

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or the action you should take, you should consult a person authorised for the purposes of the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities immediately.

Application has been made for all the Ordinary Shares of NETeller plc in issue immediately following the Placing to be admitted to trading on the Alternative Investment Market of London Stock Exchange plc ("AIM"). It is expected that Admission will become effective and that dealings in the Ordinary Shares will commence on AIM on 14 April 2004. The Ordinary Shares are not dealt in or on any other recognised investment exchange and no other such applications have been made.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority ("UKLA"). Neither the UKLA nor the London Stock Exchange has examined or approved the contents of this document.

A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent adviser. The whole of the text of this document should be read and, in particular, your attention is drawn to the section entitled "Risk Factors" in Part II of this document.

This document, which is an admission document required by the rules of AIM, comprises a prospectus drawn up in accordance with the Public Offers of Securities Regulations 1995 and the AIM Rules ("Admission Document"). A copy of this document has been delivered to the Registrar of Companies in England and Wales for registration in accordance with regulation 4(2) of the Public Offers of Securities Regulations 1995. A copy of this document, together with copies of the documents referred to in paragraph 15.9 of Part VI, has also been delivered to the Financial Supervision Commission in the Isle of Man, as required by section 38 of the Isle of Man Companies Act 1931.

The Directors of the Company, whose names appear on page 3, accept responsibility for the information contained in this document and compliance with the AIM Rules. To the best of the knowledge and belief of the Directors, (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts, and this document makes no omission likely to affect the import of such information.

NETeller plc

(incorporated and registered in the Isle of Man with registered number 109535C)

Placing of

**17,500,000 Ordinary Shares of 0.01p each of the Company at a price of 200p per share
and**

Admission to trading on the Alternative Investment Market

**NOMINATED ADVISER AND JOINT BROKER
CANACCORD CAPITAL (EUROPE) LIMITED**

**JOINT BROKER
DURLACHER LIMITED**

Ordinary Share Capital Following Admission			
<i>Authorised</i>		<i>Issued and fully paid</i>	
Number of Ordinary Shares	Nominal Value	Number of Ordinary Shares	Nominal Value
200,000,000	£20,000	119,800,000	£11,980

Canaccord Capital (Europe) Limited, which is regulated by the Financial Services Authority in the United Kingdom, is the Company's nominated adviser and joint broker and, in each case, is acting exclusively for the Company in connection with the proposed Placing and admission of the Company's Ordinary Shares to trading on AIM. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or any other person in respect of his decision to acquire Ordinary Shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Canaccord Capital (Europe) Limited as to any of the contents of this document for which the Directors of the Company are responsible (without limiting the statutory rights of any person to whom this document is issued). Canaccord Capital (Europe) Limited will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing or any acquisition of shares in the Company. Canaccord Capital (Europe) Limited has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Canaccord Capital (Europe) Limited for the accuracy of any information or opinions contained in this document or for the omission of any material information.

Durlacher Limited, which is regulated by the Financial Services Authority in the United Kingdom, is the Company's joint broker and is acting exclusively for the Company in connection with the proposed Placing and admission of the Company's Ordinary Shares to trading on AIM. No representation or warranty, express or implied, is made by Durlacher Limited as to any of the contents of this document for which the Directors of the Company are responsible (without limiting the statutory rights of any person to whom this document is issued). Durlacher Limited will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document in respect of the Placing or any acquisition of shares in the Company. Durlacher Limited has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Durlacher Limited for the accuracy of any information or opinions contained in this document or for the omission of any material information.

This document does not constitute an offer to sell or the solicitation of an offer to buy shares in any jurisdiction and should not be distributed, directly or indirectly, to any persons with addresses in the United States of America (or any of its territories or possessions), Canada, Australia, the Republic of Ireland or Japan, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The Ordinary Shares have not been and will not be registered under the applicable securities laws of the United States, Canada, Australia, the Republic of Ireland or Japan.

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DIRECTORS, OFFICERS AND ADVISERS

Directors	Stephen Lawrence (<i>Chairman</i>) Gordon Herman (<i>Chief Executive Officer</i>) John Lefebvre (<i>Non Executive Director</i>) Don Lindsay (<i>Non Executive Director</i>) John Webster (<i>Non Executive Director</i>)
Officers	Gordon Herman (<i>President and Chief Executive Officer</i>) Eric Hughes, CA (<i>Chief Financial Officer</i>) Gordon Forbes (<i>Vice President, North American Operations</i>) Paul Templeman (<i>Vice President, European Operations</i>) Bruce Elliott (<i>Vice President, Sales</i>) Andy Scott (<i>Chief Security Officer</i>) Jeff Natland (<i>Chief Informational Officer</i>)
Secretary	Bernice Oates
Registered Office	PO Box 312 Grosvenor House 66/67 Athol Street Douglas Isle of Man IM99 2BJ
Nominated Adviser and Joint Broker	Canaccord Capital (Europe) Limited 1st Floor, Brook House 27 Upper Brook Street London W1K 7QF
Joint Broker	Durlacher Limited 4 Chiswell Street London EC1Y 4UP
Solicitors to the Company	Berwin Leighton Paisner Adelaide House London Bridge London EC4R 9HA
Solicitors to the Placing	Charles Russell 8-10 New Fetter Lane London EC4A 1RS
Reporting Accountants	Deloitte & Touche LLP 3000 Scotia Centre 700 Second Street SW Calgary Alberta Canada T2P 0S7
Auditors and Reporting Accountants	Deloitte & Touche PO Box 250 Grosvenor House 66/67 Athol Street Douglas Isle of Man IM99 1XJ

Registrar

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

Consultant to the Company

Trout Energy Ventures Inc.
450, 505 – 3rd Street SW
Calgary Alberta
Canada T2P 3E6

Bankers

Barclays Private Clients International Ltd
PO Box No 9
Barclays House
Victoria Street
Douglas
Isle of Man
IM99 1AJ

DEFINITIONS

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

“Acts” or “Companies Acts”	the Isle of Man Companies Acts 1931 to 1993
“Admission”	the proposed admission of the issued and to be issued Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules of the London Stock Exchange governing the admission to and operation of AIM
“Articles”	the Articles of Association of the Company
“Board”	the board of directors of the Company
“Canaccord”	Canaccord Capital (Europe) Limited
“Alberta”	1098853 Alberta Ltd.
“Company” or “NETeller”	NETeller plc
“Corvina”	Corvina International Ltd.
“CREST”	the computerised settlement system (as defined in the United Kingdom Uncertificated Securities Regulations 2001 as amended) operated by CRESTCo which facilitates the transfer of title to shares in uncertificated form
“CRESTCo”	CRESTCo Limited
“Deferred Shares”	the 1,000,000 deferred shares of 1p each in the issued share capital of the Company
“Deloitte & Touche”	Deloitte & Touche LLP, Canada
“Deloitte & Touche IOM”	Deloitte & Touche, Isle of Man
“Directors”	the directors of the Company as at the date of this document whose names are set out on page 3 of this document
“Durlacher”	Durlacher Limited
“EU”	the European Union
“FSA”	Financial Services Authority of the United Kingdom
“Group”	the Company and its subsidiaries
“London Stock Exchange”	London Stock Exchange plc
“NETeller Group”	prior to 31 December 2003, NETeller Inc. and the subsidiaries of that company and after 31 December 2003, the Company and its subsidiaries
“NETeller Inc.”	NETeller Inc., a company incorporated in Alberta, Canada, the former holding company of the NETeller Group
“NETeller System”	the online money transfer system operated by the NETeller Group
“NETeller UK”	NETeller (UK) Limited, a wholly-owned subsidiary of the Company

“New Ordinary Shares”	the 15,000,000 new Ordinary Shares to be issued by the Company and subscribed for pursuant to the Placing
“NT Services”	NT Services Limited, a wholly-owned subsidiary of the Company
“Official List”	the Official List of the UKLA
“Ordinary Shares”	ordinary shares of 0.01 p each in the capital of the Company
“p”	pence
“Placing”	the conditional placing by Canaccord and Durlacher of the Placing Shares to institutional and other investors at the Placing Price pursuant to the terms and conditions of the Placing Agreement as described in this document
“Placing Agreement”	the conditional agreement dated 8 April 2004 between the Company, the Selling Shareholders and the shareholders of the Selling Shareholders, Canaccord, Durlacher and the Directors relating to the Placing, a summary of the principal terms and conditions of which is set out in paragraph 10 of Part VI of this document
“Placing Price”	200p per Placing Share
“Placing Shares”	the Sale Shares and the New Ordinary Shares
“POS Regulations” or “Regulations”	the Public Offers of Securities Regulations 1995, as amended
“£”	pounds sterling
“Sale Shares”	the 2,500,000 Ordinary Shares to be sold to purchasers by the Selling Shareholders in the Placing pursuant to the Placing Agreement
“Selling Shareholders”	Alberta and Corvina
“Shareholder”	a holder of Ordinary Shares
“Share Option Plan”	the share option plan of the Company, a summary of the principal provisions of which is set out in paragraph 6 of Part VI of this document
“subsidiary”, “subsidiary undertaking”, “associated undertaking” and “undertaking”	have the meanings respectively ascribed to them by the United Kingdom Companies Act 1985 (as amended), disregarding for this purpose paragraph 20(1)(b) of Schedule 4A to the United Kingdom Companies Act 1985 (as amended)
“United Kingdom” or “UK”	United Kingdom of Great Britain and Northern Ireland
“UKLA”	United Kingdom Listing Authority
“United States” or “US” or “USA”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“US\$”	United States dollars

Throughout this document, other than in Parts III and IV and where otherwise indicated, the exchange rate of £1:US\$1.80 has been used.

GLOSSARY OF TECHNICAL TERMS

Acquirer or Acquiring Bank	a principal member of a credit card organisation that acquires data relating to transactions from a merchant or card acceptor for processing
ACH or Automatic Clearing House	a group of processing institutions linked by a computer network to exchange (clear and settle) electronic payment transactions
Chargeback	a credit card transaction that is in dispute either by the cardholder or cardholder's bank
Distributed Denial of Service Attack	a multitude of compromised computer systems attacking a single target website with a flood of incoming messages, thereby denying service to the system by legitimate users
EFT or Electronic Funds Transfer	a process of electronically transferring funds to or from an account with a financial institution
ELMI or Electronic Money Issuer	any business that issues electronic money (E-Money), the monetary value of which is represented by a claim on the issuer, which claim is stored on an electronic device, issued on receipt of funds and is accepted as a means of payment by undertakings other than from the issuer
InstaCash	the NETeller Group service which provides cash instantly to certain Members for a fee
Member	the holder of a NETeller System account that has accepted the NETeller Group's Member terms and conditions
Merchant	a provider of goods and services to NETeller Members that has accepted the NETeller Group's Merchant terms and conditions
NSF	non sufficient funds
Passporting	cross border recognition within the EU of regulated status under the e-Money Directive

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<i>2004</i>
Publication of this document	8 April
Admission effective and dealings commence in the Ordinary Shares on AIM	14 April
Latest day for payments under the Placing (unless delivery versus payment)	8 April
Expected date for CREST accounts to be credited	14 April
Definitive share certificates dispatched in respect of the Placing Shares (where applicable)	28 April

PLACING STATISTICS

Placing Price	200p
Number of Ordinary Shares in issue prior to the Placing	104,800,000
Number of Ordinary Shares being placed on behalf of the Company	15,000,000
Number of Ordinary Shares being placed on behalf of the Selling Shareholders	2,500,000
Number of Ordinary Shares in issue immediately following Admission	119,800,000
Proceeds receivable by the Company pursuant to the Placing, before expenses	£30,000,000
Proceeds receivable by the Company pursuant to the Placing, after expenses	£26,500,000
Market capitalisation of the Company at the Placing Price following Admission	£239,600,000
Percentage of enlarged issued share capital subject to the Placing	14.61%

KEY INFORMATION

The NETeller Group

The NETeller Group operates an online money transfer service that utilises and extends the existing international banking structure to provide a secure means of transferring funds worldwide. A NETeller System account is a virtual wallet which enables Members to deposit, withdraw and transfer funds to any Merchant that supports NETeller System online payments.

The Directors consider that the NETeller System's key attractions are the ability to offer instant deposits and withdrawals to Members and to eliminate risk for Merchants by providing indemnified funds.

The Directors believe that the NETeller Group's core competency is the identity verification of its multinational, Members, with the aim of minimising issues such as NSF, fraudulent or unauthorised transactions and Chargebacks that may otherwise be incurred. Accurate verification of each Member's identity allows the NETeller Group to pledge non-refutable funds to its Merchants.

The NETeller Group's revenues are generated on a fee for service basis in respect of Member-to-Merchant, Merchant-to-Member, Merchant-to-Merchant and Member-to-Member transactions. The NETeller Group generated profits of approximately US\$13.5m before other income and expenses in the year ended 31 August 2003. The NETeller Group has to date only received one injection of capital. In 2000, private funds of US\$200,000 were raised to establish the NETeller Group. Growth to date has been financed by internally generated cash flow.

As at 1 March 2004, the NETeller Group had 685,945 Member accounts, of which approximately 88 per cent. belong to North American residents. During January and February 2004, the average daily number of new Member accounts added was approximately 1,600. As at 31 December 2003, approximately 1,250 Merchants were registered to use the NETeller System. Since processing began in July 2000, an average of 30 new Merchants have been added each month.

It is estimated that more than 95 per cent. of the NETeller Group's revenues are currently derived from processing money transfers pertaining to the online gambling market. The NETeller Group does not operate a gambling business itself, although the US and some European jurisdictions have legislation to restrict the freedom to supply and/or fund online gambling services.

The Directors' current strategy includes expanding the NETeller Group's North American business model into Western Europe and Asia as well as expanding its business model to exploit additional market segments eg online auctions and individual to individual transfers. The longer term aim of the Group is to expand geographically into South America, Eastern Europe, Australasia and South Africa.

Directors and Management

Of the three non-executive Directors, two have experience in the banking industry and one is a lawyer. The Chairman, who is the founder, has a background in finance and venture capital. Both the Chief Executive Officer and the Chief Financial Officer have had significant experience holding similar positions in other businesses.

The Placing

The Company is proposing to raise £26.5 million (net of expenses) through a conditional placing by Canaccord and Durlacher of 15,000,000 Placing Shares at 200p per Ordinary Share. The Placing has not been underwritten by Canaccord or Durlacher.

NETeller is seeking admission of the Ordinary Shares to trading on AIM in order to create a public market in the Ordinary Shares, to raise its profile and status, to enable employees to be incentivised by the grant of options in publicly traded shares and to provide access to capital. The Directors intend that the net proceeds of the Placing will be used for website development, to make acquisitions and for general working capital.

PART I

INFORMATION ON THE GROUP

1. INTRODUCTION

The NETeller Group operates an online money transfer service that utilises and extends the existing international banking structure to provide a secure means of transferring funds worldwide. Its revenues are generated on a fee for service basis in respect of Member-to-Merchant, Merchant-to-Member, Merchant-to-Merchant and Member-to-Member transactions. The NETeller Group's aim is for the NETeller System to become the online payment network of choice around the world. The Directors believe that the NETeller Group's core competency is the identity verification of its multinational, multilingual Members, with the aim of minimising issues such as NSF, fraudulent or unauthorised transactions and Chargebacks that may otherwise be incurred. Accurate verification of each Member's identity allows the NETeller Group to pledge non-refutable funds to its Merchants.

The NETeller Group's worldwide service permits Merchants to collect funds in a cost efficient manner by allowing them to outsource their money transfer systems. By enhancing the existing Internet payment infrastructure, the Directors believe that the NETeller Group serves the needs of Merchants and Members by providing a secure, convenient and cost-effective online payment system. NETeller's strategy is to enable its Merchants to source funds globally and to enable its Members to transfer funds worldwide in a secure manner.

It is estimated that more than 95 per cent. of the NETeller Group's revenues are currently derived from processing money transfers pertaining to the online gambling market. As at 1 March 2004, the NETeller Group had 685,945 Member accounts, of which approximately 88 per cent. belong to North American residents. During January and February 2004, the average daily number of new Member accounts added was approximately 1,600. As at 31 December 2003, approximately 1,250 Merchants were registered to use the NETeller System. Since processing began in July 2000, an average of 30 new Merchants have been added each month.

The Directors' current strategy is to expand the NETeller Group's North American business into Western Europe and Asia. The longer term aim is to expand into South America, Eastern Europe, Australasia and South Africa.

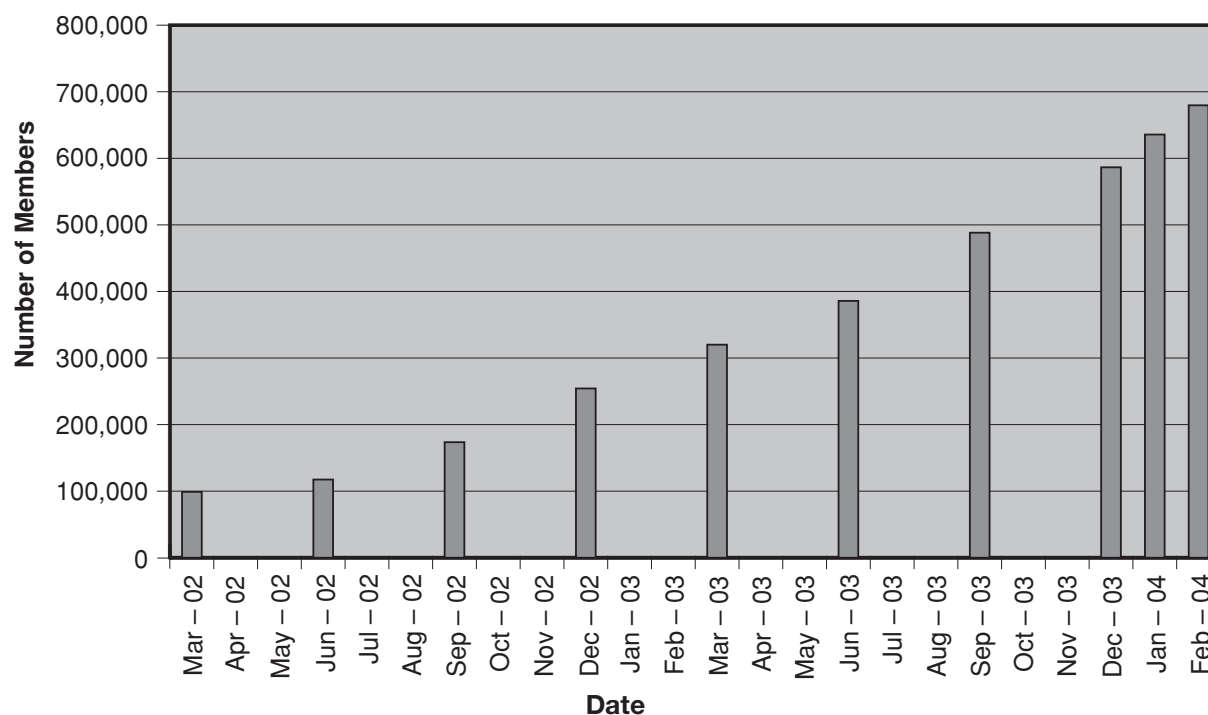
2. HISTORY AND BACKGROUND

In June 1999, Stephen Lawrence, the founder and major shareholder of the NETeller Group, conceived the idea of an 'e-wallet' that could be used to fund Internet based transactions without the security risk of processing each transaction at each separate Merchant site. In August 1999, John Lefebvre teamed up with Stephen Lawrence to develop the concept and to assist with raising capital.

To date the most receptive market segment to the NETeller Group's 'e-wallet' concept has been the online gambling market. It appeared to the founders that merchants in this market were experiencing increasing difficulty facilitating transactions to and from their customers' accounts. As a result, the merchants demanded payment processing innovation. The NETeller Group was established to develop a money transfer system combining the pervasiveness of the Internet with the existing financial infrastructure of the international banking system.

The website and database for www.NETeller.com was developed during the first half of 2000. NETeller Inc. was incorporated in May 2000 and the NETeller Group began processing transactions in July 2000. Uptake of the NETeller System gathered momentum and then grew rapidly as Members and Merchants endorsed the ease of use. The growth was assisted by the increase in the number of methods by which Members can fund their NETeller System accounts.

NETeller Member Growth



In September 2002, Gord Herman, the current President and Chief Executive Officer, joined the NETeller Group as Chief Operating Officer. Mr Herman was appointed Chief Executive Officer in February 2003 and, under his stewardship, the NETeller Group has increased monthly revenue from approximately US\$866,000 (September 2002) to approximately US\$4.335m (December 2003). The NETeller Group generated profits of US\$13.5m before other income and expense, and annual profits before income taxes of approximately US\$256,000 in the year ended 31 August 2003.

The NETeller Group has to date only received one material injection of capital. In 2000, private funds of US\$200,000 were raised to establish the NETeller Group. Growth to date has been financed by internally generated cash flow.

With effect from 31 December 2003, NETeller Inc., the former holding company of the NETeller Group, and up to that date the principal operating company in the NETeller Group, transferred the business and undertaking of the NETeller Group to the Company and its subsidiary, NT Services.

3. THE BUSINESS

3.1 The NETeller System

A NETeller System account is a virtual wallet which enables Members to deposit, withdraw and transfer funds to any Merchant that supports NETeller online payments. The NETeller System is designed to allow any Merchant or Member to send and receive online payments securely, conveniently and cost-effectively. The Directors consider that the NETeller System's key attractions are the ability to offer instant deposits and withdrawals to Members and to eliminate risk for Merchants by providing indemnified funds.

NETeller operates as an Electronic Money Issuer as defined by the FSA. A Member purchases e-Money in a NETeller System account, and uses this e-Money in real time to make purchases at the websites of participating Merchants. To satisfy money laundering regulations and anti-fraud provisions, each Member undergoes extensive identity verification before being allowed to make a purchase.

Members are able to purchase e-Money in a variety of ways, dependent on the currency of their NETeller System accounts and on their geographic location.

