



ANNUAL REPORT  
AND ACCOUNTS 2007



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233%

INCREASED  
REVENUE

\$18.2m

TOTAL  
REVENUE

273%

INCREASED  
MULTI-CURRENCY  
TRANSACTION  
VOLUME

290%

INCREASED  
MULTI-CURRENCY  
REVENUE





THE COMPANY'S STRONG GROWTH  
IN 2007 REFLECTS THE CONTINUED  
ADOPTION OF OUR PROPRIETARY  
PROCESSING PLATFORM.

# FINANCIAL AND OPERATIONAL HIGHLIGHTS

## FINANCIAL HIGHLIGHTS

- » Total revenue increased 233% to \$18.2m (2006: \$5.5m) led by new merchant deployments and growing processing volume with banking partners in Greater China and the United States.
- » Gross Profit increased 221% to \$6.5m (2006: \$2m).
- » Revenue from core multi-currency processing increased 290% to \$14.4m (2006: \$3.7m), representing 79% of total revenue.
- » Transaction volume from core multi-currency processing services increased 273% to \$437.8m (2006: \$117.4m).
- » The Company's operating costs as a percentage of revenue decreased to 105% from 245% in 2006. Operating expenses grew 43%. EBITDA loss for the year was \$8.2m, a 15% improvement (2006: \$9.7m). Net income loss for the year was \$13.4m (2006: \$11.6m).
- » Total revenue in the second half of 2007 grew 168% over second half of 2006, with revenue from core multi-currency processing services over the same period increasing 201%.
- » Total revenue in the second half of 2007 was up 68% over first half of 2007, led by 100% growth of core multi-currency processing revenue in the United States and continued merchant adoption in Greater China.
- » Raised a total of \$18.3m, net of capital raising expenses, in 2007 comprised of \$5m Convertible Promissory Note and \$13.3m in Common Shares.

## OPERATIONAL HIGHLIGHTS

- » Active merchant locations grew to 2,314 in 2007 (2006: 1,138 locations). Of these, 1,454 locations are using Planet Payment's core multi-currency processing services comprising over 7,000 individual points of sale, based on estimates at 2007 year end.
- » Expanded Asia-Pacific reach through agreement with Global Payments [NYSE:GPN] to offer Planet Payment's Pay In Your Currency services in Malaysia and Taiwan; service launched in Q1 2008.
- » Broadened partnerships in Greater China through agreements signed with Agricultural Bank of China, one of China's "big four" banks, and Banco Nacional Ultramarino of Macau, and through Hang Seng Bank, with Bank of Communications [HKG:3328], to offer our multi-currency processing services.
- » Enhanced product suite with our Asia-Pacific regional switch solution for integrated payment systems for the lodging, restaurant and retail sectors, with Agilysys and MICROS Financial Services.
- » Established wholly foreign owned Chinese subsidiary and expanded operational and sales support infrastructure with offices in Beijing and Shanghai.
- » Expanded processing infrastructure with additional co-location data centres in Hong Kong, Shanghai and Macau.
- » Registered with MasterCard and VISA as end-to-end processor with direct card scheme interfaces; Certified with JCB, American Express and Diner's Club to offer processing to select partner banks and financial institutions.
- » Continued merchant adoption of our multi-currency processing services through our US banking partners.

Signed 6 New Banks Asia-Pacific

Established Chinese Subsidiary

103% Increase In Active Merchant Locations

100% Increase In US Multi-Currency Revenue-H2



PLANET PAYMENT PROVIDES  
INTERNATIONALLY FOCUSED  
BANKS AND THEIR MERCHANTS  
WITH INNOVATIVE PAYMENT  
SOLUTIONS ANYTIME, ANYWHERE,  
AND IN ANY CURRENCY.

# INNOVATIONS IN INTERNATIONAL PAYMENT PROCESSING

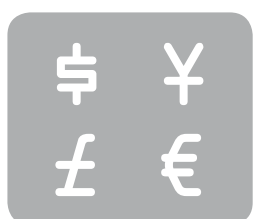
Planet Payment, a leading international payment and data processor, provides internationally focused banks and their merchants with innovative solutions that enable them to accept, process and reconcile payment transactions, anytime, anywhere and in any currency.

Our single, currency-neutral processing platform, the keystone of our business model, allows us to enter new markets quickly and cost-effectively and to process for our customers and their merchants, no matter where in the world they may be located.

We leverage this technology and our integrated position within the credit card transaction flow to offer banks and their merchants innovative payment solutions that differentiate their product offerings and can improve their profitability. Our services provide increased transparency to international commerce and offer international cardholders – whether online or at their favourite store, restaurant or hotel – the comfort and convenience of paying in their currency they know best – their own.

Our ever-expanding strategic partnerships with leading acquiring banks, processors and point-of-sale providers across the United States, Europe and Asia-Pacific, including Greater China, Malaysia, and Taiwan, offer long-term stability and a robust pipeline of new merchants. Planet Payment generates recurring revenue from our partners' transaction streams, with our primary revenue source earned from a share of the margin generated by the conversion from one currency to another.

Headquartered in New York, our international reach extends to global commercial centres near our customers, including Atlanta, Beijing, Bermuda, Hong Kong, Honolulu, London, Shanghai and Singapore. Listed on the London Stock Exchange AIM Market, the Company's shares are traded under the symbols PPT for unrestricted Common shares and PPTR for Reg S Common shares.



# LEVERAGING OUR GLOBAL ADVANTAGES



## CAPITALISING ON GLOBALISATION

- » Favourable market trends continue to drive demand for Planet Payment's personalised payment solutions, including:
  - › Increasing levels of international travel and rising credit card usage, with high growth forecasts for the Asia-Pacific region.
  - › Robust, worldwide e-commerce growth, with a majority of Internet usage occurring outside of the US.

## LEVERAGING THE POTENTIAL OF OUR INNOVATIVE TECHNOLOGY

- » Single, highly scalable, currency-neutral platform can support banks, processors and merchants in any country around the world, in any currency.
- » Consolidated transaction-level reporting and data analytics offer multi-national merchants common, on-line reporting, simpler reconciliation and powerful customer demographic dashboards across multiple regions, acquirers and currencies, while using their preferred points-of-sale technology.
- » Systems and processes offer high levels of security and internal controls, which are independently reviewed by annual, independent PCI certification and SAS 70 audits.

- » Integration with leading point-of-sale providers allows the Company to support next-generation payment processing, particularly in key target markets of Asia-Pacific.

- » Position in the transaction data stream and processing infrastructure drives rapid product innovation that anticipates customer demand.

## DRIVING NEW REVENUE OPPORTUNITIES

- » Compelling business model captures new, recurring, high-margin processing revenue streams.
- » Outsourced solutions offer customers easier implementation processes with minimal changes to their legacy systems and enhanced long-term operational efficiencies.
- » Superior processing methodology whereby all settlement funds – both domestic and multi-currency – remain within acquirer and merchant control, and multi-currency proceeds are received in the same manner as domestic proceeds.
- » Established partnerships with leading acquiring banks and processors in the United States, Europe and Asia-Pacific provide long-term growth opportunities.

# DELIVERING VALUE

DEMAND FOR OUR MULTI-CURRENCY PAYMENT SOLUTIONS IS EXPECTED TO CONTINUE TO INCREASE DUE TO ROBUST, WORLDWIDE E-COMMERCE GROWTH AND FORECASTED HIGH-GROWTH RATES OF INTERNATIONAL TRAVEL, PARTICULARLY TO ASIA-PACIFIC WITH THE NEAR-TERM OPPORTUNITY OF THE BEIJING OLYMPICS.

Planet Payment's business methodology and integrated position within the credit card transaction data stream enable us to facilitate global commerce and offer innovative payment solutions. Our solutions can transform credit card processing from a cost of doing business into a highly effective marketing and sales tool that lets internationally focused banks and their merchants offer enhanced customer service to valued international cardholders.

Our **Banking Partners** utilise our scalable, currency-neutral platform to expand their product offerings and achieve new, high margin revenue streams. Our turnkey, outsourced solutions offer greater speed-to-market, while providing our partners with significant, competitive differentiators that can attract new merchants, drive enhanced merchant loyalty and offer superior service for their multi-national merchants.

**Merchants** benefit directly from lower acquisition costs and enhanced customer service. They are able to target and complete more international sales. Our offerings provide merchants with unprecedented visibility into their financial performance and customer demographics, enabling more informed business decisions and better targeted, marketing programs.

Ultimately, **Cardholders** are offered choice and convenience – the certainty of safe and secure transactions with complete transparency into the cost of their purchase in the currency they know best – their own.



Banks Earn  
New High  
Margin  
Revenue

Merchants  
Increase  
International  
Sales

Cardholders  
Offered  
Choice +  
Clarity

# CHAIRMAN & CEO REPORT

FUELLED BY FAVOURABLE GLOBAL MARKET TRENDS, A BROADER PORTFOLIO OF INNOVATIVE PAYMENT SOLUTIONS AND A ROBUST PIPELINE OF MERCHANT ROLLOUTS, WE LOOK FORWARD TO CONTINUED SIGNIFICANT GROWTH IN 2008.



**Philip Beck**  
Chairman and Chief Executive Officer

I am pleased to announce our results for the year ended December 31, 2007. Fuelled by the rapid growth of international travel, credit-card usage and cross-border e-commerce, throughout this past year we have continued to execute on our strategies to maximise the potential of our technology platform. Our strong results, principally attributed to efforts with our existing banking partners in Greater China and the United States, are reflected in the 233% increase in revenue to \$18.2m and 273% increase in transaction volume from our core multi-currency processing services, as compared to 2006.

We continue to experience and anticipate further adoption of our outsourced payment processing services by banks that have historically developed and supported such services in-house. Our single, currency-neutral platform is designed to quickly support the needs of these customers, delivering timely and cost-effective data processing and reporting solutions. In 2007, the Company extended its network of acquiring banks and processors to include several new customers in the United States, Greater China, as well as in Malaysia and Taiwan, where service commenced in the first quarter of 2008. We also added to our product set and helped advance integrated payment technology services in Greater China with the integration to additional point-of-sale providers.

Demand for our multi-currency payment solutions is expected to continue to increase due to forecasted high growth rates of international travel, particularly to Asia-Pacific, with the near-term opportunity being the Beijing Olympics. Strong, cross-border e-commerce growth, with a majority of Internet usage occurring outside of the US, bodes well for our multi-currency pricing solutions for card-not-present merchants.

Opportunity with our banking partners and their merchants in the US continues, where the weak dollar makes shopping in America an attractive discount opportunity for international shoppers and tourists. In fact, our multi-currency processing in North America experienced the highest rate of revenue and transaction volume growth in the second half of 2007 (100% increase in revenue over first half 2007 results), amongst the regions in which the Company operates, driven largely by the efforts of US e-commerce merchants to target higher-growth markets outside the United States.

Consequently, while the Asia-Pacific market offers much promise, opportunity also abounds closer to home, particularly in the multi-currency e-commerce area. Our April 2008 acquisition of the assets of the former iPAY e-commerce processing business, comprising an e-commerce platform which we plan to integrate to our



platform and “internationalise” for both our US and international customers, is intended to bolster our ability to take advantage of these market trends.

## REVIEW OF 2007 ACTIVITIES

During 2007, we made significant progress with our previously outlined objectives.

In March, Planet Payment formed a new subsidiary, Planet Payment IT Services (Shanghai) Ltd., (a Wholly Foreign Owned Enterprise – “WFOE”) and secured a license to operate in China. This subsidiary enables us to provide direct support to Chinese credit card acquirers in their activities with merchants located in China. Continued merchant adoption through our existing partners resulted in over 1,250 active merchant locations comprising over 2,900 points of sale across Hong Kong, China and Macau by year end.

Throughout the year, we broadened our partnerships in Greater China through agreements signed with Agricultural Bank of China, one of China’s state-owned “big four” banks, and Banco Nacional Ultramarino of Macau, and through Hang Seng Bank, with Bank of Communications. In November, the Company entered into a new agreement with Global Payments Asia-Pacific to offer Planet Payment’s “Pay In Your Currency” services to their merchants in Malaysia and Taiwan.

Our change of name to Planet Payment, Inc. completed in June, aligned the Company’s legal name with the brand identity it has established through its operations, products and services, and better reflects the nature of the Company’s business. Our brand identity was further supported by an enhanced website, including new sites targeted at the Asia-Pacific and European markets.

