



**NETeller Plc Annual Report and Financial Statements
for the period ending 31 December 2003**

NOTE FROM THE CHAIRMAN

This Annual Report covers the period comprising the two months from the Company's incorporation on 31 October 2003 until 31 December 2003, which corresponds to the period for which the Company's first audited financial statements have been prepared, and which are included in this Report. Such financial statements have already been released to the Market at the time of the Company's listing on the Alternative Investment Market of the London Stock Exchange.

In accordance with Manx Company Law, the Company must hold its first Annual General Meeting within 18 months of its date of incorporation. This Report and related documents comprise the materials required to be sent to shareholders for the Company's first AGM, which is to be held on 18 April 2005. This Report only covers the short period of two months ending 31 December 2003, as the Board considers it more appropriate for all matters occurring during 2004 to be dealt with at the next AGM, which is due to take place on or around 22 June 2005.

In early April 2005 the Company is due to release to the Market its financial results for the year ending 31 December 2004 ("**2004 Results**"). At the next AGM in June 2005, which corresponds to the period relating to the 2004 Results, all relevant matters occurring in 2004 are planned to be dealt with. This will provide the Market and shareholders with details of the performance of the Company during 2004.

Pages (i) to (iv) of this Report provide current details of the Company's directors, secretary, advisers and registered office, and page (v) provides information on the Company's approach to corporate governance and the role of the audit and remuneration committees in the period ending 31 December 2003. Aside from this, and the Notice of Meeting and Form of Proxy at the end of the document, the rest of this Report reproduces the Directors' Report and Audited Financial Statements for the period ending 31 December 2003.

The Board strongly believes that new developments will make NETeller a market leader and the future strategy is to aid members and merchants in facilitating on-line payment transfer transactions across the globe.

I would like to thank all shareholders for their support, and all staff for their hard work on behalf of the Company, and the Board looks forward to further growth and development in the future.



Stephen Lawrence
Chairman of the Board of Directors
22 March 2005

CURRENT DIRECTORS AND SECRETARY

Details of current directors and the secretary are as follows:

Name	Position	Appointed
Stephen Eric Lawrence	Chairman, Non-Executive Director	23.01.04
Gordon Wayne Herman	Chief Executive Officer	23.01.04
John David Lefebvre	Non-Executive Director	23.01.04
Donald Clague Lindsay	Non-Executive Director	23.01.04
John Hamilton Webster	Non-Executive Director	23.01.04
Dale Patrick Johnson	Executive Director	23.02.05
Samantha Jayne Leahy	Secretary	24.08.04

Gordon Wayne Herman MBA (President and Chief Executive Officer)

Mr Herman was appointed Chief Operating Officer of the NETeller Group in September 2002. Mr Herman has significant operational and management experience, including prior appointments as President of General Electric Capital Leasing Inc. Canada (a division of General Electric), Chairman of Madison Companies, a Canadian based public company and Managing Director of Chell.com, a Calgary based application services provider. Mr Herman received his Bachelor of Business Administration from Brigham Young University in 1980 and his Master of Business Administration from the University of Notre Dame in 1984.

Stephen Eric Lawrence MBA (Chairman and Co-Founder)

Stephen Lawrence is an experienced entrepreneur, having founded and built a number of successful companies, both in and outside the online sector. His background is in finance and venture capital, having worked in the early 1990s as a principal at Cavendish Investing Limited, a Calgary based private venture capital firm. After spending time in the Alberta property development industry, he became interested in the emerging online E-commerce sector. He identified the concept of the NETeller System in 1999 and served as Chief Executive Officer of the NETeller Group until December 2002. Mr Lawrence received his MBA from the University of Western Ontario's Ivey School of Business.

Dale Patrick Johnson (Executive Director)

Mr Johnson was appointed Vice President - Corporate Development of the NETeller Group in March 2004. Mr Johnson has over 30 years of experience that includes corporate leadership, operations management, business development, project management, and turnarounds in both private and public companies. In the first 12 years of his career, Mr Johnson was engaged in large scale project management, including projects in the North Sea, Canada, and Peru. He was one of the founding shareholders and a Principal of Tri Ocean Engineering Ltd., a highly successful oilfield engineering firm. Mr Johnson founded and served as President of Alpeco Limited, a specialized oilfield equipment packager. In recent years, he has engaged in interim leadership roles to assist companies seeking financial turnaround. Mr Johnson received Bachelor and Masters degrees in Engineering at the University of British Columbia and a Management Diploma from the University of Calgary.

CURRENT DIRECTORS & SECRETARY (continued)

**John Lefebvre
(Non-Executive Director)**

Mr Lefebvre practised law in the Province of Alberta, Canada from 1982 until he devoted his full attention to the NETeller Group in 1999. It was through his practice in real estate development law that he met Mr. Lawrence. Mr Lefebvre served as President of the NETeller Group from 2000 to 2002. He received his Bachelor of Laws degree from the University of Calgary Faculty of Law in 1982.

