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**Planet**  
PAYMENT®



#### Toronto

A Canadian baby-clothing online retailer targets UK and European customers with pricing in British Pounds and Euros. **Multi-Currency Pricing** and the **iPAY Gateway** help the retailer convert more browsers to customers, with the ease of a single Canadian merchant account.



#### Long Beach, NY

A surfing instructor accepts payments from his students with **PayBuyVoice**. Using just his mobile phone, he securely processes their credit card information, without a special terminal.



#### Honolulu

After a whirlwind helicopter tour of the Hawaiian rainforest, a Japanese tourist appreciates the comfort of knowing what she spent in Japanese Yen with **Pay In Your Currency**.



#### Miami

A Brazilian salesman arrives at the airport and uses his ATM card. **Pay In Your Currency** at ATM lets him know the exact amount withdrawn from his account, easing his expense filing later.

ONE DAY  
ONE PARTNER. ONE PLATFORM



#### Dubai

An Austrian family skis down a wintry mountain at an indoor resort in the desert sands of Dubai. **Pay In Your Currency** lets the skiers feel even more at home when they pay for their fun and après-ski meal in Euros.



#### Macau

A Hong Kong hotelier asks his local bank to provide payment processing for his new casino in Macau. Planet Payment helps the Hong Kong bank enter a new region, offering both **Domestic** and **Multi-Currency Processing** to the bank, without costly investment.



#### Johannesburg

A safari tour marketing manager uses **Data Analytics** to analyze her customers and their spending habits. She uses the information to design her marketing and advertising plan for presentation to the board later that morning.

We are Planet Payment and we deliver secure payment processing services to 45 of the world's leading banks and other payment services providers, across 16 countries.

We offer **banks and processors** an industry-leading, secure and scalable processing platform that helps them increase margins on their portfolio and offer enhanced services to their merchants. Every day, we facilitate international commerce, helping thousands of **retailers, hoteliers, restaurateurs and online shops** process payments and manage their businesses more efficiently. Every day, consumers across the globe benefit from increased convenience, choice and price transparency.

**One Partner.** Since 1999, we have established an international reputation for providing best-in-class, secure payment services that deliver incremental value and revenue to our customers and their merchants. We work collaboratively with our clients to develop solutions that help them meet today's business challenges and tomorrow's opportunities. Our team of skilled personnel, across the world, share one vision — to serve as a trusted partner, dedicated to helping our clients and their merchants grow their business.

**One Platform.** Our single, currency-neutral payment platform, the keystone of our business, allows us and our clients to enter new markets and deliver new services quickly. We nimbly deliver state-of-the-art solutions to our clients, in a fraction of the time, effort and cost it might take for them to develop or enhance their own systems. Once connected to our platform in one country, our customers and their merchants can use the same interfaces and point-of-sale devices in all other countries in which we operate.

**Planet Payment.** We are committed to delivering innovative payment services that fulfil the promise of helping our customers and their merchants improve their business efficiencies and sell more goods and services.

# ONE PARTNER. ONE PLATFORM. PLANET PAYMENT

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+37%

Total revenue increase

+56%

Multi-currency revenue increase

+133%

Cash flow from operations increase

**2010 FINANCIAL HIGHLIGHTS**

- Total revenue increased 37% to \$64.7m (2009: \$47.3m).
- Multi-currency revenue increased 56% to \$52.1m (2009: \$33.3m).
- Gross Profit increased 26% to \$20.5m (2009: \$16.3m).
- Adjusted EBITDA of \$1.8m, a substantial improvement over \$0.5m in 2009.
- Net loss improved 18% to (\$3.3m) (2009 loss: \$4.0m).
- Cash flow from operations of \$0.3m a 133% improvement (2009: (\$0.9m)).

**CURRENT TRADING**

- Total revenue projected to increase ~60% to over \$21.0m (Q1 2010: \$13.2m).
- Multi-currency revenue projected to increase ~80% to \$18.0m (Q1 2010: \$10.0m).
- Agreement for Pay in Your Currency at ATMs with Fifth Third Processing Solutions.

**2010 OPERATIONAL HIGHLIGHTS**

- Broadened international reach launching Multi-currency processing services in Singapore, Sri Lanka, the Maldives, Brunei, the Philippines, the United Arab Emirates and South Africa.
- Active merchant locations grew 66% to over 16,700.
- Expanded relationships, entering into agreements with:
  - Bank of Communications, China to provide multi-currency solutions in China.
  - Global Payments Asia Pacific for Pay In Your Currency® services in four countries in the region.
  - Global Payments North America, for multi-currency POS and e-commerce solutions in the United States and Canada.
- Renewed multi-currency processing services agreements in the United States with Fifth Third Processing Solutions and TSYS Acquiring.
- Total settled transaction volume increased 33% to \$2.9 billion (2009: \$2.2 billion).



**PHILIP D BECK**  
Chairman and  
Chief Executive Officer

I am pleased to announce our results for the year ended December 31, 2010. 2010 was a notable year for Planet Payment, as we reached an inflection point and generated positive operational cash flow.

Our revenue growth reflects the increase in transaction processing volumes primarily driven by the addition of active merchant locations as well as the general improving global economic conditions. In 2010, we continued to execute upon our strategy of selective geographic expansion, launching our services in seven new markets, namely United Arab Emirates, South Africa, Singapore, Philippines, Brunei, the Maldives and Sri Lanka. With this expansion of our global footprint, the Company's customer base now includes more than 45 acquiring banks and processors spanning 16 countries in North America, the Middle East and Asia-Pacific, including our existing markets of China, Hong Kong, Macau, Taiwan and Malaysia.

Planet Payment's stable operating expenses, strong revenue growth and scalable platform provide significant operating leverage. Cash operating expenses for the three years from 2008 through 2010 increased only 5%. As a result, we achieved Adjusted EBITDA of \$1.8 million for the year on revenue of \$64.7 million (an increase of 37% over 2009 revenue) and gross profit of \$20.5 million (an increase of 26% over 2009). Our results over the period from 2006 to 2010 represent a compound annual revenue growth rate of 135%.

We continued to focus on building a strong pipeline of new prospects for our multi-currency processing services in both existing and new regions, including the Middle East, South Africa and Latin America. Our ability to deliver a range of processing services into new territories on a single platform creates significant operational leverage. Planet Payment can operate its global business using

a single network of systems that supports the particular local requirements of our customers. Our skilled group of business analysts, developers, project managers, quality assurance engineers and operations personnel, allows us to develop, operate and maintain our systems centrally. In addition to increased efficiency and the ability to launch in new markets quickly, our approach allows increases in gross profit to flow substantially through to the bottom line once base operating costs are covered.

When credit card acceptance initially came to market merchants were presented with a helpful payment mechanism to enable them to sell more goods and services as card holders were able to buy on credit. Over the past two decades, card acceptance has become ubiquitous while fees have escalated. Merchants have come to see card acceptance as a cost centre. Planet Payment's suite of products helps merchants

“2010 was a notable year for Planet Payment, as we reached an inflection point and generated positive operational cash flow.”

## ONE YEAR ONE VISION

sell more goods and services and fulfils the credit card's original promise – that card payment systems should provide helpful functionality and increase efficiencies at a reasonable cost, so that the merchant community may see card acceptance as an aid to profit enhancement, not as a cost centre to be avoided.

Our services help acquirers open new sales channels, merchants sell more goods and services and cardholders enjoy informed choice and transparency at the point-of-sale (“POS”). While merchants in industry verticals such as hospitality, retail and restaurants have been enjoying the benefits of our Pay in Your Currency service for several years, I am pleased to report that we have entered into a new contract with one of our long-standing customers, Fifth Third Processing Solutions, to power its ATM Network in the United States with our Pay in Your Currency solution.

Now cardholders withdrawing cash from over 11,000 ATMs powered by Fifth Third Processing Solutions across the United States will have the option to see the final amount of a cash withdrawal in their home currency at the time of the transaction. We consider this to be a significant expansion of our existing multi-currency product set complementing our e-commerce and point of sale capabilities.

We believe that Planet Payment is starting to benefit from a “network effect” as we add more countries and more acquiring institutions using more products on our platform. The addition of new regions, acquirers and products creates more choices for our customers and their merchants and ultimately should make it easier for merchants to work with our acquiring customers. Further, merchants can leverage our single platform and enhanced product set to improve operational efficiency,

allowing them to use their preferred point of sale systems in multiple jurisdictions, using a common interface to Planet Payment, with access to consolidated transaction data at the merchant's convenience through our robust online reporting modules.

We believe the regulatory framework governing electronic payments is somewhat neutral as it relates to Planet Payment and our products in the various markets. In the United States the regulatory landscape has continued to evolve during recent months. The Durbin Amendment to the Dodd-Frank Act on financial services regulation was enacted by the U.S. Congress in July 2010, and the actual rules are in the process of being drafted. Based on the information presently available to us, this is not expected to have a direct material impact on Planet Payment's business or revenues. The Durbin Amendment, amongst other things, enables the U.S.

government to regulate the amount that can be charged to merchants for acceptance of U.S. debit card transactions.

In 2010 the major Card Associations issued several policy and rule changes which we believe will benefit Planet Payment and its customers. Both Card Associations confirmed the availability of our products, including Pay in Your Currency, in our existing markets in North America and Asia Pacific. Additionally, the service may now be offered for both Visa and MasterCard transactions in Latin America and CEMEA (Central Europe, Middle East & Africa), further increasing the potential opportunity for Planet Payment and its customers in these regions.

+66%

Increase in Active Merchants

#### REVIEW OF 2010 ACTIVITIES

During 2010, we continued to extend our international reach with the launch of multi-currency processing services in seven new markets while continuing to build a strong pipeline of prospects in new and existing markets. In Canada, the Company also launched a full domestic processing solution, in support of one of the first Canadian multi-card acquirers.

During the third and fourth quarters of 2010, the Company began activating the merchant pipeline from newly signed acquirers in the United Arab Emirates, Philippines, Singapore, Brunei, Sri Lanka, the Maldives and South Africa, adding over 1,600 new merchant locations in these countries alone. Across Asia-Pacific, our customers continued to attract new merchants to their portfolios, activating over 2,800 new multi-currency and domestic processing merchant locations, thereby substantially increasing the revenue from the region over 2009.

By the end of 2010, our base of active merchants grew more than 66% or nearly 6,700 to approximately 16,760 active locations. Approximately 35% of the multi-currency processing transaction volume processed in December 2010 was attributed to new merchants activated in 2010, with 13% of the December 2010 volume attributable to merchants activated in the fourth quarter 2010. The Company's same store sales volume remained strong for the year with average growth of over 30% for the year.

In 2011 we expect to continue to add processors, acquiring banks and active merchants to our platform. With each new customer win, we can increase our transaction volume and our revenue. By adding incremental volume to our single, scalable, currency neutral platform we can increase our operational leverage.

#### ENHANCEMENTS TO OUR PROCESSING PLATFORM AND CAPABILITIES

In 2011, we are continuing to use our technology resources to develop enhanced platform capabilities and solutions including multi-currency processing for ATMs, debit card processing, additional EMV support in certain regions as well as additional features to further internationalize the iPAY gateway. These enhancements are intended to enable us to offer our customers additional value-added solutions that allow them and their merchants to grow their businesses.

During 2010, we continued to enhance our proprietary systems in order to offer our acquiring partners and their merchants increased opportunities to capture additional revenue with new products and services. The Company invested over 45% of total cash operating costs in developing new technology infrastructure and services. In addition, approximately 60% of our personnel are involved on a daily basis in maintaining and improving our platform and managing our processing operations.