The NETeller Group provides 24 hour, 7 day support services to Members and Merchants. The NETeller System currently enables residents of over 180 countries, protectorates and territories to open a NETeller

account. The Members have access to their accounts via the Internet, and may make deposits, transfers and withdrawals at any time.

In the United States, the NETeller Group utilises the ACH system to accept transfers from the bank accounts of its US Members and funds are cleared through the Federal Reserve. In Canada, the NETeller Group utilises the EFT system and funds are cleared through the Bank of Canada. Once Members have registered a bank account on the NETeller System website, they can give the NETeller Group instructions to debit money directly from their bank accounts simply by entering the amount they wish to transfer to their NETeller System account.

In the US and in Canada, the NETeller Group can also accept payments from credit or debit cards, which are processed through third party payment providers that channel the transactions to acquiring banks and through those to the card networks, which facilitate authorisation.

The NETeller Group intends to establish a direct acquiring relationship and is in the process of negotiating with a tier one European bank for the processing of European credit and debit card transactions, and to eliminate the third party payment providers by implementing its own communications system.

The NETeller Group has established banking relationships throughout Europe in order to be able to accept transfers from its European Members in local currencies. Currently European Members can make transfers to the NETeller System using their Internet banking facilities, or in some cases take advantage of the local ACH network, such as in Germany and Spain. In the UK, the NETeller Group has been sponsored by Barclays Bank plc to become a BACS (Banks Automated Clearing System) Originator, enabling the Group to make debits and credits to Members' UK bank accounts. The NETeller System also accepts credit card payments, and the Group has plans to accept local debit cards, such as Carte Bleu in France and Dankort in Denmark.

3.2 Payments and Withdrawals

The NETeller System has the capability to process payments and withdrawals instantly. A Member can fund a payment from several sources, including a credit/debit card, a bank wire, Internet banking, a bank account (currently only available in certain countries) or a Member-to-Member payment.

A key product which the NETeller System offers (currently only in North America) is an instant transaction ("InstaCash"), which funds a Member's account, less any applicable fees, with cash as soon as the NETeller Group authorises the account. The NETeller Group uses various techniques to ascertain if a potential Member meets certain risk standards. If the Member has registered a bank account with the NETeller Group, and qualifies for InstaCash, the NETeller Group will fund the recipient's account instantly, while initiating a debit (including applicable fees) from the Member's bank account through the ACH, or similar network. The NETeller Group does not transfer funds instantly to the recipient if the Member does not qualify for, or elects not to use, InstaCash.

A Member may receive funds back from a Merchant into his NETeller System account and from there he may transfer funds to another Merchant or initiate a withdrawal. A Member can initiate a withdrawal at any time subject to a minimum withdrawal of US\$5. There are several methods by which a Member can access his funds on account, including by direct credit to a bank account, by cheque and by using the NETeller Group debit card.

3.3 Revenue Model

There are two types of account, a Merchant account and a Member account.

The NETeller Group generates revenue from both Merchants and Members. Merchants are charged for transfers to and from their businesses whilst Members' deposits and transfers can be free, although fees may apply to certain types of deposits. Fees paid by Merchants represent approximately 60 per cent. of revenue for the Group while fees paid by Members comprise the remaining 40 per cent..

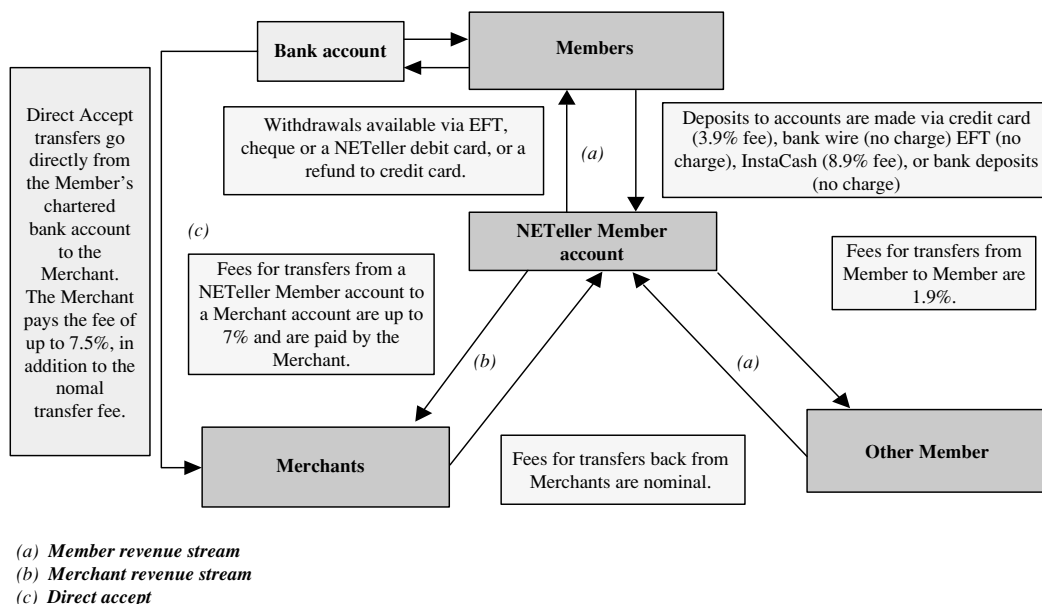
Merchant fees fall within two categories:

- 'Transfer To' fees, are paid by a Merchant to the NETeller Group for the transmission of funds from a Member to a Merchant. These fees are up to 7 per cent. of the value of the funds transferred. They account for 97 per cent. of the Merchant revenue.

- ‘Transfer From’ fees are typically 2.5 per cent. or less of the value of the funds transferred. These represent funds paid back to Members and account for the remaining 3 per cent. of Merchant revenue.

In respect of Member fees, the NETeller Group charges 8.9 per cent. of the value of the transaction for Instacash deposits and 3.9 per cent. for credit card processing, but otherwise charges nil or nominal fees. The NETeller Group settles its Merchant account balances on a weekly basis.

The NETeller Group has developed a multi-currency functionality, which enables international users to hold balances in local currencies and transact in the currency choices available (being £ sterling, US\$, Canadian \$ and Euros).



3.4 NETeller's Strategy

The NETeller System has achieved widespread adoption in the online gambling market. It is intended that the NETeller Group's strategy going forward will be to grow its core business in selected markets such as Europe, Asia, South America, Australasia and South Africa and to enter new sectors with the aim of achieving similar widespread coverage. The Directors believe the expertise of the NETeller Group in mitigating risk enables it to operate in the more profitable higher risk business sectors that are being increasingly avoided by banks and other payment service providers.

The NETeller Group intends to introduce value added propositions for its Merchants that address their growing problems of meeting the "Know Your Customer" requirements of regulators. NETeller intends to increase the value of the NETeller System to Merchants by offering to them the opportunity to outsource regulatory compliance as well as risk.

The NETeller Group intends to continue to serve its Member and Merchant base by utilising new technologies to access the NETeller System and through the continued development of alternative billing mechanisms such as InstaCash.

The Member-to-Member payments business is also seen as an important area in the growth of the Group. The NETeller System is designed to be compatible with and facilitate fund transfers with all financial institutions.

The NETeller Group intends to leverage its entry into new markets through its existing Merchant base. Its marketing strategy will continue to focus on becoming the Merchant's payment system of choice and that the Merchant, rather than the NETeller Group, will promote the NETeller System to prospective Members.

The first phase of the NETeller Group's multicurrency expansion into Europe began in February 2004 with the UK, France, Germany, Spain, Italy, Netherlands, Sweden, Denmark, Finland, Norway and

Turkey. The second phase is planned to commence in the second half of 2004 and, whilst driven by the demands of Merchants, is expected to comprise Austria, Greece, Ireland, Poland, Portugal and the Russian Federation.

The Company also intends to identify appropriate acquisitions that will complement and grow its business, and give increased control over its service providers. The types of business that may be targeted include payment service providers, mobile technology companies, and companies that offer similar services to the NETeller Group that would give access to an expanded Member and Merchant base.

3.5 Risk Management

The NETeller Group views risk management as a key factor in its business model and in maintaining its competitive advantage. The NETeller Group accordingly prioritises risk management and risk management techniques, which include the following:

- anti-fraud screening for every transaction it processes;
- utilising proprietary fraud detection software to monitor account usage and transaction problems, in order to minimise fraud;
- using its experience and cumulative knowledge in dealing with attempted fraud perpetrators; and
- liaising with appropriate regulatory and professional bodies.

The NETeller Group's account-based network is designed to enable it to detect and prevent fraud when funds enter and leave the NETeller System. Striking the optimal balance between the dual objectives of controlling fraud and providing a user-friendly system will remain a key priority for the NETeller Group.

The NETeller Group uses several methods to confirm the identity of its Members including seeking to verify the:

- Internet protocol address of the Member's computer;
- Member's home address/postal code;
- Member's area code/phone number; and
- Member's bank account.

The NETeller Group's database tracks any duplication in information between Member accounts as a means of fraud protection.

The NETeller Group uses a US based social security number verification system that provides identity, credit and demographic information on over 200 million US residents. Through this system, a series of Member specific questions can be asked to which only the relevant Member would know the answer.

The NETeller Group is subject to laws prohibiting the knowing transmission of the proceeds of a criminal transaction (i.e. money laundering and terrorist financing prohibitions). All transactions in the NETeller System are recorded and traceable, and the Directors believe that the NETeller Group has appropriate processes in place for compliance with these regulations. These include the development of internal policies, procedures and controls, the appointment of a compliance officer, an ongoing employee training programme and an independent audit function to test programmes.

3.6 Intellectual Property

The Group owns all material software which is necessary to operate the NETeller System, most of which was developed in-house.

NETeller Inc. assigned all intellectual property owned by it to the Company pursuant to the agreement described in paragraph 12.1 of Part VI of this document.

The NETeller Group has registered the NETeller.com name as trademarks in Canada and the US, and has registered the NETeller name in Canada. NETeller.com is also the registrant of the primary domain name, NETeller.com and has also registered a portfolio of other domain names.

In addition, the NETeller Group has made a number of applications for trademarks and copyrights in Canada and the US (all of which are still pending), including the name "InstaCash".

3.7 Security

A key challenge for the NETeller Group is building and maintaining a scalable system that is capable of handling online transaction processing for a growing Member base. The nature of the NETeller System creates the need for a high level of data security and integrity that ensures Member confidence and protects their private information. The NETeller Group has designed its security infrastructure to protect it from attempts at both physical and Internet based intrusion. The most sensitive data and hardware resides in Canada where redundant Internet connections, fault-tolerant power supplies and fire suppression equipment are utilised. The NETeller Group has a Distributed Denial of Service defence system, uses secure servers and has redundant Internet hosting. All Internet based transactions are completed with 128-bit SSL encryption and the NETeller System databases have no direct connection to the Internet. The NETeller Group is intending to establish a second location to provide full dual site redundancy.

3.8 Competitive Strengths

The Directors believe that the Group's competitive strengths are as follows:

- the NETeller System is a proven product based on proprietary information technology;
- the NETeller Group has an experienced management team; and
- the NETeller Group holds a leading position in North America, with high brand recognition.

While the NETeller Group maintains an extensive Merchant base with a proven track record of Merchant retention, it has equally proven its ability to attract new Members. The NETeller Group has a proven track record of growth and a history of strong cash flow generation. The NETeller System offers Members and Merchants convenience, flexible pricing, accuracy, speed, security and privacy.

3.9 Competitors

The NETeller Group competes globally with a number of large transaction processing companies and regionally with a number of smaller payment service providers.

Traditionally Members and Merchants effected payments by a number of varied methods including cheques, wires and credit cards. Many Members and Merchants conducting transactions online find these traditional payment methods, expensive or inconvenient.

As an alternative payment service the NETeller Group currently competes with the traditional payment services provided through banking products, such as EFTs and credit cards and may compete with new services offered by the banks in the future. Some competitors focus on merchants and only offer electronic processing and risk management services.

4. THE MARKET

The Directors believe that the market for the NETeller Group's service is emerging, intensely competitive and characterised by technological change.

The market for the NETeller System comprises all online merchants and individuals who require rapid or instantaneous transfer of fully indemnified funds. To date, the NETeller Group has focussed its growth in the online gambling segment of the market. It has been estimated by industry consultants that the number of worldwide online gambling players in 2002 was approximately 9.6 million, that the total market dollar volume was approximately US\$4 billion and that these numbers could double to more than 18.6 million players and over US\$11.6 billion by 2006.

Other segments which are expected to be of interest to the NETeller Group include online payments for travel, online broking, online auctions, and remittance of funds by individuals to other individuals or merchants across different currencies.

The overall magnitude of the NETeller System's market is indicated by the fact that in Europe alone there will be over 190 million Internet users this year. Worldwide e-commerce revenues are expected to be US\$2.7 trillion for the same period.

5. REGULATORY ENVIRONMENT

The Group is subject to a number of regulations as a result of the nature of its business and the industry which has predominantly used the NETeller System to date.

Under EU law, the E-Money Directive (Directive 2000/46/EC) requires Electronic Money Issuers to obtain regulated status from the relevant financial services authority. NETeller UK has a pending application with the FSA, which, if granted, will enable it to freely supply electronic money to Merchants and end users in all EU Member States. Such regulated status will carry with it ongoing requirements of minimum liquidity reporting and full implementation of anti money laundering KYC (know your client) and KYB (know your client's business) checks.

While NETeller UK's application for regulated status remains pending, the Group carries out its payment processing through the Company's wholly owned Canadian subsidiary, NT Services. The FSA has been notified of these transitional measures and there has been no suggestion that the FSA will take any action in respect of them.

Until NETeller UK obtains full regulated status any monies held in the UK by NETeller UK on behalf of Members are held pursuant to an agency arrangement between NT Services and NETeller UK, which is in the process of being formalised. Upon obtaining full regulated status NETeller UK will be able to "passport" the supply of e-Money across the EU. Thereafter NT Services will reduce its role to customer administrative and information technology support.

In addition, under deregulation in the UK, as proposed in the new Gambling Bill published in November 2003 ('the Bill'), the NETeller Group may be required to obtain a licence for 'remote' gambling. The Bill specifies that facilities for account opening require licensing and it is unclear whether this extends to e-wallets that can be used to purchase a variety of online services.

The NETeller Group's storage, use and processing of customer data is regulated by data protection legislation worldwide. The NETeller Group has a fully implemented privacy policy in accordance with the standards set by Canadian and UK legislation and EU Directive 95/46/EC, and will make, as appropriate, applications for registration under UK or Isle of Man law.

Credit card plan rules dictate that where Internet gambling transactions make up any proportion of the end users of its services, a Merchant is obliged to code all of its credit card transactions as Internet gambling. The Directors believe that the NETeller Group fully complies with those credit card plan rules that their independent payment services providers indicate are applicable.

The NETeller Group does not operate a gambling business itself. However, the Directors follow developments in the international legislative arena in relation to online gambling. In particular, the US and some European jurisdictions have legislation to restrict the freedom to supply and/or fund online gambling services.

In the US, the Unlawful Internet Gambling Funding Prohibition Act would, if enacted, impose civil and criminal penalties on operators for accepting credit cards, electronic fund transfers, and other banking instruments to fund Internet betting or gambling transactions from residents of the United States. The Bill has passed in the US House of Representatives and the Senate Banking Committee and is currently waiting to be put on the calendar for vote by the full Senate. A lack of legislative priority and sufficient votes among US senators coupled with lobbying efforts and civil liberty concerns (freedom of speech over the Internet) may ultimately stall or derail this Bill.

The US Federal Interstate Wire Act 1961 prohibits the use of telephone lines to place bets. This legislation has been used to criminally prosecute and imprison an offshore online sports betting operator. The view of the US Department of Justice is that the legislation also can be applied to customers engaged in online gambling.

The US Patriot Act of 2001 was originally enacted to combat terrorism, and prohibits the transmission of funds that are known to have been derived from a criminal offence or are intended to be used to promote or support unlawful activity. The Patriot Act was recently applied in a civil claim against a US based online payment services company which was providing payments on behalf of offshore online gambling operators. The Patriot Act purports to have extraterritorial jurisdiction, but this has yet to be tested.

With regard to specific products supplied by the NETeller Group, the distribution of a NETeller card in the US, which enables Members to withdraw funds accredited to their accounts by Merchants, may constitute an infringement of the Interstate Transportation of Wagering Paraphernalia Act (18U.S.C. § 1953) which makes it

an offence to supply any “device” for wagering. This Act has been interpreted widely in previously successful prosecutions.

It is the Directors’ understanding that there has been only a small number of cases/prosecutions in relation to online gambling and that most of these have been where there have been assets or relevant individuals located in the US. The Group does not maintain offices, nor are any of its assets located, in the US. The Group has contractual arrangements with two US companies (which are related to two of the Directors as described in paragraph 7.6 of Part VI of this document) and which both clear monies through the ACH system on the Group’s behalf. There can be no assurance that the US will not threaten or try to prosecute the NETeller Group under federal law at some stage under existing or future regulation. NETeller continues to monitor the position carefully.

In Europe, there are restrictions on the provision of cross border gambling services which are being continually challenged and reviewed, on the basis that they are contrary to the principles of Article 49 of the Treaty of Rome, which embraces freedom of supply within the EU. The Gambelli case, dealing with the treatment by the Italian legal system of this issue, is the most recent case to have been heard on this subject in the European Court of Justice. The European Court of Justice effectively ruled that Italy was endorsing restrictive practices not in keeping with the European free market. The European Commission is currently reviewing the position to determine if there is a need for, and if so the scope of, a directive that will allow harmonisation. In the meantime, the UK government has announced that, under its proposed gambling deregulation, it will not, subject to certain limitations, attempt to prevent non-UK operators licensed outside the UK from either freely advertising in the UK or doing business with UK customers. By contrast, in the Netherlands the Dutch Courts have recently rejected claims by both Betfair and Ladbrokes that De Lotto (the state monopoly operator) is not entitled to prevent supply of online betting products from the UK to Dutch citizens. Ladbrokes is appealing the decision to the European Court of Justice, again in an attempt to obtain a definitive ruling on the freedom of supply of online betting and gambling products in the EU.

Similar challenges are happening in relation to the US: Antigua has successfully challenged the various attempts the US has made to block online gambling on the basis that as a member of the World Trade Organisation (‘WTO’) it subscribes to GATS (General Agreement on Trade in Services) which prohibits favouring domestic supply of all services, including gambling. The WTO Dispute Panel found that US domestic policy on online gambling is a breach of GATS and recommended a change of law to permit cross border gambling. The US government is able to appeal the decision but only on technical grounds.

6. SUMMARY FINANCIAL INFORMATION, HISTORICAL TRADING AND PROSPECTS

The following summary financial information is extracted without material adjustment from the financial information contained in Parts III and IV of this document.

Financial information

	<i>4 months</i>	<i>Year</i>	<i>Year</i>	<i>Year</i>
	<i>31 Dec 03</i>	<i>31-Aug-03</i>	<i>31-Aug-02</i>	<i>31-Aug-01</i>
Revenue (US\$)	16,466,426	24,550,627	4,403,480	1,580,536
Direct costs (US\$)	4,881,783	8,912,984	2,568,043	1,225,954
Gross Margin (US\$)	11,584,643	15,637,642	1,835,437	354,582
Per cent. of sales	70%	64%	42%	22%
General and admin and other (US\$)	1,968,250	2,133,109	570,618	244,017
Earnings before other income and expenses (US\$)*	9,616,393	13,504,534	1,264,819	110,565
Per cent. of sales	58%	55%	29%	7%

*Before management remuneration.

The NETeller Group has grown sales from 2001 to the latest complete fiscal year ended 31 August, 2003 by 1,453%. Growth has continued in the audited four month period ended 31 December, 2003. Efficiencies in operations afforded by the corporate growth have resulted in improved gross margins and earnings.

As the NETeller Group was operating as a group of private companies during periods referred to above, the earnings of the NETeller Group were reduced to minimal levels through shareholder remuneration.

The Directors consider that the Company is well placed to exploit the potential offered in a growing market place and to make further progress in the online payment sector.

7. DETAILS OF THE PLACING

The Company is proposing to raise £26.5 million (net of expenses) through a conditional placing by Canaccord and Durlacher of 15,000,000 Placing Shares at 200p per Ordinary Share.

In addition the Placing will include the sale by each of the Selling Shareholders (who in aggregate hold 100,000,000 Ordinary Shares representing 95.41 per cent. of the issued ordinary share capital of the Company at the date of this document) of 2.5 per cent. of the Ordinary Shares held by them before Admission (2,500,000 Ordinary Shares in aggregate) at the Placing Price.

Under the Placing Agreement, Canaccord and Durlacher have agreed to use their respective reasonable endeavours to procure subscribers and purchasers (as relevant) for the Placing Shares at the Placing Price. The Placing Shares are being placed by Canaccord and Durlacher with institutions and other investors. The obligations of Canaccord and Durlacher under the Placing Agreement are conditional upon, *inter alia*, Admission taking place by 8.00 am on 16 April 2004 (or such later date, being not later than 8.00 am on 30 April 2004, as the Company, the Selling Shareholders and Canaccord and/or Durlacher shall agree) and the Placing Agreement not being terminated. The Placing has not been underwritten by Canaccord or Durlacher. Commission is payable to Canaccord and Durlacher by the Company and the Selling Shareholders in respect of the Placing Shares. The Placing Shares will represent approximately 14.61 per cent. of the enlarged issued share capital of the Company on Admission. On the basis of the Placing Price, the Company will have a market capitalisation of approximately £239.6m on Admission.

Further details of the Placing Agreement are set out in paragraph 10 of Part VI of this document.

8. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

The biographical details of the Directors and senior management are set out below:

8.1 Directors

Stephen 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.

Gordon 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.

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 British Regional Airlines plc, a company quoted on the London Stock Exchange.

