Planet PAYMENT®

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Planet Group, Inc.

Placing and Admission to AIM
Nominated Adviser & Broker –
Canaccord Adams Limited

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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000, who specialises in advising on the acquisition of shares and other securities.

This document is an admission document relating to Planet Group, Inc. (the ''Company'') and has been prepared in accordance with the AIM Rules. This document does not comprise a prospectus and has not been and is not subject to review by the Financial Services Authority in accordance with the Prospectus Rules.

Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Canaccord Adams Limited (''Canaccord''), 1st Floor, Brook House, 27 Upper Brook Street, London W1K 7QF from the date of this document until the date being one month after the date on which Admission takes place.

Application has been made for all of the Common Shares of the Company issued and to be issued pursuant to the Placing to be admitted to trading on the AIM market of London Stock Exchange plc (''AIM''). It is expected that Admission will become effective and that dealings will commence in the Common Shares on 20 March 2006.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with larger or more established companies tends to be attached. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority and no application has been made or is being made for the Common Shares to be admitted to any such exchange.

A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document. This document should be read in its entirety.

The Directors of the Company, whose names appear on page 3 of this document, and the Company, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors of the Company and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Your attention is drawn in particular to the section entitled ''Risk Factors'' in Part III of this document. All statements herein regarding the Company's business should be viewed in light of these risk factors.

Planet Group, Inc.

(Incorporated in the State of Delaware, USA under the General Corporation Law of the State of Delaware with registered number 3109568)

Placing of 5,600,000 Common Shares of US$0.01 each at 125p per share
and
Admission to trading on AIM
Nominated Adviser and Broker
Canaccord Adams Limited

Authorised		Share capital immediately following Admission	Issued and fully paid	
Amount	Number		Amount	Number
US$700,000	70,000,000	Common Shares of US$0.01 each	US$194,482.55	19,448,255
US$ 40,000	4,000,000	Preferred Shares of US$0.01 each	US$ 22,437.50	2,243,750*

*Convertible into 6,851,144 Common Shares

The Common Shares to be issued pursuant to the Placing (the ''Placing Shares'') will, on Admission, rank *pari passu* in all respects with all existing Common Shares, and will rank in full for all dividends and other distributions declared, made or paid on the Common Shares after Admission. References in this document to ''Placing Shares'' include both Common Shares offered pursuant to this document and Common Shares offered separately in a ''private placement'' in the U.S.

Neither the Placing Shares nor the existing Common Shares have been registered under the United States Securities Act of 1933, as amended, (''Securities Act'') or with any securities regulatory authority of any state of the United States or any other foreign jurisdiction. The Company does not currently plan to register the Placing Shares or existing Common Shares under the Securities Act. No securities commission or similar authority in any jurisdiction has in any way passed on the merits of the securities being offered hereunder and any representation to the contrary may constitute a criminal offence. The Placing is only being made in the United Kingdom and in a separate private placement in the U.S. This document does not constitute an offer to sell or the solicitation of an offer to buy Common Shares in any jurisdiction in which such offer or solicitation is unlawful. Subject to certain exceptions, the Placing Shares may not be offered or sold in the United States, Australia, Canada, Japan, the Republic of Ireland or the Republic of South Africa, or to or for the account or benefit of any national, resident or citizen of any such country or republic. Neither the Company nor Canaccord is making an offer to sell the Placing Shares in any jurisdiction where the offer or sale is not permitted.

The Placing Shares offered pursuant to this document are being offered and sold in offshore transactions exempt from the registration requirements to non-U.S. persons in reliance on Regulation S under the Securities Act. By purchasing the Placing Shares, you will be deemed to have made the acknowledgments, representations, warranties and agreements set forth under Part V of this document. The Placing Shares are subject to restrictions on transferability and resale and may not be transferred or resold in the United States or to U.S. persons except in compliance with the Securities Act. Hedging transactions involving the Placing Shares may not be conducted unless in compliance with the Securities Act. **See Part V of this document for more information.**

This document contains forward-looking statements, including statements regarding the Company's financial condition and business and trends in the credit card industry and related sectors. In addition, statements accompanied by the words ''believes,'' ''anticipates,'' ''expects,'' and similar expressions may be forward-looking statements. Such forward-looking statements are subject to risks which may cause actual results to vary materially from the results expressed or implied by such forward-looking statements. Such risks include, but are not limited to, those discussed in Part III of this document. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. Save for their obligations under the AIM Rules, the Company and the Directors do not have any obligation to update any such forward-looking statements in this document.

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Canaccord, which is authorised and regulated in the United Kingdom by the Financial Services Authority, has been appointed as the Company's Nominated Advisor and Broker for purposes of the AIM Rules and is acting exclusively for the Company in connection with the Placing and Admission. Canaccord will not be responsible to anyone other than Planet Group, Inc. for providing the protections afforded to clients of Canaccord nor for giving advice in relation to the arrangements described in this document. However, no representation or warranty, express or implied, is made by Canaccord as to the contents of this document and Canaccord disclaims any liability whatsoever for the accuracy of the information or opinions contained in this document or for the omission of any information from this document for which the Company and the Directors are solely responsible. Canaccord has not authorised the contents of this document.

None of the information available through the Company's website is incorporated in or deemed to be part of this document.

References in this document to ''the Company'' include, where appropriate, all direct and indirect subsidiaries of the Company.

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DIRECTORS, SECRETARY AND ADVISERS

Directors	Philip David Beck (*Chief Executive Officer and Chairman*)
	Graham Neil Arad (*Senior Vice President and General Counsel*)
	Paul William Noblett (*Executive Director, Strategic Initiatives*)
	Cameron Ruaridh Miller McColl (*Non Executive Director*)
	Jonathan Kaiden (*Non Executive Director*)
	All of whose addresses for business are at the Company's head office
Company Secretary	Graham Neil Arad
Head Office	670 Long Beach Boulevard, Long Beach, NY 11561
Registered Office	Corporation Trust Center, 1209 Orange Street, City of Wilmington, County of Newcastle, Delaware USA
Nominated Adviser and Broker	Canaccord Adams Limited, 1st Floor, Brook House, 27 Upper Brook Street, London W1K 7QF
Legal Counsel to the Company	As to English law:
	Osborne Clarke, One London Wall, London EC2Y 5EB
	As to United States law:
	Fenwick & West LLP, Silicon Valley Center, 801 California Street, Mountain View, California 94041
Solicitors to Nominated Adviser	DLA Piper Rudnick Gray Cary UK LLP 3 Noble Street, London EC2V 7EE
Reporting Accountants	Deloitte & Touche LLP UK, Athene Place, 66 Shoe Lane, London EC4A 3BQ
Auditors	Deloitte & Touche LLP US, Two World Financial Center, New York, NY 10281-1414
Registrars	Computershare Investor Services (Channel Islands) Limited, Ordnance House, 31 Pier Road, St. Helier, Jersey CI
Financial Public Relations	Redleaf Communications Limited, 9-13 St Andrew Street, London EC4A 3AF

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

"Admission"	admission of all of the Common Shares, issued and to be issued pursuant to the Placing, to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
"AIM"	a market operated by the London Stock Exchange
"AIM Rules"	the rules published by the London Stock Exchange governing admission to and the operation of AIM
"Board" or **"Directors"**	the directors of the Company, whose names are set out in Section 7 of Part VI of this document
"Code"	the City Code on Takeovers and Mergers
"Canaccord Warrant"	has the meaning given to such term in Section 4.7 of Part VI of this document
"Combined Code"	the revised principles of good governance and the code of best practice as appended to but not forming part of the Listing Rules of the UKLA published in July 2003 by the Financial Reporting Council
"Common Shares"	the shares of Common Stock of US$0.01 par value in the capital of the Company
"Companies Act"	the UK Companies Act 1985 (as amended)
"Company" or **"Planet Payment"**	Planet Group, Inc.
"CREST"	the computerised settlement system to facilitate the transfer of title of shares in uncertificated form, operated by CRESTCo Limited
"Current Issued Share Capital"	20,699,399 Common Shares (being the 13,848,255 Common Shares in issue on Admission (including all converted Junior Preferred Shares, 47,223 Common Shares issued to Vision III Properties LLC on Admission and 46,023 Common Shares issued on Admission to investors in the Company's financing round of November 2005 to January 2006) and assuming full conversion of the issued Series A Preferred Shares into 6,851,144 Common Shares (but, for the avoidance of doubt, such Series A Preferred Shares shall not be subject to automatic conversion on Admission) (and in relation to all of the foregoing excluding the Placing Shares)
"Deloitte & Touche LLP UK"	the UK firm, Deloitte & Touche LLP
"Deloitte & Touche LLP US"	the US firm, Deloitte & Touche LLP
"DGCL"	the Delaware General Corporation Law, as in effect on the date of this document
"Enlarged Issued Share Capital"	the Current Issued Share Capital and the Placing Shares comprising 26,299,399 Common Shares (assuming full conversion of the issued Series A Preferred Shares into 6,851,144 Common Shares)
"Exchange Act"	the United States Securities Exchange Act of 1934 (as amended)
"Financial Statements"	the audited financial statements of Planet Group, Inc. for the three years ended 31 December 2004 and the six months ended 30 June 2005
"Executive Directors"	each of Philip Beck, Graham Arad and Paul Noblett
"Group"	the Company and its subsidiary undertakings, further details of which are set out in Section 3 of Part VI of this document
"Junior Preferred Shares"	the shares of Junior Preferred Stock of US$0.01 par value in the capital of the Company
"Lock-In Shares"	in relation to shares which are subject to the lock-in arrangements set out in Section 11 of Part II of this document, means (i) all the Common Shares beneficially owned by the relevant Shareholder as at the date of execution of his lock-in agreement; (ii) all of the Common Shares arising from an exercise of any of the options or the exercise of any warrants or notes held by the relevant Shareholder to purchase Common Shares or the conversion of any Preferred Shares held by the Shareholder into Common Shares, prior to expiry of the restricted period; and (iii) any Preferred Shares or Junior Preferred

	Shares beneficially owned by the relevant Shareholder as at the date of execution of his lock-in agreement, and in all cases includes any Common Shares which the relevant Shareholder subsequently acquires in the capital of the Company which are derived from such securities, including from any consolidation, sub-division, bonus issue or rights issue. The Lock-In Shares do not include Common Shares acquired after 1 October 2005 in the pre-Admission financing rounds or any Common Shares acquired by the relevant Shareholder in open market transactions following Admission
"London Stock Exchange"	London Stock Exchange plc
"NOMAD Agreement"	the agreement dated 14 March 2006 between (1) the Company, (2) Canaccord and (3) the Directors relating to Canaccord's appointment as nominated adviser and broker to the Company, details of which are set out in Section 12.3 of Part VI of this document
"Nominated Adviser" or **"Canaccord"**	Canaccord Adams Limited, the Company's nominated adviser and broker (as defined in the AIM Rules)
"Non-executive Directors"	each of Cameron McColl and Jon Kaiden
"Official List"	the Official List of the UKLA
"Placing Agreement"	the conditional agreement dated 14 March 2006 between (1) the Company, (2) Canaccord and (3) the Directors relating to the Placing, details of which are set out in Section 12 of Part VI of this document
"Placing"	the conditional placing of the Placing Shares by Canaccord as agent on behalf of the Company at the Placing Price pursuant to the terms of the Placing Agreement
"Placing Price"	125p per Placing Share
"Placing Shares"	the 5,600,000 new Common Shares to be issued at the Placing Price by the Company pursuant to the Placing (which shall include a separate private placement of shares in the U.S.)
"Preferred Shares"	the Series A Preferred Shares
"Prospectus Rules"	the prospectus rules published by the Financial Services Authority
"Regulation S"	Regulation S promulgated under the Securities Act
"Securities Act"	the United States Securities Act of 1933 (as amended)
"Series A Preferred Shares"	the shares of Series A Preferred Stock of US$0.01 par value in the capital of the Company
"Shareholders"	holders of Common Shares and Preferred Shares
"Share Option Schemes"	the Company's 2000 Stock Incentive Plan and 2006 Equity Incentive Plan
"UK"	United Kingdom of Great Britain and Northern Ireland
"UKLA"	United Kingdom Listing Authority
"U.S." or **"United States"**	United States of America, each state thereof, its territories and possessions and the District of Columbia and all other areas subject to its jurisdiction
"U.S. GAAP"	accounting principles generally accepted in the United States of America
"U.S. person"	bears the meaning ascribed to such term by Regulation S of the Securities Act
"Warrants"	the warrant agreements issued by the Company giving each holder thereof the right to subscribe for Common Shares

GLOSSARY OF TECHNICAL TERMS

The following terms have the following meanings in this document (whether or not capitalised) except where the context otherwise requires:

Term	Meaning
Acquiring Bank, or **Acquirer**	A financial institution that is authorised by a Card Association to purchase from a Merchant charges made with a credit card. The terms also include ISOs where applicable.
Card Association	An association of financial institutions, including Acquirers and Issuing Banks, or a single financial institution which acts as both (e.g. American Express) which owns and maintains a brand-name of a credit, debit or charge product, including Visa, MasterCard, American Express, and Discover, together with a telecommunications infrastructure to settle card transactions through a network of its members and other parties and which makes rules governing the operation and use of the relevant products and settlement system.
Cardholder	A consumer or business that has entered into an arrangement with an Issuing Bank whereby the Issuing Bank extends credit to the cardholder for Charges, by means of a credit card.
Charge	A transaction involving the purchase of goods or services by a Cardholder using a credit card.
Chargeback	An involuntary debit to a Merchant's account to negate, in whole or in part, a corresponding Charge, that is made by an Acquirer based upon the failure by a Merchant to comply with the agreement between the Acquirer and the Merchant. A Chargeback generally arises from a complaint by a Cardholder to its Issuing Bank regarding a Charge appearing on the Cardholder's account.
Dynamic Currency Conversion, or **DCC**	The conversion of the currency of a credit card transaction at a Merchant's point of sale after the Customer's credit card is presented allowing a Cardholder to choose whether to complete the transaction in the Merchant's currency or the currency of the Cardholder.
FX	Foreign currency exchange or conversion.
Independent Sales Organisation, or **ISO**	A business registered with a Card Association, which offers credit card processing services to Merchants on behalf of Acquirers.
Issuing Bank, or **Issuer**	A financial institution that is authorised by a Card Association to extend a line of credit via a credit card product to a consumer or business.
Merchant	A supplier of goods or services that has entered into an arrangement with an Acquirer for acceptance of credit cards as a means of payment for its goods and services.
Multi-Currency Pricing	The Company's service in which a Merchant's prices are displayed at the point of sale in more than one currency before the Cardholder's credit card number read or entered.
Multi-Currency Processing	The processing of credit card transactions in more than one currency, including DCC and Multi-Currency Pricing.
Payment Gateway, or **Gateway**	A software program and/or communications network and interface that integrates to a Merchant's point-of-sale for the purpose of transmitting credit card transaction data to the Acquirer for both authorisation and Settlement purposes.
POS	Point of sale.

Processor	An entity that operates a telecommunication or network infrastructure to relay data pertaining to credit card transactions, typically on behalf of Acquirers, between a Merchant's point of sale and the Card Associations for authorisation and Settlement purposes.
Settlement	Payment to a Merchant with respect to credit card transactions submitted through Card Associations.
Terminal	An electronic point-of-sale device which transmits transaction data to the Acquirer's or Processor's processing platform for both authorisation and Settlement purposes. A virtual Terminal for Internet-based transactions is often referred to as a Gateway.

PLACING STATISTICS

Placing Price	125p
Number of Common Shares in issue on Admission prior to issue of the Placing Shares	13,848,255
Number of Common Share equivalents held by Preferred Shareholders on Admission	6,851,144*
Current Issued Share Capital (including Common Share equivalents)	20,699,399**
Number of Common Shares subject to granted Warrants prior to the Placing	7,455,188
Number of Common Shares subject to options granted under the Share Option Schemes prior to the Placing	4,231,365
Number of Placing Shares being placed on behalf of the Company pursuant to the Placing and U.S. private placement	5,600,000
Number of Common Shares in issue following Admission	19,448,255
Market capitalisation of the Company following Admission at the Placing Price	£24.3 million
Estimated gross proceeds of the Placing	£7.0 million
Percentage of the Enlarged Issued Share Capital represented by the Placing Shares	21.3%
AIM symbol (for restricted and unrestricted shares respectively)	PPTR.L/PPT.L
ISIN codes (applicable to restricted and unrestricted shares respectively)	USU726031003 and USU726031185

* Consisting of 2,243,750 Preferred Shares which are convertible into 6,851,144 Common Shares

** Assuming full conversion of Preferred Shares to Common Shares

EXPECTED TIMETABLE

Admission effective and dealings commence in the Common Shares on AIM	20 March 2006
Despatch of definitive share certificates in respect of the Placing Shares by	27 March 2006

PART I

Executive Summary

The Business

Planet Payment is a multi-currency payment processor powering internationally focused Processors, Acquiring Banks and their Merchants. Planet Payment enables Acquiring Banks and their Merchants to accept, process and reconcile credit card transactions in multiple currencies, which in turn enables Cardholders travelling or working outside their home jurisdiction to view prices and settle transactions in their home currencies. Planet Payment's solution works within the existing credit card infrastructure, and integrates with Acquirers, Processors, Gateways and POS solution providers. Planet Payment's systems also enable it to provide enhanced data reporting and data mining to Merchants who are using multiple systems in different countries.

Planet Payment earns revenues from transactions processed through its systems, as well as from transactions of Merchants who use the Company's other services. The integration of Planet Payment's systems with its partners' processes enables the Company to earn recurring revenue from existing transaction volumes processed by its partners. The Company aims to maintain exclusive or preferred contractual relationships with its partners, and integration with their systems, thereby positioning itself to maintain long-term relationships with these partners and to grow additional recurring revenue streams.

The Company aims to capitalise on the broad global trends which affect payment processing, with a focus on international credit card transactions. Planet Payment targets industry sectors in which the Merchants are likely to have a greater incidence of customers using credit cards denominated in currencies different from those of the Merchants.

Since its founding, Planet Payment has focused on building its systems and developing its relationships to be able to deliver its services. The Company is now seeing increased demand for its services from the Company's Acquiring Bank and Processor partners and their Merchants, and believes its business is ready to progress to the next stage with them, being conversion of this demand into recurring revenue streams.

Key Financial Information

The following information has been extracted without adjustment from the Financial Statements of the Company (prepared in accordance with U.S. GAAP) set out in Part IV of this document. **In order to make a proper assessment of the financial performance of the Company's business, investors should read this document as a whole and not rely solely on the key or summarised information in this section.**

	12 months ended 31 December 2003	**12 months ended 31 December 2004**	**6 months ended 30 June 2005**
	US$	***US$***	***US$***
Revenue	507,908	675,211	996,335
Gross Profit	181,767	209,626	686,698
Operating Expenses	(4,634,043)	(6,385,930)	(4,089,419)
Loss from operations	(4,452,276)	(6,176,304)	(3,402,721)
Net Loss	(4,709,148)	(6,733,139)	(3,405,871)

Current Trading and Prospects

Over the last six months of 2005, the Company focused on implementation of processing under contracts with Acquirers and Processors, such contracts having been previously entered into or under negotiation. The Company saw a significant increase in the fourth quarter of 2005 in the number of Acquirers contracted to use its services. The Company's expansion into the Asia Pacific region started to come to fruition, as the Company went into production with its first Acquirer in Hong Kong, Standard Chartered Bank, in December 2005, and with the first hotel Merchant using the Company's services in the region. Since then the Company has experienced increased Acquirer and Merchant demand for, and adoption of, the Company's services in Hong Kong.

Risk Factors

The Company and its business are subject to risks and uncertainties. You are encouraged to read the contents of Part III of this document, entitled ''Risk Factors'', in their entirety.

Details of the Placing

The Company is proposing to raise £7.0 million (before expenses) through the issue of 5,600,000 Placing Shares at 125 pence per share.

Reasons for Admission to AIM and Use of Proceeds

The Directors believe that Admission will raise the Company's profile, assist in the recruitment and incentivisation of key staff, and provide the Company with an acquisition currency for the future. The monies raised in the Placing will provide working capital for the Company's activities, particularly in respect of the extension and development of the Company's operations, as described in Section 9 of Part II of this document.

PART II

Information About the Company

1. Introduction

Planet Payment is a multi-currency payment processor powering internationally focused Processors, Acquiring Banks and their Merchants. Planet Payment enables Acquiring Banks and their Merchants to accept, process and reconcile credit card transactions in multiple currencies, which in turn enables Cardholders travelling or working outside their home jurisdiction to view prices and settle transactions in their home currencies. Planet Payment's solution works within the existing credit card infrastructure, and integrates with Acquirers, Processors, Gateways and POS solution providers. Planet Payment's systems also enable it to provide enhanced data reporting and data mining to Merchants who are using multiple systems in different countries.

Planet Payment earns revenues from transactions processed through its systems, as well as from transactions of Merchants who use the Company's other services. The integration of Planet Payment's systems with its partners' processes enables the Company to earn recurring revenue from existing transaction volumes processed by its partners. The Company aims to maintain exclusive or preferred contractual relationships with its partners, and integration with their systems, thereby positioning itself to maintain long-term relationships with these partners and to grow additional recurring revenue streams.

2. History and Background

Planet Payment is the trade name for Planet Group, Inc. and its subsidiaries. The Planet Payment business was established in January 1999 as a Bermuda entity, and subsequently was reorganised into Planet Group, LLC, a Delaware limited liability company, in June 1999. In October 1999, Planet Payment launched its payment services for e-commerce Merchants, when it began servicing a New Zealand-based Merchant seeking to price its goods in U.S. Dollars. In December 1999, Planet Payment reorganised into a Delaware corporation. In late 2000, the Company changed its business strategy to focus on enabling Acquiring Banks to provide Multi-Currency Processing services, including Dynamic Currency Conversion. In April 2002, Planet Payment commenced a trial of its initial Multi-Currency Processing service in the U.S. and processed over 200,000 transactions from foreign Cardholders, with a face value of over $50 million, during a nine-month period. From the first quarter of 2003, the Company focused its efforts on developing its second-generation processing platform for Multi-Currency Processing, which led to a reduction in revenues between 2002 and 2003. This second-generation platform went live in the United States in 2003. Between late 2003 and the end of 2004, the Company entered into or renewed long-term, exclusive or preferred agreements with some of the leading U. S. Merchant Acquirers and Processors, including First Horizon Merchant Services, Inc., Fifth Third Bancorp, and Vital Processing Services LLC. In early 2005, the Company began implementing its Multi-Currency Processing services for Standard Chartered Bank in Hong Kong, which went into live production in December 2005. In mid-2005, the Company launched its Dynamic Currency Conversion services in Europe as several prominent hotel brands introduced the services to their customers.

3. The Business

3.1 Products and Services

Planet Payment is a multi-currency payment processor for Acquiring Banks and Processors in the credit card payment industry. Planet Payment does not have access to banks' or Merchants' funds in providing its services. Planet Payment helps Merchants to transact with foreign Cardholders in the Cardholder's home currency, leading to increased revenues and reduced costs to the Merchant on the underlying transaction. Specifically, this means that the customer is able to **view** the price of the transaction, and actually **pay** for the transaction, in the customer's own currency — in real time at the point-of-sale — while the Merchant still conducts business in its local currency. For example, a British traveller in a New York hotel can review and pay his bill in Pounds Sterling, or an American e-commerce Merchant seeking to enter the European market can price its goods in Euro, Pounds Sterling or Swiss Francs (amongst other currencies).

Multi-Currency Processing Service

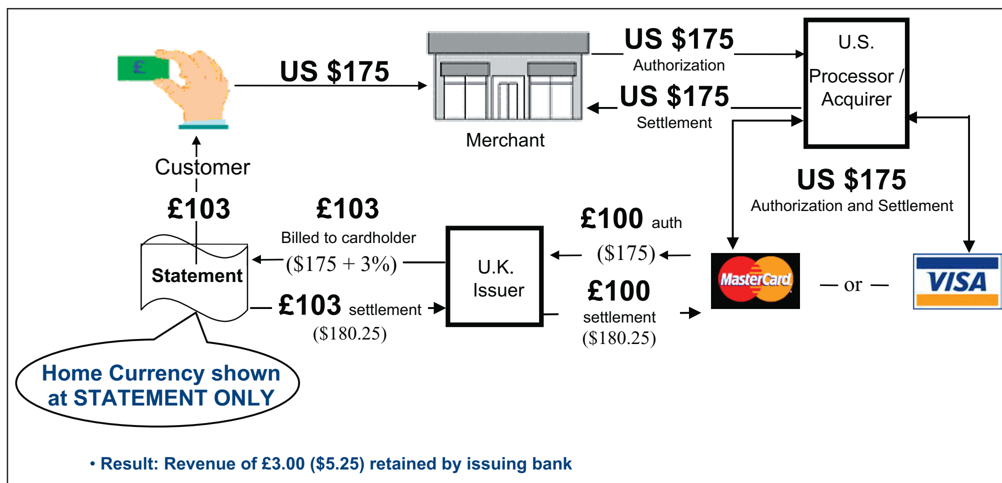
Planet Payment's flagship offering is Multi-Currency Processing, which empowers Acquiring Banks, Merchants and Processors to provide Dynamic Currency Conversion and Multi-Currency Pricing. *Dynamic Currency Conversion* is a customer service feature in which a credit card purchase initially priced in the Merchant's local currency is converted, after the card is presented, in real time at the point-of-sale into the Cardholder's home

currency, thereby creating a "personalised" shopping experience for the international traveller. *Multi-Currency Pricing* allows a Merchant to target foreign customers with localised pricing specific to each market, which is displayed to the Cardholder before the credit card number is read or entered. These Multi-Currency Processing services are currently offered only in relation to Visa and MasterCard credit and debit cards.

The following graphics illustrate the Company's Dynamic Currency Conversion and Multi-Currency Processing services:

Cross-Border Credit Card Transactions without Planet Payment

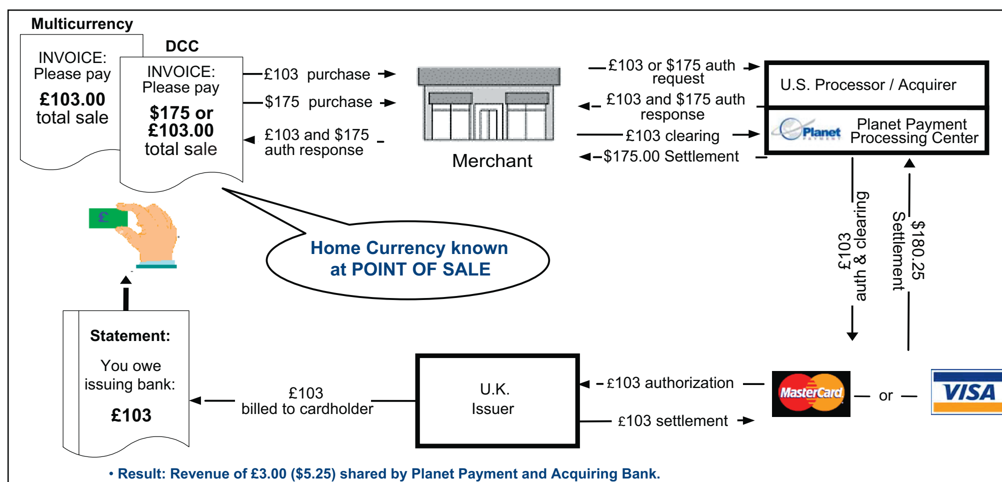
Assume a British Cardholder makes a $175 purchase at a U.S. Merchant, and the current wholesale currency exchange rate is £1.00 = $1.75. In a traditional international purchase without DCC, the British Cardholder makes his buying decision in US$, and learns the final price in Pounds Sterling when he receives the statement from his card provider, which in this example has charged 3%, or £3.00 ($5.25) on the conversion.



* Issuers may elect to charge different levels of fees to those used for illustration purposes above.

Cross-Border Credit Card Transactions with Planet Payment — Dynamic Currency Conversion or Multi-Currency Pricing

Assume the same facts as above. If the British Cardholder elects to use DCC at the point-of-sale terminal, the Cardholder can pay his $175 transaction as £103, or the Merchant may choose to price the transaction at £103, before the Cardholder opts to pay by credit card. In either case the final price to the Cardholder will be £103 in Pounds Sterling which is the amount that will appear on the statement from the card provider. Planet Payment and its partners, rather than the card provider, would earn 3%, or £3.00 ($5.25), on the conversion.



* Issuers may elect to charge different or additional fees to those used for illustration purposes above.

Planet Payment's "Best Rate Guarantee"

Planet Payment has recently launched a new service, "FX Assured". This is Planet Payment's "Best Rate Guarantee" service, which enables Cardholders purchasing at participating Merchants to receive an individualised exchange rate which is calculated to be better than the rate provided by the Cardholder's Issuing bank. Under the "Best Rate Guarantee" if a Cardholder would have obtained a better conversion rate from his credit card Issuer, Planet Payment pays the Cardholder 150% of the additional amount charged. Planet Payment is able to provide this guarantee by virtue of the ability of Planet Payment's system to mark up individual transactions in real time with different exchange rates as specified by the Merchant (a process on which Planet Payment filed a business process patent application in 2002, and which is pending in a number of countries). The Directors believe that this can be a key differentiator of Planet Payment's offering in certain markets.

Enhanced information management and reporting services

Planet Payment has identified a growing need for information or content management, as businesses are generating data from a wide range of internal and external sources. Expansion into new foreign markets frequently complicates a business's information streams, due to additional factors such as the introduction of different reporting systems and languages. Managers need a consolidated view of all information generated to make a selective analysis of the data, in order to make more effective business decisions. The Company's centralised reporting platform can provide transactional data in a uniform, consolidated on-line format across a Merchant's international operations with the ability to focus upon selected data according to a Merchant's particular requirements. For example, Starwood Asia Pacific recently selected Planet Payment to be its preferred DCC provider based partly on the Company's willingness to provide consolidated transaction reporting, as well as on the Company's ability to work with partners to deliver a consistent customer experience across their more than 70 properties in the region. While Planet Payment does not currently generate revenue specifically from provision of these services, it may do so in the future.

3.2 Revenues

Planet Payment earns recurring revenues from transactions processed through its systems, as well as from certain transactions of Merchants who use the Company's other services. The Company currently generates revenues as follows:

Multi-Currency Processing

The Company earns revenue from each processed multi-currency purchase transaction (as well as certain refunds) based on the margin earned on the conversion of credit card transactions from one currency into another. This revenue is generally shared among Acquiring Banks, Merchants, Processors, Gateways, POS technology companies facilitating delivery of the solution, and Planet Payment. In accordance with U.S. GAAP, Planet Payment generally recognises the full margin earned on transactions that it processes as revenue and recognises amounts shared with partners as cost of goods sold. The net margin retained by Planet Payment after the partner share allocations represents gross profit. The size of the margin applied to the transaction varies depending on the Merchant environment, processing product and the business rules set by the Acquirer and the Merchant (all subject to the terms of Planet Payment's contract with the Acquirer or Merchant, as the case may be). The amount of the various partners' shares depends on similar factors, as well as contractual negotiation between the various parties.

Processing Fees

The Company also derives revenues from transaction fees charged for additional services provided to Merchants. As a processor, the Company may charge usual and customary transaction fees for processing services. The Company intends to expand this fee structure as new relationships are formed.

With respect to both multi-currency processing and single currency (domestic) processing, the Company shares underlying processing fees with certain Acquiring Banks to which the Merchant is introduced by the Company. In certain of these arrangements, the Company earns a portion of the mark-up charged by Acquiring Banks in all credit and debit card transactions. In addition the Company earns revenues arising from certain agreements under which Merchants are referred to third parties for processing, or where the parties otherwise agree to work together based on introduction of a Merchant by Planet Payment. In these cases, the Company recognises the net share of the mark-up received by Planet Payment as revenue.

In other cases, the Company may agree with an Acquirer to pay a ‘‘wholesale’’ charge rate for the Acquirer’s processing services, which the Company then marks up and charges to the Merchant. In such cases, the Company recognises the full amount charged to the Merchant as revenue, and the ‘‘wholesale’’ charge of the Acquirer as a cost of sale, in accordance with U.S. GAAP and industry practice.

The Company may also earn additional fees on certain multi-currency processing transactions, (whether or not the Merchant was introduced by the Company), where the Company offers enhanced services.

Professional Services

For strategic reasons, certain members of the Company’s POS terminal software development team provide external development and consulting services to third parties under the name Planet Technology Services (PTS). This development team began providing these services while at Whittle Transaction Group LLC, a company whose assets Planet Payment acquired in April 2005. The revenue associated with PTS is principally time and materials consulting revenue, which is recognised when earned and invoiced.

3.3 Customers and Commercial Partners

Planet Payment principally offers its services either directly to Acquirers or through their Processors to enable them to offer Multi-Currency Processing services to Merchants. The ultimate users of the Company’s services are Cardholders who engage in foreign credit card transactions, however the Company does not sell its services directly to Cardholders.

The Company is currently working in North America, Europe, and Hong Kong with some of the world’s leading Acquiring Banks and Processors. Planet Payment has agreements, and is in live production processing, with Fifth Third Bancorp [NYSE: FITB], First Horizon Merchant Services, Inc. [NYSE: FHN], Standard Chartered Bank in Hong Kong, and Vital Processing Services, LLC, a wholly-owned subsidiary of Total Systems, Inc. [NYSE: TSYS]. A number of Vital’s Acquirers have already signed agreements with Vital to use Planet Payment’s services.

In certain situations, the Company also approaches Merchants directly, and then makes arrangements with a suitable Acquirer, whether this be the Merchants’ existing Acquirer or one with which Planet Payment already works, in order to provide the services. An example of this approach is the tri-partite agreement entered into by the Company with Swissötels and Citibank Card Acceptance in the UK (subsequently acquired by Euro Connex). For historic reasons, the DCC model in Europe is primarily Merchant driven and accordingly much of Planet Payment’s sales efforts in the region have been directed at multi-national Merchant groups.

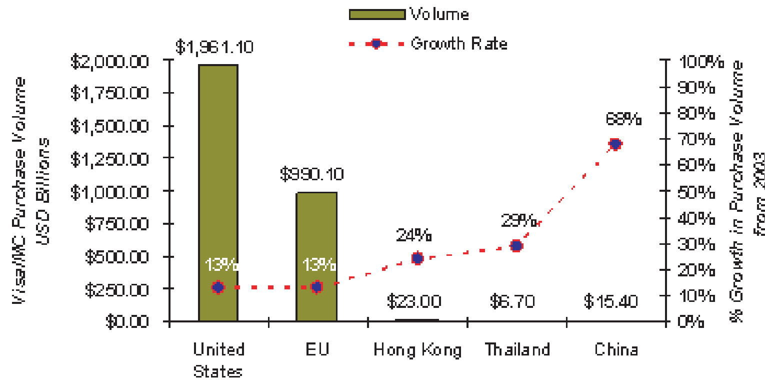
In order to facilitate the provision of the Company’s services, Planet Payment has numerous arrangements with providers to the credit card industry, including POS systems providers, Gateways, terminal manufacturers and Processors. These companies’ products and services are an essential link in the processing chain from the Merchant’s check out counter, or front desk, to the Acquiring Bank or Processor and on to the Card Associations.