Each enhancement that we make, whether it is our ability to qualify local interchange, or support particular encryption techniques and product functionality across our customer base, facilitates our ability to go to market quickly for new customers in a cost efficient and expeditious manner.

The Company also expanded its processing to over 60 authorization currencies to support our existing customers and is testing additional currencies to support the delivery of new services to new markets. This expansion allows us to offer our acquiring customers and their merchants a more comprehensive product and is intended to increase returns on investment by including a broader pool of potential customers.

We have continued to ensure our processing platform remains robust, reliable, scalable and secure. To that end, the Company upgraded components of our authorization systems which resulted in increased reliability, cost improvements and greater efficiencies. We also invested in state-of-the-art hardware upgrades to our merchant accounting system, which offer enhanced performance and increased scalability for our expanding customer portfolio.

The provision of best-in-class secure processing solutions to our acquiring customers, their merchants and cardholders continues to be a key priority for the Company. We therefore deployed several new service offerings during the period.

“In 2010, we continued to execute upon our strategy of selective geographic expansion, launching our services in seven new markets.”

We enriched our e-commerce processing services by:

- developing iPAY Secure Tokens. Originally launched in 2009, this service protects sensitive customer payment account data by encrypting it and assigning a unique token that is stored securely by Planet Payment. Merchants can process payments by passing us the token, rather than handling and storing sensitive customer data.
- signing agreements to integrate to the iPAY gateway a suite of enhanced e-commerce merchant, fraud mitigation and prevention services.

We also added EMV support for online PIN entry for the POS in Middle East and Africa, building on the Company's existing support of EMV for the Asia Pacific, Canada and Europe regions.

During 2010, the Company again successfully completed its annual independent examination under Statement of Auditing Standards No. 70, Service Organizations (“SAS70”) Type II and obtained re-certification of compliance with the PCI-DSS security requirements.

In 2010, Planet Payment was awarded additional patents in the United States and India that protect, among other innovations, our methods to obtain the cardholder's currency selection, including our Cardholder

Choice receipt model which has been extensively deployed. Our patents have been issued in Singapore, New Zealand, Sri Lanka and the Philippines and applications are pending for these and other inventions in a number of other jurisdictions. We view the Company's growing catalogue of patents as a validation of the Company's innovative approach to multi-currency payments and believe these patents may serve to strengthen the Company's market position in several key jurisdictions.

#### FINANCIAL OVERVIEW

All figures are in US dollars.

#### RESULTS OF OPERATIONS

##### Twelve Months Ended December 31, 2010 compared to Twelve Months Ended December 31, 2009

**Revenue:** Total revenue in 2010 increased 37% to \$64.7m (2009: \$47.3m) led by the rollout of our services in the new markets of Singapore, Sri Lanka, the Maldives, Brunei, the Philippines, the United Arab Emirates and South Africa, as well as new merchant deployments with our customers in China, Hong Kong, Macau, Taiwan, India and North America. Multi-currency processing revenue increased 56% to \$52.1m (2009: \$33.3m) and represented 81% of total revenue (2009: 71%). Processing revenue decreased 9.4% to \$12.5m, representing 19% of total revenue (2009: 29%).

**Transaction Volume:** The Company's total settled transaction volume increased 33% to \$2.9b (2009: \$2.2b). Settled transaction volume from multi-currency processing services increased 53% to \$1.4b (2009: \$909m). Settled volume from other processing services increased 18% to \$1.5b (2009: \$1.2b).

**Gross Profit:** Gross profit rose 26% to \$20.5m (2009: \$16.3m). Multi-currency gross profit increased \$5.4m or 43% to \$18m (2009: \$12.6m). Processing revenue gross profit decreased \$1.1m or 31% to \$2.5m (2009: \$3.6m), due to certain customers achieving processing volume tiers and certain 2009 implementation, development and processing fees which had no associated direct costs of sales. The Company's overall gross profit margin decreased to 32% (2009: 34%) for the above reasons and due to changes in business and customer mix.

**Operating Expenses:** Operating expenses increased 14%, or \$2.7m, to \$21.6m (2009: \$18.8m), including increases of \$1.8m in compensation and benefits (due primarily to the reinstatement of salaries, which had been reduced through most of 2009), \$0.5m in travel and related expenses substantially in support of launches in new markets, \$0.1m in facilities expenses, \$0.7m in other expense and \$0.2m in depreciation and amortization offset by a decrease of \$0.1m in professional fees, and

\$0.5m recoveries of doubtful accounts. The Company's operating costs as a percentage of revenue decreased from 40% to 33% in 2010.

Cash operating expenses (which exclude \$2.8m, comprising the following non-cash expenses: depreciation and amortization, stock-related compensation expense arising from Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 718, Shared Based Payment (“ASC 718”) and other non-cash expense) increased 18% or \$2.9m to \$18.7m (2009: \$15.8m) including increases of \$2.2m in compensation and benefits (due primarily to the salary reinstatement noted above); and an increase of \$0.5m in travel and related expenses in support of launches in new markets.

Cash compensation expense (excluding \$0.7m of stock-related compensation expense arising from ASC 718) increased 23% or \$2.2m to \$11.5m (2009: \$9.3m) (due primarily to the salary reinstatement as noted above) and represented 61% of total cash operating expenses. Headcount increased to 153 in December 2010 from 142 in December 2009.

**Adjusted EBITDA:** The Company achieved adjusted EBITDA for the year of \$1.8m, a substantial improvement from \$0.5m in 2009. See page 42 for a reconciliation of net loss to adjusted EBITDA.

**Other Income/Expense:** Other Income/Expense increased by \$1.0m to \$2.2m for the year (2009: \$1.2m). Interest expense decreased to \$1.1m (2009: \$1.2m) due to the repayment of \$4.0m of long term debt on November 30, 2010. This was offset by a \$1.1m charge recognized due to the impairment of software inventory held for resale. This charge represents the write off of the asset value of certain software licenses, which the Company purchased for resale a number of years ago, which is not part of our core business. The Company has thereby eliminated inventory from its balance sheet as of December 31, 2010.

**Net Loss:** The Company's growing revenues and gross profit led to an 18% improvement in net loss to \$3.3m (2009 loss: \$4m). Prior to consideration of a \$1.1m charge taken for impairment of inventory in Q4 of 2010 (as explained above), net loss for the year was \$2.2m, a 45% improvement when compared to 2009.

#### **RESULTS OF OPERATIONS Three Months Ended December 31, 2010 compared to Three Months Ended December 31, 2009**

**Revenue:** Total revenue in the fourth quarter 2010 grew 50% over fourth quarter 2009 to \$21.4m (Q4 2009: \$14.2m). Over the same period, multi-currency processing revenue increased 67% to \$18m (Q4 2009: \$10.8m), while processing revenue declined 2% to \$3.4m (Q4 2009: \$3.5m).

The Company's total revenue also grew sequentially over the third quarter 2010, with total revenue in the fourth quarter 2010 increasing by 38% (Q3 2010: \$15.5m). This growth was led by 44% growth in multi-currency processing.

**Transaction Volume:** The Company processed total settled transaction volume of over \$935m, an increase of 48% (Q4 2009: \$631m). Multi-currency processing services transaction volume for the fourth quarter 2010 increased 54% to \$461m (Q4 2009: \$300m). Of the December 2010 multi-currency volume, 35% was attributed to merchants activated during 2010, approximately 74% of which were added in the third and fourth quarter of 2010. Processing volume increased by 43% to \$474m (Q4 2009: \$331m).

**Gross Profit:** Gross profit rose 44% to \$6.8m over fourth quarter 2009 (Q4 2009: \$4.7m). Gross margin percentage was 32%, as compared to Q4 2009: 33%.

**Operating Expenses:** Operating expenses increased 19% or \$1m, to \$6.0m, (Q4:2009: \$5.0m), including increases of \$0.3m in compensation and benefits (due primarily to the salary reinstatement noted above), \$0.3m in other expenses and \$0.2m in depreciation and amortization expense. The Company's operating costs as a percentage of revenue continued to decline to 28% from 35% in Q4:2009.

Cash operating expenses (excluding \$1.0m, comprising the following non-cash expenses: depreciation and amortization, stock-related compensation expense arising from ASC 718 and other non-cash expense) increased 19% or \$0.8m to \$5.0m (Q4:2009: \$4.2m), including increases of \$0.3m in salaries and benefits (due primarily to the salary reinstatement noted above) and \$0.3m in other expenses.

Cash compensation expenses (excluding \$0.2m of stock-related compensation expense arising from ASC 718) totalled \$3.3m, an increase of 15% or \$0.4m over fourth quarter 2009 (due primarily to the salary reinstatement noted above) and represented 66% of total cash operating expenses for the quarter (Q4:2009: \$2.9m, represented 68% of total cash operating expenses).

**Adjusted EBITDA:** Achieved third consecutive positive EBITDA quarter, with adjusted EBITDA improving to \$1.8m, a \$1.3m improvement over fourth quarter 2009 (Q4 2009: \$0.5m). Sequentially, EBITDA improved 375% over third quarter 2010 (Q3 2010: \$0.4m). See page 42 for a reconciliation of net loss to adjusted EBITDA.

**Other Income/Expense:** Other Income/Expense increased by \$1.1m to \$1.4m (Q4 2009:\$0.3m). Interest expense was \$0.3m (2009: \$0.3m). This was offset by a \$1.1m charge recognized due to the impairment of software inventory held for resale (as explained above). The Company has thereby eliminated inventory from its balance sheet as of December 31, 2010 and the Company does not typically purchase items for resale.

**Net loss:** The Company's net loss was reduced by 33% to \$0.6 m (Q4 2009 loss: \$0.9m). Prior to the consideration of a \$1.1 million charge for the Impairment of Inventory (as explained above), the Company's net income was \$0.5 million in Q4.

“We believe the Company is well positioned for further growth in 2011 based on opening new regions, implementing new acquiring customers and activating new merchants on our platform.”

#### CORPORATE FINANCE

The Company completed a private placing of new common shares in November 2010 raising \$5.7 million, net of expenses. The Company also raised \$2 million as the result of the exercise of approximately 1.5 million warrants in November 2010. A portion of the net proceeds of the private placing and the warrant exercise were used to repay a \$4.0 million long term debt as of November 30, 2010. The remainder will support ongoing working capital requirements.

The Company ended 2010 with \$5.2 million in cash and cash equivalents (2009: \$3.8 million). Accounts receivable increased to \$3.3 million (2009: \$1.9 million) due to the substantial overall growth in the business. Current assets increased to \$12.0 million (2009: \$9.7 million). Current liabilities totalled \$4.2 million at December 31, 2010, a decrease of \$3.2 million over 2009 due to the repayment of \$4.0 million in long term debt in the fourth quarter 2010. Long term liabilities totalled \$9.1 million (2009: \$9.0 million).

The Company ended 2010 with \$19.0 million total assets, a 20% increase (2009: \$15.8 million) and \$5.8 million in Stockholders' Equity as compared to a deficit of \$0.6 million at the end of 2009.

#### CURRENT TRADING AND OUTLOOK

For the first quarter 2011, total revenue is projected to increase approximately 60% to approximately \$21.0 m (Q1 2010: \$13.2m). Multi-currency revenue is expected to increase approximately 80% to \$18.0 million in the first quarter.

The first quarter projection is noteworthy because our historical seasonal pattern for the last two years indicates an average 10% reduction in revenue from the fourth quarter of one year to the first quarter of the next. We believe this positive trend is due to the increasing geographical diversity and expansion of our customer base.

