.



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Chief Executive Officer's Statement

FireOne continues to focus on providing online gaming merchants and consumers with secure and efficient payment alternatives. Since the introduction of the FirePay guaranteed model in December 2004, we have offered merchants the option of accepting FirePay on either a guaranteed or non-guaranteed basis. Many merchants have switched from the non-guaranteed to the guaranteed platform preferring not to bear the risk of consumer default themselves. This quarter represents the first in which the mix of non-guaranteed and guaranteed FirePay volume has remained relatively stable as compared to the previous quarter. With just over half of the FirePay volume on the guaranteed model, it is clear that merchants want the flexibility of a wallet that can offer both guaranteed and non-guaranteed transactions. The effectiveness of our risk management has been integral to the success of our guaranteed offering and we continue to improve upon it.

I am pleased to report that during the period, we have achieved strong year on year growth in payment volume.

Payment Volume

Three months ended 31 March (in US\$ million)	2006	2005	% Change
Firepay - Guaranteed	146	27	441%
Firepay - Non-Guaranteed	109	122	(11%)
FirePay - Total	255	149	71%
Credit Card	122	110	11%
	377	259	46%

Our objectives for this year continue to be to focus on geographic expansion beyond our current North American base of FirePay users, as well as conversion and risk management initiatives. We aim to replicate our success in introducing FirePay to Canadian users in other geographies, with initial expansion to take place in targeted European countries. Our conversion and risk management initiatives will include a focus on customer service to both ease the process for users as well as to improve detection of fraudulent transactions. We will also continue to enhance features and functionalities of FirePay.

Financial Results

First quarter 2006 revenue increased by 69% to \$25.2 million compared to first quarter 2005 as we experienced revenue growth primarily from our FirePay wallet offering. Revenue growth continued to outpace payment volume growth as a result of the increased penetration of value-added services such as our guaranteed FirePay wallet offering.

Revenues

Three months ended 31 March (in US\$ million)	2006	2005	% Change
FirePay	18.8	9.2	104%
Credit Card	6.4	5.7	12%
	<u>25.2</u>	<u>14.9</u>	<u>69%</u>

Gross profit, defined as revenue less transaction processing costs, as a percentage of revenue continues to improve as a result of a higher proportion of volume being derived from the FirePay wallet offering as compared to our direct credit/debit card solution.

Gross Profit

Three months ended 31 March (in US\$ million)	2006	2005	% Change
FirePay	14.9	7.4	101%
Credit Card	1.3	1.3	0%
	<u>16.2</u>	<u>8.7</u>	<u>86%</u>
<i>As a % of Revenues</i>	<u>64.5%</u>	<u>58.1%</u>	

Selling, general and administrative expenses increased by \$3.0 million in the first quarter of 2006 as compared to the first quarter of 2005. The increase is as a result of various factors including costs associated with being a separate legal entity, the establishment of our Irish operations, the enhancement of FirePay customer service and the geographic expansion of FirePay.

As previously announced, in the fourth quarter of 2005, the Company's board of directors approved the accelerated vesting of unvested restricted share units ("RSUs"). This resulted in the acceleration of the compensation expense that would have been recognised in the Company's income statement with respect to these RSUs. In order to prevent unintended personal benefits to RSU holders, the board of directors imposed restrictions on any shares received through the exercise of accelerated RSUs. These restrictions prevent the sale of any shares obtained through exercise of an accelerated RSU prior to the earlier of the original vesting date of the RSU and the date of termination of the RSU holder's employment or appointment (in the case of the non-executive directors of the Company). As a result of the accelerated vesting, the Company fully recorded all compensation expense in the fourth quarter of 2005.

In the current quarter, the Company recorded amortisation of intangible assets in the amount of \$1.3 million. These intangibles were acquired on 11 May 2005 as part of the acquisition of the online gaming processing business.

Our effective income tax rate has been reduced in the current quarter to reflect the continued transition of our business to Ireland.

The Company generated profit for the first quarter of 2006 of \$8.2 million or \$0.16 per share, which is stated after allowing for \$1.3 million or \$0.02 per diluted share of amortisation of intangibles.

Outlook

We are very pleased with our first quarter results, which reflect anticipated seasonal effects coupled with margin improvements. The revenue growth resulting from the shift in FirePay volume from our non-guaranteed model to our guaranteed model experienced in previous quarters has now stabilized with the mix in FirePay volume. The flexibility of offering merchants either a guaranteed or non-guaranteed model remains a key competitive advantage.