## ENHANCEMENTS TO OUR PROCESSING INFRASTRUCTURE

In 2007, we made great strides in broadening our product set and expanding the flexibility of our global technology platform.

In March, we completed registration as a non-member processor by both Visa and MasterCard, an effort initiated by the acquisition of the Bermuda processing assets in November 2006. With this certification, we can, for select bank customers and merchants, maintain direct control of the entire transaction process path from the merchant’s point-of-sale device through card-scheme submission. The direct card association interfaces provide us with increased flexibility in deploying new payment solutions both within and beyond our core multi-currency processing offerings, in order to better meet our partners’ strategic needs around the world.

We also completed web-based interfaces to JCB, American Express and Diner’s Club, broadening

# CHAIRMAN & CEO REPORT

## (continued)

our supported card types and providing increased operational efficiencies to our networks of acquiring partners and payment technology providers. Through these interfaces, Planet Payment can route transactions to the appropriate card scheme or bank, while processing eligible cross-currency transactions through our platform.

Our market leading, Asia-Pacific regional switch, launched in August, advances the deployment of integrated payment systems for Asia-Pacific merchants in the lodging, restaurant and retail segments. Now through our certified interfaces with Agilysis and MICROS Financial Services, merchants in this region, who previously were limited to using terminals running independently from their property management systems, are able to enjoy the same operational efficiencies and offer similar customer-service features as they do in other regions. Adoption of this technology was launched in August with the Sands Group for its prestigious Venetian Macao Resort Hotel.

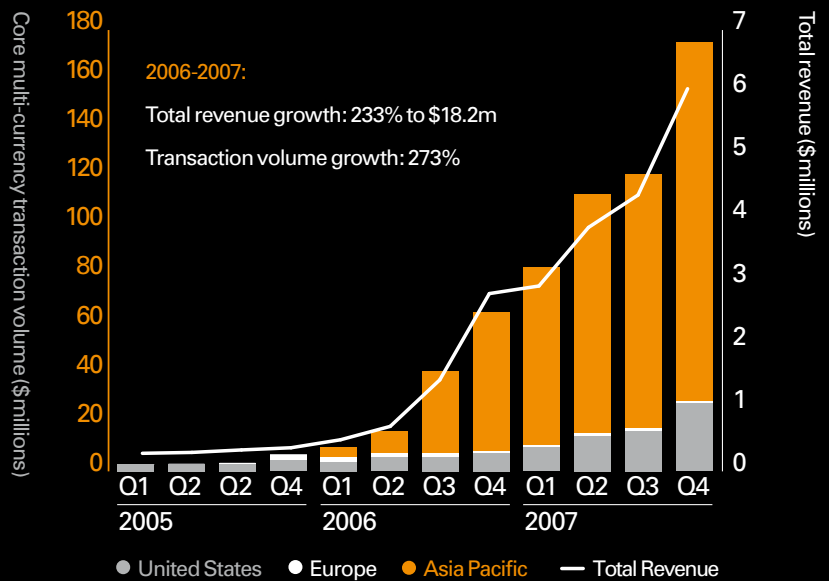
The Company utilised its service-oriented architecture (SOA) and a new state-of-the-art web service-based interface to power gateways in Asia-Pacific and the United States. The SOA/web services approach will facilitate broader and much more rapid merchant adoption of our services. SOA also allows reusability of applications to enhance operating and development efficiencies. Our integration

with leading point-of-sale providers was expanded by the certification of more than fifteen terminal applications with our international banks and processors.

We also completed end-to-end EMV chip certification of our processing platform, which enables us to process "smart cards" and modified our technology to support Chinese language and characters. These development efforts are further evidence of the flexibility of our processing platform and our ability to nimbly meet the different operational needs of our new acquiring partners.

The Company continues to make security and protection of cardholder data a top priority. During 2007, the Company again successfully completed its annual examination under Statement of Auditing Standards No. 70, Service Organisations ("SAS70") Type II and obtained re-certification of compliance with the Payment Card Industry (PCI) security requirements.

## Total revenue growth and total transaction volume growth



### PERSONNEL AND FACILITIES UPGRADE

We continued to invest during the year in our human resources and infrastructure assets in order to provide our customers with first class support. By year-end, we grew our staff to over 90 employees, with over 55% of our team dedicated to supporting our technology development efforts. The majority of this staff increase occurred in Asia-Pacific, in order to support the needs of our expanding portfolio of acquirers and merchants in that region.

Further, the Company expanded our processing infrastructure by establishing new co-location data centres in Hong Kong, Shanghai and Macau. These centres improve our operational efficiencies in these regions, provide additional redundancy and offer increased processing capacity.

In support of our Chinese subsidiary and its growing business development opportunities, the Company opened new offices in Shanghai and Beijing in March. Our Hong Kong office relocation in August to a larger facility in the Wan Chai district is yet another example of our continued commitment to Greater China and the growing Asia-Pacific markets. Our Atlanta and Bermuda technology personnel also moved into new office space, designed to deliver enhanced productivity and allow for future expansion by the Company.

### CORPORATE FINANCE

The Company raised \$18.3m, net of capital raising expenses, during 2007. These proceeds were used to fund ongoing working capital requirements. In February 2007, we completed a \$7.5m private placing, (after capital raising expenses), led by experienced investors in the payment processing industry - Camden Partners, a US private equity firm, and Richard Kiphart, former non-executive Chairman of the Board of Concorde EFS (acquired by First Data Corporation). The financing comprised a \$5m Convertible Promissory Note and a \$2.6m investment in Common Shares. In October and November 2007, we completed the private placing of Common Shares totalling approximately \$10.8m (after capital raising expenses).

As a result of the addition of the convertible debt financing noted above, total liabilities increased 91% as of year-end 2007, compared to year-end 2006. Excluding the convertible debt financing, total liabilities increased 4%. The Company ended 2007 with approximately \$8.8m in cash and short-term investments.

We ended 2007 with approximately \$2.2m of stockholders' equity, compared to \$0.38m at year-end 2006.

# CHAIRMAN & CEO REPORT

## (continued)

In April, the Company completed the process of having its unrestricted Common Shares, trading under ticker symbol PPT, admitted to trading by means of Depository Interests, through the CREST settlement system. Participation in CREST simplifies the process of trading the Company's shares and enables the PPT, unrestricted Common Shares to be traded and settled wholly electronically, without the need for issuing paper share certificates.

### FINANCIAL OVERVIEW

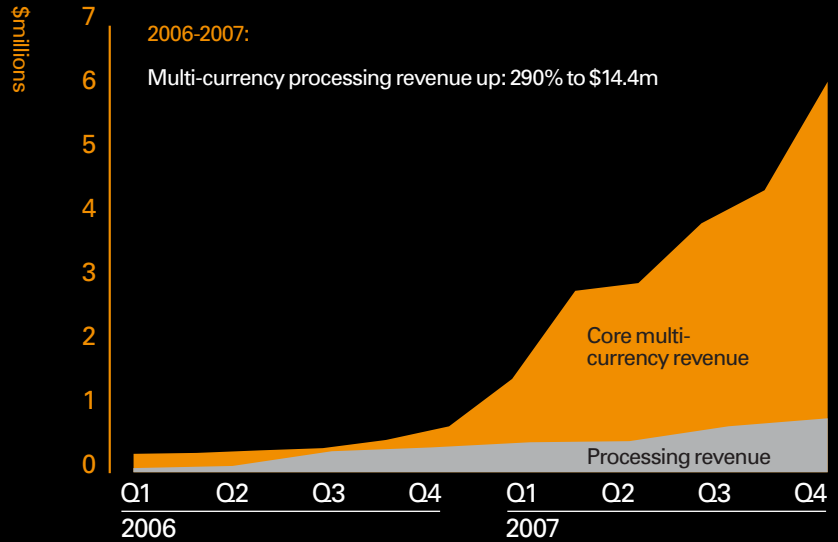
All figures are in US dollars unless otherwise stated. Percentage changes shown are against the comparative period for 2006 unless otherwise stated.

Total revenue increased 233% to approximately \$18.2m (2006: \$5.5m) led by new merchant deployments with banking partners in Greater China and the United States. Core multi-currency processing revenue continued to grow and to make up a larger contribution of total revenue (79% in 2007 vs. 68% in 2006). Processing of multi-currency transactions gives rise to cross-currency conversion fee revenue for the Company ("core" services excludes those where the Company only receives referral revenue). Transaction volume from core multi-currency processing services increased 273% to \$437.8m (2006: \$117.4m). Consequently, revenue from core multi-currency processing increased 290% to \$14.4m (2006: \$3.7m).

Total revenue for the second half of 2007 grew 168% to \$11.4m as compared to the second half of 2006 (H2 2006: \$4.3m) and 68% as compared to the first half of 2007 (H1 2007: \$6.8m), as operations in Greater China continued to expand and US multi-currency processing revenue showed growth of 100% over the first half of the year.



## Multi-currency processing revenue growth



Core multi-currency processing services transaction volume for the second half of 2007 increased 176% in Greater China and 232% in the US as compared to the second half of 2006. For 2007, core multi-currency processing services transaction volume attributable to each region was as follows: Greater China 85% (2006: 78%), North America 14% (2006: 17%) and Europe 1% (2006: 4%). Revenue from core multi-currency processing services increased 200% in the second half of 2007 to \$8.8m, as compared to \$2.9m in the second half of 2006 and 55% as compared to first half of 2007 (H1: 5.7m).

Gross profit rose 221% to \$6.5m (2006: \$2.0m). Gross margin percentage was 36% for 2007 as compared to 37% for 2006. The drop in margin was a result of a larger proportion of revenue coming from Planet Payment's core multi-currency processing activities versus referral commissions (which have no direct cost of sales). Excluding the referral revenue, the gross profit percentage improved from 26% in 2006 to 31% in 2007.

The Company's operating costs as a percentage of revenue decreased to 105% from 245% in 2006. EBITDA loss for the year (excluding non-cash charges as described below) was \$8.2m, a 15% improvement (2006: \$9.7m). Operating expenses grew 43% to \$19.1m in 2007 (2006: \$13.4m). Operating expenses include an allowance for doubtful accounts of \$1.3m due to certain receivables being subject to litigation.

Operating expenses excluding the above noted allowance, depreciation and amortisation expense (\$2.0m), and non-cash stock-related compensation expense arising from SFAS 123R (\$1.2m) ("cash operating expense"), totaled \$14.7m, a 26% increase over 2006. Cash operating expense essentially stayed flat in the second half of 2007 increasing only 1% over the first half of 2007.

The increase in cash operating expenses is attributable to the expansion of operations in Greater China, including the formation of our Chinese subsidiary and opening of offices in Shanghai and Beijing, a full year of public company-related expenses, and inclusion of operating costs following the acquisition of the processing platform in Bermuda in November 2006.

Cash compensation expense totaled \$7.8m, an increase of 26% over 2006 (H2 2007 actually decreased 3% over H1 2007), representing 53% of total cash operating expenses. Headcount grew from 71 in December 2006 to 90 in December 2007, of which over 40% of the growth was attributable to personnel in the Asia-Pacific Region. Other cash operating expense (i.e. excluding cash compensation expense) increased 26% over 2006.

These cost increases led to a net loss of approximately \$13.4m (2006 Loss: \$11.6m). Pro forma net loss, excluding non-cash charges such as the receivable allowance, depreciation

# CHAIRMAN & CEO REPORT

## (continued)

and amortisation, non-cash stock-related expense due to SAS 123R and a one-time non-cash charge related to the February 2007 convertible debt financing, improved by 11% over 2006.

