Planet Payment, Inc.

Report For
The Half-Yearly Period Ended June 30, 2012

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Planet Payment, Inc.

HALF-YEARLY REPORT FOR SECOND QUARTER 2012

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PLANET PAYMENT, INC.

REPORT FOR THE HALF-YEARLY PERIOD ENDED JUNE 30, 2012

Issuer:

Planet Payment, Inc. ("Issuer" or the "Company")

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Investor Relations Contact:

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Shares Outstanding:

(i) As of June 30, 2012

(ii) Authorized Shares
- a. Common Stock: 80,000,000 shares
- b. Preferred Stock: 4,000,000 shares

(iii) Number of Shares Outstanding
- a. Common Stock: 52,352,691
- b. Preferred Stock: 2,243,750 (convertible into 6,851,144 shares of Common Stock)

(iv) Public Float: 38,798,273 Common Shares

(v) Beneficial Shareholders of Record: 251

Condensed Consolidated Financial Statements:

Attached hereto as Exhibit A are the Condensed Consolidated Financial Statements (unaudited) as of June 30, 2012 and December 31, 2011 and for the six months ended June 30, 2012 and 2011.

SALES OF EQUITY SECURITIES

For the six months ended June 30, 2012, the Company has issued the following shares of Common Stock:

Date of Issuance	No. of Shares	Purchase price per share	Restricted/ Unrestricted	Reason for Issuance
31-Jan-12	5,699	$ 1.20	RES	Option Exercise
15-Feb-12	6,256	$ 1.20	RES	Option Exercise
02-Mar-12	23,036	$ 1.20	RES	Option Exercise
15-May-12	48,549	$ 2.50 – $3.01	RES	Option Exercises
18-May-12	13,929	$ 1.20	RES	Option Exercises
23-May-12	488,337	$ 3.28	RES	Consideration Shares
21-Jun-12	2,480	$ 1.20	RES	Option Exercises
TOTAL	**588,286**			

All shares issued as restricted stock are issued with a certificate containing a legend (i) stating that the shares have not been registered under the Securities Act of 1933; and (ii) setting forth the restrictions on transferability and sale of the shares under the Securities Act of 1933.

LEGAL PROCEEDINGS

The Issuer is not and was not during the six months ended June 30, 2012, party to any legal proceedings or administrative actions that could have a material effect on the Issuer's business, financial condition, or operations nor have any such proceedings been threatened. Neither are there any current, past or pending trading suspensions by a securities regulator during the six months ended June 30, 2012.

DEFAULTS UPON SENIOR SECURITIES

Not applicable.

EXHIBITS

Exhibit A: Condensed Consolidated Financial Statements (unaudited) as of June 30, 2012 and December 31, 2011 and for the six months ended June 30, 2012 and 2011.

FORWARD LOOKING STATEMENTS

Information contained in this report may include 'forward-looking statements'. All statements other than statements of historical facts included herein, including, without limitation, those regarding the financial position, business strategy, plans and objectives of management for future operations of both Planet Payment and its business partners, are forward-looking statements. Such forward-looking statements are based on a number of assumptions regarding Planet Payment's present and future business strategies, and the environment in which Planet Payment expects to operate in future, which assumptions may or may not be fulfilled in practice.

Implementation of some or all of the new services referred to is subject to regulatory or other third party approvals. Actual results may vary materially from the results anticipated by these forward-looking statements as a result of a variety of risk factors, including the risks discussed under the heading "Risk Factors". These forward-looking statements speak only as to the date of this report and cannot be relied upon as a guide to future performance. Planet Payment expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in this report to reflect any changes in its expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

RISK FACTORS

Risk factors that may affect the Company's future prospects, performance and results, are referenced in the Company's Admission document to the AIM market, which is available on its website at http://www.planetpayment.com/About-Us/Investor-Relations/Corporate-Information.aspx. Some of the risk factors that investors or potential investors in Planet Payment's securities should consider are summarized as follows:

- The business is still in a substantial growth phase, which makes it difficult to evaluate and forecast the Company's future prospects.
- The Company has incurred losses since its inception through the end of 2010 and achieved its first year of profitability during the year ended December 31, 2011. The Company cannot guarantee that it will continue to achieve profitability.
- A significant portion of the Company's revenue comes from a limited number of customers and a decrease in revenue from these customers could have a material adverse effect on the Company's operating results and cash flow.
- The Company may require additional capital in the future to fund operations, or it may elect to raise additional capital if market conditions are favorable.
- 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.
- In order for the Company to continue to grow and improve its operating results, the Company must continue to increase participation by existing customers, cross sell additional services and add new customers in existing and new geographies.
- Implementation, adoption and offering of the service by processors, acquirers, merchants and others may take longer than anticipated, or may not occur at all.
- The Company's industry is highly competitive.
- The Company may face decreasing gross margins.
- Changes in the payment card industry, regulatory changes, particularly in the United States, Canada and China and changes in card association regulations and practices may impair the Company's business.
- 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.
- Changes in payment card industry billing and disclosure of cross-currency transactions may impact the Company's revenues and gross margins.
- Third parties claiming that the Company infringes their proprietary rights could cause the Company to incur significant legal expenses, for itself and on behalf of certain customers who are indemnified by the Company and prevent the Company from offering its services.
- The Company is and may be subject to litigation in the future.
- The Company may not be able to protect and enforce its contractual and intellectual property rights.
- Rapid technological change could render the Company's services obsolete.
- The Company's business exposes it to currency exchange risk.
- 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 faces risks in foreign markets.
- Additional risks may arise with respect to commencing operations in new countries and regions of which the Company is not fully aware at this time.

- The Company derives a significant percentage of its net revenue from a limited number of countries and territories, and any natural disasters or other adverse change could harm the Company's business.
- The Company's quarterly results are inherently unpredictable and subject to substantial fluctuations, and, as a result, the Company may fail to meet the expectations of securities analyst and investors, which could adversely affect the trading price of shares of the Company's common stock.
- The Company could be subject to liability in the event of unauthorized disclosure of cardholder or transaction data.
- Merchant fraud or insolvency could, in some cases, negatively affect the Company's cash flows and operating results and result in liability to the Company.
- Adverse economic and other global conditions, general economic risks and decrease in volume of international travel and commerce could result in a decrease in transaction volumes.
- The Company relies on third party and organic new technology and systems; delays in development and implementation of new technology could delay revenues from the relevant projects or customers.
- The Company's systems and its third-party providers' systems may fail which could interrupt service, cause loss of business, increase costs and expose the Company to liability.
- Utility and system interruptions could adversely affect the Company's operations.
- The Company may experience software defects, undetected errors, and development delays, which could damage customer relations, decrease its potential profitability and expose the Company to liability.
- 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.
- Material past or future acquisitions made by the Company may have an adverse effect on its results.
- Additional risks may arise with respect to acquired assets and assumed contracts of which Planet Payment is not fully aware at this time.
- 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.
- The Company may not be able to utilize a significant portion of the Company's net operating loss carry forwards, which could adversely affect the Company's results.
- The Company's business and financial performance could be negatively impacted by the application of new tax regulations or changes in existing tax laws or regulations.
- Securities traded on the AIM, OTC Markets and OTCQX markets may involve greater risk, potentially greater volatility and lower liquidity than securities traded on other public markets.
- The Company restated and reissued its financial statements for the three years ended December 31, 2010. The Company received a letter from its auditors indicating a material weakness in internal controls over financial reporting, in relation to such restatement. Additionally, in planning and performing the audit of our financial statements as of and for the year ended December 31, 2011, we received a further letter from our independent registered accounting firm stating that the material weakness referenced in its previous letter dated October 24, 2011 had not yet been fully remediated as well as indicating additional deficiencies in regards to internal controls over financial reporting as of December 31, 2011.
- The Company is not currently subject to the same reporting requirements as companies whose stock is traded on other public markets.
- Ownership of the majority 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.

EXHIBIT A

Condensed consolidated financial statements (unaudited) as of June 30, 2012 and December 31, 2011 and for the six months ended June 30, 2012 and 2011.

Planet Payment, Inc.

Index to unaudited condensed consolidated financial statements

Planet Payment, Inc. condensed consolidated balance sheets (unaudited)

	As of June 30, 2012	As of December 31, 2011
Current assets:		
Cash and cash equivalents	$6,646,755	$ 7,671,963
Restricted cash	2,460,111	1,941,909
Accounts receivable, net of allowances of $1.4 million as of June 30, 2012 and December 31, 2011	3,742,959	4,768,040
Prepaid expenses and other assets	1,789,793	947,043
Total current assets	14,639,618	15,328,955
Other assets:		
Restricted cash	599,974	659,958
Property and equipment, net	1,241,693	1,223,562
Software development costs, net	4,912,524	4,978,002
Intangible assets, net	3,438,907	799,648
Goodwill	624,827	-
Security deposits and other assets	310,422	213,230
Deferred IPO costs	2,346,210	1,650,789
Total other assets	13,474,557	9,525,189
Total assets	$28,114,175	$ 24,854,144
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$1,013,580	$ 993,872
Accrued expenses	3,369,589	2,482,255
Due to merchants	2,592,196	2,137,064
Current portion of capital leases liability	217,724	247,257
Total current liabilities	7,193,089	5,860,448
Long-term liabilities:		
Long-term portion of capital leases liability and other long-term liabilities	409,461	248,730
Total long-term liabilities	409,461	248,730
Total liabilities	7,602,550	6,109,178
Commitments and contingencies (Note 6)		
Stockholders' equity:		
Convertible preferred stock—4,000,000 shares authorized, $0.01 par value: Series A—2,243,750 issued and outstanding as of June 30, 2012 and December 31, 2011; $8,975,000 aggregate liquidation preference	22,438	22,438
Common stock—80,000,000 shares authorized as of June 30, 2012 and December 31, 2011, $0.01 par value, and 52,352,691, and 51,764,405 respectively, issued and outstanding as of June 30, 2012 and December 31, 2011, respectively	523,527	517,644
Additional paid-in capital	96,281,841	94,083,901
Warrants	1,622,651	1,622,651
Accumulated other comprehensive loss	(106,418)	(40,729)
Accumulated deficit	(77,832,414)	(77,460,939)
Total stockholders' equity	20,511,625	18,744,966
Total liabilities and stockholders' equity	$28,114,175	$ 24,854,144