The increase in our margins results from the successful implementation of enhanced risk management initiatives, significant customer service improvements including the introduction of a dedicated VIP consumer department, and generally from the leverage inherent in our business. For the remainder of the year, we will continue to execute upon our strategy of expanding FirePay into new geographies, supporting our merchant base with the innovative features they require and strengthening the FirePay customer service offering in all areas.

Having made an excellent start to this financial year, we look forward to the future with confidence.

Ben Dalfen
Chief Executive Officer

FireOne Group plc
Unaudited Consolidated Income Statement Data
For the three months ended 31 March 2006 and 2005
(all amounts in thousands of U.S. dollars)

This information does not form part of the statutory financial statements of FireOne Group plc. It is unaudited and has been prepared to enable the Group to present its historical trading record.

Before its acquisition by the FireOne Group on 11 May 2005, the online gaming payments activities were part of the payments processing business of Optimal Group Inc. The online gaming payments activities comprised operations accounted for by various companies within Optimal Group, and no financial statements were prepared for the online gaming payments activities on a stand-alone basis. The pro forma results for the three months ended 31 March 2005 have been prepared on the same basis as set out in FireOne Group's Annual Report for the period ended 31 December 2005.

	Three months ended 31 March	
	2006	2005 Pro forma
Revenue	25,199	14,948
Expenses		
Transaction processing costs	8,950	6,265
Selling, general and administrative	5,651	2,695
Finance income	848	65
Profit before undernoted items	11,446	6,053
Stock-based compensation expense	-	201
Depreciation of equipment	41	15
Amortisation of intangibles	1,272	-
Foreign exchange loss	70	-
Profit before tax	10,063	5,837
Income tax expense	1,889	2,113
Profit for the period	8,174	3,724

FireOne Group plc
Condensed Consolidated Interim Income Statement
For the three months ended 31 March 2006
(all amounts in thousands of U.S. dollars, except per share amounts)
(unaudited)

	Notes	Three-Month Period Ended 31 March 2006 \$
Revenue		25,199
Expenses		
Transaction processing costs	7 (a)	8,950
Selling, general and administrative	7 (a)	5,651
Finance income		848
Profit before undernoted items		<u>11,446</u>
Depreciation of equipment		41
Amortisation of intangibles		1,272
Foreign exchange loss		70
Profit before tax		<u>10,063</u>
Income tax expense		1,889
Profit for the period		<u>8,174</u>
Earnings per share		
Basic	5	<u>0.16</u>
Diluted	5	<u>0.16</u>

FireOne Group plc
Condensed Consolidated Interim Balance Sheet
As at 31 March 2006
(all amounts in thousands of U.S. dollars)

	Notes	31 March 2006 (unaudited) \$	31 December 2005 (audited) \$
ASSETS			
Non-current assets			
Equipment		584	537
Goodwill	7 (b)	94,080	94,080
Intangibles		10,151	11,423
Total non-current assets		<u>104,815</u>	<u>106,040</u>
Current assets			
Prepays		256	347
Trade receivables		1,974	1,060
Receivable from a company under common control	7 (c)	2,761	34,965
Settlement assets		6,825	-
Short-term investments		54,159	35,614
Cash held as reserves		4,396	-
Cash and cash equivalents		61,309	50,241
Total current assets		<u>131,680</u>	<u>122,227</u>
Total assets		<u>236,495</u>	<u>228,267</u>
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	6	1,311	1,304
Share premium		114,575	114,575
Other reserves		6,288	6,948
Retained profit		16,259	7,425
		<u>138,433</u>	<u>130,252</u>
Non-current liabilities			
Deferred revenue		32	44
Deferred tax		1,445	1,752
Total non-current liabilities		<u>1,477</u>	<u>1,796</u>
Current liabilities			
Trade and other liabilities	7 (c)	3,893	3,062
Income tax payable		5,040	2,907
Customer reserves and security deposits		85,888	88,804
Provisions		1,688	1,370
Deferred revenue		76	76
Total current liabilities		<u>96,585</u>	<u>96,219</u>
Total liabilities		<u>98,062</u>	<u>98,015</u>
Total shareholders' equity and liabilities		<u>236,495</u>	<u>228,267</u>