Technology vendors with whom the Company has agreements include:

- Servebase Computers Limited (Gateway and electronic funds transfer provider with extensive client base in Europe and Asia Pacific, which also provides software development services to the Company);
- Micros Systems, Inc. (point of sale and property management systems primarily for restaurants and hotels);
- Agilysys, Inc. (point of sale and property management systems for casinos and hotels/resorts); and
- Zeta Technologies Company Limited (terminal manufacturer based in Hong Kong).

3.4 The Market Opportunity

The Company’s opportunity is driven by a confluence of several major economic trends, including the continued growth of credit card usage, particularly in international travel and commerce. According to The Nilson Report, total global MasterCard and VISA credit card sales were approximately U.S.$3.3 trillion in 2004, of which approximately U.S.$2.0 trillion was spent in the United States. The following chart shows the growth in Visa and MasterCard purchase volume between 2003 and 2004 in selected markets on which Planet Payment is focused.



*Source: China, Thailand & Hong Kong figures from The Nilson Report (published by HSN Consultants Inc.) #834; U.S. figures from The Nilson Report #828; EU figures from The Nilson Report #836; and worldwide figures from The Nilson Report #829

The Directors expect credit card sales volume to continue to increase as a result of growth in both overall transaction volume and the frequency of credit card use as a form of payment. Other significant trends enhancing the Company's opportunity include mass customisation of consumers' interaction with Merchants, and the efforts of businesses to consolidate reporting and data from international business units in order to streamline operations and improve decision-making within their business.

Planet Payment's services target international travel and cross-border commerce. Visa reports that international travellers (using all forms of payment) spent approximately $728 billion worldwide in 2004 and further estimates that this spending will increase to approximately $1.4 trillion by 2014. According to Visa, transactions of a value of $41 billion occurred in the United States in 2004 using non-U.S. issued Visa cards representing an increase of 19% from the 2003 figures. Visa also reported that international transactions of a value of $17.3 billion occurred in its Asia Pacific region during 2003; an increase of 7.6% from the 2002 figures.

The Asia Pacific region has become a prominent component of the Company's growth strategy. Foreign card use in the Company's target markets in the Asia Pacific region is far more prevalent than in the U.S. and consequently it is easier for Planet Payment's Acquiring partners in the region to target higher concentrations of international transactions. The Company is working to bring additional Acquirers live in Hong Kong, China, Macao, and Australia in 2006.

In addition to these trends in international travel, Planet Payment's services of providing "localised," or "personalised," pricing address the growing trend toward consumer customisation. A report prepared by Yankelovich, Inc., a consumer trends research organisation, and released by MasterCard, highlighted this trend and noted that financial services companies are creating new product offerings designed to address the perceived necessity of consumer customisation. The Directors believe this trend will continue going forward, and accordingly that the Company's services can be a key differentiator for Acquirers and Merchants.

Multi-national Merchants have expressed an interest in consolidating their data on one platform, utilising similar technologies at their different locations in different jurisdictions and, where possible, providing a common POS experience. Planet Payment is able to provide such a solution working with its banking and technology partners, and by customising certain reporting features of its systems for each partner. The Directors believe that the development of these solutions, based around Planet Payment's core credit card processing activities, will drive additional multi-national Merchant adoption and opportunities for new product offerings in 2006 and beyond.

3.5 Competitive Strengths

The Directors believe that the Company's competitive strengths include the following:

- **Established long term partnerships in the credit card industry.** Planet Payment's solutions work within the existing credit card infrastructure and in most instances the Company's solutions are integrated within partners' processes, making replacement or duplication costly and burdensome. Planet Payment has multi-year contracts with its acquiring and processing customers, many of which grant exclusivity to the Company for an initial period. Planet Payment's exclusive partners account for in excess of 25% of total U.S. credit card processing volumes, which in 2004 exceeded $1.9 trillion, which provides an opportunity for Planet Payment to expand its transaction volumes with these partners.

- **Independent, technology-neutral provider.** The Company is not a financial institution, but rather partners with banks. The Company's principal global competitors, First Data, Royal Bank of Scotland and US Bancorp, are either Acquirers or are affiliated with acquiring organisations. In addition, Planet Payment's service offerings interact with a significant number of POS technologies, facilitating implementation of the Company's services in a wide range of Merchant environments, including hotels, restaurants, retail and e-commerce.

- **Flexible Usage Options.** Planet Payment's systems operate without any native currency, enabling the same system to be used with any base currency an Acquirer may require. The flexibility of Planet Payment's systems enables the customer to use them in different ways. If required by an Acquirer customer, Planet Payment can support utilisation of exchange rates from the Card Associations, directly from an Acquiring Bank, or from a third-party exchange rate provider. A Merchant can use Planet Payment's systems as a tool to enhance targeted sales and marketing. Planet Payment's solutions are able to calculate a specific exchange rate for each individual transaction. Since rates are applied at a transaction level, not simply by currency, exchange rates for authorisation can be calculated by reference to various factors including by Acquirer and by Merchant, location, currency, card type or Issuer.

- **Customisable Integration Methodologies.** Planet Payment offers its multi-currency and DCC services as an outsourced solution, but also allows Acquirers and Processors to select only certain services they require, in order to continue to provide elements of their transaction processing internally. Moreover, the Company's network architecture and integration with a range of processors and banks enable it to offer a variety of processing services to other participants in the credit card industry, including Gateways.

- **Interoperability with Legacy Systems.** Planet Payment's services enable Acquiring Banks operating in single currencies to service multinational Merchants and provide multi-currency services to local Merchants. By working with Planet Payment, banks can effectively upgrade their legacy systems' capability without the major investment in capital, time and effort that would be required if they were to attempt this themselves.

- **Transaction proceeds remain in local currency within the control of the Merchant and Processor/ Acquirer.** Planet Payment's transaction-processing model does not require Acquirers or Merchants to entrust transaction revenues to a third party (such as Planet Payment). Instead, the settlement proceeds from the Card Association for each credit card transaction continue to be deposited into the Acquirer's bank account in its usual Settlement currency and are not accessible by Planet Payment. Planet Payment then receives its fees and share of the transaction revenue from the Acquirer or Merchant.

- **Certified data security and back-up facilities.** Planet Payment's processing systems are hosted and managed within secure, geographically separated facilities operated by experienced third party providers. The systems are independently checked several times a year, and are annually audited and certified as compliant in accordance with Payment Card Industry Data Security Standards. These production systems have full back-up facilities, operating where necessary on a full real-time basis to prevent disruption of service.

3.6 Strategy for Growth

The Company aims to capitalise on the broad global trends which affect payment processing, with a focus on international credit card transactions. Planet Payment targets industry sectors in which the Merchants are likely to have a greater incidence of customers using credit cards denominated in currencies different from those of the Merchants.

In the United States and internationally, Planet Payment's growth strategy leverages the existing payment processing network infrastructure. The Company seeks to offer its Multi-Currency Processing solutions to payment industry participants, frequently on an exclusive basis. With a view to securing use of its services across as broad a base as possible, the Company has targeted not only Acquiring Banks, but companies involved at every link in the payment processing chain, including Processors, Gateways and POS providers, as well as Merchants.

The Company plans to execute the following strategies:

- **Build on existing relationships in North America.** Planet Payment has contractual relationships with leading Acquirers and Processors in North America who provide Merchant services to many of the largest hospitality and retail companies in the U.S.. In many cases, the Company is the exclusive multi-currency provider for these Acquirers and Processors. The Company is allocating additional resources to

sales activities with these commercial partners to market Multi-Currency Processing services to their Merchants, with a view to generating increased revenue under these relationships.

- **Focus on multi-national Merchants.** The Company is targeting direct sales activity at multi-national Merchants. Planet Payment's ability to manage data from multiple Acquiring Bank sources in different countries, in a variety of formats, enables it to offer uniform and centralised information management. This is proving to be a key selling point with certain multi-national Merchants. The Company intends to continue to expand those features of its product offerings in targeting multi-national Merchants. In Europe, based on the traditional Merchant driven model for Multi-Currency Processing in the region, the Company continues to direct its sales efforts at major hoteliers and retailers.

- **Selectively expand in Asia-Pacific.** The Company is currently working with several banks in Asia and in Hong Kong in particular with a view to accessing the Greater China marketplace. Several Western multi-national hotel and retail groups have announced plans for significant expansion of their locations in China. Moreover, the Chinese government has estimated that retail sales will average 9% growth per year until 2020. The Company has been and expects to be able to leverage its technology infrastructure and certain partner relationships to assist in implementation and customer support in these markets.

- **Expand point-of-sale technology offering.** The ability to reach the Merchants' point of sale is fundamental to the delivery of the Company's services. Planet Payment accordingly seeks to expand its relationships with leading property and restaurant management systems, as well as terminal manufacturers (in the latter case, either directly or, more commonly, through third parties to which the Company has an interface). The Company's acquisition of Whittle Transaction Group in 2005 provides the Company with enhanced resources to focus on point-of-sale product development, particularly with terminals (a key strength of the Whittle business). This is a critical component of Planet Payment's international strategy.

- **Secure relationships with multi-national Acquirers.** The Directors believe that the Company's multi-national processing capability will provide a significant product and service expansion opportunity in the future for multi-national Acquirers, who may seek the services of a single processor such as Planet Payment.

- **Pursue strategic relationships and acquisition opportunities.** The Company will continue to pursue strategic relationships with participants at each level of the processing chain. Further, management will over time selectively consider acquisitions of companies and businesses offering complementary products, services and technologies which would further develop the Company's business or broaden the scope of its service offerings.

3.7 Technology

Planet Payment's Multi-Currency Processing platform was designed around processing specifications and protocols common to the payment industry, specifically for performing currency conversion transactions as an independent "third-party Processor." The platform was designed in a modular architecture to be fully and easily scalable as processing volumes increase. The primary components of the Planet Payment processing platform are the Merchant Accounting System (MAS) and a distributed authorisation host.

The **Merchant Accounting System** processes end-of-day clearing files to the Card Associations, reports on Merchant and Acquirer transaction activity, creates and transmits payment instructions, and serves as 'system-of-record' for Planet Payment's DCC and multi-currency business. MAS tracks foreign exchange fluctuations on a daily basis to facilitate comprehensive reconciliation of each aspect of the credit card authorisation and Settlement processes. MAS utilises Sun Microsystems hardware to facilitate high-volume transaction processing capability.

The MAS is a batch transaction processing system with a browser-based management and reporting interface for use by Planet Payment back-office staff, Acquirer back-office staff, and Merchants. The customer facing web-application provides Acquirers and Merchants with comprehensive reporting of the status of their transactions and funding cycles as well as other pertinent credit card operational needs including Chargebacks, retrievals and representments.

The application is securely hosted on a publicly available URL so that the participants will be able to access the application on any compatible browser. The administration web-application provides an interface for Planet Payment staff to administer the accounts of external participants within MAS. Security limits participant access

only to that data content to which they have the right of access. Specific functional access may be limited even within the context of a specific partner.

The Authorisation Host comprises an authorisation switch which implements real-time foreign exchange logic at the point of sale. It receives the inbound authorisation request, converts the sale amount into the Cardholder's home billing currency, and forwards the request to the Card Association interface for completion. Through periodic interaction with MAS, this host supports all of the dynamic and configurable aspects of the time of sale currency conversion process. The Company's patent pending rate mark-up method, which is integrated with the authorisation host, calculates an exchange rate on an individualised transaction basis, providing enhanced product flexibility for Planet Payment and its customers.

The Authorisation Host possesses a modular design where components interact via the network. Planet Payment refers to the two key components of the Authorisation Host as the "FX Filter" (authorisation switch technology), and "Planet Switch" (terminal driver technology). This design allows for the distribution of sub-systems throughout the Planet Payment network infrastructure and, in many cases, at the site of the Acquirer or Processor. If necessary, sub-systems could also be deployed at the Merchant, point-of-sale solution provider, or Gateway. As load increases, the sub-systems can be distributed across multiple hosts and the work distributed among them by the use of a load balancer host.

The Authorisation Host also functions as a point-of-sale terminal driver and end-of-day reconciliation host for credit card transactions. At the time of sale, credit card transactions are either keyed or swiped at the terminal, which then dials a centrally located host to process the authorisation to the Card Association interface. It has been specifically designed for Dynamic Currency Conversion and Multi-Currency processing.

The Planet Payment Processing Platform

Planet Payment's processing platform offers the following functionality in support of Multi-Currency Processing (as well as the underlying credit card processing):

- Identifying transactions from international customers eligible for Dynamic Currency Conversion;
- Performing currency conversion based upon prevailing rates;
- Enabling authorisation of the transaction in the chosen currency;
- Managing different exchange rate sources;
- Transmitting data to enable printing of a receipt for the Cardholder at the point of sale detailing the converted transaction, or otherwise in the chosen currency;
- Clearing the transaction through the Card Associations;
- Providing detailed reporting of the transaction for reconciliation by the Merchant and the Acquirer;
- Providing detailed revenue share reporting to partners with an ability to allocate varying percentages of losses or gains on currency conversion against the DCC multi-currency revenue, to each participant;
- Providing the Acquirer with funding instructions with which to pay the Merchant for its transactions; and
- Facilitating and managing the currency conversion on Chargeback transactions and retrieval requests to allow timely management of customer enquiries through the Card Association.

The platform is designed to ensure the security of the data it receives, processes and stores. The Company's security policies, procedures and systems are independently audited and tested and have been certified as compliant with the new universal Payment Card Industry ("PCI") Data Security Standard.

On an annual basis the Company is subject to an independent computer controls audit. No significant deficiencies have been noted. The Directors believe this audit is critical to earning the trust of larger Acquirers and Merchants.

The Company's primary data centre is located in the secure facilities of MCI, Inc. in New York, with a backup facility in Colorado. The Company also has hosted facilities in Arizona, California, Virginia and Hong Kong through co-location arrangements.

The designers of the processing platform have carefully considered the potential scalability requirements of the business. Given the real-time demands of the authorisation system, the critical limit in this regard is the number of transactions per second that the system can process; on the other hand, for MAS, as a batch processing system serving as the Company's system of record, long-term storage limits are key. The Company has determined that,

based on the modular design adopted, it should be possible to increase the capacity of both systems by installing additional hardware on a managed, modular basis without material adverse cashflow consequences.

3.8 Intellectual Property and Key Contracts

Key Contracts. Due to the nature of the Company's business, the Directors believe that the Company's most effective advantage over competitors lies in the existing integrations with Processors, Acquirers, Merchants and other commercial partners under ongoing contractual relationships, rather than intellectual property protection. These integrations can speed the Company's services to market, once the sales efforts have been effective. Many of these contractual relationships provide that the Company is the exclusive or preferred provider of DCC and multi-currency services to these commercial partners over the next several years. Through these relationships, the Company has developed significant know-how and business expertise, and the integration of the Company's systems with those of its commercial partners may make it costly and burdensome for a competitor to displace the Company in the future.

Ownership of Key Intellectual Property. The Company's Merchant Accounting System and Planet Switch terminal driver technology is wholly owned by the Company. The FX Filter authorisation switch technology is provided under a perpetual, non-exclusive licence from Servebase Computers Limited, with certain custom modifications related to DCC that are exclusive to the Company.

Patents. The Company has filed a business process patent application with respect to certain elements of the Company's DCC offering with the United States Patent and Trademark Office and in Europe with the International Bureau of the WIPO in accordance with the Patent Co-operation Treaty. The Company has recently started to perfect its patent rights in different countries by making filings with the European Union and the national patent offices of several other jurisdictions. This extensive process is considered by the Directors to be essential to protect the Company's growing global business in the medium to long term.

Other Intellectual Property. Planet Payment has registered planetpayment.com and variations of domain names including the words "Planet Payment" in various countries around the world. The Company has also received, and has applied for trademark registration of the words "Planet Payment," and various service marks used in the business in a number of jurisdictions around the world, including the United States and the European Union. The Company also employs a combination of trade secret and contractual protection, including employee invention assignment agreements, to secure its intellectual property.

4. The Industry and Competition

4.1 Competition

The Multi-Currency Processing and Dynamic Currency Conversion industries have continued to evolve, and is currently concentrated within a handful of companies around the world. To a large degree, the market is segmented among several "global processors" and a number of regional or local DCC or Multi-Currency Processing providers resident in particular markets. Planet Payment, therefore, competes internationally with a number of large transaction processing companies and regionally with a number of smaller payment service providers. While the Company competes for sales with these entities, the Company intends, where appropriate, to work co-operatively with them on processing of transactions.

The global Processors are those companies that provide or offer outsourced credit card processing to Acquiring Banks (as opposed to those companies that sell processing systems). Outsourcing benefits Acquiring Banks by providing relatively inexpensive access to new products and services (such as Multi-Currency Processing including Dynamic Currency Conversion) without significant investment or modifications to their existing systems, and the Directors believe this is part of a broader trend in the payment industry to consolidate and streamline data processing and similar tasks. Among these global processors are First Data Corporation/OmniPay Ltd., Nova Information Systems/EuroConnex Technologies (a wholly owned subsidiary of U.S. Bancorp), Royal Bank of Scotland PLC (RBS), and Global Payments, Inc. (and its Czech subsidiary Muzzo).

In addition to these global processors, a number of smaller companies work on a regional or local basis to provide Dynamic Currency Conversion or Multi-Currency Pricing services on behalf of either Merchants or Acquiring Banks. "Speciality" DCC providers include: FEXCO (Ireland), First Currency Choice (Singapore), Monex Financial Services Limited (Ireland), MTREX, Inc (U.S.), PureCommerce (Australia), E4X.com Ltd (Israel) (Multi-Currency Pricing only) and Fintrax International Ltd (Ireland). Many of these competitors come from the foreign exchange sector and therefore, in the Directors' view, since their business model is based upon trading settlement currencies, they generally need to work with a multi-currency enabled Acquirer, or a multi-currency enabled Processor (such as Planet Payment).

4.2 The Industry

The Directors believe the credit card industry is undergoing change, as demonstrated by a number of recently-announced acquisitions (and in particular acquisitions by Processors of Merchant portfolios). In July 2004 Bank of America, N.A. [NYSE: BAC] announced the acquisition of National Processing, Inc., which reportedly would create the second largest bankcard Merchant acquirer in the U.S. In October 2005, Pay By Touch acquired the assets of CardSystems Solutions, Inc., the Processor and Acquirer. EuroConnex Technologies, the European subsidiary of Nova Information Systems, Inc., announced the acquisition of the European acquiring portfolio of Citibank Card Acceptance in November 2005. Nova itself announced the acquisition of First Horizon Merchant Services, Inc. (''FHMS''), the second largest acquirer of hotel and lodging transactions in the U.S., on 31 January 2006, and Sage Group plc announced its acquisition of Venus Financial Management on 9 January 2006. Planet Payment intends to position itself to take advantage of these changes in the industry.

5. Regulatory Environment

Planet Payment is a registered third party processor for Acquiring Banks under both Visa and MasterCard rules. Accordingly, although not a member of either Card Association (all members are banks), the Company is required to comply with all Card Association Rules.

Visa and MasterCard have each issued rules formally approving Dynamic Currency Conversion services such as those offered by Planet Payment as part of its Multi-Currency Processing services. Visa has issued various versions of its rules for the E.U. region since the late 1990s. Visa's rules for the U. S. region were first issued in December 2002 and became effective in May 2003; MasterCard's rules were issued in April 2004 and became effective in October 2004. Both Card Associations' rules are subject to amendment or update from time to time. Rules vary across the various Visa regions and can change at different times. The rules of both Visa and MasterCard require providers of Dynamic Currency Conversion services to offer certain features at the point-of-sale, so that the Cardholder has adequate disclosure of the currency conversion and a choice whether or not to accept the currency conversion. The actual requirements differ based upon whether the transaction is considered ''face-to-face'', card-not-present (e.g. Internet or mail/phone order), or ''T&E (travel and entertainment) express'' service (e.g. hotel check-out, car rental return).

More recently, both Visa and MasterCard have issued regulations pertaining to the manner in which they charge fees for conducting cross-currency transactions, which the Directors believe may be beneficial to the demand for Dynamic Currency Conversion. Until recently, both Visa and MasterCard charged 1% of the transaction amount of a cross-currency transaction, as an additional element of the exchange rate used to perform the conversion from the Merchant's currency to the Cardholder's billing currency (in effect, converting the transaction at an exchange rate equal to the applicable wholesale or government mandated rate plus 1%). Nominally billed by the Card Associations to the card Issuing Bank, the fee was more frequently passed on to and paid by the Cardholder. This practice faced increasing scrutiny from consumer advocates and regulators as a hidden fee that was unfairly borne by unwitting Cardholders.

As a result, the Card Associations no longer embed their 1% fee within the exchange rate used to perform the conversions of cross-currency transactions and, instead, the Card Associations simply convert the transaction at an exchange rate equal to the applicable wholesale or governmental rate. The Card Associations are implementing new fee structures tied to transactions in which a card is used at a Merchant located in a country different from that in which the card is issued. Essentially, the Card Associations will now bill the issuing bank a fee for any ''foreign'', or ''cross-border'', transaction, irrespective of the currency in which the transaction is performed.

However, both Visa and MasterCard have implemented or plan to implement certain rebates of these fees to the card-issuing bank where the foreign transaction occurred in the cardholder's billing currency, obviating the need for the Card Associations to perform the conversion (for example, if the cardholder agreed to perform a foreign transaction using Dynamic Currency Conversion).

In addition, as part of its fee restructuring for cross-border transactions, MasterCard recently implemented a new surcharge upon an Acquirer for any transaction in which the MasterCard is used at a Merchant outside the country in which the card is issued. MasterCard rebates only a portion of this fee to the Acquirer if the transaction is subject to conversion by MasterCard itself. Acquirers and their Merchants may therefore be motivated to offer Dynamic Currency Conversion, the commissions from which can potentially offset the increased MasterCard fees.

6. Financial Information

The following information has been extracted without adjustment from the Financial Statements of the Company prepared in accordance with U.S. GAAP set out in Part IV of this document. **In order to make a proper assessment of the financial performance of the Company's business, investors should read this document as a whole and not rely solely on the key or summarised information in this section.**

	12 months ended 31 December 2003	12 months ended 31 December 2004	6 months ended 30 June 2005
	US$	*US$*	*US$*
Revenue	507,908	675,211	996,335
Gross Profit	181,767	209,626	686,698
Operating Expenses	(4,634,043)	(6,385,930)	(4,089,419)
Loss from operations	(4,452,276)	(6,176,304)	(3,402,721)
Net Loss	(4,709,148)	(6,733,139)	(3,405,871)

7. Current Trading and Prospects

In its development to date the Company has focused on building its systems and developing its relationships to be able to deliver its services. The Company now believes it is at a significant point in its development, as the Company's Acquiring Bank and Processor partners are increasingly rolling out multi-currency processing services to their Merchants. The Company is now seeing increased demand for its services from Merchants and believes its business is ready to progress to the next stage with them, being conversion of this demand into recurring revenue streams.

Over the last six months of 2005, the Company focused on implementation of processing under contracts with Acquirers and Processors, such contracts having been previously entered into or under negotiation. The Company saw a significant increase in the fourth quarter of 2005 in the number of Acquirers contracted to use its services. The Company's expansion into the Asia Pacific region started to come to fruition, as the Company went into production with its first Acquirer in Hong Kong, Standard Chartered Bank, in December 2005, and with the first hotel Merchant using the Company's services in the region. Since then the Company has experienced increased Acquirer and Merchant demand for, and adoption of, the Company's services in Hong Kong.

The Company also took steps to secure working capital for its activities and, as discussed in Section 4.5 of Part VI of this document, raised over $5,000,000 in debt and equity finance during the last quarter of 2005 and January 2006. During this period the Company also continued to develop its infrastructure, hiring a number of additional personnel (in particular in sales and relationship management), and also opened a small office in Hong Kong to support its activities there.

8. Directors, Senior Management and Employees

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

Directors

Philip Beck, Chairman, Chief Executive Officer — Philip Beck, 45, founded the Company in 1999 with the intention to solve the problems faced by multi-national Merchants in accepting multi-currency credit card payments where the Merchants' banks, credit card Processors and payment networks were unable to provide effective payment solutions. Mr. Beck has led the Company since its inception, developing and refining the Company's strategy, in particular, the Company's approach to multi-currency processing and developing the Company's business relationships. Mr. Beck has over 18 years' experience as an international banking and corporate lawyer working with a range of businesses from start-ups to multinational corporates, practicing in New York from 1984 to 2001. As a partner in New York law firms, Mr. Beck represented a number of international

banking institutions. Mr. Beck received his law degree from London University in 1981 and is admitted to practise law in New York USA, England and Wales and the British Virgin Islands.

Graham Arad, Director, SVP and General Counsel — Graham Arad, 47, is an experienced international lawyer practising principally in the area of corporate and commercial law. Mr. Arad has been the Company's General Counsel since its founding in 1999 and has supervised the legal aspects of the Group's business since that time. Mr. Arad was admitted as a solicitor in England and Wales in 1983, and has been practising 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 London University.

Paul Noblett, Executive Director, Strategic Initiatives — Paul Noblett, 59, is President of Noblett & Associates, Inc. a 12 year old business development and systems consultancy focused on the credit card and communications industries and became a director of the Company in 2000. Mr. Noblett was Executive Vice President of Operations and Sales for NaBanco (National Bankcard Corporation) from 1989 to 1992, at the time a major processor of Merchant credit card sales, and the predecessor to First Data Merchant Services, Inc.. Prior to NaBanco, Mr. Noblett was the General Manager of MasterCard's worldwide operations for six years and was responsible for building their international network known as Banknet. In addition to his position as a director of the Company, Mr. Noblett sits on the boards of Diversified Acquiring Solutions, Inc., Electrum Corporation, YapStone Inc. (doing business as Rent Payment), 2020 Advisors LLC, Resource Finance Company, and Kincaid Technologies, Inc. Mr. Noblett is a graduate of Virginia Tech where he majored in economics and mathematics.

Cameron McColl, Non Executive Director — Cameron McColl, 46, has significant experience in setting up and developing new companies. An electrical engineer by training, Mr. McColl has worked for firms such as Medtel (pty) Limited, Ferranti Radar Limited, National Semiconductor Limited and Advanced Micro Devices Limited. In 1989, Mr. McColl founded McColl McGregor Limited, Scotland's first high technology call-centre operation, specialising in the technology and finance sectors. In 1993, Mr. McColl co-founded Memory Corporation plc, a high technology semiconductor design group, which was listed on AIM in 1995, and served as CEO until 1996. In 1994, Mr. McColl co-founded Telecom Service Centres Limited ("TSC") and served as Chairman until 1998. TSC was sold in 2004, at which time Mr. McColl resigned. Since 1996 Mr. McColl has been involved in commercial real estate investment, as an investor in and director of Shawhead Limited. Mr. McColl resides in Edinburgh, Scotland and previously served as a non-executive director and the Chairman of the Board of the Company from 1999 to 2001. Mr. McColl holds a Bachelor of Science degree in Electrical and Electronic Engineering from Edinburgh University.

Jon Kaiden, Non Executive Director — Jon Kaiden, 39, has been a principal and founding member of Sopris Capital Associates, LLC since 2003 (Sopris is principally owned by Andrew Paul, one of the holders of Preferred Shares). Mr. Kaiden has more than 15 years of private equity and investment banking experience, with a strong focus on healthcare and information technology. Prior to joining Sopris Capital, Mr. Kaiden spent the prior twelve years as an investment banker and securities attorney focusing on corporate finance and mergers & acquisitions. After beginning his investment banking career at S.G. Cowen, Mr. Kaiden became a vice president with The Seabury Group, a boutique merchant banking group geared toward helping middle market companies obtain private equity and venture capital. Mr. Kaiden then headed Josephthal & Co.'s healthcare investment banking practice for the years prior to joining Sopris Capital. Prior to receiving his MBA, Mr. Kaiden practiced corporate and securities law for three years at the New York law firm Stroock & Stroock & Lavan. Mr. Kaiden holds an MBA, with honors, from Columbia Business School (1996), and J.D., cum laude, from Brooklyn Law School (1991). Mr. Kaiden obtained his undergraduate degree, a B.A. in government, from Cornell University (1988).

Senior Management and Employees

Seth Asofsky, Chief Financial Officer — Seth Asofsky, 43, is a former investment and corporate banker with 18 years of experience in originating and executing public and private equity, merger and acquisition, debt and structured finance transactions. Mr. Asofsky is responsible for the accounting and corporate finance functions at the Group. Prior to his appointment as the Company's CFO in 2003, Mr. Asofsky led the business process services investment banking practice at ThinkEquity Partners from February 2002 to October 2003. Prior to ThinkEquity Partners, Mr. Asofsky was a Vice President with SG Cowen's Technology Investment Banking Group where he helped to found the technology services practice. Mr. Asofsky graduated cum laude with a B.S. dual degree in Marketing and Advertising from Syracuse University in 1984 and an M.B.A. in Finance from Emory University in 1985.

Jeffrey Hatch, SVP and Chief Technical Officer — Jeff Hatch, 45, is responsible for the continued development, operation and maintenance of the Group's processing platform. Prior to joining the Group in 2003, Mr. Hatch was president of Innovious, Inc. from December 2000 to March 2003, a technology-consulting firm retained by the Group to build the Company's new Merchant Accounting System ("MAS"). Mr. Hatch has over 15 years' experience in sophisticated database application development, systems architecture and technical engineering, including a number of years at the Lawrence Livermore National Laboratory. Mr. Hatch holds both Master of Science and Bachelor of Science degrees in engineering from California Polytechnic State University.

Alan Lubitz, SVP Operations — Alan Lubitz, 55, is responsible for the Group's payment processing operations, including the Group's integrations to Acquirers, Processors, Gateways and point-of-sale solution providers. He joined the Group in 2004. Mr. 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 LLC. Mr. Lubitz holds a Bachelors Degree in Electrical Engineering from City College of New York, a Master of Science Degree in Electrical Engineering from The Polytechnic Institute of New York and an MBA in finance from Boston College.

Thomas DeLuca, SVP Corporate Development — Thomas DeLuca, 34, is responsible for corporate development at the Company, having joined at its inception in 1999. Mr. DeLuca previously worked between 1995 and 1999 in the legal department of American Express. While at American Express, Mr. DeLuca also advised on broader electronic commerce matters, consumer privacy, marketing, and general commercial issues pertaining to credit card transactions. From 2000 into 2002, Mr. DeLuca served as Chairman of the International Development Committee for the Electronic Transactions Association, a payment industry trade group. Mr. DeLuca received his law degree and MBA in finance from St Johns University and LLM in International Business Transactions from Fordham Law School.

Paul Whittle, SVP Terminal Product Manager — Paul Whittle, 47, manages the team which develops and implements terminal and front-end POS applications that enable localised pricing. Mr. Whittle also provides key subject matter expertise in the development of the Company's terminal strategy. Paul is also responsible for the Company's Planet Technology Services ("PTS") division, which provides POS terminal development services to processors, retailers, and government agencies. PTS specialises in all non-cash payment methods using the most advanced development tools, for which the Company earns software development and consulting fees. The founder of Whittle Transaction Group, which was acquired by the Company in 2005 after developing the Company's "PlanetSwitch" technology, Paul is a former SVP — POS Systems Development at Hypercom Corporation, where he worked from 1988 to 2003. Mr. Whittle studied Computer Science at Monash University in Melbourne, Australia.

The Directors believe that the recruitment, motivation and retention of highly skilled, high quality personnel is fundamental to its ability to continue to meet the requirements of its clients and to its continuing success.

As at 1 January 2006, the Company employed 48 individuals, with most employees located at the Company's headquarters in Long Island, New York (35), a development team based in Georgia (USA) (5), and operational, IT and sales personnel located in England (1), Singapore (3), California (1), Florida (1), Tennessee (1) and Texas (1).

9. Details of and Reasons for the Placing, Admission to AIM and Use of Proceeds

The Company intends to raise approximately £5.5 million, net of expenses, by issuing approximately 5,600,000 Placing Shares at the Placing Price. The Placing Shares will constitute approximately 21.3 per cent of the Company's Enlarged Issued Share Capital.

Pursuant to the Placing, the Placing Shares will be conditionally placed with institutional investors in the United Kingdom and, in a separate private placement, with accredited investors in the United States of America.

Under the Placing Agreement, Canaccord has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price or, failing which, itself, as principal, to purchase such unplaced Placing Shares. The obligations of Canaccord under the Placing Agreement are conditional upon, inter alia, Admission taking place by 8.00 am on 20 March 2006 (or such later date as Canaccord and the Company may agree, but in any event not later than 3 April 2006). On Admission at the Placing Price, the Company will have a market capitalisation of approximately £24.3 million.

The Company is undertaking the Placing in order to raise working capital to support the Company's operations. In particular, the Company plans to use the net proceeds from the Placing as follows:

- to expand in the Asia Pacific region, particularly in Greater China, including the funding of additional offices and operational facilities;
- to augment current operational capabilities to support additional Acquirers;
- to recruit key personnel as deemed necessary;
- to pay off approximately $1.3 million of the Company's outstanding debt (including the amounts referred to in Sections 10.5 and 12.7 of Part VI);
- to pay employee salaries, consulting fees and other operating expenses;
- to expand the Company's direct sales efforts with Merchants, including related salaries and expenses; and
- to acquire other companies or assets (although the Company has no current arrangements or commitments to acquire any specific businesses or assets).

The Directors believe that Admission will, in addition, raise the Company's profile, assist in recruitment, retention and incentivisation of key staff and provide the Company with an acquisition currency for the future.

The Placing Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the existing Common Shares, including the right to receive all dividends and other distributions declared, paid or made after Admission.

Under the terms of the Canaccord Warrant the Company has granted to Canaccord the right to subscribe at the Placing Price for up to 280,000 Common Shares (being 5 per cent. of the Placing Shares). The Canaccord Warrant is exercisable in whole or in part at any time from Admission to two years thereafter.

The Common Shares, including the Placing Shares, are governed by Delaware General Corporation Law, and possess such rights as are provided under such law (as described in Section 6 of Part VI of this document). The Common Shares do not possess special dividend, voting, pre-emption or other rights, preferences or privileges.

Further details of the Placing Agreement and the Canaccord Warrant are set out in Section 12 of Part VI of this document.

10. Admission, Settlement and Dealings

Application has been made to the London Stock Exchange for all of the issued and to be issued Common Shares, including the Placing Shares, to be admitted to trading on AIM. It is expected that Admission will become effective and dealings will commence in the Common Shares on 20 March 2006. Upon Admission, Computershare will serve as the registrar of the Company.