In 2011 we expect to continue to cross sell our innovative products to our acquiring institution customers and to their merchants. We believe the Company is well positioned for further growth in 2011 based on opening new regions, implementing new acquiring customers and activating new merchants on our platform.

We look forward to an exciting 2011.



**Philip Beck**  
Chairman & Chief Executive Officer

THE COMPANY

flight	origin	time	status
854	FRIS	17:40	
744	WINDHOCK	20:40	
750	WINDHOCK	21:00	
859	LONDON-HERTHROW	09:00+	
263	KUALA LUMPUR	09:15+	
221	LONDON-HERTHROW	09:25+	
486	SINGAPORE	09:40+	
218	ATLANTA	09:55+	
672	FRANKFURT	12:10+	
704	GABORONE	12:25+	
742	WINDHOCK	12:45+	
722	WOLVESBURG	13:00+	

ONE VISION  
A WORLD OF OPPORTUNITIES

“Our services deliver tangible advantages to banks and processors, their merchants, and cardholders.”

Since our formation in 1999, we have established an international reputation as one of the most innovative companies in the payments industry. We are a trusted partner committed to delivering payment solutions that facilitate international commerce. Our payments services are designed to offer incremental value to our clients and thereby encourage merchants to view card acceptance as an aid to profit enhancement, rather than as a cost center to be avoided.

Our currency-neutral platform enables us to process payments in multiple currencies and multiple countries, quickly and efficiently. This highly scalable platform enables us to add new banks, processors and merchants and expand into new territories rapidly and with limited investment required. Today, we work with banks and processors across 16 countries, seven of which we opened in 2010.

Our services deliver tangible advantages to banks and processors, their merchants, and cardholders:

- **Banks and processors** use our payment services to expand their market reach and product portfolio, and earn new, high margin revenue streams. Our outsourced solutions offer greater speed-to-market, often at lower costs, while providing competitive differentiators that can enhance merchant loyalty and attract new merchants.
- **Merchants** offer enhanced customer service, and better target and complete more international sales. They gain greater visibility into their financial performance and customer demographics, helping to make smarter business and marketing decisions.
- **Cardholders** benefit from clarity and convenience at the point of sale.

We are an attractive partner for banks, processors and merchants: over 45 banks and processors outsource payment processing to us. We deliver services that are integrated within the payment card transaction flow, are registered as a third party processor with the major card associations and operate in accordance with all applicable industry standards.

Our business model is based on recurring revenues, meaning that we earn fees every time a purchase is made at one of our customers' merchants. Our ability to deliver our services on a single platform creates significant operational leverage. This model and our medium and long-term contracts offer stability and enhanced visibility to our financial performance.

“We operate in the global payments industry, which itself has experienced exceptional growth in recent years.”

# ONE WORLD YOUR CURRENCY



2010 was a notable year for Planet Payment, as we reached an inflection point and generated positive operational cash flow. Total revenue and gross profit increased 37% and 26% respectively, with our higher margin, multi-currency business growing at 56% during 2010. Our results over the period 2006 through 2010 represent a compound annual revenue growth rate of 135%.

Our operations span North America, Greater China, and other parts of the Asia Pacific region. We have business development teams around the globe focused on nurturing new business opportunities, cross selling in existing locations and entering new geographies. During 2010, we expanded into seven new countries including the United Arab Emirates, South Africa, and new areas of Asia Pacific.

We operate in the global payments industry, which itself has experienced exceptional growth in recent years and in spite of the 2008 economic downturn. Visa, Inc reported that during its 2010 fiscal year total volume processed increased by nearly 13%. MasterCard International, Inc. reported that during its 2010 fiscal year total volume processed increased by approximately 11%. (Total volume includes both credit and debit card transaction volumes for purchase and cash transactions, calculated in constant US Dollars). Significantly, both brands reported cross-border volume growth during the same period of in excess of 12% for the year<sup>1</sup>.

By outsourcing payment processing to us, banks and processors and their merchants benefit from a set of solutions that help them sell more

goods and services with increased transaction margins, without the need for costly changes to their incumbent systems. We have also been able to build on our successes in gaining customers in new regions. Such contract wins inspire confidence as well as competitive interest, in other acquirers and their merchants in the same region, which have helped us grow our customer base.

Our range of solutions also enables cross-selling opportunities that are intended to increase revenues with our existing customers and help our customers broaden their product set with additional value-add services.

<sup>1</sup> Sources: Visa, Inc. Operational Performance Data, Q4 2010 and MasterCard Incorporated 4th Quarter 2010 Supplemental Operational Results.



“Our technology platform is the reason why leading international banks and processors outsource to us.”

Our currency-neutral payment processing platform, developed by our team of skilled professionals, is the engine behind our solutions. We own it, we control it, and it is the key to our success. Offering a range of value-added solutions, our technology platform is the reason why leading international banks and processors outsource to us.

- It is **singular**. The same platform supports all the currencies, languages and regional card products that we offer our customers. Our development personnel can respond quickly to emerging technologies, changing industry standards or new market nuances. Merchants operating across multiple territories can enjoy the efficiency of using their preferred point-of-sale technology to deliver consistent customer service in any region.
- It is **intelligent**. Our patented technology can calculate individualized exchange rates for each transaction by acquirer, merchant, location or a number of other factors. The platform can accept multiple exchange rate sources and hold rates guaranteed for a specific time period, e.g. for e-commerce merchants where delivery of the product may take place several days after the payment transaction.
- It is **scalable**. It can expand easily as we add new banks and merchants, increase transaction volumes and enter new markets.
- It is **secure**. The protection of our customers' cardholder data is our first priority. The platform is compliant with the PCI Security Standard Council's Data Security Standards and is annually audited and certified by an independent security assessor. Our network teams proactively monitor our systems and network for any security threat. And we offer merchants the latest in transaction encryption and cardholder data tokenization services to help them minimize risk.



# ONE PLATFORM 16 COUNTRIES

## SOLUTIONS

We offer a suite of innovative solutions, designed to provide our customers with enhanced value.

**Payment Processing** of both multi-currency and domestic transactions offers banks and their merchants end-to-end authorization, capture, settlement and clearing services for major credit and debit card types, for both magnetic stripe and EMV (chip and pin) transactions. Along with localized language support, we offer acquirers and merchants online access to best-in-class reconciliation and reporting services.

**Pay In Your Currency** lets international customers enjoy the clarity and convenience of paying for their purchase, stay, meal or ATM withdrawal in their own currency. Our service offers a personalized payment experience so the customer knows at the point of sale the amount they paid in their currency, while merchants continue to enjoy the ease of settlement and reporting in their local currency.

**FX Assured** couples the convenience and clarity of Pay In Your Currency with the added benefit of our 'Best Rate Guarantee'. Using our patented rate-calculation methodology, we offer the cardholder an individualized exchange rate calculated to be better than the effective exchange rate that would have been charged by their credit card provider.

**Multi-Currency Pricing** helps e-commerce and mail/telephone order merchants target international markets quickly and increase global sales by allowing international customers to view pricing and pay in their home currencies.

**iPAY Gateway** is a robust e-commerce and mail order payment application, offering our signature multi-currency processing services, robust subscription and recurring billing management, and a virtual terminal portal and XML API for merchant connectivity. A range of sophisticated fraud and security tools are available to merchants to help them minimize risk in a card-not-present environment.

**BuyVoice** is our line of mobile payment and shopping solutions, using voice-recognition technology. PayBuyVoice lets mobile merchants securely accept credit cards anywhere, anytime, using any telephone at hand. ShopBuyVoice allows retailers to launch a new mobile sales channel.

**Global Consolidated Reporting and Data Analytics** offers merchants valuable insights into their operations with in-depth profiles of customers' spending habits and country of origin. Our customer dashboards allow merchants to create personalized marketing programs to attract international customers.



**PHILIP D. BECK**  
CHAIRMAN AND  
CHIEF EXECUTIVE OFFICER

Philip Beck founded the Company in 1999, having previously practiced for almost 20 years as an international banking and corporate lawyer working with a range of businesses, from start-ups to multi-national corporate. As a partner in New York law firms, he also represented a number of international banking institutions. Mr. Beck, recognized as an international payments industry expert, has steered the Company since its entrepreneurial inception to its current operational focus providing innovative multi-currency payment processing solutions in multiple regions to more than 45 acquiring banks and processors. Mr. Beck graduated from London University's Queen Mary College with a degree in law.

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

Graham Arad is an experienced international lawyer, practicing principally in the area of corporate and commercial law. Mr. Arad has served as Planet Payment's General Counsel since its founding, supervising the legal aspects of the Company's business, which now encompasses operations in more than 15 countries. Mr. Arad was admitted as an English Solicitor in 1983 and has been practicing as an 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 over 20 years in total and obtained his law degree from the London School of Economics.



# ONE COMPANY ONE DIRECTION

**CAMERON R. M. MCCOLL**  
NON-EXECUTIVE  
DIRECTOR

Cameron McColl has significant experience in setting up and developing new companies. An electronics 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.

**JON KAIDEN**  
NON-EXECUTIVE  
DIRECTOR

Jon Kaiden has more than 20 years of private equity and investment banking experience, with a strong focus on healthcare and information technology. He currently serves as President and Managing Director of Sopris Capital Associates. Mr. Kaiden serves on the Company's Audit and Remuneration Committees.

**LADY JUDGE**  
NON-EXECUTIVE  
DIRECTOR

Lady Judge is currently Chairman of the Pension Protection Fund. Previously, she was Chairman of the UK Atomic Energy Authority and prior thereto was a lawyer in New York and Commissioner of the US Securities & Exchange Commission – the youngest person to be appointed to the position. Lady Judge also serves on the Company's Remuneration Committee.

**SHANE KIM**  
NON-EXECUTIVE  
DIRECTOR

Shane Kim is a Managing Member of Camden Partners, where he focuses on investments in the Business Services and Healthcare sectors. He serves on the board of Santa Rosa Consulting, Inc. and was a director or observer of New Horizons Worldwide, Inc., Vantage Oncology, Inc., CardSystems Solutions, Inc. and COHR, Inc. Mr. Kim also served on the MBA Advisory Council for the Eller College of Management at the University of Arizona. Mr. Kim graduated from the University of Maryland, Robert H. Smith School of Business, with a B.S. degree in Finance.

“Approximately 60% of our personnel are involved on a daily basis in maintaining and improving our platform and managing our processing operations.”

**ROBERT COX,**

SVP, CHIEF FINANCIAL OFFICER  
AND TREASURER

Robert Cox, with over 20 years of financial management experience, joined Planet Payment from Harris Interactive, where he served as the Chief Financial Officer and Treasurer. Previously, he served as the Chief Financial Officer with DealerTrack Holdings, Inc, holding the top financial role since 2001. Prior to that, Mr. Cox served as Chief Financial Officer at Triton International Inc. and Green Stamp America Inc. He is a New York State licensed CPA and began his career in the audit practice at KPMG LLP.

**ALAN LUBITZ**

CHIEF TECHNOLOGY 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.

**JASON TAYLOR**

CHIEF INFORMATION OFFICER

Jason Taylor has over 14 years of experience in credit card processing, e-commerce and POS solutions. Prior to joining Planet Payment, Mr. Taylor managed the card processing system for a third party processor and had been working directly with Planet Payment for ten years.

**HENRY TAN**

CHIEF OPERATING OFFICER,  
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.