FireOne Group plc
Condensed Consolidated Interim Statement of Changes in Equity

For the three months ended 31 March 2006

(all amounts in thousands of U.S. dollars)

(unaudited)

	Notes	Share Capital - Ordinary Shares	Share Premium	Other Reserves	Retained Profit	Total
		\$	\$	\$	\$	\$
Balance as at 31 December 2005		1,304	114,575	6,948	7,425	130,252
Exercise of restricted share units	6	7	-	(660)	660	7
Profit for the period		-	-	-	8,174	8,174
Balance as at 31 March 2006		1,311	114,575	6,288	16,259	138,433

FireOne Group plc
Condensed Consolidated Interim Cash Flow Statement
For the three months ended 31 March 2006
(all amounts in thousands of U.S. dollars)
(unaudited)

	Three-Month Period Ended 31 March 2006
	<u>\$</u>
OPERATING ACTIVITIES	
Profit for the period	8,174
Adjustments for:	
Depreciation of equipment	41
Amortisation of intangibles	1,272
Deferred revenue	(12)
Foreign exchange loss	10
Interest income	(848)
Income tax expense	1,889
	<hr/>
Operating profit before changes in working capital and provisions	10,526
Decrease in prepaids	91
Increase in trade receivables	(639)
Increase in settlement assets	(6,825)
Increase in cash held as reserves	(4,396)
Increase in trade and other liabilities	831
Decrease in customer reserves and security deposits	(2,916)
Increase in provisions	318
	<hr/>
Cash used for operations	(3,010)
Interest income received	573
Income taxes paid	(142)
	<hr/>
Net cash outflow from operating activities	<u>(2,579)</u>
INVESTING ACTIVITIES	
Purchase of equipment	(88)
Decrease in receivable from company under common control	32,204
Increase in short-term investments	(18,545)
	<hr/>
Net cash inflow from investing activities	<u>13,571</u>
FINANCING ACTIVITIES	
Proceeds from the exercise of restricted share units	7
	<hr/>
Net cash inflow from financing activities	<u>7</u>
	<hr/>
Effect of exchange rate changes on cash and cash equivalents	69
Net increase in cash and cash equivalents	11,068
Cash and cash equivalents, beginning of period	50,241
Cash and cash equivalents, end of period	<u>61,309</u>

FireOne Group plc
Notes to Condensed Consolidated Interim Financial Statements

For the three months ended 31 March 2006
(all amounts in thousands of U.S. dollars)
(unaudited)

1. General

FireOne Group plc ("the Company") was incorporated on 12 April 2005. In addition, two wholly-owned subsidiaries, FPA Processing Services Inc. ("FPA") and FirePay Ltd., were incorporated in April 2005.

The notes refer to the Company and its subsidiaries (the "Group") unless otherwise stated.

Optimal Group Inc. ("OGI"), the Company's ultimate parent, and Optimal Payments Inc. ("OPI"), a company under common control, underwent an internal reorganisation whereby on 11 May 2005 OPI's online gaming payments business ("the Business") was transferred to the Group. The principal steps in the internal reorganisation were as follows:

- OPI transferred the assets and liabilities of the Business to FPA in consideration for the issue of 99,999,999 common shares in the capital of FPA to OPI pursuant to the terms of a purchase and license agreement dated 11 May 2005;
- OPI sold its interest in FPA to the Company in consideration for the issue of 100,000,000 ordinary shares of the Company at €0.01 per share;
- OPI transferred its interest in the Company to OGI;
- FPA transferred the assets and liabilities of the Business to the Company pursuant to a reduction of FPA's share capital;
- OPI and FPA entered into a services agreement dated 11 May 2005 pursuant to which OPI has agreed to continue to provide certain hosting, administrative and other services to FPA. This agreement was subsequently transferred from FPA to the Company;
- On 26 May 2005, the 1,000,000,000 authorised ordinary shares of €0.01 per share of the Company were consolidated into 500,000,000 ordinary shares of €0.02 per share.

The transfer of assets and liabilities of the Business between the related parties indicated above resulted in an additional share premium of approximately \$114,575 million (see Note 7(b)).

On 2 June 2005, OGI completed a flotation of 20% of its ownership in the Company on the London Stock Exchange's AIM Market.

2. Significant accounting policies

The condensed consolidated interim financial statements were authorised for issuance on 3 May 2006.