John Webster (Non Executive Director). Mr Webster lectured in economics and management studies from 1970 to 1976, following which he was employed by the Isle of Man Government as its Chief

Economic Adviser until 1988. He then established an economic and accounting company and acquired a company with interests in software development for banking and insurance companies. This company was developed and then sold to Marlborough Stirling plc in 2000, Mr Webster continues as Chairman of its Isle of Man subsidiary. He is a Commissioner on the Board of the Isle of Man Government Financial Supervision Commission and is a non executive director of the Isle of Man subsidiaries of various international companies. Mr Webster is a past President of the Isle of Man Chamber of Commerce and past Chairman of Island Games Association of Man.

8.2 Senior Management

Eric Hughes, CA (Chief Financial Officer). Mr Hughes joined the NETeller Group in July 2003 as VP Finance to assist with its increasing financial management requirements. He was appointed Chief Financial Officer of the NETeller Group in December 2003. From 1999 to 2002, Mr Hughes was Chief Financial Officer of BURNCO Rock Products, the largest independent aggregate and concrete supplier in Canada. Prior to this, he was retained by Canadian Hunter Exploration on a contract to assist with the successful launch of the company into the public markets. From 1993 to 1998, Mr Hughes was Vice President Finance of Serval Integrated Energy Services, a publicly-listed oil and gas service company. He joined Serval in its infancy and was instrumental in obtaining several major financing facilities and eventually the public listing of the company. Mr Hughes obtained his Chartered Accountancy designation in 1990 and worked with Deloitte and Touche from 1986 to 1993.

Gordon Forbes (Vice President North American Operations). Mr Forbes joined the NETeller Group in September 2003 as Chief Operations Officer. In his role as the Vice President of North American Operations, Mr Forbes seeks to ensure the Group provides world class support to Members and Merchants in global payment processing. Mr Forbes brings to the Group experience in the field of Information Technology. He is experienced with products such as SAP, Oracle and PeopleSoft. From 1999 to 2002, he was Vice President – Western Business Unit of xwave, an Alliant Company. From 1986 to 1999, he was Associate Partner with Accenture, (formerly Andersen Consulting). He began his IT career in 1982 with Computer Sciences Canada, a division of CSC Corp.

Paul Templeman (Vice President European Operations). Mr Templeman has held general management and board level appointments with a variety of technology companies in the UK, including managing director of Techad (Milton Keynes) Limited, where he negotiated the successful division and sale of the company to Danka and to Canon UK. At Royal Bank of Scotland owned TrustMarque International Limited, Mr Templeman, as Business Development Manager, developed the Risk and Payments division of the business and pioneered its strategy in the Internet gambling market sector. Mr Templeman later moved to the public e-procurement division of TrustMarque, before leaving to join Proc Cyber Services Limited, a leading provider of payment solutions to the online gambling market where he was responsible for introducing alternative payment solutions. Mr Templeman joined the NETeller Group in a consultancy role to review the market potential for the NETeller Group in Europe and to advise on European strategy. Mr Templeman is a director of NETeller UK.

Bruce Elliott (Vice President Marketing and Sales). Mr Elliott joined the NETeller Group in January 2003 as Vice President Marketing and Sales, concentrating on sales, planning, marketing and Member service initiatives. Mr Elliott is an experienced marketing and sales executive with regional and international advertising and PR agencies, technology companies and industrial companies. Mr Elliott was previously Vice President Marketing and Corporate Business Development for Chell Merchant Capital Group (1999 to 2003), Senior Consultant for GPC Communications International (1998 to 1999), Account Director for Highwood Communications, Account Manager for MacLaren Lintas (1992 to 1995) and also held various sales and marketing positions with Canadian Pacific Railway and GE Capital Railcar Services. Mr Elliott received his Bachelor of Commerce from the University of Calgary in 1986.

Andy Scott (Chief Security Officer). Mr Scott has over 16 years' experience in the information technology and communications industry during which he has held several senior management positions, with particular emphasis on the development of security and quality systems and processes. From 1998, his career has centred around the Internet, and as Director Technical Services for the Internet Software Corporation he managed the development of an intranet based secure procurement system utilising smartcard technology and digital certificates. Most recently as Group Operations Director at TrustMarque International Limited, he implemented security infrastructure resulting in the first award to a non-government sponsored organisation of UK government's Communication and Electronics Security Group (the Information Assurance arm of GCHQ) level security accreditation.

Jeff Natland (Chief Information Officer). Mr Natland is the original architect of the NETeller Group's technical infrastructure and is currently Chief Information Officer. As Chief Information Officer, he is responsible for all aspects of the NETeller Group's global technical infrastructure, and directs the application and management of information technology within the NETeller Group. Before joining the NETeller Group in 2004, Mr. Natland was Partner and Chief Technical Officer at Arizona Bay Consulting LLC, a boutique software development and security services firm in San Francisco, California. At Arizona Bay he oversaw projects for successful Internet companies including the National Automobile Dealers Association, Primedia Inc, Autobytel Inc. and IntelliChoice Inc. Prior to Arizona Bay, Mr. Natland consulted to several early-stage technology companies.

8.3 Employees

As at 1 March 2004, the NETeller Group had 163 full and part-time employees in the following departments: Customer Service, Fraud and Security, Merchant Services, Information Technology, Accounting and Collections. The majority of employees work in the Customer Services and Fraud and Security departments. No employees are represented by a collective bargaining agreement. The NETeller Group has not experienced any work stoppages and it believes it has a good relationship with its employees. Due to the nature of the NETeller Group's business, every employee is required to undergo a background check prior to commencing employment.

9. REASONS FOR ADMISSION AND USE OF PROCEEDS

NETeller is seeking admission of the Ordinary Shares to trading on AIM in order to create a public market in the Ordinary Shares, to raise its profile and status, to enable employees to be incentivised by the grant of options in publicly traded shares and to provide access to capital.

The Directors intend that the net proceeds of the Placing will be used for website development, to make acquisitions and for general working capital.

10. LOCK-IN AGREEMENTS

On Admission, the Directors will be interested in an aggregate of 75,661,050 Ordinary Shares representing 63.16 per cent. of the issued ordinary share capital of the Company, as enlarged by the issue of the New Ordinary Shares. Details of the Directors' holdings of Ordinary Shares are set out in paragraph 7.1 of Part VI of this document.

The Directors and each of the Shareholders at the date of this document have undertaken to Canaccord and Durlacher not to dispose of any interests in Ordinary Shares (except in certain limited circumstances) for a period of 12 months from Admission and for a further 12 months to deal in their Ordinary Shares only through Canaccord or Durlacher.

11. SHARE OPTION PLAN

In order to provide an incentive to employees of the Group in the future the Company has established the Share Option Plan. Details of the Share Option Plan, and the options that will be granted immediately following Admission at the Placing Price are set out in paragraph 6 of Part VI of this document.

12. ADMISSION, SETTLEMENT AND CREST

Application has been made to the London Stock Exchange for all the Ordinary Shares of the Company to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the issued Ordinary Shares of the Company will commence on 14 April 2004.

The Articles permit the Company to issue shares in uncertificated form in accordance with the Isle of Man Transfer of Securities Regulations 1996. CREST is a computerised paperless share transfer and settlement system which allows shares and other securities, including depository interests, to be held in electronic rather than paper form. Application has been made by the Company's Registrar and transfer agent for the issued and to be issued Ordinary Shares to be admitted to CREST on Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within CREST if relevant Shareholders so wish.

CREST is a voluntary system and Shareholders who wish to retain certificates will be able to do so.

It is expected that share certificates will be despatched by the Company's Registrars no later than 28 April 2004 and Ordinary Shares will be delivered in CREST on 14 April 2004.

13. CORPORATE GOVERNANCE

The Directors recognise the importance of sound corporate governance, whilst taking into account the size and nature of the Company. The Directors intend that the Company will comply with the main provisions of the Combined Code: Principles of Corporate Governance and Code of Best Practice derived from the final report published by the committee on Corporate Governance chaired by Sir Ronald Hampel and the recommendations on Corporate Governance of the Quoted Companies Alliance in so far as possible and appropriate given the Company's size, stage of development and the constitution of the Board.

The audit committee of the Company, comprising three of the non executive Directors of the Company, will be chaired by Don Lindsay and will meet at least twice a year. The audit committee is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. It will also meet the auditors and review reports from the auditors relating to accounts and internal control systems. The audit committee will meet once a year with the auditors.

The remuneration committee of the Company, comprising three of the non executive Directors of the Company, will be chaired by John Webster and will set and review the scale and structure of the executive Directors' remuneration packages including share options and the terms of their service contracts. The remuneration, terms and conditions of the non executive Directors will be determined by the Directors with due regard to the interests of shareholders and the performance of the Group. The remuneration committee will also make recommendations to the Board concerning the allocation of share options to employees.

The Company has adopted a model code for directors' dealings which is appropriate for an AIM quoted company. The Directors will comply with Rule 19 of the AIM Rules relating to directors' dealings and will take all reasonable steps to ensure compliance by the Group's applicable employees as well.

14. DIVIDEND POLICY

Initially following Admission the Company intends to retain future earnings to finance continued development of its business and, accordingly, does not expect to pay dividends on its Ordinary Shares in the immediate future. The declaration and payment by the Company of any dividends and the amount thereof in the future will depend on the results of the Group's operations, its financial position, cash requirements, prospects, profits available for distribution and other factors deemed to be relevant at the time.

15. TAXATION

Information regarding taxation is set out in paragraph 11 of Part VI of this document. This information is, however, intended only as a general guide to the current tax position under UK and Isle of Man taxation law.

Shareholders who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own independent financial adviser immediately.

16. RULE 9 OF THE CITY CODE ON TAKEOVERS AND MERGERS

The City Code on Takeovers and Mergers (the "City Code") applies to companies resident in the Isle of Man and will apply to the Company. Rule 9 of the City Code ("Rule 9") stipulates, inter alia, that a person or group of persons acting in concert owning shares carrying (i) 30 per cent. or more but not more than 50 per cent. or (ii) less than 30 per cent. of the voting rights of a public company will incur a mandatory bid obligation and will be required to make a general offer to shareholders to acquire the balance of the equity share capital of that company if in the case of (i) above, he or they acquire any further shares carrying voting rights or, in the case of (ii) above, he or they acquire further shares resulting in their holding voting rights being 30 per cent. or more. An offer under Rule 9 must be in cash and at the highest price paid within the preceding 12 months for any shares in the Company by the person required to make the offer or any person acting in concert with him.

At the date of this document, Corvina, Alberta, Stephen Lawrence, Gord Herman, John Lefebvre, Victor Choy, Bruce Ramsay, Robert Edmunds, Steve Glavine and Jeff Natland (collectively the "Concert Party") are treated as acting in concert for the purposes of Rule 9 by virtue of the fact that they together own the entire issued share capital of the Company prior to Admission and the existence of long standing personal and/or business relationships.

In addition, at the date of this document, Corvina, Stephen Lawrence, John Lefebvre and Jeff Natland (collectively the "Corvina Concert Party") are treated as separately acting in concert by virtue of the fact that Messrs Lawrence, Lefebvre and Natland own all of the issued shares in Corvina (details of the ownership of Corvina are set out in paragraph 7.3 of Part VI of this document). Furthermore, at the date of this document,

Alberta, Victor Choy, Bruce Ramsay, Robert Edmunds and Steve Glavine (collectively the “Alberta Concert Party”) are also treated as separately acting in concert by virtue of the fact that Messrs Choy, Ramsay, Edwards and Glavine own all of the issued shares in Alberta (details of the ownership of Alberta are set out in paragraph 7.3 of Part VI of this document). Set out at the end of this section is a table showing the relative beneficial interests in the Company of the Concert Party, the Corvina Concert Party and the Alberta Concert Party.

Following Admission, the Concert Party will in aggregate own 102,300,000 Ordinary Shares representing 85.39 per cent. of the ordinary share capital of the Company and Stephen Lawrence, John Lefebvre, Gord Herman, Robert Edmunds, Steve Glavine and Jeff Natland will have been granted, under the Share Option Plan, the options to subscribe for Ordinary Shares which are described in paragraph 6.2 of Part VI of this document (the “Relevant Options”). The earliest date for exercise of these options is 12 months from the date of grant. **The members of the Concert Party will together own or control more than 50 per cent. of the issued share capital of the Company and will therefore be able to acquire any number of additional Ordinary Shares without incurring any obligation under Rule 9 to make a general offer provided that no individual member of the Concert Party’s holding equals or exceeds 30 per cent.**

Following Admission, the Corvina Concert Party will in aggregate own 70,861,050 Ordinary Shares, representing 59.15 per cent. of the ordinary share capital of the Company. **The members of the Corvina Concert Party will together own or control more than 50 per cent. of the issued share capital of the Company and will therefore be able to acquire any number of additional Ordinary Shares without incurring any obligation under Rule 9 to make an offer provided that no individual member of the Corvina Concert Party’s holding equals or exceeds 30 per cent.**

Following Admission, the Alberta Concert Party will in aggregate own 26,638,950 Ordinary Shares representing 22.24 per cent. of the ordinary share capital of the Company. **The members of the Alberta Concert Party will together own or control less than 30 per cent. of the issued share capital of the Company and will therefore be able to acquire further Ordinary Shares up to a maximum amount of 29.99 per cent. of the issued share capital of the Company. In the event that any member of the Alberta Concert Party acquires shares resulting in that member or the Alberta Concert Party in aggregate holding 30 per cent. or more of the issued share capital of the Company, the Alberta Concert Party will be required to make a general offer under Rule 9.**

	<i>Beneficial Interest before Admission</i>	<i>Number of Ordinary Shares before Admission</i>	<i>Beneficial Interest following Admission</i>	<i>Number of Ordinary Shares following Admission</i>	<i>Beneficial Interest following exercise of all Relevant Options*</i>	<i>Number of Ordinary Shares following exercise of all Relevant Options*</i>
	<i>%</i>		<i>%</i>		<i>%</i>	
Concert Party	100	104,800,000	85.39	102,300,000	85.46	102,820,000
Corvina Concert Party	69.35	72,678,000	59.15	70,861,050	59.00	70,991,050
Alberta Concert Party	26.07	27,322,000	22.24	26,638,950	22.26	26,778,950

* Assumes exercise of all options in full by members of the Concert Party only

Stephen Lawrence and John Lefebvre are the founders of the Company and are directors of the Company. Their biographical details are set out on page 18 of this document.

Gord Herman is a director and the chief executive officer of the Company. His biographical details are set out on page 18 of this document.

Robert Edmunds, Steve Glavine and Jeff Natland are founding shareholders and employees of the Company.

Victor Choy and Bruce Ramsay are private investors who each subscribed for shares in the NETeller Group approximately three years ago.

Corvina International Ltd. (company no: 112408B) is a company incorporated under the laws of the Bahamas on 4 August 2000 with its registered office at Dehands House, 2nd Terrace West, Centreville, Nassau, Bahamas and its principal business is acting as a holding company.

1098853 Alberta Ltd. (company no: 2010988539) is a company incorporated under the laws of Alberta on 25 March 2004 with its registered office at 23 Cambridge Road, NW Calgary, Alberta T2K 1R1, Canada and its principal business is acting as a holding company.

17. ADDITIONAL INFORMATION

The attention of investors is drawn to the information contained in Parts II to VI of this document which provide additional information on the Company.

PART II

RISK FACTORS

An investment in the Ordinary Shares of the Company involves a high degree of risk. Accordingly prospective investors should carefully consider the specific risk factors set out below in addition to the other information contained in this document before investing in the Company's Ordinary Shares. The Board considers the following risks to be the most significant for potential investors in the Company, but the risks listed do not necessarily comprise all those associated with an investment in the Company and are not set out in any particular order of priority.

If any of the following risks actually occur, the Group's business, financial condition, capital resources, results and/or future operations could be materially adversely affected. In such a case, the price of the Ordinary Shares could decline and investors may lose all or part of their investment.

Additional risks and uncertainties not currently known to the Board may also have an adverse effect on the Group's business and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group.

An investment in the Ordinary Shares described in this document is speculative. Potential investors are accordingly advised to consult a person authorised for the purposes of the Financial Services and Markets Act 2000 who specialises in advising on investments of this kind before making any investment decisions. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his or her personal circumstances and the financial resources available to him or her.

1. AIM and liquidity of the Ordinary Shares.

It may be more difficult for an investor to realise his or her investment in an AIM traded company than in an Official List company. AIM has been in existence since June 1995, but its future success and liquidity as a market for the Ordinary Shares cannot be guaranteed. The share price of publicly traded emerging companies can be highly volatile. The price at which the Ordinary Shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Group and its operations and others which may affect technology companies or quoted companies generally. Prospective investors should be aware that the value of the Ordinary Shares could go down as well as up, and investors may therefore not recover their original investment, especially as the market in the Ordinary Shares may have limited liquidity.

2. Legislative and regulatory risks

2.1 *Many jurisdictions have questioned the legality and legitimacy of online gambling.*

The Group does not operate a gambling business, but anti-gambling legislation may affect its customers.

A significant number of Members and some Merchants reside in the United States and certain legislative initiatives at the federal level could have a negative impact on the Company's risk profile and ability to provide services to US Merchants or Members in relation to Internet betting or gambling. A summary of certain of these legislative initiatives is set out in paragraph 5 of Part I of this document. Whilst the Group does not have a presence in the US, it does have contractual relationships with two US companies (which are related to two of the Directors as described in paragraph 7.6 of Part VI of this document). This is potentially a risk for the Group because the money held by those US companies would comprise primarily of wagering money and may therefore be vulnerable to freezing orders by state and federal prosecutors and could result in the Group being enjoined to such proceedings.

Some jurisdictions, such as the Netherlands and Sweden, are protective of their internal gambling markets and therefore prohibit their citizens from gambling on sites whose servers are located in other countries. Four European countries, (including the Netherlands and Sweden) specifically restrict the actions of the gamblers and aim to curtail the supply of gambling products and services.

There is a risk of increased regulation and taxation for online gambling operators in Europe, in the way favoured by the UK, as manifested in the new Gambling Bill published in November 2003 which is expected to be fully implemented in the next 18 months to two years.

2.2 *Legislation relating to the issuing of e-Money could affect the Group.*

The European Union has issued a directive (the e-Money Directive) that sets out to govern the practises of companies that issue e-Money in Europe. As described in paragraph 5 of Part I of this document, in order to comply with the e-Money Directive, NETeller UK is applying for regulated status with the FSA in the UK as an ELMI with the intention of obtaining similar status throughout the European Union through the Passporting rules. There is a risk that the application for regulated status will be unsuccessful and/or that the FSA could take action against the Group in respect of the activities undertaken by NETeller UK to date.

2.3 *The Group is subject to data protection laws and regulations.*

Directive 95/46/EC of the European Parliament, covering the protection of individuals with regard to the processing of personal data and on the free movement of such data, and the Data Protection Act 1998 (DPA) in the UK, places limitations on the collection, use and re-use of personal member information. Similar privacy legislation, such as the Gramm-Leach-Bliley Act in the US, the Isle of Man Data Protection Act, the Personal Information Protection and Electronic Document Act in Canada and the Personal Information Privacy Act in Alberta may also be applicable.

As a result, some member financial information that the Group receives is subject to limitations on re-use and disclosure. Additional legislation may restrict further the Group's information gathering and disclosure practices. Existing and potential future privacy laws may limit the ability of the Group to develop new products and services that make use of data gathered through the NETeller System. Even technical violations of these laws can result in penalties assessed for each non-compliant transaction. During the four months ended 31 December 2003, the NETeller Group processed approximately 27,300 transactions per day, and any violations could expose the Group to significant liability. The Group has a compliance department whose mandate is to ensure the Group complies with all such regulations.

2.4 *The Group is subject to other legislative and regulatory risks and uncertainties.*

2.4.1 Financial Transactions and Reports Analysis Centre of Canada, ("FinTrac") and Financial Crimes Enforcement Network – United States ("FinCen") are government agencies that regulate financial institutions in Canada and the United States. Although the Group is fully compliant with these regulations, FinTrac and FinCen could amend their regulations to make the Group's operating environment more regulated, or create a specialised category for NETeller because it may not fall within a specified category as a financial institution.

2.4.2 The NETeller Group's status under international financial services regulation is unclear. Violation of any present or future regulation could expose the Group to substantial liability, and force it to change its business practices or force it to cease offering its current products.

2.4.3 The Group operates in an industry subject to government regulation, and to US federal electronic fund transfer and money laundering regulations. In the future, the Group might be subjected to government banking regulations, additional money transmitter regulations and money laundering regulations, international banking or financial services regulations and laws governing other regulated industries. If the Group was found subject to or in violation of any laws or regulations governing banks, money transmitters or electronic fund transfers, it could be subject to liability and forced to change business practices.

2.4.4 The NETeller Group offers its services to Members in over 180 countries, protectorates and territories. The status of the Group as a bank, regulated financial institution or other regulated business in these countries is unclear. If the Group was found to be subject to and in violation of any foreign laws or regulations, NETeller could be subject to liability, required to change the business practices or forced to suspend operations in one or more countries. Alternatively, the Group could be required to obtain licences or regulatory approvals that could involve substantial cost.

2.4.5 The application to the Group of existing laws and regulations relating to such issues as currency exchange, pricing, taxation, quality of services, electronic contracting, consumer protection and intellectual property ownership and infringement are unclear. In addition, the Group may become subject to new laws and regulations directly applicable to the Group's activities. Any new legislation applicable to the Group could expose it to substantial liability, and expenses necessary to comply with these laws and regulations.

3. Transactional and operational risks

3.1 The Group faces a risk from fraud

Combating fraud is a significant challenge in the online payment services industry because transactions are conducted between parties who are not physically present, which in turn creates opportunities for misrepresentation and abuse.

Online payment companies are especially vulnerable because of the convenience, immediacy and anonymity of transferring funds from one account to another and subsequently withdrawing them. Facilitating financial transactions over the Internet makes dealing with the risk of fraud a cost of doing business.

The Group uses Geo-location, a third party software application, to address fraud risk. A high percentage of fraudulent orders come in from a relatively small number of countries: Ukraine, Indonesia, Yugoslavia, Lithuania, Egypt, Romania, Bulgaria, Turkey, Russia, Nigeria and Belarus. Geo-location provides geographic information instantly and enables the Group to reject orders from certain overseas Internet Protocol origination points. The Group refuses to accept accounts or transactions from many high-risk countries, Internet Protocol addresses and e-mail domains and continually updates these screens.