**SETH ASOFSKY**

SVP, US REGION

Seth Asofsky, with over 20 years of business development and financial management experience, is responsible for our United States business and strategy. Mr. Asofsky served as Chief Financial Officer for Planet Payment from October 2003 to November 2009. Prior to that, he was an investment and corporate banker, leading the business process services investment banking practice at ThinkEquity Partner, and serving as Vice President with SG Cowen's Technology Investment Banking Group.

**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.

# ONE TEAM DEPTH OF EXPERTISE

## **JONATHAN ELLIS**

MANAGING DIRECTOR,  
EUROPE AND CEMEA  
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.

## **PAULINE CLARK**

GENERAL MANAGER, CANADA  
Pauline Clark has over 20 years  
experience in strategic business  
development within the International  
Restaurant and Hospitality industry.  
Previously Ms. Clark was Director,  
Business Development North  
America at Global Refund.

## **JOEL MAYER**

SVP, CORPORATE DEVELOPMENT  
Joel Mayer joined Planet Payment  
in 2000 and is involved in product  
management and corporate  
development. Prior to Planet  
Payment, Mr. Mayer worked  
for American Express, providing  
commercial and legal support  
to various units of the company.

## **SCOTT GOLDTHWAITE**

SVP, PRODUCT MANAGEMENT  
Scott Goldthwaite has over 15 years  
of experience in driving business  
growth with technology-focused  
companies in emerging markets  
in the payments industry. Mr.  
Goldthwaite was previously  
Vice President, Mobile Business  
Development at Hypercom, and a  
founding member of WAY Systems,  
an innovative mobile POS systems  
provider now owned by VeriFone.

## **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.

## **KIETH FLAHERTY**

SVP, OPERATIONS AND  
PROJECT MANAGEMENT  
Kieth Flaherty has over 25 years  
experience in banking and information  
systems with 22 of those being directly  
in the electronic payments area. Prior  
to Planet Payment, Mr. Flaherty was  
CTO for Transworld Payment Solutions  
and First Ecomm Data Services, and  
also held senior positions at the Bank  
of Bermuda in Bermuda and Arab  
National Bank in Saudi Arabia.

## **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 20 years  
of experience in software product  
development and information  
systems management, with 10 years  
of specializing in developing banking  
and enterprise web application  
information systems. Prior to Planet  
Payment, Mr. Ramakrishnan was VP  
of Systems Design at Innovius Inc  
and EBalance.

## **SLIM ZOUAOUI**

SVP, INFRASTRUCTURE  
AND SECURITY  
Slim Zouaoui has over 15 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.

## 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 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 deem it 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. In particular, 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. Delaware corporation law 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 stockholders 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 (the "CEO") and Chief Financial Officer (the "CFO"), respectively (who in these roles are officers, not Directors, of the Company). "Management" comprises the senior executive officers of the Company. The "Executives" comprise the CEO, CFO and General Counsel.

In addition, although the Company's shares are publicly traded via the OTCQX in the United States, the Company is not a "reporting company" in accordance with SEC rules. The Company complies with reporting, disclosure and notification obligations under AIM and OTCQX rules, however it is not subject to the same extent of reporting, disclosure and notification obligations as companies listed on US national exchanges.

### RELATIONSHIPS WITH STOCKHOLDERS

The Board remains fully committed to maintaining regular communication with the stockholders. 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. The Company's website, [www.planetpayment.com](http://www.planetpayment.com), includes all of the information required to be maintained pursuant to Rule 26 of the AIM Rules for Companies. The CEO and CFO typically attend meetings with analysts and stockholders, 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

During 2010, the Board consisted of five members; the Chairman and Chief Executive Officer, General Counsel, and three non-executive Directors. The CFO, 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 2010. 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 stockholders at the first meeting 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 stockholders, only one class of Directors is nominated for re-election. If re-elected, Directors then serve 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 15.

## 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, with the current version available on the Company's website at [www.planetpayment.com](http://www.planetpayment.com)

- **The Audit Committee** of the Board consisted of two non-executive Directors during 2010: 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 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. The Audit Committee meets at least 4 times per year. The report of the Audit Committee appears below.
- **The Remuneration Committee** of the Board consisted of three non-executive Directors during 2010: Mr. McColl, who serves as Chairman of the Remuneration Committee, and Mr. Kaiden and Lady Judge. 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 2006 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. The Board has adopted a remuneration policy for the non-executive Directors. The Remuneration Committee meets at least two times per year. The report of the Remuneration Committee appears on Page 20.
- **The Nomination Committee** of the Board consisted during 2010 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, oversees evaluation of the Board, and handles various corporate governance matters. In accordance with the Company's Bylaws, Lady Judge has been nominated for re-election by the stockholders at the forthcoming annual meeting, as her current term of office expires at this meeting. The Nomination Committee also nominated Mr. Shane Kim to fill the vacancy on the Board left by the sad and untimely death of Mr. Paul Noblett.

## AUDIT COMMITTEE REPORT

Following is the report of the Audit Committee with respect to the year ended December 31, 2010 and in particular the Company's 2010 financial statements, which comprise the Group's consolidated balance sheets as of December 31, 2010 and 2009, 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 ("2010 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, inquires 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.

## CORPORATE GOVERNANCE

(continued)

### Activities in 2010

During 2010, the Audit Committee met on four occasions and each meeting was attended by all members, in person or via 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, 2009 (audited) and the draft financial statements in relation to the three month periods ended March 31, 2010, June 30, 2010 and September 30, 2010 (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, 2010. The stockholders will be asked to ratify such appointment at the Annual Meeting.

### REVIEW OF FINANCIAL STATEMENTS WITH MANAGEMENT AND INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee has reviewed and discussed the 2010 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 2010 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 2010 Financial Statements and include the 2010 Financial Statements in the Company's Annual Report for the year ended December 31, 2010 to be filed with the London Stock Exchange, the OTCQX and presented to stockholders.

### REMUNERATION COMMITTEE REPORT

Following is the report of the Remuneration Committee with respect to the year ended December 31, 2010.

### Activities in 2010

The Committee had three meetings during the year and approved grants of options to Executives and to employees of the Company. The Committee also considered and approved the salaries of the Executives and approved salary increases and Bonus Incentive Plan for the Executives.

### DIRECTORS REMUNERATION

Directors & CFO	Salary or Fees	Bonus	Options <sup>(1)</sup>	Total 2010
Philip Beck	\$369,480	\$50,000	\$51,750	\$471,230
Graham Arad	\$236,456	\$0	\$12,400	\$248,856
Jon Kaiden	\$48,000	\$0	\$18,400	\$66,400
Lady Judge	\$48,000	\$0	\$18,400	\$66,400
Cameron McColl	\$48,000	\$0	\$18,400	\$66,400
Robert Cox	\$267,122	\$0	\$38,000	\$306,122

(1) The value of the options shown in the above table, represents the value attributable to options granted to each person during 2010, based on the Black-Scholes model for valuations, on the assumption that each grant were fully vested

The Company has entered into employment retention agreements with Philip Beck, Graham Arad Robert Cox 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 three 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 upon 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. Mr. Cox has a contractual right to a bonus subject to both he and the Company achieving certain targets as specified by 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.

- **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.
- **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 four lump sum payments equal in aggregate to one year's basic salary, plus any unpaid bonus for the previous year and a pro-rated bonus for the year of termination; full vesting of all equity awards held by the Executive, and one year of continued coverage under the Company's health insurance program.
- **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 four lump sum payments equal in aggregate to up to one and a half year's basic salary, plus any unpaid bonus for the previous year and a pro-rated bonus for the year of termination; full vesting of all equity awards held by him and one year of continued coverage under the Company's health insurance programme.

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

The following table sets out stock options 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 2010:

Directors and CFO	Vested Stock Options and Warrants	Unvested Stock Options	Exercise Price \$	Number of Common Shares	Percentage of Total Issued Share Capital <sup>(1)</sup>
Philip Beck	717,379 76,514 75,999 68,099 <sup>(3)</sup>		2.50 2.88 3.01 1.20	1,645,128 <sup>(2)</sup>	3.1%
Granted in 2010	25,000	50,000	1.70		
Graham Arad	221,092 51,009 47,047 42,717 <sup>(3)</sup>		2.50 2.88 3.01 1.20	1,191,406	2.3%
Granted in 2010		40,000	2.13		
Jon Kaiden	75,000 25,000 11,250 <sup>(3)</sup> 33,000		2.50 3.07 1.20 1.28	56,312	0.1%
Granted in 2010	20,000	20,000	1.30		
Lady Judge	75,000 25,000 11,250 <sup>(3)</sup> 33,000		2.50 3.07 1.20 1.28	55,000	0.1%
Granted in 2010	20,000	20,000	1.30		
Cameron McColl	75,000 25,000 11,250 <sup>(3)</sup> 33,000		2.50 3.07 1.20 1.28	359,420	0.7%
Granted in 2010	20,000	20,000	1.30		
Robert Cox	66,667	133,333	1.65	100,000	0.2%
Granted in 2010		100,000	1.25		

(1) Percentage ownership is based on issued shares only held by the directors, as a percentage of 52,919,640 Common Shares, comprising 46,068,496 Common Shares issued and outstanding as of 31 December 2010 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 2010.

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

(3) Options granted in connection with cash compensation reduction.

Each of the options listed in the table above vests or vested (as shown above) over three years from the date of grant (other than those granted to the Non-Executive Directors and granted for cash compensation reduction), one third after each year, subject to any performance contingency as noted above. Each option 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 above vested over three years from the date of grant. 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, 2010 is provided in Note 10 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 April 8, 2011:

Shareholder	Number of Common Shares	Percentage of Total Voting Rights <sup>(1)</sup>
Kinderhook Partners, L.P.	5,502,165	10%
Andwel Partners and Trust	5,034,776 <sup>(2)</sup>	9%
Andrew Paul	4,126,390 <sup>(3)</sup>	8%
FIL Limited	4,078,000	8%
Blackrock, Inc.	4,054,978	8%
Inter-Atlantic Fund, LP	3,149,348 <sup>(4)</sup>	6%
Camden Partners Strategic Manager, LLC	2,276,153 <sup>(5)</sup>	4%
Integrated Core Strategies (Europe) S.a.r.l.	1,821,052	3%
Philip D. Beck	1,645,128 <sup>(6)</sup>	3%
Eagle & Dominion Growth Master Fund Ltd	1,522,753	3%
Graham N. Arad	1,145,406 <sup>(7)</sup>	2%

(1) Percentage ownership is based on 53,096,836 Common Shares, comprising 46,245,692 Common Shares issued and outstanding as of April 8, 2011 and 6,851,144 Common Shares arising on conversion of 2,243,750 Series A Preferred Shares, which were issued and outstanding as of that date.

(2) Includes Common Shares arising upon conversion of Series A Preferred Shares.

(3) Includes Common Shares arising upon conversion of Series A Preferred Shares.

(4) In addition, the Fund holds Warrants to purchase 1,381,717 Common Shares, which are not reflected in this table.

(5) In addition, Camden's related parties hold Convertible Promissory Notes convertible into 3,697,591 Common Shares, which are not reflected in this table.

(6) Includes 22,000 shares held by BDP Realty Associates, LLC in which Mr. Beck holds a one-third membership interest. In addition, Mr. Beck holds stock options to purchase an aggregate of 1,072,991 Common Shares, which are not reflected in this table.

(7) In addition, Mr. Arad holds stock options to purchase an aggregate of 446,865 Common Shares, which are not reflected in this table.

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders  
of Planet Payment, Inc

We have audited the accompanying consolidated balance sheets of Planet Payment, Inc. and its subsidiaries (the "Company"), as of December 31, 2010 and 2009, and the related 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 at December 31, 2010 and 2009, 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.