The accompanying notes are an integral part of these financial statements

Planet Payment, Inc. condensed consolidated statements of operations (unaudited)

	Six months ended June 30, 2012	2011
Revenue:		
Net revenue	$21,797,974	$ 19,867,007
Operating expenses:		
Cost of revenue:		
Payment processing services fees	5,217,839	5,643,131
Processing and service costs	5,373,419	4,387,906
Total cost of revenue	10,591,258	10,031,037
Selling, general and administrative expenses	11,319,331	8,631,157
Total operating expenses	21,910,589	18,662,194
(Loss) income from operations	(112,615)	1,204,813
Other (expense) income:		
Interest expense	(28,575)	(288,418)
Interest income	413	648
Other income, net	-	58,682
Total other expense, net	(28,162)	(229,088)
(Loss) income before provision for income taxes	(140,777)	975,725
Provision for income taxes	(230,698)	-
Net (loss) income	$(371,475)	$ 975,725
Basic net (loss) income per share applicable to common stockholders	$(0.01)	$0.02
Diluted net (loss) income per share applicable to common stockholders	$(0.01)	$0.02
Weighted average common stock outstanding (basic)	51,906,425	47,837,945
Weighted average common stock outstanding (diluted)	51,906,425	56,829,616

The accompanying notes are an integral part of these financial statements

Planet Payment, Inc. condensed consolidated statements of comprehensive (loss) income (unaudited)

	Six months ended June 30, 2012	2011
Net (loss) income	$(371,475)	$ 975,725
Foreign currency translation adjustment	(65,689)	1,730
Total comprehensive (loss) income	$(437,164)	$ 977,455

The accompanying notes are an integral part of these financial statements

Planet Payment, Inc. condensed consolidated statements of cash flows (unaudited)

	Six months ended June 30,	
	2012	**2011**
Cash flows from operating activities:		
Net (loss) income	$(371,475)	$975,725
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Stock option expense	540,397	216,715
Depreciation and amortization expense	1,307,461	1,180,421
Provision for doubtful accounts	78,988	56,082
Non-cash interest expense on convertible debt	-	254,636
Warrant expense	-	9,776
Derecognition of note payable	-	(660,000)
Non-cash prepayment fee on conversion of convertible debt		601,318
Changes in operating assets and liabilities, net of effects of acquisitions		
Increase in settlement assets	(518,202)	(88,998)
Decrease (increase) in accounts receivables, prepaid expenses and other current assets	443,426	(696,688)
(Increase) decrease in security deposits and other assets	(6,901)	28,691
(Decrease) increase in accounts payable and accrued expenses	(63,572)	888,737
Increase in due to merchants	455,132	68,348
Other	(16,007)	11,511
Net cash provided by operating activities	1,849,247	2,846,274
Cash flows from investing activities:		
Decrease in restricted cash	59,984	88,460
Purchase of property and equipment	(95,782)	(168,392)
Capitalized software development	(744,902)	(886,103)
Purchase of intangible assets	(38,318)	(49,443)
Cash paid for business combination, net of cash acquired	(1,577,829)	-
Net cash used in investing activities	(2,396,847)	(1,015,478)
Cash flows from financing activities:		
Proceeds from issuance of common stock	61,680	238,310
Principal payments on capital lease obligations	(184,757)	(127,846)
Payment of IPO costs	(354,531)	-
Net cash (used in) provided by financing activities	(477,608)	110,464
Effect of exchange rate changes on cash and cash equivalents(*)	-	-
Net (decrease) increase in cash and cash equivalents	(1,025,208)	1,941,260
Beginning of period	7,671,963	5,182,499
End of period	$6,646,755	$7,123,759
Supplemental disclosure:		
Cash paid for:		
Interest	$27,872	$33,782
Income taxes	179,027	-
Non cash investing and financing activities:		
Convertible debt converted to common stock	$-	$8,979,926
Common stock issued for BPS acquisition	1,596,862	-
Common stock issued as payment of accounts payable	-	20,000
Common stock issued for stock options and warrants exercised	-	9,776
Assets acquired under capital leases	180,805	223,815
Derecognition of note payable	-	660,000
Prepayment fee on conversion of convertible debt	-	601,318
Accrued IPO Costs	340,890	-

(*) For the six months ended June 30, 2012 and 2011, the effect of exchange rate changes on cash and cash equivalents was inconsequential.

The accompanying notes are an integral part of these financial statements

Planet Payment, Inc. condensed consolidated statements of changes in convertible preferred stock and stockholders' equity (unaudited)

	Convertible preferred stock $0.01 par value—4,000,000 shares authorized Series A		Common stock $0.01 par value—80,000,000 shares						
	Shares issued	**Shares par value**	**Shares issued**	**Shares par value**	**Additional paid-In capital**	**Warrants**	**Accumulated other comprehensive loss**	**Accumulated deficit**	**Total stockholders' equity**
Balance—December 31, 2011	2,243,750	$22,438	51,764,405	$517,644	$94,083,901	$1,622,651	$(40,729)	$(77,460,939)	$18,744,966
Options exercised	—	—	99,949	999	60,681	—	—	—	61,680
Issuance of common shares – Acquisition of BPS	—	—	488,337	4,884	1,596,862	—	—	—	1,601,746
Stock-based expense	—	—	—	—	540,397	—	—	—	540,397
Cumulative translation adjustment	—	—	—	—	—	—	(65,689)	—	(65,689)
Net loss	—	—	—	—	—	—	—	(371,475)	(371,475)
Balance—June 30, 2012	2,243,750	$22,438	52,352,691	$523,527	$96,281,841	$1,622,651	$(106,418)	$(77,832,414)	$20,511,625

The accompanying notes are an integral part of these financial statements

Planet Payment, Inc.

Notes to condensed consolidated financial statements

1. Business description and basis of presentation

Business description

Planet Payment, Inc. together with its wholly owned subsidiaries ("Planet Payment," the "Company," "we," or "our") is a provider of international payment processing and multi-currency processing services. The Company provides its services to approximately 34,000 active merchant locations in 18 countries and territories across the Asia Pacific region, North America, the Middle East, Africa and Europe, primarily through its acquiring bank and processor customers, as well as through its own direct sales force. The Company's point-of-sale and e-commerce services are integrated within the payment card transaction flow and enable its acquiring customers to process and reconcile payment transactions in multiple currencies, geographies and channels. The Company is a registered third party processor with the major card associations and operates in accordance with industry standards, including the Payment Card Industry, or PCI, Security Council's Data Security Standards.

Company structure

Planet Payment was incorporated in the State of Delaware on October 12, 1999 as Planet Group Inc. and changed its name to Planet Payment, Inc. on June 18, 2007.

Since March 20, 2006, shares of the Company's common stock have traded on the Alternative Investment Market of the London Stock Exchange, or AIM, under the symbols "PPT" and "PPTR." Since November 19, 2008, shares of the Company's common stock have traded on the OTCQX market tier operated by OTC Markets Group, Inc., or the OTCQX, in the United States under the symbol "PLPM."

Basis of presentation

The condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The accompanying condensed consolidated financial statements include the accounts of Planet Payment, Inc. and its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated.

The Company evaluated subsequent events through August 15, 2012, the date on which the June 30, 2012 financial statements were available to be issued. There were no events or transactions during this subsequent reporting period that require recognition or disclosure in the financial statements.

Unaudited consolidated interim financial information

The accompanying unaudited condensed consolidated interim financial statements as of June 30, 2012 and for the six months ended June 30, 2012 and 2011 have been prepared on the same basis as the annual consolidated financial statements. In the opinion of management, the unaudited financial information for the interim periods presented reflects all adjustments, which are normal and recurring, necessary for a fair presentation of the statement of operations, financial position and cash flows. Operating results for the six months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. The December 31, 2011 balance sheet information has been derived from the audited financial statements at that date but does not include all disclosures required by GAAP.

2. Summary of significant accounting policies

Use of estimates

The preparation of condensed consolidated financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts and the disclosure of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

On an on-going basis, the Company evaluates its estimates, including those related to the accounts receivable allowance, recoverability of goodwill, intangibles and other long-lived assets, and other assets and liabilities; the useful lives of intangible assets, property and equipment, capitalized software development costs; assumptions used to calculate stock-based expense including volatility, expected life and forfeiture rate; and income taxes (including recoverability of deferred taxes), among others. The Company bases its estimates on historical experience and on other various assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

Revenue recognition

The Company derives revenue principally through fees earned under fixed contractual arrangements with customers who use our international payment and multi-currency processing services. The Company has two revenue streams:

Multi-currency processing services revenue

Multi-currency processing services revenue is the foreign currency transaction fee earned on processing and converting of a credit or debit card transaction from one currency into another currency. Multi-currency transaction processing services revenue is recognized upon settlement of the transaction.