**Don Lindsay
(Non-Executive Director)**

Mr Lindsay is a former General Manager of Isle of Man Bank Limited (part of the Royal Bank of Scotland Group). His previous banking career with National Westminster Bank plc was mainly in the City of London where he held senior positions in Credit Risk, Marketing, Securities Industry and Retail Banking. He is a past President of the Isle of Man Chamber of Commerce and has been a member of various Isle of Man Government Consultative Committees. He holds several non executive directorships of international companies and has prior experience as a director of a public listed company quoted on the London Stock Exchange.

**John Hamilton Webster BSc (Econ), FCMI
(Non-Executive Director)**

John Webster is an experienced entrepreneur with business interests in computer software, banking, security, gaming, fiduciary and management services. He is Administrator of the Isle of Man Government's Manx Business Connection and Deputy Chairman of the Financial Supervision Commission. Previously, he lectured in economics and management studies, was the Isle of Man Government's Chief Economic Adviser, Chairman of the Island Games Association of Mann and President of the Isle of Man Chamber of Commerce.

NETELLER PLC (formerly NETELLER LIMITED)

CURRENT ADVISERS

Details of the Company's current advisers are as follows:

Auditors

Deloitte & Touche
Grosvenor House
66/67 Athol Street
Douglas
Isle of Man
IM99 2BJ

Principal Bankers

Barclays Bank
Barclays House
Victoria Street
Douglas
Isle of Man
IM1 1HN

Registrars

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Joint Broker

Canaccord Capital (Europe) Limited
1st Floor
Brook House
Upper Brook Street
London
W1K 7QF

Joint Broker

Durlacher
4 Chiswell Street
London
EC1Y 4UP

Nominated Advisor

Canaccord Capital (Europe) Limited
1st Floor
Brook House
Upper Brook Street
London
W1K 7QF

REGISTERED OFFICE

Details of the Company's current registered office is as follows:

Registered Office

Fourth Floor
Standard Bank Building
One Circular Road
Douglas
Isle of Man
IM1 1AF

CORPORATE GOVERNANCE

The Company is committed to high standards of corporate governance and the Board is accountable to the Company's shareholders for maintaining such corporate governance.

Relations with Shareholders

The Company encourages two-way communication with all its investors, both private and institutional. All queries and questions are dealt with as quickly and efficiently as possible.

The Board has sought to use the Annual General Meeting to communicate with the shareholders and should anyone have further queries we would invite them to contact Dale Johnson our Vice President of Corporate Development (dale@neteller.com) or visit our website www.neteller.com.

Financial Reporting

The performance and financial position of the Company during the period ending 31 December 2003 are outlined in the financial statements.

AUDIT & REMUNERATION COMMITTEE REPORTS

Audit Committee

An Audit Committee had not been appointed during the period ending 31 December 2003.

Remuneration Committee

A Remuneration Committee had not been appointed during the period ending 31 December 2003.

NETELLER PLC (formerly NETELLER LIMITED)

REPORT AND FINANCIAL STATEMENTS

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REPORT AND FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

John David Lefebvre
Stephen Eric Lawrence
Donald Clague Lindsay
John Hamilton Webster
Gordon Wayne Herman

SECRETARY

Bernice Oates

REGISTERED OFFICE

PO Box 312
Grosvenor House
66/67 Athol Street
Douglas, Isle of Man

BANKERS

Barclays Bank Plc
Barclays House
Victoria Street
Douglas, Isle of Man

SOLICITORS

Berwin Leighton Paisener
Adelaide House
London Bridge
London
EC4R 6HA

AUDITORS

Deloitte & Touche
Douglas
Isle of Man

**DIRECTORS' REPORT
FOR THE TWO MONTH PERIOD FROM INCORPORATION ON 31 OCTOBER 2003 TO 31
DECEMBER 2003 (continued)**

The directors present their report and the audited financial statements for the two month period from incorporation on 31 October 2003 to 31 December 2003.

DATE OF INCORPORATION

The Company was incorporated on 31 October 2003. On 1 April 2004, the Company changed its name from NETeller Limited to NETeller plc.

ACTIVITIES

Pursuant to the terms of various agreements, effective 31 December 2003, the Company:

- i. Purchased intellectual property and related assets from NETeller Inc., a company under common control, for an aggregate purchase price of \$6,500,000 and the obligation to pay additional consideration equal to the difference between \$6,500,000 and any upward reassessment by the Canadian taxation authorities of the value of the assets (the "Reassessment Amount"). The consideration was reduced by \$137,072 to reflect net trading liabilities acquired. This transaction has been recorded at the exchange amount, being the fair value of such assets as determined by an independent third party valuer; and
- ii. purchased portfolio investments and prepaid expenses from NETeller Inc. for \$110,705. This transaction has been recorded at the carrying value, which approximates to the exchange amount.