*Deloitte Touche LLP*

March 21, 2011

## CONSOLIDATED BALANCE SHEETS

As of December 31, 2010 and 2009

	2010 \$	2009 \$
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	5,182,499	3,752,423
Restricted cash	1,000,000	1,000,000
Settlement assets	1,810,357	1,763,498
Accounts receivable, net	3,326,111	1,868,713
Prepaid expenses and other assets	638,953	271,850
Inventory	-	1,028,305
<b>Total current assets</b>	<b>11,957,920</b>	<b>9,684,789</b>
<b>Other assets:</b>		
Property and equipment, net	1,127,768	992,633
Intangible assets, net	5,714,838	4,873,263
Security deposits and other assets	245,281	297,528
<b>Total other assets</b>	<b>7,087,887</b>	<b>6,163,424</b>
<b>Total</b>	<b>19,045,807</b>	<b>15,848,213</b>
<b>Liabilities and stockholders' equity (deficit)</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	1,086,918	855,150
Due to merchants	2,294,252	1,763,498
Current portion of long-term debt	808,288	4,742,817
<b>Total current liabilities</b>	<b>4,189,458</b>	<b>7,361,465</b>
<b>Long-term liabilities:</b>		
Long-term debt, less current portion	125,053	56,476
Convertible debt	8,979,926	8,979,926
<b>Total long-term liabilities</b>	<b>9,104,979</b>	<b>9,036,402</b>
<b>Total liabilities</b>	<b>13,294,437</b>	<b>16,397,867</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders' equity (deficit)</b>		
Convertible preferred stock – 4,000,000 shares authorized, \$0.01 par value:		
Series A – 2,243,750 issued and outstanding in 2010 and 2009; \$8,975,000 aggregate liquidation preference		
	22,438	22,438
Common stock – 70,000,000 shares authorized, \$0.01 par value, 46,068,496 and 39,170,213, respectively, issued and outstanding in 2010 and 2009		
Warrants	460,684	391,701
Additional paid-in capital	1,607,723	1,517,982
Cumulative translation adjustment	83,459,133	73,969,455
Accumulated deficit	(27,600)	-
	(79,771,008)	(76,451,230)
<b>Total stockholders' equity (deficit)</b>	<b>5,751,370</b>	<b>(549,654)</b>
<b>Total</b>	<b>19,045,807</b>	<b>15,848,213</b>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS  
For the years ended December 31, 2010 and 2009

	2010 \$	2009 \$
<b>Revenue:</b>		
Multi-currency processing revenue	52,073,798	33,322,683
Processing revenue	12,523,883	13,817,675
Professional services revenue	56,044	114,348
<b>Total revenue</b>	<b>64,653,725</b>	<b>47,254,706</b>
<b>Cost of sales:</b>		
Multi-currency processing cost of sales	34,100,561	20,725,949
Processing cost of sales	10,035,070	10,197,993
Professional services cost of sales	16,570	38,893
<b>Total cost of sales</b>	<b>44,152,201</b>	<b>30,962,835</b>
<b>Gross profit</b>	<b>20,501,524</b>	<b>16,291,871</b>
<b>Operating expenses:</b>		
Compensation and benefits	12,191,830	10,365,438
Professional fees	2,135,413	2,247,626
Depreciation and amortization	1,672,423	1,456,042
Technology	1,222,224	1,229,888
Travel and entertainment	1,217,979	763,992
Facilities	1,644,800	1,552,401
Provision for doubtful accounts	(536,707)	14,997
Other	2,027,250	1,255,993
<b>Total operating expenses</b>	<b>21,575,212</b>	<b>18,886,377</b>
<b>Loss from operations</b>	<b>(1,073,688)</b>	<b>(2,594,506)</b>
<b>Other income (expense):</b>		
Interest income	429	18,702
Interest expense	(1,134,786)	(1,189,843)
Impairment charge on inventory	(1,108,514)	-
<b>Total other expense, net</b>	<b>(2,242,871)</b>	<b>(1,171,141)</b>
<b>Loss from continuing operations</b>	<b>(3,316,559)</b>	<b>(3,765,647)</b>
<b>Loss from discontinued operations</b>	<b>-</b>	<b>(257,596)</b>
<b>Loss before provision for income taxes</b>	<b>(3,316,559)</b>	<b>(4,023,243)</b>
<b>Provision for income taxes</b>	<b>3,219</b>	<b>4,095</b>
<b>Net loss</b>	<b>(3,319,778)</b>	<b>(4,027,338)</b>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2010 and 2009

	2010 \$	2009 \$
<b>Cash flows from operating activities:</b>		
Net loss	(3,319,778)	(4,027,338)
<b>Adjustments to reconcile net loss to net cash (provided by) used in operating activities:</b>		
Non-cash compensation expense	739,990	1,213,659
Depreciation and amortization expense	1,672,423	1,456,042
(Recovery) provision for doubtful accounts	(36,707)	14,997
Impairment charge for inventory	1,108,514	-
Impairment of note receivable, net	-	212,629
Interest expense accrued on notes payable	-	34,174
Interest expense on convertible debt	808,193	808,193
Interest expense accrued on long-term debt	324,444	337,926
Warrants issued as payment of legal fees	89,741	-
Property and equipment write-off	1,114	-
<b>Changes in operating assets and liabilities:</b>		
Increase in settlement assets	(46,859)	(453,130)
Increase in receivables and prepaid expenses	(1,787,795)	(229,105)
Decrease (increase) in inventory	(80,209)	194,225
Decrease (increase) in security deposits	52,247	(110,570)
Increase (decrease) in accounts payable and accrued expenses	231,769	(797,452)
Increase in due to merchants	530,755	453,130
Decrease in due to affiliates	-	(7,430)
<b>Net cash provided by (used in) operating activities</b>	<b>287,842</b>	<b>(900,050)</b>
<b>Cash flows from investing activities:</b>		
Increase in restricted cash	-	(495,267)
Purchase of property and equipment	(525,619)	(184,544)
Capitalized internal projects	(1,650,268)	(1,386,777)
Purchase of intangible assets	(474,360)	(617,628)
<b>Net cash used in investing activities</b>	<b>(2,650,247)</b>	<b>(2,684,216)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of common stock	6,030,002	6,999,159
Proceeds from convertible debt	-	350,000
Proceeds from loan payable	223,965	119,449
Repayment of loan payable	(89,917)	(20,157)
Payment of capital-raising expense	(343,969)	(368,134)
Repayment of long-term debt	(2,000,000)	-
<b>Net cash provided by financing activities</b>	<b>3,820,081</b>	<b>7,080,317</b>

	2010 \$	2009 \$
Effect of changes in exchange rates on cash and cash equivalents	(27,600)	9,523
Increase in cash and cash equivalents	1,430,076	3,505,575
Cash and cash equivalents – Beginning of year	3,752,423	246,848
Cash and cash equivalents – End of year	5,182,499	3,752,423
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	30,850	9,549
Income taxes paid	142	2,917
<b>Supplemental disclosure of non-cash financing and investment activities:</b>		
Convertible debt converted to common stock	-	450,000
Common stock issued to pay accrued interest	1,132,638	1,519,336
Common stock issued as payment of accounts payable	-	34,125
Warrants issued as payment of accounts payable	89,741	231,366
Common stock issued for stock options exercised (net exercise method)	19,661	-
Common stock issued for warrants exercised	2,000,000	-
Reduction of long-term debt through exercise of warrants	(2,000,000)	-

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)  
For the years ended December 31, 2010 and 2009

	Preferred Stock \$0.01 Par value – 4,000,000 Shares Authorized Series A		Common Stock \$0.01 Par value – 70,000,000 Shares Authorized					Total Stockholders' Equity (Deficit) \$	
	Shares Issued	Par Value \$	Shares Issued	Par Value \$	Additional Paid-in Capital \$	Warrants \$	Accumulated OCI \$		Accumulated Deficit \$
<b>Balance – December 31, 2008</b>	<b>2,243,750</b>	<b>22,438</b>	<b>26,931,007</b>	<b>269,310</b>	<b>64,243,699</b>	<b>1,286,617</b>		<b>(72,423,892)</b>	<b>(6,601,828)</b>
Stock issued			12,239,206	122,391	8,512,097				8,634,488
Options exercised									-
Value of warrants issued						231,366			231,366
Stock option expense					1,213,659				1,213,659
Net loss								(4,027,338)	(4,027,338)
<b>Balance – December 31, 2009</b>	<b>2,243,750</b>	<b>22,438</b>	<b>39,170,213</b>	<b>391,701</b>	<b>73,969,455</b>	<b>1,517,983</b>		<b>(76,451,230)</b>	<b>(549,653)</b>
Stock issued			5,357,897	53,579	6,765,090				6,818,669
Warrants exercised			1,526,718	15,267	1,984,733				2,000,000
Options exercised			13,668	137	(137)				-
Value of warrants issued						89,740			89,740
Stock option expense					739,992				739,992
Cumulative translation adjustment								(27,600)	(27,600)
Net loss								(3,319,718)	(3,319,718)
<b>Balance – December 31, 2010</b>	<b>2,243,750</b>	<b>22,438</b>	<b>46,068,496</b>	<b>460,684</b>	<b>83,459,133</b>	<b>1,607,723</b>	<b>(27,600)</b>	<b>(79,771,008)</b>	<b>5,751,370</b>

See notes to consolidated financial statements.

## NOTES

### 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 processors, acquiring banks and their merchants to accept, process, and reconcile credit card transactions in multiple currencies, allowing cardholders to view prices and settle transactions in their native currency. The **Pay in Your Currency®** service is the Company’s suite of multi-currency processing solutions, which includes a multi-currency pricing e-commerce service and a Dynamic Currency Conversion service. Through the **iPAY®** gateway, the Company also offers comprehensive Internet processing solutions for credit card and electronic check payments.

On March 20, 2006, the Company’s common shares were admitted to trading on the London Stock Exchange’s Alternative Investment Market (AIM) market. On November 19, 2008, the Company’s common shares were also admitted to trading on the OTCQX market tier operated by Pink OTC Markets, Inc in the United States.

The Company is a registered third-party processor for acquiring banks under Visa, MasterCard, Discover, American Express and JCB card association rules. Visa and MasterCard operating regulations require the Company to be sponsored by an acquirer in order to process card transactions; the Company has third party processor agreements with American Express and JCB. The Company is currently registered with Visa and MasterCard for each bank with which it has a processing agreement. Accordingly, although not a member of either card association (all members are banks), the Company is required to comply with all applicable card association rules.

**Principles of Consolidation** — The consolidated financial statements include the accounts of the Company, one wholly owned U.S. subsidiary and seven wholly owned foreign subsidiaries located in Bermuda, Canada, Hong Kong, Ireland, Isle of Man, The People’s Republic of China and Singapore. All inter-company accounts and transactions are eliminated on consolidation.

**Foreign Currency Translation** — Statement of operations accounts are translated at the average exchange rates during the period, such adjustments are included in net loss. Assets and liabilities are translated at the balance sheet date exchange rates. Such amounts are reflected in accumulated other comprehensive income.

**Cash and Cash Equivalents** — Cash and cash equivalents consist of cash and highly liquid instruments purchased with an original maturity of three months or less.