Payment processing services revenue

The Company follows the requirements of reporting revenue gross as a principal versus net as an agent included in the Revenue Recognition Topic of Accounting Standard Codification (ASC) topic 605, in determining its payment processing services revenue reporting. Generally, where the Company has merchant portability, credit risk and ultimate responsibility for the merchant, revenue is reported at the time of settlement on a gross basis equal to the full amount of the discount charged to the merchant. This amount may include interchange paid to card issuing banks and assessments paid to payment card associations.

Payment processing services revenue is transaction based and priced either as a fixed fee per transaction or calculated based on a percentage of the transaction value. The fees are charged for processing services provided in facilitating the sale of goods and services by means of credit, debit and prepaid cards and other electronic payments and do not include the gross sales price paid by the ultimate buyer. Payment processing services revenue is recognized upon settlement of the transaction.

Our revenue is presented net of a provision for sales credits, which is estimated based on historical results and established in the period in which services are provided. As of the periods presented, there were no such provisions.

Cash and cash equivalents

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

Restricted cash

Restricted cash is primarily held by either processing partners where the Company holds a share of underwriting risk and for other potential liabilities under processing or by the Company on behalf of an automated clearing house, or ACH, transaction processing customer. The restricted cash balance related to the ACH transaction processing customer represents a contractual requirement with a sponsor bank to hold three times the daily average of the last thirty days of transactions. The long-term portion of restricted cash is contractually required to be held by some of the Company's processing partners and will remain restricted as long as the associated contracts are effective. As such, the Company classifies these portions as long-term.

Translation of non-U.S. currencies

The translation of assets and liabilities denominated in foreign currency into U.S. Dollars is made at the prevailing rate of exchange at the balance sheet date. Revenue and expenses are translated at the average exchange rates during the period. Translation adjustments are reflected in accumulated other comprehensive income on our consolidated balance sheets, while gains and losses resulting from foreign currency transactions are included in our consolidated statements of operations. Amounts resulting from foreign currency transactions included in our statement of operations were not material for the six months ended June 30, 2012 and 2011.

Allowance for doubtful accounts

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make payments due to the Company. The amount of the allowance is based on historical experience and our analysis of the accounts receivable balance outstanding. While credit losses have historically been within the Company's expectations and the provisions established, the Company cannot guarantee that it will continue to experience the same credit loss rates that it has in the past. If the financial condition of our customers were to deteriorate, resulting in their inability to make payments, additional allowances may be required which would result in an additional expense in the period that this determination was made. As of June 30, 2012 and December 31, 2011, the Company has included an allowance for doubtful accounts of approximately $1.4 million.

Property, equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation, which is provided for by charges to income over the estimated useful lives of the assets using the straight-line method. Maintenance and repairs, which do not improve or extend the useful life of the respective asset, are charged to operating expenses as incurred. Upon sale or other disposition, the applicable amounts of asset cost and accumulated depreciation are removed from the accounts and the net amount, less proceeds from disposal, is charged or credited to income.

Software development costs and amortization

The Company capitalizes costs of materials, consultants and payroll and payroll-related costs incurred by employees involved in developing internal use computer software. Costs incurred during the preliminary project and post-implementation stages are charged to processing and service costs, which are included in cost of revenue as incurred. Software development costs are amortized to processing and service costs, which are included in cost of revenue on a straight-line basis over estimated useful lives of approximately three to five years. The Company performs periodic reviews to ensure that unamortized software costs remain recoverable from future cash flows. Capitalized software development costs, net, were $4.9 million and $5.0 million as of June 30, 2012 and December 31, 2011, respectively. Amortization expense totaled $0.9 million and $0.7 million for the six months ended June 30, 2012 and 2011, respectively.

Goodwill, intangibles and long-lived assets

The Company records as goodwill the excess of purchase price over the fair value of the tangible and identifiable intangible assets acquired. Other acquired intangible assets, which primarily include identifiable acquired technology, is being amortized on a straight-line basis over five years, which approximates the pattern in which the assets are utilized, over their estimated useful lives.

The Company performs reviews to determine if the carrying value of its goodwill is impaired. The Company reviews goodwill for impairment at least annually during the fourth quarter, or more frequently if an event occurs indicating the potential for impairment. The Company reviews goodwill for impairment utilizing either a qualitative assessment or a two-step process. If the Company decides that it is appropriate to perform a qualitative assessment and conclude that the fair value of a reporting unit more likely than not exceeds its carrying value, no further evaluation is necessary. For reporting units where the Company performs the two-step process, the first step requires us to estimate the fair value of each reporting unit and compare that fair value to the respective carrying value, which includes goodwill. If the fair value of the reporting unit exceeds its carrying value, the goodwill is not considered impaired and no further evaluation is necessary. If the carrying value is higher than the estimated fair value, there is an indication that impairment may exist and the second step is required. In the second step, the implied fair value of goodwill is calculated as the excess of the fair value of a reporting unit over the fair values assigned to its assets and liabilities. If the implied fair value of goodwill is less than the carrying value of the reporting unit's goodwill, the difference is recognized as an impairment charge.

For reporting units where the Company decides to perform a qualitative assessment, management assesses and makes judgments regarding a variety of factors which potentially impact the fair value of a reporting unit, including general economic conditions, industry and market-specific conditions, customer behavior, cost factors, our financial performance and trends, our strategies and business plans, capital requirements, management and personnel issues, and the Company’s stock price, among others. Management then considers the totality of these and other factors, placing more weight on the events and circumstances that are judged to most affect a reporting unit's fair value or the carrying amount of its net assets, to reach a qualitative conclusion regarding whether it is more likely than not that the fair value of a reporting unit exceeds its carrying amount.

For reporting units where the Company performs the two-step process, it may utilize a combination of the following approached to assess fair value: (a) an income based approach, using projected discounted cash flows, (b) a market based approach, using multiples of comparable companies, and (c) a transaction based approach, using multiples for recent acquisitions of similar businesses made in the marketplace.

The Company’s estimate of fair value of each reporting unit may be based on a number of subjective factors, including: (a) appropriate consideration of valuation approaches (income approach, comparable public company approach, and comparable transaction approach), (b) estimates of future cost structure, (c) discount rates for estimated cash flows, (d) selection of peer group companies for the public company and the market transaction approaches, (e) required levels of working capital, (f) assumed terminal value, and (g) time horizon of cash flow forecasts.

The entire goodwill balance as of June 30, 2012 is attributable to the acquisition of BPS. The Company did not record any impairment of goodwill for the six months ended June 30, 2012.

The Company evaluates long-lived assets, including property and equipment, capitalized software and finite-lived intangible assets for potential impairment on an individual asset basis or at the lowest level asset grouping for which cash flows can be separately identified. Long-lived asset impairments are assessed whenever changes in circumstances could indicate that the carrying amounts of those productive assets exceed their projected undiscounted cash flows. When it is determined that impairment exists, the related asset group is written down to its estimated fair market value. The determination of future cash flows and the estimated fair value of long-lived assets, involve significant estimates on the part of management. In order to estimate the fair value of a long-lived asset, the Company may engage a third party to assist with the valuation. The Company did not record any impairment of long-lived assets for the six months ended June 30, 2012

The Company's process for assessing potential triggering events may include, but is not limited to, analysis of the following:

- any sustained decline in the Company's stock price below book value;
- results of the Company's goodwill impairment test;
- sales and operating trends affecting products and groupings;
- the impact on current and future operating results;
- any losses of key acquired customer relationships; and
- changes to or obsolescence of acquired technology, data, and trademarks.

The Company also evaluates the remaining useful life of its long-lived assets on a periodic basis to determine whether events or circumstances warrant a revision to the remaining estimated amortization period.

Deferred initial public offering ("IPO") costs

Deferred IPO costs represent legal, accounting and other direct costs related to the Company's efforts to raise capital through an IPO. Future costs related to the Company's IPO activities will be deferred until the completion of the IPO, at which time they will be reclassified to additional paid-in capital as a reduction of the IPO proceeds. If the Company terminates its plan for an IPO, any deferred costs would be expensed at that time.

Due to merchants

Due to merchants represents funds collected on behalf of all the Company's acquired merchants using the iPAY gateway ACH product or funds collected on behalf of directly acquired merchants as security deposits. The ACH funds are generally held for an average of three days before payment to the merchant.

Derecognition of note payable

In 2003, the Company entered into an agreement with First Horizon Merchant Services, Inc. ("FHMS") and First Tennessee Bank National Association ("FTB") and recorded a liability. Due to a breach of the contractual terms by FHMS and FTB, the Company did not believe it was liable to repay these amounts. As of March 31, 2011, the statute of limitations had expired on $0.66 million of the $0.7 million balance and as of September 30, 2011, the statute of limitations had expired on the remaining $40,000. For the three months ended March 31, 2011, the Company recorded other income due to the derecognition of the note payable in the amount of $0.7 million.

Income taxes

The Company accounts for income taxes on the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequence attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities due to a change in tax rates is recognized in results of operations in the period during which the tax change occurs. The Company's operations are conducted in various geographies with different tax rates. As the Company's operations evolve this may impact the Company's future effective tax rate.

The Company assesses whether it is necessary to establish a valuation allowance to reduce the deferred tax assets if it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company's process includes evaluating both positive (for example, sources of taxable income) and negative (for example, historical losses) evidence and determining whether it is more likely than not that the deferred tax assets will not be realized.