(a) *Basis of presentation*

The condensed consolidated interim financial statements have been prepared in accordance with accounting policies set out below which are based on the recognition and measurement principles of International Financial Reporting Standards ("IFRS"). The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the most recent annual audited consolidated financial statements of the Group as at and for the period ended 31 December 2005.

2. Significant accounting policies (continued)

(a) *Basis of presentation*

The principal functional currency of the Group is U.S. dollars and accordingly the financial statements have been prepared in U.S. dollars, rounded to the nearest thousand. These condensed consolidated interim financial statements have been prepared on the historical cost basis except for the fair value of restricted stock units. The interim results for the period ended 31 March 2006 is unaudited and does not constitute statutory accounts within the meaning of the Companies Acts 1963 to 2005. All recognised gains and losses are recorded in the income statement.

The unaudited condensed consolidated balance sheet as at 31 March 2006 and the unaudited condensed consolidated statements of income, changes in equity and cash flows for the three-month period ended 31 March 2006 reflect all adjustments which, in the opinion of management, are necessary to present a fair statement of the results of the interim period. The income and cash flows for any interim period are subject to variation and are not necessarily indicative of the income or cash flows for an entire year.

The accounting policies have been applied consistently by the Group entities.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(b) *Consolidation*

These consolidated financial statements include the accounts of the Company and enterprises controlled by the Company (its subsidiaries) as at year-end. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, FPA Processing Services Inc. and FirePay Ltd. All intercompany transactions and balances between group enterprises are eliminated on consolidation.

(c) *Revenue recognition*

Revenue is generated from merchant customers for payment processing services, as well as from consumers who utilise the Group's electronic wallet offering. Merchants are charged a fee, which is based upon the merchant's charge volume and risk profile, and this fee is a percentage of the dollar amount of each transaction. The balance of revenue is derived from a variety of fixed transaction fees, including set-up fees, fees for monthly minimum charge volume requirements, statement fees, annual fees and fees for other miscellaneous services, such as handling chargebacks. Consumers who utilise the electronic wallet are charged a fixed transaction fee for each deposit made to their account.

Discount and other fees related to payment transactions are recognised at the time transactions are processed.

Revenue from set-up fees is deferred and recognised over the expected term of the merchant relationship, which is estimated to be five years.

2. Significant accounting policies (continued)

(d) *Share-based payments*

The Company may issue equity settled share options and restricted share units ("RSUs") to certain employees and directors of the Company and OGI and its affiliates. Any share options and RSUs are measured at the estimated fair value at the grant date. The fair value of any options issued are measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The estimated fair value determined at the grant date of the share option or RSU granted is amortised on a straight-line basis to the income statement over the vesting period, based on the Company's estimate of shares that will eventually vest.

RSUs granted to certain directors and employees of OGI are measured at their estimated fair value at the grant date and accounted for through reserves, as an appropriation of profit at that date.

(e) *Income tax*

The income tax on the profit for the period comprises current and deferred tax.

Current tax is based on the profit for the period adjusted for items that are non-assessable or disallowed for tax purposes and is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The temporary difference related to goodwill is not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(f) *Earnings per share*

Basic earnings per share is determined using the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is computed in a manner consistent with basic earnings per share, except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of options and RSUs, if dilutive. The number of additional shares is calculated by assuming that outstanding options and RSUs were exercised, and that the proceeds from such exercises are used to repurchase common shares at the average market price during the reporting period.

(g) *Foreign currency translation*

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to U.S. dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to U.S. dollars at foreign exchange rates ruling at the dates the fair value was determined.

2. Significant accounting policies (continued)

(h) *Equipment*

Equipment is recorded at cost less accumulated depreciation. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method over the following periods:

Software	2 years
Computer equipment	3 years
Furniture and fixtures	5 years
Leasehold improvements	Lease term

(i) *Goodwill*

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the asset acquisition or business combination to the Group's reporting units that are expected to benefit from the synergies of the transaction.

Goodwill is not amortised but is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. If there is any indication of impairment, the recoverable amount is estimated. Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Recoverable amount is typically determined for the cash generating unit to which it belongs. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(j) *Intangibles*

Intangible assets acquired either individually or with a group of other assets are initially recognised and measured at cost. The cost of a group of intangible assets, including those acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets based on their relative fair values.