Effective 31 December 2003, NT Services Limited, a wholly-owned subsidiary of the Company, entered into an agreement with NETeller Inc., and acquired certain remaining capital assets for an aggregate purchase price of \$1,000,000. This transaction has been recorded at the exchange amount, being the estimated fair value as agreed to by the related parties.

On 1 April 2004, 1098853 Alberta Ltd. ("Alberta") and Corvina International Ltd. ("Corvina") subscribed for shares in the Company (see Note 20), partial consideration of which was calculated by reference to the Reassessment Amount.

On 1 April 2004, the Company, NETeller Inc., Alberta and Corvina agreed to exchange the Company's right to receive additional amounts calculated by reference to the Reassessment Amount from Alberta and Corvina, forming part of the consideration for the issue of the shares on 1 April 2004, for the Reassessment Amount due to NETeller Inc., thereby releasing the Company from its obligation to pay the Reassessment Amount.

FUTURE ACTIVITIES

The Company will provide services to businesses to allow the processing of direct debit, electronic cheque and credit card payments. The Company through its wholly-owned subsidiary, NT Services Limited, processes direct debit, electronic cheques and credit card payments for retail point-of-sale, internet and mail order/telephone order merchants.

RESULTS AND DIVIDENDS

The company did not trade, had no income or expenses and made neither a profit nor a loss in the two month accounting period from incorporation on 31 October 2003 to 31 December 2003. Accordingly, no income statement is presented.

The directors do not recommend the payment of a dividend for the two month period from incorporation on 31 October 2003 to 31 December 2003.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
NETELLER PLC (formerly NETELLER LIMITED)**

DIRECTORS and their interests

The directors of the company who served during the above period and to date are:

	Appointed	Resigned	Number of shares at date of reporting	% of issued share Capital at date of reporting
Nicholas David Williamson	31/10/2003	23/01/2004		
Christopher James Tushingam	31/10/2003	23/01/2004		
John David Lefebvre	23/01/2004		26,885,000	25.65
Stephen Eric Lawrence	23/01/2004		43,870,000	41.86
Donald Clague Lindsay	23/01/2004			
John Hamilton Webster	23/01/2004			
Gordon Wayne Herman	23/01/2004		4,800,000	4.58

AUDITORS

Deloitte & Touche have indicated their willingness to continue as auditors and a resolution to re-appoint them will be proposed at the Annual General Meeting.

**Approved by the Board of Directors
and signed on behalf of the Board**



Gordon Herman
Director

2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company Law requires that the Directors prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period. In preparing those financial statements the Directors are required to:

- select suitable accounting policies and apply those policies consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Acts 1931-1993. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

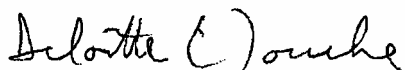
**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
NETELLER PLC (formerly NETELLER LIMITED)**

We have audited the accompanying consolidated balance sheet and Company balance sheet of NETeller Plc (formerly NETeller Limited) as of 31 December 2003, and the related consolidated statement of cash flow for the two month period from incorporation on 31 October 2003 to 31 December 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

This report is made solely to the company's members, as a body, in accordance with section 15 of the Companies Act 1982. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company and the Group as of 31 December 2003, and of the results of its operations and its cash flows for the two month period from incorporation on 31 October 2003 to 31 December 2003 in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Companies Acts 1931 to 1993.



DELOITTE & TOUCHE
Chartered Accountants
Douglas, Isle of Man

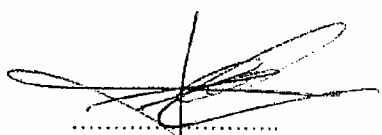
Date: **7 April 2004**

CONSOLIDATED BALANCE SHEET
31 DECEMBER 2003

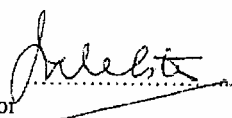
	<u>US\$</u>
ASSETS	
CURRENT	
Cash and cash equivalents (Note 5)	31,030,455
Receivable from NETeller Inc. (Note 6)	17,081,598
Receivable from members (Note 7)	565,000
Funds held in trust (Note 8)	6,500,000
Accounts receivable	54,045
Prepaid expenses and deposits	85,705
	<u>55,316,803</u>
NON-CURRENT ASSETS	
Capital assets (Note 9)	1,000,000
Intellectual property (Notes 2 and 10)	6,500,000
Portfolio investment, at cost	25,000
	<u>62,841,803</u>
LIABILITIES	
CURRENT	
Payable to members and merchants	48,868,070
Notes payable to NETeller Inc. (Note 2)	7,473,633
Due to shareholders (Note 12)	6,500,099
	<u>62,841,802</u>
SHAREHOLDERS' EQUITY	
Share capital (Note 13)	<u>1</u>
	<u>62,841,803</u>

The notes on pages 9 to 19 form part of these financial statements.

These financial statements were approved by the Board of Directors on 7 April 2004 and were signed on its behalf by:



 Director
 John D. Letebvre
 [Name]



 Director
 [Name] J. H. WEBSTER.