Trades of shares on AIM are generally made through the CREST system, a paperless settlement procedure enabling securities to be evidenced and transferred electronically. Securities issued by non-UK registered companies, such as the Company, cannot be held or transferred in the CREST system. However, when Common Shares (including the Placing Shares) become eligible for transfer through CREST (as further described below), it will be possible for CREST members to hold and transfer interests in Common Shares within CREST pursuant to depository interest ("DI") arrangements established by the Company. The Common Shares themselves shall not be admitted to CREST. Instead, the Registrar, acting as depository, shall issue DI's representing the underlying Common Shares, which are held on trust for the holders of the DIs. The DIs themselves are independent securities constituted under English law which may be held and transferred through the CREST system. CREST is a voluntary system and holders of Common Shares who wish to retain share certificates shall be able to do so.

Due to restrictions on transfers under the Securities Act, the Placing Shares must be held in certificated form for so long as such shares continue to be "restricted securities" under the Securities Act, and therefore the Placing Shares will not be eligible for settlement through CREST during that time, unless CREST is modified to handle settlement of restricted shares. The certificates representing the Placing Shares will bear legends evidencing the restrictions on transfer. In addition, a significant portion of the currently issued Common Shares also remains subject to restrictions on transfer under the Securities Act and are currently held by shareholders by certificates bearing restrictive legends. Also, substantially all of the currently issued Common Shares will be subject to lock-in restrictions (as described below) for varying periods of time following Admission. At Admission, the Directors have determined that, on account of the legends and lock-ins applicable to a large proportion of the issued

Common Shares, all trades of Common Shares will not be eligible for settlement through CREST, and all issued Common Shares will be in certificated form. Common Shares subject to Securities Act restrictions will have the International Security Identification Number (''ISIN'') USU726031003, and Common Shares not subject to such restrictions will have the ISIN USU726031185.

The Company intends to apply to CREST for the Common Shares to be admitted for settlement through CREST during the first year following Admission. Once this process is complete, Common Shares will become eligible for settlement through CREST following the expiry of U.S. securities law restrictions applicable to such shares and dematerialisation of such shares into DIs. The restrictions on each particular block of Common Shares expire at varying times depending on the nature of the shareholder's relationship with the Company and the period of time since the Common Shares were acquired (and fully paid for) from the Company or an affiliate of the Company. Upon expiry of such restrictions, Shareholders will have the option of submitting their certificates for legend removal and/or dematerialisation into CREST. If a Shareholder chooses to dematerialise shares to allow for electronic trading/settlement through CREST, the Company's registrar (currently Computershare) will issue depository interests in respect of the underlying Common Shares being dematerialised.

11. Lock-In Arrangements

Holders of in excess of 91.1% of the Company's Current Issued Share Capital (including each of the Directors, executive officers and most other employees) have undertaken to the Company and Canaccord not to dispose of any of the Lock-In Shares held by each of them (subject to certain limited exceptions) on the date of giving their undertakings (and including, but not limited to, any other securities in exchange for or convertible into, or substantially similar to, Common Shares (or any interest in them or in respect of them)) or engage in any hedging or similar transaction in respect of such Lock-In Shares, for periods ranging from three months to approximately nineteen months following the date of Admission without the prior written consent of Canaccord. In particular:

- Executive Directors, other executive officers and most other employees of the Company and their related parties (representing 18.6% of the Company's Current Issued Share Capital) will not dispose of any of their relevant Lock-In Shares prior to four weeks following the date of the public announcement of the Company's financial results for the interim period ending 30 June 2007;
- Non-Executive Directors (representing 2.4% of the Company's Current Issued Share Capital) will not dispose of Lock-In Shares prior to four weeks following the date of the public announcement of the Company's financial results for the year ending 31 December 2006;
- certain institutional and other major investors and certain employees (save in respect of certain shares not subject to lock-in restrictions as specified below) will not dispose of certain of their Lock-In Shares (representing 58.6% of the Company's Current Issued Share Capital) prior to the date that is eight months following Admission; and
- a majority of the remaining Shareholders immediately prior to Admission (save in respect of certain Shares not subject to lock-in restrictions as specified below) will not dispose of certain of their Lock-In Shares (representing 11.6% of the Company's Current Issued Share Capital) prior to the date that is three months following the date of Admission.

Certain types of share transfers are permitted under the lock-in arrangements, including: (i) transfers to family members or for estate planning purposes, (ii) transfers by institutional investors to related entities, (iii) gifts, (iv) disposal of shares pursuant to a court order, and (v) transfers in connection with an acquisition of the Company or tender offer. In the case of transfers pursuant to categories (i)-(iii), the transferee will be required to enter into an identical lock-in agreement prior to the transfer. Shares acquired by certain institutional Shareholders in the Company's financing rounds carried out in the final quarter of 2005 and January 2006 are not subject to the lock-in arrangements.

In addition, the Directors, executive officers and employees have undertaken to the Company and Canaccord that, for a period of six months following the expiry of the lock-in period applicable to them, any disposal of their Common Shares will be made through Canaccord.

12. U.S. Federal Securities Law Restrictions on Transfer

The Placing Shares will not be registered under the Securities Act or qualified under the applicable securities laws of any of the states of the U.S. Accordingly, the Placing Shares offered pursuant to this document (as opposed to pursuant to the U.S. private placement) may not be offered or sold in the United States or such states or to U.S. persons. The Placing is being made in reliance on Regulation S under the Securities Act to non-U.S. persons

in offshore transactions. In addition, the Company is concurrently offering Common Shares to U.S. persons in a separate ''private placement'' under Regulation D of the Securities Act. The Placing Shares are accordingly subject to certain restrictions on transfer unless conducted in compliance with the Securities Act, and (as set out above) share certificates will bear legends with respect to such transfer restrictions. Placees and subsequent purchasers of the Placing Shares will be deemed to have agreed to be bound by the transfer restrictions and to have agreed not to effect transfers of the Placing Shares except to transferees who also agree to be bound by the restrictions, so long as the restrictions continue to apply.

Further details of the transfer restrictions are set out in Part V of this document.

13. Effect of U.S. Domicile of the Company

The Company is a U.S. company incorporated in the State of Delaware, U.S., and is subject to the provisions of the Delaware General Corporation Law. 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 Act.

While the Directors consider that it is appropriate to retain the majority of the usual features of a U.S. corporation, they intend to take certain actions, where practicable, to meet UK standard practice. Set out below is a description of the principal differences and, where appropriate, the actions the Board intends to take.

Share Allotments and Borrowing Powers

Companies incorporated under the Companies Act must explicitly authorise directors to allot shares under Section 80 of the Companies Act. It is usual for U.K. companies to place restrictions on the authority of directors to allot shares. In particular, it is a requirement under section 80 of the Companies Act that such authority be limited to expire after a specified time period, of no longer than 5 years, with shareholder approval required for renewal.

An issue of shares and other equity securities of a company incorporated in Delaware requires prior approval by the Board. However, the authority of the Board to issue equity securities is not unconditional; it is limited by the number of shares authorised for issue in a company's Certificate of Incorporation. The Company is authorised to issue 70,000,000 Common Shares (including shares currently in issue). The issue of shares up to this limit requires Board approval; issues of shares beyond this amount require amendment of the Company's Certificate of Incorporation to increase the authorised share capital (which requires shareholder approval).

In addition, UK companies may impose limits on their borrowing powers by, for example, specifying that borrowed amounts may not exceed a multiple of the company's capital and reserves. The Company does not have limitations on its ability to borrow funds, as this type of limitation is extremely rare for U.S. companies.

Pre-emptive rights

Companies incorporated under the Companies Act are subject to pre-emption rights on new shares issued by the Company pursuant to Section 89 of the Companies Act. These rights provide for existing shareholders to have a right of first refusal on the issue of new shares for cash.

By comparison, Shareholders of the Company will not be entitled to pre-emption rights on further issues of shares of the Company, as Delaware law does not automatically provide for these rights, and in the U.S. it is rare for shareholders of a publicly-traded company to possess such rights.

Takeovers

The Company is not subject to the City Code on Takeovers and Mergers (the ''Code'') as, being incorporated in Delaware, the Takeover Panel does not regard the Company as resident in the UK, the Channel Islands or the Isle of Man. Therefore, Rule 9 of the Code (which requires a shareholder acquiring shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30% or more of the voting rights of a company to make a mandatory takeover offer for all remaining equity capital of the company) does not apply. Accordingly, a takeover of the Company would not be regulated by the UK authorities. In addition, Section 198 of the Companies Act, which requires a shareholder who has acquired an interest in 3% or more of a company, to notify the company within two days of such acquisition, does not apply.

However, the following provisions of Delaware law and the Company's Certificate of Incorporation and Bylaws may deter a hostile takeover of the Company.

Generally under Delaware law, a court will defer to the ''business judgment'' of the directors in their response to a proposed merger transaction. While this legal principle is limited, in that transactions involving a ''sale of control'' (as defined within Delaware caselaw) shifts the standard and requires the Board to obtain the highest value reasonably available for shareholders, the ''business judgment'' presumption leaves the Board with the ability to reject a takeover offer and to take certain actions to position the Company against a takeover in the future. Ownership of the Company's shares is concentrated among a small number of Shareholders, which may make it difficult or impossible for a third party to take over the Company if one or more of these Shareholders does not want to sell.

Section 203 of the DGCL prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested shareholder for a period of three years following the date such person became an interested shareholder, unless the business combination or the transaction in which such person became an interested shareholder is approved by the Board or otherwise as prescribed by Section 203. Generally, an ''interested shareholder'' is a person that, together with affiliates and associates, owns, or within three years prior to the determination of interested shareholder status did own, 15% or more of a company's voting stock. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the Board. Section 203 does not currently apply to the Company, but will apply in the future if the Company's shares become publicly traded on a U.S. exchange.

The Board is divided into three classes, typically referred to as a ''classified'' or ''staggered'' board. Directors are assigned to each class in accordance with the Company's Bylaws and resolutions adopted by the Board, with the number of directors in each class to be divided as equally as reasonably possible. At each annual meeting of shareholders, one class of Directors is nominated for re-election, while the other classes are not. With respect to the class up for re-election, Directors are then elected for a new three-year term. This structure is intended to provide greater stability on the Board, as it staggers the turnover of the Board over three years. However, this structure can also have an anti-takeover effect, as this may make it more difficult for a third party to effect a hostile takeover by taking over control of the Board.

The U.S. federal securities laws also regulate certain types of takeover activity. In particular, the Williams Act (which is part of the Exchange Act) regulates tender offers and requires public disclosure, by means of a filing with the U.S. Securities Exchange Commission, of acquisitions of a substantial block of equity securities in a publicly-traded company. Many of the provisions of the Williams Act will not apply to the Company unless and until it has a class of shares registered under the Exchange Act.

However, the Company's Bylaws contain a notice provision that is similar to the public disclosure requirement of the Williams Act. A Shareholder is required to notify the Company when, to its knowledge, it acquires an interest in Common Shares equal to three percent or more of the Company's issued share capital. This obligation also arises when there is a change in the number of shares beneficially owned by such shareholder in excess of one percent or more of the Company's issued share capital. For these purposes, an interest includes the right to subscribe for or convert into Common Shares and any other interest, including the right to control the exercise of any right conferred on Common Shares, and also includes interests held or acquired by related parties of such shareholder, including family members and related entities.

In addition, in the event of a merger or consolidation of the Company with or into another corporation in which the successor corporation does not assume outstanding options or issue substantially equivalent options, the Share Option Scheme provides for the accelerated vesting of outstanding options (unless the plan administrator determines otherwise).

Limitation of Director liability

While both the Companies Act and the DGCL allow for indemnification of directors, the scope of indemnification allowed under Delaware law is broader. Section 310 of the Companies Act generally prohibits UK companies from exempting directors from, or indemnifying them against, liabilities in instances where the directors are found to be negligent, in default, or in breach of duty or trust (subject to certain recent statutory relaxations, whereby directors may (if a company so chooses) be indemnified against third party proceedings and the costs of defending actions brought against them by the company).

By comparison, the Company's Certificate of Incorporation eliminates any monetary liability of directors to the Company or its Shareholders for breaches of fiduciary duty as a director, except (i) for any breach of the director's duty of loyalty to the Company or its shareholders; (ii) for acts or omissions not in good faith or which involved intentional misconduct or a knowing violation of the law; (iii) under Section 174 of the DGCL (which

deals with unlawful payments of dividends and unlawful stock purchases); or (iv) for any transaction from which the director derived an improper personal benefit.

In addition, the Certificate of Incorporation provides that the Company will indemnify its directors and officers to the fullest extent permitted by the DGCL. Section 145 of the DGCL provides that directors and officers generally may be indemnified for acts taken in good faith and in a manner reasonably believed to be in or not opposed to the best interest of the corporation. Section 145 also permits a corporation to (i) reimburse present or former directors or officers for their defense expenses to the extent they are successful on the merits or otherwise and (ii) advance defence expenses upon receipt of an undertaking to repay the corporation if it is determined that payment of such expenses is unwarranted.

The Bylaws extend the general indemnification right contained in the Certificate of Incorporation to officers of the Company, and also provides that the Company will reimburse or advance defence expenses to a director or officer in connection with any such proceeding for which indemnification is allowed, subject to an undertaking by such director or officer to repay such expenses in limited circumstances where indemnification is not granted.

In addition, the Company has entered into individual indemnification agreements with each director and executive officer providing for similar rights of indemnification.

Series A Preferred Shares

As set out in further detail in Section 4 of Part VI of this document, following Admission there will be 2,243,750 Series A Preferred Shares in issue. The rights attaching to the Series A Preferred Shares as at Admission entitle the holders thereof, as a class, to receive an aggregate liquidation preference of $8,975,000 in the event of an acquisition, liquidation or winding up of the Company. After payment of this liquidation preference, remaining proceeds would be distributed pro rata among holders of Common Shares. Holders of Series A Preferred Shares can alternatively elect at any time to convert to Common Shares and receive a pro rata share of the proceeds together with the other holders of Common Shares. In addition, in limited circumstances prescribed under Delaware law, the holders of Series A Preferred Shares are entitled to vote as a separate class, as described under Section 6.7 of Part VI of this document. Except as set out in Part VI of this document, the Series A Preferred Shares otherwise have identical rights as Common Shares, including with respect to voting and dividends.

Additional corporate matters

In addition, the following provisions of Delaware law applicable to the Company, and the following provisions in the Company's Certificate of Incorporation and Bylaws, are standard for U.S. corporations but may not be typical for UK companies:

- The quorum required for action at a meeting of shareholders is 1/3 of the issued and outstanding shares entitled to vote at the meeting, which is the minimum quorum allowed under Delaware law.
- The quorum required for action at a meeting of the Board is a majority of the number of directors currently serving on the Board.

A summary of the terms of the Company's Certificate of Incorporation and Bylaws and certain other provisions of the DGCL are set forth in Section 6 of Part VI of this document.

14. Corporate Governance

The Directors are committed to maintaining high standards of corporate governance. They intend to take account of the requirements of the UK Combined Code on Corporate Governance to the extent they consider it appropriate having regard to the Company's size, stage of development and resources, and the fact that Planet Group, Inc. is incorporated in the U.S. rather than the UK.

The roles of chairman and chief executive officer in the Company are currently exercised by one person, Philip Beck. The Directors believe that Mr. Beck's holding of this dual role is in the Company's best interests, given the current stage of the Company's development. The Directors will monitor this structure going forward.

Cameron McColl is regarded by the Company as an independent non-executive director for the purposes of the Combined Code. The Company is actively seeking to identify other suitable candidates with the intention of appointing a second independent non-executive director to the Board and committees of the Board as soon as possible following Admission.

The Company is not currently subject to the rules, regulations and corporate governance requirements imposed upon U.S. public companies in particular under the Sarbanes-Oxley Act of 2002. However, the Directors do intend to take into account U.S. corporate governance best practices going forward.

Upon Admission, the Board will consist of five members, two of whom will be non-executive Directors. The Board will be divided into three classes, as described in Section 13 in this Part II. In recognition of the particular circumstances of time and travel commitments of the non-executive Directors and to attract such non-executive Directors, the Company has agreed to provide annual cash remuneration to non-executive directors, together with additional incentivisation by awards of share options. In doing so, the Company has taken into account the remuneration packages typically put in place for non-executive directors in the U.S. (which often include such awards) and the UK, and the benefits of aligning the non-executive Directors' interests with those of Shareholders in the Company. Further details of these arrangements are set out in Section 9 of Part VI of this document.

The Company will hold regular board meetings. The Directors will be responsible for formulating, reviewing and approving the Company's strategy, budget and major capital expenditures. The Directors have established an audit committee, a remuneration committee and a nomination committee with formally delegated rules and responsibilities. Each of these committees will meet regularly, and at least twice in each year.

On Admission the audit committee will be comprised of Messrs. McColl and Kaiden, and will be chaired by Mr. McColl. The audit committee will review, act on and report to the Board of Directors with respect to various auditing and accounting matters, including the selection of Planet Payment's auditors, the scope of the annual audits, fees to be paid to Planet Payment's auditors, the performance and independence of Planet Payment's auditors and the accounting practices of Planet Payment and Planet Payment's accounts. It will also receive and consider reports from management on the foregoing matters.

The remuneration committee of the Board will be comprised of Messrs. McColl and Kaiden, and will be chaired by Mr. McColl. The remuneration committee will review the scale and structure of the remuneration and benefits packages of the executive Directors and other executive officers, including share options. The remuneration committee will also either approve all grants of share options to employees and consultants, or make recommendations to the Board with respect to such grants. The remuneration and terms and conditions of appointment of the non-executive Directors will be determined by the entire Board of Directors.

The nomination committee will be comprised of Messrs. Beck and McColl, and will be chaired by Mr. Beck. The nomination committee identifies and nominates candidates for election to the Board of Directors, oversees evaluation of the Board of Directors, and handles various corporate governance matters.

The Directors intend to comply with Rule 21 of the AIM Rules relating to dealings by directors of the Company, and will take all reasonable steps to ensure compliance by the Company's applicable employees. The Company has adopted a share dealing code for its Directors, officers and employees to facilitate compliance with this rule with effect from Admission.

15. Share Option Plans

The Directors believe that the Company's success depends on the quality of its employees. To assist in the recruitment, motivation and retention of high quality employees, the Company must have an effective remuneration strategy. The Directors consider the ability to award stock options and other equity incentives to employees to be an important aspect of the Company's remuneration strategy. Consequently, the Company has adopted the Share Option Schemes. No further awards may be granted under the Company's 2000 Stock Incentive Plan, and the Directors intend to make future plan awards under the 2006 Equity Incentive Plan (''the 2006 Plan''). The 2006 Plan requires that in any 10-year period not more than 10 per cent of the Company's ''issued Common Shares'' (as defined in the 2006 Plan) may be issued or issuable under rights granted pursuant to the 2006 Plan. For these purposes options and other rights which lapse, and options which were granted prior to Admission, are not included.

The terms of these Share Option Schemes are described in Section 5 of Part VI of this document. Section 4.2 of Part VI of this document contains information about stock options outstanding as of the date of this document. The Share Option Plans were prepared in accordance with U.S. practice and to conform with applicable U.S. securities, tax and accounting regulations applicable to equity awards, and do not necessarily comply with the guidelines published by the Association of British Insurers. In particular, the 2006 Plan does not prohibit the issue of restricted stock at less than fair market value on the date of grant.

16. Warrants

As further set out in Section 4 of Part VI of this document, on Admission Warrants (other than the Canaccord Warrant) holding subscription rights over 7,455,188 Common Shares in the Company will be outstanding, exercisable at various dates (according to the specific terms of each Warrant) up to 2014.

17. Dividend Policy

As at the date of Admission, the Company has not paid any dividends. In light of the stage of the Company's development, the Directors intend to focus on the growth of the Company and the Directors current intention is to retain the Company's earnings in the foreseeable future for this purpose.

18. Taxation

Information regarding UK taxation and U.S. taxation, insofar as it may be applicable to UK residents in relation to the Placing and Admission, is set out in Section 11 of Part VI of this document. All information in this document in relation to taxation is intended only as a general guide to the current tax position for UK investors as at the date of this document. If you are in any doubt to your tax position or are subject to tax in jurisdictions other than the United Kingdom, you are strongly advised to consult your own independent professional financial adviser.

19. Further Information

The attention of prospective investors is drawn to the remainder of this document and you are urged to carefully review Part III of this document, which contains certain risk factors relating to any investment in the Company and to Part VI of this document which contains further additional information on the Company.

PART III

Risk Factors

In addition to the other relevant information set out in this document, the Directors believe the following specific risk factors are the most significant for potential investors and should be considered carefully in evaluating whether to make an investment in the Common Shares. The investment offered in this document may not be suitable for all its recipients. If you are in any doubt about the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. The risks listed below are not set out in any particular order of priority. If any of the following risks were to materialise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such cases, the market price of the Company could decline and an investor may lose part or all of his investment. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial and are not set out below, may also have an adverse effect upon the Company.

RISKS RELATING TO THE BUSINESS

The business model is new and unproven, which makes it difficult to evaluate the Company's future prospects.

The Company began business in 1999 and has spent most of the past six years developing the required infrastructure for the Dynamic Currency Conversion and multi-currency service and developing relationships with Acquiring Banks, Processors, POS providers, Merchants and other commercial partners. While its "first generation" dynamic currency conversion (DCC) solution went live in April 2002, the Company's new DCC solution (which went into production in October 2003) has only recently begun to be introduced to end users by the Company's commercial partners. Due to the Company's limited operating history, its history of net losses, the developmental stage of its business, and because the Company's industry and target markets are subject to rapid change, the Company has (and historically has had) limited ability to forecast future results. Although there are competitors who provide certain elements of the Company's service offering, the business model of offering point-of-sale DCC to Merchants on a global basis is relatively novel, and the model of Multi-Currency Processing is untested on any large scale. Accordingly, there is little, if any, comparable data by which to assess the business and financial assumptions and plans. Any forecasts that the Company makes reflect management's projections based on assumptions regarding the performance of the business and, as such, they are not a guarantee of future results and are subject to the risks described herein and other risks.

The Company cannot guarantee that it will achieve profitability.

The Company has generated limited revenue throughout its operating history, has generated net losses since inception and based on current projections, it anticipates incurring net losses during 2006. The Company needs to increase revenues significantly to achieve profitability. If it is unable to generate net income on the schedule that the investment community expects, the stock price may decline.

The Company may require additional capital in the future to fund operations, or it may elect to raise additional capital if market conditions are favourable.

The Company may need to raise additional funds to provide further working capital if revenues do not grow at the rate currently anticipated by management or if the Company incurs unforeseen expenses or market conditions change. In addition, the Company may elect to raise additional capital in order to increase its cash balance and support the expansion of its business and strategic growth initiatives. Funds may not be available on favourable terms, on a timely basis, or at all. Furthermore, if the Company issues additional equity or convertible debt securities, shareholders at the time will experience dilution in their shareholding. If debt or preferred stock is issued in the future, holders of these securities would have rights senior to those of the holders of Common Stock. The issue of debt securities could require the Company to agree to substantial restrictions on its ability to conduct its business. If the Company cannot raise funds on acceptable terms, it may not be able to continue to grow at the planned rate, or otherwise achieve certain strategic objectives, or in the worst case, it may not be able to continue operations.

The Company relies on third parties to implement the Company's solutions and to market them to end customers, and Cardholders may not adopt the Company's services.

The Company relies on Acquiring Banks, Processors, point-of-sale providers, Merchants and other providers to integrate its Multi-Currency Processing solutions within their services and to offer DCC and Multi-Currency Pricing to end customers in order to generate revenue for the Company. Although the Company has exclusive and semi-exclusive arrangements with certain Acquiring Banks, Processors, POS providers, Merchants and others, these arrangements only preclude these commercial partners from using competing DCC services or provide incentives for these partners to use the Company's Multi-Currency Processing services over competing services — these partners are not actually obligated to offer DCC or Multi-Currency Pricing services (and if they choose to, the agreements do not dictate the timing of implementation). To date, many partners with which the Company has commercial arrangements have implemented its solutions more slowly than anticipated by the Company. The Directors believe this is due to a variety of factors, including uncertainty about the impact of implementing the Multi-Currency Processing solutions on those partners' other commercial relationships (including with the Card Associations, the Card issuing divisions of Acquiring Banks that are also Issuing Banks), uncertainty about the regulatory environment and other factors listed in this part of the document. To the extent that the pace of adoption of the Company's solutions continues to be slower than anticipated, the Company may not meet its revenue projections, and may continue to incur net losses and negative cashflow for a longer period than anticipated.

Following initial implementation of the Company's services, the Company is and (will continue to be) significantly dependent on its relationships with Acquiring Banks, Processors and POS technology providers to market its services to their Merchants and Acquirer customers. Even the arrangements which are currently exclusive are not perpetual, and current partners could reassess their commitments to the Company in the future and/or develop their own competitive services following expiration of the exclusivity period (which in several cases does not run for the full term of the agreement). Also, some of the POS providers who entered into exclusive arrangements with the Company have shown resistance to this exclusivity, since it has been the custom and practice in the POS industry for providers to make their technology compatible with a wide variety of processing and acquiring solutions.

In addition, the payments industry is currently undergoing significant consolidation and the merger of one or more of the Company's customers with a financial institution that is aligned with one of the Company's competitors could have a material adverse impact on the Company's business and prospects. A significant loss of revenue or transaction volumes from these customers could have an adverse impact on the business. For example, NOVA Information Systems, a wholly owned subsidiary of U.S. Bancorp, announced on 31 January 2006 that it had entered into an agreement to acquire the business of First Horizon Merchant Services Inc. ("FHMS"). The extent of the impact of this transaction on the Company's relationship with FHMS is currently unclear.

In many cases, the Company has little or no direct access to its partners' customer bases and is wholly reliant on its partners' sales forces to promote its services. It is ultimately up to Merchants to offer DCC and Multi-Currency Pricing to Cardholders, and there is also no guarantee that Cardholders will embrace or adopt these services. The Company's partners may not be as motivated to sell the Company's products and services as the Company is and they may not be as conversant with the features and advantages of the Company's service offerings as the Company's own sales personnel. The Company's partners are also competing with other participants in the industry for processing business and may have other actual or perceived disadvantages relative to such competitors which may affect their ability to generate business, whether or not such business includes the Company's products and services. As a result, much of the Company's business depends on the continued success and competitiveness of its partners. The Company further relies on the success of the Merchants and Acquirer customers. If these Merchants and customers become financially unstable, the Company may lose revenue or be exposed to settlement risk as described below. Similarly, the Company relies on the continuing expansion of the Merchant and Cardholder acceptance of the Card Associations' brands and programs. There can be no guarantee that Merchant and Cardholder acceptance will continue to expand, and if the rate of Merchant acceptance growth slows or reverses itself, the Company's business could suffer.

The Company relies on third parties to provide certain services in connection with the Company's services.

The Company relies on third parties to provide certain elements of its processing services and operations. These third parties include Acquirers, Processors, Gateways, POS and terminal providers (each of which could be a customer or commercial partner, as well as a supplier) in addition to commercial communications providers. The failure by such third parties to perform their services (whether satisfactorily or at all) could result in the Company's failure to provide its services in accordance with its contracts, thus potentially exposing the Company

to liability to its customers. In some cases, the Company may face liability to its customers and have to rely on an indemnity or other contractual obligation from the third party, in order to avoid ultimate liability or suffering damages. Because of the inherent risks of litigation, such indemnity or other obligation may prove not be enforceable against such third party, or even if a favourable judgment is obtained, such third party may not have the financial ability to meet its obligations, thereby exposing the Company to suffering the loss alone. The Company attempts to mitigate these risks by contracting for services with established suppliers, obtaining appropriate service level agreements, undertakings and indemnities and by extensive testing prior to going live with any particular supplier, as well as ongoing system monitoring.

The Company's industry is highly competitive.

The Company competes in a rapidly evolving and highly competitive industry. Many of the Company's competitors have greater name recognition, entrenched relationships with potential customers of the Company, complementary businesses (and therefore the ability to offer complete package solutions), and significantly greater financial, marketing, sales and other resources. Existing and potential competitors include those referred to in the section entitled ''Competition'' in Section 4 of Part II of this document. Because multi-currency and DCC solutions are new offerings, the Company expects competition to increase in the future as new market entrants emerge once they see the benefits of such products. Competition from larger, more established market participants (including Processors, Acquirers and other participants in the credit card transaction chain) may preclude the Company from gaining market awareness and penetration at the levels that it seeks. Increased competition may also result in decreased market share in the future and in pricing pressure (and accordingly, decreased margins).

In particular, the industry is generally dominated by Visa and MasterCard. These companies have the ability to alter the fundamental structure of credit card transactions, which could render the Company's services less competitive or obsolete. If one or more of the major Card Associations were to enter into competition with the Company's offerings, the Company's ability to achieve market acceptance and gain market share could be significantly impaired. Moreover, because many of the Acquiring Banks have substantial financial and technical resources, they are in a position to develop internal offerings which could meaningfully impair the Company's competitive position.

In order to continue to compete successfully the Company will need to continue to improve its products and services and develop and market new products and services that keep pace with technological change.

The Company may face decreasing gross margins.

The Company may experience a decline in margins as a result of increased competition, changes made by the Card Associations, governmental regulation, or for other reasons. If this occurs, and if the Company is unable to offset this, in whole or in part, by achieving its early stage market share objectives and/or by moving towards higher level of service based revenue streams, this could have serious long-term consequences on the ability of the Company to achieve and maintain profitability.

Changes in the credit card industry and rules and practices may impair the Company's business.

The Company's DCC service offering and business strategy are designed around the existing framework of the credit card industry, namely, the current methods of doing business by Card Associations and their member Issuing and Acquiring Banks, as well as the current rules and regulations applicable to this framework. Changes in this framework, including changes to Card Association rules or practices, may require the Company to change its business plan and methods of doing business. For example, such a rule change led to the early termination of the Company's pilot DCC program in January 2003. If significant changes to this framework arise in the future, the Company may lose commercial partners, end users and revenue due to delays in adapting its model, it may incur significant expense or the Company may not be able to adapt its transaction processing model at all.

Although the Company is registered with the Card Associations as a third party Processor and an Independent Sales Organisation (ISO), the Company is not a bank and therefore cannot belong to the Card Associations. The Card Associations' member banks set the rules for processing credit card transactions and the Card Associations interpret these rules. Some of those member banks compete with the Company. The Card Associations could adopt new operating rules or interpretations of existing rules with which the Company or its Processors might find it difficult or even impossible to comply, in which case the Company's competitive position would be seriously damaged. If the Company fails to comply, this could result in termination of the Company's ability to accept or process credit cards.

The Company is required to be registered with Card Associations in order to provide its services and the Company relies on bank sponsorship for this registration.

The transaction processing model of the Company requires it to interconnect with the Visa and MasterCard Card associations, and to therefore be registered with those associations. Because the Company is not a bank, it is unable to belong to and directly access the Visa and MasterCard Card associations. Accordingly, Visa and MasterCard operating regulations require the Company to be sponsored by an Acquirer in order to process Card transactions. The Company is currently registered with Visa and MasterCard through the sponsorship of Acquirers that are members of the card associations. If these sponsorships are terminated and the Company is unable to secure a bank sponsor, the Company will not be able to process Card transactions.

If the Company or its Acquirer sponsors fail to comply with the applicable requirements of the Visa and MasterCard Card Associations, Visa or MasterCard could suspend or terminate the Acquirer's and/or the Company's registration. If an Acquirer sponsor's registration is terminated, the sponsorship of the Company would be terminated and the Company would need to secure a new bank sponsor. The termination of the Company's registration or any changes in the Visa or MasterCard rules that would impair the Company's registration could require the Company to stop providing payment processing services, which would seriously harm the Company's business and operating results. In addition, if any of the Company's Acquirer partners fail to comply with the applicable requirements such that their registration was terminated, the Company would not be able to provide processing services for Merchants through that Acquirer, which could adversely affect the Company's revenues and operating expenses.

Changes in credit card industry billing and disclosure of cross-currency transactions may impact the Company's revenues and gross margins.

The Card Associations and various of their members are parties to a number of lawsuits and governmental enquiries or investigations in various jurisdictions in the United States and the European Union, in relation to their practices and policies with regard to currency conversion and, in particular, the manner in which fees pertaining to such currency conversion are ultimately disclosed to the Cardholder. In response to this scrutiny, both Visa and MasterCard have recently issued regulations pertaining to the manner in which they charge fees for conducting cross-currency transactions.

As of April 2005 and October 2005, respectively, VISA and MasterCard no longer embed their 1% fee within the exchange rate used to perform the conversions of cross-currency transactions but instead, each association now simply converts the transaction at an exchange rate equal to the applicable wholesale or governmental rate. Correspondingly, the Card Associations are implementing new fee structures tied to any transaction in which a card is used at a Merchant located in a country different from that in which the card is issued. Essentially, the Card Associations will now bill the Issuing Bank a specific fee (1% for Visa, 0.80% or 1% for MasterCard, depending upon certain circumstances) for any "foreign," or "cross-border," transaction, irrespective of the currency in which the transaction is performed. However, both Visa and MasterCard have implemented certain rebates of these fees to the card Issuing Bank where the foreign transaction nevertheless occurred in the Cardholder's billing currency, obviating the need for the Card Associations to perform the conversion, for example, if the Cardholder agreed to perform a foreign transaction using DCC.

However, the new fee structure may enable Issuing Banks to take actions that may reduce the benefits to Cardholders of utilising DCC services. For example, some Issuing Banks have imposed a fee upon Cardholders for any foreign transaction, irrespective of the currency in which it occurred. Where this occurs, a Cardholder will pay the Issuer an extra fee on a foreign transaction in addition to any margin reflected by Planet Payment in the cost of the converted amount for the DCC service. This additional cost, and other efforts by Issuing Banks to discourage Cardholders from utilising DCC services, may adversely affect Cardholders' willingness to utilise DCC services. It is not possible to predict at this stage the impact of any such efforts on the Company's revenue and gross margins.

Third parties claiming that the Company infringes their proprietary rights could cause the Company to incur significant legal expenses and prevent the Company from offering its services.

The operation of the Company's business may subject it or its commercial partners to claims of infringement of third party intellectual property. These claims and any related litigation may result in the Company being required to pay damages, obtain a licence to such intellectual property or alternative intellectual property or to redesign or shut down the Company's services, and could also result in the invalidation of the Company's proprietary rights. Litigation, even if not meritorious, could result in substantial costs and diversion of resources and management attention in addition to potentially damaging publicity. In addition, several of the Company's commercial

contracts require the Company to indemnify its commercial partners on an unlimited basis against claims that the Company's DCC service infringes any third-party intellectual property.