**Accounts Receivable** — The Company evaluates the collectability of its accounts receivable based on a combination of factors. In cases where the Company is aware of circumstances that may impair a specific customer’s ability to meet its financial obligations, an allowance is recorded against amounts due thereby reducing the net recognized receivable to the amount that the Company reasonably believes will be collected. For all other customers, the Company recognizes an allowance for doubtful accounts based on the length of time the receivables are past due, the current business environment and historical experience. As of December 31, 2010 and December 31, 2009, the Company has included an allowance for doubtful accounts of approximately \$1.4 million and \$1.9 million due to certain receivables being subject to litigation (see note 13).

**Inventory** — Certain payments made to Servebase Computers, Ltd. (“Servebase”) have been applied to the purchase of software licenses for resale. The licenses are for a point-of-sale credit card application that has been customized to the Company’s specifications, in order to support the Company’s multi-currency applications. Inventory is valued at the lower of cost or market price. Market price is estimated based on anticipated sales of licenses. The Company performs an annual impairment test comparing the estimated fair value of the inventory to the carrying value. Based on the results of the impairment test, an impairment charge of \$1,108,514 was recorded for the year ended December 31, 2010.

**Property and Equipment** — Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Equipment	5 years
Hardware	5 years
Software	5 years
Furniture and fixtures	5–7 years

Leasehold improvements are amortized using the straight-line method over the lesser of the estimated useful life of the assets or the term of the underlying lease arrangements.

Expenditures for maintenance and repairs, which do not improve or extend the useful life of the respective asset, are charged to expense as incurred.

## NOTES

(continued)

**Intangible Assets** — Intangible assets are recorded at cost less accumulated amortization. Intangible assets are being amortized on a straight-line basis over their estimated lives, as follows:

Software	5 years
Trademarks and patents	15 years
Capitalized projects	5 years
Customer contracts	5 years

The Company performs an annual impairment test comparing the estimated fair value of the intangibles to their carrying value. No impairment was recorded for the years ended December 31, 2010 and 2009.

The Company follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 350, Intangibles, Goodwill and Other ("ASC 350"). The Company develops software that is used in providing processing services to customers. Software development costs are capitalized once technological feasibility of the software has been established. Costs incurred prior to establishing technological feasibility are expensed as incurred. Technological feasibility is established when the Company has completed all planning, designing, coding and testing activities that are necessary to determine that a product can be produced to meet its design specifications, including functions, features and technical performance requirements. Capitalization of costs ceases when the product is available for general use. Software development costs are amortized using the straight-line method over the estimated useful life of the software, which is generally five years. During the years ended, December 31, 2010 and 2009, the amount capitalized was \$1,650,268 and \$1,386,777, respectively.

**Security Deposits** — Security deposits are primarily held by landlords to cover rental obligations and are included in security deposits and other assets in the consolidated balance sheets.

**Restricted Cash** — Restricted cash is primarily held by processing partners where the Company holds a share of underwriting risk and for other potential liabilities under processing.

**Due to Merchants** — Due to merchants represents funds collected on behalf of merchants using the iPAY gateway ACH product. The funds are generally held for an average of three days before payment to the merchant and are included in current liabilities in the consolidated balance sheets.

**Use of Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include valuation of stock options and warrants, provision for doubtful accounts, asset capitalization and impairment testing. Actual results could differ from those estimates.

**Revenue Recognition** — Processing revenue is based on the mark up and fees charged to customers for services provided in facilitating the sale of goods and services by means of credit and debit cards and does not include the gross sales price paid by the ultimate buyer. Revenues are recorded on a gross basis and offset by the associated costs of sales and are recognized at the time of settlement of the transactions.

Revenue from multi-currency processing is based on the margin earned on the conversion of credit and debit card transactions from one currency into another currency. Multi-currency conversion revenue is recognized when the settlement proceeds of relevant card transactions are paid by the Card Associations to the relevant acquiring bank, with which the Company undertakes the multi-currency processing service.

Certain members of the Company's point-of-sale software development team provide external development and consulting services to third parties under the name Planet Technology Services (PTS). The revenue associated with PTS is principally time and materials consulting revenue that is recognized when earned and invoiced.

**Income Taxes** — The Company accounts for income taxes in accordance with FASB ASC 740, Income Taxes, which requires the recognition of deferred income taxes for differences between the bases of assets and liabilities for financial statement and income tax purposes. Deferred tax assets and liabilities represent the future tax consequence for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

**Fair Value of Financial Instruments** — FASB ASC 825, Financial Instruments, requires certain disclosures regarding the fair value of financial instruments. Cash and cash equivalents, receivables, debt, accounts payable, due to merchants, accrued expenses and amounts due to affiliates are reflected in the consolidated financial statements at cost which approximates fair value because of the short-term nature of these instruments. The carrying value of the short term portion of the long-term and convertible debt approximates fair value primarily due to the short-term nature of the debt and because the interest rates applicable to the debt are consistent with current market rates.

**Stock Incentive Plan** — FASB ASC 718, Compensation – Stock Compensation (“ASC 718”) requires compensation cost related to share-based payments to employees to be recognized in the consolidated financial statements based on the grant date fair value. The Company uses the Black-Scholes option-pricing model to estimate the grant fair value of stock option award. The Company recognizes the fair value of the award over the period during which an employee is required to provide service in exchange for the award. (See Note 10 for disclosure on the Company’s stock incentive plan).

**Warrants** — The Company has issued detachable warrants to purchase common shares as part of certain debt instruments. These warrants have been accounted for as equity in accordance with the provisions of ASC 470-20, Debt with Conversion and Other Options. (See note 11 for disclosure on the Company’s warrents).

**Recently Adopted Accounting Pronouncements** — In June 2009, the FASB issued The FASB Accounting Standards Codification™ (the Codification) which became the single authoritative U.S. accounting and reporting standards applicable for all nongovernmental entities, with the exception of guidance issued by the Securities and Exchange Commission (SEC). The Codification does not change current U.S. GAAP, but changes the referencing of financial standards, and is intended to simplify user access to authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. The Codification is effective for interim and annual periods ending after September 15, 2009, and was effective for our third quarter of 2009. At that time, all references made to U.S. GAAP used the new Codification numbering system prescribed by the FASB.

The Codification does not change or alter existing U.S. GAAP and did not have any impact on our consolidated financial position, cash flows, or results of operations.

In May 2009, the FASB issued ASC 855, Subsequent Events (“ASC 855”). ASC 855 introduces the concept of financial statements being available to be issued and requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. ASC 855 is effective for reporting periods ending after June 15, 2009. The Company adopted ASC 855 on June 30, 2009 and its subsequent amendment in February 2010. Adoption of ASC 855 did not have a material impact on the Company’s consolidated financial statements.

NOTES  
(continued)

**2. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES**

A summary of receivables by major class is as follows at December 31, 2010 and 2009:

	2010 \$	2009 \$
Accounts receivable from banks and processors	4,677,856	3,750,407
Accounts receivable from others	2,945	9,703
Total accounts receivable	4,680,801	3,760,110
Less allowance for doubtful accounts	1,354,690	1,891,397
Accounts receivable, net	3,326,111	1,868,713

A summary of the activity in the allowance for doubtful accounts for the years ended December 31, 2010 and 2009 is as follows:

	2010 \$	2009 \$
Beginning balance	1,891,397	1,876,400
(Decreases) additions to allowance	(536,707)	14,997
Ending balance	1,354,690	1,891,397

Prepaid expenses and other assets as of December 31, 2010 and 2009 of \$638,953 and \$271,850, respectively included costs attributable to the Company's support and service agreements.

**3. PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2010 and 2009 consisted of the following:

	2010 \$	2009 \$
Equipment	700,087	592,627
Computer hardware	1,635,810	1,246,602
Furniture and fixtures	178,080	174,138
Leasehold improvements	355,123	331,228
Subtotal	2,869,100	2,344,595
Less accumulated depreciation	1,741,332	1,351,962
Property and equipment, net	1,127,768	992,633

Depreciation expense amounted to \$389,370 and \$371,062 during the years ended December 31, 2010 and 2009, respectively. During 2010 and 2009 the Company had additions totaling \$525,619 and \$184,544 and dispositions totaling \$1,114 and \$34,694 respectively.

#### 4. INTANGIBLE ASSETS

Intangible assets at December 31, 2010 and 2009:

	2010 \$	2009 \$
<b>Software:</b>		
Costs	4,135,263	3,740,522
Less accumulated amortization	2,707,923	2,276,238
	1,427,340	1,464,284
<b>Trademarks and patents:</b>		
Costs	661,379	581,760
Less accumulated amortization	149,375	105,834
	512,004	475,926
<b>Capitalized projects:</b>		
Costs	4,554,490	2,904,222
Less accumulated amortization	1,212,673	578,317
	3,341,817	2,325,905
<b>Customer contracts:</b>		
Costs	867,354	876,354
Less accumulated amortization	433,677	260,206
	433,677	607,148
<b>Intangible assets, net</b>	<b>5,714,838</b>	<b>4,873,263</b>

The Company purchases third party software for use in its business. The costs of these purchases are capitalized as software. For 2010 and 2009, the amount purchased and capitalized was \$394,742 and \$496,309 respectively.

The Company incurs legal and government application and registration fees which are capitalized as trademark and patent costs. For 2010 and 2009, the amount capitalized was \$79,619 and \$121,305.

The capitalized projects met the characteristics of internal use software as set forth in Statement of ASC 350-40, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use. Amounts capitalized are based on actual development hours incurred and the developers' average hourly rate and directly related expenses. During 2010 and 2009, the amount capitalized was \$1,650,268 and \$1,386,777.

Amortization expense for the years ended December 31, 2010 and 2009 was \$1,283,053 and \$1,084,966, respectively.

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

2011	\$1,583,515
2012	\$1,402,343
2013	\$1,051,251
2014	\$723,383
2015	\$394,417

NOTES  
(continued)

**5. LONG TERM DEBT**

Long term debt at December 31, 2010 and 2009 consisted of the following:

	2010 \$	2009 \$
8% Note payable to Inter-Atlantic Fund, L.P. due November 30 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. 1,526,718 of those warrant shares were exercised at November 30, 2010 and the note was repaid in full. The remaining warrant was extended to 2015.	-	4,000,000
Capital leases to various lessors secured by financed equipment and software with interest rates ranging from 9.29% to 20.04% Principal and interest payable monthly through January 2014	233,341	99,293
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
	933,341	4,799,293
Less current portion	808,288	4,742,817
<b>Long-term portion</b>	<b>125,053</b>	<b>56,476</b>

In June 2006 the Company received a request for repayment of the \$700,000 of 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.

Total interest expense related to long-term debt for the years ended December 31, 2010 and 2009 was \$326,593 and \$337,926, respectively. Accrued interest payable for the twelve months ended November 30, 2010 and 2009 was subsequently paid through the issuance of 255,625 common shares in 2010 and 521,745 common shares in 2009 (See Note 12).

**6. CONVERTIBLE DEBT**

In February 2007, the Company issued a \$5 million five-year term note convertible into 2,272,727 common shares as part of a \$7.6 million private placing which included the issuance of 1,141,491 new common shares at a price of \$2.28 per share (equivalent to £1.16 per share). The note carries an interest rate of 8% per annum and is convertible at any time at the option of the Noteholders, or automatically upon the achievement by the Company of certain milestones, namely a qualified U.S. initial public offering (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, but at the Company's sole option, interest payments through December 31, 2008, totaling \$811,057 were capitalized and added to the principal amount. Also, at the Company's election, subject to specified conditions, at any time after January 1, 2009, interest may be payable in the form of common shares at the fair market value. As a result of the \$100,000 convertible note referred to below, the interest rate increased to 9% per annum.