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 and pro-forma net loss, transaction volumes, annualised 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**

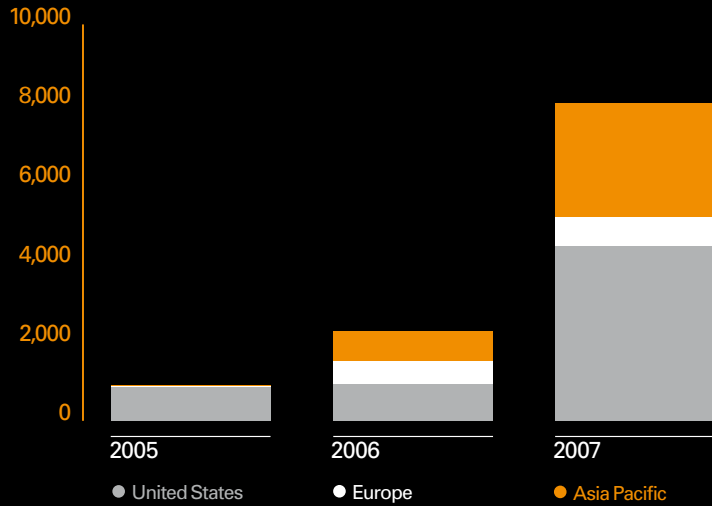
We made further progress in expanding our customer base with the January 2008 announcement of an agreement with the Bank of East Asia, the largest independent local bank in Hong Kong and one of the first foreign banks to be authorised to operate in Mainland China. In late March, the Company broadened our existing relationship with Global Payments to offer our multi-currency processing services to Hong Kong & Shanghai Banking Corporation's ("HSBC") merchants in the People's Republic of China; scheduled to be launched prior to the 2008 Beijing Olympics (subject to regulatory approvals).

With the direct integration between MICROS Financial Services, a division of MICROS-Fidelio Asia-Pacific, and Planet Payment's processing platform completed in February 2008, we continued to broaden our network of leading point-of-sale providers. Through this partnership, the companies will deploy end-to-end integrated payment solutions to merchants utilising MICROS point-of-sale applications in the lodging, restaurant and retail sectors, with an initial focus on the Asia-Pacific region.

Total revenue for the first quarter of 2008 is estimated to have grown over 70% as compared to first quarter of 2007. Revenue from core multi-currency processing services in the first quarter 2008 increased by an estimated 85%



## Growth in active points of sale



\*United States in 2007 includes 3,000 points of sale for eCommerce merchant aggregator Active points of sale defined as active within previous 90 days.

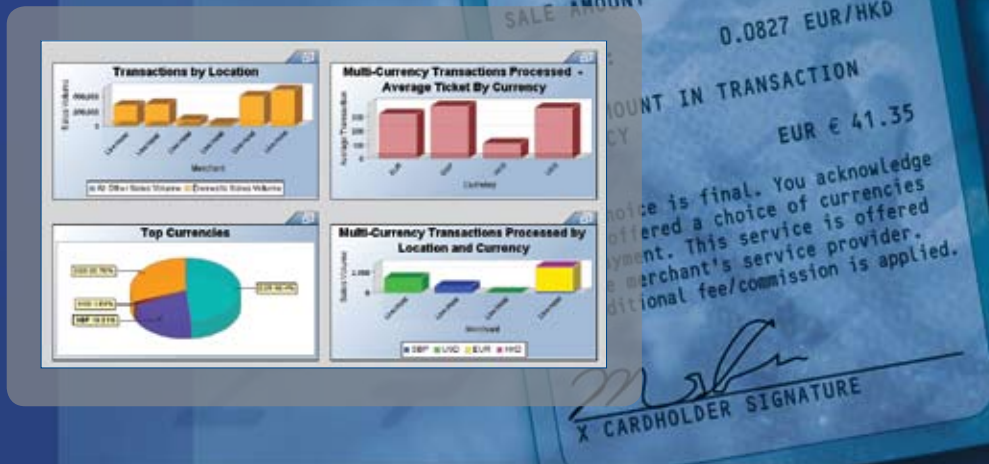
as compared to first quarter 2007, but was down 14% as compared to the fourth quarter 2007 due to reduced international business travel in Greater China during February around the Chinese New Year. First quarter is historically the slowest quarter of the year, while fourth quarter is the most active. Core multi-currency transaction volume totalled \$129.0m in Q1 2008, an increase of 75% as compared to Q1 2007.

Merchant locations continued to show growth. Active merchant locations at the end of March 2008 grew 7% to 2,479 locations from the end of December 2007 (2,314 locations). It is estimated that at the end of March 2008, Planet Payment's services were processed at over 8,000 individual points of sale, at merchant locations using our services. Furthermore, an additional 750 merchant locations, primarily in Malaysia and Taiwan, were signed and enrolled in our system, with processing to commence in the second quarter of 2008.

Fuelled by favourable global market trends, a broader portfolio of innovative payment solutions and a robust pipeline of merchant rollouts, we look forward to continued significant growth in 2008.

**Philip Beck**  
Chairman and Chief Executive Officer

# OFFERING INNOVATIVE SOLUTIONS



Our robust suite of innovative international payment processing and data services is available anywhere, anytime and in any currency. Offered through our network of the world's leading acquiring banks, processors and payment technology providers, Planet Payment's services are tailored to meet the nuances of various industry segments – hospitality, retail, restaurant, travel, e-commerce as well as the burgeoning mobile commerce and transportation segments.

**PAY IN YOUR CURRENCY™** lets international customers enjoy the confidence and convenience of paying for their purchase, stay or meal in the currency they understand best – their own. Our service offers a personalised shopping experience for valued visitors with no surprises – the amount on their bill matches their statement when they return home, while merchants continue to enjoy the ease of settlement and reporting in their local currency. Whether a tourist seeking clarity in the cost of her stay or a business traveler looking to simplify his expense accounting upon returning home, Pay In Your Currency offers a powerful incentive for international travelers to return to a participating merchant on their next visit.

**FX ASSURED®** couples the convenience and certainty of Pay In Your Currency with the added benefit of a 'Best Rate Guarantee'. With FX Assured, cardholders receive an individualised currency exchange rate, calculated to be better than the effective rate charged by their issuing bank. If the rate happens to be higher, Planet Payment will refund 150% of the difference to

the cardholder. This offering relies on Planet Payment's patent-pending rate-calculation methodology that allows us to mark-up individual transactions in real time.

**MULTI-CURRENCY PRICING** helps e-commerce and mail/telephone order merchants target new international markets quickly and helps maximise global sales when their international customers view pricing and pay in their home currencies. Multi-Currency Pricing more effectively turns international browsers into customers – those from Japan enjoy the clarity of browsing and paying in Yen, while those from Britain enjoy the certainty of paying in British pounds. Provided through the convenience of a merchant account offering settlement and reporting in their domestic currency, our solution does not involve any international entity or overseas banking account setup.

**IN-COUNTRY PROCESSING.** In addition to our multi-currency solutions, we are now also able to offer domestic "in-country" processing in an increasing number of countries in the international regions in which we operate. The same authorisation, settlement and reporting systems, which have been so successful in facilitating our multi-currency solutions, work just as well not only for local currency Visa and MasterCard transactions, but also for certain other card types (depending on the region), including American Express, JCB, China Union Pay and Diner's Club.



**iPAY**<sup>®</sup>, our new suite of international payment solutions, includes the iPAY gateway - a robust, e-commerce and mail order payment application featuring a powerful subscription management capability for recurring billing merchants. Sophisticated fraud and chargeback management tools help merchants minimise the risks of conducting business in a card-not-present environment. iPAY also offers a fully managed card-acceptance program for financial institutions, allowing banks to offer credit card acceptance and other payment solutions to their merchant customers without costly infrastructure and customer service investment.

**INTEGRATED POINT-OF-SALE SOLUTIONS AND REGIONAL SWITCH** were launched in Asia-Pacific in 2007. Our market-leading interface advances the deployment of integrated payment solutions to the lodging, restaurant and retail segments. Now through our certified interfaces with Agilysys and MICROS Financial Services, merchants in this region, who previously were limited to using terminals running independently from their property management systems, are able to enjoy the same operational efficiencies and offer similar customer-service features as they do in other regions.

**BUYVOICE**<sup>™</sup> is our new mobile-commerce line of voice-recognition enabled mobile payment and shopping solutions. Based on the most ubiquitous mobile technology available - the human voice - BuyVoice is immediately accessible from all mobile and landline phones. Payment

BuyVoice<sup>™</sup> lets mobile merchants securely accept credit cards anywhere, anytime using any telephone at hand. Shop BuyVoice<sup>™</sup> lets retailers quickly launch a new mobile sales channel that powers fully secure shopping anywhere, anytime just by speaking.

**GLOBAL CONSOLIDATED REPORTING AND DATA ANALYTICS** provides unprecedented visibility into global business operations. Our single, currency-neutral platform allows for best-in-class online reconciliation - across multiple regions, various acquirers and diverse point-of-sale devices. Transactions can be viewed in any applicable currency including: submitted, chain, or acquirer currency and US Dollars.

Sophisticated reporting hierarchy offers full transparency of transaction activity, providing acquired reconciliation across sales channels, regions and merchants. Merchants can view activity segmented by brands, locations and franchises, and from a corporate chain summary down to an individual property level.

Our robust analytic tools offer merchants in-depth profiles of customers' spending habits and country of origin: by location, average transaction amount, payment currency, and much more. Our customer dashboards allow merchants to create personalised marketing programs that attract more international guests and encourage valued visitors to return.

# DIRECTORS



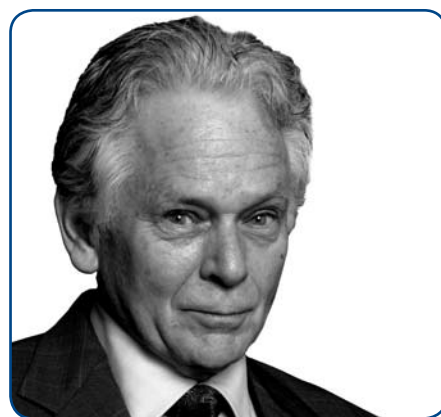
**PHILIP BECK**  
CHAIRMAN, CHIEF  
EXECUTIVE OFFICER

Philip Beck, 48, founded the company in 1999 with the intention of solving the problems faced by multi-national merchants in accepting multi-currency credit card payments. Mr. Beck has led the company since its inception and has over 18 years of experience as an international banking and corporate lawyer, having worked with a range of businesses, from start-ups to multi-national corporates. As a partner in New York law firms, Mr. Beck has also represented a number of international banking institutions.



**GRAHAM ARAD**  
DIRECTOR, SVP AND  
GENERAL COUNSEL

Graham Arad, 49, was admitted as an English Solicitor in 1983 and has been practising as an international, corporate attorney in New York since 1991 and in the British Virgin Islands since 1995. Mr. Arad was a partner in law firms in London, New York and the British Virgin Islands for nearly 20 years.



**PAUL NOBLETT**  
DIRECTOR

Paul Noblett, 61, has extensive prior experience in the credit card industry. He was previously Executive Vice President of Operations and Sales for NaBanco and General Manager of MasterCard's worldwide operations.



**CAMERON MCCOLL**  
NON-EXECUTIVE DIRECTOR

Cameron McColl, 48, has significant experience in setting up and developing new companies. An electrical engineer by training, Mr. McColl has worked for a number of firms in the technology sector. Mr. McColl serves as Chairman of The Company's Audit and Remuneration Committees.



**JONATHAN KAIDEN**  
NON-EXECUTIVE DIRECTOR

Jon Kaiden, 41, has more than 16 years of private equity and investment banking experience, with a strong focus on healthcare and information technology.



**LADY JUDGE**  
NON-EXECUTIVE DIRECTOR

Lady Judge is currently Chairman of the UK Atomic Energy Authority and Deputy Chairman of Friends Provident plc. Previously, she was a lawyer in New York and Commissioner of the US Securities & Exchange Commission – the youngest person to be appointed to the position.

# SENIOR MANAGEMENT

## **SETH ASOFSKY** **CHIEF FINANCIAL OFFICER**

Seth Asofsky is a former investment and corporate banker with 18 years of banking experience. Mr. Asofsky led the business process services investment banking practice at ThinkEquity Partners, prior to which he was a Vice President with SG Cowen's Technology Investment Banking Group.

## **ALAN LUBITZ** **CHIEF INFORMATION OFFICER**

Alan Lubitz has over 25 years of experience in the sale and support of credit card payment infrastructure and point-of-sale systems. He has held senior positions at Paymentech, TermNet Merchant Services, National Card Processing Systems and Chase Merchant Services.

## **MARC REISER** **CHIEF MARKETING OFFICER**

Marc Reiser has 20 years experience in marketing and product management within the financial services industry, with positions at Salomon Brothers, Merrill Lynch and most recently the head of marketing at Depository Trust & Clearing Corporation.