One of the Company's competitors holds a patent for a particular method of performing DCC in several countries including Ireland, Singapore and Hong Kong, and is applying for a patent in other countries such as Australia, which could obstruct or impair the Company from doing business in those jurisdictions. To the Company's knowledge, this company has not filed a patent application in the United States, although it is possible that it has filed an application that has not yet been published. Several opponents, including certain of the Company's competitors, have challenged this patent in Europe and other countries. The Company is only aware of one infringement action being brought by this patent holder in Singapore and, based on the information currently available to the Company, hearing of this action commenced in February 2006. Other parties, including competitors of the Company, have filed patent applications or obtained patents with respect to various aspects of DCC. The Company is closely monitoring each application and the actions of other parties who hold patents relating to DCC. The Company has considered, and will continue to consider, pre-emptive legal action to the extent that the Company believes necessary, and/or advisable in order to protect its products. The Company's ability to do business in particular jurisdictions may be severely impaired in the event that a third party successfully argues that any of the Company's services (including DCC) infringe a patent held by such third party.

In addition, the Company licenses and uses software from third parties in its business. Such third party software licences may not continue to be available to the Company on acceptable terms or at all. Also, such third parties may from time to time receive claims that they have infringed the intellectual property rights of others including patent and copyright infringement claims which may affect the Company's ability to continue licensing their software. The Company's inability to use any of this third party software could result in disruptions in the Company's business, which could materially and adversely affect its operating results.

The Company may be subject to litigation in the future.

In addition to the intellectual property and privacy concerns discussed elsewhere in this section of the document, the Company may be a party to lawsuits in the course of its business. For example, the Company could be named as a co-defendant in a lawsuit regarding currency conversion in credit card transactions. Litigation can be expensive, lengthy, and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict. An unfavourable resolution of a particular lawsuit or the costs associated with substantial litigation could have a material adverse effect on the Company's business, operating results, or financial condition.

The Company may also face the threat of litigation under its existing contracts, a number of which contain provisions whereby the Company indemnifies its partners for certain losses arising thereunder with unlimited liability.

The Company may not be able to protect and enforce its exclusivity arrangements and intellectual property rights.

If the Company's partners do not comply with the exclusivity arrangements contained in certain of the Company's contracts, the Company may be required to enter into expensive litigation in order to enforce its rights. The Company cannot be certain that any such litigation would be successful. Even if successful, such litigation may merely prevent a partner from engaging in competitive activity but would not necessarily require such a partner to continue to work with the Company, and, in any event, litigation may severely harm the working relationship. Moreover, the costs of any such litigation, and the diversion of management time and effort, may have an adverse impact on the Company's revenues and profitability. In addition, all such exclusivity arrangements are time-limited, and the Company cannot be certain that its partners will agree to continued exclusivity on the relevant contracts.

The Company also faces risks regarding the Company's ability to protect and enforce its intellectual property rights. The Company has registered certain trademarks and applied for registration of other trademarks and certain business process patents in various jurisdictions around the world. The Company cannot give any assurances that any such trademark and patent applications will be approved. Even if they are approved, these trademarks and patents may be successfully challenged by others or invalidated. If trademark registrations or patent applications are not approved because third parties own these trademarks or technology, the Company's use of these trademarks and technology will be restricted or completely prohibited unless the Company licenses third party technology, which may not be available on commercially reasonable terms. Pending completion of such registrations and in respect of other proprietary rights and technology for which no such applications have

been made, the Company relies on common law rights (which tend to be harder and more costly to enforce) to protect those marks and logos, confidential and proprietary information, trade secrets and other intellectual property rights. The Company may also be required to enter into litigation to enforce these rights, which would introduce similar risks to those outlined above with respect to enforcing the Company's exclusivity arrangements.

Rapid technological change could render the Company's services obsolete.

If the Company is not able to keep pace with the rapid technological developments in its industry, the use and competitiveness of the Company's DCC and multi-currency processing offerings could decline, which would reduce the Company's revenues and income. The payment card industry is subject to rapid and significant technological changes. The Company cannot predict the effect of technological changes on its business. The Company relies in part on third parties for the development of and access to new technologies. The Company expects that new services and technologies applicable to the payments industry will continue to emerge and develop, and it is possible that these new services and technologies may be superior to, or render obsolete, the technologies that the Company currently uses in its DCC and Multi-Currency Processing solutions. The Company's future success will depend, in part, on its ability to develop or adapt to technological changes and evolving industry standards.

The Company has granted security interests over certain of its assets.

The Company has granted security interests (i) to First Horizon Merchant Services, Inc. (''FHMS'') over revenues arising under its contract with FHMS, in respect of advances made to the Company by FHMS under the Company's agreement with them; and (ii) to Mtrex, in respect of certain technology payments due in relation to the Company's first generation DCC processing platform. If the Company defaults under its agreement with FHMS, FHMS would be entitled to exercise its security and take possession of revenues generated in the future under the contracts which are subject to the security interest, which would adversely affect the Company's cashflow from such contracts. The advances from FHMS matured in March and July 2005 but the Company is in ongoing negotiations with FHMS regarding an extension of the loans and changes to certain other contractual terms, including an existing provision for 10 basis points per transaction to be paid to FHMS in respect of certain US-based Multi-Currency Processing transactions (a cost of sale), in consideration for the advances and additional advances. No additional advances have been made and to date no demand for repayment of the existing advances has been received. If the Company defaults under its agreement with Mtrex, Mtrex would be entitled to up to 280,000 Common Shares currently held in escrow by Mtrex's general counsel to secure its obligations. The loan from Mtrex matures in June 2006.

The Company's business exposes it to currency exchange risk.

The Company performs currency conversion data processing services which involve it processing and accounting payments in multiple currencies. The currency conversion underlying such services is presently carried out through the Card Associations and certain Acquirers although in future, some or all of the currency conversion may be carried out by a third party acting as a currency exchange provider. In most cases, the Company may have exposure of between one and three days of currency exchange risk. Daily fluctuations will occur in the rate of exchange of the various currencies for which the Company offers DCC and Multi-Currency Processing. These fluctuations may be favourable or adverse to the Company and its partners. Although there can be no guarantee that future fluctuations will match events to date, management's analysis of these variations over an extended period of years indicates that variations over the short term have been substantially less than the margin the Company charges for DCC and multi-currency transactions, and, over the long term, average variations have been nominal. In most cases, the Company shares revenue with Acquirers and Merchants on a ''net'' basis after taking into account foreign exchange fluctuations and therefore the risk is borne proportionately by the Company and the other parties participating in these transactions (e.g. the Acquirer and the Merchant). Although the Company does not currently engage in hedging or other techniques to minimise exposure to currency exchange risk, the Company may decide to do so in the future as international transactional volume increases, and such techniques would introduce additional risks, including the risk that a ''counterparty'' may be unable to fulfil its obligations to the Company under such contracts.

Additionally, the Company anticipates that in the future an increasing proportion of its revenues will be received in non-U.S. currencies that may be subject to foreign currency risks as international currencies fluctuate relative to the value of the U.S. dollar. Resulting exchange gains and losses from such fluctuations will be included in the Company's net income. This may give rise to an exchange risk against the U.S. dollar upon repatriation of foreign currency earnings or upon consolidation of revenue for financial account purposes. The Company will consider strategies for managing and hedging such risks once the volume of foreign earnings reaches certain threshold

levels. Furthermore, the Company may become subject to exchange control regulations that might restrict or prohibit the conversion of its revenue currencies into U.S. dollars. The occurrence of any of these factors could have an adverse impact on the Company's business and financial results.

The currency markets are also subject to worldwide events including political, economic, environmental and social events which cannot be predicted and the Company may be adversely affected if the currency markets fluctuate as a result of such events.

If the Company were to lose the services of its CEO or other members of its senior management team, the Company may not be able to execute its business strategy.

The Company's future success depends in a large part upon the continued service of key members of its senior management team. In particular, the Company's Chief Executive Officer, Philip Beck, is critical to the management of the Company and the development of its strategic direction. All of the Company's officers and key employees are engaged "at-will" (meaning they could lawfully resign from the business or the Company could terminate their services with immediate effect at any time without notice) and the Company does not maintain any key-person life insurance policies. The loss of any of the Company's management or key personnel could seriously harm its business.

The Company's success depends largely on the skills, experience and performance of the members of its senior management and other key personnel. The Company needs to retain and recruit employees with knowledge of credit card Merchant services, banking and financial services, cultural and linguistic experience and with skills in dealing with business in many countries. The Company may not be successful in attracting, assimilating or retaining qualified personnel. In addition, the Company intends to recruit additional senior executives to help implement its strategy but it may not be successful in attracting qualified senior management personnel. There are a limited number of senior employees in the credit card processing industry and there is therefore heavy competition in the hiring of key personnel. If the Company is unable to attract and retain qualified employees, its business may be adversely affected.

The Company faces risks in foreign markets.

The Company conducts operations and markets its services outside of the United States. Conducting business outside the United States has required the Company to become familiar with and to comply with foreign laws, rules, regulations and customs. The Company has limited experience in conducting business outside the United States and thus cannot assure investors that it will be successful engaging in business outside the United States. Moreover, the Company's failure to comply with foreign laws, rules and regulations may harm its business.

Further risks are inherent in international operations, including the following:

- customers agreements may be difficult to enforce and receivables difficult to collect through a foreign country's legal system;
- any intellectual property rights the Company may have may be more difficult to enforce (or may be unenforceable) in foreign countries;
- tax rates in certain foreign countries may exceed those of the United States and foreign earnings may be subject to withholding requirements or the imposition of tariffs, exchange controls or other restrictions;
- fluctuations in exchange rates may adversely affect the profitability in U.S. dollars of services provided by the Company, when revenues are earned in a different currency;
- general economic and political conditions in the countries in which the Company operates could have an adverse effect on the Company's earnings from operations in those countries;
- compliance with a variety of foreign laws and regulations and overlap of different tax structures may impose operating restrictions on the Company's business not faced by companies doing business only in their home country; and
- unexpected changes in foreign laws or regulatory requirements may occur.

These factors could have material adverse effect on the Company's business and results in operations.

The Company is particularly exposed to risk from changes in applicable law.

Due to the regulated nature of the business sector in which the Company operates, the Company believes it is more exposed to risk from changes in laws and regulations than some other businesses. In particular, the laws

relating to DCC, as well as Internet and electronic commerce and related financial services, have not been developed fully or at all in many jurisdictions. Although the Company can obtain advice on its proposed activities in certain of the jurisdictions in which the Company's existing and prospective clients operate, in most cases there is no definitive legal solution since no or little law or regulation currently exists. Contributing factors include the rapid development of currency conversion systems, the Internet and e-commerce, each of which have outpaced government and legislators' ability to keep up. Furthermore, there is not and is unlikely in the short term to be any uniformity of regulation among different jurisdictions (even within areas such as the European Union). Privacy laws vary from one jurisdiction to another and continue to develop and change. These can impose significant burdens on businesses, such as Planet Payment, which receive and process personal data, including, for example, names, addresses and credit card numbers.

In particular, payment services is a field where (within Europe at least) there will be significant changes in the laws and regulations and related market practice and standards. These changes are being driven by, amongst other things, the payment industry's initiative to establish a Single Euro Payments Area (referred to as "SEPA"), through the creation of the European Payments Council ("EPC") and the adoption of a road-map with the aim of developing by 2010 the necessary procedures, common rules and standards for EU-wide payments (covering credit transfers, direct debits, credit and debit card payments) and the European Commission's complementary proposal published in December 2005 for a new Payment Services Directive.

The Company will need to commit significant resources to maintaining a watch over all applicable laws and regulations and related market practice and standards (the "applicable regime") as they change and evolve and, where appropriate, to influencing their development and understanding. These concern not only the applicable regime which applies to its activities, products and services and the way in which they are marketed and documented, but also the applicable regime which applies to its customers and their activities, products and services in order that the Company's products and services continue to assure compliance, where appropriate, with the customers' applicable regimes and do not become obsolete or redundant.

The applicable regime will vary from jurisdiction to jurisdiction, adding to the scope of this watching brief and the Company's operational costs, and is a feature of a company operating in a global environment rather than in a single jurisdiction. This multi-jurisdictional feature also means that the Company may need to devise different products and services tailored to particular jurisdictions.

Changes to the applicable regimes in the future may result in the Company not being able to operate, or not being able to offer and provide products and services to customers, in a particular jurisdiction in the manner previously undertaken or at all, or in the Company only being able to do so if it becomes authorised, regulated or otherwise subject to the supervision of a competent authority in that jurisdiction.

The Company could be subject to liability in the event of unauthorised disclosure of Merchant and Cardholder data.

The Company collects and stores sensitive data about Merchants and Cardholders, including names, addresses and bank account numbers. In addition, the Company maintains a database of Cardholder data relating to specific transactions including card numbers and Cardholder addresses, in order to process transactions and for reporting and reconciliation purposes. If an infiltrator successfully penetrates the Company's network security or otherwise misappropriates sensitive Merchant or Cardholder data, the Company and its customers could be subject to liability or business interruption.

Acquiring Banks have recently suffered highly publicised security breaches of customer account data. Visa, MasterCard, Acquiring Banks and other potential commercial partners may be reluctant to partner with third parties as a result, as evidenced by the Card Associations' recent termination of processing privileges for a Processor which suffered a security breach. This perception, combined with the lack of an established name brand and the Company's relatively short operating history, may preclude the Company from pursuing and participating in certain competitive opportunities.

Agreements with financial institutions and Card Association regulations require the Company to take certain protective measures to ensure the confidentiality of Merchant and Cardholder data. The Company generally requires service providers to agree to confidentiality obligations that restrict the use and disclosure of Cardholder or Merchant data except as necessary to perform their services, but the Company has no guarantee that these contractual measures will be effective in preventing unauthorised disclosures. Any failure to adequately take these protective measures could result in protracted or costly litigation and possibly fines and penalties. Moreover, the resultant damage to the Company's reputation could affect its ability to sign or renew contracts with Acquirers.

Merchant fraud or insolvency could, in some cases, negatively affect the Company's cash flows and operating results.

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. In many cases, the Company relies on Acquirers to research the background of Merchants, and in most cases the Company has no direct financial relationship with such Merchants. 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.

Adverse economic and other global conditions could result in a decrease in transaction volumes.

Global economic, political and other conditions may adversely affect trends in cross-border travel which may significantly impact the Company's revenues and profitability. The global payments industry is heavily dependent upon the overall level of consumer spending. A sustained deterioration in general economic conditions, particularly in the United States or Europe, or increases in interest rates in key countries in which the Company operates, may adversely affect the Company's financial performance by reducing the number or average purchase amount of transactions to which the Company's DCC or Multi-Currency Processing solutions can be applied. In addition, cross-border business and leisure travel may be adversely affected by world geopolitical, environmental and other conditions, including but not limited to terrorist attacks or threats and continuing military activity in parts of the world.

The Company relies on third party and organic new technology and systems.

Certain key systems and technology that the Company uses and intends to use are still in the process of testing and integration as part of the ongoing process of expanding the Company's product offering into different regions and markets. The Company uses systems operated by a number of third parties. Accordingly, the Company may incur delays in implementation and it may find that systems put into production may require bug fixes or further development to operate as intended. Systems operated by third parties must integrate smoothly and in a timely manner with other third party or proprietary systems. Once fully integrated and operational, systems operated by third parties may suffer interruptions or failures beyond the Company's control. The changes that third parties need to make to their systems to enable them to provide DCC could take longer to complete than anticipated and may be subject to unforeseen problems in implementation. Such changes are beyond the Company's control. If any such delays or problems arise they could have a significant impact on the Company's revenue projections which are based in part on certain assumptions as to when third party systems will be operational and the assumption that once operational, they will continue to operate uninterrupted. In addition the need to work with multiple parties gives rise to a level of developmental and operational complexity which could have a severe impact on the anticipated timetable for completion of the necessary implementation, or, in the worst case, in termination of the relationship, possible litigation, and/or the need for the Company to locate new suppliers or service providers.

The Company could face liability or termination of key contractual relationships in the event of a system failure or a failure to perform to contracted standards.

The Company depends on the efficient and uninterrupted operations of its computer network systems, software and data centres. The Company has in place back-up, duplicated systems (known in the U.S. as ''redundant'' systems) and detailed disaster recovery plans. Nevertheless, systems and operations could be exposed to damage or interruption from fire, natural disaster, power loss, telecommunications failure, unauthorised entry and computer viruses. Additionally, the Company relies on third-party communications providers for the timely transmission of information across the global data transportation network. If a service provider fails to provide the communications capacity or services required as a result of, for example, a natural disaster, operational disruption, terrorism or any other reason, the failure could interrupt the Company's services and adversely affect the perception of its brand reliability and accordingly, its revenues or income.

Many of the Company's contracts with Acquiring Banks and Processors require the Company to satisfy specified service performance standards (known as service level agreements, or ''SLA's''). The recourse of the partner in the event that the Company fails to meet these standards varies according to each contract. In some cases, a material breach of the SLA's is deemed to be a material breach of the contract itself, giving rise to a right of termination. In the event of errors or defaults in providing DCC services, the Company will have primary liability to its Merchants or Acquirers for any losses suffered (sometimes on an uncapped basis, which is not uncommon

in the Company's sector), although in certain circumstances the Company may have rights to indemnity or contributions from other participants in the transaction process, to the extent that they were at fault. For example, the Company offers a "Best Rate Guarantee" which provides that a Cardholder purchasing through a participating Merchant will receive an individualised exchange rate which is no more than the rate offered by the Cardholder's credit card Issuer. To the extent that Planet Payment's systems fail and the rate provided exceeds the rate offered by the Cardholder's credit card Issuer, then Planet Payment will be obligated to pay the Cardholder 150% of the additional amount charged.

The Company's property and business interruption insurance may not be adequate to compensate the Company for all losses or failures that may occur. Defects in systems, errors or delays in the processing of payment transactions or other difficulties could result in:

- additional development costs;
- diversion of technical and other resources;
- loss of Merchants;
- loss of Merchant and Cardholder data;
- negative publicity;
- harm to the business or reputation; or
- exposure to losses or other liabilities.

Any of these eventualities could result in a material adverse impact on the Company's revenues or operating results.

Material future acquisitions made by the Company may have an adverse effect on its results.

The Company may acquire other businesses if appropriate opportunities become available. Any future material acquisition may significantly affect the Company's results or operations. Further, any new acquisitions will require the attentions of the Company's management and may require the diversion of other resources. No assurance can be given that the Company will be able to manage future acquisitions profitably or to integrate such acquisitions successfully without substantial costs, delays or other problems. In addition, no assurance can be given that any companies or businesses acquired will achieve levels of profitability or revenues that will justify the investment made by the Company. Moreover, future acquisitions by the Company may result in dilutive issues of equity securities, the use of a substantial portion of the Company's cash balances, the incurring of additional debt, large one-time write-offs and the creation of goodwill or other intangible assets which could result in significant impairment charges or amortisation expense. Any of these problems or factors could seriously harm the Company's business, financial condition and operating results.

The Company may be required to comply with U.S. federal securities law reporting and corporate governance regulations in the future, which would entail significant expense and could materially impair the Company's operating results.

Under Section 12(g) and Rule 12g-1 of the Exchange Act, companies that exceed certain size parameters must register under the Exchange Act and file annual and other reports with the U.S. Securities and Exchange Commission. In particular, any company which has $10 million or more in assets on the last day of its most recent fiscal year and any class of equity securities held by 500 or more record holders, wherever resident, is required to register under the Exchange Act. This registration and compliance would be required even though the Company will not have conducted a registered offering in the U.S. or listed its securities on any U.S. trading market. Although the Company does not currently exceed the shareholder threshold, Admission of the Common Shares on AIM and subsequent trading of the Company's Common Shares through this market will likely result in an increase in the number of record holders of the Company's Common Shares, and the Company will not be able to control how many record holders it may have in the future. In addition, if the Company is required to register under the Exchange Act, it will also become subject to the Sarbanes-Oxley Act 2002 ("SOX"), and possibly the internal controls assessment requirements of Section 404 under SOX.

Compliance with the Exchange Act and SOX would entail significant additional general and administrative expense. Compliance would also require significant management attention, resulting in a diversion of management from revenue-generating activities to compliance activities. The Company may not have the resources or may otherwise be unable to comply with the reforms required by these regulations, and in particular, the Company could be required to make significant adaptations to its financial reporting and processes. Any of

the above or other related implications of being subject to these regulations could materially and adversely impair the Company's results of operations and cash flow. In addition, the more frequent reporting requirements of the Exchange Act could result in greater volatility in the market price of the Company's Common Shares, since market makers and shareholders may be inclined to assess the valuation of the Company based on shorter-term operating results.

Changes in applicable accounting standards could materially affect the Company's reported operating results.

The London Stock Exchange has mandated that all AIM companies comply with International Financial Reporting Standards (''IFRS'') for financial years commencing on or after 1 January 2007 (whereas the Company has historically prepared its financial statements in accordance with U.S. GAAP). The Company has not yet assessed the impact that this pending change in accounting standards will have on its operating results. In addition, there are expected to be significant continuing developments in IFRS between now and the date of adoption of IFRS by the Company.

RISKS RELATING TO THE COMMON SHARES

Securities traded on the AIM market may involve greater risk, potentially greater volatility and lower liquidity than securities traded on other public markets.

An investment in shares traded on AIM may involve a higher degree of risk and be less liquid than investment in companies whose shares are listed on the Official List and traded on the London Stock Exchange's market for listed securities or other public markets. Many companies whose stock is traded on AIM (including Planet Payment, following Admission) are at an earlier stage of development than companies which trade on other public markets. In addition, the trading volumes of stocks traded on AIM are relatively low and market makers and brokers in this market often do not hold a significant number of shares to assist in maintaining liquidity. Accordingly, AIM securities, including the Common Shares, may be subject to greater volatility in trading prices and large sale orders may have a greater downward impact on the trading price and liquidity of the Common Shares than would be the case if the Common Shares were traded on certain other markets. Shareholders may not be able to sell their shares as quickly as desired or be able to sell them at all or at a desired price. For the avoidance of doubt, the value of the Common Shares can go down as well as up (whether to a price below the Placing Price or otherwise).

The Company intends to issue Common Shares representing approximately 21.3% of the Enlarged Issued Share Capital. Certain existing Shareholders have entered into lock-in agreements with Canaccord that prohibit trading for periods ranging from three to approximately nineteen months after the Placing, which may result in a smaller base of trading on AIM until such lock-in agreements expire. Conversely, upon the expiration of these lock-in agreements, a large number of shares may become eligible for resale on AIM at the same time which may result in an actual or perceived excess of supply over demand for the Common Shares and a corresponding decrease in the trading price of the Common Shares.

U.S. federal securities law requirements applicable to resale of the Common Shares may result in a perceived or actual impact on the liquidity of the Common Shares.

Under U.S. federal securities laws, certain of the Common Shares, including the Placing Shares, will be ''restricted securities'' under the U.S. Securities Act. As a result, these shares must be sold in compliance with Regulation S under the Securities Act (or any other available exemption under the Securities Act). Trading of shares on AIM will generally meet the requirements of Regulation S, although some limitations apply with respect to sales to U.S. persons purchasing through AIM. For more information regarding these resale restrictions, please see Part V of this document. Shares that are ''restricted securities'' will also be required to bear a legend relating to these resale restrictions. Accordingly, these shares must be evidenced by paper certificates, and will not be eligible for electronic trading over CREST (for those electing to move to dematerialised trading of their shares) until the legends can be removed in accordance with the Securities Act. Potential buyers of Common Shares may perceive that these resale restrictions and legends impose a greater limitation on liquidity than apply to shares in UK-domiciled listed companies, which may make it more difficult to resell shares bearing legends than shares without legends in certain cases. Shareholders bear responsibility for compliance with applicable securities laws, and the Company urges you to consult with your broker and/or legal advisor if you have further questions.

The Company is not subject to the same reporting requirements as companies whose stock is traded on other public markets.

As a U.S.-based company whose Common Shares trade on AIM, the Company is currently subject to the disclosure requirements set forth in the AIM Rules (as is the case with all AIM-listed companies). These rules require the Company to send an annual report of its operating results to shareholders, to publicly announce six-month operating results, and during interim periods to publicly announce a limited number of material developments, including substantial developments in the Company's business, operating results or expectations, substantial transactions and transactions with affiliated parties. The reporting requirements of the AIM Rules require dissemination of less information than the regulatory requirements of certain other public markets, including companies whose shares are listed on the Official List and traded on the London Stock Exchange's market for listed securities. In addition, companies on AIM may not be as widely followed by analysts as companies with larger market capitalisations, and therefore information that is publicly announced may not be as widely disseminated. These factors could result in greater volatility in the trading price of the Common Shares, and lower volumes of trading in the Common Shares.

In addition, investors in the UK and elsewhere outside the United States should take note that the rights and responsibilities of Shareholders are governed by the DGCL and in many respects by customary practice for U.S. companies, and may differ materially from the rights and responsibilities of shareholders in of corporations or entities in your local jurisdiction. Please see Section 13 of Part II for a description of the material differences between the rights and responsibilities of Shareholders of the Company and those typically held by shareholders of a company incorporated in the UK.

Ownership of the Company's Common Shares is concentrated among a small number of large Shareholders, and substantial sales by these Shareholders could depress the Company's stock price.

Immediately following the Placing, approximately 54.1% of the Enlarged Issued Share Capital will be held by the Directors and the major shareholders listed in Section 8.3 of Part VI of this document. Accordingly, any combination of these Shareholders acting together will be able to exert significant influence over matters requiring Shareholder approval, including the election and removal of directors and any merger, consolidation or sale of all or substantially all of the Company's assets. This concentration of ownership could have the effect of (or the perceived effect of) delaying, deferring or preventing an acquisition or other change in control of the Company. In addition, the interests of large Shareholders may not always coincide with the Company's interests or the interests of other Shareholders, and accordingly these Shareholders could approve or exert influence over transactions or agreements that may not otherwise be approved by other Shareholders generally. Any of these factors may impair the value of your investment. If one or more of these larger Shareholders sought to dispose of any significant number of Common Shares over AIM over a short time period, this may depress the Company's share price and impair the liquidity of other Shareholders.

Provisions in the Company's organisational documents and in Delaware law may discourage or delay potential acquisition bids for Planet Payment and prevent changes in Planet Payment's management.

The Certificate of Incorporation of Planet Group, Inc. authorises the Company to issue preferred shares with rights, preferences and privileges designated by the Board of Directors, without further stockholder approval. While this provides desirable flexibility in connection with possible acquisitions and other corporate purposes, any issued preferred shares could have the effect of delaying, deferring or preventing a change in control of Planet Payment. As a result, the market price of the Common Shares and the voting and other rights of the holders of Common Shares may be adversely affected. The issuing of preferred shares may result in the loss of voting control to others, and/or a dilution of the holders of Common Shares.

In addition, provisions in the Company's bylaws limit the right of stockholders to call, and present items of business at, shareholders' meetings. These provisions are intended to increase the likelihood of continuity and stability in the composition of the Board of Directors and in the policies set by the Board of Directors. These provisions also may reduce the Company's vulnerability to an unsolicited acquisition proposal and therefore could discourage potential acquisition proposals and could delay or prevent a change in control transaction. These provisions are also intended to discourage certain tactics that may be used in disputes over control of the Board of Directors of the Company. However, they could have the effect of discouraging others from making tender offers for issued and outstanding Common Shares, and may prevent the market price of the Common Shares from reflecting the effects of actual or rumoured takeover attempts. These provisions may also have the effect of preventing or delaying changes in the management of the Company.

Please see Section 13 of Part II of this document for further information regarding takeover provisions that may vary from law and customary practice in the UK.

Subscribers for Placing Shares may have their holdings in the Company diluted due to exercise of rights following Admission by holders of Warrants and options, and by performance of certain other contractual obligations.

As set out in Section 4 of Part VI of this document, Warrants over up to 7,455,188 Common Shares, and granted options over up to 4,231,365 Common Shares, will remain in issue following Admission. Exercise of any of these Warrants or options would have a commensurately dilutive effect on the holdings of previously issued Common Shares. Please see Section 4.3 of Part VI for information regarding additional contingent obligations of the Company to issue securities in the future.

Subscribers for Placing Shares (together with other holders of Common Shares) may not be able to receive their pro rata share of the proceeds arising from a sale of the Company until the holders of Series A Preferred Shares have received a liquidation preference of $8,975,000.

As set out in Section 4.1 of Part VI of this document, the Series A Preferred Shareholders (as a class) hold a preference over the first $8,975,000 available for distribution to Shareholders in the event of an acquisition, liquidation or winding up of the Company. Alternatively, holders of Common Shares (including the Placing Shares) would be diluted in the event that any of the Series A Preferred shareholders exercised their right to convert their Series A Preferred Shares into Common Shares.

PART IV

Section I (page 45)

Audited consolidated financial statements for Planet Group, Inc. and Subsidiaries for the year ended 31 December 2004 and the six month period ended 30 June 2005

Section II (page 64)

Audited consolidated financial statements for Planet Group, Inc. and Subsidiaries for the years ended 31 December 2002 and 31 December 2003

Planet Group, Inc. and Subsidiaries

Consolidated Financial Statements as of June 30, 2005 and December 31, 2004, and for the Six-Month Period Ended June 30, 2005, and the Year Ended December 31, 2004, and Independent Auditors' Report

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Independent Auditors' Report

To the Board of Directors and Stockholders of
Planet Group, Inc. and Subsidiaries
Long Beach, New York
United States of America

We have audited the accompanying consolidated balance sheets of Planet Group, Inc. and its subsidiaries (the "Company") as of June 30, 2005 and December 31, 2004, and the related consolidated statements of operations, stockholders' equity, and cash flows for the six-month period and year then ended, respectively. 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 consolidated financial position of the Planet Group, Inc. and its subsidiaries as of June 30, 2005 and December 31, 2004, and the results of their operations and their cash flows for the six-month period and year then ended, respectively, in conformity with accounting principles generally accepted in the United States of America.

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

Deloitte & Touche LLP

January 25, 2006

Member of
Deloitte Touche Tohmatsu

PLANET GROUP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets
As of June 30, 2005 and December 31, 2004

	2005	2004
Assets		
Current assets:		
Cash and cash equivalents	$ 1,420,122	$ 5,857,509
Restricted cash	77,000	77,000
Account receivables	344,225	144,403
Prepaid expenses	74,846	75,794
Total current assets	1,916,193	6,154,706
Property and equipment — Net	1,575,999	1,161,369
Other assets:		
Intangible assets — net	1,887,824	2,079,905
Goodwill	28,168	—
Security deposits	88,359	83,905
Total other assets	2,004,351	2,163,810
Total	$ 5,496,543	$ 9,479,885
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 683,752	$ 622,869
Convertible debt and accrued interest thereon	505,182	505,182
Due to customers	78,192	61,845
Current maturities of long term debt	1,551,169	2,215,678
Due to affiliates	248,645	398,431
Total current liabilities	3,066,940	3,804,005
Long term liabilities — Long term debt — less current maturities	—	390,340
Total liabilities	3,066,940	4,194,345
Commitments and contingencies		
Stockholders' equity:		
Convertible preferred stock — 4,000,000 shares authorized, $0.01 par value:		
Series A — 2,243,750 and 2,181,250 issued and outstanding, respectively; $8,975,000 and $8,725,000, respectively, aggregate liquidation preference	22,438	21,813
Junior — 171,752 issued and outstanding; $4,521,600 aggregate liquidation	1,718	1,718
Common stock — 35,000,000 shares authorized, $0.01 par value, 10,683,549 and 10,621,674, respectively, issued and outstanding	106,835	106,216
Warrants	1,057,094	999,715
Additional paid-in capital	33,036,394	32,545,083
Accumulated deficit	(31,794,876)	(28,389,005)
Total stockholders' equity	2,429,603	5,285,540
Total	$ 5,496,543	$ 9,479,885

See notes to consolidated financial statements.

PLANET GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Operations
For the Six-Month Period Ended June 30, 2005,
and for the Year Ended December 31, 2004

	2005	2004
Revenue:		
Multicurrency processing revenue	$ 453,540	$ 454,019
Processing revenue	102,607	221,192
Professional services revenue	440,188	—
Total revenue	996,335	675,211
Cost of sales:		
Multicurrency processing cost of sales	223,404	300,780
Processing cost of sales	41,601	164,805
Professional services cost of sales	44,632	—
Total cost of sales	309,637	465,585
Gross profit	686,698	209,626
Operating expenses:		
Compensation and benefits	2,023,337	2,859,117
Professional fees	843,385	1,377,470
Technology	248,512	452,571
Travel and entertainment	258,174	287,762
Facilities	72,492	179,574
Other	243,616	365,304
Depreciation and amortization	399,903	864,132
Total operating expenses	4,089,419	6,385,930
Loss from operations	(3,402,721)	(6,176,304)
Other income (expense):		
Interest income	33,759	10,284
Interest expense	(36,696)	(566,475)
Total other expense	(2,937)	(556,191)
Loss before provision for income taxes	(3,405,658)	(6,732,495)
Provision for income taxes	213	644
Net loss	$(3,405,871)	$(6,733,139)

See notes to consolidated financial statements.

PLANET GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the Six-Month Period Ended June 30, 2005, and
the Year Ended December 31, 2004

	2005	2004
Cash flows from operating activities:		
Net loss	$(3,405,871)	$(6,733,139)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	399,903	864,132
Imputed interest expense on convertible debt	—	291,544
Warrants issued as payment of interest on convertible debt	—	105,737
Warrants issued as payment of accounts payable	57,379	184,600
Common stock issued as payment of accounts payable	40,000	85,149
Interest expense accrued on convertible debt	—	25,573
(Increase) decrease in:		
Receivables and prepaid expenses	(196,900)	8,440
Security deposits	(4,454)	(69,740)
Increase (decrease) in:		
Accounts payable and accrued expenses	60,883	(372,926)
Due to customers	16,347	(157,155)
Due to affiliates	(149,786)	(249,187)
Net cash used in operating activities	(3,182,499)	(6,016,972)
Cash flows from investing activities:		
Restricted cash	—	(77,000)
Purchase of property and equipment	(394,633)	(491,504)
Purchase of business, net of cash acquired	(30,142)	—
Purchase of intangible assets	(20,319)	(37,097)
Net cash used in investing activities	(445,094)	(605,601)
Cash flows from financing activities:		
Proceeds from issuance of common stock	—	2,543,253
Proceeds from issuance of preferred stock	245,055	8,003,912
Proceeds from convertible debt	—	1,398,000
Repayment of long term debt	(1,054,849)	(727,515)
Net cash (used in) provided by financing activities	(809,794)	11,217,650
(Decrease) increase in cash and cash equivalents	(4,437,387)	4,595,077
Cash and cash equivalents — Beginning of period	5,857,509	1,262,432
Cash and cash equivalents — End of period	$ 1,420,122	$ 5,857,509
Supplemental disclosure of cash flow information:		
Interest paid	$ 34,913	$ 143,621
Income taxes paid	$ 4,824	$ 6,088
Supplemental disclosure of noncash financing and investing activities:		
Convertible debt converted to preferred stock	$ —	$ 4,521,600
Convertible debt converted to common stock	$ —	$ 863,533
Common stock issues as payment of accounts payable	$ 40,000	$ 85,149
Common stock issued to purchase assets of subsidiary	$ 207,500	$ —
Common stock issued as payment of amounts due to affiliates	$ —	$ 643,785

See notes to consolidated financial statements.