NETELLER PLC (formerly NETELLER LIMITED)

COMPANY BALANCE SHEET
31 DECEMBER 2003

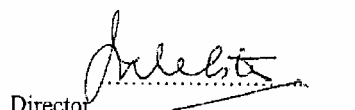
	US\$
ASSETS	
CURRENT	
Receivable from NETeller (UK) Limited	31,030,289
Receivable from NETeller Inc. (Note 6)	17,081,598
Receivable from members (Note 7)	565,000
Funds held in trust (Note 8)	6,500,000
Accounts receivable	54,045
Prepaid expenses and deposits	85,705
	55,316,637
NON-CURRENT ASSETS	
Intellectual property (Notes 2 and 10)	6,500,000
Portfolio investment, at cost	25,000
Investment in NT Services Limited, wholly-owned subsidiary, at cost (Note 11)	100
Investment in NETeller (UK) Limited, wholly-owned subsidiary, at cost (Note 11)	166
	61,841,903
LIABILITIES	
CURRENT	
Payable to members and merchants	48,868,070
Notes payable to NETeller Inc. (Note 2)	6,473,633
Due to shareholders (Note 12)	6,500,199
	61,841,902
SHAREHOLDERS' EQUITY	
Share capital (Note 13)	1
	61,841,903

The notes on pages 9 to 19 form part of these financial statements.

These financial statements were approved by the Board of Directors on 7 April 2004 and were signed on its behalf by:



 Director
 John D. Lefebvre
 [Name]



 Director
 [Name] J. H. WEBSTER.

NETELLER PLC (formerly NETELLER LIMITED)

Consolidated Statement of Cash Flow
Two month period ended 31 December 2003

	<u>US\$</u>
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:	
INVESTING	
Purchase of business (Note 14)	-
Net cash flow from financing activities	-
FINANCING	
Share capital issued (Note 13)	1
Notes payable assumed (Notes 2 and 14)	-
Due to shareholders (Notes 14 and 15)	-
Net cash flow from financing activities	1
INCREASE IN CASH AND CASH EQUIVALENTS DURING PERIOD	1
CASH AND CASH EQUIVALENTS ACQUIRED ON PURCHASE OF BUSINESS (Note 14)	31,030,454
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>31,030,455</u>

**Notes to the Financial Statements
as at 31 December 2003 (continued)**

1. GENERAL

NETeller Plc (formerly NETeller Limited) (the “Company”) is a private company incorporated under the laws of the Isle of Man on 31 October 2003 and registered as a public company on 1 April 2004. The principal activities of the Company and its subsidiaries (the “Group”) are described in Note 2.

The notes to the financial statements refer to the Group unless otherwise stated.

These financial statements are presented in US dollars (“US\$” or “\$”) since that is the currency in which the majority of the Group’s transactions are denominated.

At 31 December 2003, the Group had 130 employees.

2. NATURE OF OPERATIONS

The Company provides services to businesses to allow the processing of direct debit, electronic cheque and credit card payments. The Company through its wholly-owned subsidiary, NT Services Limited, processes direct debit, electronic cheques and credit card payments for retail point-of-sale, internet and mail order/telephone order merchants.

Pursuant to the terms of various agreements, effective 31 December 2003, the Company:

- i) purchased intellectual property and related assets, including its beneficial interest in NETeller (UK) Limited, from NETeller Inc., a company under common control, for an aggregate purchase price of \$6,500,000 and the obligation to pay additional consideration equal to the difference between \$6,500,000 and any upward reassessment by the Canadian taxation authorities of the value of the assets transferred under the agreement (see Note 17). The consideration was reduced by \$137,072 to reflect net trading liabilities acquired. This transaction has been recorded at the exchange amount, being the fair value of such assets as determined by an independent third party valuer; and
- ii) purchased a portfolio investment and prepaid expenses from NETeller Inc. for \$110,705. This transaction has been recorded at the carrying value, which approximates to the exchange amount.

Effective 31 December 2003, NT Services Limited, a wholly-owned subsidiary of the Company, entered into an agreement with NETeller Inc. and acquired certain remaining capital assets for an aggregate purchase price of \$1,000,000. This transaction has been recorded at the exchange amount, being the estimated fair value as agreed to by the related parties.

As at 31 December 2003, NETeller Inc. and the Company were ultimately under common control.

Consideration consisted of:

	Intellectual property and related assets US\$	Other assets US\$	Company total US\$	Capital assets US\$	Group total US\$
Initial consideration	6,500,000	110,705	6,610,705	1,000,000	7,610,705
Adjustment on transfer of cash and payable to members and merchants	(137,072)	-	(137,072)	-	(137,072)
Notes payable	6,362,928	110,705	6,473,633	1,000,000	7,473,633

**Notes to the Financial Statements
as at 31 December 2003 (continued)**

2. NATURE OF OPERATIONS (continued)

The notes payable bear interest at 12% per annum calculated semi-annually and were fully repaid subsequent to 31 December 2003.