## **VICTOR R MAROTTA** **SVP RISK AND COMPLIANCE**

Victor Marotta, a NYS licensed CPA, has over 25 years experience in accounting, auditing, and credit/risk management. Mr. Marotta was previously Director of Corporate Credit/Risk Management for First Data Corporation.

## **THOMAS J DELUCA** **SVP CORPORATE DEVELOPMENT, ASIA-PACIFIC**

Thomas DeLuca has over 13 years experience in credit card processing and international business development and joined the Company at its inception in 1999. Prior to Planet Payment, Mr. DeLuca worked as an attorney with American Express, where he advised on electronic commerce matters, consumer privacy, and marketing.

## **RAYMOND TANG** **GENERAL MANAGER, GREATER CHINA**

Raymond Tang has over 30 years of experience in the merchant payment processing industry in Greater China. Mr. Tang was previously Senior Manager, Merchant Services for Standard Chartered Bank, Hong Kong and held senior roles with American Express.

## **JONATHAN ELLIS** **MANAGING DIRECTOR, EUROPE**

Jonathan Ellis has over 20 years experience in the European restaurant and hospitality industry, with particular emphasis on sales management and strategic development. Mr. Ellis was previously Managing Director of the restaurant group Prezzo.

## **MELISSA JONES** **VP SALES AND RELATIONSHIP MANAGEMENT, NORTH AMERICA**

Melissa Jones joined the Company at its inception in 1999 and has worked in various sales, business development, and relationship management roles for the US and Canada. Ms. Jones is also a recognised speaker on multi-currency processing within the US credit card industry.

**HENRY TAN****DIRECTOR OF OPERATIONS, ASIA-PACIFIC**

Henry Tan joined Planet Payment from the Singapore regional office of Visa International. He previously worked at American Express in a variety of roles, including regional head of the Asian Systems Group, and at Citigroup as South Asia Head, Technology Group.

**PETER BENFORD****DIRECTOR OF OPERATIONS, EUROPE**

Peter Benford has over 25 years experience in the European card payment industry. Prior to joining Planet Payment, Mr. Benford served as CTO of Servebase Global Card Solutions and held senior management positions with RBS Streamline.

**SLIM ZOUAOU****SVP INFRASTRUCTURE AND SECURITY**

Slim Zouaoui has over twelve years of experience in managing security and infrastructure systems for financial institutions. Prior to joining the Company, Mr. Zouaoui served as Chief Security Officer for a third-party processor in Europe and Tunisia.

**PAUL WHITTLE****SVP FRONT END SYSTEMS**

Paul Whittle founded Whittle Transaction Group, which was acquired by Planet Payment in 2005 after developing the company's "PlanetSwitch" technology. Prior to founding his own company, Mr. Whittle was SVP POS Systems Development at Hypercom Corporation.

**VISH RAMAKRISHNAN****SVP RESEARCH AND DEVELOPMENT**

Vish Ramakrishnan has over 18 years of experience in software product development with 9 years in information systems. Prior to Planet Payment, Mr. Ramakrishnan was VP of Systems Design at Innovius Inc and EBalance.

**KEITH FLAHERTY****SVP PROJECT MANAGEMENT AND IMPLEMENTATION**

Keith Flaherty has over 23 years experience in banking and information systems with 18 of those being directly in the electronic payments area. Prior to joining Planet Payment, Mr. Flaherty held various senior positions with the Bank of Bermuda.

**FRANK SABATINO****SVP INFORMATION TECHNOLOGY, iPAY**

Frank Sabatino has over 20 years of experience in information technology management and payment processing. Previously, Mr. Sabatino worked for Pay By Touch Payment Solutions as a member of the senior business and technology management team.

# CORPORATE GOVERNANCE

The Directors are committed to maintaining high standards of corporate governance. While the Company is not required to comply with the provisions of the UK Combined Code on Corporate Governance ("Combined Code") the Board takes account of the requirements of the Combined Code to the extent they consider it appropriate having regard to the Company's size, stage of development and resources, and the fact that Planet Payment, Inc. is incorporated in the US rather than the UK.

There are a number of differences between the corporate structure of the Company and that of a public limited company incorporated in the UK under the Companies Acts. While the Directors consider that it is appropriate to retain the majority of the usual features of a US corporation, they have taken certain actions, where practicable, to meet UK standard practice. However, investors should be aware that the rights of stockholders in the Company may be different from the rights of shareholders in a UK incorporated company.

The corporation law of Delaware establishes a different governance and executive management structure from that of a typical English company. The control and management of the Company is divided between Shareholders, a Board of Directors and officers of the Company. The Board is elected by the Shareholders at a meeting called for that purpose. The Board is entitled to exercise its powers through committees and to appoint officers. Officers have general powers and duties of day-to-day supervision and management of the Company. For example, the functions of "Managing Director" and "Finance Director" in English companies are typically undertaken in a Delaware corporation by the Chief Executive Officer and Chief Financial Officer, respectively (who in these roles are officers, not Directors,

of the Company). "Management" comprises the senior executive officers of the Company.

## RELATIONSHIPS WITH SHAREHOLDERS

The Board remains fully committed to maintaining regular communication with the Shareholders. The Company encourages two-way communication with both its institutional and private investors and attempts to respond quickly to all queries received verbally or in writing, subject to the Company's publicity policies and obligations under the AIM rules for Companies published by the London Stock Exchange plc. During 2007 the Company's website at [www.planetpayment.com](http://www.planetpayment.com) was upgraded to include all of the information required to be maintained on it pursuant to Rule 26 of the AIM Rules for Companies. The CEO and CFO typically attend meetings with analysts and shareholders, 'at the time of the announcements of both the Company's interim and final results. The Board has sought to use the Annual Meeting to communicate with private investors and encourages their participation.

## THE BOARD

The Board currently consists of six members; the Chairman and Chief Executive Officer, General Counsel, a senior industry consultant and three non-executive directors. The Chief Financial Officer, while not a director, attends all Board Meetings and is available for access by all directors. Cameron McColl and Lady Judge are regarded by the Company as independent non-executive directors for the purposes of the Combined Code.

The Board holds regular meetings during the year. All directors in office attended all regular Board meetings held in 2007. The Board has a formal schedule of matters that are reserved to it and the directors are responsible for formulating,



reviewing and approving the Company's strategy, budget and major capital expenditures.

All Directors are subject to election by shareholders at the first opportunity after their initial appointment to the Board and to re-election thereafter at intervals of not more than three years. The Board is divided into three classes. Directors are assigned to each class in accordance with the Company's Bylaws and resolutions adopted by the Board, with the number of directors in each class to be divided as equally as reasonably possible. At each annual meeting of shareholders, one class of Directors is nominated for re-election, while the other classes are not. With respect to the class up for re-election, Directors are then elected for a new three-year term. This structure is intended to provide greater stability on the Board, as it staggers the turnover of the Board over three years. Biographical information on all the Directors can be seen on page 18.

#### **COMMITTEES OF THE BOARD**

The Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee with formally delegated rules and responsibilities. Each committee operates under a written charter adopted by the Board, the current version of which is available on the Company's website at [www.planetpayment.com](http://www.planetpayment.com).

» **The Audit Committee** of the Board currently consists of two non-executive directors: Mr. McColl, who serves as Chairman of the Audit Committee, and Mr. Kaiden. The Audit Committee assists the Board in fulfilling its oversight responsibility by supervising and reviewing (i) the conduct of the accounting and financial reporting process and the integrity of the financial statements provided to shareholders and others; (ii) the functioning

of the systems of internal accounting and financial controls; and (iii) the engagement, compensation, performance, qualifications and independence of the independent registered public accounting firm. The Audit Committee meets at least 4 times per year. The report of the Audit Committee appears on page 24.

» **The Remuneration Committee** of the Board currently consists of two non-executive directors: Mr. McColl, who serves as Chairman of the Remuneration Committee, and Mr. Kaiden. The Remuneration Committee of the Board reviews the scale and structure of the remuneration and benefits packages of the executive Directors and the Chief Financial Officer (the "Executives"). The remuneration committee also administers the Company's Equity Incentive Plan (the "Plan") and approves all grants of share options to directors, senior management, employees and consultants. The remuneration and terms and conditions of appointment of the non-executive Directors are determined from time to time by the entire Board of Directors. The Board adopted a remuneration policy for the non-executive directors with effect from the date of admission to AIM. The Remuneration Committee meets at least 2 times per year. The report of the Remuneration Committee appears on page 26.

» **The Nomination Committee** of the Board currently consists of Mr. Beck, who serves as Chairman of the Nomination Committee and Mr. McColl. The Nomination Committee of the Board identifies and nominates candidates for election to the Board of Directors, oversees evaluation of the Board of Directors, and handles various corporate governance matters. The Nomination Committee took office after the Company was admitted to AIM in March

# CORPORATE GOVERNANCE

## (continued)

2006. The Nomination Committee formally met once in 2007. In accordance with the Company's Bylaws, Paul Noblett and Lady Judge have been nominated for re-election by the stockholders at the forthcoming Annual Meeting, as their current term of office expires at this meeting.

### AUDIT COMMITTEE REPORT

Following is the report of the Audit Committee with respect to the year ended December 31, 2007 and in particular the Company's 2007 financial statements, which comprise the Group's consolidated balance sheets as of December 31, 2007 and 2006, and the related consolidated statements of operations, stockholders' equity and cash flows for the two years then ended, the notes thereto and the auditors' report thereon ("2007 Financial Statements").

### Responsibilities

The Audit Committee assists the Board in fulfilling its oversight responsibility by supervising and reviewing (i) the conduct of the accounting and financial reporting process and the integrity of the financial statements provided to stockholders and others; (ii) the functioning of the systems of internal accounting and financial controls; and (iii) the engagement, compensation, performance, qualifications and independence of the independent registered public accounting firm.

It is not the duty of the Audit Committee to plan or conduct audits or to prepare the Company's financial statements. Management is responsible for preparing the financial statements and for assuring their accuracy and completeness, and the independent registered public accounting firm is responsible for auditing those financial statements and expressing its opinion as to whether the financial statements present fairly, in accordance with US generally accepted

accounting principles, the Company's financial condition, results of operations and cash flows. However, the Audit Committee does consult with management and the independent registered public accounting firm prior to the presentation of financial statements to stockholders and, as appropriate, initiates inquiries into various aspects of the Company's financial affairs.

The members of the Audit Committee generally rely on the information provided to them by and on the representations made by management and the independent registered public accounting firm. Accordingly, the Audit Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls. Furthermore, the Audit Committee's authority and oversight responsibilities do not independently assure that the audits of the financial statements have been carried out in accordance with applicable standards or that the financial statements are presented in accordance with US generally accepted accounting principles.

### Activities in 2007

During the year 2007 the Audit Committee met on 4 occasions and each meeting was attended by all members, in person or by conference telephone call. Those meetings were also attended by members of management and representatives of the auditors. The purposes of the meetings were to consider and approve the engagement and remuneration of the auditors and review the draft financial statements and report of the auditors in relation to the twelve month period ended December 31, 2006 (audited) and the draft financial statements in relation to the six month period ended June 30, 2007 (unaudited). The Company has reappointed Deloitte & Touche LLP ("Deloitte") as the Company's independent registered public



accounting and auditors firm for the year ended December 31, 2007.

**Review of Financial Statements with Management and Independent Registered Public Accounting Firm**

The Audit Committee has reviewed and discussed the 2007 Financial Statements (including the adequacy of the Company's accounting principles) with management and Deloitte. In addition, the Audit Committee consulted with management and Deloitte prior to recommending to the Board the approval and presentation of the audited 2007 Financial Statements to the stockholders. The Audit Committee has discussed with Deloitte the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, including, among other items, matters related to the conduct of the audit of the consolidated financial statements by the independent registered public accounting firm and its review of internal control over financial reporting for such purposes. The Audit Committee has discussed with Deloitte the latter's independence in accordance with AICPA standards, including whether its provision of non-audit services has compromised such independence.

**Conclusion**

Based upon the reviews and discussions referred to above, the Audit Committee recommended that the Board approve the 2007 Financial Statements and include the 2007 Financial Statements in the Company's Annual Report for the year ended December 31, 2007 to be filed with the London Stock Exchange and presented to stockholders.