PLANET GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity
For the Six-Month Period Ended June 30, 2005, and the Year Ended December 31, 2004

	Preferred Stock $0.01 Par Value — 4,000,000 Shares Authorized				Common Stock $0.01 par Value — 35,000,000 Shares Authorized					
	Series A		Junior Preferred							
	Shares Issued	Par Value	Shares Issued	Par Value	Shares Issued	Par Value	Additional Paid-In Capital	Warrants	Accumulated Deficit	Total Stockholders' Equity
Balance — January 1, 2004	—	$ —	—	$ —	8,501,547	$ 85,015	$15,114,292	$1,523,669	$ (21,655,866)	$ (4,932,890)
Stock issued	2,181,250	21,813			797,608	7,976	11,006,238			11,036,027
Conversion of convertible debt			171,752	1,718	302,593	3,026	5,380,390			5,385,134
Warrants exercised					745,315	7,453	978,256	(814,291)		171,418
Value of warrants issued								290,337		290,337
Stock options exercised					274,611	2,746	65,907			68,653
Net loss									(6,733,139)	(6,733,139)
Balance — December 31, 2004	2,181,250	21,813	171,752	1,718	10,621,674	106,216	32,545,083	999,715	(28,389,005)	5,285,540
Stock issued	62,500	625			10,000	100	284,330			285,055
Stock issued to acquire subsidiary					51,875	519	206,981			207,500
Value of warrants issued								57,379		57,379
Net loss									(3,405,871)	(3,405,871)
Balance — June 30, 2005	2,243,750	$22,438	171,752	$1,718	10,683,549	$106,835	$33,036,394	$1,057,094	$ (31,794,876)	$ 2,429,603

See notes to consolidated financial statements.

PLANET GROUP, INC. AND SUBSIDIARIES

**Notes to Consolidated Financial Statements
As of June 30, 2005 and December 31, 2004, and for the
Six-Month Period Ended June 30, 2005, and the Year Ended December 31, 2004**

1. Summary of Significant Accounting Policies

Business Description — Planet Group, Inc. (the "Company") was incorporated in the State of Delaware in October 1999. Planet Payment, the trade name for Planet Group, Inc. and Subsidiaries, enables banks and their merchants to accept and process credit card transactions in multiple currencies, thereby providing localized pricing to foreign customers. Planet Payment's processing solution integrates with banks, processors, gateways and point-of-sale solution providers to provide the key elements of a dynamic currency conversion and multi-currency processing solution that is designed to be fully compliant with card association regulations.

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

Principles of Consolidation — The consolidated financial statements include the accounts of the Company, a wholly owned U.S. subsidiary and five wholly owned foreign subsidiaries located in Bermuda, Singapore, British Virgin Islands, Isle of Man and Ireland. All inter-company accounts and transactions have been eliminated in consolidation.

The consolidated financial statements as of and for the six-month period ended June 30, 2005, included herein have been prepared in conformity with generally accepted accounting principles ("GAAP") for interim financial information. Management believes all adjustments considered necessary for a fair presentation have been included. Results for the six-month period ended June 30, 2005, may not be indicative of the results of the entire fiscal year.

Foreign Currency Translation — Assets and liabilities of foreign subsidiaries other than those in highly inflationary economies are translated at current exchange rates with the related translation adjustments reported as a separate component of stockholders' equity. These amounts are immaterial for all periods presented and have not been reported separately. Income statement accounts are translated at the average exchange rate during the period. In highly inflationary economies where the U.S. dollar is considered the functional currency, monetary assets and liabilities are translated at current exchange rates with the related adjustment included in net income. Nonmonetary assets and liabilities are translated at historical exchange rates.

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

Accounts Receivable — The Company evaluates the collectibility 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. The Company considers accounts receivable to be fully collectible; accordingly, no reserves have been established at June 30, 2005 and December 31, 2004.

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

Equipment	5 years
Hardware	5 years
Software	5 years
Furniture and fixtures	5-7 years
Leasehold improvements	7 years

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

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

License agreement	7 years
Patents	15 years
Trademarks	15 years

The Company performs an annual impairment test comparing the estimated fair value of the intangibles to its carrying value. No impairment was recorded for the six-month period ended June 30, 2005, and for the year ended December 31, 2004.

Goodwill — Goodwill represents the excess purchase price over the fair value of net assets acquired from business acquisitions. The Company tests for impairment at least annually and will test for impairment more frequently if events or circumstances indicate that an asset may be impaired. The Company tests for impairment by comparing the fair value of goodwill, as determined by using a discounted cash flow method, with its carrying value. Any excess of carrying value over the fair value of the goodwill would be recognized as an impairment loss in continuing operations. No impairment was recorded for the six-month period ended June 30, 2005.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition — Processing revenue is based on the mark up and fees charged to customers for services provided in facilitating the sale of goods and services by means of credit and debit cards and does not include the gross sales price paid by the ultimate buyer.

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

Transaction based fees are earned at the time the transaction is submitted for processing. Administrative fees revenue comprises fixed monthly amounts, which are recognized at the time charged to each customer. Fees arising from referral of business to third-party processors are recognized upon receipt.

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

Income Taxes — The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes,* which requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. Deferred tax assets and liabilities represent the future tax consequence for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Fair Value of Financial Instruments — SFAS No. 107, *Disclosure about Fair Value of Financial Instruments,* requires certain disclosures regarding the fair value of financial instruments. Cash and cash equivalents, receivables, debt, accounts payable, due to merchants, accrued expenses and amounts due to affiliates are reflected in the consolidated financial statements at fair value because of the short-term maturity of these instruments.

Recent Accounting Pronouncements

Stock Incentive Plan — In December 2004, the FASB issued SFAS No. 123 (Revised 2004), *Share-Based Payment* (SFAS 123R). SFAS 123R requires compensation cost related to share-based payments to employees to be recognized in the financial statements based on their fair value. For nonpublic entities, the required effective date of this pronouncement is the first annual reporting period that begins after December 15, 2005. This method requires the provisions of SFAS 123R be applied to new awards and awards modified, repurchased or cancelled after the effective date. Accordingly, the Company will adopt SFAS 123R effective January 1, 2006, and is currently evaluating the impact. Presently, the Company follows the accounting provisions of APB Opinion

No. 25, *Accounting for Stock Issued to Employees*. See Note 9 for disclosure on the Company's stock incentive plan.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, *Accounting Changes and Error Corrections* ("SFAS 154"), which replaces APB No. 20, *Accounting Changes,* and FASB Statement No. 3, *Reporting Changes in Interim Financial Statements*. The Statement changes the accounting for, and reporting of, a change in accounting principle. SFAS 154 requires retrospective application to prior period's financial statements of voluntary changes in accounting principle and changes required by new accounting standards when the standard does not include specific transition provisions, unless it is impracticable to do so. SFAS 154 is effective for accounting changes and corrections of errors in fiscal years beginning after December 15, 2005, and will only affect the Company's financial statements upon adoption of a voluntary change in accounting principle by the Company.

2. Going Concern

The Company has incurred losses from operations that raise doubt about the ability to continue as a going concern. In the first six months of 2005, the Company's operations were largely funded by equity capital raised in 2004. During 2005, additional retail and hotel merchant locations were launched in the United States, Europe and Hong Kong, which is projected to have a positive impact on the Company's revenues and cash flows. Further implementations are planned for the first quarter of 2006. To provide for short and medium term liquidity requirements, the Company raised $4,500,000 in unsecured debt, $743,000 by way of investment in common stock, and $113,206 from the conversion of warrants to common stock in the last quarter of 2005. (See Note 15 — Subsequent Events). The Company has had a number of discussions with potential investors and is considering and investigating with its advisors various additional fundraising alternatives. The Company believes that these plans and implementations, together with the investment capital raised, will be sufficient to support the Company's current liquidity requirements, but there are no assurances that these plans and proposals will come to fruition.

3. Property and Equipment

Property and equipment at June 30, 2005 and December 31, 2004, consisted of the following:

	2005	2004
Equipment	$ 310,542	$ 305,586
Hardware	917,129	750,248
Software	1,698,405	1,481,315
Furniture and fixtures	94,440	37,353
Leasehold improvements	132,474	98,631
Subtotal	3,152,990	2,673,133
Less accumulated depreciation	1,576,991	1,511,764
Total	$1,575,999	$1,161,369

Depreciation expense amounted to $187,503 and $441,108 during the six-month period ended June 30, 2005, and the year ended December 31, 2004, respectively.

4. Intangible Assets

Intangible assets at June 30, 2005 and December 31, 2004, consisted of the following:

	2005	2004
License agreement:		
Costs	$2,934,710	$2,934,710
Accumulated amortization	1,137,733	928,111
	$1,796,977	$2,006,599
Trademarks, patents, and organization costs:		
Costs	$ 101,372	$ 81,054
Accumulated amortization	10,525	7,748
	$ 90,847	$ 73,306

Amortization expense for the six-month period ended June 30, 2005, and for the year ended December 31, 2004 was $212,400 and $423,034, respectively.

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

2005	$424,779
2006	424,414
2007	424,414
2008	424,414
2009	295,506

5. Long Term Debt

Long term debt at June 30, 2005 and December 31, 2004, consisted of the following:

	2005	2004
5% Note payable to Mtrex, Inc., to purchase license agreement, with monthly payments including interest of $70,000, final payment due June 2006, collateralized by 280,000 shares of the Company's common stock	$ 761,169	$1,816,108
Non-interest bearing amount from First Horizon Merchant Services, Inc. ("FHMS") and First Tennessee Bank National Association ("FTB") payable on demand (no demand has been made). The advance is secured by the underlying cash flow associated with the contract in respect the advance was made. (See Note 15 — Subsequent Events)	750,000	750,000
Non-interest bearing amount from FHMS and FTB payable on demand (no demand has been made). The advance is secured by the underlying cash flow associated with the contract in respect the advance was made	40,000	40,000
	1,551,169	2,606,108
Less current portion	1,551,169	2,215,678
Long term portion	$ —	$ 390,430

Total interest expense for the six-month period ended June 30, 2005, and for the year ended December 31, 2004, was $28,577 and $143,621, respectively.

6. Convertible Debt

Convertible debt is convertible at any time at the option of the note-holder, or at the option of the Company upon raising specified amounts of capital investment or upon the merger or sale of the Company.

Unsecured Convertible Debt — In July 2001, a stockholder loaned $100,000 to the Company at an interest rate of 10% per annum, with a maturity date of March 2003 and an additional $50,000 to the Company in January 2002 with similar terms. The maturity dates of both loans were extended to November 2003. In January 2003, the same stockholder advanced $24,000 with the same terms. In November 2003, the stockholder converted the three loans totaling $174,000 and accrued unpaid interest of $35,864 into an unsecured note in the amount of $209,864, with interest at 10% per annum, convertible into common stock at $4.00 per share. In November 2004, the stockholder and the Company agreed to change the terms of the loan to noninterest bearing and to extend the maturity date of the amount due to December 31, 2005. Interest in the amount of $17,490 has been charged to operations during the year ended December 31, 2004.

In July 2003, the same stockholder loaned $100,000 to the Company, with interest at 7% per annum, convertible into common stock at $4.00 per share. In November 2004, the stockholder and the Company agreed to change the terms of the loan to noninterest bearing and to extend the maturity date of the amount due to December 31, 2005. Interest in the amount of $5,830 has been charged to operations during the year ended December 31, 2004.

In July 2002, a stockholder loaned $55,000 in a non-interest bearing note, to the Company. The note was converted into common stock at $5.50 per share in December 2004.

In August 2003, two stockholders loaned $175,000 to the Company with interest at 5% per annum, convertible into common stock, maturing in October 2004. Both stockholders converted their loans and accrued unpaid interest totaling $5,533 into shares of common stock at $3 per share in April 2004.

In December 2003, a stockholder loaned the Company $165,000 in a non-interest bearing note, convertible into common stock at $5.50 per share, maturing in December 2005. The note was converted into 30,000 shares of common stock in September 2005 (see Note 15 — Subsequent Events).

Convertible debt as of June 30, 2005 and December 31, 2004, was comprised of the following:

Principal	Accrued Interest	Maturity Date	Interest Rate	Conversion Price
$209,864	$24,484	December 31, 2005	— %	$4.00
165,000	—	December 31, 2005	—	5.50
100,000	5,833	December 31, 2005	—	4.00
$474,864	$30,318			

Secured Convertible Debt — All secured convertible debt was converted to junior preferred and common stock and the security was released during December 2004.

During 2001, the Company issued $1,250,000 in non-interest bearing convertible notes with detachable warrants exercisable at $1.51 per share, secured by the assets of the Company. The notes were converted into 183,164 shares of common stock and 27,137 shares of junior preferred stock in December 2004. Interest on these loans was imputed at a rate of 9% which totaled $112,500 and has been expensed in 2004.

During 2002, the Company issued $1,000,000 in non-interest bearing convertible notes with detachable warrants exercisable at $1.00 per share, secured by the assets of the Company. The notes were converted into 39,106 shares of common stock and 32,563 shares of junior preferred stock in December 2004. Interest on these loans was imputed at a rate of 9% which totaled $90,000 and has been expensed in 2004.

During 2003, the Company issued $1,501,600 in noninterest bearing convertible notes with detachable warrants exercisable at $1.00 per share, secured by the assets of the Company. The notes were converted into 58,177 shares of junior preferred stock in December 2004. Interest on these loans was imputed at a rate of 9% which totaled $135,144 and has been expensed in 2004.

During 2004, the Company issued $1,398,000 in noninterest bearing convertible notes with detachable warrants exercisable at $1.00 per share, secured by the assets of the Company. The notes were converted into 10,145 shares of common stock and 53,875 shares of junior preferred stock in December 2004. Interest on these loans was imputed at a rate of 9% which totaled $59,637 and has been expensed in 2004.

7. Acquisition

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

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

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

8. Related-Party Transactions

During the six-month period ended June 30, 2005, and the year ended December 31, 2004, the Company incurred the following general and administrative expenses by four affiliated companies that are principally owned by

executives, directors or stockholders of the Company (N & A Consulting Associates LLC, Beck & Arad LLP, Synergy Corporate Technologies Ltd., and BDP Realty Associates LLC):

	2005	2004
Consulting/Professional fees	$182,042	$841,582
Rent	—	54,896
Legal Fees	—	21,265

In addition, during the six-month period ended June 30, 2005, and the year ended December 31, 2004, the Company paid $11,008 and $7,921, respectively, of interest expense to N & A Associates LLC relating to outstanding balances. During 2004 the Company paid $140,000 to BDP Realty Associates LLC for leasehold improvements and a security deposit for a new office lease entered into on August 15, 2005.

During 2004, the Company entered into agreements with two of the affiliated companies (N&A Consulting LLC and Synergy Corporate Technologies Ltd.) and issued 888,296 shares of common stock, of which 720,284 shares were issued as a result of the exercise of warrants and options issued in prior years for services rendered totaling $1,517,545. 168,012 shares were issued at $2.76 per share as partial satisfaction of amounts owed. In addition, the Company issued 160,000 warrants valued at $184,600 using the Black-Scholes model as partial payment for consulting services from N&A Consulting LLC during of 2004.

Amounts due to the related parties as of June 30, 2005 and December 31, 2004 totaled $248,645 and $398,431, respectively.

9. Stock Incentive Plan

The Stockholders approved the 2000 Stock Incentive Plan effective as of January 1, 2000. The Board of Directors administers the Plan. Employees and certain contractors, who in the judgment of the Committee render significant service to the Company, are eligible to participate. The Plan terminates December 31, 2005 (see Note 15 — Subsequent Events).

Under the terms of the Company's stock incentive plan, participants may be granted restricted shares or options to purchase the Company's common stock at not less than 75% of the market price on the date the option is granted. Options granted generally vest equally over three years and expire ten years after the grant date. At June 30, 2005 and December 31, 2004, a total of 4,169,368 shares were reserved for issuance under the plan. No restricted shares have been issued and of the stock options granted, none were at a strike price lower than the market price at the time of the grant.

Stock option plan activity for the six-month period ended June 30, 2005 and for the year ended December 31, 2004 are as follows:

	Options	Weighted-Average Exercise Price
Balance — January 1, 2004	2,447,610	$ 3.94
Granted	436,500	4.00
Exercised	(274,611)	0.25
Cancelled	(1,167)	4.40
Balance — December 31, 2004	2,608,332	4.34
Granted	1,032,300	4.00
Exercised	—	—
Cancelled	(40,735)	5.28
Balance — June 30, 2005	3,599,897	$ 4.21
Options exercisable at December 31, 2004	1,608,499	$ 4.10
Options exercisable at June 30, 2005	1,621,064	$ 4.15

Options Outstanding at June 30, 2005				
Exercise Price	Number Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)	Number Exercisable
$ 0.60	348,333	$ 0.60	3.00	348,333
1.20	15,000	1.20	3.50	15,000
4.00	1,753,800	4.00	8.90	125,967
4.40	210,207	4.40	4.50	210,207
5.50	1,272,557	5.50	7.40	921,557
	3,599,897			1,621,064

The Company's stock incentive 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.

The Company has elected to account for the Company's stock incentive plan pursuant to the accounting provisions of APB Opinion No. 25, *Accounting for Stock Issued to Employees,* and to provide pro forma statement of operations disclosures for employee stock option grants as if the fair value based method, as required by SFAS No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure — an amendment of FASB Statement No. 123* had been applied. For the six-month period ended June 30, 2005, and the year ended December 31, 2004, there was no compensation expense attributable to options granted.

In accordance with APB Opinion No. 25, the weighted average fair value of stock options granted is required to be based on a theoretical statistical model such as the Black-Scholes model.

The following table presents the pro-forma statement of operations had compensation cost been determined based on the fair value at the grant dates for awards under the stock incentive plan:

	Six-month Period Ended June 30, 2005	Year Ended December 31, 2004
Net Loss	$ 3,405,871	$ 6,733,139
Total Stock based employee compensation expense — net of tax	146,243	256,080
Pro-forma net loss	$ 3,552,114	$ 6,989,219

The weighted average fair value per share of options granted during the six-month period ended June 30, 2005, was $0.85. The assumptions used in determining fair value were: option term of 10 years; volatility of 41.5%; and a risk free rate of 4.5%. The weighted average fair value per share of options granted during 2004 was $1.76. The assumptions used in determining fair value were: option term of 10 years; volatility of 41.5%, and a risk free rate 4.5%.

10. Warrants

The Company had outstanding warrants to purchase 4,493,500 shares of common stock as of June 30, 2005, in addition to the stock options granted under the Stock Incentive Plan.

Warrant activity for the six-month period ended June 30, 2005 and for the year ended December 31, 2004 are as follows:

	Warrants	Weighted-Average Exercise Price
Balance — January 1, 2004	4,595,558	$ 2.38
Granted	940,578	2.07
Exercised	(745,315)	0.72
Cancelled	(85,167)	2.25
Balance — December 31, 2004	4,705,654	2.48
Granted	15,301	0.25
Exercised	—	—
Cancelled	(227,455)	5.50
Balance — June 30, 2005	4,493,500	$ 2.36
Warrants exercisable — December 31, 2004	4,705,654	$ 2.48
Warrants exercisable — June 30, 2005	4,493,500	$ 2.36

Warrants Outstanding at June 30, 2005

Exercise Price	Number Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)	Number Exercisable
$ 0.25	15,301	$ 0.25	5.0	15,301
1.00	2,421,958	1.00	2.0	2,421,958
1.51	595,725	1.51	1.1	595,725
3.00	60,177	3.00	2.0	60,177
4.00	356,207	4.00	2.5	356,207
5.50	1,036,989	5.50	5.0	1,036,989
7.00	7,143	7.00	1.5	7,143
	4,493,500			4,493,500

During the six-month period ended June 30, 2005, the Company issued 15,301 warrants with an exercise price of $0.25 per share as partial payment for legal services rendered and recognized an expense in the amount of $57,379.

During 2004 the Company issued 160,000 warrants with an exercise price of $5.50 per share as partial payment for consulting services rendered and recognized an expense in the amount of $184,600 (See Note 8 — Related Party Transactions). In addition, 780,578 warrants were issued to holders of convertible notes with an average exercise price of $1.28 per share as partial payment of interest on the notes and recognized an expense in the amount of $105,737.

11. Capital Stock

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

Preferred Stock

Series A

(a) *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.

(b) *Conversion* — Series A preferred stock is convertible into common stock upon a qualifying Initial Public Offering (''IPO'') in the United States (as defined in the Certificate of Designation of the Series A Preferred Stock), or at any time at the option of the preferred stockholders. Unless there is a qualifying IPO or merger in the first 12 months, the conversion price of the Series A preferred stock may be adjustable (both up and down, subject to limits), by reference to a multiple of the revenues earned by the Company in fiscal year 2005. The conversion price is also adjustable in the event that there are certain dilutive issues of shares of common stock, or certain common stock equivalents, below the current conversion price.

(c) *Redemption* — Holders of the Series A preferred stock, may require the Company to redeem their Stock after 5 years, at the original purchase price ($8,975,000), assuming that the Company is then legally able to do so.

(d) *Voting Rights* — Holders of Series A preferred stock are entitled to vote on an as converted basis with the common stockholders, except in relation to the election of directors, where the holders of the Series A preferred stock, have the right to nominate two directors (only one has been nominated to date).

(e) *Dividends* — Series A preferred stockholders are entitled to receive dividends on the same basis as the holders of common stock.

Junior Preferred — The Junior Preferred Stock was issued upon conversion of certain secured convertible promissory notes previously issued by the Company (see Note 6).

(a) *Liquidation Preference* — In the event of a dissolution or winding up of the Company, the Junior preferred stockholder would receive, after payment of all liabilities of the Company and the liquidation preference of all other series of preferred stock then outstanding (but prior to payment on the common stock), an amount equal to the principal amount of the note from which the stock was converted ($4,521,600). The liquidation preference will not be payable in the event of an acquisition or sale of the Company.

(b) *Conversion* — The Junior preferred stock will automatically convert into Common Stock at a ratio of 10 common shares for every 1 Junior preferred share, upon the earliest to occur of (i) the Company achieving at least $1.67 million in revenue in any given calendar month, (ii) immediately prior to the closing of an IPO in the United States of America, (iii) immediately prior to an acquisition or sale of the Company, and (iv) the vote of a majority of the Junior preferred stockholders to convert.

(c) *Redemption* — Holders of Junior preferred stock have no right to require the Company to redeem their stock.

(d) *Voting Rights* — Junior preferred stockholders are entitled to one vote per share of Junior preferred stock.

(e) *Dividends* — Junior preferred stockholders are entitled to receive dividends on the same basis as the holders of common stock.

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.

12. 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:

2005	$ 153,572
2006	409,524
2007	409,524
2008	409,524
2009	409,524
Thereafter	2,866,668

Rental expense amounted to $37,125 and $98,316 during the six-month period ended June 30, 2005, and for the year ended December 31, 2004, respectively.

Service Agreements — The Company entered into four agreements for technology, consulting and processing services expiring at various dates through June 2007. Future minimum payments due on the service agreements are as follows:

2005	$476,462
2006	96,560
2007	8,280

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

In September 2004 and June 2005, the Company engaged JKF Advisors to assist the Company in securing financing. Under the agreements, the Company agreed to indemnify JKF against liabilities relating to JKF's services, or any financing transaction covered by the agreement, except to the extent that such liabilities result from JKF's gross negligence or willful misconduct. The Company is currently contemplating a substantial financing transaction and expects to enter into a similar indemnity agreement with the prospective investment advisor in relation to such transaction.

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.

13. Income Taxes

The income tax provision for the six-month period ended June 30, 2005, and for the year ended December 31, 2004 consisted of the following:

	2005	2004
Current:		
Federal	$ —	$ —
State	213	644
	213	644
Deferred — federal and state	—	—
Total tax provision	$213	$644

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

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

	June 30 2005	December 31 2004
Tax (benefit) provision at statutory rate (34%)	$(1,157,924)	$(2,250,968)
State tax — net of federal tax benefit	213	644
Valuation allowance	1,157,711	2,250,968
	$ 213	$ 644

The major sources of temporary differences and their deferred tax effect at June 30, 2005 and December 31, 2004, were as follows:

	2005	2004
Depreciation	$ (678,792)	$ (783,032)
Net operating loss carryforwards	10,367,908	9,426,721
Total net deferred tax assets	9,689,116	8,643,689
Less valuation allowance	(9,689,116)	(8,643,689)
Net deferred tax asset (liability)	$ —	$ —

The Company has provided a valuation allowance to fully offset the amount of the net deferred asset due to continued operating losses.

The Company has available, at June 30, 2005, unused operating loss carry-forwards of $27,796,000, which may be applied against future taxable income expiring in various years from 2020 through 2024.

14. Concentrations of Credit Risk

The Company maintains cash balances at financial banking institutions that are insured by the Federal Depository Insurance Corporation (“FDIC”) up to $100,000. The Company also maintains cash balances at foreign banking institutions which are not insured by the FDIC. At June 30, 2005 and December 31, 2004, the Company’s uninsured cash balances totaled $1,300,254 and $5,734,520, respectively.

During the six-month period ended June 30, 2005, and the year ended December 31, 2004, four of the Company’s customers each accounted for greater than 10% of total revenue, representing approximately 79% and 74% of the total revenue, respectively, as follows:

	For the Six-month Ended June 30, 2005	For the Year Ended December 31, 2004
Customer A	14%	—%
Customer B	14	41
Customer C	16	16
Customer D	—	17
Customer E	35	—
	79%	74%

15. Subsequent Events

During the period July 1, 2005 to January 25, 2006, the Company received $1,172,883 of additional equity funding as follows: $1,039,000 from the issuance of 596,500 common shares and $133,883 from the exercise of warrants into 92,742 common shares. In addition, $165,000 of convertible debt was converted into 30,000 common shares and $14,898 of accounts payable was satisfied upon the issuance of 3,973 warrants.

In September 2005, $90,000 was repaid on the $750,000 non-interest bearing borrowing from FHMS and FHB.

On October 3, 2005, the Company received $500,000 under short term, unsecured promissory notes from two stockholders. The notes mature on April 1, 2006, and bear interest at the rate of 10% per annum through January 31, 2006 and 15% per annum thereafter. The notes can be prepaid at any time without penalty. In November 2005, the note-holders agreed that the Company could at its option roll the notes over into 5 year notes at the same terms as the Inter-Atlantic Fund, L.P. financing (see below). The notes are convertible into shares of

common stock at a price of $0.70 per share in the event the Company fails to pay off the notes or convert them into long term notes on similar terms to the Inter-Atlantic note. As additional consideration, the note-holders also received 44,444 warrants exercisable for an aggregate 66,666 shares of common stock at an exercise price of $1.50 per share.

In November and December 2005, the Company entered into two letter agreements with the Series A Preferred stockholders. Under the first letter, the Series A Preferred stockholders agreed that substantially all of the rights, preferences and privileges of the Series A Preferred stockholders, except for liquidation preference, would terminate upon a certain specified future funding event. The parties also agreed that the conversion price applicable to Series A Preferred stock will be adjusted upon the happening of such future funding event and thereafter, the Series A Preferred stock will be convertible to 6,851,144 shares of common stock, in accordance with the terms of the Certificate of Designation of the Series A preferred stock. Under the second letter, the Series A Preferred stockholders agreed to accept anti-dilution adjustments, in connection with the Inter-Atlantic Financing, by way of the issuance of a total of 375,000 shares of common stock.

On November 18, 2005, the Company completed a $4 million unsecured note financing with Inter-Atlantic Fund, L.P. The note matures on November 30, 2010. The note accrues 8% interest payable annually in cash or common stock at the Company's election. As additional consideration, Inter-Atlantic Fund, L.P. received a warrant exercisable for 3,053,435 shares of common stock. The note is not convertible into stock. However, should the note remain outstanding and Inter-Atlantic Fund, L.P. choose to exercise the warrant, in part or in full, then the principal amount of the note must be offset against the purchase price of the common stock under the warrant. The exercise price of the warrant will be (i) the offering price per share under a certain specified future funding event until May 2007, or (ii) $1.31 per share, after May 2007, or if the future funding event does not occur within six months of the Inter-Atlantic financing, or in certain other events.

Between November 2005 and January 2006, the Company entered into agreements with the holders of Junior Preferred Stock under which they agreed to convert their shares to common stock upon a certain specified future funding event in consideration for the extension by one year of the exercise period of certain warrants held by them.

The Company's Board of Directors approved a new equity incentive plan in January 2006 contingent on shareholder approval at the January 25, 2006, annual general meeting. Under the plan, if approved, a maximum of 2,400,000 common stock shares will be available for future stock option or restricted stock grants. The directors approved the issuance under the new plan of stock option grants in respect of a total of 1,006,500 shares of Common Stock, subject to Stockholder approval of the plan. The Company held its Annual Meeting of Stockholders on January 25, 2006. At the meeting the Stockholders approved:

1. An increase in the authorized shares of Common Stock from 35,000,000 to 70,000,000
2. Adoption of a new Equity Incentive Plan
3. Election of Directors, including a new non-executive Director
4. Amendment of the Company's By-laws in order to adopt certain corporate governance provisions

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Section II

PLANET GROUP, INC. AND SUBSIDIARIES

Consolidated Financial Statements
For the years ended
December 31, 2003 and 2002

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Independent Auditors' Report

Board of Directors
Planet Group, Inc.
Long Beach, New York

We have audited the accompanying consolidated balance sheets of Planet Group, Inc. and Subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of operations and accumulated deficit and cash flow for the years ended December 31, 2003 and 2002 respectively. These consolidated 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 generally accepted auditing standards. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, the financial statements referred to above present fairly, in all material respects, the financial position of Planet Group, Inc. and Subsidiaries, as of December 31, 2003 and 2002, and the results of their operations and their cash flows for the years ended December 31, 2003 and 2002 in conformity with generally accepted accounting principles.

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered losses from operations that raise doubt about the ability to continue as a going concern. Management's plans in regards to these matters are also described in Note 2.

Cohen & Schaeffer PC

May 14, 2004
June 14, 2004 and July 14, 2004 as it pertains to
Note 2 paragraph three.

PLANET GROUP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

	December 31, 2003	December 31, 2002
Assets		
Current assets		
Cash and cash equivalents (Note 12)	$ 1,262,432	$ 1,210,908
Receivables and prepaid expenses	228,637	87,361
Total current assets	1,491,069	1,298,269
Property and equipment (Note 3)	2,180,982	1,660,991
Less accumulated depreciation	1,070,009	788,151
	1,110,973	872,840
Intangible assets (Note 4)	2,465,832	1,718,518
Other Assets	14,165	2,754
	2,479,997	1,721,272
Total assets	$ 5,082,039	$ 3,892,381
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued expenses	$ 995,795	$ 968,239
Convertible debt and stockholders' advances (Note 6)	4,010,198	32,500
Due to customers	219,000	1,170,059
Current maturities of long term debt (Note 5)	279,841	180,000
Installment purchase	—	25,840
Due to affiliates (Note 7)	1,291,403	941,355
Total current liabilities	6,796,237	3,317,993
Long term liabilities		
Long term debt, less current maturities (Note 5)	3,053,692	1,320,000
Convertible debt and stockholders advances (Note 6)	165,000	2,742,879
Total long term liabilities	3,218,692	4,062,879
Total liabilities	10,014,929	7,380,872
Commitments and contingencies (Note 10)		
Stockholders' equity (Notes 6, 8 and 9)		
Common stock	85,015	76,922
Additional paid in capital	14,276,681	11,580,032
Additional paid in capital — warrants and stock options	2,361,280	1,801,273
Accumulated deficit	(21,655,866)	(16,946,718)
Total stockholders' equity	(4,932,890)	(3,488,491)
Total liabilities and stockholders' equity	$ 5,082,039	$ 3,892,381

See accompanying notes to consolidated financial statements

PLANET GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Operations and Accumulated Deficit

	Year Ended	
	December 31 2003	December 31 2002
Revenue		
DCC revenue	$ 358,146	$ 1,905,046
Processing revenue	149,762	1,877,650
Total revenue	507,908	3,782,696
Cost of sales		
DCC cost of sales	174,646	1,381,561
Processing cost of sales	151,495	1,013,945
Total cost of sales	326,141	2,395,506
Gross profit	181,767	1,387,190
Operating expenses	3,970,936	3,586,178
Depreciation expense	663,107	426,441
Total expenses	4,634,043	4,012,619
Loss from operations	(4,452,276)	(2,625,429)
Interest expense	(256 872)	(110,086)
Loss before provision for income taxes	(4,709,148)	(2,735,515)
Income tax (Note 11)	—	—
Net loss	(4,709,148)	(2,735,515)
Accumulated deficit, beginning of year	(16,946,718)	(14,211,203)
Accumulated deficit, end of year	$(21,655,866)	$(16,946,718)

See accompanying notes to consolidated financial statements

PLANET GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

	Year Ended	
	December 31, 2003	December 31, 2002
Cash flows from operating activities		
Net loss	$(4,709,148)	$(2,735,515)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	663,107	426,441
Imputed interest expense	41,372	79,985
Non cash warrant and stock option compensation	310,150	24,000
	(3,694,519)	(2,205,089)
Net changes in assets and liabilities		
Receivables and prepaid expenses	(141,276)	3,016
Accounts payable and accrued expenses	27,556	(224,689)
Due to customers	(951,061)	(191,369)
Other assets	(11,411)	751
Installment purchase	(25,840)	25,840
Due to affiliates	350,048	202,844
Net cash flows used in operating activities	(4,446,503)	(2,388,696)
Cash flow from investing activities		
Purchase of property and equipment	(519,991)	(270,479)
Purchase of intangible asset	(1,128,563)	(1,705,802)
Net cash flows used in investing activities	(1,648,554)	(1,976,281)
Cash flows from financing activities		
Proceeds from issuance of common stock	2,756,352	1,527,217
Proceeds from long term debt	1,913,392	1,500,000
Repayment of long term debt	(131,467)	—
Proceeds from stockholders loans	2,367,669	1,096,394
Repayment of stockholders loans	(759,365)	—
Net cash flows provided from financing activities	6,146,581	4,123,611
Increase (decrease) in cash and cash equivalents	51,524	(241,366)
Cash and cash equivalents, beginning of year	1,210,908	1,452,274
Cash and cash equivalents, end of year	$ 1,262,432	$ 1,210,908
Interest paid	$ 99,573	$ —
Income taxes paid	$ —	$ —

See accompanying notes to consolidated financial statements

PLANET GROUP, INC. AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity
For Years Ended December 31, 2003 and 2002

	Common Stock (.01 par value- 24,000,000 authorized)					
	Issued Shares	Amount	Additional Paid-In Capital	Additional Paid in Capital Warrants & Options	Retained Earnings	Total Stockholders' Equity
Balances at January 1, 2002	7,487,172	$74,873	$10,495,403	$ 1,360,734	$(14,211,203)	$ (2,280,193)
Common stock issued	205,045	2,049	1,084,629			1,086,678
Value of stock options issued				440,539		440,539
Net Loss					(2,735,515)	(2,735,515)
Balances at December 31, 2002	7,692,217	$76,922	$11,580,032	$ 1,801,273	$(16,946,718)	$ (3,488,491)
Common stock issued	809,330	8,093	2,696,649			2,704,742
Value of stock options issued				560,007		560,007
Net loss					(4,709,148)	(4,709,148)
Balances at December 31, 2003	8,501,547	$85,015	$14,276,681	$ 2,361,280	$(21,655,866)	$ (4,932,890)

See accompanying notes to consolidated financial statements

Note 1 — Summary of significant accounting policies

Business description

Planet Group, Inc. (''the Company'') was incorporated in the State of Delaware in October 1999. Planet Payment, the trade name for Planet Group, Inc. and Subsidiaries, enables banks and their merchants to accept and process credit card transactions in multiple currencies, thereby providing localized pricing to foreign customers. The Company's products help businesses sell to foreign customers, with increased revenues and reduced costs on the underlying transaction. Since 2001, the Company has expanded its services, offering currency conversion services to credit card processors for their merchants and customers. In 2002, the Company commenced operation of its pilot dynamic currency conversion (''DCC'') service. Since 2002 the Company has been implementing its Phase Two DCC services, which went live in the last quarter of 2003.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and five of its wholly owned foreign subsidiaries located in Bermuda, Singapore, British Virgin Islands, Isle of Man and Ireland. All material inter-company accounts and transactions have been eliminated in consolidation.