Notwithstanding its ability to locate where a transaction is being made, the Group faces significant risks of loss due to fraud and disputes between senders and recipients, and if the Group is unable to deal effectively with losses from fraudulent transactions the business would be harmed. Examples include:

- unauthorised use of credit card and bank account information and identity theft;
- Merchant fraud;
- breaches of system security;
- employee fraud; and
- use of the NETeller System for illegal or improper purposes.

3.2 In particular, the Group faces a risk from Chargebacks.

Chargebacks arise from the unauthorised use of a cardholder's card number or from a cardholder's claim that a Merchant failed to perform. Chargebacks are not uncommon in "bettor's remorse" cases where gamblers want to reverse a losing wager. Chargebacks result not only in the loss of fees earned with respect to the payment, but also leave the Group liable for the entire underlying transaction amount because it has to honour both the sum due to the Merchant and to repay the total amount represented by the reversed transaction to the Member. In that sense, Chargebacks represent a potential double cost to the Group. Moreover, if the Chargeback rate becomes excessive, credit card associations could place the Group in an excessive Chargeback programme and levy substantial fines.

3.3 The Group might not implement successfully strategies to increase adoption of electronic payment methods, which could limit growth and affect profitability.

The Group's future profitability depends on its ability to continue implementing successful strategies to increase adoption of the NETeller System. NETeller cannot give assurances that the relatively new market for online payment mechanisms will remain viable. However, in order to address this risk, NETeller expects to invest substantial amounts to:

- drive consumer and merchant awareness of electronic payments;
- encourage consumers and merchants to sign up for and use the NETeller System;
- enhance the Group's infrastructure to handle seamless processing of transactions;
- continue to develop state of the art, easy-to-use technology;
- increase the number of users who collect and pay electronically; and
- diversify its Merchant, Member, and geographic base.

The Group's investment in these programmes may affect adversely short-term profitability. Additionally, the Group may fail to implement successfully these programmes or to increase substantially adoption of electronic payment method by Members who pay for the service. This could impact revenues adversely, and cause business to suffer.

3.4 *The Group faces strong competitors and a rapidly evolving market.*

If the Group does not compete effectively, the demand for the NETeller System may decline. Many of the Group's competitors have longer operating histories, significantly greater financial, technical, marketing, member service and other resources, greater name recognition and/or a larger base of members in affiliated businesses. The Group's competitors may respond to new or emerging technologies and changes in member requirements faster and more effectively than the Group. These competitors have offered, and may continue to offer, their services for free in order to gain market share and the Group may be forced to lower prices in response.

Competing services tied to established banks and other financial institutions might offer greater liquidity and engender greater consumer confidence in the safety and efficacy of their services than the Group. If these competitors were to acquire significant market share, this could result in the Group losing market share, which would have a material adverse effect on the Group's business. The NETeller System also competes with traditional payment methods, particularly credit cards, cheques, money orders and ACH transactions.

Associations of traditional financial institutions, such as credit card schemes and the National Automated Clearing House Association, generally set the features of these payment methods. The associations have initiated programmes to enhance the usability of these payment methods for online transactions and could lower fees charged to online Merchants. Either of these changes could make it more difficult for the Group to retain and attract Members and Merchants.

3.5 *The NETeller Group has limited operating history.*

The NETeller Group has a limited operating history. The revenue and income potential of the business and the market for online payments through non-traditional products such as those provided by the NETeller Group have not been proven. The Group could encounter risks and difficulties commonly faced by early-stage companies in new and rapidly evolving markets.

3.6 *The Group relies on financial institutions, including several current or potential competitors, to process payment transactions.*

The Group currently uses third party processors to process ACH transactions. Some of these processors are, or may become, owned by competitors of the Group. If the Group could not obtain these processing services on acceptable terms from these sources or elsewhere, the business could suffer materially.

3.7 *Increases in credit card or ACH processing fees, could increase costs, affect profitability, or otherwise limit operations.*

From time to time, credit card companies increase the interchange fees that they charge for each transaction using their cards. The Group's credit card processors have the right to pass any increases in interchange fees onto the Group. Any such increased fees could increase the Group's operating costs and reduce profit margins. Furthermore, credit card processors require the Group to pledge a cash reserve as collateral with respect to acceptance of credit card companies.

3.8 *Member complaints or negative publicity could impact negatively on the Group's business.*

Member complaints or negative publicity about Member service could diminish severely consumer confidence in, and use of, the NETeller System. Breaches of Members' privacy and security measures could have the same effect. Measures sometimes taken by the Group to combat risks of fraud and breaches of privacy and security, such as freezing Member funds, can damage relations with Members. These measures heighten the need for prompt and accurate Member service to resolve irregularities and disputes. Effective Member service requires significant personnel expense, and this expense, if not managed properly, could impact profitability significantly.

3.9 *Inability to manage growth.*

The Group intends to grow the business significantly. To support growth plans, the Group may need to expand existing management, operational, financial and human resources, customer service and management information systems and controls. The Group may be unable to manage growth successfully, and this inability could adversely affect the business.

3.10 *NETeller's quarterly operating results fluctuate and may not necessarily be an accurate indicator of future performance. Variability in future performance could cause the share price to fluctuate and decline.*

Although the Group has grown quickly, quarterly results will fluctuate in the future as a result of a variety of factors, many of which are beyond the control of management. These factors include:

- changes in pricing policies or those of competitors;
- expansion costs;
- relative rates of acquisition of new Members;
- seasonal patterns;
- delays in the introduction of new or enhanced services, software and related products by the Group or competitors and market acceptance of these products and services; and
- other changes in operating expenses, personnel and general economic conditions.

As a result, period-to-period comparisons of operating results may not be meaningful, and investors in the Company should not rely on them as an indication of future performance.

3.11 *The Group's product features may infringe claims of third party patents, which could affect the business and profitability adversely.*

NETeller is aware of various patent submissions by third parties in the area of electronic payment systems. The holders of rights under these patent submissions might assert that the Group is infringing their rights. NETeller cannot give assurance that the Group's product features do not infringe on patents held by others or that they will not do so in the future. If any party asserts claims against the Group, any resulting litigation may have a material adverse effect on the Group even if the Group defends successfully. In lieu of expensive litigation, the Group may seek to obtain a patent licence from the relevant third party, but such licence may not be obtainable on reasonable terms, if at all.

3.12 *The Group has limited experience competing in international markets. International expansion plans will expose the Group to greater political, regulatory, exchange rate fluctuation and other risks, all or any which could harm the business.*

The Group intends to expand use of the NETeller System in selected international markets. If the Group cannot continue expansion into international markets, the business could suffer. Accordingly, the Group anticipates devoting significant resources and management attention to expanding international opportunities. Expanding internationally subjects the Group to a number of risks, including:

- greater difficulty in managing foreign operations;
- changes in a specific country's or region's political or economic conditions;
- expenses associated with tailoring its products to the needs of a particular country, including offering Members the ability to transact business in multiple currencies;
- differing intellectual property laws;
- laws and business practices that favour local competitors;
- multiple and changing laws, tax regimes and government regulations; and
- foreign currency restrictions and exchange rate fluctuations.

3.13 *The Group does not anticipate paying cash dividends to Shareholders in the foreseeable future.*

Investors must rely on sales of their Ordinary Shares after price appreciation, which may never occur, as the only way to make a return on their investment. Investors seeking cash dividends should not purchase Ordinary Shares.

4. Information security risks

4.1 *The majority of the Group's transactions is conducted over the Internet and will therefore be open to an element of risk.*

The Group's information technology infrastructure is designed to be secure, but is not immune to outside rogue elements, including computer viruses, computer hackers, those who would perpetrate Distributed Denial of Service Attacks, and organised activities among groups of Members designed to breach the Group's security systems.

To date, the NETeller System has never been down due to any kind of penetration or malicious attack. The Group utilises many techniques to ensure the integrity of the data on its servers.

4.2 *Security breaches in the Group's systems may expose the Group to additional liability and result in the loss of Members and Merchants, or an inability to conduct business.*

Any inability on the Group's part to maintain the security of the NETeller System could have a material adverse effect on profitability. A security breach could:

- prevent the NETeller System from operating;
- result in substantial amounts of a Member's or a Merchant's funds being misappropriated; or
- deter Members from using the Group's product.

NETeller cannot give any assurance that the use of applications and systems designed for system security will effectively counter evolving security risks or address the security concerns of existing and potential Merchants and Members. Any failures in the Group's security measures could have a material adverse effect on the Group's business, financial condition and results of operations.

4.3 *Privacy breaches in the NETeller System may expose the Group to additional liability and result in the loss of Members and Merchants, or an inability to conduct business.*

Any inability on the Group's part to protect the privacy in the Group's electronic transactions or systems could have a material effect on profitability. A privacy breach could:

- expose the Group to additional liability under the privacy legislation of different jurisdictions, including the United Kingdom, Isle of Man, the EU, Canada and the USA;
- result in the suspension or termination of the Group's proposed FSA approval;
- result in a Member's or a Merchant's financial information and bank account access falling into the hands of criminal elements; and
- deter Members and Merchants from using the Group's product.

4.4 *The Group may experience breakdowns in payment processing systems that could damage Member or Merchant relations and expose the Group to liability, which could affect adversely the business.*

A system outage or data loss could have a material adverse effect on the Group's business, financial condition and results of operations. To operate the business successfully, the Group is evolving its operational systems and architecture so that there will always be an active processing centre, and a centre on hot-standby. Events that could cause system interruptions include fire, earthquake, terrorist attacks, natural disasters, Distributed Denial of Service Attacks from malicious third parties, computer viruses, unauthorised entry, telecommunications failure and power loss.

4.5 *The Group must maintain and protect the physical security of servers.*

The Group depends on third parties for the hosting of data servers and relies upon third parties for the physical security of its servers. The Group's servers currently reside in facilities in Calgary, Canada.

The Group is not presently able to switch instantly to another back-up site in the event of failure of the main server site. This means that an outage at one facility could result in the NETeller System being unavailable for at least several hours. This downtime could result in increased costs and lost revenues which would be detrimental to the business. NETeller cannot predict the effect that this may have on its ability to continue to provide reliable service. This is exacerbated by the fact that its contract with TELUS Services Inc. for the security of its data services is terminable on one month's notice.

Because Merchants and Members may use the Group's products for critical transactions, any errors, defects or other infrastructure problems could result in damage to Merchants and Members' businesses. These Merchants and Members could seek significant compensation from the Group for their losses. Even if unsuccessful, this type of claim is likely to be time consuming and costly for the Group to address.

4.6 *The Group's infrastructure could prove unable to handle a significantly larger volume of Member and Merchant transactions.*

Any failure to accommodate transaction growth could impair Member and Merchant satisfaction, lead to a loss of Members and Merchants, impair the ability to add Members and Merchants or increase costs, all of which would harm the business.

4.7 *The Group may not protect proprietary technology effectively, which would allow competitors to duplicate products.*

The Group's success and ability to compete in markets depends, in part, upon proprietary technology. The Group relies on copyright, trade secret and trademark laws to protect technology, including the source code for proprietary software, and other proprietary information.

The Group has not applied for any patents in respect of its electronic payment processing systems. The Group cannot give assurance that any patent applications will be made or that, if they are made, they will be granted.

A third party might try to reverse engineer or otherwise obtain and use the Group's technology without permission, allowing competitors to duplicate products. In addition, the laws of some countries in which the Group sells product may not protect software and intellectual property rights to the same extent, for example, as the laws of the United Kingdom and the United States.

However, the Group does not rely solely on this proprietary technology for its success, but more so on ancillary services, such as Merchant and Member service and its overall business process.

4.8 *The Group may not be able to guarantee the information security of its clients once banking transaction information has been passed to independent payment processing and settlement firms that the Group uses throughout its settlement process.*

Through various technological processes the Group provides settlement and clearing information to many different processors. If any of these processors handle this information incorrectly or in an unsafe manner, this could result in accidental disclosure of personal information, a breach of security of the NETeller System, or a loss of a Member's or a Merchant's funds.

Any of these eventualities could expose the Group to lawsuits from its Merchants and Members or possible violation of various countries' privacy legislation.

5. Risks to Merchants

The above issues relating to the legality of online gambling, fraud, security, data protection and payment processing directly affect and apply to many Merchants' businesses. Any financial pressure imposed on Merchants by the occurrence of any of the risks described above could also impact on the Group's business over time.

6. Tax risk

Pursuant to an agreement between the Company and NETeller Inc. dated 23 December 2003 (described in paragraph 12.1 of Part VI of this document), the Company purchased from NETeller Inc. all of the intellectual property rights relating to the NETeller System and certain other assets with effect from 31 December 2003 (the "Agreement").

The consideration payable by the Company to NETeller Inc. for the purchase of these assets was the aggregate of (a) the sum of US\$6,500,000; and (b) an amount equal to the difference between US\$6,500,000 and any upward reassessment by Canadian taxation authorities of the value of the assets transferred by NETeller Inc. under the Agreement (the "Reassessment Amount"). On 1 April 2004, the arrangements described in paragraph 12.4 of Part VI of this document were put in place whereby the Company was released from its obligation to pay the Reassessment Amount by NETeller Inc. in consideration for the Company assigning to NETeller Inc. the right to receive an amount equal to the Reassessment Amount pursuant to the share subscription arrangements described in paragraph 4.6 of Part VI of this document.

The Company has received Canadian legal and tax advice to the effect that the arrangements described above will not result in any tax liability on the Company provided that the transactions were carried out at fair market value. However, the Company cannot guarantee that the Canadian tax authorities will not seek to impose any such liability on the Company or NETeller Inc. or Corvina or Alberta and, if such a liability arises, the Company cannot guarantee that such liability will not be material either in relation to the Company or the Ordinary Shares.

PART III
ACCOUNTANTS' REPORT ON NETELLER PLC



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8 April 2004

Dear Sirs

NETeller plc (formerly NETeller Limited) (the “Company”) and its subsidiaries (the “Group”)

We report on the financial information of the Group set out below. This financial information has been prepared for inclusion in the Admission Document of NETeller plc dated 8 April 2004 (the “Investment Circular”) relating to the proposed trading on the Alternative Investment Market (“AIM”) of the London Stock Exchange (“LSE”) of the ordinary shares of the Company.

Basis of preparation

The financial information set out in this report, which has been prepared in accordance with applicable Isle of Man law and accounting standards adopted by the International Financial Reporting Standards Board (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, is based on the audited financial statements of the Company and the Group as at 31 December 2003 to which no adjustments were considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of the Company who approved their issue on 7 April 2004.

The Directors of the Company are responsible for the contents of the Investment Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States or any other jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Investment Circular, a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2003.

Consent

We consent to the inclusion in the Investment Circular of this report and accept responsibility for this report for the purposes of paragraph 45(2)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

CONSOLIDATED BALANCE SHEET

	<i>Notes</i>	<i>As at 31 December 2003 US\$</i>
ASSETS		
CURRENT		
Cash and cash equivalents	5	31,030,455
Receivable from NETeller Inc.	6	17,081,598
Receivable from members	7	565,000
Funds held in trust	8	6,500,000
Accounts receivable		54,045
Prepaid expenses and deposits		85,705
		55,316,803
 NON-CURRENT ASSETS		
Capital assets	13	1,000,000
Intellectual property	2 and 12	6,500,000
Portfolio investment, at cost		25,000
		62,841,803
 LIABILITIES		
CURRENT		
Payable to members and merchants	14	48,868,070
Notes payable to NETeller Inc.	2	7,473,633
Due to shareholders	9	6,500,099
		62,841,802
 SHAREHOLDERS' EQUITY		
Share capital	10	1
		62,841,803

COMPANY BALANCE SHEET

	<i>Notes</i>	<i>As at 31 December 2003 US\$</i>
ASSETS		
CURRENT		
Receivable from NETeller (UK) Limited		31,030,289
Receivable from NETeller Inc.	6	17,081,598
Receivable from members	7	565,000
Funds held in trust	8	6,500,000
Accounts receivable		54,045
Prepaid expenses and deposits		85,705
		55,316,637
 NON-CURRENT ASSETS		
Intellectual property	<i>2 and 12</i>	6,500,000
Portfolio investment, at cost		25,000
Investment in NT Services Limited, wholly-owned subsidiary, at cost	22	100
Investment in NETeller (UK) Limited, wholly-owned subsidiary, at cost	22	166
		61,841,903
 LIABILITIES		
CURRENT		
Payable to members and merchants	14	48,868,070
Notes payable to NETeller Inc.	2	6,473,633
Due to shareholders	9	6,500,199
		61,841,902
 SHAREHOLDERS' EQUITY		
Share capital	10	1
		61,841,903

CONSOLIDATED STATEMENT OF CASH FLOW

	<i>Notes</i>	<i>Two month period ended 31 December 2003 US\$</i>
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:		
INVESTING		
Purchase of business	15	—
		<hr/>
Net cash flow from investing activities		—
		<hr/>
FINANCING		
Share capital issued	10	1
Notes payable assumed	2 and 15	—
Due to shareholders	15 and 16	—
		<hr/>
Net cash flow from financing activities		1
		<hr/>
INCREASE IN CASH AND CASH EQUIVALENTS DURING PERIOD		1
CASH AND CASH EQUIVALENTS ACQUIRED ON PURCHASE OF BUSINESS	15	31,030,454
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		—
		<hr/>
CASH AND CASH EQUIVALENTS, END OF PERIOD		31,030,455
		<hr/> <hr/>

NOTES TO THE FINANCIAL INFORMATION

1. General

NETeller plc (formerly NETeller Limited) (the “Company”) was incorporated as a private company incorporated under the laws of the Isle of Man on 31 October 2003 and reregistered as a public limited 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 information refer to the Group unless otherwise stated.

The financial information is 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’s registered office is P.O. Box 312, Grosvenor House, 66/67 Athol Street, Douglas, Isle of Man. 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:

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

The notes payable bear interest at 12% per annum calculated semi-annually and were fully paid 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 information has been prepared in accordance with applicable Isle of Man law and the 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 been applied.

Accounting convention

The financial information has been prepared on the historical cost basis.

Principles of consolidation

The Group's financial information incorporates 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 Group's financial information includes 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 12) and will be amortised on a straight-line basis over its estimated useful life of three years.

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

Any 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.

Revenue recognition

The Group is involved in transaction processing services. Revenues from transaction processing services are recognized at the time services are rendered. Member revenue is recognized 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 recognized 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 22.

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 2i).

Use of Estimates

The preparation of the Group's financial information 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 information, and revenues and expenses during the reporting period. Actual results could differ from those estimated. Significant estimates in the Group's financial information 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 information of changes in estimates in future periods could be significant.

5. Cash and cash equivalents

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

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 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 trustee for the Company and, as a result, are included in the Group's financial information. There are no specific terms and conditions related to this agreement.

7. Receivable from members

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

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.

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. Due to shareholders

As at 31 December 2003

	<i>Company</i>	<i>Group</i>
	<i>US\$</i>	<i>US\$</i>
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.

10. Share capital

	<i>Number of</i>	<i>Amount</i>
	<i>Shares</i>	<i>£</i>
Authorised share capital		
1,000,000 ordinary shares of £0.01 per share	1,000,000	10,000
	<i>Number of</i>	<i>Amount</i>
	<i>Shares</i>	<i>US\$</i>
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 as at 31 December 2003	1	1

11. Earnings per ordinary share

Earnings per ordinary share was not calculated as there are no earnings for the period from the date of incorporation on 31 October 2003 to 31 December 2003.

The pro forma net earnings (loss) per ordinary share, after accounting for the subdivision and subsequent issuance of the ordinary shares subsequent to 31 December 2003 (Note 21), was not calculated as the amounts are not significant for financial information disclosure.

12. Intellectual property

	<i>US\$</i>
Cost	
As at 31 December 2003	6,500,000
Accumulated amortisation	
As at 31 December 2003	—
Net book value	
As at 31 December 2003	6,500,000

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

13. Capital assets

	<i>Communication equipment US\$</i>	<i>Furniture and equipment US\$</i>	<i>Computer equipment US\$</i>	<i>Computer software US\$</i>	<i>Leasehold improvement US\$</i>	<i>Total US\$</i>
Cost						
As at 31 December 2003	352,500	54,200	125,000	23,000	445,300	1,000,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Accumulated amortisation						
As at 31 December 2003	—	—	—	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value						
As at 31 December 2003	<u>352,500</u>	<u>54,200</u>	<u>125,000</u>	<u>23,000</u>	<u>445,300</u>	<u>1,000,000</u>

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

14. Payable to members and merchants

	<i>As at 31 December 2003 US\$</i>
Due to members	22,413,070
Due to merchants	26,455,000
	<u>48,868,070</u>

The amounts due to members and merchants include the individual accounts maintained for members and merchants in the ordinary course of business and are payable within twelve months.

15. 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:

	<i>For period ended 31 December 2003 Group US\$</i>
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
	<hr/>
	24,286,348
Capital assets	1,000,000
Intellectual property	6,500,000
Portfolio investment	25,000
Investment in NETeller (UK) Limited	—
	<hr/>
Total assets	31,811,348
	<hr/>
Current liabilities:	
Payable to members and merchants	(48,868,070)
Notes payable to NETeller Inc.	(7,473,633)
Due to shareholders	(6,500,099)
	<hr/>
Total liabilities	(62,841,802)
	<hr/>
Net liabilities (excluding cash and cash equivalents acquired)	(31,030,454)
Cash and cash equivalents acquired	31,030,454
	<hr/>
Net cash flow on acquisition of business	—
	<hr/> <hr/>

16. 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.

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 21), 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 with Alberta and Corvina, forming part of the consideration for the issue of 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.

18. Operating lease commitment

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

	<i>Building</i> 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, 9, 15, 16, 21, 22 and 23.

20. 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 wide spread 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).