# CORPORATE GOVERNANCE

(continued)

## REMUNERATION COMMITTEE REPORT

Following is the report of the Remuneration Committee with respect to the year ended December 31, 2007.

### Activities in 2007

The Committee had two meetings during the year and approved grants of options to the Executives and other employees of The Company, and also considered and approved the salaries of the Executives and approved salary increases for the Executives for the years 2007 and 2008 respectively. Grants of options to the Executives, other members of management and certain other employees are subject to time-based vesting and vesting conditional upon achievement of performance targets.

In considering the salaries and increases thereof payable to the Executives, the Committee also reviewed the salaries and proposed increases thereof payable to other members of the Company's management team and the Company's employees as a whole. None of the Executives received any increase during the year 2006 over their salary in the year 2005, in the interests of supporting Company performance. The total remuneration received by the Executives during the year 2007 was \$766,501 (2006: \$620,000). The remuneration payable to Non-Executive directors under the Board's compensation policy is at the rate of £30,000 per annum. The policy was adopted with effect from the date of admission to AIM and no remuneration was paid to Non-Executive directors prior to that date. In addition, in 2007, N&A Consulting LLC, a company principally owned by Mr. Noblett received consulting fees of \$323,242 (2006: \$429,749) for the services of a number of persons, including Mr. Noblett.

On 28 February 2006, the Company entered into employment retention agreements with Philip

Beck, Graham Arad, Paul Noblett and Seth Asofsky, which were approved by the Board. The key elements are as follows:

- » Term: The initial term of the agreement in each case is for 3 years with automatic renewal for one-year terms thereafter until cancelled or terminated by either party. Notwithstanding the foregoing, either the Executive or the Company may terminate the employment at any time, and for any reason, with or without notice (subject to the severance provisions set out below).
- » Employment Compensation: Each Executive's basic salary in place prior to execution of the relevant agreement remains in effect. In each case such salary is subject to periodic review and adjustment in the discretion of the Company's Remuneration Committee. An annual bonus may be paid, subject to the discretion of the Remuneration Committee. The Executives also participate in the benefits plans, which the Company makes available to all employees, upon the same terms, including Company-contributory health insurance, life insurance and disability plans, and a section 401k retirement benefits plan to which the Company does not contribute. Mr. Noblett is compensated via the consulting agreement referred to above.
- » Non-Competition: To the extent permitted by law, for a period of one year following termination of his employment with the Company, the Executive is barred from directly competing with the Company throughout the world if the Executive's employment is terminated.
- » Severance Benefit: Subject to execution of a general release of claims against the Company, if an Executive's employment is terminated by the Company without cause



or constructively terminated, then the Executive receives a lump sum payment equal to one year's basic salary, full vesting of all equity awards held by the Executive, and one year of continued coverage under the Company's health insurance programme.

- » Change in Control Benefit: Subject to execution of a general release of claims against the Company, if an Executive's employment is terminated by the Company without cause or by the Executive in circumstances constituting a constructive termination, following public announcement of and within the 12-month period following a change in control of the Company, then the Executive receives full vesting of all equity awards held by him and one year of continued coverage under the Company's health insurance programme.

# CORPORATE GOVERNANCE

## (continued)

### DIRECTORS AND EXECUTIVE OFFICERS – STOCK OPTIONS, WARRANTS & SHARE OWNERSHIP

The following table sets out stock options and warrants (over common shares) and exercise prices, in US\$, as well as issued shares held by Directors, the Executives, and their related parties (as that term is defined in the AIM Rules) as of 31 December 2007:

Directors & CFO	Vested Stock Options & Warrants	Unvested Stock Options	Exercise Price	Number of Common Shares	Percentage of Total Issued Share Capital <sup>(1)</sup>
<b>Philip Beck</b>	618,901	98,478	\$2.50	1,684,428 <sup>(4)</sup>	5.07%
		105,000 <sup>(2)</sup>	\$2.88		
		105,000 <sup>(3)</sup>	\$3.01		
<b>Graham Arad</b>	191,314	29,778	\$2.50	1,260,606	3.79%
		70,000 <sup>(2)</sup>	\$2.88		
		65,000 <sup>(3)</sup>	\$3.01		
<b>Cameron McColl</b>	29,167 12,500	20,833	\$2.50	718,841	2.16%
		12,500	\$3.07		
<b>Paul Noblett</b>	102,028	59,555	\$2.50	872,578 <sup>(6)</sup>	2.63%
		40,000 <sup>(2)</sup>	\$2.88		
		40,000 <sup>(3)</sup>	\$3.01		
		220,903 <sup>(5)</sup>	\$2.50		
<b>Jon Kaiden</b>	29,167 12,500	20,833	\$2.50	–	–
		12,500	\$3.07		
<b>Lady Judge</b>	25,500 12,500	25,500	\$2.53	5,000	0.0%
		12,500	\$3.07		
<b>Seth Asofsky</b>	186,407	77,439	\$2.50	–	–
		80,000 <sup>(2)</sup>	\$2.88		
		80,000 <sup>(3)</sup>	\$3.01		

(1) Percentage ownership is based on issued shares only held by the directors, as a percentage of 33,226,662 Common Shares, comprising 26,375,518 Common Shares issued and outstanding as of 31 December 2007 and 6,851,144 Common Shares arising on conversion of 2,243,750 Series A Preferred Shares, which were issued and outstanding as of 31 December 2007.

(2) In addition to the time-based vesting specified below, the vesting of such stock options is conditional upon the Company achieving a performance goal during 2007. To the extent that Company performance fails to meet this goal, there will be a corresponding reduction in the amount of the grants.

(3) In addition to the time-based vesting specified below, the vesting of such stock options is conditional upon the Company achieving a performance goal during 2008. To the extent that Company performance fails to meet this goal, there will be a corresponding reduction in the amount of the grants.

(4) Includes 22,000 shares held by BDP Realty Associates, LLC in which Mr. Beck has a one third membership interest.

(5) Reflects warrants held by Noblett & Associates, LLC.

(6) Reflects shares held by Noblett & Associates, LLC and shares over which Mr. Noblett has a voting proxy.



Each of the options listed in the table on the left (other than those granted to the Non-Executive Directors), vests over three years from the date of grant, one third after each year, subject to any performance contingency as noted above, and expires ten years from the date of grant (or earlier, upon termination of service with (or provision of services to) the Company). Each of the options granted to the Non-Executive Directors upon their initial appointment listed in the table on the left vests over three years from the date of grant, one third after the first year and monthly thereafter. Subsequent grants to the Non-Executive Directors vest on a monthly basis over one year. Information as to the grant, exercise and forfeiture of stock options during the year ended December 31, 2007 is provided in Note 12 to the Company's Financial Statements for that year.

# CORPORATE GOVERNANCE

## (continued)

### BENEFICIAL OWNERSHIP OF MAJOR STOCKHOLDERS

The following table sets forth a list of stockholders having to the knowledge of the Company, a direct or indirect interest in three percent or more of the voting rights of the Company and their holdings as of May 16, 2008:

Shareholder	Number of Common Shares	Percentage of Total Voting Rights <sup>(1)</sup>
<b>Andwel Partners and Trust</b>	5,008,089 <sup>(2)</sup>	14.94%
<b>Andrew Paul</b>	2,504,046 <sup>(3)</sup>	7.47%
<b>Philip D. Beck</b>	1,684,428 <sup>(4)</sup>	5.03%
<b>Hound Partners</b>	1,628,665	4.86%
<b>Bear Stearns Global Growth Master Fund LP</b>	1,522,753 <sup>(5)</sup>	4.54%
<b>Integrated Core Strategies (Europe) S.a.r.l.</b>	1,367,647	4.08%
<b>Axa SA &amp; Group Companies</b>	1,336,000	3.99%
<b>Graham N. Arad</b>	1,241,206 <sup>(6)</sup>	3.70%

- (1) Percentage ownership is based on 33,519,147 Common Shares, comprising 26,668,003 Common Shares issued and outstanding as of May 16, 2008 and 6,851,144 Common Shares arising on conversion of 2,243,750 Series A Preferred Shares, which were issued and outstanding as of May 16, 2008.
- (2) Includes Common Shares arising upon conversion of Series A Preferred Shares. In addition, the trust holds a Warrant to purchase 44,444 Common Shares, which is not reflected in this table.
- (3) Includes Common Shares arising upon conversion of Series A Preferred Shares. In addition, Mr. Paul holds a Warrant to purchase 22,222 Common Shares, which is not reflected in this table.
- (4) Includes 22,000 shares held by BDP Realty Associates, LLC in which Mr. Beck has a one third membership interest. In addition, Mr. Beck holds stock options to purchase an aggregate of 927,379 Common Shares, which are not reflected in this table but are set forth in the table under "Directors & Executive Officers - Stock Options, Warrants & Share Ownership".
- (5) In addition, the Fund holds Warrants to purchase 531,497 Common Shares, which are not reflected in this table.
- (6) In addition, Mr. Arad holds stock options to purchase an aggregate of 356,092 Common Shares, which are not reflected in this table, but are set forth in the table under "Directors & Executive Officers - Stock Options, Warrants & Share Ownership".

# INDEPENDENT AUDITORS' REPORT

## TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF PLANET PAYMENT, INC. (FORMERLY PLANET GROUP, INC.)

We have audited the accompanying consolidated balance sheets of Planet Payment, Inc. and its subsidiaries (the "Company") (formerly Planet Group, Inc.) as of December 31, 2007 and 2006, and the related consolidated statements of operations, cash flows, and stockholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Planet Payment, Inc. and its subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company's recurring losses and negative cash flows from operations raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also discussed in Note 2 to the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

*Deloitte Touche LLP*

May 05, 2008

# CONSOLIDATED BALANCE SHEETS

As of December 31, 2007 and 2006

	2007	2006
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$2,824,739	\$1,860,186
Investment securities, at fair value	6,000,000	–
Accounts receivable, net	834,453	388,155
Prepaid expenses	113,649	211,415
Other current assets	750,490	261,302
<b>Total current assets</b>	<b>10,523,331</b>	<b>2,721,058</b>
<b>Property and equipment, net</b>	<b>2,499,838</b>	<b>2,346,984</b>
<b>Other assets:</b>		
Intangible assets, net	744,791	1,310,970
Goodwill	129,887	66,668
Security deposits	202,217	150,828
<b>Total other assets</b>	<b>1,076,895</b>	<b>1,528,466</b>
<b>Total</b>	<b>\$14,100,064</b>	<b>\$6,596,508</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$1,619,318	\$1,284,319
Current maturities of long term debt	865,143	875,263
Due to affiliates	7,430	58,592
<b>Total current liabilities</b>	<b>2,491,891</b>	<b>2,218,174</b>
<b>Long term liabilities:</b>		
Long-term debt, less current maturities	4,000,000	4,000,000
Convertible debt	5,371,517	–
<b>Total long term liabilities</b>	<b>9,371,517</b>	<b>4,000,000</b>
<b>Total liabilities</b>	<b>11,863,408</b>	<b>6,218,174</b>
<b>Commitments and contingencies</b>		
<b>Stockholders' equity:</b>		
Convertible preferred stock—4,000,000 shares authorised, \$0.01 par value:		
Series A—2,243,750 issued and outstanding in 2007 and 2006;		
\$8,975,000 aggregate liquidation preference	22,438	22,438
Common stock—70,000,000 shares authorised, \$0.01 par value,		
26,375,518 and 20,386,834, respectively, issued and outstanding	263,755	203,868
Warrants	1,371,124	1,237,260
Additional paid-in capital	62,020,354	46,977,589
Accumulated deficit	(61,441,015)	(48,062,821)
<b>Total stockholders' equity</b>	<b>2,236,656</b>	<b>378,334</b>
<b>Total</b>	<b>\$14,100,064</b>	<b>\$6,596,508</b>