As at 31 December 2003, the notes payable by the Group to NETeller Inc. were \$7,473,633, of which \$6,473,633 was payable by the Company and the remaining \$1,000,000 by NT Services Limited.

3. INCOME STATEMENT

The company had no income or expenses and made neither a profit nor a loss in the two month period from incorporation on 31 October 2003 to 31 December 2003. Accordingly, no income statement is presented.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Isle of Man law and International Financial Reporting Standards (IFRS) and in accordance with the Statement of Recommended Accounting Practice issued by the Isle of Man Society of Chartered Accountants and the Association of Chartered Certified Accountants. The following principal accounting policies have applied.

Accounting convention

The financial statements have been prepared on the historical cost basis.

Principles of consolidation

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

In the non-consolidated financial statements of the Company, investments in subsidiaries are stated at cost.

Cash and cash equivalents

Cash and cash equivalents include balances with banks and term deposits, which have maturities of less than three months at the date of acquisition.

Intellectual property

Intellectual property is recorded at cost (Note 10) and will be amortised on a straight-line basis over its estimated useful life of three years.

Notes to the Financial Statements as at 31 December 2003 (continued)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets

Capital assets are recorded at cost and, commencing 1 January 2004, will be amortised, over their estimated useful lives, using the declining-balance method, on the following bases:

Communication equipment	20%
Furniture and equipment	20%
Computer equipment	30%

Commencing 1 January 2004, the following will be amortised over their estimated useful lives, using the straight-line method, on the following bases:

Computer software	2 years
Leasehold improvements	5-10 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in net earnings (loss).

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Investment

Investments are recognised on a trade-date basis and are initially measured at cost, including transaction costs.

Receivable from members

Receivable from members are stated at their nominal value as reduced by appropriate provision for doubtful accounts.

Trade payables

Trade payables are stated at their nominal value.

Income taxes

The Group uses the liability method of accounting for income taxes. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax assets or liabilities. Future income tax assets or liabilities are calculated using tax rates anticipated to exist in the periods that the temporary differences are expected to reverse.

**Notes to the Financial Statements
as at 31 December 2003 (continued)**

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Group is involved in transaction processing services. Revenues from transaction processing services are recognised at the time services are rendered. Member revenue is recognised either as a fee calculated as a percentage of funds processed or as a charge per transaction, pursuant to the respective member agreements. Merchant revenue is recognised as a fee calculated as a percentage of funds processed on behalf of the merchants.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Repairs and renewals

These costs are charged against the net earnings (loss) as and when they are incurred. No provision for future repairs is made in the financial statements.

Foreign exchange

Assets, liabilities, revenues and expenses arising from foreign currency transactions are translated into United States dollars using the exchange rate in effect at the date of the transaction. At period-end, monetary items denominated in foreign currency are adjusted to reflect the exchange rate in effect at the period-end and any gain or loss is included in net earnings for that period.

Integrated foreign subsidiaries are accounted for under the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenue and expenses are translated at average rates for the period and foreign exchange gains and losses are included in income in the period in which they arise. See Note 11.

Related party transactions

Monetary related party transactions in the normal course of operations are recorded at fair value, and transactions between related parties, not in the normal course of operations, are recorded at the carrying value as recorded by the transferor, except for the transaction noted in Note 2 i).

Use of estimates

The preparation of the Group's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingencies at the date of the Group's financial statements, and revenue and expenses during the reporting period. Actual results could differ from those estimated. Significant estimates in the Group's financial statements include the amount recorded for provision for doubtful accounts, commitments and contingencies. By their nature, these estimates and assumptions are subject to measurement uncertainty and the effect on the Group's financial statements of changes in estimates in future periods could be significant.

**Notes to the Financial Statements
as at 31 December 2003 (continued)**

5. CASH AND CASH EQUIVALENTS

	<u>As at 31 December 2003 US\$</u>
Cash and cash equivalents include:	
Barclays Global Investors Liquidity Fund	19,033,888
Cash balances	<u>11,996,567</u>
	<u>31,030,455</u>

Although there are no specific requirements to maintain trust accounts on behalf of members and merchants, in the normal course of business, it is a policy of the Group to maintain sufficient cash balances to offset the amounts due to members and merchants. Included in cash and cash equivalents and receivable from NETeller Inc. (Note 6) are funds of \$26,455,000 maintained for merchant accounts.

6. RECEIVABLE FROM NETeller Inc.

The balances of cash and cash equivalents at 31 December 2003 were held in the name of NETeller Inc. (reflected as a receivable from NETeller Inc.) and a related company prior to the completion of the provisions of the purchase of the intellectual property and related assets.

Included in the receivable from NETeller Inc. is \$406,063, representing balances held by a company under common control. An agreement exists between the companies acknowledging that these amounts are held by the company under common control as a trustee for the Company and, as result, are included in the Group's financial information. There are no specific terms and conditions related to this agreement.