ASC topic 740-10, *Accounting for Income Taxes*, prescribes a comprehensive model for how companies should recognize, measure, present, and disclose uncertain tax positions taken or expected to be taken on a tax return. The company shall initially and subsequently measure such tax positions as the largest amount of tax benefit that is greater than 50% likely of being realized upon ultimate settlement with the tax authority assuming full knowledge of the position and all relevant facts. The Company has reviewed and evaluated the relevant technical merits of each of its tax positions, for all periods presented, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the Company.

Concentration of credit risk

The Company's assets that are exposed to concentrations of credit risk consist primarily of cash, cash equivalents, restricted cash and receivables from clients. The Company places its cash, cash equivalents, and restricted cash with financial banking institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. The Company also maintains cash balances at foreign banking institutions, which are not insured by the FDIC. As of June 30, 2012 and December 31, 2011 the Company's uninsured cash balances totaled $6.1 million and $6.8 million, respectively.

The Company maintains an allowance for uncollectible accounts receivable based on expected collectability and perform ongoing credit evaluations of customers' financial condition.

The Company's accounts receivable concentrations of 10% and greater are as follows:

	As of June 30, 2012	As of December 31, 2011
Customer A	26%	35%
Customer B (*)	17	20
Customer C	13	14

* Customer B is a sponsoring bank for certain merchants within the Company's payment processing services. Customer B serves as an aggregator of merchant transactions and therefore, there is a concentration risk relating to receivables. However, revenues are generated from individual merchants that individually do not exceed 10% of the Company's revenue.

The Company's revenue concentrations of 10% and greater are as follows:

	Six months ended June 30,	
	2012	2011
Customer A	23%	30%
Customer C	18	

Net (loss) income per share

The Company computes net (loss) income per share in accordance with Financial Accounting Standards Board ("FASB") ASC 260, *Earnings per Share* ("ASC topic 260"). Under ASC topic 260, securities that contain rights to receive non-forfeitable dividends (whether paid or unpaid) are participating securities and should be included in the two-class method of computing earnings per share. The Company's preferred stockholders are entitled to participate in dividends and earnings when, and if, dividends are declared on the common stock. As such, the Company calculates net (loss) income per share using the two-class method. The two-class method is an earnings formula that treats a participating security as having rights to dividends that otherwise would have been available to common and preferred stockholders based on their respective rights to receive dividends. Losses are not allocated to the preferred stockholders for computing net loss per share under the two-class method because the preferred stockholders do not have contractual obligations to share in the losses of the Company.

Basic earnings per share is calculated by dividing net (loss) income, adjusted for amounts allocated to participating securities under the two-class method, if applicable, by the weighted average number of common stock outstanding during the period.

Diluted earnings per share is calculated by dividing net (loss) income by the weighted average number of shares of the Company's common stock outstanding, assuming dilution, during the period. The diluted earnings per share calculation assumes (i) all stock options and warrants which are in the money are exercised at the beginning of the period and (ii) each issue or series of issues of potential common stock are considered in sequence from the most dilutive to the least dilutive. That is, dilutive potential common stock with the lowest "earnings add-back per incremental share" shall be included in dilutive earnings per share before those with higher earnings add back per incremental share. For this purpose potential dilutive common stock include the stock options, warrants, shares of preferred stock and convertible debt.

The following table sets forth the computation of basic and diluted net (loss) income per share:

	Six months ended June 30,	
	2012	2011
Numerator:		

Net (loss) income	$ (371,475)	$ 975,725
Amounts allocated to participating preferred stockholders under the two-class method	-	(116,002)
Net (loss) income applicable to common stockholders (basic and dilutive)	$ (371,475)	$ 859,723
Denominator:		
Weighted average common stock outstanding (basic)	51,906,425	47,837,945
Common equivalent shares from options and warrants to purchase common stock	-	2,140,527
Dilutive effect of assumed conversion of preferred stock	-	6,851,144
Weighted average common stock outstanding (diluted) (1)	51,906,425	56,829,616
Basic net (loss) income per share applicable to common stockholders	$ (0.01)	$ 0.02
Diluted net (loss) income per share applicable to common stockholders (1)	$ (0.01)	$ 0.02

(1) In accordance with ASC 260-10-45-48 for the six months ended June 30, 2012, the Company has excluded 915,000 contingently issued restricted shares from diluted weighted average common stock outstanding as the contingent compensation (a) have not been satisfied at the reporting date nor (b) would have been satisfied if the reporting date was at the end of the contingency period.

The following table sets forth the weighted securities outstanding that have been excluded from the diluted net (loss) income per share calculation because the effect would have been anti-dilutive:

	Six months ended June 30,	
	2012	**2011**
Stock options	8,369,738	2,527,108
Warrants	2,108,575	182,539
Convertible debt (1)	-	2,653,955
Convertible preferred stock	6,851,144	-
Total anti-dilutive securities	17,329,457	5,363,602

(1) Diluted net income per share increases when convertible debt is included in the required sequence in the diluted earnings per share computation. As such, convertible debt is excluded from the computation of diluted earnings per share for the six months ended June 30, 2011.

Stock-based expense and assumptions

Stock-based expense is measured at the grant date based on fair value and recognized as an expense over the requisite service period, net of an estimated forfeiture rate.

The following summarizes stock-based expense recognized by income statement classification:

	Six months ended June 30,	
	2012	**2011**
Processing and service costs	$129,001	$ 68,354
Selling, general and administrative expenses	411,396	158,137
Total stock-based expense	$540,397	$226,491

The following summarizes stock-based expense recognized by type:

	Six months ended June 30,	
	2012	2011
Stock options	$540,397	$216,715
Warrants(1)	-	9,776
Total stock-based expense	$540,397	$226,491

(1) For the periods indicated in the table above, the Company issued warrants as a partial payment for legal services rendered.

A summary of the unamortized stock-based expense and associated weighted average remaining amortization periods for stock options and warrants is presented below:

	As of June 30, 2012	
	Unamortized stock-based expense	Weighted average remaining amortization period (in years)
Stock options	$1,885,705	2.05
Warrants	-	-

Stock-based expense assumptions and vesting requirements

Determining the appropriate fair value model and calculating the fair value of options and warrants require the input of highly subjective assumptions, including the expected life, expected stock price volatility, and the number of expected options and warrants that will be forfeited prior to the completion of the vesting requirements. The Company uses the Black-Scholes Option Pricing Model to value its options and warrants.

The Company accounts for warrants issued to non-employees as expense at their fair value over the service period. Warrants issued to non-employees vest immediately upon issuance and are not required to be revalued.

Expected life

Due to the limited history of the Company's common stock being publicly traded on AIM, the expected life for the Company's options granted was determined based on the "simplified" method under the provisions of ASC 718-10, *Compensation—Stock Compensation*. The expected life of warrants granted was determined based on the warrants contractual life.

Expected stock price volatility

Due to the Company's limited public company history, expected stock price volatility prior to December 31, 2011, was determined based upon the expected volatility of similar entities whose shares are publicly traded and have trading history commensurate with the expected life.

For options and warrants granted after January 1, 2012 the Company began estimating its expected volatility using a time-weighted average of its historical volatility in combination with the historical volatility of similar entities whose common shares are publicly traded.

Risk-free interest rate and dividend yield

The risk-free interest rates used for the Company's options and warrants granted were the U.S. Treasury zero-coupon rates for bonds matching the expected life of an option or warrant on the date of grant.

The expected dividend yield is not applicable to any options or warrants granted as the Company has not paid any dividends and intends to retain any future earnings for use in its business.

Vesting requirements

Options granted to employees generally vest $^{1}/_{3}$rd of the amount of shares subject to each option on each 12-month anniversary from the vesting commencement date over a three year period and expire ten years from the grant date.

A director's annual grant vests and becomes exercisable as to $^{1}/_{12}$th of the shares each month from the vesting commencement date. A director's initial grant vests and becomes exercisable as to $^{1}/_{3}$rd of the shares on the 12-month anniversary from the vesting commencement date and then $^{1}/_{36}$th of the shares each month thereafter, such that the grant vests in full after three years. All directors' options expire ten years from the grant date.

The Company's 2000 Stock Incentive Plan allows for acceleration of the vesting of outstanding options granted upon the occurrence of certain events related to change of control, merger, and the sale of substantially all of our assets or liquidation of the company, at the discretion of the Company's Board of Directors. The Company's 2006 Equity Incentive Plan provides that if outstanding options are not assumed or replaced by a successor corporation, options shall immediately vest as to 100% of the shares at such time and on such conditions as the Company's Board of Directors shall determine.

Warrants are generally issued for services performed by third parties or investments and are generally fully vested at grant and generally expire over a period of five years.

Black-Scholes assumptions used for options and warrants

The fair market value of each option and warrant granted for all periods presented has been estimated on the grant date using the Black-Scholes Option Pricing Model with the following assumptions:

	Six months ended June 30,	
	2012	**2011**
Expected life (in years)	5.25 – 6.00	5.0 – 6.32
Expected volatility (percentage)	45.13 – 46.70	27.80 - 36.68
Risk-free interest rate (percentage)	0.91 – 1.39	2.17 - 2.72
Expected dividend yield	-	-

Long-term incentive restricted stock agreement assumptions and vesting requirements

On July 26, 2011, the Company made a restricted stock grant of 915,000 shares of the Company's common stock to Philip Beck, its Chairman of the Board, Chief Executive Officer and President, pursuant to a Long-Term Incentive Restricted Stock Agreement. The 915,000 shares vest in four separate tranches, each with a different long-term performance goal. The agreement provides that (1) upon a corporate transaction, certain unvested shares accelerate and become vested, and (2) upon Mr. Beck's involuntary termination, certain unvested shares shall remain outstanding and become vested only at such time as the performance goals applicable to such unvested shares are satisfied. The performance goals for each tranche are outlined below:

- Tranche one (expires 12/31/2014): Performance condition award consisting of 305,000 shares that vest based upon the achievement of adjusted EBITDA (as will be defined in the Company's earnings releases for the relevant periods) per fully diluted share greater than or equal to $0.36 per share for any fiscal year concluding after the date of the restricted stock grant and on or prior to the expiration date. The fair value of tranche one is $0.7 million.