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2007 and 2006

	2007	2006
<b>Revenue:</b>		
Multicurrency processing revenue	\$15,722,763	\$4,438,830
Processing revenue	2,400,023	979,388
Professional services revenue	93,650	51,800
<b>Total revenue</b>	<b>18,216,436</b>	<b>5,470,018</b>
<b>Cost of sales:</b>		
Multicurrency processing cost of sales	9,357,086	2,613,810
Processing cost of sales	2,295,897	787,893
Professional services cost of sales	71,550	43,564
Total cost of sales	11,724,534	3,445,267
<b>Gross profit</b>	<b>6,491,903</b>	<b>2,024,751</b>
<b>Operating expenses :</b>		
Compensation and benefits	8,983,977	6,940,799
Professional fees	2,891,700	2,082,572
Depreciation and amortisation	1,957,650	943,485
Technology	1,260,979	889,553
Travel and entertainment	1,053,101	816,598
Facilities	986,276	669,493
Other	1,987,367	1,032,827
<b>Total operating expenses</b>	<b>19,121,051</b>	<b>13,375,327</b>
<b>Loss from operations</b>	<b>(12,629,148)</b>	<b>(11,350,576)</b>
<b>Other income (expense):</b>		
Interest income	156,800	142,373
Interest expense	(902,227)	(388,699)
Total other expense	(745,427)	(246,326)
<b>Loss before provision for income taxes</b>	<b>(13,374,576)</b>	<b>(11,596,902)</b>
Provision for income taxes	3,618	2,453
<b>Net loss</b>	<b>\$(13,378,194)</b>	<b>\$(11,599,355)</b>

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2007 and 2006

	2007	2006
	\$	\$
<b>Cash flows from operating activities:</b>		
Net loss	(13,378,194)	(11,599,355)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Non-cash compensation expense	1,190,334	723,333
Depreciation and amortisation expense	1,957,650	943,486
Allowance for doubtful accounts	1,276,400	-
Warrants issued as payment of accounts payable	133,864	53,428
Interest expense of beneficial conversion adjustment	181,819	-
Interest expense accrued on convertible debt	371,517	10,133
Interest expense accrued on long term debt	348,184	-
<b>Changes in Assets and Liabilities:</b>		
(Increase)/decrease in receivables and prepaid expenses	(1,624,933)	229,243
Increase in other current assets	(489,188)	(183,070)
Increase in security deposits	(51,389)	(73,151)
Increase/(decrease) in accounts payable and accrued expenses	346,577	32,631
Decrease in due to customers	-	(147,764)
Decrease in due to affiliates	(51,161)	(60,339)
<b>Net cash used in operating activities</b>	<b>(9,788,520)</b>	<b>(10,071,425)</b>
<b>Cash flows from investing activities:</b>		
Decrease in restricted cash	-	20,000
Purchase of investments	(6,000,000)	-
Purchase of property and equipment	(913,686)	(493,571)
Purchase of intangible assets	(632,516)	(989)
<b>Net cash used in investing activities</b>	<b>(7,546,202)</b>	<b>(474,560)</b>

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock	13,262,553	10,921,327
Proceeds from convertible debt	5,000,000	–
Repayment of convertible debt	–	(512,709)
Repayment of long term debt	(20,375)	(570,375)
Issuance of warrants	55,000	611
<b>Net cash provided by financing activities</b>	<b>18,297,178</b>	<b>9,838,854</b>
<b>Effect of changes in exchange rates on cash and cash equivalents</b>	<b>2,097</b>	<b>(3,581)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>964,553</b>	<b>(710,712)</b>
<b>Cash and cash equivalents – beginning of year</b>	<b>1,860,186</b>	<b>2,570,898</b>
<b>Cash and cash equivalents – end of year</b>	<b>2,824,739</b>	<b>1,860,186</b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	–	40,644
Income taxes paid	2,643	2,203
<b>Supplemental disclosure of noncash financing and investing activities:</b>		
Preferred stock converted to common stock	–	17,175
Convertible debt converted to common stock	–	340,182
Common stock issued to purchase assets of subsidiary	63,438	750,000
Common stock issued to pay accrued interest on long-term debt	349,508	–

See notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended December 31, 2007 and 2006

	<b>Preferred Stock</b>			
	<b>\$0.01 Par Value</b>			
	<b>4,000,000 Shares Authorised</b>			
	<b>Series A</b>		<b>Junior Preferred</b>	
	<b>Shares Issued</b>	<b>Par Value \$</b>	<b>Shares Issued</b>	<b>Par Value \$</b>
<b>Balance – January 1, 2006</b>	<b>2,243,750</b>	<b>22,438</b>	<b>171,752</b>	<b>1,718</b>
Stock issued				
Conversion of convertible debt				
Conversion of preferred stock			(171,752)	(1,718)
Stock issued to acquire subsidiary				
Warrants exercised				
Value of warrants issued				
Stock option expense				
Net loss				
<b>Balance – December 31, 2006</b>	<b>2,243,750</b>	<b>22,438</b>	–	–
Stock issued				
Beneficial conversion adjustment				
Conversion of preferred stock				
Stock issued to acquire subsidiary				
Warrants exercised				
Options exercised				
Value of warrants issued				
Stock option expense				
Net loss				
<b>Balance – December 31, 2007</b>	<b>2,243,750</b>	<b>22,438</b>	–	–

See notes to consolidated financial statements.

**Common Stock**  
**\$0.01 par Value**  
**70,000,000 Shares Authorised**

<b>Shares Issued</b>	<b>Par Value \$</b>	<b>Additional Paid-In Capital \$</b>	<b>Warrants</b>	<b>Accumulated Deficit \$</b>	<b>Total Stockholders' Equity \$</b>
<b>11,837,954</b>	<b>118,379</b>	<b>34,284,420</b>	<b>1,183,832</b>	<b>(36,463,466)</b>	<b>(852,679)</b>
6,386,215	63,862	10,883,494			10,947,356
85,046	850	339,332			340,182
1,717,520	17,175				15,457
299,030	2,990	747,010			750,000
61,069	611				611
			53,428		53,428
		723,333			723,333
				(11,599,355)	(11,599,355)
<b>20,386,834</b>	<b>203,868</b>	<b>46,977,589</b>	<b>1,237,260</b>	<b>(48,062,821)</b>	<b>378,334</b>
5,009,336	50,093	13,561,968			13,612,061
		181,819			181,819
					-
21,875	219	63,219			63,438
801,812	8,018	46,982			55,000
155,661	1,557	(1,557)			-
			133,864		133,864
		1,190,334			1,190,334
				(13,378,194)	(13,378,194)
<b>26,375,518</b>	<b>263,755</b>	<b>62,020,354</b>	<b>1,371,124</b>	<b>(61,441,015)</b>	<b>2,236,656</b>

# NOTES

Notes to Consolidated Financial Statements

As of and for the years ended December 31, 2007 and 2006

## 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 localised 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.

**Principles of Consolidation** – The consolidated financial statements include the accounts of the Company, a wholly owned US subsidiary, a 70% owned US 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. 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 unrealised 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 recognised receivable to the amount that the Company reasonably believes will be collected. For all other customers, the Company recognises an allowance for doubtful accounts based on the length of time the receivables are past due, the current business environment and historical experience. As at December 31, 2007, the Company has included an allowance for doubtful accounts of approximately \$1.3 million due to certain receivables being subject to litigation. (See Note 15). As of December 31, 2006, the Company had no reserves established, as they considered accounts receivable to be fully collectible.

**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 amortised on a straight-line basis over their estimated lives, as follows:

License agreements	7 years
Patents	15 years
Trademarks	15 years
Capitalised 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 years ended December 31, 2007 and 2006.

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 capitalised 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. Capitalisation of costs ceases when the product is available for general use. Software development costs are amortised using the straight-line method over the estimated useful life of the software, which is generally five years. During 2007, the amount capitalised was \$455,265.

**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 recognised as an impairment loss in continuing operations. No impairment was recorded for the years ended December 31, 2007 and 2006.

**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.

## NOTES (continued)

**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 recognised 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 recognised at the time charged to each customer. Fees arising from referral of business to third-party processors are recognised 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 recognised 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 recognised 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 realised. 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 recognised 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.

**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 recognised 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 12 for disclosure on the Company's stock incentive plan.

**Recent Accounting Pronouncements** – In September 2006, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standard (“SFAS”) No. 157, *Fair Value Measurements*. This statement defines fair value, establishes a fair value hierarchy to be used in generally accepted accounting principles and expands disclosures about fair value measurements. Although this statement does not require any new fair value measurements, in certain cases, its application will change current practice. SFAS No. 157 will be effective for fiscal years beginning after November 15, 2007 as it relates to fair value measurements of financial assets and liabilities and for fiscal years beginning after November 15, 2008 for certain non-financial assets and non-financial liabilities that are not recognised or disclosed at fair value in the financial statements on a recurring basis (at least annually). Effective January 1, 2008, the Company will adopt SFAS No. 157 for all financial assets and liabilities. The effect of adopting this standard is expected to be immaterial in the Consolidated Statement of Operations upon adoption. The Company is currently evaluating the January 1, 2009 impact of adopting the new statement on fair value measurements for non-financial assets and non-financial liabilities.

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. Unrealised 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.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*. The new standard will significantly change the financial accounting and reporting of business combination transactions in the consolidated financial statements. It will require an acquirer to recognise, at the acquisition date, the assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree at their full fair values as of that date. In a business combination achieved in stages (step acquisitions), the acquirer will be required to re-measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss in earnings. The acquisition-related transaction and restructuring costs will no longer be included as part of the capitalised cost of the acquired entity but will be required to be accounted for separately in accordance with applicable generally accepted accounting principles in the US SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008.

In December 2007, the FASB issued SFAS No. 160, *Non-controlling Interests in Consolidated Financial Statements*. The statement clarifies the definition of a non-controlling (or minority) interest and requires that non-controlling interests in subsidiaries be reported as a component of equity in the consolidated statement of financial position and requires that earnings attributed to the non-controlling interests be reported as part of consolidated earnings and not as a separate component of income or expense. However, it will also require expanded disclosures of the attribution of consolidated earnings to the controlling and non-controlling interests on the face of the consolidated statement of operations. SFAS No. 160 will require that changes in a parent’s controlling ownership interest, that do not result in a loss of control of the subsidiary, are accounted for as equity transactions among shareholders in the consolidated entity therefore resulting in no gain or loss recognition in the statement of operations. Only when a subsidiary is deconsolidated will a parent recognise a gain or loss in net income. SFAS No. 160 is effective for fiscal years beginning on or after December 15, 2008, and will be applied prospectively except for the presentation and disclosure requirements that will be applied retrospectively for all periods presented. The Company is currently evaluating the impact of SFAS No. 160 to its financial position and results of operations.

# NOTES (continued)

## 2. Going concern

The Company has incurred net operating losses during the years ended December 31, 2007 and 2006. During the year ended December 31, 2007, the Company's operations were largely funded by equity capital and other financing including a February 2007 private placement of convertible debt and equity that raised approximately \$7.5 million, after expenses (see Notes 8 and 14) and an October 2007 private placement of equity that raised \$11 million before expenses. In April 2008, the Company raised an additional \$3 million (before expenses) by the private placement of convertible debt (see Note 19). During 2007, 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, although it is noted that 51% of revenues arose from a single customer (see Note 17). During the year ended December 31, 2007, revenue and gross profit grew 233% and 221%, respectively, as compared to the year 2006. Further bank and merchant implementations have occurred since December 31, 2007 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:

	<b>Cost at December 31, 2007</b>	<b>Gross Unrealised Gain</b>	<b>Gross Unrealised Loss</b>	<b>Fair Value at December 31, 2007</b>
Auction rate Securities ("ARS")	6,000,000	–	–	6,000,000
Total	\$6,000,000	\$–	\$–	\$6,000,000

All of the ARS, but one, are perpetual preferred stock in closed end funds (\$5.4 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 December 31, 2007, the average rate of return on these securities was approximately 5.8%. There were no realised gains or losses on these investments for the year ended December 31, 2007.

The Company sold approximately \$1.5 million in ARS, at par, subsequent to December 31, 2007, however starting on February 11, 2008, the Company experienced difficulty in selling additional securities due to the failure of the auction mechanism, which provides liquidity to these securities. The ARS for which auctions have failed have continued to accrue and pay interest on a timely basis. The ARS continue to be auctioned every 7 days until the auction succeeds, the issuer redeems the securities, or they mature. Accordingly, there may be no effective mechanism for selling these securities and the Company may own long-term securities, although in March and April 2008 a number of the issuers of ARS that the Company holds announced that they intend to redeem some or all of the ARS that they have issued. As of February 15, 2008, the Company had approximately \$4.8 million of auction rate securities. In March 2008, Salomon Smith Barney, the Company's broker, provided a 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 this time the Company does not believe such securities are impaired or 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 realisable 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. Prepaid expenses

Prepaid expenses at December 31, 2007 and 2006 of \$113,649 and \$211,415, respectively included costs attributable to the Company's support and service agreements.