7. RECEIVABLE FROM MEMBERS

	<u>As at 31 December 2003 US\$</u>
Receivable from members	<u>2,149,642</u>
Provision for doubtful accounts	<u>(1,584,642)</u>
	<u>565,000</u>

Receivable from members consist of member accounts that have become overdrawn. The net receivable from members represents the accounts which are expected to be collected through the normal course of business.

**Notes to the Financial Statements
as at 31 December 2003 (continued)**
8. FUNDS HELD IN TRUST

Prior to 31 December 2003, the shareholders remitted funds to the Company's legal counsel to be used to make payment on notes payable described in Note 2. At 31 December 2003, these funds were held in trust by the Company's legal counsel.

Subsequent to 31 December 2003, these funds were released and used to make payment on the notes payable. See Note 2.

9. CAPITAL ASSETS

	Communication Equipment US\$	Furniture and equipment US\$	Computer equipment US\$	Computer software US\$	Leasehold improvements US\$	Total US\$
Cost						
As at 31 December 2003	352,500	54,200	125,000	23,000	445,300	1,000,000
Accumulated amortisation						
As at 31 December 2003	-	-	-	-	-	-
Net book value						
As at 31 December 2003	352,500	54,200	125,000	23,000	445,300	1,000,000

Capital assets have not been amortised as these assets were acquired on 31 December 2003.

10. INTELLECTUAL PROPERTY

	As at 31 December 2003 US\$
Cost	
As at 31 December	6,500,000
Accumulated amortisation	
As at 31 December	-
Net book value	
As at 31 December	6,500,000

Intellectual property has not been amortised in 2003 as it was acquired on 31 December 2003.

**Notes to the Financial Statements
as at 31 December 2003 (continued)**

11. SUBSIDIARIES

Details of the Company's subsidiaries as at 31 December 2003 are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
NETeller (UK) Limited	United Kingdom	100%	100%	Marketing
NT Services Limited	Canada	100%	100%	Process payments on behalf of the Company

As at 31 December 2003, NETeller (UK) Limited had not commenced operations as a marketing company.

12. DUE TO SHAREHOLDERS

	As at 31 December 2003	
	Company US\$	Group US\$
Due to shareholders	6,500,199	6,500,099

The amounts due to shareholders are unsecured, non-interest bearing and it is management's intention to repay these amounts within the next twelve months. These amounts represent the initial financing injection by the shareholders for the anticipated repayment of the notes payable subsequent to 31 December 2003.

13. SHARE CAPITAL

	Number of Shares	Amount £
Authorised share capital 1,000,000 ordinary shares of £0.01 per share	1,000,000	10,000
	Number of Shares	Amount US\$
Issued share capital		
Balance at date of incorporation 31 October 2003	-	-
Ordinary shares issued during the two month period at par of £0.01	1	1
Balance at 31 December 2003	1	1

**Notes to the Financial Statements
as at 31 December 2003 (continued)**
14. PURCHASE OF BUSINESS

Effective 31 December 2003, the Company acquired the intellectual property and related assets for an aggregate purchase price of (a) \$6,500,000; and (b) an amount equal to the difference between \$6,500,000 and any upward reassessment by the Canadian taxation authorities of the value of the assets purchased less a \$137,032 adjustment to reflect net trading liabilities acquired and other assets for \$110,705 from NETeller Inc., a company under common control. Also effective 31 December 2003, NT Services Limited, a wholly-owned subsidiary of the Company, acquired certain remaining capital assets for an aggregate purchase price of \$1,000,000 from NETeller Inc. (See Note 2). Settlement of these purchases with NETeller Inc. was through notes payable of \$6,473,633 by the Company and \$1,000,000 by NT Services Limited.

Prior to 31 December 2003, the shareholders of the Company remitted funds of \$6,500,000 to the Company's legal counsel to be held in trust and accordingly, increased the amounts due to shareholders. (See Notes 2 and 8).

The intellectual property and related assets, capital assets and other assets acquired pursuant to these agreements on 31 December 2003 were as follows:

	For period ended 31 December 2003 Group US\$
Current assets (excluding cash and cash equivalents acquired):	
Receivable from members	565,000
Receivable from NETeller Inc.	17,081,598
Funds held in trust	6,500,000
Accounts receivable	54,045
Prepaid expenses and deposits	85,705
	<u>24,286,348</u>
Capital assets	1,000,000
Intellectual property	6,500,000
Portfolio investment	25,000
Investment in NETeller (UK) Limited	-
Total assets	<u>31,811,348</u>
Current liabilities:	
Payable to members and merchants	(48,868,070)
Notes payable to NETeller Inc.	(7,473,633)
Due to shareholders	(6,500,099)
Total liabilities	<u>(62,841,802)</u>
Net liabilities (excluding cash and cash equivalents acquired)	(31,030,454)
Cash and cash equivalents acquired	<u>31,030,454</u>
Net cash flow on acquisition of business	<u><u>-</u></u>

15. NON-CASH TRANSACTION

On 17 December 2003, NT Services Limited was incorporated in Alberta, Canada and became a wholly-owned subsidiary of the Company. This investment in subsidiary was financed by a shareholder of the Company thereby increasing the due to shareholders amounts.