- Tranche two (expires 12/31/2017): Performance condition award consisting of 47,000 shares that vest based upon the achievement of adjusted EBITDA (as will be defined in the Company's earnings releases for the relevant periods) per fully diluted share greater than or equal to $0.64 per share for any fiscal year concluding after the date of the restricted stock grant and on or prior to the expiration date. The fair value of tranche two is $0.1 million.

- Tranche three (expires 12/31/2017): Performance condition award consisting of 469,000 shares that vest based upon the achievement of adjusted EBITDA (as will be defined in the Company's earnings releases for the relevant periods) per fully diluted share greater than or equal to $0.71 per share for any fiscal year concluding after the date of the restricted stock grant and on or prior to the expiration date. The fair value of tranche three is $1.0 million.

- Tranche four (expires 12/31/2017): Market condition award consisting of 94,000 shares that vest based upon the fair market value of the Company's stock being greater than or equal to $12.00 per share for 75 consecutive trading days in the United States for any fiscal year concluding after the date of the restricted stock grant and on or prior to the expiration date. The fair value of tranche four is $5,600.

In accordance with ASC 718-10, the Company valued the performance condition and market condition awards using the Black-Scholes and binomial lattice models, respectively. The fair values of the performance condition awards are based upon the closing price of shares of the Company's common stock that trade on AIM under the symbol "PPTR" on the date of grant. The total fair value of all three tranches of the performance condition awards is $1.8 million, of which no amounts have been expensed as it was not deemed probable that the performance conditions would be satisfied based on the financial assessment as of June 30, 2012. The Company will reassess the probability of achieving each performance condition metric at each reporting period. The total fair value of the market condition award is $5,600. Given the inconsequential nature of the amount, the Company recorded the entire expense in the third quarter of 2011. The expense related to the market condition award is not reversed even if the market conditions are not satisfied.

The fair value of the market condition award has been estimated on the grant date using a binomial lattice-based valuation pricing model with the following assumptions:

	July 26, 2011
Expected life (in years)	5.3
Expected volatility (percentage)	31.68
Risk-free interest rate (percentage)	2.04
Expected dividend yield	—

For further information on the Company's equity plans, please refer to Notes 8 and 9.

Fair value measurements

Fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Inputs used to measure fair value are prioritized into a three-level fair value hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair values are as follows:

- Level 1 – Fair value measurements of the asset or liability using observable inputs such as quoted prices in active markets for identical assets and liabilities;

- Level 2 – Fair value measurements of the asset or liability using inputs other than quoted prices that are observable for the applicable asset or liability, either directly or indirectly, such as quoted prices for similar (as opposed to identical) assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active; and

- Level 3 – Fair value measurements of the asset or liability using unobservable inputs that reflect the Company's own assumptions regarding the applicable asset or liability.

The Company's cash and cash equivalents balances are residing in cash operating accounts and are not invested in money market funds or an equivalent. The Company's remaining asset and liability accounts are reflected in the consolidated financial statement at cost which approximates fair value because of the short-term nature of these items.

3. Branded Payment Solutions Acquisition

On May 23, 2012, the Company acquired all of the outstanding shares of Branded Payment Solutions Limited ("BPS") for a purchase price of approximately $3.4 million consisting of approximately $1.8 million in cash and $1.6 million in equity or 488,337 shares of Common Stock of $0.01 par value each of Planet Payment, Inc. issued to the BPS shareholders. Of the 488,337 consideration shares, 72,887 (valued on the date of closing at $0.2 million) are subject to certain technology development milestones. The fair value of the shares was determined on the date of closing and will not change. The Company believes that it is probable that the technology milestones will be achieved.

The acquisition of BPS expands the scope of the Company's global technology solutions. Planet Payment currently interfaces to the merchant's point of sale through its proprietary, currency-neutral, payment processing technology platform, but does not provide applications on the point of sale. With the acquisition of BPS, the Company will be able to implement new and innovative solutions that can sit alongside and communicate with existing point of sale applications. In addition, BPS operates a prepaid debit card program in Europe targeted at shopping malls and other private label initiatives.

The Company expensed approximately $0.1 million of professional fees associated with the acquisition for the six months ended June 30, 2012, which is classified in selling, general and administrative expenses.

This business combination resulted in the total purchase price being allocated on a preliminary basis to the assets acquired and liabilities assumed according to their estimated fair values at the date of acquisition with the remaining unallocated purchase price recorded as goodwill as follows:

Current assets	$581,988
Property and equipment	29,758

Non-current assets	90,291
Developed technology	2,796,411
Goodwill	634,315
Total assets acquired	4,132,763
Total liabilities assumed	(711,283)
Net assets acquired	$3,421,480

Included in current assets is approximately $0.2 million of cash acquired.

The amount allocated to developed technology (the acquired intangible asset) is $2.8 million. The fair values assigned to developed technology was determined primarily by using the income approach, which discounts expected future cash flows to present value using estimates and assumptions determined by management. The acquired identifiable intangible assets are being amortized on a straight-line basis over five years, which approximates the pattern in which the assets are utilized, over their estimated useful lives.

Goodwill represents the excess of the purchase price over the fair values of the acquired net tangible and intangible assets. In accordance with the provisions of ASC 350, goodwill is not amortized but will be tested for impairment at least annually. The allocated value of goodwill of $0.6 million primarily relates to the anticipated synergies resulting from adding BPS with our current products and the acquired workforce. The goodwill amount has been assigned to the payment processing services segment. Neither the acquired goodwill nor intangible assets are deductible for tax purposes.

The liabilities assumed includes a $0.3 million deferred tax liability that relates primarily to the future amortization of acquired intangibles offset by a $0.2 million deferred tax asset that relates primarily to acquired net operating loss carryovers.

The purchase price allocations for the BPS acquisition is provisional and is based on the information that was available as of the acquisition date to estimate the fair values of assets acquired and liabilities assumed. The purchase price allocation for this acquisition as reported as of June 30, 2012 represents the Company's best estimates of the fair values and was based upon the information available to us. The Company is gathering and reviewing additional information necessary to finalize the value assigned to the acquired assets and liabilities assumed, as well as acquired identified intangible assets and goodwill. Therefore, the provisional measurements of fair values reported as of June 30, 2012 are subject to change. The Company is expected to finalize the purchase price allocations as soon as practicable but no later than one year from the respective acquisition date.

The results of BPS were included in our consolidated statement of operations from the date of acquisition. BPS revenue and net loss from the date of acquisition through June 30, 2012, were less than $0.1 million and $0.2 million, respectively. On June 18, 2012 the name BPS was changed to Planet Payment Solutions Limited.

The Company determined it to be impracticable to present the comparative unaudited pro forma financial information for the six months ended June 30, 2012 and 2011 as the acquiree interim information currently available is not sufficiently precise and will require additional analysis. However, the historical revenues likely to continue are immaterial.

4. Property and equipment

Property and equipment, net consist of the following:

	Estimated useful life (years)	As of June 30, 2012	As of December 31, 2011
Equipment	5	$1,187,292	$1,102,132
Computer hardware	5	1,494,620	1,292,504
Furniture and fixtures	5 – 7	81,497	77,779
Leasehold improvements	5 - 7	321,723	321,596
		3,085,132	2,794,011
Less: Accumulated depreciation and amortization		(1,843,439)	(1,570,449)
Property and equipment, net		$1,241,693	$1,223,562

Property and equipment depreciation and amortization expense is as follows:

	Six months ended June 30, 2012	Six months ended June 30, 2011
Depreciation and amortization expense	$271,603	$327,874

5. Goodwill and intangible assets

The changes in carrying amount of goodwill for the six months ended June 30, 2012 is as follows:

Goodwill, gross, as of December 31, 2011	$ -
Acquisition of BPS	634,315
Impact of change in Euro exchange rate	(9,488)
Accumulated impairment losses as of June 30, 2012	-
Goodwill, net, as of June 30, 2012	$ 624,827

Intangible assets are recorded at estimated fair value and are amortized ratably over their estimated useful lives to processing and service costs, which are included in cost of revenue.

The gross book value, accumulated amortization and amortization periods of intangible assets were as follows:

	As of June 30, 2012			As of December 31, 2011			
	Gross book value	Accumulated amortization	Net book value	Gross book value	Accumulated amortization	Net book value	Amortization period (years)
Trademarks and patents	$ 798,365	$(228,173)	$570,192	$739,832	$(200,390)	$539,442	15
Technology	2,754,582	(59,339)	2,695,243	-	-	-	5
Customer contracts	867,354	(693,882)	173,472	867,354	(607,148)	260,206	5
Intangible assets, net	$4,420,301	$(981,394)	$3,438,907	$1,607,186	$(807,538)	$799,648	

Amortization expense related to intangible assets is as follows:

	Six months ended June 30,	
	2012	**2011**
Amortization expense	$174,021	$111,523

6. Commitments and contingencies

Employment agreements

Pursuant to employment agreements with certain employees, the Company had a commitment to pay severance of approximately $1.6 million and $1.8 million as of June 30, 2012 and December 31, 2011, respectively, in the event of termination without cause, as defined in the agreements. Additionally, in the event of termination upon a change of control, as defined in the agreements, the Company had a commitment to pay severance of approximately $1.9 million as of June 30, 2012 and December 31, 2011, respectively.