#### 5. Property and equipment

Property and equipment at December 31, 2007 and 2006 consisted of the following:

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Equipment	419,389	293,869
Hardware	945,170	650,151
Software	2,683,503	2,285,282
Furniture and fixtures	222,553	127,627
Leasehold improvements	139,820	139,820
Subtotal	4,410,435	3,496,749
Less accumulated depreciation	1,910,597	1,149,765
<b>Total</b>	<b>2,499,838</b>	<b>2,346,984</b>

Depreciation expense amounted to \$758,955 and \$506,184 during the years ended December 31, 2007 and 2006, respectively. During 2007, the Company had additions totaling \$913,686. There were no disposals in 2007.

#### 6. Intangible assets

Intangible assets at December 31, 2007 and 2006 consisted of the following:

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
License agreement:		
Costs	2,934,710	2,934,710
Accumulated amortisation	2,934,710	1,766,600
	-	1,168,110
Trademarks, patents, and organisation costs:		
Costs	342,430	165,179
Accumulated amortisation	37,883	22,319
	304,547	142,860
Capitalised Projects:		
Costs	455,265	-
Accumulated amortisation	15,021	-
	440,244	-
<b>Intangible Assets (net)</b>	<b>744,791</b>	<b>1,310,970</b>

## NOTES (continued)

The Company incurs legal and government application and registration fees which are capitalised as trademark and patent costs. For 2007, the amount capitalised was \$177,251.

The capitalised projects met the characteristics of internal use software as set forth in Statement of Position 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*. Amounts capitalised are based on actual development hours incurred and the developers' average hourly rate.

Amortisation expense for the years ended December 31, 2007 and 2006 was \$1,198,695 and \$437,302, respectively. The increase in annual amortisation in 2007 was the result of management's decision to accelerate the amortisation of the software license agreement outstanding at year-end in 2007. This decision was based on the fact that the underlying concepts and technology of this license agreement was fully integrated into the Company's Merchant Accounting System.

The estimated aggregate amortisation expense for each of the next five years is as follows:

2008	113,880
2009	113,880
2010	113,880
2011	113,880
2012	98,844

### 7. Long term debt

Long term debt at December 31, 2007 and 2006 consisted of the following:

	2007 \$	2006 \$
8% Note payable to Inter-Atlantic Fund, L.P. due November 2010. Interest is payable annually in cash or common stock at the Company's election. The Company issued one warrant exercisable for 3,053,435 shares of common stock as additional consideration for entering into the note. As long as the note remains outstanding and Inter-Atlantic choose to exercise the warrant, in part or in full, the principal amount of note must be offset against the purchase price of the common stock under the warrant. The note and warrant are only assignable together.	4,000,000	4,000,000
6% Note payable to TSYS Acquiring Solutions, LLC (formerly Vital Processing Services, LLC), due July 2008, to purchase computer hardware and peripherals. The note is secured by the receivables collected by TSYS.	165,143	175,263
Non-interest bearing amount from First Horizon Merchant Services, Inc. ("FHMS") and First Tennessee Bank National Association ("FTB") payable on demand. The advance is secured by the underlying cash flow associated with the contract in respect of which the advance was made.	660,000	660,000
Non-interest bearing amount from FHMS and FTB payable on demand. The advance is secured by the underlying cash flow associated with the contract in respect of which the advance was made.	40,000	40,000
	<b>4,865,143</b>	<b>4,875,263</b>
Less current portion	865,143	875,263
Long term portion	<b>4,000,000</b>	<b>4,000,000</b>

Maturities of long-term debt are as follows:

**Years Ending December 31**

2008	865,143
2009	–
2010	4,000,000
2011	–
	\$4,865,143

In June 2006 the Company received a request for repayment of the \$700,000 of long-term debt, which is payable on demand. The Company does not believe it is liable to repay such amount and no action has been taken by the creditor to collect it (See Note 15).

Total interest expense related to Long Term Debt for the years ended December 31, 2007 and 2006 was \$348,184 and \$338,345, respectively. Interest expense was accrued for 2007 and 2006 and subsequently paid through issuance of common stock in 2007 and 2008 (see Note 14).

**8. 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 placement, 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). In accordance with EITF-98-5, the Company recorded interest expense of \$181,819 due to the beneficial conversion feature at the time of issuance. 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 by the Company, namely a qualified US 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 capitalised 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 then fair market value. Interest payments for June 30 2007 and December 31, 2007, combined totaling \$371,517, were capitalised.

No convertible debt was outstanding as of December 31, 2006.

Convertible debt as of December 31, 2007 was comprised of the following:

Principal	Accrued Interest	Total Convertible Debt	Maturity Date	Interest Rate	Conversion Price
\$5,000,000	\$371,517	\$5,371,517	Feb. 2, 2012	8%	\$2.20

# NOTES (continued)

## 9. Acquisitions and joint venture

Effective November 2, 2006, the Company acquired the privately owned credit card processing platform and related Bermuda assets of TransWorld Payment Solutions Ltd., Bermuda ("TransWorld"). Under the terms of the agreement, the Company issued to TransWorld 299,030 shares of the Company's Common Stock, valued at approximately \$750,000 based on the closing price on November 1, 2006.

The assets purchased from TransWorld are as follows:

Software	\$600,000
Hardware	150,000
Net assets acquired	\$750,000

Effective February 1, 2005, the Company entered into an asset purchase agreement with Whittle Transaction Group, LLC. The net assets of Whittle Transaction Group, LLC, were acquired for \$237,642 in exchange for 51,875 shares of the Company's common stock, at a fair value of \$207,500, plus \$1,974 paid in cash and costs of acquisition of \$28,168. The fair value of the assets acquired and liabilities assumed was \$209,474 and, as a result, \$28,168 of goodwill has been recorded. Additional earn-out compensation of 21,875 shares of common stock is contingently payable upon each of the one-and two-year anniversary of the acquisition. In February 2006, the Company issued 21,875 common shares to Whittle Transaction Group pursuant to the asset purchase agreement resulting in additional goodwill of \$38,500 being recorded. In February 2007, the Company issued the final tranche of 21,875 common shares to Whittle Transaction Group pursuant to the asset purchase agreement, resulting in additional goodwill of \$63,219 being recorded.

The assets purchased and liabilities assumed as part of the purchase of the net assets of Whittle Transaction Group, LLC are as follows:

Software	\$207,500
Accounts receivables	38,063
Accounts payables and accrued expenses	(36,089)
Goodwill	28,168
Net assets acquired	\$237,642

In October 2006, the Company entered into a contractual joint venture with JourneyPay Limited, a company based in the United Kingdom. The principal purpose of the joint venture is to provide payment solutions to the transport sector. The Company has agreed to contribute various services and capital contributions in return for a share in the net income of the joint venture. In 2007 and 2006, the joint venture suffered net losses, which were entirely absorbed by the Company; therefore, no minority interest is shown. Under the agreement, the Company's share of losses is limited to the amount of its capital contributions (See Note 19).

## 10. Other operating expense

The other operating expense is comprised of insurance, telecommunications, general & administrative and marketing expenses which for the year ended December 31, 2007 totaled \$710,967 and the remainder being attributable to allowance for doubtful accounts. For the year ended December 31, 2006, this line was comprised of insurance, telecommunications, general & administrative and marketing expenses and totaled \$1,032,827.

## 11. Related-party transactions

During the years ended December 31, 2007 and 2006, 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):

	2007	2006
	\$	\$
Consulting/Professional fees	457,557	515,116
Rent (See Note 15)	420,687	419,262

## 12. 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.

In February 2006, the Company completed the Stock Options Exchange Program. Pursuant to this program, current employees, including management, were offered (and most accepted) the one-time opportunity to exchange stock options with exercise prices of \$4.00 per share or higher for a lesser number of stock options at an exercise price of \$2.50 per share (independently assessed to be of equivalent value as the surrendered stock options and, as such, there was no impact to the financial statements). The number of common shares subject to options which were surrendered under this program, net of re-issuances, was 574,232. The common shares relating to the options surrendered will be available for further awards under the 2006 Equity Incentive Plan.

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 December 31, 2007 and December 31, 2006, a total of 6,519,197 and 6,136,197 shares, respectively, were reserved for issuance under the Plan. No restricted shares have been issued as of December 31, 2007 and of the stock options granted in 2007 and 2006, none were at a strike price lower than the market price at the time of the grant. At December 31, 2007, 635,858 common shares remained available for future stock option and restricted stock awards under the Plan.

The Company completed the Stock Options Exchange Program in February 2006 which involved the one-time opportunity to exchange stock options (and in some cases warrants) with exercise prices of \$4.00 per share or higher for a lesser number of stock options or warrants respectively, at an exercise price of \$2.50 per share (independently assessed to be of equivalent value as the surrendered stock options for accounting purposes). Under the provisions of 123R, the change in the exercise price is deemed a modification. Modified awards are viewed as an exchange of the original award for a new award, presumably one with greater fair value, and thus typically require surrendering options to maintain equivalent value. Companies are required to expense incremental compensation cost for modifications only if incremental value was conveyed as part of the modification. As noted above, an independent assessment was completed of the Exchange Program noting no additional value was conveyed and thus, no additional compensation expense incurred.

# NOTES (continued)

Stock option plan activity for the years ended December 31, 2007 and 2006 was as follows:

	Options	Weighted-Average Exercise Price \$
<b>Balance—January 1, 2006</b>	<b>3,692,397</b>	<b>4.25</b>
Surrendered under Stock Option Exchange Program (net)	(574,232)	4.63
Granted	1,557,200	2.51
Exercised	(1,200)	2.50
Forfeited	(136,830)	2.50
<b>Balance— December 31, 2006</b>	<b>4,537,335</b>	<b>2.54</b>
Granted	2,054,200	2.95
Exercised	(155,661)	0.69
Cancelled	(198,905)	2.16
Forfeited	(353,630)	2.50
<b>Balance— December 31, 2007</b>	<b>5,883,339</b>	<b>2.75</b>
Options exercisable at December 31, 2006	2,361,187	2.54
Options exercisable at December 31, 2007	2,861,350	2.54

## Options Outstanding at December 31, 2007

Exercise Price \$	Number Outstanding	Weighted Average Exercise Price \$	Weighted Average Remaining Life (Years)	Number Exercisable
0.60	158,333	0.60	1.5	158,333
1.20	15,000	1.20	1.5	15,000
2.50	2,856,443	2.50	6.9	2,182,316
2.53	440,966	2.53	8.5	151,938
2.88	895,334	2.88	9.5	833
3.01	1,017,000	3.01	10.0	0
3.05	39,000	3.05	10.0	0
3.07	75,000	3.07	9.5	0
4.00	50,000	4.00	7.5	16,667
4.40	204,207	4.40	2.5	204,207
5.50	132,056	5.50	1.0	132,056
	<b>5,883,339</b>	<b>2.75</b>		<b>2,861,350</b>

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 recognised 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 year ended December 31, 2007, the Company incurred total share-based expense of \$1,190,334; \$980,670 related to employee compensation and \$209,664 related to non-employee directors and professionals. As of December 31, 2007, the total remaining unrecognised compensation expense related to the Company's unvested stock options was \$3.01 million. This unrecognised compensation expense is expected to be recognised over a weighted-average period of 2.1 years.

For awards granted in 2007 and 2006, the Company used the Black-Scholes model for valuation. Assumptions, including volatility, term and risk-free rate, utilised 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 year ended December 31, 2007 was:

<b>Award Date</b>	<b>February 2007</b>	<b>September 2007</b>	<b>December 2007</b>	<b>December 2007</b>
Exercise Price	\$2.88	\$3.07	\$3.05	\$3.01
Implied Volatility	45.20%	40.17%	40.45%	40.45%
Expected Term (years)	6.0	6.0	6.5	6.5
Risk-Free Rate	4.71%	4.36%	3.86%	3.86%
Fair Value per Share of Stock Option	\$1.45	\$1.41	\$1.44	\$1.41

The total intrinsic value of stock options exercised during the years ended December 31, 2007 and 2006 was approximately \$332,369 and \$118, respectively.