**Notes to the Financial Statements
as at 31 December 2003 (continued)**

16. FINANCIAL INSTRUMENTS

Financial instruments consist of cash and cash equivalents, receivable from a company under common control, receivable from members, funds held in trust, accounts receivable, payable to members and merchants, notes payable to a company under common control and due to shareholders.

i) Fair values

The fair values of cash and cash equivalents, receivable from a company under common control, receivable from members, funds held in trust, accounts receivable, payable to members and merchants, notes payable to a company under common control and due to shareholders approximate the carrying values due to the short-term nature of these instruments.

ii) Credit risk and concentrations

The Group is exposed to credit risk to the extent that its customers may experience financial difficulty and would be unable to meet their obligations. The Group manages the exposure to credit risk by ensuring it has a significant number of members. As these members are widespread geographically and the merchants are active in various industries, the exposure to credit risk and concentration is mitigated.

iii) Interest rate risk

The Group is not exposed to significant interest rate risk.

iv) Currency risk

The Group is not significantly exposed to foreign currency exchange risk, as the majority of the transactions are denominated in US dollars. The Group manages the exposure to currency risk by commercially transacting in US dollars and by limiting the use of other currencies for operating expenses, thereby minimising the realised and unrealised foreign exchange gain (loss).

17. INDEMNITY RELATING TO PURCHASE AGREEMENT

Pursuant to the terms of a purchase agreement effective 31 December 2003, the Company acquired the intellectual property and related assets of NETeller Inc. for the sum of US\$6,500,000 and an amount (the "Reassessment Amount") which is equal to the difference between US\$6,500,000 and any upward reassessment by Canadian taxation authorities of the value of the assets sold by NETeller Inc. This amount is payable within one year after the date of such reassessment. An indirect tax liability may additionally arise in the Company as a consequence of the determination of the final amount and other charges to the business.

On 1 April 2004, 1098853 Alberta Ltd. ("Alberta") and Corvina International Ltd. ("Corvina") subscribed for shares in the Company (see Note 20), partial consideration of which was calculated by reference to the Reassessment Amount.

On 1 April 2004, the Company, NETeller Inc., Alberta and Corvina agreed to exchange the Company's right to receive additional amounts calculated by reference to the Reassessment Amount from Alberta and Corvina, forming part of the consideration for the issue of the shares on 1 April 2004, for the Reassessment Amount due to NETeller Inc., thereby releasing the Company from its obligation to pay the Reassessment Amount.

**Notes to the Financial Statements
as at 31 December 2003 (continued)**

18. COMMITMENT

At 31 December 2003, the Group was committed to making the following payments during the next year in respect of an operating lease:

	Building US\$
Leases which expire:	
Within one year	24,021

The Company entered into an operating lease on 1 January 2004 for premises located on the Isle of Man. The lease for nine months expires on 30 September 2004. Lease payments are due in monthly instalments of \$2,669 (£1,500).

19. RELATED PARTY TRANSACTIONS

Related party transactions are disclosed in Notes 2, 6, 11, 12, 14, 15 and 20.

20. EVENTS SUBSEQUENT TO 31 DECEMBER 2003

On 5 January 2004, the Company issued an additional 999,999 ordinary shares of £0.01 each for \$17,999. These shares were fully subscribed to by the shareholders, thereby increasing share capital by the value of issued shares of \$17,999 and a corresponding decrease in the amount due to shareholders' balances. These shares were issued to the trustee, Walbrook (IOM) Nominees (No. 2) Ltd., on behalf of the beneficial shareholders on 5 January 2004.

On 1 April 2004, the authorised share capital of the Company was increased to £30,000 by the creation of 200,000,000 ordinary shares of 0.01p each.

On 1 April 2004, the 1,000,000 issued ordinary shares of 1p each in the company were converted into 1,000,000 deferred shares of 1p each.

On 1 April 2004, the Company allotted and issued 100,000,000 ordinary shares for an aggregate subscription price of £10,000 plus an additional amount calculated by reference to the Reassessment Amount pursuant to the agreement described in Note 17.

On 1 April 2004, the Company allotted and issued a further 4,800,000 ordinary shares at par for cash.

On 7 April 2004, the Company approved the payment of the amounts due to shareholders, totalling \$6,500,099.

On 7 April 2004, the Company approved a bonus payable to management of \$1,000,000 for the period from 1 January 2004 to 31 March 2004. Any net income for the period 1 January 2004 to 31 March 2004 in excess of the \$7,500,099 will be paid out as a management fee.

21. ULTIMATE HOLDING COMPANY

There was no ultimate holding company at 31 December 2003. Alberta and Corvina became the ultimate holding companies with effect from 1 April 2004.