Contingent liabilities

In instances where the Company is acting as the merchant acquirer, the Company bears a risk that a merchant may engage in fraud by submitting for payment certain credit card transactions that may have been manipulated, are fictitious, or are otherwise not bona fide. Similarly, the Company 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 affect the Company’s operating results and cash flows. The Company has required certain merchants to post cash reserves of approximately $0.4 million with the acquirer against such liabilities and has itself paid the acquirer a security deposit in connection therewith, as shown on the consolidated balance sheets. Under FASB ASC 460, *Guarantees*, the Company evaluates its ultimate risk and records an estimate of potential loss for chargeback’s related to merchant fraud based upon an assessment of actual historical fraud rates compared to recent bank card processing volume levels. No contingent liability has been recorded as of June 30, 2012 and December 31, 2011, as the risk of material loss is considered remote. The Company monitors this contingent liability on a quarterly basis and will provide for a reserve if deemed necessary.

Outstanding litigation

From time to time, the Company may be subject to legal proceedings and claims in the ordinary course of business. The Company currently has no material legal proceedings pending against it.

7. Related party transactions

The Company incurred the following amounts to companies that are principally owned by executives, directors or stockholders of the Company:

	Six months ended June 30,	
	2012	**2011**
Rent	$250,655	$242,906
Consulting and professional fees	26,884	51,984

8. Stock incentive plan

2000 Stock Incentive Plan

Options granted under the 2000 Stock Incentive Plan were all non-qualified stock options. As of June 30, 2012, 50,000 options were outstanding and zero options were available for future grant under the 2000 Stock Incentive Plan.

2006 Equity Incentive Plan

The Board of Directors and stockholders approved an equity incentive plan ("2006 Equity Incentive Plan" or "Plan") in January 2006. The Remuneration Committee of the Board of Directors (the "Committee") administers the Plan. Currently, the Company grants stock options under the 2006 Equity Incentive Plan to employees. Under the terms of the 2000 Stock Incentive Plan and the 2006 Equity Incentive Plan, participants may be granted restricted shares or options to purchase the Company's common stock at the fair market value on the date of grant.

On June 3, 2011, the Company's stockholders approved a proposal to amend its 2006 Equity Incentive Plan to increase the aggregate number of shares authorized for issuance under the Plan by 3.0 million shares. As of June 30, 2012, 11,150,683 million shares were reserved for issuance under the Plan. As of December 31, 2011, 915,000 restricted shares have been issued (see below for details) and no options have been issued below fair value. As of June 30, 2012, 1,231,258 shares of common stock were available for future issuance under the Plan.

A summary of stock option activity for both plans during the six months ended June 30, 2012 is as follows:

	Number of options	Weighted-average exercise price	Weighted-average remaining contractual life (years)	Aggregate intrinsic value
Outstanding as of December 31, 2011	7,776,948	$2.27	5.48	$1,752,732
Options granted	1,455,500	2.69		
Options exercised	(99,949)	1.86		
Options cancelled	(330,227)	2.55		
Options forfeited	(30,666)	2.45		
Outstanding as of June 30, 2012	8,771,606	$2.33	5.59	8,429,753
Options exercisable as of June 30, 2012	6,306,671	$2.30	4.73	6,296,125
Vested and expected to vest as of June 30, 2012	8,704,650	2.33	5.95	8,357,965

The following table provides additional information pertaining to the Company's stock options:

	Six months ended June 30, 2012	Six months ended June 30, 2011
Weighted-average grant date fair value for options granted during the period	$ 1.17	$ 0.72
Total fair value of options vested during the period	392,493	349,548

Total intrinsic value of options exercised during the period	109,540	229,176

The exercise prices range from $1.20 to $4.00 for stock options outstanding and exercisable as of June 30, 2012.

The aggregate intrinsic value of stock options outstanding, vested and unvested expected to vest, and exercisable, represent the total pre-tax intrinsic value, based on the closing price of $3.29 and $2.20 of PPTR as reported on AIM on June 30, 2012 and 2011, respectively.

Refer to Note 2 (Summary of significant accounting policies – Long-term incentive restricted stock agreement assumptions and vesting requirements) for further details regarding the restricted stock shares as of June 30, 2012 and December 31, 2011.

9. Warrants

Warrants granted are generally issued for services performed by third parties or investors.

A summary of warrant activity during the six months ended June 30, 2012 is as follows:

	Number of warrants	Weighted-average exercise price	Weighted-average remaining contractual life (years)	Aggregate intrinsic value
Outstanding as of December 31, 2011	2,108,575	$1.65	2.90	$1,956,140
Warrants granted	-	-		
Warrants exercised	-	-		
Warrants cancelled	-	-		
Warrants forfeited	-	-		
Outstanding as of June 30, 2012	2,108,575	$1.65	2.34	$3,866,781
Warrants exercisable as of June 30, 2012	2,108,575	$1.65	2.34	$3,866,781
Vested and expected to vest as of June 30, 2012	2,108,575	$1.65	2.34	$3,866,781

The exercise prices range from $0.25 to $5.50 for warrants outstanding and exercisable as of June 30, 2012.

	Six months ended June 30,	
	2012	2011
Weighted average grant date fair value for warrants granted during the period	$-	$ 2.84
Total fair value of warrants vested during the period	-	11,292
Total intrinsic value of warrants exercised during the period	-	-

The aggregate intrinsic value of warrants outstanding, vested and unvested expected to vest, and exercisable, represent the total pre-tax intrinsic value, based on the closing price of $3.29, and $2.20 of PPTR as reported on AIM on June 30, 2012 and 2011 respectively.

10. Segment information

General information

The segment and geographic information provided in the table below is being reported consistent with the Company's method of internal reporting. Operating segments are defined as components of an enterprise for which separate financial information is available and which is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The chief operating decision maker, or CODM, reviews net revenue and gross profit by service by geographical region. The Company operates in two reportable segments; multi-currency processing services and payment processing services.

Information about revenue, profit and assets

The CODM evaluates performance and allocates resources based on the net revenue and gross profit of each segment. For purposes of analyzing segments, gross profit of the multi-currency processing services segment is equal to net revenue, while the gross profit for the payment processing services segment includes net revenue of the segment less the cost of revenue component "processing services fees", which may include interchange and card network fees and assessments. Net revenue and gross profit by geographical region is based upon where the transaction originated. Lastly, the Company does not evaluate performance or allocate resources using segment asset data. Long-lived assets are primarily located in North America and Europe and as of June 30, 2012 and December 31, 2011 long-lived asset amounts are $10.2 million and $7.0 million, respectively.

The Company conducts its business primarily in three geographical regions: Asia Pacific ("APAC"), North America, and Central Europe, Middle East and Africa ("CEMEA"). The following table provides revenue concentration by geographic region. Analysis of revenue by segment and geographical region and reconciliations to consolidated revenue and gross profit are as follows:

	Six months ended June 30,	
	2012	**2011**
Net Revenue:		
APAC	$8,254,260	$ 9,203,328
North America	2,076,259	1,986,708
CEMEA	4,032,166	1,870,796
Total multi-currency processing services revenue	14,362,685	13,060,832
Payment processing services revenue	7,435,289	6,806,175
Net revenue	$21,797,974	$19,867,007
Gross Profit:		
APAC	$8,254,260	$ 9,203,328
North America	2,076,259	1,986,708
CEMEA	4,032,166	1,870,796
Total multi-currency processing services gross profit	14,362,685	13,060,832
Payment processing services gross profit	2,217,450	1,163,044
Total gross profit	$16,580,135	$14,223,876

Payment processing service revenue and gross profit is the result of transactions that primarily originated in North America and no individual merchant of the payment processing segment was greater than 10% of segment revenue.

Concentration of revenue by customer by geographical region:

	Six months ended June 30, 2012	Six months ended June 30, 2011
Multi-currency processing services revenue:		
APAC:		
Customer A	62%	65%
Customer D	13	13
North America:		
Customer E	16	11
Customer F	47	46
Customer G	12	27
CEMEA:		
Customer C	100	100

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EXHIBIT B

Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis in conjunction with the information set forth under our condensed consolidated financial statements and related notes thereto. The statements in this discussion regarding our expectations of our future performance, liquidity and capital resources, and other non-historical statements in this discussion, are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in this report and in the Annual and Quarterly Reports previously filed with the OTCQX and elsewhere. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Key metrics

For the six months ended June 30, 2012 and 2011, our net revenue was $21.8 million and $19.9 million, respectively. In the same periods, our net (loss) income was $(0.4) million and $1.0 million, respectively, and our Adjusted EBITDA were $1.9 million and $2.6 million, respectively. Adjusted EBITDA is a financial measure not calculated in accordance with GAAP. For information on how we calculate Adjusted EBITDA, see "—Key metrics—Adjusted EBITDA."

Our management relies on certain performance indicators to manage and assess our business. The key performance indicators set forth below help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts and assess operational efficiencies. We believe that improvements in these metrics will result in improvements in our financial performance over time. We monitor our non-GAAP financial measures and other business statistics as a measure of operating performance in addition to net income and the other measures included in our condensed consolidated financial statements.