In April 2008, concurrent with the iPay acquisition, the Company issued a \$3 million convertible promissory note, with a four-year term, convertible into 1,333,333 common shares at a conversion price of \$2.25 per share. The note carried an interest rate of 8% per annum and is convertible at any time at the option of the Noteholders, or automatically upon the achievement of certain milestones, namely a qualified U.S. IPO or the achievement of certain liquidity and market value in the trading of the Company's common shares. Interest is payable semi-annually commencing June 30, 2008, but at the Company's sole option, interest payments through December 31, 2008, totaling \$168,870 were capitalized and added to the principal amount. Also, at the Company's election, subject to specified conditions, at any time after January 1, 2009, interest may be payable in the form of common shares at the fair market value. As a result of the \$100,000 convertible note referred to below, the interest rate increased to 9% per annum.

In December 2008, the Company issued a \$100,000 convertible promissory note, with a five year term, convertible into 100,000 common shares at a conversion price of \$1.00 per share, to an existing shareholder. The Noteholder also received 25,000 warrants at an exercise price of \$1.00. In January and February 2009, the Company issued \$350,000 in convertible promissory notes, with a five-year term, convertible into 350,000 common shares at a conversion price of \$1.00 per share, to existing shareholders. The Noteholders also received 87,500 warrants at an exercise price of \$1.00. The Company could prepay the unpaid balance of the Notes at any time on or after July 31, 2009 (First Measurement Date) without prior consent of the Noteholders and without penalty. As a result of the March 2009 private placing, the conversion price of the Notes and the exercise price under the Warrants were adjusted to \$0.45. The Notes carried an interest rate of 8% per annum. The Notes were convertible at any time at the option of the Noteholders. Interest was payable upon the First Measurement Date, but at the Company's sole option, interest payments through July 31, 2009 totaling \$18,613 were capitalized and added to the principal amount. The Noteholders exercised their rights to convert the principal amount and all accrued interest under the notes to an aggregate of 1,076,283 common shares as of December 31, 2009 and the notes were discharged as paid in full as of that date.

Convertible debt as of December 31, 2010, was comprised of the following:

Principal \$	Accrued Capitalized Interest \$	Total Convertible Debt \$	Maturity Date	Interest Rate	Conversion Price \$
5,000,000	811,056	5,811,056	February 7, 2012	9%	2.20
3,000,000	168,870	3,168,870	April 21, 2012	9%	2.25
8,000,000	979,926	8,979,926			

Convertible debt as of December 31, 2009, was comprised of the following:

Principal \$	Accrued Capitalized Interest \$	Total Convertible Debt \$	Maturity Date	Interest Rate	Conversion Price \$
5,000,000	811,056	5,811,056	February 7, 2012	9%	2.20
3,000,000	168,870	3,168,870	April 21, 2012	9%	2.25
8,000,000	979,926	8,979,926			

Total interest expense related to convertible debt for the years ended December 31, 2010 and 2009 was \$808,193 and \$842,367, respectively. In July 2009, the Company issued 609,679 new common shares at a price of £0.40 per share (approximately \$0.66) and as of December 31, 2009 the Company issued a further 240,187 new common shares at a price of £1.05 per share (approximately \$1.70) in payment of such interest on the notes. As of June 30, 2010 the Company issued 303,371 new common shares at a price of £0.89 per share (approximately \$1.32) and as of December 31, 2010 the Company issued a further 298,901 new common shares at a price of £0.875 per share (approximately \$1.36) in payment of such interest on the notes.

NOTES  
(continued)

## 7. JOINT VENTURE / DISCONTINUED OPERATION

In January 2008, the Company terminated its joint venture with JourneyPay Limited by mutual agreement. As a result, in 2009 the Company no longer contributed 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. In November 2008, the Company entered into an amendment Agreement and sold its interest in the joint venture to JourneyPay Limited for consideration of a note receivable in the amount of \$212,629 repayable with interest at a rate of 7% per annum over a period of approximately five years. This note receivable (including accrued interest) in the amount of \$257,596 was subsequently written off as uncollectable in 2009 and is included in the Loss from discontinued operations.

## 8. OTHER OPERATING EXPENSE

The other operating expense is comprised of insurance, telecommunications, general & administrative and marketing expenses which for the years ended December 31, 2010 and 2009 totaled \$2,027,250 and \$1,255,993.

## 9. RELATED-PARTY TRANSACTIONS

During the years ended December 31, 2010 and 2009, the Company incurred the following general and administrative expenses to two affiliated companies that are principally owned by executives, directors or stockholders of the Company (Synergy Corporate Technologies Ltd, and BDP Realty Associates LLC):

	2010 \$	2009 \$
Rent	493,037	463,936
Consulting/Professional fees	21,291	-

Rent expense is included in the facilities expense on the consolidated statement of operations.

## 10. STOCK INCENTIVE PLAN

The Board of Directors and Stockholders approved a new equity incentive plan ("2006 Equity Incentive Plan" or "Plan") in January 2006. The Remuneration Committee of the Board of Directors (the "Committee") administers the Plan. Employees and certain contractors, who in the judgment of the Committee render significant service to the Company, are eligible to participate.

Under the terms of the Plan, participants may be granted restricted shares or options to purchase the Company's common stock at the fair market value on the date the option is granted. Options granted generally vest equally over three years and expire ten years after the grant date. At December 31, 2010 and December 31, 2009, a total of 7,301,883 and 6,793,299 shares, respectively, were reserved for issuance under the Plan. No restricted shares have been issued as of December 31, 2010 and of the stock options granted in 2009 and 2010, none were at a strike price lower than the market price at the time of the grant. At December 31, 2010, 983,504 common shares remained available for future stock option and restricted stock awards under the Plan.

Stock option plan activity for the years ended December 31, 2010 and 2009 was as follows:

	Options	Weighted Average Exercise Price \$
<b>Balance – January 1, 2009</b>	<b>6,851,397</b>	<b>2.44</b>
Granted	348,500	1.52
Exercised	-	-
Cancelled	(229,139)	2.46
Forfeited	(177,459)	3.01
<b>Balance – December 31, 2009</b>	<b>6,793,299</b>	<b>2.36</b>
Granted	1,306,678	1.95
Exercised	(13,668)	0.77
Cancelled	(626,594)	2.86
Forfeited	(157,832)	2.08
<b>Balance – December 31, 2010</b>	<b>7,301,883</b>	<b>2.25</b>
<b>Options exercisable at December 31, 2009</b>	<b>5,535,148</b>	<b>2.32</b>
<b>Options exercisable at December 31, 2010</b>	<b>5,942,540</b>	<b>2.33</b>

## Options Outstanding at December 31, 2010

Exercise Price \$	Number Outstanding	Weighted Average Exercise Price \$	Weighted Average Remaining Life (Years)	Number Exercisable
4.40	66,667	4.40	0.8	66,667
4.00	50,000	4.00	4.1	50,000
3.07	75,000	3.07	6.7	75,000
3.05	18,000	3.05	7.0	18,000
3.01	753,995	3.01	6.5	753,995
2.88	643,055	2.88	5.9	643,055
2.53	325,000	2.53	5.6	325,000
2.50	2,552,203	2.50	4.0	2,536,703
2.13	932,678	2.13	9.2	31,178
1.75	10,000	1.75	8.9	3,333
1.70	75,000	1.70	9.0	25,000
1.65	200,000	1.65	8.9	66,667
1.30	120,000	1.30	9.4	-
1.28	99,000	1.28	8.8	99,000
1.24	115,000	1.24	9.8	-
1.20	1,166,285	1.20	7.1	1,148,942
0.60	100,000	0.60	1.4	100,000
	<b>7,301,883</b>	<b>2.25</b>		<b>5,942,540</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.

FASB ASC 718 requires compensation cost related to share-based payments to employees to be recognized in the financial statements based on the grant date fair value over the period during which an employee is required to provide service in exchange for the award. For the year ended December 31, 2010, the Company incurred total share-based expense of \$739,992; \$649,152 related to employee compensation and \$ 90,840 related to non-employee directors. For the year ended December 31, 2009, the Company incurred total share-based expense of \$1,213,659; \$1,096,588 related to employee compensation and \$117,071 related to non-employee directors. As of December 31, 2010, the total remaining unrecognized compensation expense related to the Company's unvested stock options was \$805,248. This unrecognized compensation expense is expected to be recognized over a weighted-average period of one year.

For awards granted in 2010 and 2009, the Company used the Black-Scholes model for valuation. Assumptions, including volatility, term and risk-free rate, utilized in the model were provided by or confirmed by an independent entity. Since the Company had little historical information regarding the volatility of its share price, estimated volatility was based on the historic volatility of comparative companies from the same industry. 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 ASC Topic 14, Share-Based Payment, 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 years ended December 31, 2010 and 2009 was:

Award Date	May 2009	October 2009	November 2009	December 2009
Exercise price (\$)	1.20	1.28	1.65	1.75
Implied volatility (%)	36.5 – 36.8	36.17	36.15	35.43
Expected term (years)	5.6 – 6.0	5.5	6.0	5.8
Risk-free rate (%)	2.31 – 2.47	2.57	2.40	2.47
Fair value per share of option (\$)	0.10 – 0.11	0.48	0.64	0.66

Award Date	January 2010	April 2010	May 2010	June 2010	November 2010	December 2010
Exercise price (\$)	1.70	2.13	2.13	1.30	1.24	1.25
Implied volatility (%)	36.21	34.5 – 35.9	36.23	34.59	28.20	28.20
Expected term (years)	6.0	5 – 6	6.0	5.5	6.0	6.0
Risk-free rate (%)	3.01	2.67 – 3.04	2.56	2.22	1.59	1.82
Fair value per share of option (\$)	0.69	0.74 – 0.85	0.31	0.46	0.38	0.39

NOTES  
(continued)

**11. WARRANTS**

The Company had outstanding warrants to purchase 2,119,312 shares of common stock as of December 31, 2010, in addition to the stock options granted under the stock incentive plan.

Warrant activity for the years ended December 31, 2010 and 2009 was as follows:

	Warrants	Weighted Average Exercise Price \$
<b>Balance – January 1, 2009</b>	<b>4,526,399</b>	<b>1.57</b>
Granted	149,198	0.37
Exercised	-	-
Cancelled	(890,269)	1.73
<b>Balance – December 31, 2009</b>	<b>3,785,328</b>	<b>1.50</b>
Granted	23,931	0.25
Exercised	(1,541,924)	1.30
Cancelled	(148,023)	1.29
<b>Balance – December 31, 2010</b>	<b>2,119,312</b>	<b>1.64</b>
<b>Warrants exercisable – December 31, 2009</b>	<b>3,785,328</b>	<b>1.50</b>
<b>Warrants exercisable – December 31, 2010</b>	<b>2,119,312</b>	<b>1.64</b>

**Warrants Outstanding at December 31, 2010**

Exercise Price \$	Number Outstanding	Weighted Average Exercise Price \$	Weighted Average Remaining Life (Years)	Number Exercisable
0.25	221,104	0.25	3.4	221,104
0.45	112,500	0.45	3.3	112,500
1.31	1,381,717	1.31	4.5	1,381,717
2.50	220,903	2.50	2.8	220,903
5.50	183,088	5.50	2.8	183,088
	<b>2,119,312</b>	<b>1.64</b>		<b>2,119,312</b>

During the years ended December 31, 2010 and 2009, the Company issued 23,931 and 61,698 warrants respectively with an exercise price of \$0.25 per share as partial payment for legal services rendered and recognized an expense of \$89,741 and \$231,365 respectively. These expenses are included in professional fees on the Consolidated Statements of Operations. The Company also issued detachable warrants to purchase common shares as part of certain debt instruments (See Note 6).