Intangible assets with finite useful lives are amortised using the straight-line method over the following periods:

Customer contracts	20 - 60 months
Acquired technology	24 months

(k) *Impairment of long-lived assets*

Long-lived assets, consisting of property and equipment and intangible assets with finite useful lives, are reviewed whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, which is established as the carrying amount of an asset to be held and used over the sum of the discounted cash flows expected from its use and disposal; the impairment recognised is measured as the amount by which the carrying amount of the asset exceeds its fair value.

2. Significant accounting policies (continued)

(l) *Trade receivables*

Trade receivables are stated at their cost less impairment losses.

(m) *Settlement assets*

Settlement assets result from timing differences in the Group's settlement process. These timing differences arise primarily as a result of settlement amounts due from financial institutions representing the card associations and debit networks. These amounts are typically funded to the Group within days from the transaction processing date.

(n) *Short-term investments*

Short-term investments include investments with maturities of less than a year, as well as investments with maturities greater than a year that can be promptly liquidated. Investments are classified as held to maturity and are carried at amortised cost less impairment losses.

(o) *Cash and cash equivalents*

Cash and cash equivalents consist of cash on hand and balances with financial institutions, and highly liquid debt instruments with original terms to maturity of three months or less.

(p) *Trade and other payables*

Trade and other payables, all of which are short-term, are not interest bearing and are stated at the amounts owed. The carrying amount of trade and other payables approximates to their fair value.

(q) *Provisions*

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Disputes between a consumer and a merchant periodically arise as a result of, among other things, consumer dissatisfaction with a merchant's services. Such disputes may not be resolved in the merchant's favour. In these cases, the transaction may be charged back to the merchant, which means the transaction amount is refunded to the consumer and, in certain instances, charged to the merchant. If the merchant has insufficient funds or the Group has indemnified the merchant against such losses, the Group must bear the credit risk for the full amount of the transaction. These are contracts which include financial guarantees that represent a form of insurance arrangement, and are accounted for as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee. Management evaluates the risk for such transactions and estimates the loss for disputed transactions based primarily on historical experience and other relevant factors.

The provision for losses is decreased by realised losses and is increased by provisions for losses, net of any recoveries. The net charge for the provision for merchant and consumer losses is included in selling, general and administrative expenses and transaction processing costs, respectively. The provision for customer losses is included within current liabilities.

2. Significant accounting policies (continued)

(r) *Segment reporting*

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

3. Comparative figures

The Company was incorporated on 12 April 2005. Therefore comparative figures are not applicable.

4. Share-based payments

(a) Restricted Share Unit Plan ("RSU Plan")

The Company has an RSU Plan that provides for the granting of RSUs to any employee, director or officer or a former employee, director or officer of the Company or of OGI or any affiliates.

An initial award of RSUs in respect of an aggregate of 2,443,750 ordinary shares ("the Initial RSUs") was made to directors, officers and employees of the Company and of OGI and its affiliates in May 2005. The original vesting period of the Initial RSUs was one-third on the 90th day following admission to the AIM (2 June 2005), an additional one-third on the first anniversary of the award and the remaining one-third on the second anniversary of their award. The exercise price of the Initial RSUs is the nominal amount of the underlying ordinary share. No award under the RSU Plan may be exercised later than seven years after the date the award is made.

In December 2005, the Company accelerated the vesting of all unvested RSUs previously awarded, resulting in the acceleration of compensation expense that would have otherwise been recognised in the Company's income statement with respect to these RSUs over the period ending May 2007. In order to prevent unintended personal benefits to RSU holders, the Company has imposed restrictions on any shares received through the exercise of accelerated RSUs. These restrictions prevent the sale of any stock obtained through exercise of an accelerated RSU prior to the earlier of the original vesting date or the individual's termination of employment. As a result of the accelerated vesting and the concurrent accelerated vesting of unvested OGI stock options held by employees of an affiliate who provide services to the Company, the Company recorded a one-time charge in its fiscal 2005 consolidated income statement, reflecting the unamortised portion of the fair value of RSUs granted.

As at 31 March 2006, 1,511,583 RSUs remain unexercised.

(b) Share Option Plan

The Company has a share option plan that provides for the granting of stock options to any employee, director or officer or a former employee, director or officer of the Company or of OGI or any affiliates (and to certain permitted assignees of such persons).