**Notes to the Financial Statements
as at 31 December 2003 (continued)**

22. TAXATION

The Company is registered as an exempt company under the provisions of Income Tax (Exempt Companies) Act 1984 and accordingly pays no tax in the Isle of Man.

NETELLER PLC (formerly NETELLER LIMITED)

NOTICE OF ANNUAL GENERAL MEETING

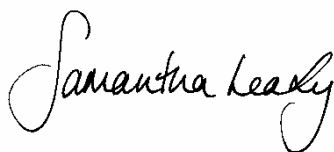
Notice is hereby given that the First Annual General Meeting of NETeller Plc will be held at The Claremont Hotel, Loch Promenade, Douglas, Isle of Man on 18 April 2005 at 10.30 am for the purpose of transacting the following ordinary business:

- a) To receive and adopt the report of the Directors and Financial Statements for the period ending 31 December 2003
- b) To re-elect Mr J D Lefebvre, who retires in accordance with the articles of association, being eligible offers himself for re-election
- c) To re-appoint Deloitte & Touche as auditors of the Company and to authorise the directors to determine their remuneration

and the following special business:

- d) That all matters relating to the Company's activities for the 2004 calendar year be deferred to be dealt with in the Company's 2004 Annual Report and at the Company's next AGM (to be held on or around 22 June 2005), when the trading activities for that period will be reported on in detail together with the financial statements for the year ending 31 December 2004.

By order of the Board



Samantha Jayne Leahy
Company Secretary
22 March 2005

Registered Office:

NETeller PLC, Fourth Floor, Standard Bank Building, One Circular Road, Douglas Isle of Man, IM1 1AF.

Notes:

- (i) To be eligible to attend or vote at the Meeting, a person or entity must be entered on the register of members not more than 48 hours prior to the Meeting.
- (ii) A member of the Company who is entitled to attend and vote at the above Meeting is entitled to appoint a proxy or proxies to attend, speak or vote on his, her or its behalf.
- (iii) To be valid, proxy forms must be deposited with the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4BR not later than 2.00pm 16 April 2005.
- (iv) A copy of the contracts of service between each of the current directors of the Company will be available for inspection 15 minutes prior to the Meeting until the close of the Meeting.

NETELLER PLC (formerly NETELLER LIMITED)

FORM OF PROXY

Proxy for the First Annual General Meeting if the Company to be held at The Claremont Hotel, 18/19 Loch Promenade, Douglas, Isle of Man, on 18 April 2005 at 10.30 am.

I/We.....

of.....

(Please insert full name(s) and address(es) using block capitals)

being (a) member/member(s) of NETeller plc, hereby appoint the Chairman of the Meeting or
(See note 2)

.....
As my/our proxy to vote for me/us on my/our behalf as indicated below (or at his/her discretion in respect of any other resolution proposed at the Meeting) at the Annual General Meeting of the Company and at any adjournment thereof.

If you wish to indicate how you desire your proxy to vote please insert X in the appropriate space below. Unless otherwise instructed, the proxy will vote to abstain as he/she thinks fit.

Ordinary Business Ordinary Resolutions	For	Against
1. To receive and approve the report of the Directors and the Financial Statements for the period ending 31 December 2003.		
2. To re-elect Mr J Lefebvre as a Director.		
3. To reappoint Deloitte & Touche and authorise the directors to determine their remuneration.		
Special Business Ordinary Resolution		
4. That all matters relating to the Company's activities for the 2004 calendar year be deferred to be dealt with in the Company's 2004 Annual Report and at the Company's next AGM (to be held on or around 22 June 2005), when the trading activities for that period will be reported on in detail together with the Financial Statements for the year ending 31 December 2004.		

Dated this.....day of.....2005

Signed.....

(See notes 4 & 5)

Notes:

- 1) A proxy may vote on a show of hands or on a poll and also has the right to demand or join in demanding a poll. A proxy has no right to speak at the Meeting except with the permission of the Chairman of the Meeting.
- 2) If it is desired to appoint as proxy any person other than the Chairman of the Meeting, delete all reference to the Chairman and insert the name and address of your proxy; the alteration should be initialled. A proxy need not be a member of the Company.
- 3) In the case of a corporation, this form must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.
- 4) In the case of joint holders, the signature of any one of them will suffice, but the names of all joint holders should be shown. The vote of the senior joint holder who tenders a vote, whether in person or proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of joint holding.
- 5) To be valid this proxy form and any power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority must be deposited at the offices of the Company's Registrars, not later than 2.00 pm on 14 April 2005 or 48 hours before any adjourned Meeting.
- 6) Any alterations made to this proxy form must be initialled.
- 7) On a poll a person entitled to more than one vote need not use all his, her or its votes or cast all the votes he, she or it uses in the same way.
- 8) Completion and return of this proxy form will not preclude you from attending the Meeting and from speaking and voting in person if you wish.



Third fold and tuck in

Capita Registrars
The Registry
34 Beckenham Road
BECKENHAM
Kent BR3 4BR

First fold

Second fold



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