## 12. CAPITAL STOCK

During the year ended December 31, 2009, the Company issued 521,745 new common shares, in payment of \$676,816 of accrued interest upon long-term debt.

During the year ended December 31, 2009, the Company issued 849,866 new common shares, in payment of \$808,193 of accrued interest upon the convertible debt, which remains outstanding as of December 31, 2010.

The Company issued 1,076,283 new common shares, in payment of \$484,327 of principal and accrued interest on the convertible debt, which was converted and discharged as of December 31, 2009.

On March 16, 2009, the Company completed a private placing of 6,659,000 new common shares at a price of £0.32 per share (approximately \$0.45 per share) raising approximately \$3 million (before expenses). The common shares were issued to institutional and other investors. The net proceeds of this private placing provided additional working capital.

In May 2009, a director was issued 56,312 new common shares at a price of £0.40 (approximately \$0.61 per share) in lieu of payments of director's fees owed to him for past services.

On November 4, 2009, the Company completed a private placing of 3,076,000 new common shares at a price of \$1.30 per share (approximately £0.80 per share) raising approximately \$4 million (before expenses). The common shares were issued to institutional and other investors. The net proceeds of this private placing provided additional working capital.

During the year ended December 31, 2010 the Company issued 255,625 new common shares in payment of \$324,444 of accrued interest upon long term debt. During the year ended and as of December 31, 2010, the Company issued 602,272 new common shares in payment of \$808,194 of accrued interest upon the convertible debt, which remains outstanding as of December 31, 2010.

The Company issued 1,526,718 new common shares upon exercise of warrants for \$2 million and repaid in cash the \$2 million balance of principal on the long-term debt, which was discharged as of November 30, 2010. The remaining warrant was extended to 2015.

During the year ended December 31, 2010 the Company issued 13,668 new common shares upon exercise of employee stock options granted pursuant to the 2006 Equity Incentive Plan.

On October 22, 2010 the Company completed a private placing of 4,500,000 new common shares at a price of £0.85 (\$1.34 per share) raising approximately \$6.03 million (before expenses). The common shares were issued to institutional investors. The net proceeds of the private placing provided additional working capital and were used to pay off long-term debt.

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

**Series A Convertible Preferred Stock** — The Series A preferred stock had the following rights as of December 31, 2010:

**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. The Series A preferred stock are convertible into 6,851,144 shares of common stock and the voting, dividend and distribution rights are determined on an "as converted" basis.

**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.

### 13. 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:

2011	\$1,479,857
2012	\$846,800
2013	\$826,475
2014	\$527,491
Thereafter	\$1,057,270

Rental expense amounted to \$1,243,621 and \$1,284,851 during the years ended December 31, 2010 and 2009, respectively. Rent is included in facilities expense on the Consolidated Statement of Operations.

**Service Agreements** – The Company has entered into seven agreements for technology, consulting and processing services expiring at various dates through 2015. Future minimum payments due on the service agreements are as follows:

2011	\$524,301
2012	\$369,722
2013	\$342,811
2014	\$308,028
2015	\$225,000

**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 certain merchants to post cash reserves with the acquirer against such liabilities and has itself paid the acquirer a security deposit in connection therewith, as shown on the consolidated balance sheets. Under FASB ASC 460, Guarantees, the Company evaluates its ultimate risk and records an estimate of potential loss for chargebacks related to merchant fraud based upon an assessment of actual historical fraud loss rates compared to recent bank card processing volume levels. No contingent liability has been recorded as of December 31, 2010 as the risk of loss is considered remote.

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. One such case was settled in 2010 resulting in proceeds to the Company of \$500,000 (before expenses).

#### 14. INCOME TAXES

The income tax provision for the years ended December 31, 2010 and 2009 consisted of the following:

	2010 \$	2009 \$
<b>Current:</b>		
Federal	-	-
State	3,219	4,095
<b>Total tax provision</b>	<b>3,219</b>	<b>4,095</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. There are no federal, state or foreign current or deferred tax liabilities.

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

	2010 \$	2009 \$
Tax benefit at statutory rate (34%)	(1,346,123)	(1,724,094)
State tax – net of federal tax benefit	3,219	4,095
Valuation allowance	1,346,123	1,724,094
	<b>3,219</b>	<b>4,095</b>

The major sources of temporary differences and their deferred tax effect at December 31, 2010 and 2009, were as follows:

	2010 \$	2009 \$
Depreciation	(738,790)	(384,892)
Stock options	1,735,678	1,484,009
Provision for doubtful accounts	455,642	637,976
Deferred asset/Net operating loss carry-forwards	23,184,156	21,838,033
<b>Total net deferred tax assets</b>	<b>24,636,686</b>	<b>23,575,126</b>
<b>Less valuation allowance</b>	<b>(24,636,686)</b>	<b>(23,575,126)</b>
<b>Net deferred tax asset</b>	<b>-</b>	<b>-</b>

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, 2010.

The foreign subsidiaries have a net operating loss in respect of which a full valuation allowance has been established.

The Company has available, at December 31, 2010, unused operating loss carry-forwards of \$64,521,718, which may be applied against future taxable income expiring in various years from 2020 through 2029.

#### 15. 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 \$250,000 as of December 31, 2010 and December 31, 2009. The Company also maintains cash balances at foreign banking institutions, which are not insured by the FDIC. At December 31, 2010 and 2009, the Company's uninsured cash balances totaled \$3,800,998 and \$2,986,036, respectively.

During the years ended December 31, 2010 and 2009, one of the Company's customers accounted for approximately 48% and 38% of the total revenue, respectively.

## 16. LOSS PER SHARE

**Computation of Loss per Common Share** – Basic loss per common share is computed using the weighted-average number of common shares outstanding during the period. Diluted 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 loss calculation is not provided, in that the results of this calculation would be anti-dilutive.

The basic loss per share is calculated on the following data:

	2010	2009
Weighted average number of common shares (for basic loss per share)	40,431,073	33,725,727
<b>Potential dilutive ordinary shares:</b>		
Preferred shares	6,851,144	6,851,144
Warrants	3,661,083	4,279,472
Stock incentive plan	7,264,204	6,605,583
Convertible debt	4,049,776	4,867,730
<b>Diluted basis</b>	<b>62,257,280</b>	<b>56,329,656</b>
Loss from continuing operations, net of tax	(3,319,778)	(3,769,742)
Loss from discontinued operations, net of tax	-	(257,596)
<b>Net loss</b>	<b>(3,319,778)</b>	<b>(4,027,338)</b>
<b>Basic loss per share</b>	<b>(0.8)</b>	<b>(0.11)</b>
<b>Basic loss per share from discontinued operations and write-off of note receivable, net</b>	<b>-</b>	<b>(0.01)</b>
<b>Basic loss per share</b>	<b>(0.08)</b>	<b>(0.12)</b>

## 17. SUBSEQUENT EVENTS

We evaluated subsequent events through March 21, 2011, the date on which these financial statements were finalized. There were no events or transactions occurring during this subsequent event reporting period that require recognition or disclosure in the financial statements.

## NON-GAAP MEASURES

The Company prepares its financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The Company also provides certain non-GAAP financial measures in this report, in order to provide investors with additional perspective of underlying business trends and results. These non-GAAP key business indicators, which include Adjusted EBITDA, cash operating expense and cash compensation expense, transaction volumes and active merchant locations, should not be considered replacements for and should be read in conjunction with the GAAP financial measures.

## RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA

	Three Months Ended December 31		Twelve Months Ended December 31	
	2010 US\$ million	2009 US\$ million	2010 US\$ million	2009 US\$ million
Net Loss	(0.6)	(0.9)	(3.3)	(4.0)
Interest expense, net	0.3	0.3	1.1	1.2
Impairment of Inventory	1.1	0.0	1.1	0.0
Depreciation and amortization	0.5	0.4	1.7	1.5
Stock compensation expense	0.2	0.2	0.8	1.2
Other expenses	0.3	0.5	0.4	0.6
<b>Adjusted EBITDA</b>	<b>1.8</b>	<b>0.5</b>	<b>1.8</b>	<b>0.5</b>

## LEGAL INFORMATION

### PLANET PAYMENT SHARES

Planet Payment's Common Shares trade on the London Stock Exchange's AIM market under the tickers "PPT" (unrestricted) and "PPTR" (Reg. S shares), with the stock price quoted in Pounds Sterling, and in the United States on the OTCQX under the ticker "PLPM", with the stock price quoted in US dollars. All shares carry the same rights and privileges but PPT shares are admitted to electronic settlement through CREST in the United Kingdom and PLPM shares through DTC in the United States, 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 United States residents, as well as residents of the United Kingdom 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 PPT/PLPM or PPTR shares, please contact us at [investors@planetpayment.com](mailto:investors@planetpayment.com).

### SPECIAL NOTE REGARDING OWNERSHIP REPORTING OBLIGATION

Holders of all Company shares are reminded that they are subject to a reporting obligation on ownership set forth in Section 7.8 of the Bylaws. This 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.

As set forth in Section 7.8(f) of the Bylaws, the Company may issue a disclosure notice to any security holder at any time and the security holder shall be obliged to respond in writing confirming such details as the disclosure notice requires within fourteen (14) days of receipt of the disclosure notice.

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.

### GENERAL DISCLAIMERS

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 Annual Report may include 'forward-looking statements'. All statements other than statements of historical facts included herein, including, without limitation, those regarding the financial position, business strategy, plans and objectives of management for future operations of both Planet Payment and its business partners, are forward-looking statements. Such forward-looking statements are based on a number of assumptions regarding Planet Payment's present and future business strategies, and the environment in which Planet Payment expects to operate in future, which assumptions may or may not be fulfilled in practice. Implementation of some or all of the new services referred to is subject to regulatory, or other third party approvals. Actual results may vary materially from the results anticipated by these forward-looking statements as a result of a variety of risk factors, including the risk that implementation, adoption and offering of the service by processors, acquirers, merchants and others may take longer than anticipated, or may not occur at all, regulatory changes and changes in card association regulations and practices; general economic risk and volume of international travel and commerce and others. Additional risks may arise with respect to commencing operations in new countries and regions of which Planet Payment is not fully aware at this time. See the Company's Annual Report for 2010, filed at [www.otcqx.com](http://www.otcqx.com) for other risk factors which investors should consider. These forward-looking statements speak only as to the date of this Annual Report 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 report 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

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### CHAIRMAN AND CEO

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### SENIOR VICE PRESIDENT AND GENERAL COUNSEL

Graham N. Arad

### NON-EXECUTIVE DIRECTORS

Cameron R.M. McColl

Jonathan Kaiden

Lady Judge

Shane Kim

### CORPORATE SECRETARY

Graham N. Arad

## PROFESSIONAL ADVISORS

### AUDITORS

Deloitte & Touche LLP

### NOMAD, DAD AND COMPANY BROKERS

Canaccord Genuity Ltd  
(Nomad in the UK)

Canaccord Genuity, Inc.  
(DAD in the US)

**UK SOLICITORS**  
Osborne Clarke

**US SECURITIES COUNSEL**  
Fenwick & West LLP

**PUBLIC RELATIONS**  
Redleaf Polhill Ltd  
(in the UK)

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### CREST DEPOSITARY

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### Exchanges

London Stock Exchange (AIM):

PPT and PPTR

Quotation in Pounds Sterling

OTCQX: PLPM

Quotation in US Dollars



London Stock Exchange AIM: PPT and PPTR  
US OTCQX: PLPM  
[www.planetpayment.com](http://www.planetpayment.com)