Foreign currency translation

Assets and liabilities of foreign subsidiaries other than those in highly inflationary economies are translated at current exchange rates with the related translation adjustments reported as a separate component of stockholders' equity. Income statement accounts are translated at the average exchange rate during the period. In highly inflationary economies where the U.S. dollar is considered the functional currency, monetary assets and liabilities are translated at current exchange rates with the related adjustment included in net income. Non-monetary assets and liabilities are translated at historical exchange rates.

Cash and cash equivalents

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

Depreciation

The Company's property and equipment are depreciated using primarily the straight-line method for financial reporting purposes and amounted to $281,858 during 2003 and $294,855 during 2002.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

Revenue recognition

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. Revenue from DCC services is based on the margin earned on the conversion of credit card transactions from one currency into another currency. DCC revenue is recognized when the settlement proceeds of relevant credit card transactions are paid by the card associations to the relevant acquiring bank, with which the Company undertakes the DCC service. Transaction based fees are earned at the time the transaction is submitted for processing. Administrative fees revenue comprises fixed monthly amounts, which are recognized at the time charged to each customer fees arising from referral of business to third party processors are recognized upon receipt.

Income taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards (''SFAS'') No. 109, ''Accounting for Income Taxes,'' which requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. Deferred tax assets and liabilities represent the future tax consequence for those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating losses that are available to offset future taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Fair value of financial instruments,

SFAS 107, ''Disclosure about Fair Value of Financial Instruments,'' requires certain disclosures regarding the fair value of financial instruments. Cash and cash equivalents, receivables, accounts payable, due to merchants, accrued expenses and amounts due to affiliates are reflected in the consolidated financial statements at fair value because of the short-term maturity of these instruments.

Stock Incentive Plan

The Company has elected to follow the accounting provisions of SFAS 123, ''Accounting for Stock-Based Compensation'' for stock-based compensation, which prescribes the recognition of compensation expense based on the fair value of options on the grant date. See Note 8 for disclosure required by SFAS 123 and additional information on the Company's stock options.

Note 2 — Going concern

The Company has incurred losses from operations that raise doubt about the ability to continue as a going concern. In 2004, Management plans to increase processing volume and revenues through DCC services to credit card processors, technology and services providers. The Company has obtained continued support from its stockholders and has received additional funds from other investors, by means of additional equity investment and convertible common stock loans. The Company believes that these plans, together with investment capital raised, will be sufficient to support the Company's current liquidity requirements.

Through the period ending May 14, 2004, the Company has received a total of $2,050,000 as follows: $1,752,000 was received by the sale of the Company's common stock, $298,000 from the issuance of convertible notes. In addition, $175,000 of convertible debt and $240,000 of amounts due to affiliates were converted to common stock.

On June 14, 2004 and July 14, 2004 a total of $1,000,000 was received from the issuance of convertible notes.

Note 3 — Property and Equipment

Property and Equipment consist of the following:

	December 31,	
	2003	2002
Equipment	$ 293,315	$ 280,496
Hardware	499,245	536,861
Software	1,327,790	766,975
Furniture and fixtures	37,001	61,659
Leasehold improvements	23,631	15,000
	2,180,982	1,660,991
Less accumulated depreciation	1,070,009	788,151
	$1,110,973	$ 872,840

Note 4 — Intangibles

Intangibles at December 31, 2003 and 2002 consisted of the following:

	December 31,	
	2003	2002
License agreement	$2,934,710	$1,834,710
Trademarks, patents, and organization costs	43,957	15,394
	2,978,667	1,850,104
Less accumulated amortization	512,835	131,586
	$2,465,832	$1,718,518

Amortization expense for 2003 was $381,249 and for 2002 was $131,586.

Note 5 — Long-term debt

Long-term debt at December 31, 2003 and 2002 consisted of the following:

	2003	2002
5% note payable to Mtrex, Inc., to purchase license agreement, with variable monthly payments including interest, final balloon payment of $1,554,107 due April 2006, collateralized by 700,000 shares of the Company's common stock	$2,543,533	$1,500,000
Non-interest bearing advance from First Horizon Merchant Services, Inc. ("FHMS") and First Tennessee Bank National Association ("FTB") payable March 2005, if the advances are not repaid in whole or part by means of credits against future revenues of FHMS on or before that date. The advance is secured by the underlying cash flow associated with the contract in respect the advance was made	750,000	—
Non-interest bearing advance from FHMS and FTB payable August 2005, if the advances are not repaid in whole or part by means of credits against future revenues of the FHMS on or before that date. The advance is secured by the underlying cash flow associated with the contract in respect the advance was made	40,000	—
	3,333,533	1,500,000
Less current portion	279,841	180,000
Long term portion	$3,053,692	$1,320,000

Maturities of long term debt are as follows:

Year ended December 31,	
2004	$ 279,841
2005	1,346,945
2006	1,706,747
	$3,333,533

Total interest expense for 2003 was $256,872 and for 2002 was $110,086.

Note 6 — Convertible and stockholder debt

All convertible debt is convertible at any time at the option of the note-holder, or at the option of the Company upon raising specified amounts of capital investment or upon the merger or sale of the Company.

Stockholder advances and unsecured convertible debt

In October 2000 an officer and stockholder advanced $170,000 in a non-interest bearing loan to the Company payable on demand. The lender converted the loan into shares of common stock in December 2003 at a conversion price of $2.54 per share.

In July 2001 another stockholder loaned $100,000 to the Company at an interest rate of 10% per annum, with a maturity date of March 2003 and an additional $50,000 to the Company in January 2002 with similar terms. The maturity date of both loans were extended to November 2003. In January 2003 the same stockholder advanced $24,000 with the same terms. In November 2003, the stockholder converted the three loans totaling $174,000 and accrued unpaid interest of $35,864 into an unsecured note in the amount of $209,864, with interest at 10% per annum, convertible into common stock at $4.00 per share. The maturity date of the amount due was extended to December 31, 2004.

In December 2001 a stockholder loaned $55,000, in a non-interest bearing note, to the Company, convertible into common stock at $5.50 per share, maturing in December 2003. During 2002, the same stockholder advanced an additional $209,000 with similar terms as the original note, maturing on various dates through November 2005. During 2003, the stockholder advanced $33,000 with the same terms. In December 2003, the stockholder converted all of the notes into 54,000 shares of common stock. Concurrently, the same stockholder loaned the Company $165,000 in a non-interest bearing note, convertible into common stock at $5.50 per share, maturing in December 2005.

In July 2002 a stockholder loaned $55,000, in a non-interest bearing note, to the Company, convertible into Common Stock at $5.50 per share, maturing in December 2004.

In August 2002 two stockholders advanced $57,500 to the Company. One advance of $30,000 was non-interest bearing and payable on demand. The other advance of $27,500, with an interest rate of 2% per month, matured in February 2003. $25,000 was repaid in 2002 and the remaining principal balance of the loans totaling $32,500 was repaid in 2003.

In July 2003, a stockholder loaned $100,000 to the Company, with interest at 7% per annum, convertible into common stock at $4.00 per share, maturing in December 2004.

In August 2003, two stockholders loaned $175,000, to the Company, with interest at 5% per annum, convertible into common stock, maturing in October 2004. Both stockholders converted their loans and accrued unpaid interest into shares of common stock at $4.00 per share in April 2004.

Secured convertible debt

During 2001, the Company issued various non-interest bearing convertible notes, secured by the assets of the Company, totaling $1,250,000. The notes are convertible into common stock at $2.76 per share. The various maturity dates of such notes have been extended to December 31, 2004.

During 2002, the Company issued $1,000,000 in non-interest bearing convertible notes, secured by the assets of the Company. The notes are convertible into common stock at $2.76 per share. The various maturity dates of such notes have been extended to December 31, 2004. In addition the Company issued warrants to the note holders exercisable at $1.00 per share. Interest on this loan has been imputed at a rate of 15%.

During the period of April through May 2003, the Company issued $300,000 in non-interest bearing convertible notes, secured by the assets of the Company, maturing December 31, 2004. The notes are convertible into common stock at $2.76 per share. In addition the Company issued warrants to the note holders exercisable at $1.00 per share. Interest on this loan has been imputed at a rate of 15%.

During the period of October through December 2003, the Company issued additional non-interest bearing convertible notes totaling $1,201,600, secured by the assets of the Company, maturing December 31, 2004. The notes are convertible into common stock at $2.54 per share. In addition the Company issued warrants to the note holders exercisable at $1.00 per share. Interest on this loan has been imputed at a rate of 15%.

Note 7 — Related party transactions

During 2003 and 2002 the Company was provided with services and office space by four affiliated companies. The amounts billed to the Company for rent, legal and other consulting services totaled $716,745 and $815,612 in 2003 and 2002, respectively. The costs for capitalized hardware and software services totaled $0 in 2003 and $34,250 in 2002. In addition, the Company issued 240,000 stock warrants in 2003 and 80,000 stock warrants in 2002, valued at $283,200 and $94,000 respectively, to one of the affiliated companies as additional remuneration for consulting services rendered. Amounts paid to these affiliated companies totaled $565,799 in 2003 and $648,280 in 2002. The balances due to these affiliated companies at December 31, 2003 and 2002, totaled $1,291,403 and $941,355, respectively. These balances are payable on demand and are non-interest bearing.

During 2004, the Company and one of the affiliated companies entered into an agreement to pay down part of the outstanding balance owed to the affiliate by $672,857 in the form of a loan in the amount of $269,143, payable at 5% interest per annum, and the issuance of 146,273 shares of common stock over an 18 month period ending August 2005. This affiliated company also further reduced the outstanding balance by $180,071 by exercising 720,284 warrants previously granted to it and setting off the exercise price against the outstanding balance.

During 2004, the Company and another affiliated company entered into an agreement to pay down part of the outstanding balance owed to the affiliate by $60,000 in the form of 21,739 shares of common stock.

The Company and the affiliated companies share common stockholders and in certain cases such stockholders are directors or are related to directors of the Company and its subsidiaries.

Note 8 — Stock Incentive Plan

The Stockholders approved the 2000 Stock Incentive Plan effective as of January 1, 2000. The Board of Directors administers the Plan. Employees and certain contractors, who in the judgment of the Committee render significant service to the Company, are eligible to participate. The Plan terminates December 31, 2005.

Under terms of the Company's stock incentive plan, participants may be granted restricted shares or options to purchase the Company's common stock at not less than 75% of the market price 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, 2003 and 2002, a total of 3,643,979 and 2,843,979 shares, respectively, were reserved for issuance under the plan. No restricted shares have been issued.

Presented below is a summary of the stock option plan activity for the years shown:

	Options	Weighted Average Exercise Price
Balance, at January 1, 2002	924,110	$ 1.61
Granted	259,916	5.50
Exercised		
Cancelled	(41,334)	4.4
Balance, at December 31, 2002	1,142,692	$ 2.39
Granted	1,423,750	5.31
Exercised	—	—
Cancelled	(118,832)	5.44
Balance, at December 31, 2003	2,447,610	$ 3.94
Options exercisable at December 31, 2003	1,315,443	$ 2.87

The Company's stock incentive 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.

Pursuant to SFAS No. 123, ''Accounting for Stock-Based Compensation'', the compensation expense for the Company's stock options has been recognized based on the fair value at the grant date measured against the

exercise price. Compensation expense attributed to option grants recognized for the years ended December 31, 2003 and 2002 is $310,150 and $170,433 respectively.

In accordance with SFAS 123, the weighted average fair value of stock options granted is required to be based on a theoretical statistical model using the Black-Scholes assumptions. Since the Company's incentive stock options are not traded on any exchange, employees can receive no value or derive any benefit from holding stock options under the plan without an increase in the market price of Planet Group, Inc. stock. Such an increase in stock price would benefit all stockholders commensurately.

Note 9 — Warrants

The Company has 4,595,558 and 3,372,031 outstanding warrants to purchase shares of common stock, as of December 31, 2003 and 2002, respectively, in addition to the stock options granted under the Stock Incentive Plan.

Presented below is a summary of the warrants activity for the years shown:

	Warrants	Weighted Average Exercise Price
Balance, at January 1, 2002	1,842,515	$ 2.07
Granted	1,711,334	2.53
Exercised	—	—
Cancelled	(181,818)	5.50
Balance, at December 31, 2002	3,372,031	2.12
Granted	1,282,390	3.21
Exercised	—	—
Cancelled	(58,863)	5.50
Balance, at December 31, 2003	4,595,558	2.38
Warrants exercisable at December 31, 2003	4,595,558	2.38

Note 10 — Commitments

Leases

The Company leases various office facilities under operating leases expiring at various dates through December 2006. One of the operating leases is from an affiliated company, as discussed in Note 7. Minimum future lease payments due on the non-cancelable operating leases in excess of one year are as follows:

2004	$64,496
2005	67,721
2006	71,107

Rental expense amounted to $122,041 in 2003 and $111,695 in 2002.

Service Agreements

The Company entered into three service agreements expiring at various dates through April 2006. One of the agreements from an affiliated company, as discussed in Note 7, is for the period through August 31, 2004 for a minimum amount of $45,000 and 20,000 stock warrants per month exercisable at $5.50 per share. Future minimum payments due on the service agreements are as follows:

2004	$850,000
2005	490,000
2006	80,000

Note 11 — Income taxes

Temporary timing differences, primarily a net operating loss carry forward, resulted in a net deferred tax asset in 2003 and 2002. The Company has provided a valuation allowance to fully offset the amount of the net deferred asset.

The Company has available, at December 31, 2003, unused operating loss carry-forwards of approximately $17,000,000, which may be applied against future taxable income expiring in various years from 2019 through 2023.

Note 12 — Concentrations of Credit Risk

The Company maintains cash balances at financial banking institutions that are insured by the Federal Depository Insurance Corporation (‘‘FDIC’’) up to $100,000. The Company also maintains cash balances at foreign banking institutions which are not insured by the FDIC. At December 31, 2003 and 2002, the Company’s uninsured cash balances totaled $969,223 and $815,032, respectively.

PART V

U.S. FEDERAL SECURITIES LAW RESTRICTIONS ON THE PLACING SHARES

This section summarises the United States federal securities law restrictions that generally apply to the issue and transfer of Placing Shares offered by the Company to non-U.S. Persons in reliance on Regulation S of the Securities Act. Terms used in the following description that are defined in Regulation S shall have the definitions ascribed by Regulation S. This section does not address restrictions applicable to the issue and transfer of Common Shares that may be issued by the Company in ''private placements'' in reliance on Regulation D of the Securities Act that may occur concurrently with or subsequent to the Placing. This section likewise does not address restrictions under the securities laws of any other jurisdiction that may be applicable to subscribers for or subsequent purchasers of the Placing Shares. If purchasers believe additional securities law restrictions may apply, the Company urges those purchasers to consult their legal advisors immediately.

Because the Placing Shares offered pursuant to this document are being offered in reliance on Regulation S of the Securities Act, and because neither the issue nor the resale of the Placing Shares has been registered under the Securities Act, the Placing Shares constitute ''restricted securities'' within the meaning of Rule 144 under the Securities Act. A subscriber for or a subsequent purchaser of Placing Shares may not offer, sell or otherwise transfer Placing Shares in the United States or to, or for the account or benefit of, any U.S. Person, except pursuant to an exemption from the registration requirements of the Securities Act including transactions in compliance with Rule 904 of Regulation S. Hedging transactions in the Placing Shares may not be conducted, directly or indirectly, unless in compliance with the Securities Act.

Legend on Share Certificates. The certificates evidencing the Placing Shares will bear a legend to the following effect.

"THE COMMON SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IF SUCH TRANSFER IS EFFECTED (1) IN A TRANSACTION MEETING THE REQUIREMENTS OF REGULATION S UNDER THE SECURITIES ACT (2) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, OR (3) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT FILED UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE U.S. AND OF OTHER JURISDICTIONS. HEDGING TRANSACTIONS INVOLVING THE COMMON SHARES OF THE COMPANY MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT."

Representations of Subscribers. Each subscriber for Placing Shares offered and sold under this document will be deemed to have represented and agreed as follows:

(1) the subscriber is not a U.S. Person and is not acting for the account or benefit of a U.S. Person (other than a distributor);

(2) the subscriber understands that the Placing Shares have not been registered under the Securities Act and may not be offered, resold, pledged or otherwise transferred by such subscriber except (a) (i) in an offshore transaction meeting the requirements of Rule 904 of Regulation S, (ii) pursuant to any other available exemption from the registration requirements of the Securities Act, or (iii) pursuant to an effective registration statement filed under the Securities Act and (b) in accordance with all applicable securities laws of the states of the United States and of other jurisdictions;

(3) the subscriber understands and agrees that, if in the future it decides to resell, pledge or otherwise transfer any Placing Shares or any beneficial interests in any Placing Shares prior to the date on which such Placing Shares cease to be ''restricted securities'' it will do so only in an offshore transaction in compliance with Rule 904 under the Securities Act, pursuant to any other available exemption from the registration requirements of the Securities Act or pursuant to an effective registration statement under the Securities Act, and in each of such cases in accordance with applicable securities laws of any state of the United States or of any other jurisdiction;

(4) the subscriber agrees to, and each subsequent holder is required to, notify any purchaser of the Placing Shares from it of the resale restrictions referred to in paragraph (2) and (3) above, if then applicable;

(5) the subscriber acknowledges that the Company and Canaccord and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and warranties and agrees that if any such acknowledgements, representations or warranties deemed to have been made by virtue of its purchase of Placing Shares are no longer accurate, it shall promptly notify the Company and Canaccord; and

(6) the subscriber acknowledges that the Placing Shares will bear a restrictive legend as set out on the preceding page.

Resales of Placing Shares. The restrictions described above will generally not prohibit resales on AIM of the Placing Shares following the Placing. However, due to the restrictions described above, subscribers for and subsequent purchasers of Placing Shares and their brokers may be required to execute representation letters prior to resales of such shares so long as such shares continue to be "restricted securities" under the Securities Act. Specifically, prior to any resale during such Period, and in addition to certain other representations, a reseller of Placing Shares and such reseller's broker may each be required to represent that neither such reseller, nor any person acting on such reseller's behalf, knows that the resale transaction has been pre-arranged with a buyer in the United States. The Company reserves the right to modify this process as may be deemed required or appropriate to comply with applicable U.S. securities law requirements and the AIM Rules.

Pursuant to the Company's Bylaws, the Company will be required to refuse to register any transfer of the Placing Shares not made in accordance with the provisions of Regulation S, pursuant to any other available exemption from registration, or pursuant to an effective registration statement filed under the Securities Act.

PART VI

Additional Information

1. Responsibility statement

The Directors of the Company, whose names and business addresses are set out on page 3 of this document, and the Company accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors of the Company and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Formation and Legal Organisation of the Company

- The legal name of the Company is Planet Group, Inc. The trading name of the Company is ''Planet Payment.''
- The Company is a corporation organised under the laws of the State of Delaware, U.S. The Company was incorporated on 12 October 1999.
- The Company is registered in Delaware, U.S., with registration number 3109568. The registered office of the Company is Corporation Trust Center, 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware, U.S.A., and its principal place of business is at 670 Long Beach Boulevard, Long Beach, NY 11561, USA.
- The principal legislation under which the Company operates is the General Corporation Law of the State of Delaware. The liability of the Company's Shareholders is limited. Under the DGCL, a Shareholder of a corporation is not personally liable for the acts of the corporation, but a Shareholder may become personally liable by reason of his or her own conduct.
- The Planet business was originally formed as Planet.bm Limited, a Bermuda entity, in January 1999. In June 1999, Planet Group LLC, a Delaware limited liability corporation was formed, and the Company was reorganised by means of an acquisition of all of the shares of Planet.bm Limited by Planet Group LLC. In order to facilitate future financing rounds and attract investors, Planet Group, Inc., a Delaware corporation, was formed on 11 October 1999 and as of 31 December 1999, Planet Group LLC merged with and into Planet Group, Inc. with Planet Group, Inc. as the surviving entity. As a result of this merger, Planet Group LLC ceased to exist and Planet Group, Inc. assumed all of the rights and obligations of Planet Group LLC.

3. Corporate Structure

The Company is the parent company of the Group. The Company will, on Admission, have the principal subsidiaries listed below, all of which are wholly-owned (directly or indirectly) by the Company, except as specified below:

Entity Name	Jurisdiction of Incorporation	Principal Activity
Planet Payment Asia Pacific Pte Ltd.	Singapore	Regional head office and intermediate holding company for Asia Pacific business
Planet Payment (Hong Kong) Ltd	Hong Kong	Hong Kong operations
Planet Payment.bm Limited	Bermuda	Intermediate holding company for British Virgin Islands and Isle of Man subsidiaries
Planet Payment (IOM) Limited	Isle of Man	European operations
Planet Technology Services, LLC	Delaware	Terminal software development
DCC Merchant Services, LLC[(1)]	Delaware	Direct sales organisation
Planet Payment (BVI) Limited	BVI	Dormant entity
Planet Payment (Europe) Ltd	England	Dormant entity
Planet Payment.ie Limited	Republic of Ireland	Dormant entity
Planet Payment (U.S.) Inc.	Delaware	Dormant entity

(1) The Company owns a 70% membership interest in this entity.

4. Share Capital of the Company

4.1 Summary of Issued Share Capital

The following table describes the authorised and issued share capital of the Company as of Admission (excluding the Placing Shares):

Class of Share	Par Value	Authorised	Issued
Common Shares	US $0.01	70,000,000	13,848,255*
Preferred Shares	US $0.01	4,000,000	2,243,750**

* On Admission, 47,223 Common Shares will be issued to Vision III Properties LLC, 46,023 Common Shares will be issued to certain investors in the Company's financing round between November 2005 to January 2006 as described in Section 4.5 and all Junior Preferred Shares in issue will be converted into a total of 1,717,520 Common Shares. Certain rights held by Shareholders and holders of promissory notes (including anti-dilution, consent rights and other privileges) will terminate immediately prior to Admission. The issues to Vision III Properties LLC, to the November 2005-January 2006 investors, and on conversion of the Junior Preferred Shares, are all included in the figure of 13,848,255.

** The Preferred Shares are convertible into a total of 6,851,144 Common Shares.

All issued shares are fully paid. Neither the Company nor any of its subsidiaries hold shares in treasury.

4.2 Summary of Preferred Shares

The Preferred Shares consist of 2,243,750 shares designated (and issued) as Series A Preferred Shares, and 1,756,250 shares which are undesignated (and unissued). Each issued Series A Preferred Share is convertible into approximately 3.05 Common Shares, for a total of 6,851,144 Common Shares. Series A Preferred Shares may be converted into Common Shares at any time at the election of the holder. In addition, all issued Series A Preferred Shares automatically convert into Common Shares upon the consent of the holders of at least two-thirds of the voting power of the issued Series A Preferred Shares, or upon the closing of an initial public offering of the Common Shares registered with the U.S. Securities and Exchange Commission in which the valuation of the Company is at least $150,000,000 and the minimum net proceeds of the offering are $25,000,000.

Except as described below, the only difference in rights between the Series A Preferred Shares and the Common Shares is the payment of a liquidation preference on the Series A Preferred Shares in the event of an acquisition, liquidation or winding up of the Company. "Acquisition" is defined for purposes of payment of the liquidation preference as a consolidation or merger (or similar transaction) of the Company with or into any other corporation or the sale of all of the capital stock of the Company, in each case where the Shareholders immediately prior to such transaction fail to retain a majority of the voting power of the Company's stock following such transaction, or a sale, lease, exclusive license or other disposition of all or substantially all of the Company's assets. Upon such a liquidation event, each Series A Preferred Share entitles its holder to receive an amount equal to the original purchase price per Series A Preferred Share prior to payment on the Common Shares. The aggregate liquidation preference for the Series A Preferred Shares is $8,975,000. By way of example, in the event of an acquisition of the Company, the holders of Series A Preferred Shares would, as a group, be entitled to receive the first $8,975,000 of the purchase price. After payment of this liquidation preference, the remaining proceeds would be distributed pro rata among the holders of Common Shares. Holders of Series A Preferred Shares can alternatively elect to convert to Common Shares and receive a pro rata share of the proceeds together with the other holders of Common Shares. In addition, in limited circumstances prescribed under Delaware law, the holders of Series A Preferred Shares are entitled to vote as a separate class, as described under Section 6.7 of this Part VI below, and also possess the right to convert the Series A Preferred Shares into Common Shares at any time, subject to automatic conversion as described in the preceding paragraph. The Series A Preferred Shares otherwise have identical rights as Common Shares, including with respect to voting and dividends.

4.3 Summary of Issued Convertible Securities

The following table sets out all warrants and share options exercisable into share capital of the Company as of the date of this document (and in the case of share options, regardless of any prior conditions, such as vesting):

Security	Convertible Into	Number of Shares	Exercise Price/per Share
Warrants	Common Shares	7,455,188	$0.25 - $5.50(1)
Share Options	Common Shares	4,231,365	$0.60 - $5.50(2)

(1) The weighted average exercise price per share of the Warrants is $1.65.

(2) The weighted average exercise price per share of the stock options is $2.54.

The outstanding Warrants may generally be exercised either by payment of cash or surrender of a portion of the shares issuable upon exercise of the relevant Warrant (referred to as a "net exercise"), and expire on various dates between 2006 and 2014.

All stock options have been issued pursuant to the Company's 2000 Stock Option Plan or 2006 Equity Incentive Plan and have a term of ten years, and may be exercised for cash once such options have become vested. Options held by current employees have generally been granted subject to vesting, contingent upon continuous employment or service, ratably over a period of three years from the date of grant. The Company has also extended the exercise period for certain options held by former employees for varying periods of up to ten years from the date of grant. Of stock options currently outstanding, 3,703,769 are held by current employees and contractors, and 527,596 are held by former employees. No further stock options may be granted under the 2000 Stock Option Plan. A maximum of 1,861,032 Common Shares remain available for future stock option or restricted stock grants under the 2006 Equity Incentive Plan. For more information regarding the terms of the Company's stock option plans, see Section 5 of this Part VI.

The above stock option and exercise price figures reflect adjustments pursuant to a stock option exchange programme approved by the Board on 1 February 2006. Pursuant to this programme, current employees, including management, were offered (and most accepted) the opportunity to exchange stock options (and in some cases warrants) with exercise prices of $4.00 per share or higher for a lesser number of stock options or, warrants respectively, at an exercise price of $2.50 per share (independently assessed to be of equivalent value as the surrendered stock options for accounting purposes). The warrant figures in Section 4.4 below reflect such adjustment. The number of Common Shares subject to options and warrants which were surrendered under this programme, net of reissuances, were 574,232 and 76,009 respectively. The Common Shares relating to the options surrendered will be available for further awards under the 2006 Equity Incentive Plan.

Certain promissory notes held by lenders to the Company, which are not convertible into Common Shares, accumulate interest which is payable in Common Shares, as described in Section 4.5 of this Part VI below.

In addition, an outstanding promissory note issued in October 2005 of $500,000 principal amount (issued to Andrew Paul and Andwel Partners LLC) is not currently convertible into Common Shares, but could become convertible into Common Shares at a conversion price of $0.70 per share in certain default circumstances. Please see Section 4.5 of this Part VI below for further details. The Company intends to redeem this promissory note in full out of the Placing proceeds.

The Company has an obligation to issue 46,023 additional Common Shares upon Admission to certain investors in the Company's pre-Placing financing round (carried out between November 2005 and January 2006) as the Placing Price is less than $2.50, as described below in Section 4.5 of this Part VI. For the purpose of this document, a conversion rate (as of 3 March 2006) of $1.76 to £1 has been used, and the Placing Price equates to $2.20.

The Company will also be obligated to issue up to an additional 21,875 Common Shares in February 2007 in the event of achievement of certain earnout milestones by 31 January 2007 in connection with the acquisition of Whittle Transaction Group in February 2005.

4.4 Additional Warrant Detail

The following table categorises all outstanding Warrants of the Company by exercise price and expiration date:

	Expiration Date				
Exercise Price	**1 Jan. 2006 - 30 June 2006**	**1 July 2006 - 30 Dec. 2006**	**Within 2007**	**Within 2008**	**2009-2014**
$0.01	0	0	0	0	61,069
$0.25	0	0	0	0	19,274
$1.00	0	0	974,166	917,474	590,317
$1.31(1)	0	0	0	0	3,053,435
$1.50/$1.51	0	0	421,802	178,631	0
$2.50	0	0	0	0	220,903
$3.00	0	0	0	29,393	77,466
$4.00	0	12,681	30,203	502,128	36,000
$5.50	23,635	44,937	78,586	0	183,088

(1) Reflects the minimum exercise price per share. This exercise price may instead equal the Placing Price, depending on the date of exercise.

4.5 History of Share and Securities Issues

The Company has issued the following securities and made the following changes to its capitalisation since 1 January 2003:

- Effective immediately prior to Admission, all rights, preferences and privileges of the Series A Preferred Shares, other than the liquidation preference as described above, will terminate. In addition, all outstanding Junior Preferred Shares will convert into an aggregate of 1,717,520 Common Shares.
- Between November 2005 and January 2006, the Company raised $675,000 in working capital by issuing an aggregate of 437,500 Common Shares, at a purchase price of $2.00 per share, to new investors identified by the Company and Canaccord, and to certain existing institutional Shareholders of the Company. As the Placing Price is less than $2.50, the Company is further obligated to issue an additional 46,023 Common Shares to these investors (such that the effective price per share paid in the November 2005-January 2006 financing is equal to the Placing Price divided by 1.25). The Placing Price equates to $2.20 per share.
- Between November 2005 and January 2006, the Company issued an aggregate of 502,777 Common Shares to existing Shareholders of the Company in exchange for the waiver by such Shareholders of certain rights, preferences and privileges. A further 47,223 Common Shares are issuable to these Shareholders upon Admission.
- In November 2005, the Company raised $4,000,000 in working capital by issuing a promissory note of equal amount, and a Warrant to purchase 3,053,435 Common Shares, to Inter-Atlantic Fund, L.P. The note is not convertible into stock, but provided the note remains outstanding, the principal amount must be set off against the exercise price of the Warrant (if exercised). The note accrues at 8% per annum interest payable in cash or Common Shares at the Company's election, and matures in November 2010. See Section 12.9 of this Part VI for additional information.
- In October 2005, the Company raised working capital by issuing promissory notes in the principal amount of $500,000 to Andrew Paul and Andwel Partners, LLC. The notes are not convertible into stock generally, but will be convertible into Common Shares at the election of the holders at a price of $0.70 per share in the event the Company fails to either pay off the notes, or convert them into long term notes on similar terms to the Inter-Atlantic note referred to below, prior to maturity on 1 April 2006. The notes accumulated interest at 10% per annum until 31 January 2006 and now accumulate interest at 15% per annum, payable in cash. The Company also issued to these lenders Warrants to purchase an aggregate of 66,666 Common Shares at an exercise price of $1.50 per share.
- Between July 2005 and January 2006, the Company issued 255,250 Common Shares for a total consideration of approximately $514,000 in cash. The Company also issued an aggregate of 29,750 Common Shares as effective anti-dilution adjustments. In addition, the Company issued (i) 30,000 Common Shares upon conversion of a promissory note in the principal amount of $165,000 at a conversion price of $5.50 per share, (ii) 30,784 Common Shares upon the exercise of Warrants at an exercise of $3.00 per share for an aggregate payment of $92,352 (including an effective anti-dilution adjustment which reduced the exercise price of certain shares from $5.50 per share) and (iii) 61,958 Common Shares upon the exercise of Warrants with an exercise price of $1.51 per share, for an aggregate payment of $93,556.
- Between January and June 2005, the Company issued 10,000 Common Shares for a total consideration of approximately $40,000 in the form of services.
- In February 2005, the Company acquired Whittle Transaction Group in exchange for the issue of 51,875 Common Shares, plus an agreement to issue up to an additional 43,750 shares upon achievement of certain earnout milestones. The Company subsequently issued 21,875 Common Shares upon achievement of the first milestone on 3 February 2006.
- In December 2004, the Company agreed to issue an aggregate of 171,752 Junior Preferred Shares (convertible into an aggregate of 1,717,520 Common Shares) in exchange for the cancellation of outstanding convertible promissory notes of an aggregate principal amount of $4.5 million, the extension of the expiration date of certain outstanding Warrants by one year, and waiver of rights to anti-dilution adjustments under the promissory notes and Warrants.
- Between November 2004 and January 2005, the Company raised $8,975,000 in working capital by issuing an aggregate of 2,243,750 Series A Preferred Shares at a purchase price of $4.00 per share to

Andrew Paul, Andwel Partners, LLC and certain other investors. Pursuant to terms established at the time of the financing, the conversion ratio of Series A Preferred into Common Shares has since been adjusted such that the Series A Preferred Shares are, effective on Admission, convertible into an aggregate of 6,851,144 Common Shares, for an effective price per share of $1.31. The Company also agreed to issue 10,000 Common Shares as partial payment of a finders' fee to JKF Advisors in connection with such financing event (which shares have since been issued).