The option exercise price per ordinary share is determined by the Company's remuneration committee, but will be no less than the average market value of the ordinary shares on the five preceding dealing days immediately preceding the grant date (market value being derived from the average of the highest and lowest prices of an ordinary share as traded on AIM).

An option is normally exercisable between its vesting date or dates (as determined by the remuneration committee at the grant date) and seven years from the grant date.

As at 31 March 2006, no options had been granted under this plan.

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5. Earnings per share

Basic and diluted earnings per share are calculated based on the following weighted average number of ordinary shares outstanding:

	Three-Month Period Ended 31 March 2006
	Number
Basic	50,762,748
Plus impact of RSUs outstanding	1,505,984
Diluted	<u>52,268,732</u>

6. Share capital

	As at 31 March 2006	As at 31 December 2006
	\$	\$
Authorized:		
500,000,000 ordinary shares of €0.02 per share		
Issued and fully paid:		
50,988,415 ordinary shares (50,706,331 ordinary shares as at 31 December 2005) (par value of €0.02 per share)	<u>1,311</u>	<u>1,304</u>

During the three-month period ending 31 March 2006, 282,084 restricted share units were exercised for a cash consideration of \$7 resulting in the issuance of 282,084 common shares with a par value of \$7, being €0.02 per share. As a result of this issuance, share capital was increased by \$7 of cash proceeds and share premium was increased by the fair value of the restricted share units exercised (\$660). The fair value of the restricted share units was determined by valuation experts using established financial methodologies for business valuation as there was no public market for the Company's shares at the award date.

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7. Related party transactions

(a) The following related party transactions occurred in the normal course of operations and were measured at the exchange amount, being the consideration established by and agreed to by the parties:

	Three-Month Period Ended 31 March 2006
	\$
Transaction processing costs charged by a company under common control	6,079
Administration and other fees charged by a company under common control	1,342
Administration and other fees charged by the parent company	1,135

(b) Acquisition of Business:

During the period 12 April 2005 to 31 December 2005, the following related party transaction, which is described in Note 1, occurred and was measured at estimated fair value:

	\$
The transaction involved the transfer of the following assets and liabilities from a company under common control:	
Cash at bank	10,000
Trade receivables	13
Receivable from a company under common control	59,507
Customer contracts	14,138
Acquired technology	549
Goodwill	94,080
Trade and other liabilities	(992)
Customer reserves and security deposits	(59,506)
Deferred revenue	(159)
Deferred tax liability	(1,767)
Net assets transferred	<u>115,863</u>

Consideration issued:

Ordinary shares	1,288
Excess of net assets acquired over par value of ordinary shares credited to share premium	<u>114,575</u>
	<u>115,863</u>

The primary factors that contributed to a purchase price that resulted in recognition of goodwill include the business' industry position, management strength, earnings prospects and ability to serve as a platform for potential strategic acquisitions for enhanced growth and profitability in this segment.

The valuation of the consideration issued was determined by an independent valuation expert who utilised a range of methodologies including cash flow models and the market values of comparable companies.

The valuation of the assets and liabilities above is closed for revision.

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7. Related party transactions (continued)

(c) The following related party balances exist on the balance sheet as at 31 March 2006:

	<u>31 March 2006</u>	<u>31 December 2005</u>
	\$	\$
Receivable from Optimal Payments Inc.	2,761	34,965
Payable to OG Processing Services Holdings (included in trade and other liabilities)	48	49
Payable to Optimal Group Inc. (included in trade and other liabilities)	1,220	95

The receivable and payables to related parties are all unsecured, interest free and repayable on demand.

8. Segment information

The Company operates as one business segment.

The following geographical information is derived by the Group based on the location of the assets of the Group and, in the case of revenue, the location of the customers.

The Group's assets are located in the following geographic regions:

	<u>31 March 2006</u>	<u>31 December 2005</u>
	\$	\$
Europe	189,689	195,062
Americas and Caribbean	46,806	33,205
	<u>236,495</u>	<u>228,267</u>

Revenue is derived from the following geographic regions:

	<u>Three-Month Period Ended 31 March 2006</u>
	\$
Americas and Caribbean	21,069
Europe	2,758
Rest of World	1,372
	<u>25,199</u>

9. Dividend

On 2 March 2006, the Board of Directors of the Company recommended a dividend of \$0.187 per share or approximately \$9,500.