21. 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 the issued shares of \$17,999 and a corresponding decrease in the amount due to shareholders balances. These shares were issued to Walbrook (IOM) Nominees (No. 2) Ltd. as trustee 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 US\$6,500,099.

On 7 April 2004, the Company approved a bonus payable to management of US\$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 US\$7,500,099 will be paid out as a management fee.

22. Subsidiaries

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

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

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

23. The 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.

24. 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.

Yours faithfully

Deloitte & Touche
Chartered Accountants
Douglas, Isle of Man

PART IV

ACCOUNTANTS' REPORT ON NETELLER INC.



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8 April 2004

Dear Sirs

NETeller Inc. and its subsidiaries (the "NETeller Inc. Group")

On 31 December 2003, substantially all the trade assets and undertaking of NETeller Inc. were acquired by NETeller plc (formerly NETeller Limited) (the "Company").

We report on the financial information of the NETeller Inc. Group set out below. This financial information has been prepared for inclusion in the Admission Document of the Company dated 8 April 2004 (the "Investment Circular") relating to the proposed admission to the Alternative Investment Market ("AIM") of the London Stock Exchange ("LSE") of the ordinary shares of the Company.

Basis of preparation

The financial information set out in this report, which has been prepared in accordance with applicable Canadian generally accepted accounting principles, which, in the NETeller Inc. Group's case, conform in all material respects with the International Financial Reporting Standards (IFRS), except as disclosed in Note 31, is based on the audited consolidated financial statements of the NETeller Inc. Group for the three years ended 31 August 2003 and for the four months ended 31 December 2003 to which no adjustments were considered necessary.

Responsibility

Such financial statements are the responsibility of the directors of NETeller Inc. who approved their issue on 7 April 2004.

The Directors of the Company are responsible for the contents of the Investment Circular in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States or any other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion, the financial information set out below gives, for the purposes of the Investment Circular, a true and fair view of the state of affairs of the NETeller Inc. Group as at the dates stated and of its net earnings (loss) for the three years ended 31 August 2003 and for the four month period ended 31 December 2003.

Consent

We consent to the inclusion in the Investment Circular of this report and accept responsibility for this report for the purposes of paragraphs 45(8)(b) and 45(10)(b) of Schedule 1 to the Public Offers of Securities Regulations 1995.

CONSOLIDATED STATEMENT OF EARNINGS AND LOSS

	<i>Notes</i>	<i>Year ended 31 August</i>			<i>Four month period ended 31 December</i>
		<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2003</i>
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Revenue	4	1,580,536	4,403,480	24,550,627	16,466,426
Cost of sales	5	1,225,954	2,568,043	8,912,984	4,881,783
Gross margin		354,582	1,835,437	15,637,643	11,584,643
Expenses					
General and administrative		244,404	606,133	1,955,591	1,744,848
Foreign exchange (gain) loss		(7,022)	(54,332)	113,366	168,896
Amortisation		6,635	18,817	64,152	54,506
		244,017	570,618	2,133,109	1,968,250
Earnings before other income and expenses		110,565	1,264,819	13,504,534	9,616,393
Other (expenses) income					
Management remuneration	19	(184,840)	(940,554)	(13,248,883)	(13,822,591)
Gain on sale of intellectual property	2	—	—	—	6,498,333
Gain on sale of capital assets	2	—	—	—	67,465
		(184,840)	(940,554)	(13,248,883)	(7,256,793)
(Loss) earnings before income taxes		(74,275)	324,265	255,651	2,359,600
Recovery of (provision for) income taxes	6	—	(23,881)	(89,253)	113,134
Net (loss) earnings		(74,275)	300,384	166,398	2,472,734
Basic (loss) earnings per ordinary share	7	(0.07)	0.30	—	—
Diluted (loss) earnings per ordinary share	7	(0.07)	0.30	—	—

CONSOLIDATED BALANCE SHEETS

	Notes	<i>As at 31 August</i>			<i>As at 31 December</i>
		2001	2002	2003	2003
		US\$	US\$	US\$	US\$
ASSETS					
CURRENT					
Cash and cash equivalents	8	2,162,122	6,325,975	35,544,844	504
Funds held in trust	9	—	—	—	17,081,598
Receivable from members	10	42,250	—	505,000	—
Accounts receivable		—	—	23,335	5,062
Prepaid expenses and deposits		32,312	143,231	133,948	667
Income tax receivable		—	—	—	41,374
Advances to companies under common control	11	8,778	346,139	3,108,378	1,852,496
Notes receivable from companies under common control	2	—	—	—	7,473,633
		<u>2,245,462</u>	<u>6,815,345</u>	<u>39,315,505</u>	<u>26,455,334</u>
Capital assets	12	23,257	82,798	349,997	—
Intangible assets	13	1,667	1,667	1,667	—
Other assets	14	2,526	2,526	27,526	—
		<u>2,272,912</u>	<u>6,902,336</u>	<u>39,694,695</u>	<u>26,455,334</u>
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities	15	44,029	119,022	609,255	1,122,508
Payable to members and merchants	16	2,401,304	6,042,114	35,345,090	—
Payable to NETeller plc	17	—	—	—	17,081,598
Income taxes payable		—	23,881	71,760	—
Due to shareholders and employees	18	72,502	661,858	3,446,731	5,556,635
		<u>2,517,835</u>	<u>6,846,875</u>	<u>39,472,836</u>	<u>23,760,741</u>
CONTINGENCY					
SHAREHOLDERS' EQUITY (CAPITAL DEFICIENCY)					
Share capital	19	667	667	667	667
Retained earnings (accumulated deficit)	20	(245,590)	54,794	221,192	2,693,926
		<u>(244,923)</u>	<u>55,461</u>	<u>221,859</u>	<u>2,694,593</u>
		<u>2,272,912</u>	<u>6,902,336</u>	<u>39,694,695</u>	<u>26,455,334</u>

CONSOLIDATED CASH FLOW STATEMENTS

	Notes	<i>Year ended 31 August</i>			<i>Four month period ended 31 December</i>
		<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2003</i>
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Cash flows related to the following activities:					
OPERATING					
Net (loss) earnings		(74,275)	300,384	166,398	2,472,734
Adjustments for:					
Amortisation		6,635	18,817	64,152	54,506
Write-off of prepaid expenses and deposits		—	—	—	132,371
Gain on sale of intellectual property	2	—	—	—	(6,498,333)
Gain on sale of capital assets	2	—	—	—	(67,465)
		<u>(67,640)</u>	<u>319,201</u>	<u>230,550</u>	<u>(3,906,187)</u>
Changes in non-cash working capital	21	(13,601)	(307,156)	(2,743,179)	2,094,905
		<u>(81,241)</u>	<u>12,045</u>	<u>(2,512,629)</u>	<u>(1,811,282)</u>
FINANCING					
Net increase in deposits from members and merchants prior to reorganisation		2,385,776	3,640,810	29,302,976	13,522,980
Transfer of member and merchant deposits on reorganisation		—	—	—	(48,868,070)
Net (decrease) increase in advances from shareholders and employees		(136,465)	589,356	2,784,873	2,109,904
		<u>2,249,311</u>	<u>4,230,166</u>	<u>32,087,849</u>	<u>(33,235,186)</u>
INVESTING					
Purchase of capital assets		(14,671)	(78,358)	(331,351)	(634,944)
Cash received on sale of assets		—	—	—	137,072
Purchase of other assets		(2,426)	—	—	—
Purchase of investment		—	—	(25,000)	—
		<u>(17,097)</u>	<u>(78,358)</u>	<u>(356,351)</u>	<u>(497,872)</u>
Net increase (decrease) in cash and cash equivalents		2,150,973	4,163,853	29,218,869	(35,544,340)
Cash and cash equivalents, beginning of period		11,149	2,162,122	6,325,975	35,544,844
Cash and cash equivalents, end of period		<u>2,162,122</u>	<u>6,325,975</u>	<u>35,544,844</u>	<u>504</u>
Supplementary information					
Income taxes paid		—	—	41,374	—

NOTES TO THE FINANCIAL INFORMATION

1. General

NETeller Inc. is a private company incorporated under the laws of Alberta, Canada on 1 May 2000. The principal activities of NETeller Inc. and its subsidiaries (the "NETeller Inc. Group") are described in Note 2.

The financial information is presented in US dollars ("US\$" or "\$") since that is the currency in which the majority of the NETeller Inc. Group's transactions are denominated.

The number of employees:

<i>As at</i>	<i>Number of employees</i>
31 August 2001	9
31 August 2002	29
31 August 2003	87
31 December 2003	—

2. Nature of operations and reorganisation

NETeller Inc.'s registered office is 323B 41st Avenue Northeast, Calgary, Alberta. NETeller Inc. provides services to businesses to allow the processing of direct debit, electronic cheque and credit card payments. NETeller Inc. 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 as of 31 December 2003, NETeller Inc.:

- i) sold its intellectual property and related assets, including its beneficial interest in NETeller (UK) Limited, to NETeller plc (formerly NETeller Limited) (the "Company"), a company under common control, 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 under the agreement. 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) sold its portfolio investment and prepaid expenses to the Company for \$110,705. This transaction has been recorded at the carrying value, which approximates to the exchange amount.

Effective 31 December 2003, NETeller Inc. entered into an agreement with NT Services Limited, a wholly-owned subsidiary of the Company, and sold 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 ultimately had the same shareholders giving rise to the companies under common control relationship.

Details of the above-mentioned transactions are as follows:

	<i>Intellectual property and related assets US\$</i>	<i>Capital assets US\$</i>	<i>Other assets US\$</i>	<i>Total US\$</i>
Purchase price	6,500,000	1,000,000	110,705	7,610,705
Net book value of assets as at 31 December 2003 before the reorganisation	1,667	932,535	110,705	1,044,907
Gains on sale recognised in the net earnings for the four month period ended 31 December 2003	6,498,333	67,465	—	6,565,798

Consideration consisted of:

	<i>Intellectual property US\$</i>	<i>Capital assets US\$</i>	<i>Other assets US\$</i>	<i>Total US\$</i>
Initial consideration	6,500,000	1,000,000	110,705	7,610,705
Adjustment on transfer of cash and cash equivalents and due to members and merchants	(137,072)	—	—	(137,072)
Balance of the notes receivable as at 31 December 2003	<u>6,362,928</u>	<u>1,000,000</u>	<u>110,705</u>	<u>7,473,633</u>

After these transactions, the notes receivable from the Company and NT Services Limited were \$6,473,633 and \$1,000,000, respectively. Subsequent to 31 December 2003, NETeller Inc. received full payment of these notes receivable.

As a result of these transactions, NETeller Inc. no longer continues to be in the business of payment processing. As such, NETeller Inc. will continue to collect and pay on its remaining receivable and payables balances and the future activities of NETeller Inc., if any, will be determined by management.

3. Accounting policies

This financial information has been prepared in accordance with Canadian generally accepted accounting principles (GAAP), which, in the NETeller Inc. Group's case, conform in all material respects with International Financial Reporting Standards (IFRS), except as disclosed in Note 31.

The financial information has been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

Principles of consolidation

The NETeller Inc. Group's financial information incorporates the financial statements of NETeller Inc. and enterprises controlled by NETeller Inc. as at year-end. Control is achieved where NETeller Inc. has power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities. The NETeller Inc. Group's financial information incorporates the financial statements of NETeller Inc. and its wholly-owned subsidiaries, NETeller (US) Inc., NETeller Ltd. (St. Kitts), and NETeller (UK) Limited. All significant intercompany transactions and balances among the NETeller Inc. Group enterprises are eliminated on consolidation.

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.

Capital assets

Capital assets are recorded at cost and are 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%
Computer software	50%

Leasehold improvements are amortised over their estimated useful lives, using the straight-line method on the following bases:

Leasehold improvements	5-10 years
------------------------	------------

Any 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) for that period.

Trademarks

Trademarks are measured initially at purchase cost (Note 13).

Impairment

At each balance sheet date, the NETeller Inc. 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 NETeller Inc. Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Investment

Investments are initially measured at cost, including any transaction costs.

Receivable from members

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

Accounts payables

Accounts payables are stated at their nominal value.

Income taxes

NETeller Inc. 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.

Revenue recognition

NETeller Inc. Group is involved in transaction processing services. Revenues from transaction processing services are recognised at the time services are rendered. Member revenue is charged 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 recorded as a fee, calculated as a percentage of funds processed on behalf of 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 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 (loss) 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 27.

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.

Use of estimates

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

Period ended 31 December 2003

The period ended 31 December 2003 is a four month period compared to the periods ended 31 August, representing a full year. Effective 31 December 2003 NETeller Inc. sold NETeller Inc.'s assets to NT Services Limited and the Company. Therefore, the comparative amounts for the consolidated net loss (earnings) accounts, changes in equity, cash flows and related notes for the four month period ended 31 December 2003 are not comparable to the three-year period ended 31 August 2003.

4. Revenue

Revenue is substantially derived from the principal activity of the NETeller Inc. Group performed in Canada, that of an online money transfer and processing service provider. An analysis of the NETeller Inc. Group's revenue is as follows:

	<i>Year ended 31 August</i>			<i>Four month period ended</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>31 December</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>2003</i>
				<i>US\$</i>
Merchant and member revenue	1,570,316	4,390,258	24,389,447	16,397,338
Interest income	10,220	13,222	161,180	69,088
	<u>1,580,536</u>	<u>4,403,480</u>	<u>24,550,627</u>	<u>16,466,426</u>

5. Costs of sales

An analysis of the NETeller Inc. Group's costs of sales is as follows:

	<i>Year ended 31 August</i>			<i>Four month period ended</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>31 December</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>2003</i>
				<i>US\$</i>
Customer support	410,636	705,880	1,706,542	1,174,659
Website maintenance	98,021	174,603	432,054	401,243
Deposit and withdrawal fees	523,432	1,366,033	3,027,803	942,674
Bad debts and collections	193,865	321,527	3,746,585	2,363,207
	<u>1,225,954</u>	<u>2,568,043</u>	<u>8,912,984</u>	<u>4,881,783</u>

6. Income taxes

NETeller Inc. is taxed at statutory rates. The provisions for income taxes in the financial information do not necessarily indicate these rates. A reconciliation of the tax provision is as follows:

	<i>Year ended 31 August</i>			<i>Four month period ended</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>31 December</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Net (loss) earnings before income taxes per financial statements	(74,275)	324,265	255,651	2,359,600
Statutory tax rate	43.12%	40.08%	37.578%	36.62%
Income taxes (recovery) calculated at the statutory rate	(32,027)	129,965	96,069	864,086
Non-taxable portion of gain on sale of intellectual property	—	—	—	(1,172,053)
Utilisation of non-capital losses carried forward, not recognised as an asset for accounting purposes	—	(106,084)	(6,816)	—
Non-capital losses carried forward, not recognized for accounting purposes	32,027	—	—	194,833
Provision for (recovery of) current income tax	—	23,881	89,253	(113,134)

The NETeller Inc. Group has non-capital losses available to be carried forward for income tax purposes in the approximate amount of \$500,000, of which approximately \$345,000 relates to NETeller (UK) Limited and approximately \$155,000 to NETeller Inc., which are available to reduce future taxable income to 2010. No recognition has been given to any potential tax benefit that may arise from the utilisation of these non-capital losses.

7. Net (loss) earnings per ordinary share

Net (loss) earnings per Ordinary Share have been calculated by dividing the net (loss) earnings, for each period by 1,000,000, being the weighted average number of ordinary shares of NETeller Inc. outstanding at each financial period end.

Net (loss) earnings

	<i>Year ended 31 August</i>	
	<i>2001</i>	<i>2002</i>
	<i>US\$</i>	<i>US\$</i>
Net (loss) earnings	(74,275)	300,384
Basic, diluted and adjusted (loss) earnings attributable to ordinary shareholders	(74,275)	300,384

Number of shares

	<i>Year ended 31 August</i>	
	<i>2001</i>	<i>2002</i>
	<i>Number</i>	<i>Number</i>
Weighted average number of ordinary shares	1,000,000	1,000,000
Dilutive share options	—	—
Diluted weighted average number of ordinary shares	1,000,000	1,000,000

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of shares outstanding during the period.

On 1 September 2002, the issued Class “A” common shares were exchanged for Class “G” preferred voting shares. The Class “G” preferred voting shares have the right to receive unlimited non-cumulative dividends as declared by the Directors and are not convertible into any other class of security or share. Therefore, no basic and diluted net earnings per ordinary share were calculated for the year ended 31 August 2003 and the four month period ended 31 December 2003, as no ordinary shares were issued at each of these period ends and no potential ordinary shares were outstanding.

8. Cash and cash equivalents

Cash and cash equivalents include:

	<i>As at 31 August</i>			<i>As at</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>31 December</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Savings account	195,606	913,065	3,931,281	—
Cash balances	1,966,516	5,412,910	31,613,563	504
	<u>2,162,122</u>	<u>6,325,975</u>	<u>35,544,844</u>	<u>504</u>

Included in cash and cash equivalents are \$nil (31 August 2003 – \$17,360,733, 31 August 2002 – \$1,632,524, 31 August 2001 – \$1,082,129) representing balances held by a company under common control. An agreement exists between the companies acknowledging that these amounts are held by a company under common control as trustee for NETeller Inc. and, as a result, are included in the NETeller Inc. Group’s financial information. There are no specific terms and conditions related to this agreement.

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 NETeller Inc. to maintain sufficient cash balances to offset amounts due to members and merchants.

Included in cash and cash equivalents is funds of \$nil (31 August 2003 – \$21,557,154; 31 August 2002 – \$3,722,316; 31 August 2001 – \$1,479,540) maintained for merchant accounts. The carrying amount of these assets approximates their fair value.

9. Funds held in trust

As at 31 December 2003, the cash balances sold by NETeller Inc. to the Company were held in trust by NETeller Inc. and related companies on behalf of the Company pursuant to the completion of the provisions of the agreement for the sale of the intellectual property and related assets.

10. Receivable from members

	<i>As at 31 August</i>			<i>As at</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>31 December</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Receivable from members	126,906	667,657	1,839,920	—
Provision for doubtful accounts	(84,656)	(667,657)	(1,334,920)	—
	<u>42,250</u>	<u>—</u>	<u>505,000</u>	<u>—</u>

Receivable from members consist of member accounts which have become overdrawn. The net receivables from members at year-end represent the accounts which are expected to be collected through the normal course of business.

11. Advances to companies under common control

	<i>As at 31 August</i>			<i>As at</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>31 December</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Probilling Inc.	—	226,748	2,849,773	1,756,057
FCash Inc. (Canada)	—	34,739	—	91,139
FCash Inc. (US)	8,778	169,796	89,631	—
Trading Points	—	—	12,100	—
DSM System	—	—	5,350	5,300
NETeller Ltd. (St. Kitts)	—	—	1,089	—
Employee loan – Gord Herman	—	—	2,333	—
Due to 972513 Alberta Ltd.	—	—	19,052	—
Due to Online Credit Corp. SA	—	141,696	130,192	—
	<u>8,778</u>	<u>572,979</u>	<u>3,109,520</u>	<u>1,852,496</u>
JSL Systems (US) Corp.	—	(226,840)	—	—
FCash Inc. (Canada)	—	—	(1,142)	—
	<u>—</u>	<u>(226,840)</u>	<u>(1,142)</u>	<u>—</u>
Advances to companies under common control	8,778	572,979	3,109,520	1,852,496
Advances from companies under common control	—	(226,840)	(1,142)	—
Net advances to companies under common control	<u>8,778</u>	<u>346,139</u>	<u>3,108,378</u>	<u>1,852,496</u>

The amounts advanced to companies under common control are unsecured, non-interest bearing and are payable by these companies within the next twelve months.

12. Capital assets

	<i>Communication equipment US\$</i>	<i>Furniture and equipment US\$</i>	<i>Computer equipment US\$</i>	<i>Computer software US\$</i>	<i>Leasehold improvement US\$</i>	<i>Total US\$</i>
Cost:						
As at 1 September 2000	12,860	—	5,047	—	—	17,907
Additions	1,679	2,631	10,361	—	—	14,671
As at 31 August 2001	14,539	2,631	15,408	—	—	32,578
Accumulated amortisation:						
As at 1 September 2000	1,929	—	757	—	—	2,686
Charge for the year	3,531	263	2,841	—	—	6,635
As at 31 August 2001	5,460	263	3,598	—	—	9,321
Net book value as at 31 August 2001	9,079	2,368	11,810	—	—	23,257
Cost:						
As at 1 September 2001	14,539	2,631	15,408	—	—	32,578
Additions	28,312	6,581	30,440	—	13,025	78,358
As at 31 August 2002	42,851	9,212	45,848	—	13,025	110,936
Accumulated amortisation:						
As at 1 September 2001	5,460	263	3,598	—	—	9,321
Charge for the year	6,971	1,132	8,109	—	2,605	18,817
As at 31 August 2002	12,431	1,395	11,707	—	2,605	28,138
Net book value as at 31 August 2002	30,420	7,817	34,141	—	10,420	82,798
Cost:						
As at 1 September 2002	42,851	9,212	45,848	—	13,025	110,936
Additions	23,201	20,194	78,476	15,977	193,503	331,351
As at 31 August 2003	66,052	29,406	124,324	15,977	206,528	442,287
Accumulated amortisation:						
As at 1 September 2002	12,431	1,395	11,707	—	2,605	28,138
Charge for the year	12,606	3,583	22,014	3,994	21,955	64,152
As at 31 August 2003	25,037	4,978	33,721	3,994	24,560	92,290
Net book value as at 31 August 2003	41,015	24,428	90,603	11,983	181,968	349,997
Cost:						
As at 1 September 2003	66,052	29,406	124,324	15,977	206,528	442,287
Additions	297,478	18,572	45,243	14,575	259,076	634,944
Disposals	(363,530)	(47,978)	(169,567)	(30,552)	(465,604)	(1,077,231)
As at 31 December 2003	—	—	—	—	—	—
Accumulated amortisation:						
As at 1 September 2003	25,037	4,978	33,721	3,994	24,560	92,290
Disposals	(44,460)	(7,229)	(45,043)	(10,418)	(39,646)	(146,796)
Charge for the year	19,423	2,251	11,322	6,424	15,086	54,506
As at 31 December 2003	—	—	—	—	—	—
Net book value as at 31 December 2003	—	—	—	—	—	—

13. Intangible assets

	<i>Trademark Costs US\$</i>
Cost:	
As at 1 September 2000	—
Additions	1,667
	<hr/>
As at 31 August 2001, 2002 and 2003	1,667
	<hr/>
Accumulated amortisation:	
As at 1 September 2000	—
Charge for the year	—
	<hr/>
As at 31 August 2001, 2002 and 2003	—
	<hr/>
Net book values as at 31 August 2001, 2002 and 2003	1,667
	<hr/> <hr/>
Cost:	
As at 1 September 2003	1,667
Disposals	(1,667)
	<hr/>
As at 31 December 2003	—
	<hr/>
Accumulated amortisation:	
As at 1 September 2003	—
Charge for the year	—
	<hr/>
As at 31 December 2003	—
	<hr/>
Net book values as at 31 December 2003	—
	<hr/> <hr/>

14. Other assets

	<i>As at 31 August</i>			<i>As at 31 December</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2003</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Portfolio investment, at cost	—	—	25,000	—
Other	2,526	2,526	2,526	—
	<hr/>	<hr/>	<hr/>	<hr/>
	2,526	2,526	27,526	—
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

15. Accounts payable and accrued liabilities

	<i>As at 31 August</i>			<i>As at</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>31 December</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Accounts payables	—	97,903	49,673	69,011
Employee payables	—	—	30,663	—
Accrued accounts payable	44,029	21,119	519,901	567,772
Accrued bonuses	—	—	13,894	33,000
Payroll liabilities	—	—	(4,876)	452,725
	<u>44,029</u>	<u>119,022</u>	<u>609,255</u>	<u>1,122,508</u>

16. Payable to members and merchants

	<i>As at 31 August</i>			<i>As at</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>31 December</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Due to members	921,764	2,319,798	13,787,936	—
Due to merchants	1,479,540	3,722,316	21,557,154	—
	<u>2,401,304</u>	<u>6,042,114</u>	<u>35,345,090</u>	<u>—</u>

The amount due to members and merchants include the individual accounts maintained for members and merchants and are payable within twelve months.