The following is a table consisting of non-GAAP financial measures and certain other business statistics that management monitors:

	Six months ended June 30,	
	2012	**2011**
KEY METRICS:		
Consolidated gross billings(1)	$57,655,465	$ 46,958,178
Adjusted EBITDA (non-GAAP)(2)	$1,856,998	$ 2,611,725
Capitalized expenditures	$934,645	$ 1,103,938
Total active merchant locations (at period end)	34,172	22,825
Multi-currency processing services key metrics:		
Active merchant locations (at period end)(3)	18,076	14,345
Settled transactions processed(4)	5,820,697	4,901,354
Gross foreign currency mark-up(5)	$50,220,176	$ 40,152,003
Settled dollar volume processed(6)	$1,309,308,011	$1,057,312,571
Average net mark-up percentage on settled dollar volume processed(7)	1.10%	1.24%
Payment processing services key metrics:		
Active merchant locations (at period end)(3)	16,109	8,496
Payment processing services revenue(8)	$7,435,289	$ 6,806,175

(1) Represents gross foreign currency mark-up (see footnote 5) plus payment processing services revenue (see footnote 8).

(2) We define Adjusted EBITDA as GAAP net (loss) income adjusted to exclude (1) interest expense, (2) interest income, (3) provision (benefit) for income taxes, (4) depreciation and amortization, (5) stock-based expense from options and

warrants and (6) certain other items management believes affect the comparability of operating results. Please see "—Adjusted EBITDA" below for more information and for a reconciliation of Adjusted EBITDA to net (loss) income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

(3) We consider a merchant location to be active as of a date if the merchant completed at least one revenue-generating transaction at the location during the 90-day period ending on such date. The total number of active merchant locations exceeds the total number of merchants, as merchants may have multiple locations. As of June 30, 2012 and 2011, there were 13 and 16 active merchant locations, respectively that used both our multi-currency processing services and our payment processing services. These amounts are included in multi-currency and payment processing active merchant locations but are included once in total active merchant locations.

(4) Represents settled transactions processed using our multi-currency processing services.

(5) Represents the gross foreign currency mark-up amount on settled dollar volume processed using our multi-currency processing services. Gross foreign currency mark-up represents multi-currency processing services net revenue plus amounts paid to acquiring banks and their merchants associated with such multi-currency processing transactions. Management believes this metric is relevant because it provides the reader an indication of the gross mark-up derived from multi-currency transactions processed through our platform during a given period. Refer to our revenue recognition policy in Note 2 and segment disclosure in Note 10 of our consolidated financial statements for information on our net revenue from multi-currency processing services.

(6) Represents the total settled dollar volume processed using our multi-currency processing services.

(7) Represents the average net foreign currency mark-up percentage earned on settled dollar volume processed using our multi-currency processing services. The average net mark-up percentage on settled dollar volume processed is calculated by taking the reported total multi-currency processing services net revenue $14.4 million and $13.1 million for the six months ended June 30, 2012 and 2011, respectively) and dividing by settled dollar volume processed (see footnote 6).

(8) Represents revenue earned and reported on payment processing services.

Adjusted EBITDA

This discussion includes information about Adjusted EBITDA that is not prepared in accordance with GAAP. Adjusted EBITDA is not based on any standardized methodology prescribed by GAAP and is not necessarily comparable to similar measures presented by other companies. A reconciliation of this non-GAAP measure is included below.

Adjusted EBITDA is a non-GAAP financial measure that represents GAAP net (loss) income adjusted to exclude (1) interest expense, (2) interest income, (3) provision (benefit) for income taxes, (4) depreciation and amortization, (5) stock-based expense from options and warrants and (6) certain other items management believes affect the comparability of operating results.

Management believes that Adjusted EBITDA, when viewed with our results under GAAP and the accompanying reconciliations, provides useful information about our period-over-period growth. Adjusted EBITDA is presented because management believes it provides additional information with respect to the performance of our fundamental business activities and is also frequently used by securities analysts, investors and other interested parties in the evaluation of comparable companies. We also rely on Adjusted EBITDA as a primary measure to review and assess the operating performance of our company and our management team in connection with our executive compensation.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for, analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;

- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for such replacements;
- non-cash compensation is and will remain a key element of our long-term incentive compensation for our employees, although we exclude it from Adjusted EBITDA when evaluating our ongoing performance for a particular period; and
- Adjusted EBITDA does not include the impact of certain charges or gains resulting from matters we consider not to be indicative of our ongoing operations.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only as a supplement to our GAAP results.

The following table sets forth the reconciliation of Adjusted EBITDA to net (loss) income, our most directly comparable financial measure in accordance with GAAP:

	Six months ended June 30,	
	2012	**2011**
ADJUSTED EBITDA:		
Net (loss) income	$(371,475)	$ 975,725
Interest expense	28,575	288,418
Interest income	(413)	(648)
Provision for income taxes	230,698	-
Depreciation and amortization	1,307,461	1,180,421
Stock-based expense	540,397	226,491
Acquisition deal costs	121,755	-
Convertible debt prepayment fee(1)	-	601,318
Derecognition of note payable(2)	-	(660,000)
Adjusted EBITDA (non-GAAP)	$1,856,998	$2,611,725

(1) In April 2011, the convertible debt holders converted the outstanding principal amount of $9.0 million under convertible notes issued in 2007 and 2008 into an aggregate of 4,049,776 shares of common stock. In addition, we issued 127,318 shares of common stock valued at $0.3 million in lieu of cash payments for accrued interest and 297,682 shares of common stock valued at $0.6 million as a prepayment fee negotiated at the time of conversion. The shares issued for the accrued interest and the prepayment fee were valued at the average closing price of our common stock on AIM under the symbol “PPTR” during the period immediately prior to the conversion.

(2) In 2003, we entered into an agreement with FHMS and FTB and recorded a liability. Due to a breach of the contractual terms by FHMS and FTB, we did not believe we were liable to repay these amounts. As of March 31, 2011, the statute of limitations had expired on $0.66 million of the $0.7 million balance and as of September 30, 2011, the statute of limitations had expired on the remaining $40,000. For the three months ended March 31, 2011, we recorded other income due to the derecognition of the note payable in the amount of $0.7 million.

Results of operations

The following table sets forth our consolidated results of operations for the periods presented and as a percentage of our net revenue for those periods. The period-to-period comparison of financial results is not necessarily indicative of financial results to be achieved in future periods.

	Six months ended June 30,			
	2012		2011	
	$ amount	% of revenue	$ amount	% of revenue
Revenue:				
APAC	$ 8,254,260	37.9%	$ 9,203,328	46.3%
North America	2,076,259	9.5	1,986,708	10.0
CEMEA	4,032,166	18.5	1,870,796	9.4
Total multi-currency processing services revenue	14,362,685	65.9	13,060,832	65.7
Payment processing services revenue	7,435,289	34.1	6,806,175	34.3
Net revenue	21,797,974	100.0	19,867,007	100.0
Operating expenses:				
Cost of revenue:				
Payment processing services fees	5,217,839	23.9	5,643,131	28.4
Processing and service costs	5,373,419	24.7	4,387,906	22.1
Total cost of revenue	10,591,258	48.6	10,031,037	50.5
Selling, general and administrative expenses	11,319,331	51.9	8,631,157	43.4
Total operating expenses	21,910,589	100.5	18,662,194	93.9
(Loss) income from operations	(112,615)	(0.5)	1,204,813	6.1
Other (expense) income:				
Interest expense	(28,575)	(0.1)	(288,418)	(1.5)
Interest income	413	0.0	648	0.0
Other income, net	-	-	58,682	0.3
Total other expense, net	(28,162)	(0.1)	(229,088)	(1.2)
(Loss) income before provision for income taxes	(140,777)	(0.6)	975,725	4.9
Provision for income taxes	(230,698)	(1.1)	-	0.0
Net (loss) income	$(371,475)	(1.7)%	$ 975,725	4.9%

Comparison of the six months ended June 30, 2012 and 2011

Revenue

	Six months ended June 30,			
	2012	2011	Amount Variance	Percent Variance
APAC	$ 8,254,260	$ 9,203,328	(949,068)	(10)%
North America	2,076,259	1,986,708	89,551	5
CEMEA	4,032,166	1,870,796	2,161,370	116
Total multi-currency processing services revenue	14,362,685	13,060,832	1,301,853	10
Payment processing services revenue	7,435,289	6,806,175	629,114	9
Net revenue	$21,797,974	$19,867,007	1,930,967	10

Net revenue increased approximately $2.0 million, or 10%, to $21.8 million for the six months ended June 30, 2012 from $19.8 million for the six months ended June 30, 2011. The year over year increase in revenue was primarily due to the overall increase by 50%, or 11,347, in total active merchant locations processing transactions through our multi-currency and payment processing services.

Multi-currency processing services revenue

APAC multi-currency processing services revenue. APAC multi-currency processing services revenue decreased $0.9 million, or 10%, to $8.3 million for the six months ended June 30, 2012 from $9.2 million for the six months ended June 30, 2011. APAC multi-currency processing services revenue key business metrics are as follows:

	Six months ended June 30,			
	2012	2011	Amount Variance	Percent Variance
APAC multi-currency processing active merchant locations (at period end)	11,346	9,995	1,351	14%
APAC multi-currency processing settled transactions processed	2,877,593	2,845,639	31,954	1%
APAC multi-currency processing gross foreign currency mark-up	29,832,563	28,510,288	1,322,275	5%
APAC multi-currency processing settled dollar volume processed	733,751,750	709,865,091	23,886,659	3%
APAC average net mark-up % on settled dollar volume processed	1.12%	1.30%	(0.18)%	(13)%

The 3% increase in settled dollar volume processed resulted in a $0.3 million increase to revenue, offset by a 13% decrease in our average net mark-up percentage on settled dollar volume processed, which resulted in a $1.2 million decrease to revenue. The primary reasons for the increase in total dollar volume processed were a 14% increase in active APAC merchant locations, which resulted from the addition of new active merchant locations in existing markets. This resulted in a 1% increase in settled transactions processed through our multi- currency services. The decrease in average net mark-up percentage on settled dollar volume processed was primarily due to a re-pricing of certain contracts that have been renewed on a long-term basis coupled with the pricing mix of services during the period.