- Between July and December 2004, the Company issued 345,187 Common Shares for a total consideration of approximately $1.07 million, including a combination of cash, forgiveness of debt and services, and with a range of purchase prices between $2.54 and $4.00 per share. The Company also issued promissory notes convertible into Common Shares of an aggregate principal amount of $600,000, with a conversion price of $2.54 per share. The Company also issued Warrants to purchase 363,573 Common Shares with exercise prices between $1.00 and $5.50 per share during this period, both in connection with the foregoing issues of Common Shares and Convertible Notes, and in some cases in consideration for services. In addition, the Company issued (i) 244,427 Common Shares upon conversion of promissory notes in the aggregate principal amount of $694,000 at a range of conversion prices from $2.56 to $5.50 per share, including shares issued as a result of anti-dilution adjustments, (ii) 175,707 Common Shares upon the exercise of Warrants, including cashless net exercises as well as cash exercises of $60,000, and (iii) 24,538 Common Shares as anti-dilution adjustments.
- In June 2004, the Company issued promissory notes in the aggregate principal amount of $500,000 convertible into Common Shares at $2.54 per share. In connection therewith, Warrants to purchase 196,850 Common Shares (with an exercise price of $1 per share) were issued to the lenders.
- Between January and June 2004, the Company issued 557,022 Common Shares for a total consideration of approximately $1.93 million, including a combination of cash, forgiveness of debt and services, with a range of purchase prices of between $2.10 and $4.00 per share. In addition, the Company issued promissory notes in the aggregate principal amount of $48,000 convertible into Common Shares at a conversion price of $2.76 per share. The Company also issued Warrants to purchase 191,730 Common Shares with exercise prices of $1.00 to $1.50 per share during this period, both in connection with the foregoing issues of Common Shares and Convertible Notes, and in some cases in consideration for services. In addition, the Company issued (i) 44,973 Common Shares upon conversion of promissory notes in the aggregate principal amount of $175,000 (and accrued interest) at a conversion price of $4.00 per share, including an anti-dilution adjustment, and (ii) 720,284 Common Shares upon the exercise of Warrants with an aggregate exercise price of $180,071.
- Between July and December 2003, the Company issued 536,621 Common Shares for a total consideration of approximately $1.50 million plus certain services, with a range of purchase prices of $2.10 to $5.50 per share. In addition, the Company issued 118,929 Common Shares upon conversion of promissory notes in the aggregate principal amount of $456,000, with conversion prices of $2.54 to $5.50 per share. The Company also issued promissory notes convertible into Common Shares in an aggregate principal amount of $1,891,600, with a range of conversion prices from $2.54 to $5.50 per share. The Company also issued Warrants to purchase 939,550 Common Shares with exercise prices of between $1.00 and $5.50 per share during this period, both in connection with the foregoing issues of Common Shares and Convertible Notes, and in some cases in consideration for services.
- From January through June 2003, the Company issued 152,387 Common Shares for a total consideration of approximately $625,000 plus certain services, with a range of purchase prices of between $2.76 and $5.50 per share. The Company also issued Convertible Notes in an aggregate principal amount of $333,000, with a range of conversion prices of $2.76 to $5.50 per share. The Company also issued Warrants to purchase 387,325 Common Shares with exercise prices of between $0.25 and $5.50 per share during this period, both in connection with the foregoing issues of Common Shares and Convertible Notes, and in some cases in consideration for services.

4.6 Authorisation to Issue Additional Shares/Securities

Pursuant to the Company's Certificate of Incorporation, the Directors may only authorise the Company to issue up to an aggregate of 70,000,000 Common Shares and 4,000,000 Preferred Shares, inclusive of shares and convertible securities currently outstanding. Directors may not authorise the issue of shares, or securities convertible into shares, in excess of these limits without first amending the Company's Certificate of Incorporation to increase the authorised share capital. Amendment of the Company's Certificate of Incorporation

for this purpose requires Shareholder approval under Delaware law. No pre-emption rights attach to unissued shares in the capital of the Company under either the Company's constitutional documents or Delaware law.

Of the authorised share capital of the Company immediately following Admission:

- 19,448,255 Common Shares and 2,243,750 Preferred Shares (convertible into 6,851,144 Common Shares) will be in issue (assuming no exercise or conversion of currently outstanding convertible securities after the date of this document, and assuming the issue of 5,600,000 Common Shares in the Placing);
- 11,988,428 Common Shares will be reserved for issue upon exercise of outstanding stock options, Warrants (including the Canaccord Warrant), and pursuant to the acquisition agreement with the Whittle Transaction Group, LLC;
- 1,861,032 Common Shares will be reserved for issue pursuant to the 2006 Equity Incentive Plan (excluding shares subject to outstanding stock options); and
- 29,851,141 Common Shares will remain unissued and unreserved.

Except as set out above, there were no acquisition rights and/or obligations over authorised but unissued share capital of the Company or any undertakings to increase the share capital of the Company.

4.7 Commitments to Issue Shares in Connection with the Placing

At Admission, Canaccord will be issued a Warrant exercisable for up to 280,000 Common Shares (representing five per cent of the aggregate number of the Placing Shares), at an exercise price equal to the Placing Price, which may be exercised at any time during the period commencing on the date of Admission and ending 24 months thereafter (the "Canaccord Warrant").

4.8 Takeover Bids and Related Rules

There have been no public takeover bids by third parties in respect of the Company's equity during the last fiscal year or the current fiscal year.

Except as set out in Section 13 of Part II of this document, no mandatory takeover bid rules or squeeze-out or sell-out rules exist in relation to the Company's equity.

4.9 Additional Information Regarding Share Capital

The Placing Shares will be denominated in the currency of U.S. dollars.

The issue of the Placing Shares will result in a dilution of 21.3 percent to the holders of the Current Issued Share Capital as at Admission.

No shares in the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

5. The Stock Option Plans

5.1 Overview of Stock Option Plans

Since 1 January 2000, the Company has made equity awards to employees and contractors under its 2000 Stock Incentive Plan, which was adopted 23 December 1999 (referred to hereafter as the "Old Plan"). The Old Plan terminated on 31 December 2005, and no new awards may be granted under the Old Plan after such date, although currently outstanding options granted under the Old Plan continue to be governed by the terms of the Old Plan. The Company has adopted a new 2006 Equity Incentive Plan (the "New Plan"), which became effective from 1 January 2006, to replace the Old Plan. The New Plan was approved by the Directors on 6 January 2006, and by the Company's Shareholders on 25 January 2006.

As of the date of this document, options granted under the Old Plan and the New Plan to purchase an aggregate of 4,231,365 Common Shares were outstanding. Following the Placing, 1,861,032 Common Shares will remain available for future stock option and restricted stock awards under the New Plan. **In no event will the Common Shares comprised in awards of options granted following Admission or available for grant under the New Plan exceed ten percent of the Company's issued share capital** (which includes Warrants with an exercise price less than the current fair market value).

5.2 Planet Group, Inc. 2006 Equity Incentive Plan

Purpose. The purpose of the New Plan is to provide incentives to attract, retain and motivate eligible persons whose present and potential contributions are important to the success of the Company and its subsidiaries by offering them an opportunity to participate in the Company's future performance through awards of options, restricted stock, stock bonuses, stock appreciation rights and restricted stock units.

Shares Reserved for Issue. There are currently a maximum of 2,400,000 Common Shares authorised and reserved for issue under the New Plan (subject to adjustment in the event of a capital reorganisation). In addition, shares subject to options issued under the Old Plan that were surrendered pursuant to the stock option exchange programme were added to the available pool of shares, net of options re-issued under the option exchange programme. As a result of the option exchange programme and the grant of options to purchase an aggregate of 1,113,200 shares issued to employees in January 2006, there are a total of 1,861,032 shares available for future awards under the New Plan. In addition, shares that are subject to outstanding options or other awards but cease to be subject to such option or award for any reason (other than exercise of such option or award), including forfeiture, cancellation, repurchase by the Company or termination, will again become available for grant and issue under the New Plan.

Administration. Effective upon the Placing, the Company's Compensation Committee will administer the New Plan. The Committee will determine the persons who are to receive awards, the number of shares subject to each such award and the terms and conditions of such awards. The Committee also has the authority to interpret the provisions of the New Plan and of any awards granted thereunder and to modify awards granted under the New Plan.

Eligibility. The Committee may grant awards under the New Plan to employees, officers, directors, consultants, independent contractors and advisors of the Company or of any parent, subsidiary or affiliate of the Company. No person will be eligible to receive more than 1,000,000 shares in any calendar year pursuant to the grant of awards under the New Plan.

Terms of Options. As discussed above, the Committee will determine many of the terms and conditions of awards granted under the New Plan. Each option is evidenced by an agreement in such form as the Committee approves and is subject to the following conditions:

- *Vesting and Exercisability:* Options become vested and exercisable, as applicable, within such periods, or upon such events, as determined by the Committee and as set forth in the related stock option agreement. To date, as a matter of practice, options have generally been subject to a three-year vesting period. The maximum term of each option is ten years from the date of grant.

- *Exercise Price:* Each stock option agreement states the exercise price, which may not be less than 100% of the fair market value of one Common Share on the date of the grant.

- *Method of Exercise:* The exercise price is typically payable in cash or by cheque, but may also be payable, at the discretion of the Committee, in a number of other forms of consideration.

- *Termination of Employment:* Options cease vesting on the date of termination of service or the death or disability of the participant. Options granted under the plan generally expire 90 days after the termination of the participant's service to the Company, except in the case of death or disability, in which case the awards generally may be exercised up to 12 months following the date of death or termination of service. However, if the participant is terminated for cause (e.g. for committing an alleged criminal act or intentional tort against the Company), the participant's options will expire upon termination.

- *Change of Control:* In the event of a change of control (which would include a merger or consolidation or sale of substantially all of the assets of the Company, but, for the avoidance of doubt, neither the Placing nor Admission constitute) or liquidation of the Company (as defined in the plan), the buyer may either assume the outstanding awards or substitute equivalent awards. In the event the buyer fails to assume or substitute awards issued under the New Plan, all awards will immediately vest as to 100% of the shares, and such awards will expire at the closing of the transaction.

Other Types of Awards. Other types of equity-denominated awards may be issued under the New Plan, either alone, or in addition to stock options. The Committee will determine the terms, conditions and restrictions that

shall apply to such awards at the time of their making. The key features of these other forms of equity-denominated awards are as follows:

- *Restricted Stock Awards and Stock Bonus Awards:* Restricted stock awards resemble stock options except that, unlike stock options, the exercise price of a restricted stock award may be less than the fair market value of the shares at the time they are offered. The right to retain the shares, however, is subject to the recipient either remaining in the Company's service for a given period of time, or both remaining in the Company's service and achieving (or the Company's achieving, on the premise that the Company's achievement is based at least in part on the recipient's efforts) certain performance goals established by the administrator at the time the awards are issued. In any event, the minimum period of time that must pass before the restrictions can be lifted is 3 years. If these restrictions are not lifted by the set time, then the shares are returned to the Company and the exercise price (if any was paid) is refunded to the recipient without interest. Stock bonus awards do not require any cash payment from their recipients. The right to retain such shares, however, may be subject to the same conditions as for a restricted stock award. Although denominated in shares, stock bonus awards may be settled in cash.

- *Restricted Stock Units:* A restricted stock unit is the right to receive a payment in the future (which may be in the form of cash or shares) with the amount of the payment denominated in shares of stock. The New Plan provides that conditions, such as continuation of service, may be imposed on any payment, and requires that a minimum of 3 years must pass before the first settlement of any instalment of a restricted stock unit can occur. If the conditions for settlement of a given instalment are not met, then that instalment is forfeited.

- *Stock Appreciation Rights:* A stock appreciation right is the right to receive a payment in the future (which may be in the form of cash or shares) with the amount of the payment determined based on the appreciation in value of a number of shares of the Company's stock calculated by deducting their fair market value on their date of grant from their fair market value on the date of settlement. The New Plan provides that conditions, such as continuation in service, may be imposed on any payment. If the conditions for settlement of a given instalment are not met, then that instalment is forfeited.

5.3 Planet Group, Inc. 2000 Stock Incentive Plan

Prior to 1 January 2006, the Company made equity awards to employees, directors and consultants under the Old Plan. As of 31 December 2005, 4,169,368 Common Shares were authorised and reserved for issue under the Old Plan. Of this amount, options to purchase 3,692,397 Common Shares were outstanding under the Old Plan. Options surrendered under the Stock Option exchange programme which occurred in February 2006 became available for re-grant under the New Plan. No further options may be granted under the Old Plan.

The terms of the Old Plan that continue to apply to outstanding options are substantially similar to the terms of the New Plan, except as follows:

- *Termination of Employment:* Options cease vesting on the date of termination of service. In the event of termination by reason of death, permanent disability or unlawful dismissal by the Company, the options shall vest and become exercisable in full. Options granted under the plan generally expire one year after the termination of the participant's service to the Company, unless otherwise determined by the Board of Directors. As a matter of practice, the Company agreed to extended exercise periods with respect to several former employees, in many cases allowing up to 10 years from the date of grant for exercise, notwithstanding termination of service.

- *Change of Control.* In the event of a change of control (which would include a merger or consolidation or sale of substantially all of the assets of the Company, but, for the avoidance of doubt, neither the Placing nor Admission constitute) or liquidation of the Company, the Company may choose to either take no action at all, or to (i) arrange for the surviving, new or acquiring corporation assume the outstanding options; (ii) give each optionee the right to exercise all or a portion of their options; or (iii) take such other action as is reasonable in order to permit optionees to realise the value of their rights.

6. Certificate of Incorporation, Bylaws and Governing Law

The Company is governed by its constitutional documents, which consist of a Certificate of Incorporation and Bylaws, and by the Delaware General Corporation Law. The following is a summary of certain relevant provisions of these documents and the law:

6.1 Purpose of the Company

The purpose of the Company is to engage in any business, trade or activity that may be lawfully conducted by a corporation organised under the Delaware law and in any incidental or conducive activities.

6.2 Control and management

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 vote of the Shareholders at a meeting called for that purpose. The Board is entitled to exercise its powers through committees and to appoint officers. Officers have general powers and duties of day-to-day supervision and management of the Company.

6.3 Meetings of shareholders and voting

The Bylaws of the Company provide for an annual meeting of shareholders, which is held on such date and at such time and place designated by the Board.

Special meetings of shareholders may be called by the Chairman of the Board, the president of the Company, the Board or by the demand of shareholders holding not less than ten percent (10%) of all shares entitled to cast votes on any issue proposed to be considered at such special meeting, which is held on such date and at such time and place designated by the Board.

The Bylaws provide that written notice of a shareholders' meeting must be given stating the place, day and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called. Notice of a shareholders' meeting must be given to every shareholder entitled to notice of or to vote at the meeting not less than ten (10) nor more than sixty (60) days before the meeting. Notices may be given by e-mail.

The Bylaws specify that a quorum for the transaction of business at any meeting of shareholders is one third of the shares of capital stock entitled to vote at the meeting, present in person or represented by proxy, in relation to such matter, except where any greater requirement is imposed by law.

When a quorum is present at a shareholders' meeting, decisions will generally be made by a majority of votes cast by the shareholders present in person or represented by proxy at the meeting, except as otherwise required by law. However, in the case of the election of directors where directors are elected by a plurality of the votes cast at the meeting and in the case of amendments to the Certificate of Incorporation which require a 67% majority of the votes cast by the shareholders present in person or represented by proxy at the meeting and a majority of the votes entitled to be cast at such meeting.

6.4 Election and removal of Directors

The Bylaws provide that the size of the Board shall be fixed from time to time by resolution adopted by a majority of the total number of authorised directors. The Board currently has five authorised directors. A director of the Company need not be a shareholder, a citizen of the United States, or a resident of the State of Delaware.

Directors are elected to the Board by the Shareholders by the vote of a plurality of the number of votes cast at each annual meeting. The Board is divided into three classes designated as Class I, Class II and Class III. Directors are assigned to each class in accordance with resolutions adopted by the Board, with the number of directors in each class to be divided as equally as reasonably possible. The term of office of the Class I directors shall expire at the Company's first annual meeting of shareholders following Admission, the term of office of the Class II directors shall expire at the Company's second annual meeting of shareholders following Admission, and the term of office of the Class III directors shall expire at the Company's third annual meeting of shareholders following Admission. At each annual meeting of shareholders commencing with the first annual meeting of shareholders following Admission, directors elected to succeed those directors of the class whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of shareholders after their election.

A director may resign at any time by delivering written notice to the Company.

At a meeting of Shareholders called expressly for that purpose, any or all members of the Board may be removed by a majority vote of the holders of the shares entitled to elect the director or directors whose removal is sought.

Newly created directorships resulting from an increase in the number of directors and vacancies occurring in the Board for any reason may be filled by the vote of a majority of the directors then in office, although less than a quorum, at any meeting of the Board. A director elected to fill a vacancy shall be designated as a Class I, Class II or Class III director and shall hold office until the next annual meeting at which time he may be eligible for nomination and re-election as a director.

6.5 Meetings and Action by the Board

Regular meetings of the Board may be held without notice at such places within or outside the state of Delaware and at such times as the Board may determine. Telephonic meetings or meetings by similar medium are permitted. Special meetings of the Board may be held at any time and at any place within or outside the state of Delaware designated in the notice of the meeting, when called by the Chairperson, the President, the Secretary or by a majority of the Board.

At any meeting of the Board, a majority of the total number of directors shall constitute a quorum for the transaction of business. Except as otherwise provided by law, the vote of a majority of the directors present at the time of the vote, if a quorum is present at such time, shall be the act of the Board.

Any action required or permitted to be taken at any meeting of the Board or a committee thereof may be taken without a meeting if all the members of the Board or such committee, as the case may be, consent thereto in writing.

6.6 Issue of shares

The Certificate of Incorporation provides for two classes of shares, Common Shares and Preferred Shares. The Certificate of Incorporation authorises 70,000,000 Common Shares and 4,000,000 Preferred Shares, of which 2,243,750 are designated as Series A Preferred Shares, and the remainder are undesignated. The undesignated Preferred Shares may be issued in one or more classes and one or more series within such classes. The Board has the authority to determine the designation, preferences, limitations and relative rights of preferred shares (including, without limitation, such matters as dividends, redemption, liquidation, conversion and voting) of any class or series that is wholly unissued or to be established without shareholder approval. The Board has no current intention of issuing the undesignated Preferred Shares.

Delaware law provides that a corporation may issue rights, options, or warrants for the purchase of shares of the corporation. A board of directors may determine the terms upon which the rights, options, or warrants are issued, their form and content, and the terms and conditions relating to their exercise, including the time or times, the conditions precedent, and the consideration for which and the holders by whom the rights, options, or warrants may be exercised.

6.7 Voting of shares

With respect to each matter put to a vote of the Shareholders, each Common Share is entitled to one vote upon such matter, and each Preferred Share is entitled to one vote for each Common Share into which such Preferred Share is convertible. The Preferred Shares vote together with the Common Shares, and not as a separate class or series, except where otherwise required by law. In limited circumstances, including an amendment to a certificate of incorporation which increases or decreases the authorized number of Preferred Shares or adversely changes the preferences, privileges or special rights of the Preferred Shares, Delaware law provides that the Preferred Shares shall vote separately as a class on such matter.

6.8 Dividends

Delaware law provides that directors of a corporation may, subject to any restrictions contained in its certificate of incorporation, declare and pay dividends upon the shares of its capital stock, except when 1) the corporation would not be able to pay its debts as they become due in the usual course of business or 2) the corporation's total assets would be less than the sum of its total liabilities plus, unless the certificate of incorporation permits otherwise, the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution. A dividend paid in such an impairment of capital is illegal and must be returned to the corporation by the shareholder. The Company's Certificate of Incorporation does not provide special dividend rights to holders of Preferred Shares.

Shares may be issued pro rata and without consideration to the corporation's Shareholders as a share dividend. Shares of one class or series may not be issued as a share dividend payable with respect to a different class or series.

6.9 Return of capital on the winding up of the Company

In the event of an acquisition of the Company or a liquidation or winding up of the Company, each Series A Preferred Share entitles its holder to receive an amount equal to the original purchase price per Series A Preferred Share prior to payment on any other issued shares. ''Acquisition'' is defined for purposes of payment of the liquidation preference as a consolidation or merger (or similar transaction) of the Company with or into any other corporation or the sale of all of the capital stock of the Company, in each case where the Shareholders immediately prior to such transaction fail to retain a majority of the voting power of the Company's stock following such transaction, or a sale, lease, exclusive license or other disposition of all or substantially all of the Company's assets. The aggregate liquidation preference for the Series A Preferred Shares is $8,975,000. After payment of this liquidation preference, remaining proceeds would be distributed ratably among holders of Common Shares. Holders of Series A Preferred Shares can alternatively elect to convert to Common Shares and receive a ratable share of the entire proceeds.

Any proposal to dissolve the Company must be approved by at least a majority of the shareholders entitled to vote. Dissolution does not prevent the transfer of shares (although it may provide for the closing of the Company's books), change voting or quorum requirements, or prevent, abate or suspend any proceedings against the Company. Upon dissolution, the property of the Company passes to the Shareholders, subject to outstanding corporate liabilities.

6.10 Redemption

The Company's Certificate of Incorporation and Bylaws do not provide for rights of redemption with respect to the Preferred Shares.

6.11 Rights of pre-emption

The Company's Certificate of Incorporation and Bylaws do not provide for rights of pre-emption with respect to the issue of shares of the Company.

6.12 Amendments of the Certificate of Incorporation and Bylaws

Amendments to the Certificate of Incorporation generally require approval by the Board and by the Shareholders, by vote of 67% of the votes cast by the Shareholders present in person or represented by proxy at the meeting and, under the DGCL, a majority of the issued shares entitled to vote, in addition to any approvals of classes or series of stock required under Delaware law. Such 67% voting requirement imposed by the Certificate of Incorporation may be more than is required under the DGCL.

The Bylaws may be amended by the Board. The Bylaws may also be amended by the shareholders of the Company, by vote of the holders of a majority of the shares entitled to vote in an election of directors.

6.13 Director's and officer's indemnity

The Certificate of Incorporation provides that the Company will indemnify its directors to the full extent permitted by Delaware law. However, such indemnity shall not apply on account of liability: (1) for any breach of the director's duty of loyalty to the Company or its Shareholders; (2) for acts or omissions not in good faith or which involved intentional misconduct or a knowing violation of the law; (3) under Section 174 of the DGCL; or (4) for any transaction from which the director derived an improper personal benefit.

The Bylaws extend the general indemnification right contained in the Certificate of Incorporation and the exceptions thereto to officers of the Company. In addition, the Company has individual indemnification agreements with each Director.

6.14 Power to dispose of the assets of the Company

Under Delaware law, the Board has the power to approve the sale, lease or exchange of all or substantially all of the Company's assets. Such sale, lease or exchange other than in the regular course of business requires approval by a majority of the issued shares of the Company entitled to vote thereon.

6.15 Requirement to disclose interests in shares

A Shareholder is required to notify the Company when, to his knowledge, he acquires an interest in Common Shares equal to three percent or more of the Company's issued share capital. This obligation also arises when there is a change in the number of shares beneficially owned by such shareholder in excess of one percent or more of the Company's issued share capital. For the purposes of the Certificate of Incorporation, an interest includes the right to subscribe for or convert into Common Shares and any other interest, including the right to control the exercise of any right conferred on Common Shares, and also includes interests held or acquired by related parties of such shareholder, including family members and related entities.

Under Delaware law, the Company must also prepare a list showing the name, address and number of shares held by each Shareholder, and which must be made available for inspection by any shareholder beginning at least ten days prior to a meeting of Shareholders.

6.16 Takeovers and substantial acquisitions of shares

Section 203 of the DGCL prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested Shareholder for a period of three years following the date such person became an interested Shareholder, unless the business combination or the transaction in which such person became an interested Shareholder is approved by the Board or otherwise as prescribed by Section 203. Generally, an ''interested shareholder'' is a person that, together with affiliates and associates, owns, or within three years prior to the determination of interested Shareholder status did own, 15% or more of a company's voting stock. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the Board, including discouraging attempts that might result in a premium over the market price for the Common Shares. Section 203 of the DGCL does not currently apply to the Company, but will apply in the future if the Company's shares become publicly traded on a U.S. exchange.

6.17 Directors' interests in contracts

A ''conflicting interest'' is the interest a director has respecting a transaction effected or proposed to be effected by a corporation or its subsidiary if (i) the director knows that he or a related person is a party to or has a beneficial interest in the transaction to the extent that the interest would reasonably be expected to alter the director's judgement if called upon to vote on such transaction; or (ii) at the time of such a transaction the director knows that he, or another entity of which he is a director or officer or in which he has a financial interest, is a party to the transaction.

Under Delaware law, a contract or transaction in which a director has a conflicting interest may be set aside if none of the following conditions are met:

- the material facts as to the director's relationship or interest and as to the contract or transaction are disclosed or are known to the Board or committee of the Board, and the Board or committee in good faith authorised the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum;

- the material facts as to the director's relationship or interest and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the shareholders; or

- the contract or transaction is fair as to the corporation as of the time it is authorised, approved or ratified, by the Board, a committee or the shareholders.

An interested director may vote and be counted in a quorum on a transaction in which he is interested, but for the matter to pass, no fewer than two of the disinterested directors must approve the transaction after disclosure of the transaction and relationship by the interested director.

6.18 Renunciation of corporate opportunity

Delaware law applies the corporate opportunity doctrine to Delaware corporations. The corporate opportunity doctrine provides that a corporation's fiduciaries (including its directors and officers) must first offer to the corporation a business opportunity in which the corporation has an interest or expectancy before diverting such opportunity from the corporation.

6.19 Directors' borrowing powers

Under Delaware law, no loan, guarantee or other assistance shall be contracted on behalf of the Company to a director unless in the judgment of the Board, such loan, guaranty or assistance may be reasonably expected to benefit the Company.

6.20 Directors' fees and expenses

Directors may receive fees for their services as directors, and may be reimbursed for their expenses related thereto. In order to be considered an "independent" director, a director may receive no other compensation, directly or indirectly, from the Company other than the directors' fees received by all other directors (additional fees are permitted for service on the certain board committees).

7. Directors

7.1 Biographical Information

The following table includes the name and age of each Director and information regarding the election or appointment of such Director to the Board and information about other directorships and partnerships, both current and within the five years prior to the date of this document, held by each Director:

Name	Age	Appointment/Election to the Board	Current Directorships and Partnerships	Previous directorships and partnerships
Philip David Beck	45	Appointed: 12 Oct 1999 Last Re-elected: 25 Jan 2006	Beck & Arad, LLP (dormant)	Hewlett, Beck & Arad
Graham Neil Arad	47	Appointed: 12 Oct 1999 Last Re-elected: 25 Jan 2006	Beck & Arad, LLP (dormant); Hewlett, Beck & Arad; Elan Corporate Services Limited	None
Paul William Noblett	59	Appointed: 28 Nov 2000 Last Re-elected: 25 Jan 2006	Noblett & Associates, LLC; N&A Consulting, LLC.; Accel Networks, Inc.; Diversified Acquiring Solutions, Inc.; Electrum Corporation; YapStone, Inc, (T/A Rent Payment); 2020 Advisors; Resource Finance Corporation; Kincaid Technologies, Inc.	Global Card Services, Inc.; IVI CheckMate, Inc.; MCMS LLC; XTec Incorporated
Jonathan Kaiden	39	Appointed: 1 Feb 2006	SRS Software, LLC; Mystique Brands, LLC	None
Cameron Ruaridh Miller McColl[(1)]	46	First Elected: 25 Jan 2006	McColl Associates; Nanny Cay Resort & Marine Limited; Newton Barr Financial Advisors & Actuaries Limited; Shawhead Limited	Telecom Service Centres Limited; McColl McGregor Limited; Memory Corporation plc; Preserve Limited

(1) Mr. McColl was formerly a director of the Company from 1999 to 2001.

7.2 Additional Information.

As of the date of this document, none of the Directors:

- has any unspent convictions in relation to indictable offences;
- is or has been declared bankrupt or has at any time entered into an individual voluntary arrangement;
- was a director of any company at the time of or within the preceding 12 months of, that company being the subject of any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors with which such company was concerned;

- was a partner in a partnership at the time of or within the 12 months preceding the date of, that partnership being placed into compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- has had his assets as the subject of any receivership or was a partner in a partnership at the time of or within the 12 months preceding any assets thereof being the subject of a receivership; or
- has been the subject of any public criticisms by any statutory or regulatory authority (including any recognised professional body) nor is, or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

There are no outstanding loans granted by the Company to any of the Directors or granted by any Director to the Company, nor has any guarantee been provided by the Company for their benefit, and (save as disclosed in Section 10.8 below) no guarantee has been provided by any Director to the Company.

7.3 Classified Board

As indicated in Section 6.4 of this Part VI, the Company has a classified board. The Directors are assigned to the following classes:

Class I — Cameron McColl and Jon Kaiden
Class II — Paul Noblett
Class III — Philip Beck and Graham Arad

8. Equity Interests of Directors, Chief Financial Officer and Major Shareholders

8.1 Directors and Chief Financial Officer — Share Ownership

The following table sets out the interests (all of which are beneficial, unless otherwise stated) of the Directors and the Company's Chief Financial Officer and their related parties (as that term is defined in the AIM Rules) in the share capital of the Company as of the date of this document and as of the date immediately following Admission:

	As of the date hereof		As of immediately following Admission	
Name	**Number of Common Shares**	**Current Percentage Ownership[1]**	**Number of Common Shares**	**Percentage Ownership immediately following Admission[2]**
Philip Beck[3][4]	1,721,398	8.3%	1,721,398	6.5%
Graham Arad[4]	1,440,911	7.0%	1,440,911	5.5%
Cameron McColl	485,413	2.4%	485,413	1.8%
Paul Noblett[5]	872,578	4.2%	872,578	3.3%
Jon Kaiden	0	0	0	0
Seth Asofsky	0	0	0	0

(1) Percentage ownership as at the date hereof is based on the Current Issued Share Capital of 20,699,399 Common Shares and does not include the Placing Shares.

(2) Percentage ownership is based on 19,448,255 Common Shares in issue immediately following Admission, and assuming full conversion of the existing 2,243,750 Preferred Shares into 6,851,144 Common Shares.

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

(4) Includes 36,969 Common Shares (in the case of Mr. Beck) and 160,904 Common Shares (in the case of Mr. Arad) over which options are held by Eagle & Dominion Funds (as described at Section 8.3 of this Part VI below).

(5) Includes 589,466 shares held by Noblett & Associates, LLC. (which is wholly owned by Paul Noblett) and 283,112 shares held by another shareholder over which Mr. Noblett holds a voting proxy.

8.2 Directors and Chief Financial Officer — Stock Options and Warrants

The following table sets out stock options and Warrants (and exercise prices, in US$) held by Directors and the Company's Chief Financial Officer and their related parties (as that term is defined in the AIM Rules) as of the date of this document:

Name	**Stock Options**	**Exercise Price**	**Warrants**	**Exercise Price**
Philip Beck	150,000[1]	$2.50	—	
	69,063[2]	$2.50		
	569,663	$2.50		

Name	Stock Options	Exercise Price	Warrants	Exercise Price
Graham Arad	32,500[(1)]	$2.50	—	
	27,625[(2)]	$2.50		
	176,425	$2.50		
Cameron McColl	50,000	$2.50	421,802	$1.51
			50,000	$5.50
Paul Noblett	65,000[(1)]	$2.50	220,903[(3)]	$2.50
	55,250[(2)]	$2.50	183,088[(4)]	$5.50
	72,250	$2.50		
Jon Kaiden	50,000	$2.50	—	
Seth Asofsky	142,500[(1)]	$2.50	—	—
	41,438[(2)]	$2.50		
	147,688	$2.50		

(1) In addition to the time-based vesting specified below, the vesting of such stock options is conditional upon the Company achieving a revenue-related performance goal during 2006. To the extent that Company performance fails to meet this goal, there will be a corresponding reduction in the amount of the grants.

(2) In addition to the time-based vesting specified below, the vesting of such stock options is contingent upon the Admission of the Common Shares to AIM.

(3) 220,903 Warrants held by Noblett & Associates, LLC., (which is wholly owned by Paul Noblett).

(4) 183,088 Warrants held by another shareholder which (if exercised) will be subject to a voting proxy held by Paul Noblett.

Each of the options listed in the table above vests over three years, one third after each year, and expires ten years from the date of grant (or earlier, upon termination of service with (or provision of services to) the Company).

8.3 Beneficial Ownership of Major Shareholders

The following table sets out, to the knowledge of the Directors and in addition to the interests of Directors listed in Section 8.1 of this Part VI above, a list of Shareholders having a direct or indirect interest in three percent or more of the issued share capital of the Company and their holdings as of the date of this document and as of immediately following Admission:

	As of the date hereof		As of immediately following Admission	
Shareholder	Common Shares	Percentage Ownership[(1)]	Common Shares	Percentage Ownership[(2)]
The Andwel Partners 2004 Revocable Trust	4,562,588[(3)]	22.0%	4,872,588[(3)]	18.5%
Andrew Paul	2,281,294[(4)]	11.0%	2,436,294[(4)]	9.3%
Eagle & Dominion Funds	1,410,627[(5)]	6.8%	1,410,627[(5)]	5.4%
Jeffrey Knowles	975,000[(6)]	4.7%	975,000[(6)]	3.7%

(1) Percentage ownership as of the date hereof is based on the Current Issued Share Capital of 20,699,399 Common Shares and does not include the Placing Shares.

(2) Percentage ownership is based on 19,448,255 Common Shares in issue immediately following Admission, and assuming full conversion of the existing 2,243,750 Preferred Shares into 6,851,144 Common Shares.

(3) Consists of 236,775 Common Shares, 4,325,813 Common Shares arising in the event of conversion of its holding of 1,416,704 Series A Preferred Shares and 310,000 Placing Shares. In addition, the Trust holds a Warrant to purchase 44,444 Common Shares which is not reflected in this table.

(4) Consists of 118,387 Common Shares, 2,162,907 Common Shares arising in the event of conversion of his holding of 708,352 Series A Preferred Shares and 155,000 Placing Shares. In addition, Mr. Paul holds a Warrant to purchase 22,222 Common Shares, which is not reflected in this table.

(5) This figure does not include options (which will remain in place following Admission) to purchase 36,969 Common Shares from Mr Beck and 160,904 Common Shares from Mr Arad at a price of $1.51 per share. The Eagle & Dominion Funds have agreed that any Common Shares purchased on exercise of these options will be subject to the same lock-in restrictions as apply to the other Common Shares held by them. In addition, the Eagle and Dominion funds hold Warrants to purchase 173,923 Common Shares at an exercise price of $1.51 per share, and Warrants to purchase 1,056,496 Common Shares at an exercise price of $1.00 per share, neither of which are reflected in this table.

(6) Reflects 218,182 Common Shares held by Mr. Knowles, and 756,818 Common Shares held by Vision III Properties, LLC, of which Mr. Knowles is an owner and manager.

None of the above major Shareholders will have, as of the Placing, different voting rights than the holders of Common Shares generally.