17. Payable to NETeller plc

The amounts payable to NETeller plc represents the cash balances directly acquired effective 31 December 2003 by the Company from NETeller Inc. Included in the payable to 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 a result, are included in the cash held in trust for the Company. There are no specific terms and conditions related to this agreement.

18. Due to shareholders and employees

	<i>Year ended 31 August</i>			<i>Four month</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>period ended</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>31 December</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>2003</i>
Due to shareholders	72,502	661,858	3,446,731	5,441,491
Due to employees	—	—	—	115,144
	<u>72,502</u>	<u>661,858</u>	<u>3,446,731</u>	<u>5,556,635</u>

The amounts due to shareholders and employees are unsecured, non-interest bearing and it is management's intention to repay these amounts within the next twelve months.

19. Share capital

	<i>Number of Shares</i>	<i>Amount US\$</i>
Authorised		
Unlimited number of Class "A" common voting shares		
Unlimited number of Class "B" common voting shares		
Unlimited number of Class "C" common non-voting shares		
Unlimited number of Class "D" common non-voting shares		
Unlimited number of Class "E" common non-voting shares		
Unlimited number of Class "F" common non-voting shares		
Unlimited number of Class "G" preferred voting shares; no stated redemption amount		
Unlimited number of Class "H" preferred non-voting shares		
Issued		
Class "A" common voting shares		
Balance as at 31 August 2000, 2001 and 2002	1,000,000	667
Redeemed Class "A" common voting shares	(1,000,000)	(667)
Issued Class "G" preferred voting shares	1,000,000	667
	<hr/>	<hr/>
Balance as at 31 August 2003 and 31 December 2003	1,000,000	667
	<hr/> <hr/>	<hr/> <hr/>

Hybrid stock option plan

On 1 September 2002, NETeller Inc. implemented a hybrid stock option plan (the "HSO" Plan). The options were issued to certain shareholders, executives and employees ("eligible person") of NETeller Inc. at an exercise price of \$0.01 per option. An option issued under the HSO Plan entitles the eligible person to one Class "C", "D" or "E" ordinary share of NETeller Inc. Upon the option vesting to the eligible person, the option could be exercised during the exercise period and either converted to shares of NETeller Inc. or the eligible person could elect to take the payment right, whereby the option could be surrendered back to NETeller Inc., and the accredited market value of the option is paid in cash by NETeller Inc.

	<i>Number of options</i>	<i>Class "C" common shares</i>	<i>Exercise price per share</i>	<i>Vesting period</i>
Outstanding as at 31 August 2002	—			
Granted on 1 September 2002	1,000,000	Series 1	US\$ 0.01	1 June 2003 to 15 June 2003
Cancelled on 11 June 2003	(1,000,000)	Series 1		
Granted on 12 June 2003	1,000,000	Series 2	US\$0.01	26 August 2003 to 29 August 2003
Cancelled on 28 August 2003	(1,000,000)	Series 2		
Granted on 29 August 2003	1,000,000	Series 3	US\$0.01	25 November 2003 to 28 November 2003
	<hr/>			
Outstanding as at 31 August 2003	1,000,000			
Cancelled on 27 November 2003	(1,000,000)	Series 3		
Granted on 28 November 2003	1,000,000	Series 4	US\$0.01	31 December 2003
Cancelled on 31 December 2003	(1,000,000)	Series 4		
	<hr/>			
Outstanding as at 31 December 2003	—			
	<hr/> <hr/>			

During the periods, all option holders exercised their payment rights resulting in remuneration of \$14,004,769 (31 August 2003 – \$13,383,636). Of this amount, \$13,822,591 (31 August 2003 – \$13,248,883) is included in management remuneration and \$479,681 (31 August 2003 – \$397,441) is included in general and administrative expenses.

20. Retained earnings (accumulated deficit)

	<i>US\$</i>
Balance as at 1 September 2000	(171,315)
Net loss for the year	(74,275)
	<hr/>
Balance as at 31 August 2001	(245,590)
	<hr/> <hr/>
Balance as at 1 September 2001	(245,590)
Net earnings for the year	300,384
	<hr/>
Balance as at 31 August 2002	54,794
	<hr/> <hr/>
Balance as at 1 September 2002	54,794
Net earnings for the year	166,398
	<hr/>
Balance as at 31 August 2003	221,192
	<hr/> <hr/>
Balance as at 1 September 2003	221,192
Net earnings for the four month period	2,472,734
	<hr/>
Balance as at 31 December 2003	2,693,926
	<hr/> <hr/>

21. Change in non-cash working capital

	<i>Year ended 31 August</i>			<i>Four month period ended 31 December</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2003</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Receivable from members	(42,250)	42,250	(505,000)	505,000
Accounts receivable	—	—	(23,335)	18,273
Prepaid expenses and deposits	16,718	(110,919)	9,283	(84,369)
Advances to companies under common control	(8,777)	(337,361)	(2,762,239)	1,255,882
Accounts payable and accrued liabilities	20,708	74,993	490,233	513,253
Income taxes payable	—	23,881	47,879	(113,134)
	<hr/>	<hr/>	<hr/>	<hr/>
	(13,601)	(307,156)	(2,743,179)	2,094,905
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

22. Financial instruments

The NETeller Inc. Group's principal financial instruments consist of cash and cash equivalents, funds held in trust, receivable from members, accounts receivable, advances to companies under common control, notes receivable from companies under common control, accounts payable and payables to members and merchants, payable to companies under common control, and due to shareholders and employees.

i) Fair values

The fair values of cash and cash equivalents, funds held in trust, receivables from members, accounts receivable, accounts payable and payable to members and merchants approximate the carrying values due to the short-term nature of these instruments.

The fair values of the advances to companies under common control, notes receivable from companies under common control, payables to companies under common control, and due to shareholders and employees are not significantly different than the carrying values as it is the intention to collect and pay these amounts within the next twelve months.

ii) *Credit risk and concentrations*

The NETeller Inc. 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 NETeller Inc. Group manages the exposure to credit risk by ensuring it has a significant number of members. As these members are wide spread geographically and the merchants are active in various industries, the exposure to credit risk and concentrations is mitigated.

iii) *Interest rate risk*

The NETeller Inc. Group is not exposed to significant interest rate risk.

iv) *Currency risk*

The NETeller Inc. Group is not significantly exposed to foreign currency exchange risk, as the majority of the transactions are denominated in US dollars. The NETeller Inc. 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).

23. Contingency

Pursuant to the terms of a purchase agreement effective 31 December 2003, the Company provided an indemnity to NETeller Inc. for any potential amount that may be or become payable arising as a consequence of the sale of the intellectual property and related assets by NETeller Inc. to NETeller plc for \$6,500,000. In the event any amount become payable by NETeller Inc. over and above amounts already paid by NETeller Inc., the indemnity will require the Company to make an additional payment to NETeller Inc. (the "Reassessment Amount"). See Note 30.

24. Operating lease commitment

	<i>Year ended 31 August</i>		<i>Four month period ended 31 December</i>
	<i>2001</i>	<i>2002</i>	<i>2003</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Minimum lease payments under operating leases recognised in net earnings (loss) for the period	—	—	42,800

NETeller Inc. leases its operating premises from an entity in which an officer of the NETeller Inc. Group has a financial interest. The premises are leased on a month-to-month basis. These transactions were negotiated by the President of NETeller Inc. and the officer and have occurred under normal trading conditions and terms.

25. Business and geographical segments

The NETeller Inc. Group's operations are located in Canada. All transactions up to and including 31 December 2003 were processed in Canada.

26. Directors' remuneration

The remuneration of directors during the year included salaries and directors' fees and bonuses (including payments under the Hybrid Stock Option Plan) was as follows:

	<i>Year ended 31 August 2001</i>		
	<i>Salaries and fees</i>	<i>Bonuses</i>	<i>Total</i>
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Executive Director			
Steve Lawrence	61,333	118,339	179,672
John Lefebvre	41,333	41,942	83,275
Total	102,666	160,281	262,947

<i>Year ended 31 August 2002</i>			
	<i>Salaries and fees US\$</i>	<i>Bonuses US\$</i>	<i>Total US\$</i>
Executive Director			
Steve Lawrence	74,102	408,661	482,763
Total	<u>74,102</u>	<u>408,661</u>	<u>482,763</u>
<i>Year ended 31 August 2003</i>			
	<i>Salaries and fees US\$</i>	<i>Bonuses US\$</i>	<i>Total US\$</i>
Executive Director			
Steve Lawrence	99,429	5,696,986	5,796,415
Gord Herman	551,354	—	551,354
Non-executive Director			
Jane Bergman	5,477	—	5,477
Total	<u>656,260</u>	<u>5,696,986</u>	<u>6,353,246</u>
<i>Four month period ended 31 December 2003</i>			
	<i>Salaries and fees US\$</i>	<i>Bonuses US\$</i>	<i>Total US\$</i>
Executive Director			
Steve Lawrence	37,133	5,933,355	5,970,488
Gord Herman	677,417	—	677,417
Non-executive Director			
Jane Bergman	11,050	—	11,050
Total	<u>725,600</u>	<u>5,933,355</u>	<u>6,658,955</u>

27. Additional information on subsidiaries and associated undertakings

Details of NETeller Inc.'s subsidiaries prior to 31 December 2003 are as follows:

Name of subsidiary	<i>Place of incorporation and operation</i>	<i>Proportion of ownership interest</i>	<i>Proportion of voting power held</i>	<i>Principal Activity</i>
NETeller (US) Inc.	United States	100%	100%	Dissolved on 31 December 2002
NETeller Ltd. (St. Kitts)	St. Kitts	100%	100%	Dormant
NETeller (UK) Limited	United Kingdom	100%	100%	Marketing

As at 31 December 2003, NETeller (UK) Limited has not commenced operations as a marketing company. Effective 31 December 2003, NETeller Inc. sold its beneficial interest in NETeller (UK) Limited to NETeller plc as described in Note 2.

28. Related party transactions

Related party transactions are disclosed in Notes 2, 11, 23, 24 and 30.

29. Ultimate controlling party

Since 1 August 2002, the ultimate holding company of NETeller Inc. is 972513 Alberta Ltd. Prior to that the ultimate controlling parties of NETeller Inc. were its shareholders.

30. Post balance sheet event relating to the purchase agreement

On 1 April 2004, the Company, NETeller Inc., 1098853 Alberta Ltd. ("Alberta") and Corvina International Ltd. ("Corvina") agreed to exchange the Company's right to receive additional amounts calculated by reference to the Reassessment Amount with Alberta and Corvina, forming part of the consideration for the issue of shares by the Company to Alberta and Corvina and eliminating any obligation of the Company related to its obligation to pay the Reassessment Amount. See Note 23.

31. Differences between Canadian GAAP and International Accounting Standards

The Group's consolidated financial statements have been prepared in accordance with Canadian GAAP, which generally conform to IFRS, except for the presentation of the NETeller Inc. Group's financial information and certain disclosure items under IFRS. The following is deemed to be a significant presentation and disclosure difference:

	Year ended 31 August			Four month period ended 31 December
	2001 US\$	2002 US\$	2003 US\$	2003 US\$
Cash flows related to the following activities:				
OPERATING				
Net (loss) earnings	(74,275)	300,384	166,398	2,472,734
Adjustments for:				
Amortisation	6,635	18,817	64,152	54,506
Income tax charge	—	23,881	89,253	(113,134)
Interest income	(10,220)	(13,222)	(161,180)	(69,088)
Foreign exchange (gain) loss on cash and cash equivalents	(3,012)	(17,362)	428,063	155,972
Write-off of prepaid expenses and deposits	—	—	—	132,371
Gain on sale of intellectual property	—	—	—	(6,498,333)
Gain on sale of capital assets	—	—	—	(67,465)
Operating cash flows before movement in working capital	(80,872)	312,498	586,686	(3,932,437)
(Increase) decrease in receivable from members	(42,250)	42,250	(505,000)	505,000
(Increase) decrease in accounts receivable	—	—	(23,335)	18,273
Decrease (increase) in prepaid expenses and deposits	16,718	(110,919)	9,283	(84,369)
(Increase) decrease in advances to companies under common control	(8,777)	(337,361)	(2,762,239)	1,255,882
Increase in accounts payable and accrued liabilities	20,708	74,993	490,233	513,253
Cash generated by operations	(94,473)	(18,539)	(2,204,372)	(1,724,398)
Income tax paid	—	—	(41,374)	—
Net cash flow (used in) from operating activities	(94,473)	(18,539)	(2,245,746)	(1,724,398)
INVESTING				
Interest income	10,220	13,222	161,180	69,088
Purchase of capital assets	(14,671)	(78,358)	(331,351)	(634,944)
Proceeds received on sale of assets	—	—	—	137,072
Purchase of other assets	(2,426)	—	—	—
Purchase of investment	—	—	(25,000)	—
Net cash flow used in investing activities	(6,877)	(65,136)	(195,171)	(428,784)
FINANCING				
Net increase in deposits from members and merchants prior to reorganisation	2,385,776	3,640,810	29,302,976	13,522,980
Transfer of member and merchant deposits on reorganisation	—	—	—	(48,868,070)
Net (decrease) increase in advances by shareholders and employees	(136,465)	589,356	2,784,873	2,109,904
Net cash flow from (used in) financing activities	2,249,311	4,230,166	32,087,849	(33,235,186)
Net increase (decrease) in cash and cash equivalents	2,147,961	4,146,491	29,646,932	(35,388,368)
Cash and cash equivalents, beginning of period	11,149	2,162,122	6,325,975	35,544,844
Net effect of foreign exchange on cash and cash equivalents	3,012	17,362	(428,063)	(155,972)
Cash and cash equivalents, end of period	2,162,122	6,325,975	35,544,844	504

Yours faithfully

Deloitte & Touche LLP
Chartered Accountants
Calgary, Canada

PART V

**UNAUDITED PRO FORMA NET ASSET STATEMENT
OF NETELLER PLC**

The following unaudited pro forma statement of net assets has been prepared to demonstrate the effect of the Placing on the net assets of the Group as if the Placing had taken place on 31 December 2003. It has been prepared for illustrative purposes only and, because of its nature, may not provide a true picture of the Group's financial position. It is based on the consolidated balance sheet of NETeller plc (formerly NETeller Limited) as at 31 December 2003 as set out in Part III of this document.

	<i>As at 31 December 2003 US\$</i>	<i>Pro forma adjustment US\$ Note 1</i>	<i>Pro forma as at 31 December 2003 US\$</i>
ASSETS			
CURRENT			
Cash and cash equivalents	31,030,455	47,700,000	78,730,455
Receivable from NETeller Inc.	17,081,598	—	17,081,598
Receivable from members	565,000	—	565,000
Funds held in trust	6,500,000	—	6,500,000
Accounts receivable	54,045	—	54,045
Prepaid expenses and deposits	85,705	—	85,705
	55,316,803	47,700,000	103,016,803
Capital assets	1,000,000	—	1,000,000
Intellectual property	6,500,000	—	6,500,000
Portfolio investments, at cost	25,000	—	25,000
	62,841,803	47,700,000	110,541,803
LIABILITIES			
CURRENT			
Payable to members and merchants	48,868,070	—	48,868,070
Notes payable to NETeller Inc.	7,473,633	—	7,473,633
Due to shareholders	6,500,099	—	6,500,099
	62,841,802	—	62,841,802
SHAREHOLDERS' EQUITY			
Share capital	1	47,700,000	47,700,001
	62,841,803	47,700,000	110,541,803

Pro forma adjustment

1. Issuance of 15 million ordinary shares of the Company pursuant to its initial public offering for net proceeds of approximately US\$47.7 million, after deducting estimated expenses of the Placing of approximately US\$6.3 million.
2. No account has been made of trading since 31 December 2003.
3. No account has been made of the sale of the 2.5 million ordinary shares held by the Selling Shareholders.

PART VI
ADDITIONAL INFORMATION

1. Responsibility statement

The directors of the Company, whose names appear in paragraph 3 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors of the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

The Company was incorporated and registered in the Isle of Man on 31 October 2003 under the Companies Acts with registered number 109535C as a private company limited by shares with the name NETeller Limited. The liability of the members of the Company is limited. On 1 April 2004 the Company re-registered as a public limited company with the name NETeller plc. The Company has carried on business since 1 January 2004.

3. The Directors

The Directors of the Company are:

<i>Name</i>	<i>Function</i>	<i>Age</i>
Stephen Eric Lawrence	Chairman	44
Gordon Herman	Chief Executive	45
John David Lefebvre	Non-Executive Director	52
Donald Clague Lindsay	Non-Executive Director	58
John Hamilton Webster	Non-Executive Director	57

all of P.O. Box 312 Grosvenor House, 66/67 Athol Street, Douglas, Isle of Man IM99 2BJ.

Further details are disclosed in paragraph 7 of part VI of this document.

4. Share and loan capital

- 4.1 The authorised share capital of the Company on incorporation was £10,000 divided into 1,000,000 ordinary shares of 1p each.
- 4.2 The issued share capital on incorporation was 1 ordinary share of 1p.
- 4.3 On 5 January 2004, the Company allotted and issued 999,999 ordinary shares of 1p each at par.
- 4.4 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.
- 4.5 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.
- 4.6 On 1 April 2004, the Company allotted and issued 100,000,000 Ordinary Shares each for an aggregate subscription price of £10,000 plus an undertaking to pay an additional amount calculated by reference to any reassessment by the Canadian taxation authorities of the value of the assets transferred under the agreement described in paragraph 12.1 of part VI of this document.
- 4.7 On 1 April 2004, the Company allotted and issued a further 4,800,000 Ordinary Shares at par for cash.

4.8 At the date of this document the authorised and issued fully paid share capital of the Company is:

<i>Class of shares</i>	<i>Authorised</i>		<i>Issued (fully paid)</i>	
	<i>(£)</i>	<i>(number)</i>	<i>(£)</i>	<i>(number)</i>
Ordinary Shares	20,000	200,000,000	10,480	104,800,000
Deferred Shares	10,000	1,000,000	10,000	1,000,000

4.9 The authorised and issued fully paid share capital of the Company immediately following Admission will be as follows:

<i>Class of shares</i>	<i>Authorised</i>		<i>Issued (fully paid)</i>	
	<i>(£)</i>	<i>(number)</i>	<i>(£)</i>	<i>(number)</i>
Ordinary Shares	20,000	200,000,000	11,980	119,800,000
Deferred Shares	10,000	1,000,000	10,000	1,000,000

4.10 The authorised but unissued ordinary share capital of the Company immediately following Admission will be £8,020 representing approximately 40.1 per cent. of the authorised ordinary share capital. Approximately 0.97 per cent. of the ordinary authorised share capital will be reserved for the issue of 1,940,000 Ordinary Shares pursuant to the exercise of the options proposed to be issued under the Share Option Plan, as referred to in paragraph 6.2 below.

4.11 The Articles confer on shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in the Articles) which are, or are to be, paid up in cash and, on Admission, will apply to all the authorised but unissued share capital of the Company, except equity securities up to a nominal value of £1,748 (being equal to 14.59 per cent.) of the issued ordinary share capital of the Company on Admission.

4.12 Save as disclosed in this paragraph 4, there has been no issue of share or loan capital of the Company or any other member of the Group (other than intra-group issues by wholly owned subsidiaries) in the three years immediately preceding the date of this document and (other than pursuant to the Placing or on the exercise of the options to be granted under the Share Option Plan) no such issues are proposed.

4.13 Save as disclosed in paragraphs 6.2 and 10 below, no commissions, discounts, brokerages or other special terms have been granted by the Company or any other member of the Group in connection with the issue or sale of any share or loan capital of the Company or any other member of the Group in the three years immediately preceding the date of this document.