# NOTES (continued)

## 13. Warrants

The Company had outstanding warrants to purchase 6,398,821 shares of common stock as of December 31, 2007, in addition to the stock options granted under the Stock Incentive Plan.

Warrant activity for the years ended December 31, 2007 and 2006 was as follows:

	Warrants	Weighted-Average Exercise Price \$
<b>Balance – January 1, 2006</b>	<b>7,515,814</b>	<b>1.89</b>
Granted	309,056	2.29
Exercised	(61,069)	0.01
Cancelled	(148,171)	5.37
<b>Balance – December 31, 2006</b>	<b>7,615,630</b>	<b>1.65</b>
Granted	222,184	2.62
Exercised	(801,812)	1.14
Cancelled	(637,181)	1.87
<b>Balance – December 31, 2007</b>	<b>6,398,821</b>	<b>1.72</b>
Warrants exercisable – December 31, 2006	7,615,630	1.65
Warrants exercisable – December 31, 2007	6,398,821	1.72

## Warrants Outstanding at December 31, 2007

Exercise Price \$	Number Outstanding	Weighted Average Exercise Price \$	Weighted Average Remaining Life (Years)	Number Exercisable
0.25	68,645	0.25	3.8	68,645
0.75	358,893	0.75	0.9	358,893
1.00	1,282,086	1.00	1.1	1,282,086
1.31	3,053,435	1.31	2.5	3,053,435
1.51	111,965	1.51	0.5	111,965
2.20	280,000	2.20	0.5	280,000
2.50	220,903	2.50	5.8	220,903
3.00	106,859	3.00	1.4	106,859
3.07	186,486	3.07	1.5	186,486
4.00	546,461	4.00	0.7	546,461
5.50	183,088	5.50	5.8	183,088
	<b>6,398,821</b>	<b>1.72</b>		<b>6,398,821</b>

During the year ended December 31, 2007, the Company issued 35,698 warrants with an exercise price of \$0.25 per share as partial payment for legal services rendered and recognised an expense of \$133,864.

## 14. Capital stock

In October and November 2007, the Company issued 3,729,711 new common shares resulting in proceeds totaling \$11.5 million (before expenses of approximately \$.6 million). The common shares were issued at a price of \$3.07 per share (equivalent to £1.48).

In February 2007, the Company issued 1,141,491 new common shares resulting in proceeds totaling \$2.6 million as part of a \$7.6 million private placing (before expenses of approximately \$89,000) which included the issuance of a \$5 million convertible note (See Note 8). The common shares were sold at a price of \$2.28 per share (equivalent to £1.16 per share).

During the year ended December 31, 2007, the Company also issued 957,473 new common shares as a result of the exercise of options and warrants (see Notes 12 and 13), 138,134 new common shares, in payment of interest upon long term debt and 21,875 as payment of the final earn-out compensation payable under the 2005 acquisition of assets (See Note 9).

The terms on the Company's various classes and series of capital stock are summarised 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, 2007:

» **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.

## 15. Commitments and contingencies

**Leases** – The Company leases office facilities under operating leases expiring at various dates through December 2016. One of the operating leases, which was entered into on August 15, 2005, is from a related company, BDP Realty Associates, LLC. Minimum future lease payments due on the non-cancelable operating leases in excess of one year are as follows:

	\$
2008	772,865
2009	636,526
2010	535,295
2011	477,633
Thereafter	2,335,920

Rental expense amounted to \$712,794 and \$429,864 during the years ended December 31, 2007 and 2006, respectively.

**Service Agreements** – The Company has entered into six agreements for technology, consulting and processing services expiring at various dates through 2011. Future minimum payments due on the service agreements are as follows:

	\$
2008	615,572
2009	78,439
2010	43,524
2011	20,889

# NOTES (continued)

## Contingent Liabilities

In certain instances, the Company bears a risk that a merchant may engage in fraud by submitting for payment certain credit card transactions that have been manipulated, are fictitious, or are otherwise not bona fide. Similarly, the Company sometimes bears the risk that a merchant becomes insolvent, owing money to Cardholders. To the extent that such fraud or insolvency occurs in circumstances where the Company is liable to make good any resultant losses, this could negatively affect the Company's operating results and cash flows. The Company has required merchants to post cash reserves against such liabilities and has itself paid the acquirer a security deposit in connection therewith, as shown on the consolidated balance sheets.

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

**Outstanding Litigation** – The Company is involved in litigation arising in the normal course of business. Although the amount of any ultimate liability arising from these matters cannot presently be determined, the Company does not anticipate that any such liability will have a material effect on the Company's consolidated financial position or results of operations. The Company has commenced proceedings in the United States against various parties seeking to recover receivables and other sums owed arising from breaches of contract and related wrongful acts and omissions. The Company has reserved \$1.3 million as allowance for these doubtful accounts.

## 16. Income taxes

The income tax provision for the years ended December 31, 2007 and 2006 consisted of the following:

	2007 \$	2006 \$
Current:		
Federal	-	-
State	3,618	5,042
<b>Total current provision</b>	<b>3,618</b>	<b>5,042</b>
Deferred—federal and state	-	-
<b>Total tax provision</b>	<b>3,618</b>	<b>5,042</b>

The Company has incurred net operating losses since inception and thus has not recorded any Federal tax expense. The Company has recorded applicable minimum state income taxes due.

A reconciliation of the statutory income tax provision to the effective income tax provision is as follows:

	December 31 2007 \$	December 31 2006 \$
Tax (benefit) provision at statutory rate (34%)	(2,680,644)	(3,808,173)
State tax—net of federal tax benefit	3,618	5,042
Valuation allowance	2,680,644	3,808,173
<b>Total tax provision</b>	<b>3,618</b>	<b>5,042</b>

The major sources of temporary differences and their deferred tax effect at December 31, 2007 and 2006, were as follows:

	<b>2007</b> <b>\$</b>	<b>2006</b> <b>\$</b>
Depreciation	(54,079)	(547,833)
Stock Options	615,009	-
Allowance for doubtful accounts	433,976	-
Deferred Asset/Net operating loss carryforwards	17,169,472	17,389,094
Total net deferred tax assets	18,164,378	16,841,262
Less valuation allowance	(18,164,378)	(16,841,262)
Net deferred tax asset (liability)	-	-

The Company has provided a valuation allowance to fully offset the amount of the net deferred asset due to continued operating losses. Management's conclusion is that it is not more likely than not that the Company would be able to realize its deferred tax assets as of December 31, 2007.

The Company has available, at December 31, 2007, unused operating loss carry-forwards of \$50,498,446, which may be applied against future taxable income expiring in various years from 2020 through 2027.

#### **17. Concentrations of credit risk**

The Company maintains cash balances at financial banking institutions that are insured by the Federal Depository Insurance Corporation ("FDIC") up to \$100,000. The Company also maintains cash balances at foreign banking institutions, which are not insured by the FDIC. At December 31, 2007 and 2006, the Company's uninsured cash balances totaled \$2,641,554 and \$1,640,105, respectively.

During the years ended December 31, 2007 and 2006, three and one of the Company's customers each accounted for greater than 10% of total revenue, respectively, representing approximately 74% and 51% of the total revenue, respectively, as follows:

	<b>2007</b>	<b>2006</b>
Customer A	51 %	51 %
Customer B	13	*
Customer C	10	*
	74 %	51 %

\* Customer revenue represented less than 10% in 2006.

# NOTES (continued)

## 18. Earnings (loss) per share

Computation of Earnings (Loss) per Common Share

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

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

	2007	2006
	number of shares	number of shares
Weighted average number of common shares (for basic earnings per share)	22,836,166	18,325,823
Potential dilutive ordinary shares:		
Preferred shares	6,851,144	6,369,498
Warrants	6,655,717	7,687,430
Stock incentive plan	4,972,034	4,429,385
Convertible debt	2,120,444	0
Diluted basis	43,435,505	36,812,136
Net loss	\$(13,378,194)	\$(11,599,355)
<b>Basic loss per share</b>	<b>(\$0.59)</b>	<b>(\$0.63)</b>

## 19. Subsequent events

In January 2008, the Company terminated its joint venture with JourneyPay Limited by mutual agreement. As a result, the Company no longer contributes capital to the joint venture business and no longer consolidates the results of the joint venture's operations. Processing of transactions for JourneyPay continues under a prior processing agreement. The termination is not expected to 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 anticipates paying an additional \$200,000-\$300,000 for existing contracts, licenses and new arrangements, thereby raising the total cost of the transaction to \$1.2 million - \$1.3 million. The Company also assumed prospective liabilities under contracts, which were assigned to it as part of the transaction. 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.

Concurrent with the acquisition, the Company completed a private placing of \$3,000,000 before expenses, with Camden Partners, an existing investor and holder of convertible debt in the Company. The financing comprises a \$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 by the Company. 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 capitalised 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.

# LEGAL INFORMATION

Planet Payment's common shares are traded on the AIM market of the London Stock Exchange (PPT and PPTR for unrestricted and Reg S shares, respectively). All shares carry the same rights and privileges but PPT shares are now admitted to electronic settlement through CREST, while PPTR shares remain certificated.

The legend on the PPTR share certificates will not generally restrict sales and purchases of the shares, which are conducted in the ordinary course through the AIM market, except that the seller and seller's broker will be required to provide standard representation letters. PPTR shares can be purchased through AIM by US residents, as well as residents of the UK and other countries, subject to delivery of the seller representations noted above and a physical share certificate on settlement.

If you have any questions about the trading of PPTR or PPT shares, please contact us at [investors@planetpayment.com](mailto:investors@planetpayment.com).

## Special Note Regarding Ownership Reporting Obligation

Holders of PPT and PPTR shares are hereby reminded that the holders of such shares are subject to a reporting obligation on ownership set forth in Section 7.8 of the Bylaws, which provides, in summary, that any security holder of the Company that becomes the beneficial owner of three percent (3%) or more of the Company's outstanding shares must submit notice to the Company within three business days of reaching or exceeding such beneficial ownership threshold, or thereafter upon acquiring additional shares representing one percent (1%) or more of the Company's outstanding shares.

A copy of the Bylaws is available upon written request to the Secretary of the Company, or may be obtained from the Company's website at [www.planetpayment.com](http://www.planetpayment.com) on the "Investor Relations" page.

Planet Payment may discontinue or make changes in the information, products or services described herein at any time without prior notice to you and without any liability to you. Any dated information is published as of its date only and Planet Payment does not undertake any obligation or responsibility to update or amend any such information. Nothing herein constitutes an offer to sell, or the solicitation of an offer to buy common shares or any other securities of the company in any jurisdiction.

## Forward-Looking Statements and Certain Risk Factors

Information contained in this announcement may include 'forward-looking statements'. All statements other than statements of historical facts included herein, including, without limitation, those regarding the financial position, business strategy, plans and objectives of management for future operations of both Planet Payment and the assets and business acquired in April 2008 (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.

## Trademark Notices

"Planet Payment®" is the trading name for Planet Payment, Inc., and its subsidiaries. "Planet Payment®", "FX Assured®", "Helping international customers feel at home®", "BuyVoice™", "Payment BuyVoice™", "Shop BuyVoice™", "Pay In Your Currency™", iPAY® and the Planet logo are the trademarks or service marks of Planet Payment, Inc. Visa®, MasterCard®, and American Express®, are the trademarks of their respective owners. The names of other companies and products mentioned in this document, and other featured words or symbols used to identify the source of products and services, may be the trademarks of their respective owners.

# DIRECTORY

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### **Senior Vice President and General Counsel**

Graham N. Arad

### **Non-Executive Directors**

Jonathan Kaiden

Cameron R.M. McColl

Lady Judge

### **Director**

Paul W. Noblett

### **Corporate Secretary**

Graham N. Arad

## **PROFESSIONAL ADVISORS**

### **Auditors**

Deloitte & Touche LLP

### **Nomad and Company Broker**

Canaccord Adams Ltd

### **UK Solicitors**

Osborne Clarke

### **US Securities Counsel**

Fenwick & West, LLP

### **Financial PR**

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ICR, Inc. (in the US)

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London Stock Exchange (AIM) ticker

symbols: PPT and PPTR for unrestricted and

Reg S shares respectively



London Stock Exchange (AIM)  
ticker symbols:  
PPT and PPTR for unrestricted  
and Reg S shares respectively

[www.planetpayment.com](http://www.planetpayment.com)