8.4 Control and Change of Control

To the Company's knowledge, except as disclosed in Sections 8.1 and 8.3 of this Part VI above, there are no persons who are or will be immediately following Admission interested, directly or indirectly, in 3 percent or more of the Company's issued share capital (or any other interest which is notifiable under the national law of the Company) nor, to the Company's knowledge, except for persons with interests disclosed in Sections 8.1 and 8.3 of this Part VI above, are there any persons who directly or indirectly control the Company.

To the Company's knowledge, there are no arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

9. Remuneration and employment retention agreements of Directors and Chief Financial Officer

9.1 Appointment arrangements with non-executive Directors

Under the terms of each of their letters of appointment, all non-executive Directors will be reimbursed for out-of-pocket expenses incurred in connection with performance of activities on the Company's behalf.

On 1 February 2006, the Board adopted a policy for compensating non-executive Directors for their service on the Board (and committees of the Board). The key elements of this policy are as follows:

- *Cash Retainer:* £30,000 retainer per year of service, paid in 12 equal instalments.
- *Stock Options:* Each non-executive Director, on the date of first becoming a non-executive Director, will automatically be granted an option over up to 50,000 Common Shares under the New Plan, with one-third of these options to vest on the first anniversary of the option's date of grant and the remaining options to vest in 24 equal monthly instalments thereafter. Any unvested element of this option shall automatically vest in the event that a Director is not nominated for re-election by the Board (other than for cause). Further, each such non-executive Director shall automatically be granted an option to purchase 25,000 Common Shares under the New Plan on the day of each subsequent annual stockholder meeting (subject to such Director continuing to serve on the Board as of such date) with such option to vest in 12 equal monthly instalments from date of grant, provided that:
  - all options shall vest on the occurrence of a change in control of the Company;
  - vesting of all options shall cease upon the non-executive Director ceasing to be a director of the Company; and
  - the exercise price of any option shall be equal to the fair market value of the shares under option on such option's date of grant.

9.2 Employment Agreements with Executives

On 28 February 2006, the Company entered into employment retention agreements with Philip Beck, Graham Arad, Paul Noblett and Seth Asofsky, the Company's three executive Directors and its Chief Financial Officer respectively. The key elements are as follows:

- *Term:* The initial term of the agreement in each case is for 3 years with automatic renewal for one-year terms thereafter until canceled 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:* In respect of Messrs. Beck, Asofsky and Arad, the executive's basic salary in place prior to execution of the relevant agreement remains in effect (respectively, Philip Beck $275,000, Seth Asofsky $172,500 and Graham Arad $172,500). 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. Messrs. Beck, Asofsky and Arad also participate in the benefits plans which the Company makes available to all employees, including Company-contributory health insurance, life insurance and disability plans, and a section 401k retirement benefits plan to which the Company does not contribute. Mr. Noblett is compensated via the consulting agreement described in Section 10.2 below.

- *Non-Competition:* To the extent permitted by law, for a period of one year following termination of his employment with the Company, the executive is barred from directly competing with the Company throughout the world if the executive's employment is terminated.
- *Severance Benefit:* In the cases of Messrs. Beck, Asofsky and Arad, subject to execution of a general release of claims against the Company, if an executive's employment is terminated by the Company without cause or constructively terminated, then the executive receives a lump sum payment equal to one year's basic salary, full vesting of all equity awards held by the executive, and one year of continued coverage under the Company's health insurance programme. No payments or compensatory awards are paid if the executive's employment is terminated by the Company for cause, or is voluntarily terminated by the executive in circumstances which do not qualify as a constructive termination.
- *Change in Control Benefit:* Subject to execution of a general release of claims against the Company, if an executive's employment is terminated by the Company without cause or by the executive in circumstances constituting a constructive termination, following public announcement of and within the 12-month period following a change in control of the Company, then the executive receives full vesting of all equity awards held by him and one year of continued coverage under the Company's health insurance programme.

10. Related Party Transactions

10.1 Agreement of Lease between BDP Realty Associates, LLC and Planet Group, Inc.

The Company leases its headquarters from BDP Realty Associates, LLC ("BDP"). Philip Beck, a Director and the Chief Executive Officer of the Company, holds a 33 percent interest in BDP. The remaining interests in BDP are held by an officer and by a securityholder of the Company. The lease provides for rental of 16,284 square feet of office space located at 670 Long Beach Boulevard, Long Beach, NY, 11561 at an annual rate of $353,365 (which the Board (based on independent appraisal) viewed to be at or below market rate at the relevant time), payable in equal monthly installments of $29,447. Under the terms of the lease, such annual rate will increase 3 percent each year during the term of the lease, effective as of 1 January 2007. The lease expires on 31 December 2016 and the Company has a right to renew the lease at the end of the initial term for one five-year period.

10.2 Consulting Agreement between Noblett & Associates, LLC and Planet Group, Inc.

The Company first entered into a Consulting Agreement with Noblett & Associates, LLC ("N&A") effective from 27 March 2000, which has been renewed and amended over time. Paul Noblett, a Director, owns N&A. Under the agreement, N&A has provided consulting services (via Paul Noblett and four other consultants and employees, from time to time) in connection with, among other things, the design of the Company's products and the development of relationships with major Acquirers and other participants in the credit card industry. In the calendar year 2005 N&A invoiced a total of $522,385 (including recoverable disbursements). To date, N&A has been issued 872,578 Common Shares and Warrants to purchase 480,000 Common Shares for services rendered. As of 31 December 2005, the Company owed $76,279 in respect of outstanding invoices (which sum (to the extent not already paid at Admission) will be paid in cash).

10.3 Agreements with Series A Preferred Shareholders

Andrew Paul, a former director of the Company and a major Shareholder, and The Andwel Partners 2004 Revocable Trust, a major Shareholder, have entered into a Registration Rights Agreement, a $500,000 debt financing, and certain letter agreements, each as further described in Section 12 of this Part VI of the document.

10.4 Synergy Corporate Technologies Limited ("Synergy")

The Company has a contract with Synergy under which Synergy provides non-production computer network and systems support to the Company, together with managed services relating to its website and internal LAN. James Beck, the brother of Philip Beck, is part owner of Synergy (but for the avoidance of doubt Philip Beck has no pecuniary or voting interest in Synergy, and James Beck has no personal shareholding in the Company (but does hold options over 20,000 Common Shares under the Old Plan)).

The contract provides that Synergy receives $4,951 per month for its services. Synergy has accepted 21,739 shares of Common Shares as partial payment for its services under this contract.

10.5 Technology and Service Agreement with Mtrex

The Company entered into a Technology and Service Agreement with Mtrex, Inc. in 2002, which was amended and restated in March 2003. Under this agreement, the Company received a license to use the Mtrex processing system, which it used in setting up its first DCC processing trial in 2002, and Mtrex provided managed services in connection with this trial. Jeffrey Knowles, a major Shareholder of the Company (as set out in Section 8.3 of this Part VI), is the president of (and a shareholder in) Mtrex. The license fee under this agreement was $2.7 million, of which the Company owed approximately $530,000 as at 31 December 2005, which amount comes due in June 2006. The Company has placed 280,000 Common Shares in escrow as security for the amount due under this agreement (which is otherwise payable in cash).

10.6 Subscription Agreement and Amendments with Vision III

The Company entered into a subscription agreement with Vision III Properties, LLC, in May 2000. Jeffrey Knowles, a major Shareholder of the Company, is an owner in, and manager of, Vision III. Under the agreement, Vision III received anti-dilution rights and the Company made certain covenants. The parties have subsequently amended this agreement, most recently in January 2006. Under this most recent amendment, Vision III waived all future rights under the agreement and agreed to terminate the anti-dilution provisions, in exchange for the issue by the Company to Vision III of 175,000 Common Shares, of which 127,777 were issued in December 2005.

10.7 Warrant extension for Cameron McColl

By letter agreement dated 30 January 2006, Cameron McColl agreed to amend the Warrant granted to him by the Company at an exercise price of $5.50 per share such that the number of Common Shares to which such Warrant applies was reduced to 50,000 (from 100,000). Mr McColl also agreed by this letter agreement to enter into a lock-up period (as required by the Company's Nominated Advisor in the Placing) which, by virtue of his position as a non-executive director, was likely to be longer than he would otherwise be asked to enter into as a non-director shareholder. In consideration of Mr McColl's agreement to these provisions, the Company agreed that the exercise period in respect of the aforementioned Warrants be extended until the date falling 18 months after the date of Admission (from the prior expiry dates falling within 2006).

10.8 Other Transactions

Mr. Beck has personally guaranteed certain financing obligations of the Company, including equipment leases and corporate credit cards.

As of 31 December 2005, the Company owed $71,653 to Elan Corporate Services Limited, which is controlled, in part, by Messrs. Beck and Arad, for amounts loaned to the Company between 1999 and 2002. To the extent not already discharged prior to Admission, such sum will be paid in cash.

11. Taxation

The following statements are intended only as a general guide current as of 14 March 2006 (being the latest practicable date prior to publication of this document) to United Kingdom and United States tax legislation and to the current practice of HM Revenue and Customs and the U.S. tax authorities and may not apply to certain categories of shareholder, such as dealers in securities. Levels and bases of taxation are subject to change. Any person who is in any doubt as to his tax position, or who is subject to tax in jurisdictions other than the UK, is strongly recommended to consult his professional advisers immediately.

11.1 Stamp duty and stamp duty reserve tax

As set out in Section 10 of Part II of this document, following Admission the Company's Common Shares will initially be traded in certificated form. The general UK stamp duty and stamp duty reserve tax ("SDRT") consequences of this structure are as follows:

- no charge to stamp duty or stamp duty reserve tax ("SDRT") should arise on the issue of new Common Shares pursuant to the Placing or on their registration in the names of applicants;
- a subsequent transfer on sale of Common Shares held in certificated form will ordinarily be subject to stamp duty on the instrument of transfer, if executed in the UK, at the rate of one half of one per cent of the amount or value of the consideration. An agreement to purchase Common Shares should not lead to a charge to SDRT because the Common Shares should not be chargeable securities for SDRT purposes, on the basis that the Company is non-UK incorporated and the share register is not kept in the UK; and

- special rules apply to market intermediaries, dealers and certain other persons. Gift of Common Shares to charities will not give rise to stamp duty if the instrument of transfer is completed in accordance with the relevant legislation.

11.2 Dividends

On the basis that the Company is tax resident in the USA, dividends received by a UK resident individual will be subject to income tax. This means for higher rate taxpayers dividends will be subject to income tax at 32.5%, whilst for starting and basic rate taxpayers dividends will be subject to income tax at 10%.

For UK corporate shareholders dividends received will be included as part of their taxable income and subject to corporation tax.

Dividends from the US generally attract withholding tax at 30%, but this can generally be reduced to 15% or 5% (depending on the ownership interest) under the US/UK Income and Capital Gains Tax Convention. In computing their UK tax charge a company or individual should be entitled to a credit for the withholding tax suffered on the dividend which cannot be relieved under the Convention.

11.3 Disposal of shares acquired under the Placing

A Shareholder resident or ordinarily resident for tax purposes in the UK, who sells or otherwise disposes of his Placing Shares may, depending on the circumstances, incur a liability to UK tax on any capital gain realised. Corporate Shareholders within the charge to UK corporation tax will be entitled to indexation allowance in respect of these Common Shares up until the date of disposal. Individual Shareholders resident for tax purposes in the UK who are not within the charge to corporation tax may be entitled to taper relief. The calculation for taper relief on a subsequent disposal of Common Shares will depend upon the period of ownership of these Common Shares.

A Shareholder who is not resident or ordinarily resident for tax purposes in the UK will not normally be liable for UK tax on capital gains realised on the disposal of his Common Shares unless at the time of the disposal such Shareholder carries on a trade (which for this purpose includes a profession or vocation) in the UK through a branch or agency and such Common Shares are to have been used, held or acquired for the purposes of such trade or branch or agency.

11.4 United States federal tax considerations

General

The following is a general discussion of certain US federal income and estate tax consequences of the ownership and disposition of Common Shares by Non-US Holders, as defined below. This discussion does not purport to address all tax considerations that may be relevant to a particular Non-US Holder in light of the Non-US Holder's particular facts and circumstances or to certain categories of Non-US Holders that may be subject to special US tax rules (for example, a Non-US Holder that owns Common Shares through a partnership or other entity treated as a partnership for US tax purposes or that owns directly or indirectly 10 percent of the Company's voting stock or a Non-US Holder that is a US expatriate, a tax exempt organization, a financial institution, an insurance company or a broker-dealer). In addition, this discussion does not address any aspect of US state, local or foreign taxation or, except to a limited extent, any aspect of US federal gift or estate taxation.

This discussion is based on existing legal authorities, including the Internal Revenue Code of 1986, existing and proposed Treasury regulations thereunder, and current judicial decisions and administrative rules and interpretations, as of the date of this document, all of which are subject to change, possibly with retroactive effect. Any such change could affect the continuing validity of this discussion.

INVESTORS CONSIDERING THE PURCHASE OF OUR COMMON SHARES SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE UNITED STATES FEDERAL INCOME AND ESTATE TAX LAWS TO THEIR PARTICULAR SITUATIONS AND THE CONSEQUENCES OF FOREIGN, STATE, OR LOCAL LAWS, AND TAX TREATIES.

For purposes of this discussion, a "Non-US holder" is any beneficial owner of Common Shares (other than a partnership) that is not for US federal income tax purposes any of the following:

- an individual citizen or resident of the United States,
- a corporation organized under the laws of the United States or any state,

- a trust that (i) is subject to the primary supervision of a US court and the control of one of more US persons or (ii) has a valid election in effect under applicable US Treasury regulations to be treated as a US person or
- an estate the income of which is subject to US federal income taxation regardless of source.

Other rules apply to "Qualified Intermediaries," as defined in the Treasury Regulations.

TO ENSURE COMPLIANCE WITH UNITED STATES TREASURY DEPARTMENT CIRCULAR 230, NON-US HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF US FEDERAL TAX ISSUES IN THIS DISCUSSION IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON BY NON-US HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON NON-US HOLDERS UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE COMPANY AND CANACCORD OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) NON-US HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

Gain on disposition

A Non-US Holder generally will not be subject to US federal income tax on gain from a sale or other disposition of Common Shares unless the gain is effectively connected with the Non-US Holder's conduct of a trade or business in the United States and, if required by an applicable tax treaty, attributable to the Non-US Holder's US permanent establishment.

Gain from the sale or other disposition of Common Shares would be subject to US federal income tax if we are or become a United States Real Property Holding Corporation ("USRPHC") within five years prior to the sale or other disposition. The Company believes that it is not currently, and nor is it likely to become, a USRPHC.

Dividends

The Company does not currently expect to pay dividends. In the event the Company does pay dividends, dividends paid to a Non-US Holder generally will be subject to withholding tax at a 30 percent rate. A lower treaty rate may apply if the Non-US Holder is eligible for the benefits of an income tax treaty that provides for a lower rate, subject to filing certain IRS forms with the Company. Different tax rules apply to dividends that are effectively connected with a Non-US Holder's conduct of a trade or business within the United States.

Information reporting and backup withholding

Payments of the proceeds from a Non-US Holder's sale or other disposition of Common Shares made by or through a foreign office of a broker not having certain connections with the United States generally will not be subject to information reporting or backup withholding. Payment of the proceeds of a sale or other disposition of Common Shares made by or through the US office of a broker is generally subject to information reporting and backup withholding unless the Non-US Holder certifies under penalties of perjury that it is not a US person and certain other requirements are satisfied or otherwise establishes an exemption. Backup withholding is not an additional tax. Rather, any amounts withheld as backup withholding will be refunded or credited against the Non-US Holder's US federal income tax liability provided the required information is furnished to the Internal Revenue Service.

US federal estate taxes

The estates of nonresident alien individuals are generally subject to US federal estate tax on property with a US situs. Because the Company is a US corporation, the Common Shares will be US situs property and therefore will generally be included in the taxable estate of a nonresident alien decedent. The US federal estate tax liability of the estate of a nonresident alien may be affected by a tax treaty between the United States and the decedent's country of residence.

THE PRECEDING DISCUSSION OF UNITED STATES FEDERAL INCOME TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY. IT IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE PARTICULAR UNITED STATES FEDERAL, STATE, LOCAL, AND FOREIGN TAX CONSEQUENCES OF

PURCHASING, HOLDING, AND DISPOSING OF OUR COMMON SHARES, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.

Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident.

These comments are intended only as a general guide to the current tax position in the United Kingdom as at the date of this document. The comments assume that Common Shares are held as an investment and not as an asset of a financial trade. If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser.

12. Material contracts

The following is a summary of contracts entered into by the Company within the two years preceding the date of this document which are material to the Company and which are outside the ordinary course of the Company's business:

12.1 Placing Agreement with Canaccord

On 14 March 2006, the Company, the Directors and Seth Asofsky entered into a Placing Agreement with Canaccord pursuant to which Canaccord has agreed, subject to certain conditions, to act as agent for the Company and to use its reasonable endeavours to procure placees to subscribe for the Placing Shares at the Placing Price or, failing which, itself, as principal, to purchase such unplaced Placing Shares.

The Placing Agreement is conditional upon, *inter alia,* Admission occurring on or before 8.00 a.m. on 20 March 2006 (or such later date as the Company and Canaccord may agree being not later than 3.00 p.m. on 3 April 2006). The Placing Agreement contains warranties by the Company and the Directors in favour of Canaccord in relation to, *inter alia,* the accuracy of the information in this document and other matters relating to the Group and its business. In addition, the Company has agreed to indemnify Canaccord in respect of certain liabilities it may incur in respect of the Placing. Canaccord has the right to terminate the Placing Agreement in certain circumstances prior to Admission, in particular, in the event of a material breach of the warranties.

Under the Placing Agreement and subject to it becoming unconditional and not being terminated in accordance with its terms, the Company has agreed to pay Canaccord a corporate finance fee of £100,000 due on Admission and a commission of 6 per cent. on the value at the Placing Price of the Placing Shares (expected to be approximately £420,000) together with any applicable VAT. Canaccord has agreed, conditional, inter alia, on Admission, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price or, failing which, itself, as principal, to purchase such unplaced Placing Shares.

Additionally, the Company has agreed to pay all of Canaccord's reasonable expenses and fees (including any applicable VAT) of the Placing.

As described in Section 4.6 of this Part VI, Canaccord also holds a Warrant to subscribe at the Placing Price for Common Shares representing 5% of the Placing Shares.

12.2 Lock-In Agreements

On 28 February 2006, the Company entered into a number of orderly market agreements, also known as ''lock-in'' agreements, with Canaccord, the Directors, officers and employees of the Company, and Shareholders, cumulatively holding in excess of 91% of the Company's Current Issued Share Capital. Pursuant to these agreements, such Shareholders have agreed (subject to certain exceptions summarised in Section 11 of Part II) not to dispose of the Common Shares held by each of them on the date of Admission (or any other securities in exchange for or convertible into, or substantially similar to, Common Shares (or any interest in them or in respect of them)) for periods ranging from three months to approximately nineteen months following the date of Admission without the prior written consent of Canaccord.

Further details of these arrangements are set out in Section 11 of Part II of this document.

12.3 Nominated Advisor and Broker Agreement with Canaccord

On 14 March 2006, the Company entered into a Nominated Adviser and Broker Agreement with Canaccord pursuant to which the Company appointed Canaccord to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company agreed to pay Canaccord a fee of £50,000 plus VAT per annum for

its services as nominated adviser and broker under this agreement. The agreement contains certain undertakings, warranties and indemnities given by the Company to Canaccord. The agreement is for a fixed term expiring on the first anniversary of the date of Admission and thereafter is terminable upon not less than 3 months' prior written notice by either the Company or Canaccord.

12.4 Subscription Agreement with Series A Preferred Shareholders

In November 2004, the Company entered into a subscription agreement with Andrew Paul, Andwel Partners, LLC, and certain other investors, pursuant to which the Company raised $8,975,000 in working capital in exchange for the issue of an aggregate of 2,243,750 shares of Series A Preferred Shares. The Company filed a Certificate of Designation with the Certificate of Incorporation in order to create the new Series A Preferred Shares on the terms negotiated between the parties.

12.5 Registration Rights Agreement

Concurrently with the subscription agreement referenced in the preceding paragraph, and in conjunction with the Series A financing carried out thereunder, the Company entered into a Registration Rights Agreement on 10 November 2004 with the Series A investors. The agreement provides for the following (such rights being available after the expiry of 6 months following an initial public offering of the Company's securities in the U.S.): (i) the right to demand registration of securities held by such investors with the U.S. Securities and Exchange Commission on up to two occasions and to elect that the offering of such securities is in the form of an underwritten offering; (ii) certain "piggy-back" registration rights on registration statements filed with the U.S. Securities and Exchange Commission; and (iii) the right to request that the Company register the resale of such securities on a short-form registration statement with the U.S. Securities and Exchange Commission. The Company has agreed to bear the expenses incurred in connection with the filing of any such registration statements.

12.6 Debt Financing with Series A Preferred Shareholders

In October 2005, the Company raised $500,000 in working capital by issuing promissory notes of equal amount and Warrants to purchase 66,666 Common Shares at an exercise price of $1.50 per share to Andrew Paul and Andwel Partners, LLC. The notes are not convertible into stock generally, but could become convertible into Common Shares, at the election of the holders, at a price of $0.70 per share in the event the Company fails to pay off the notes or convert them into long term notes on similar terms to the Inter-Atlantic note referred to below, prior to maturity on 1 April 2006. The notes accumulate interest payable in cash at the rate of 10% per annum until 31 January 2006 and now accumulates interest at 15%. The Company intends to redeem these promissory notes out of the proceeds of the Placing.

12.7 Letter Agreements with Series A Preferred Shareholders

In November and December 2005, the Company entered into two letter agreements with the Series A Preferred holders. Under the first letter, the Series A Preferred holders agreed that substantially all of the rights, preferences and privileges of the Series A Preferred Shares, except for liquidation preference, would terminate upon the Placing. Under the second letter, the Series A Preferred holders agreed to an anti-dilution adjustment of a total of 375,000 Common Shares in connection with the Inter-Atlantic transaction referred to in Section 12.9 below, and also provided the Company with the option (on or before maturity) to restructure the notes described in the preceding section into longer-term debt on terms identical to the notes issued to Inter-Atlantic Fund, L.P. (described below), and to receive a warrant that is proportionate to the Warrant granted to Inter-Atlantic Fund, L.P.

12.8 Note and Warrant Purchase Agreement with Inter-Atlantic Fund, L.P.

In November 2005, the Company entered into a Note and Warrant Purchase Agreement with Inter-Atlantic Fund, L.P., pursuant to which the Company raised $4,000,000 in working capital by issuing a promissory note of equal amount, and a Warrant to purchase 3,053,435 Common Shares. The note is not convertible into stock, but so long as the note remains outstanding the principal amount must be set off against the exercise price of the Warrant (if exercised). The note accrues 8% annual interest payable in cash or Common Shares at the Company's election, and matures in November 2010. The exercise price of the Warrant is (i) the Placing Price per share, until May 2007, or (ii) $1.31 per share after May 2007, or if the Placing does not occur by May 2006, or in certain other events. The term of the Warrant is seven years, or shorter if the Company prepays the promissory note. The Warrant provides for broad-based weighted average anti-dilution protection.

The agreement provides that Inter-Atlantic Fund will have the right to have one designee nominated for election to the board in the event that the Placing does not occur by May 2006. Inter-Atlantic Fund also has the right to have one designee attend Board meetings as an observer. In addition, the Company must obtain Inter-Atlantic's consent prior to specified material events. The Company also committed to provide registration rights to Inter-Atlantic Fund that are similar to or identical to registration rights granted to existing Shareholders.

The anti-dilution protection, right to board nomination and consent rights will terminate automatically immediately prior to the Placing.

12.9 Letter Agreements with Junior Preferred Shareholders

Between November 2005 and January 2006 the Company entered into agreements with certain holders of Junior Preferred Stock, under which such holders agreed to convert their Junior Preferred Stock to Common Shares upon Admission and to enter into lock-up agreements in consideration of the extension by one year of the exercise period of certain Warrants held by them (exercisable for an aggregate of 2,486,650 Common Shares). These holders represented in excess of a majority of the Junior Preferred Stock then in issue and therefore, pursuant to the terms of the certificate of designation governing the Junior Preferred Stock, all shares of Junior Preferred Stock will convert into Common Shares on Admission.

12.10 Letter Agreements with JKF Advisors

On 9 September 2004, the Company engaged JKF Advisors to assist the Company in securing financing. Under the agreement, JKF Advisors agreed to identify potential investors and advise the Company on the terms of proposed financing transactions. The Company agreed to pay JKF Advisors a one-time retainer fee of $5,000 and a transaction fee equal to 7% of the funding proceeds from any financing transaction covered by the agreement, and to reimburse JKF for reasonable out-of-pocket expenses. The Company also agreed to indemnify JKF against liabilities relating to JKF's services or any financing transaction covered by the agreement, except to the extent that such liabilities result from JKF's gross negligence or wilful misconduct. In addition to the one-time retainer fee, JKF received a transaction fee of $628,250 under this engagement.

The Company entered into a further agreement with JKF Advisors in June 2005 in relation to a further financing transaction. The Company agreed to pay JKF Advisors a transaction fee equal to 5% of funding raised, and to issue to JKF Advisors warrants equal to 2% of securities issued pursuant to the financing transaction. JKF Advisors have been paid $208,000 pursuant to this agreement, and hold Warrants over 61,069 Common Shares.

12.11 Indemnity arrangements for Directors

The Company has entered into indemnity arrangements (which are customary for Delaware corporations) with each of the Directors and executive officers of the Company. These agreements provide, inter alia, that the Company will indemnify each Director and executive officer for all liabilities and expenses reasonably incurred in respect of a proceeding in which such individual may be joined as a party, by reason of such individual being a Director or executive officer of the Company, so long as the Director or officer acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the Company and, with respect to any criminal action or proceeding, had no reasonable cause to believe such individual's conduct was unlawful. The agreements also provide for advancement of expenses to each Director and executive officer in connection with the investigation, defence and settlement of any such proceeding.

The Company has also obtained a directors' and officers' insurance policy.

These agreements and the insurance policy supplement the rights and protections provided to the Directors and officers in the Company's Certificate of Incorporation and Bylaws, which are described in Section 13 of Part II of this document.

13. Working capital

In the opinion of the Directors, having made due and careful enquiry, taking into account the anticipated net proceeds of the Placing receivable by the Company, the working capital available to the Company and the Group will be sufficient for its present requirements, that is, for at least the next 12 months from the date of Admission.

14. Litigation

14.1 So far as the Directors are aware, and save as set out in Section 14.2 below, there are no governmental, legal or arbitration proceedings active, pending or threatened, or which have been active, or are pending or

threatened during the twelve months preceding the date of this document, either against the Company or by the Company against a third party, which have had or may have a significant effect on the financial position or profitability of the Company.

14.2 Settlement Agreement between Planet Group, Inc. and Monex Financial Services Limited

The Company filed an action for a Declaration in the Southern District Court of New York in February 2005 against Monex Financial Services Limited (''Monex'') and its Managing Director and principal shareholder, Frank Murphy. The Company commenced the action to clarify the parties' respective rights and obligations arising out of various contracts entered into between the parties. The Company entered into a settlement agreement with Monex in September 2005, which included mutual commercial obligations, the precise terms of which are confidential. Under the settlement, the parties are obliged to make certain future payments to each other based on ongoing trading, by way of revenue sharing arrangements (and not as damages). In relation to certain specified contracts, the payments could represent a significant part of either party's revenue earned under such contracts. The Company does not currently expect that this agreement will have a material adverse effect on its business or financial condition.

15. Consents

15.1 Canaccord has given and has not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which it appears.

15.2 Deloitte & Touche LLP, US, have given and have not withdrawn their written consent to the inclusion of their audit reports on the financial statements for the year ended 31 December 2004 and the six months ended 30 June 2005 in Part IV of this document and the references thereto, in the form and context in which they appear.

15.3 Cohen & Schaeffer P.C., Certified Public Accountants of 420 Lexington Avenue, Suite 2450, New York, NY 10170 USA have given and have not withdrawn their written consent to the inclusion of their name and their audit report on the financial statements for the years ended 31 December 2002 and 31 December 2003 in Part IV of this document and the references thereto, in the form and context in which they appear.

16 General

16.1 The total gross amount being raised by the Company in the Placing is £7.0 million. The total costs and expenses of the Placing and Admission are estimated to be approximately £1.49 million, including VAT. The expected net proceeds receivable by the Company from the Placing, after deduction of such costs and expenses, will be approximately £5.51 million.

16.2 Except as described in the paragraph headed ''Current trading and prospects'' in Part II of this document, there has been no significant change in the financial or trading position of the Group since 30 June 2005, being the end of the interim period to which the latest audited consolidated accounts of the Company have been prepared.

16.3 The Company is not dependent on patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.

16.4 The current fiscal year of the Company will end on 31st December 2006.

16.5 The minimum amount which, in the opinion of the Directors, must be raised by the issue of new Common Shares pursuant to the Placing (net of costs and expenses) is $9 million which will be applied as described in Part II of this document. For the purposes of this document, a conversion rate of $1.76 to £1 (as of 3 March 2006) has been used.

16.6 The Company has made statements in Part II regarding the Group's competitive position on the basis of its knowledge of the industry in which it operates and communications with clients of the Group.

16.7 The Directors confirm that all information sourced from a third party and included in this document has been accurately reproduced and that so far as the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

16.8 The Directors are not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.

16.9 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received directly or indirectly, within the 12 months preceding the date of this document or entered into contractual arrangements (not otherwise disclosed in this document) to receive directly or indirectly, from the Company on or after Admission any of the following:

- fees totalling £10,000 or more;
- securities in the Company where they have a value of £10,000 or more calculated by reference to the Placing Price; or
- any other benefit with a value of £10,000 or more at the date of Admission.

16.10 The Placing has been underwritten by Canaccord.

16.11 In accordance with the AIM Rules, Canaccord has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received satisfactory advice and guidance as to the nature of their responsibilities and obligations to ensure compliance for the Company with the AIM Rules and that, in its opinion and to the best of its knowledge and belief, all relevant requirements of the AIM Rules have been complied with.

17. Documents available for inspection

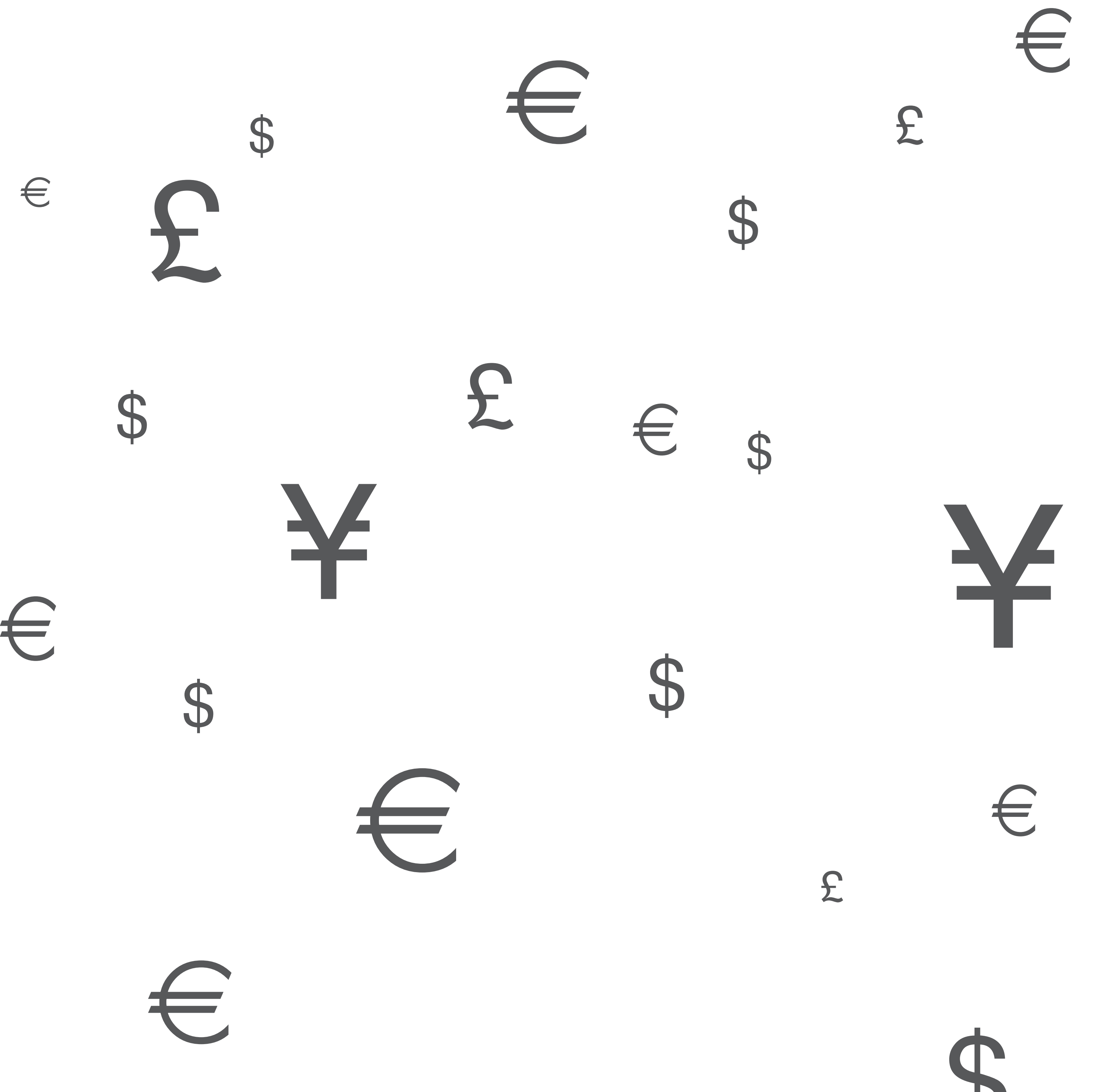
The following documents or copies thereof may be inspected at the offices of Osborne Clarke, One London Wall, London EC2Y 5EB during the normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document until the date falling one month after the date of Admission:

- the Certificate of Incorporation and Bylaws of the Company;
- the Company's 2006 Equity Incentive Plan and 2000 Stock Incentive Plan;
- the consolidated audited financial statements of the Company for the financial years ended 31 December 2004, 2003 and 2002 and the six month period ended 30 June 2005;
- the material contracts referred to in Section 12 of this Part VI;
- the written consent letters from Canaccord, Deloitte & Touche LLP US and Cohen & Schaeffer P.C. referred to in Section 15 of this Part VI;
- the letters of appointment of the Non Executive Directors referred to at Section 9 of this Part VI; and
- the Executive Retention Agreements between the Company and each of Philip Beck, Graham Arad, Paul Noblett and Seth Asofsky referred to at Section 9 of this Part VI.

17.1 Availability of this document

Copies of this document are available free of charge from the Company's head office and at the offices of Canaccord, during normal business hours on any weekday (Saturdays and public holidays excepted) and will remain available for at least one month after Admission.

Dated 14 March 2006



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