North America multi-currency processing services revenue. North America multi-currency processing services revenue increased $0.1 million to $2.1 million for the six months ended June 30, 2012 from $2.0 million for the six months ended June 30, 2011. North America multi-currency processing services revenue key business metrics are as follows:

	Six months ended June 30,			
	2012	2011	Amount Variance	Percent Variance
North America multi-currency processing active merchant locations (at period end)	2,329	1,894	435	23%
North America multi-currency processing settled transactions processed	1,446,919	1,426,858	20,061	1
North America multi-currency processing gross foreign currency mark-up	5,324,950	4,923,606	401,344	8
North America multi-currency processing settled dollar volume processed	168,696,788	143,758,690	24,938,098	17

North America average net mark-up % on settled dollar volume processed	1.23%	1.38%	(0.15)%	(11)

The 17% increase in settled dollar volume processed resulted in a $0.3 million increase to revenue offset by a 11% decrease in our average net mark-up percentage on settled dollar volume processed which resulted in a $0.2 million decrease to revenue. The primary reason for the increase in settled dollar volume processed was a 23% increase in active North America merchant locations, which resulted from the addition of new active merchant locations in existing markets including a large national retailer. This resulted in a 1% increase in settled transactions processed through our multi-currency services. The decrease in average net mark-up percentage on settled dollar volume processed was primarily due to the pricing mix of different services during the period.

CEMEA multi-currency processing services revenue. CEMEA multi-currency processing services revenue increased $2.2 million to $4.0 million for the six months ended June 30, 2012 from $1.8 million for the six months ended June 30, 2011. The increase in CEMEA multi-currency processing services revenue was driven by changes in the following key business metrics:

	Six months ended June 30,			
	2012	2011	Amount Variance	Percent Variance
CEMEA multi-currency processing active merchant locations (at period end)	4,401	2,456	1,945	79%
CEMEA multi-currency processing settled transactions processed	1,496,185	628,857	867,328	138%
CEMEA multi-currency processing gross foreign currency mark-up	15,062,663	6,718,109	8,344,554	124%
CEMEA multi-currency processing settled dollar volume processed	406,859,473	203,688,790	203,170,683	100%
CEMEA average net mark-up % on settled dollar volume processed	0.99%	0.92%	0.07%	8%

The $203.2 million increase in settled dollar volume processed resulted in a $2.0 million increase in revenue. This increase in settled dollar volume processed was due to the continued merchant rollout for our CEMEA customer. The addition of the merchant locations from these new countries significantly impacted the number of transactions processed through our multi-currency services in CEMEA.

Payment processing services revenue

Payment processing services revenue is primarily earned from transactions originating in North America. Payment processing services revenue increased $0.6 million, or 9%, to $7.4 million for the six months ended June 30, 2012 from $6.8 million for the six months ended June 30, 2011. The increase was primarily due to increased transaction volume in the U.S. and Canadian market for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011.

Cost of revenue

	Six months ended June 30,			
	2012	2011	Amount Variance	Percent Variance
Payment processing services fees	$5,217,839	$5,643,131	$(425,292)	(8)%
Processing and service costs	5,373,419	4,387,906	985,513	22

Total cost of revenue	$10,591,258	$10,031,037	$560,221	6

Payment processing services fees

The decrease of $0.4 million, or 8%, to $5.2 million for the six months ended June 30, 2012 from $5.6 million for the six months ended June 30, 2011 is as a result of the pricing mix of services for 2012.

Processing and service costs

Processing and service costs increased $1.0 million, or 22%, to $5.4 million for the six months ended June 30, 2012 from $4.4 million for the six months ended June 30, 2011. The increase in processing and service costs was primarily the result of increased salary and compensation and related benefit costs of $0.5 million, which are primarily due to technology headcount additions to support the growth in our existing business, launches into new markets, increased bonus and stock compensation, $0.2 million in increased technology costs, and an increase in depreciation and amortization expense of $0.2 million primarily related to software development additions.

Selling, general and administrative expenses

	Six months ended June 30,			
	2012	**2011**	**Amount Variance**	**Percent Variance**
Selling, general and administrative expenses	$11,319,331	$8,631,157	2,688,174	31%

Selling, general and administrative expenses increased $2.7 million, or 31%, to $11.3 million for the six months ended June 30, 2012 from $8.6, million for the six months ended June 30, 2011. The increase in selling, general and administrative expenses was primarily the result of increased salary compensation and related benefit costs of $1.2 million, professional fees of $0.6 million, recruiting costs of $0.2 million, and travel costs, facility costs, insurance costs and other selling, general and administrative costs of $0.7 million. These increases are primarily due to head count additions to support the growth in our existing business and the launches into new markets.

Other expense, net

	Six months ended June 30,			
	2012	**2011**	**Amount Variance**	**Percent Variance**
Interest expense	$(28,575)	$(288,418)	259,843	(90)%
Interest income	413	648	(235)	*
Other income	-	58,682	(58,682)	*
Total other expense, net	$(28,162)	$(229,088)	200,926	(88)

* Percentages not meaningful.

Total other expense, net, decreased $0.2 million for the six months ended June 30, 2012. The decrease was primarily due to the reduction in interest expense, which in 2011 was incurred upon the recognition of six months of convertible debt interest expense, compared to zero in 2012. The convertible debt holders converted their entire principal in April 2011.

Provision for income taxes

Provision for income taxes increased $0.2 million for the six months ended June 30, 2012 from zero for the six months ended June 30, 2011. The increase in the current tax provision of $0.2 million related primarily to increased profitability of certain foreign subsidiaries. Our effective tax rate could fluctuate depending on the mix of earnings from foreign jurisdictions taxed at substantially lower statutory rates, primarily Bermuda and Hong Kong.

Cash flows

	Six months ended June 30,	
	2012	**2011**
Cash provided by operating activities	$ 1,849,247	$ 2,846,274
Cash used in investing activities..	(2,396,847)	(1,015,478)
Cash (used in) provided by financing activities	(477,608)	110,464

Operating activities

Cash provided by operating activities during the six months ended June 30, 2012 was $1.8 million, primarily comprising $1.5 million cash generated by operations and a net increase in our operating assets and liabilities of $0.3 million. This net increase in our operating assets and liabilities of $0.3 million primarily consisted of a $0.4 million decrease in accounts receivable and other current assets, driven by an increase in our cash collection efforts and an increase in due to merchants of $0.5 million, offset by a $0.6 million increase in settlement assets and accounts payable and accrued expenses. Cash generated by operations of $1.5 million was inclusive of net loss of $0.4 million and total net non-cash charges of $1.9 million. Significant non-cash adjustments to net income primarily included: (i) depreciation and amortization expense of $1.3 million and (ii) stock option expense of $0.5 million.

Cash provided by operating activities during the six months ended June 30, 2011 was $2.8 million, comprising $2.6 million cash generated by operations and a net increase in our operating assets and liabilities of $0.2 million. This net increase in our operating assets and liabilities of $0.2 million primarily consisted of a $0.7 million increase in accounts receivable and other current assets, driven by an increase in activity in our multi-currency processing services business during the period, offset by a $0.9 million increase in accounts payable and accrued expenses. Cash generated by operations of $2.6 million was inclusive of net income of $1.0 million and total net non-cash charges of $1.7 million. Significant non-cash adjustments to net income primarily included: (i) depreciation and amortization expense of $1.2 million, (ii) non-cash interest expense on convertible and term debt of $0.3 million, (iii) stock option expense of $0.2 million, and (iv) prepayment fee negotiated at the time of conversion of convertible debt of $0.6 million, offset by the derecognition of other income of $0.7 million related to the expiration of the statute of limitations on a note payable.

Investing activities

Cash used in investing activities for the six months ended June 30, 2012 was $2.4 million, which was primarily attributable to the purchase of BPS and our investment in the business through capital expenditures for network infrastructure and investments in software development.

Cash used in investing activities for the six months ended June 30, 2011 was $1.0 million, which was primarily attributable to our investment in the business through capital expenditures for network infrastructure and investments in software development.

Financing activities

Cash used in financing activities for the six months ended June 30, 2012 was $0.5 million, primarily consisting of $0.2 million in capital lease payments and $0.4 million in paid IPO costs.

Cash provided by financing activities for the six months ended June 30, 2011 was $0.1 million, primarily consisting of $0.2 million in net proceeds from issuance of common stock, partially offset by $0.1 million in capital lease payments.

PLANET PAYMENT, INC.

HALF YEARLY REPORT

FOR THE SIX MONTHS
ENDED JUNE 30, 2012

CERTIFICATIONS

I, Philip D Beck, certify that:

1. I have reviewed this Half Yearly Report for the six months ended June 30, 2012 of Planet Payment, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: August 15, 2012

Philip D. Beck, CEO

I, Robert Cox, certify that:

1. I have reviewed this Half Yearly Report for the six months ended June 30, 2012 of Planet Payment, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: August 15, 2012

Robert Cox, CFO

1. I have reviewed this Half Yearly Report for the six months ended June 30, 2012 of Planet Payment, Inc.;

2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: August 15, 2012

Graham N. Arad, SVP & General Counsel