4.14 For the purposes of paragraph 8 of the Fourth Schedule in the Companies Act 1931, on Admission no share or loan capital of the Company or any other member of the Group will be under option or will be agreed conditionally or unconditionally to be put under option.

4.15 Other than pursuant to the Placing, none of the Ordinary Shares have been marketed or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to AIM.

4.16 Save for the Deferred Shares there are no founders' or management or deferred shares comprised within the Company's capital.

4.17 No shares in the capital of the Company or debentures have been issued by the Company or agreed to be issued fully or partly paid up otherwise than in cash within the two years preceding the date of this document.

4.18 Save as disclosed in paragraph 10 below, no amount has been paid or is payable within the two years preceding the date of this document as commission for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in or debentures of the Company.

5. Memorandum and articles of association

The memorandum of association of the Company does not have, and is not required under the Companies Acts to have, an objects clause.

The contents of the Memorandum of the Company is set out below as required by Schedule 1 of the Fourth Schedule to the Companies Act 1931.

“THE COMPANIES ACTS 1931 TO 1993
ISLE OF MAN
PUBLIC COMPANY LIMITED BY SHARES
MEMORANDUM OF ASSOCIATION
OF
NETELLER PLC

1. The name of the Company is NETELLER PLC.
2. The company is a public company.
3. The liability of the members is limited.
4. Restrictions, if any, on the exercise of the rights, powers and privileges of the Company -

None unless and until decided upon by Special Resolution of the Company in accordance with Section 6 of the Companies Act 1986.

5. The share capital of the Company is £30,000 divided into 200,000,000 ordinary shares of 0.01p each and 1,000,000 deferred shares of 1p each.

We, the subscribers of this memorandum of association –

- (a) wish to be formed into a company pursuant to this memorandum,
- (b) agree to take the number of shares shown opposite our respective names,
- (c) declare that all the requirements of the Company Act 1931 to 1986 in respect of matters relating to registration and of matters prudent and incidental thereto have been complied with.

<i>Name and Address of Subscriber</i>	<i>Signature</i>	<i>No. of Shares taken</i>	<i>Name and Address of Witness</i>
For TR (IOM) Nominees Limited Grosvenor House 66/67 Athol Street Douglas Isle of Man	Director	1	Michelle Bridson c/o Grosvenor House 66/67 Athol Street Douglas Isle of Man

Dated this the 13th day of October 2003”

The articles of association of the Company (the “Articles”) contain, *inter alia*, the following provisions:

5.1 *Issue of Equity Securities*

The Articles contain the restrictions on the issue of equity shares (as defined in the Articles) which are, or are to be, paid up in cash unless the Board has made an offer to each person who holds equity securities in the same class to allot equity security on the same or more favourable terms in such proportions as the new equity securities equal to the proportion the existing holding of equity securities of the same class represent of all the issued shares of that class. The pre-emption rights may be disapplied by ordinary resolution and do not apply to equity securities to be issued pursuant to an employee share scheme or to the number of equity securities set out in paragraph 4.11 above.

5.2 *Voting rights*

Subject to the rights or restrictions referred to in paragraph 5.3 below and subject to any special rights or restrictions as to voting attached to shares (of which there are none at present), on a show of hands every

holder of Ordinary Shares who is present in person shall have one vote and on a poll every holder who is present in person or by proxy shall have one vote for each Ordinary Share held by him. A corporate member may, by resolution of its directors or other governing body, authorise a person to act as its representative at general meetings and that person may exercise the same powers as the corporate member could exercise if it were an individual member.

The Deferred Shares shall not entitle the holders thereof to receive any notice of or to attend or vote at any general meeting of the Company.

5.3 *Restrictions on voting*

A member of the Company is not entitled, in respect of any share held by him, to be present or vote either personally or by proxy at any general meeting of the Company unless all amounts payable by him in respect of that share in the Company have been paid or credited as having been paid.

A member of the Company shall not, if the directors determine, be entitled to attend general meetings or vote or to exercise rights of membership if he or another person appearing to be interested in the relevant shares has failed to comply with a notice given under the Articles as described in paragraph 5.13 below within 14 days (in a case where the shares in question represent at least 0.25 per cent. of their class) or within 28 days (in any other case) from the date of service of the notice. The restrictions will continue until the information required by the notice is supplied to the Company or until the shares in question are transferred or sold in the circumstances set out in the Articles.

5.4 *Dividends*

Subject to any special rights attaching to shares (of which there are none at present), the holders of the Ordinary Shares are entitled, proportionately amongst themselves, to the profits of the Company available for distribution and resolved by ordinary resolution to be distributed (up to the amount recommended by the directors) according to the amounts paid up on the Ordinary Shares held by them. The directors may pay interim dividends, if profits are available for distribution. No dividends payable in respect of an Ordinary Share shall bear interest. The directors may, if authorised by an ordinary resolution, offer the holders of Ordinary Shares the right to elect to receive further Ordinary Shares, credited as fully paid (or other specific assets) instead of cash in respect of all or part of a dividend (“a scrip dividend”). The directors may, pursuant to the provisions of the Articles relating to disclosure of interests, withhold dividends or other sums payable in respect of shares that are the subject of a notice under the Articles as described in paragraph 5.13 below and which represent 0.25 per cent. or more in nominal value of the issued shares of their class and in respect of which the required information has not been received by the Company within 14 days of that notice and the member holding those shares may not elect, in the case of a scrip dividend, to receive shares instead of that dividend.

The Company or its directors may fix a date as the record date for a dividend provided that the record date is no later than the date on which the dividend is paid or made. A dividend unclaimed after a period of 12 years from the date when it became due for payment shall be forfeited and shall revert to the Company.

The Deferred Shares shall not entitle the holders thereof to receive any dividend or other distribution unless and until the holders of ordinary shares shall have received in aggregate amongst them the sum of £100,000,000 in respect of such dividend or distribution.

5.5 *Return of capital*

On a winding-up, subject to any special rights attaching to shares the assets available for distribution shall be divided among the members as follows:

- 5.5.1 first to the holders of the Ordinary Shares of an amount equal to £1,000,000 per Ordinary Share.
- 5.5.2 second to holders of the Deferred Shares of the amount paid up on such shares.
- 5.5.3 third, any remaining assets shall be divided among the holders of the Ordinary Shares in proportion to the amounts of capital paid up on the Ordinary Shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary, under supervision or by the court), the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by law, divide among the members in specie or kind the whole or any part of the assets of

the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may with the same sanction, vest the whole or any part of the whole of the assets in trustees on trusts for the benefit of the members as he with the same sanction thinks fit, but no member shall be compelled to accept any shares or other securities on which there is a liability.

5.6 *Variation of rights*

Subject to the provisions of the Statutes (as defined in the Articles), any rights attaching to a class of shares in the Company may be varied or abrogated with the written consent of the holders of not less than three-quarters in nominal value of the issued shares of the class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the relevant class. The quorum for the separate general meeting shall be persons holding, or represented by proxy, not less than one-third in nominal value of the issued shares of the relevant class.

Neither:

- 5.6.1 the passing by the Company of any resolution for a reduction of capital involving the cancellation of the Deferred Shares without any repayment of capital in respect thereof, or a reduction of share premium account, or the obtaining by the Company or the making by the Court of an order confirming any such reduction of capital or share premium account or the making of such order; nor
- 5.6.2 the purchase by the Company in accordance with the provisions of the statutes of any of its own shares or other securities or the passing of a resolution to permit such purchase; nor
- 5.6.3 the creation or issue of further shares ranking *pari passu* with or in priority to the Deferred Shares shall constitute a variation or abrogation of the rights attaching to the Deferred Shares.

5.7 *Transfer of shares*

Subject to the restriction set out in this paragraph, any member may transfer all or any of his shares which are in certificated form by instrument of transfer in any usual or common form or in any other form which the directors approve. The transferor is deemed to remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect of them. All transfers of uncertificated shares shall be made in accordance with and subject to the Isle of Man Transfer of Securities Regulations 1996 and the facilities and requirements of the relevant systems concerned and in accordance with any arrangements made by the directors pursuant to the Articles.

The Company is authorised at any time:

- 5.7.1 to appoint any person to execute on behalf of the holders of the Deferred Shares a transfer thereof and/or an agreement to transfer the same, without making any payment to the holders thereof and persons so entitled, to such persons as the Company may determine as holder thereof beneficially entitled thereto;
- 5.7.2 pending any such transfer not to issue certificates for the Deferred Shares.

The directors have a discretion to refuse to register a transfer of a share which is not fully paid (provided that this does not prevent dealings in the shares from taking place on an open and proper basis) without giving a reason. The directors must provide the transferee with a notice of the refusal within two months from the date on which the transfer was lodged in the case of certificated shares or, in respect of uncertificated shares, the date on which the operator instruction was received by the Company or by the sponsoring system participant acting on its behalf. The directors may also decline to register a transfer of shares in certificated form unless (i) the instrument of transfer is delivered for registration to the registered office of the Company or at another place which the directors determine, accompanied (except in the case of a transfer by a recognised clearing house or investment exchange, where a share certificate has not been issued) by the certificate for the shares to which it relates and other evidence which the directors reasonably require to prove the title of the transferor; (ii) the instrument of transfer is in respect of only one class of share; (iii) the number of joint holders to whom the share is to be transferred does not exceed four. The directors may, pursuant to the provisions of the Articles relating to disclosure of interests, decline to register a transfer in respect of shares which are the subject of a notice described in paragraph

5.13 below and which represent 0.25 per cent. or more in nominal value of the issued shares of their class, and in respect of which the required information has not been received by the Company within 14 days after service of the notice.

5.8 *Alteration of capital and purchase of own shares*

The Company may alter its share capital as follows:

- 5.8.1 by ordinary resolution, it may increase its share capital, consolidate and divide all or any of its shares into shares of larger amount, sub-divide (subject to the provisions of the Statutes) all or any of its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person;
- 5.8.2 by special resolution and subject to the provisions of the Statutes, it may reduce its share capital, any capital redemption reserve or any share premium account or other undistributable reserves in any manner; and
- 5.8.3 subject to the provisions of the Statutes and with the sanction of an extraordinary resolution of the holders of any class of shares carrying rights to convert into equity share capital of the Company, the Company may purchase any of its own shares, including redeemable shares, at any price (whether at par or above or below par).

5.9 *Directors*

Number

Unless otherwise determined by the Company by ordinary resolution, the number of directors shall be not less than two.

The Articles of the Company contain no provision requiring any director to hold any shares in the capital of the Company as a qualification for holding such office.

Remuneration

The directors (other than directors holding executive office and alternate directors) shall be paid the fees for their services determined by the directors. The aggregate of the fees shall not exceed £150,000 per annum (subject to upwards adjustment in line with any percentage increase in the retail prices index) or such higher amount as may from time to time be determined by ordinary resolution. Any fee shall be in addition to or in lieu of any remuneration payable to a director as the directors in their discretion determine by reason of his appointment to any executive office or payable to a director who performs services which, in the opinion of the directors, go beyond the ordinary duties of a director. The directors may be paid all reasonable travel, hotel and incidental expenses properly incurred in the performance of their duties as directors including expenses incurred in attending meetings of the board, committees of the board and general meetings or separate meetings of the holders of any class of shares or debentures of the Company.

Retirement of directors by rotation

At every annual general meeting of the Company, one-third of the directors (or, if their number is not three or a multiple of three, the number nearest to but not more than one-third) shall retire from office by rotation. In addition, each director shall retire from office at the third annual general meeting after he was appointed or reappointed, if he would not otherwise fall within the directors to retire by rotation.

The directors to retire by rotation shall include (so far as necessary to obtain the number required) a director who wishes to retire and not offer himself for re-election. The further directors to retire shall be those of the other directors who have been longest in office since their appointment or last reappointment but, as between persons who became or were last reappointed directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

The directors to retire shall be determined (both as to number and identity) by the composition of the board at the commencement of business on the day which is 14 days prior to the date of the notice convening the annual general meeting. A director shall not be required, or be relieved from the obligation, to retire by reason of a change in the board after that time but before the close of the meeting.

At the meeting at which a director retires by rotation, the Company may fill the vacated office. The retiring director may be put forward for reappointment.

A director who retires at an annual general meeting may, if willing to act, be reappointed. If he is not reappointed, he shall retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting.

No person shall be capable of being appointed a director after he has attained the age of 75 and a Director shall vacate his office at the conclusion of the first annual general meeting after his 75th birthday.

Executive directors

Subject to the Statutes, the directors may appoint a director to an executive office in the Company. The appointment may be on the terms the directors determine. The appointment of a director to an executive office terminates if he ceases to be a director, but without prejudice to any claim he has for breach of his contract of employment.

Directors' interests

A director shall not vote nor be counted in a quorum at a meeting in relation to any resolution of the Board concerning any contract, arrangement, transaction or proposal in which he is, to his knowledge, directly or indirectly materially interested (including by virtue of the interests of persons connected with him).

The prohibition will not apply to the following:

- 5.9.1 an arrangement for giving a guarantee, security or indemnity in respect of money lent or obligations undertaken by him for the benefit of the Company (or any of its subsidiary undertakings) or in respect of a debt or obligation of the Company (or any of its subsidiary undertakings) for which he has assumed responsibility, in whole or in part, under a guarantee or an indemnity or by the giving of security;
- 5.9.2 a proposal concerning an offer of securities by the Company (or any of its subsidiary undertakings) in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- 5.9.3 a proposal concerning another company in which he is not interested, directly or indirectly, in 1 per cent. or more either of its equity share capital or of its voting rights;
- 5.9.4 an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award the director a privilege or benefit not generally awarded to the employees to whom the arrangement relates; or
- 5.9.5 a proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of directors or for the benefit of persons who include directors.

Subject to the Statutes and provided he has disclosed to the directors the nature and extent of his interest, a director may contract with the Company, the contract shall not be avoided on the grounds of his interest or benefit and the director is not liable to account to the Company for any profit realised as a result of the contract.

A director may not vote or be counted in the quorum in relation to a resolution of the directors or committee of the directors concerning his own appointment, the settlement or variation of the terms or the termination of his own appointment or the appointment of another person to an office in a company in which the director has a material interest.

Where proposals are under consideration concerning the appointment or the settlement or variation of the terms or the termination of the appointment of two or more directors, a separate resolution may be put in relation to each director. In each case, each director (if not otherwise debarred from voting) is entitled to vote in respect of each resolution except that concerning his own appointment.

5.10 *Benefits*

The directors may exercise all the powers of the Company to provide benefits, either by the payment of gratuities or by insurance or otherwise, for any person who is or who has at any time been a director of the Company (and for any of his relations or dependants).

The directors may exercise a power conferred by the Statutes to make provision for the benefit of persons employed or formerly employed by the Company or any of its subsidiary undertakings (or any member of his family including a spouse or former spouse or any person who is or was dependent upon him) in connection with the cessation or the transfer to a person of the whole or part of the undertaking of the Company or a subsidiary undertaking.

5.11 *Borrowing powers*

The directors may exercise all the powers of the Company to borrow money, to guarantee, to indemnify and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The directors shall restrict the borrowing of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries with a view to securing (in relation to subsidiaries only in so far as the rights and powers of the Company enable the directors to do so) that the aggregate amount remaining undischarged of all sums borrowed by the Company and any of its subsidiaries (exclusive of intra-group borrowing) shall not, except with the previous sanction of an ordinary resolution, exceed an amount equal to two times the adjusted share capital and consolidated reserves.

For this purpose, the adjusted share capital and consolidated reserves shall be an amount equal to the aggregate of the amounts standing to the credit of the share capital account of the Company, the consolidated capital and revenue reserves (including a share premium account or capital redemption reserve fund) and the consolidated profit and loss account of the Company and its subsidiaries, all as shown in the latest audited consolidated accounts of the Company and its subsidiaries, but adjusted as may be necessary to take account of an increase in, or reduction of, the share capital or reserves since the date to which the consolidated balance sheet has been made up and distributions (other than to the Company or another subsidiary) out of profits earned down to the date of the balance sheet and not provided for in the balance sheet, excluding sums set aside for taxation and amounts attributable to minority interests in subsidiaries, adjusted in respect of variations in the interest of the Company in its subsidiaries since the date of the balance sheet, adjusted to take account of revaluations of the fixed assets of the Company and its subsidiaries made by independent professional valuers, deducting amounts attributable to goodwill and making any other adjustments which the auditors, after consultation with the Company, consider appropriate.

5.12 *Indemnity of officers*

Subject to the Statutes, the Company may indemnify any director or other officer or auditor against any liability and purchase and maintain for any director, other officer or auditor, insurance against any liability. Subject to this, but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every director or other officer and the auditor will be indemnified out of the assets of the Company against any liability incurred as a director, officer or as an auditor in defending any proceedings (whether civil or criminal) in which judgment is given in his favour or where he is acquitted or in connection with any application under the Statutes in which relief is granted to him by the court.

5.13 *Company Investigations*

The Articles contain provisions for the suspension of share rights in cases where a Shareholder fails to comply with a notice sent to him by the Company requiring the disclosure of interests in shares in the Company.

5.14 *CREST*

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Ordinary Shares have been made eligible for settlement in CREST by means of a resolution of the board, with the necessary notice having been given to all members of the Company at that time, as contemplated by the Isle of Man Transfer of Securities Regulations 1996. The Company has applied for the Ordinary Shares to be admitted to CREST

and it is expected that the Ordinary Shares will be so admitted, and accordingly enabled for settlement in CREST, as soon as practicable after Admission has occurred.

6. Share Option Plan

6.1 The NETeller plc Share Option Plan (the “Plan”) is an unapproved employee share option plan and was adopted on 7 April 2004. The principal terms of the Plan are as follows:

6.1.1 Administration

The Plan will be administered and the grant of options supervised by the remuneration committee of the Board.

6.1.2 Eligibility

The remuneration committee may select employees and directors of the Company and of its subsidiaries (who are not within 6 months of their normal retirement date) to whom options may be granted over Ordinary Shares.

6.1.3 Exercise price

The exercise price per Ordinary Share will not be less than the average of the middle market quotations for the three dealing days immediately preceding the date of grant as derived from the AIM section of the Daily Official List of the London Stock Exchange or in the case of an option to subscribe, the nominal value of an Ordinary Share if higher.

6.1.4 Performance conditions

The exercise of options may be made conditional on the achievement of a specified performance condition or vesting condition determined by the remuneration committee of the Board when options are granted.

6.1.5 Grant of options

Options may normally only be granted within the period of 42 days commencing on the date of the announcement by the Company of its interim or final results each year. Options may be granted outside these periods if the remuneration committee considers that there are sufficiently exceptional circumstances to justify the grant of options at that time. No payment is required for the grant of an option.

6.1.6 Limitations on participation

Each individual’s participation in the Plan will be limited (save where the remuneration committee resolves that exceptional circumstances exist) so that the aggregate price payable for Ordinary Shares under options granted under the Plan in any calendar year will not exceed 200% of his annual remuneration save that options granted on or before Admission shall not count for the purposes of this limit.

Benefits under the Plan are not pensionable.

6.1.7 Exercise of options

In normal circumstances, an option may only be exercised to the extent that it has vested and, in the case of an option granted subject to the satisfaction of a performance condition, if that performance condition has been satisfied. One third of any option granted will vest at the end of each year over the period of three years from the date of grant. Further vesting will cease on cessation of employment unless the Board otherwise determines but will only lapse if the participant ceases to be an employee of the Group by reason of gross misconduct, fraud or dishonesty.

In the event of a takeover the unvested balance of an option shall vest provided that the participant has not ceased to be employed within the Group.

When options granted under the Plan are exercised the Company will where relevant account for any income tax and national insurance contributions due on the option gain. Participants will be required to reimburse the Company or authorise the Company to sell sufficient shares to meet this

tax liability. Options may be granted on terms that the participant bears any employer's national insurance contributions.

6.1.8 Terms of options and issue of Ordinary Shares

Options are neither transferable nor assignable. Within 30 days after the exercise of an option granted over unissued shares, the appropriate number of Ordinary Shares will be allotted and issued to the option holder. The Ordinary Shares allotted will rank pari passu with all other issued Ordinary Shares of the Company save that they will not rank for any dividend or other rights attaching to such shares by reference to a record date prior to their issue. Existing Ordinary Shares may also be transferred on the exercise of an option.

6.1.9 Variation of capital

In the event of a variation of share capital, including a capitalisation issue or rights issue or any consolidation, sub-division or reduction of capital of the Company, the number and option price of Ordinary Shares subject to options shall be adjusted in such manner as the auditors of the Company confirm in their opinion is fair and reasonable.

6.1.10 Amendment and termination

The Board may on the recommendation of the remuneration committee of the Board make amendments to the Plan, but no amendment may be made which would adversely affect any rights already acquired by a participant except with the consent in writing of participants who, if they exercised their options in full, would become entitled to not less than three quarters of all the shares comprising options under the Plan. No alteration to the advantage of participants may be made to provisions relating to the persons to whom options may be granted, the limits on the total number of Ordinary Shares over which options may be granted, the limits on the number of options which may be granted to any participant, the adjustments to be made in the event of a variation of share capital or the option exercise price without the prior approval of the Company by an ordinary resolution (except for minor alterations to benefit the administration of the Plan, to take account of a change in legislation or to obtain or maintain favourable exchange control or regulatory treatment for participants or any member of the Group).

6.1.11 Limits on share capital available to the Plan

The number of unissued Ordinary Shares placed under option under the Plan shall not exceed in aggregate 10 per cent. of the Company's issued ordinary share capital from time to time.

- 6.2 Following Admission, it is proposed that options over 1,940,000 Ordinary Shares will be granted by the Company to employees and directors of the members of the Group under the Plan at an exercise price equal to the Placing Price. The members of the Concert Party to whom it is proposed options will be granted following Admission are as follows:

<i>Names of persons holding an option</i>	<i>Number of Ordinary Shares to which the option relates</i>
Stephen Lawrence	25,000
Gordon Herman	250,000
John Lefebvre	25,000
Jeff Natland	80,000
Robert Edmunds	80,000
Steve Glavine	60,000

7. Directors' and other interests

7.1 As at the date of this document the interests (all of which are beneficial) of the Directors and their immediate families in the securities of the Company which have been notified to the Company including (to the extent known or which can with reasonable diligence be ascertained by the relevant Director) the interests of persons connected with that Director (within the meaning of section 346 of the United Kingdom Companies Act 1985) and as these interests are expected to be immediately following Admission, are as follows:

	<i>Before Admission</i>		<i>Following Admission</i>		<i>Proposed Options over Ordinary Shares</i>
	<i>Number of Ordinary Shares</i>	<i>Percentage of ordinary issued share capital</i>	<i>Number of Deferred Shares</i>	<i>Number of Ordinary Shares</i>	
Stephen Lawrence ¹	72,678,000	69.35	726,780	70,861,050	25,000
Gordon Herman	4,800,000	4.58	Nil	4,800,000	250,000
John Lefebvre ²	72,678,000	69.35	726,780	70,861,050	25,000
Don Lindsay	Nil	Nil	Nil	Nil	25,000
John Webster	Nil	Nil	Nil	Nil	25,000

Notes:

- (1) Stephen Lawrence is interested in 72,678,000 Ordinary Shares by virtue of the fact that he owns 60.36 per cent. of the issued share capital of Corvina, which is the registered holder of 72,678,000 Ordinary Shares.
- (2) John Lefebvre is interested in 72,678,000 Ordinary Shares by virtue of the fact that he owns 36.99 per cent. of the issued share capital of Corvina, which is the registered holder of 72,678,000 Ordinary Shares.

7.2 None of the Directors or any person connected with them (within the meaning of section 346 of the United Kingdom Companies Act 1985) is interested in any related financial product referenced to the Ordinary Shares (being a financial product whose value in whole or in part is determined directly or indirectly by reference to the price of the Ordinary Shares including a contract for difference or a fixed odds bet).

7.3 In addition to the interests of Directors disclosed in paragraph 7.1 above, the Company is aware of the following persons who at the date of this document has, or who is expected on Admission to have, an interest in 3 per cent. or more of the issued share capital of the Company. Their interests as at the date of this document and as they are expected to be immediately following Admission are as follows:

	<i>Before Admission</i>		<i>Following Admission</i>		
	<i>Number of Ordinary Shares</i>	<i>Percentage of ordinary issued share capital</i>	<i>Number of Deferred Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of ordinary issued share capital</i>
Corvina ¹	72,678,000	69.35	726,780	70,861,050	59.15
Alberta ²	27,322,000	26.07	273,220	26,638,950	22.24

Notes:

- (1) The details of the members of Corvina and the shares in it held by such members are as follows:
 Stephen Lawrence, registered holder of 43,870,000 ordinary shares, being 60.36 per cent of the issued share capital;
 John Lefebvre, registered holder of 26,885,000 ordinary shares, being 36.99 per cent of the issued share capital;
 Jeff Natland, registered holder of 1,923,000 ordinary shares, being 2.65 per cent of the issued share capital.
- (2) The details of the members of Alberta and the shares in it held by such members are as follows:
 Robert Edmunds, registered holder of 3,846,000 ordinary shares, being 14.08 per cent of the issued share capital;
 Bruce Ramsay, registered holder of 6,608,000 ordinary shares, being 24.18 per cent of the issued share capital;
 Steve Glavine, registered holder of 3,846,000 ordinary shares, being 14.08 per cent of the issued share capital;
 Victor Choy, registered holder of 13,022,000 ordinary shares, being 47.66 per cent of the issued share capital.

7.4 Save as disclosed in paragraphs 7.1 and 7.3 above, the Company is not aware of any person who will, immediately following Admission, be interested directly or indirectly in 3 per cent. or more of the issued share capital of the Company or could directly or indirectly, jointly or severally, exercise control over the Company.

7.5 Save as described in paragraph 7.6 below, no Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current or immediately preceding financial

year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.

- 7.6 There are the following arrangements between the Group and the Directors:
- 7.6.1 John Lefebvre is the legal and beneficial owner of all of the shares in JSL Systems Corp. (“JSL US”). JSL US has an informal agency arrangement with the Company pursuant to which:
 - 7.6.1.1 JSL US receives and holds on trust on behalf of the Group revenues, proceeds and benefits of the Group’s business in the US and pays and discharges on behalf of the Group all costs and expenses as requested by the Company, including the transfer of any funds to the Group;
 - 7.6.1.2 the Company reimburses to JSL US all of JSL US’s expenses and costs in connection with the provision of services pursuant to this arrangement; and
 - 7.6.1.3 the Company pays to JSL US a fee of US\$1.00 per year.
 - 7.6.2 John Lefebvre is the legal and beneficial owner of all of the shares in FCash Inc.. FCash Inc. has an informal agency arrangement with the Company on identical terms to those between the Company and JSL US.
 - 7.6.3 John Lefebvre and Stephen Lawrence are beneficially interested in JSL Systems Corp. (“JSL Canada”). JSL Canada has an informal agency arrangement with the Company pursuant to which:
 - 7.6.3.1 JSL Canada receives funds from JSL US which are held on trust on behalf of the Group and transfers those funds to companies in the Group at the request of the Company;
 - 7.6.3.2 the Company reimburses to JSL Canada all of JSL Canada’s expenses and costs in connection with the provision of services pursuant to this arrangement; and
 - 7.6.3.3 the Company pays to JSL Canada a fee of US\$1.00 per year.
 - 7.6.4 John Lefebvre and Stephen Lawrence are beneficial shareholders of NETeller Inc, which is a party to certain contracts set out in paragraph 12 below. In addition the Company has entered into an agency agreement with NETeller Inc. dated 5 April 2004 pursuant to which:
 - 7.6.4.1 NETeller Inc receives funds and holds on trust on behalf of the Group revenues, proceeds and benefits from Members and Merchants and pays and discharges on behalf of the Group all costs and expenses as requested by the Company, including the transfer of any funds to the Group; and
 - 7.6.4.2 the Company pays to NETeller Inc. a fee of US\$1.00 per year.
 - 7.6.5 John Lefebvre and Stephen Lawrence are shareholders of Corvina which is party to an agreement described in paragraph 12 below.
 - 7.6.6 Stephen Lawrence has advanced to the Company the amount of US\$2,851,515.69 as an interest free loan repayable on demand; and
 - 7.6.7 John Lefebvre has advanced to the Company the amount of US\$1,747,490.69 as an interest free on loan repayable on demand.

7.7 The table below states the names of all companies, other than the Company, and partnerships of which the Directors have been a director or partner at any time during the period of five years immediately preceding the date of this document. Where the company or partnership is marked with an asterisk the Director concerned is no longer at the date of this document a director or partner (as the case may be) of the relevant company or partnership.

Stephen Lawrence	Wicklow Capital Limited* 824095 Alberta Limited* 840259 Alberta Limited* NETeller Inc. Probilling Inc. FCash Inc. 972513 Alberta Limited JSL Systems Inc.
Gordon Herman	NETeller (UK) Limited NETeller Limited eShop Limited NETeller Inc.* Madison Companies Limited* Chell Merchant Capital* HH&G Insurance Inc.*
John Lefebvre	Lefebvre Bergman, Barristers and Solicitors* DSM Systems Inc. JSL Systems Inc.
Don Lindsay	Nampak International Limited Nampak Resources Limited NamITech Isle of Man Limited Dimension Data Commerce Centre Limited Dimension Data Finance Limited Dimension Data Global Management Services Limited Taratantic Financial Services Limited Sapphire Trading Limited Lancaster (Isle of Man) Limited DDFC Limited British Regional Airlines Plc* BRAL Trustees Limited* National Grid (Isle of Man) Limited* PFI Limited*

John Webster	Webster Turnbull Limited Turnbull & Webster Limited Marlborough Stirling Webtech Limited Marlborough Stirling Administration Limited St Anne Investment Limited Salmon Limited Zed Solutions (Isle of Man) Limited Microgaming Hospital Trust Exchange Resources Limited Intelligence Limited e.source Limited Jeffcote Donnison Overseas Limited Jeffcote Donnison Accounting Limited Total (IOM) Limited Securicor (IOM) Limited Centrica Insurance Company Limited National Grid (IOM) Limited* CMI Insurance Company Limited CMI Fund Managers (IOM) Limited The CMI High Income Fund PLC The CMI Sterling Roll-up Fund PLC CMI Trust Company (IOM) Limited CMI Venture Investments Limited Marks and Spencer (IOM) Limited* Bradford & Bingley International Limited
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- 7.8 None of the Directors has any unspent convictions.
- 7.9 None of the Directors have been the subject of any public criticism by any statutory or regulatory authority.
- 7.10 None of the Directors has been a director of a company at the time of, or within the preceding 12 months of, that company being the subject of a receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or where it has made any composition or arrangement with its creditors generally or any class of its creditors.
- 7.11 None of the Directors has been a partner of a partnership at the time of, or within the preceding 12 months of, the partnership being the subject of a compulsory liquidation, administration or partnership voluntary arrangement nor in that time have the assets of any such partnership been the subject of a receivership.
- 7.12 No asset of any Director has at any time been the subject of a receivership.
- 7.13 None of the Directors is or has been bankrupt nor made at any time an individual voluntary arrangement.
- 7.14 None of the Directors is or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 7.15 There are no outstanding loans granted by any member of the Group to any of the Directors nor has any guarantee been provided by any member of the Group for their benefit.

8. Directors' service agreements

- 8.1 The following agreements have been entered into between the Directors and the Company:
- 8.1.1 a service agreement dated 7 April 2004 between (1) the Company and (2) Gordon Herman under which Gordon Herman is to be employed as Chief Executive Officer of the Company, terminable by either party on twelve months' written notice to expire at any time, at a salary (subject to annual review) of £150,000 per annum with a performance related bonus of a maximum of four times his annual salary and other benefits commensurate with his position including permanent health insurance, life assurance and a company car;

- 8.1.2 a letter of appointment dated 7 April 2004 under which Stephen Lawrence has been appointed as chairman of the Company, the appointment being for an initial period of one year and then terminable by either party on twelve months' written notice at an annual salary of £75,000;
- 8.1.3 a letter of appointment dated 23 January 2004 under which John Lefebvre has been appointed as a non-executive director of the Company, the appointment being terminable by either party on three months' written notice to expire at any time, at an annual fee (exclusive of VAT) of £26,000;
- 8.1.4 a letter of appointment dated 23 January 2004 under which Donald Lindsay has been appointed as a non-executive director of the Company, the appointment being terminable by either party on three months' written notice to expire at any time, at an annual fee (exclusive of VAT) of £26,000; and
- 8.1.5 a letter of appointment dated 23 January 2004 under which John Webster has been appointed as a non-executive director of the Company, the appointment being terminable by either party on three months' written notice to expire at any time, at an annual fee (exclusive of VAT) of £26,000.
- 8.2 For the year ended 31 August 2003 the aggregate remuneration paid to the Directors by members of the NETeller Group was US\$6,353,246. It is estimated that the aggregate remuneration for the Directors (excluding the bonus referred to in paragraph 8.1.1) and benefits in respect of the current financial year (under arrangements in force at the date of this document) will be approximately £303,000.

9. The Company and its subsidiaries

- 9.1 The Company is the holding company of the Group and has the following subsidiaries:

<i>Name</i>	<i>Principal activity</i>	<i>Issued share capital</i>	<i>Number</i>
NETeller (UK) Limited	marketing	£100	100 ordinary shares of £1 each
NT Services Limited	processing and development	US\$100	100 class A shares of US\$1 each

- 9.2 NETeller (UK) Limited is registered in England and Wales and operates principally within the United Kingdom, is directly wholly-owned by the Company and has its registered office at 1 Little New Street, London EC4A 3TR.
- 9.3 NT Services Limited is registered in Alberta, Canada and operates principally within Canada, is directly wholly-owned by the Company and has its registered office at 323B – 41st Avenue N.E. Calgary, Alberta T2E 2N4 Canada.

10. Placing arrangements

Under an agreement (“the Placing Agreement”) dated 8 April 2004 and made between the Company, the Selling Shareholders and the shareholders of the Selling Shareholders, the Directors, Canaccord and Durlacher, Canaccord and Durlacher have agreed (conditionally, *inter alia*, on Admission taking place not later than 30 April 2004) as agent for the Company to procure subscribers for 15,000,000 New Ordinary Shares (“the Subscription Shares”) at the Placing Price, and as agents for the Selling Shareholders to procure purchasers for 2,500,000 Ordinary Shares (the “Sale Shares”) at the Placing Price.

Under the Placing Agreement and subject to its becoming unconditional, the Company has agreed to pay Canaccord and Durlacher commissions aggregating six per cent. of the value at the Placing Price of the Subscription Shares together with a corporate finance fee of £100,000 payable to Canaccord together with any applicable VAT.

Under the Placing Agreement and subject to it becoming unconditional, the Selling Shareholders have agreed to pay Canaccord and Durlacher commissions aggregating six per cent. of the value at the Placing Price of the Sale Shares together with any applicable VAT.

The Company will pay certain other costs and expenses (including any applicable VAT) of, or incidental to, the Placing including all fees and expenses payable in connection with Admission, expenses of the registrars, printing and advertising expenses, postage and all other legal, accounting and other professional fees and expenses.

The Placing Agreement contains representations, warranties and indemnities given by the Company and the Directors to Canaccord and Durlacher as to the accuracy of the information contained in this document and other matters relating to the Group and its business. Canaccord and Durlacher are entitled to terminate the Placing Agreement in certain specified circumstances prior to Admission.

Each of the Shareholders at the date of this document has undertaken to Canaccord and Durlacher, subject to certain limited exceptions, not to dispose of any Ordinary Shares they will hold immediately following Admission prior to the first anniversary of Admission without the prior written consent of Canaccord and Durlacher.

11. Taxation

11.1 United Kingdom

The following statements are intended only as a general guide to current United Kingdom tax legislation and to the current practice of the United Kingdom Inland Revenue (the “Inland Revenue”) and may not apply to certain classes of Shareholders, such as dealers in securities. They relate only to persons who are the absolute beneficial owners of Ordinary Shares, are resident or (if individuals) ordinarily resident in the United Kingdom for tax purposes (except where stated otherwise) and who hold Ordinary Shares as investments and not as trading stock. Any person who is in any doubt as to his tax position is strongly recommended to consult his professional advisers immediately. In particular, all UK tax resident Shareholders, are advised to consider the potential impact of any relevant double tax agreements on their shareholding.

Taxation of Chargeable Gains

A disposal of Ordinary Shares by a Shareholder who is (at any time in the relevant UK tax year) resident or, in the case of an individual, ordinarily resident in the UK may give rise to a chargeable gain or allowable loss for the purpose of UK taxation of chargeable gains (subject to any available exemptions or reliefs). A Shareholder who is not resident in the UK for tax purposes but who carries on a trade, profession or vocation in the UK through a branch or agency and has used, held or acquired the Ordinary Shares for the purpose of such trade, profession or vocation may also be subject to UK taxation on chargeable gains on a disposal of those shares (subject to any available exemptions or reliefs). Special rules may apply to tax gains on disposals made by individuals at a time when they are temporarily not resident nor ordinarily resident in the UK.

Any capital gains (or allowable losses) will be calculated by reference to the consideration received for the disposal of the Ordinary Shares less the allowable cost to the Shareholder of acquiring such shares.

For a Shareholder not within the charge to corporation tax, such as an individual, trustee or personal representative, taper relief (which reduces a chargeable gain depending on the length of time for which an asset is held) may be available to reduce the amount of chargeable gain realised on a subsequent disposal.

For a Shareholder within the charge to corporation tax, indexation allowance on the cost apportioned to the Ordinary Shares may be available to reduce the amount of chargeable gain realised on a subsequent disposal. If the corporate Shareholder has a holding of at least 10% of the Company’s ordinary share capital, the substantial shareholdings exemption may also be available to reduce the amount of chargeable gain realised on a subsequent disposal.

Dividends

Any Shareholder who is resident in the UK, will generally be subject to UK income tax or corporation tax in respect of any dividends received on the Ordinary Shares. As such dividends will be foreign income for the purposes of UK taxation, they will be subject to a different tax regime from that applying to dividends received from UK companies.

If the dividend has been subject to any jurisdiction’s dividend withholding tax (“WHT”), the amount of the dividend received plus the WHT will be included in the assessable income of the UK Shareholder. In these circumstances the Shareholder may be entitled to a credit for the foreign tax paid. The credit would be limited to the lesser of the WHT or the UK tax payable on the combined amount of the dividend plus WHT. Tax exempt Isle of Man resident companies do not have a requirement to withhold tax on dividends.

If a corporate Shareholder, or its ultimate corporate parent, controls at least 10 per cent. of the voting power of the Company any attributable underlying tax (“ULT”) may also be available for credit.

UK Stamp Duty and Stamp Duty Reserve Tax

There is generally no liability to UK stamp duty or stamp duty reserve tax on the issue of Ordinary Shares by the Company.

Any instrument effecting or evidencing the transfer of the Ordinary Shares which is executed in the UK may not (except in criminal proceedings) be given in evidence or be available for any purpose whatsoever in the United Kingdom unless duly stamped. Any instrument of transfer executed outside the United Kingdom which relates to any matter or thing done, or to be done, in the United Kingdom may not (except in criminal proceedings) be given in evidence or be available for any purpose whatsoever in the United Kingdom, unless duly stamped after it has first been received in the United Kingdom. The rate of stamp duty is 0.5 per cent. of the value of the consideration for the transfer. Interest on the stamp duty will accrue from 30 days after the date the instrument was executed.

UK Income Tax

Any individual Shareholder who is ordinarily resident in the UK will be deemed to have transferred assets abroad for the purposes of s739 the United Kingdom Income and Corporation Taxes Act 1988 (“ICTA”), subject to the exemption provided by s741 ICTA. The exemption applies to an acquisition of common shares that is a bona fide commercial transaction and not designed for the purpose of avoiding liability to taxation. Exemption under s741 ICTA is required to be claimed explicitly, with disclosure, in such a Shareholder’s UK income tax return.

Any person to whom the above circumstances could apply is strongly recommended to consult his professional advisers immediately.

11.2 Isle of Man

No person treated as resident in the Isle of Man for Manx taxation purposes may hold any shares in the Company save for persons who are so resident but exempt from Isle of Man taxation or otherwise able to invest in the Company without prejudicing its taxation status.

12. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of the Group in the two years preceding the date of this document and are or may be material:

- 12.1 An agreement between the Company and NETeller Inc. dated 23 December 2003 (and amended and restated on 31 March 2004) pursuant to which NETeller Inc. sold to the Company, effective 31 December 2003, all of the intellectual property relating to the NETeller System and certain other assets. The consideration payable by the Company to NETeller Inc. for the purchase of such assets was the aggregate of (a) the sum of US\$6,500,000 (payable at completion) and (b) an amount (the “Reassessment Amount”) equal to the difference between US\$6,500,000 and any upward reassessment by the Canadian taxation authorities of the value of the assets sold by NETeller Inc. under the agreement (payable within one year after the date of such reassessment).
- 12.2 An agreement between NT Services Limited and NETeller Inc. dated 23 December 2003 (and amended and restated on 29 March 2004) pursuant to which, in consideration for the payment by NT Services Limited of the sum of US\$1,000,000, NETeller Inc. sold to NT Services Limited, effective 31 December 2003, certain fixed assets (including the services upon which the NETeller System operates) and real property. NT Services Limited satisfied the consideration by the issue of a promissory note which has since been paid in full.
- 12.3 An agreement between the Company and NETeller Inc. dated 31 December 2003 pursuant to which, in consideration for the payment by the Company of the sum of US\$110,704.61, NETeller Inc sold to the Company certain incidental assets relating to the NETeller System. The Company satisfied the consideration by the issue of a promissory note which has since been paid in full.
- 12.4 An agreement dated 1 April 2004 between the Company, NETeller Inc., pursuant to which, in consideration for the assignment by the Company to NETeller Inc. of the right to receive in aggregate such further amounts equal to the Reassessment Amount by virtue of the undertakings given by Alberta

and Corvina pursuant to the allotment and issue of shares described in paragraph 4.6 above, NETeller Inc. agreed to release NETeller Limited from its obligation to pay the Reassessment Amount pursuant to the agreement described in paragraph 12.1 above.

- 12.5 An agreement dated 8 April 2004 between Canaccord, the Company and the Directors pursuant to which Canaccord has agreed to act as the Company's nominated adviser and broker for a period of one year from the date of Admission and thereafter unless terminated by three months' prior written notice by Canaccord or the Company ("the Canaccord Nominated Adviser and Broker Agreement"). Under the Canaccord Nominated Adviser and Broker Agreement, the Company has agreed to pay Canaccord, for its services, an annual fee of £50,000 (plus VAT) per annum.
- 12.6 An agreement dated 1 March 2004 between Durlacher, the Company and the Directors pursuant to which Durlacher has agreed to act as the Company's broker for the purposes of the AIM Rules for a period of one year from the date of Admission and thereafter unless terminated by at least three months' prior written notice by Durlacher or the Company ("the Durlacher Broker Agreement"). Under the Durlacher Broker Agreement, the Company has agreed to pay Durlacher, for its services, an annual fee of £20,000 (plus VAT) per annum.
- 12.7 An agreement dated 1 December 2003 between the Company and Trout Energy Ventures Inc. pursuant to which Trout Energy Ventures Inc. agreed to assist in the preparation and verification of documents in connection with the application for Admission and the Placing. Under the agreement, the Company has agreed to pay Trout Energy Ventures Inc. a monthly fee of Canadian \$10,000 (plus VAT) for its services.
- 12.8 the Placing Agreement, details of which are set out in paragraph 10 above.

13. Working capital

The Directors are of the opinion (having made due and careful enquiry) that, after taking into account the net proceeds of the Placing receivable by the Company, the Group has sufficient working capital for its present requirements, that is, for at least the period of 12 months from Admission.

14. Litigation

No member of the Group is or has been involved in any legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position nor are the Directors aware of such proceedings pending or threatened against any member of the Group.

15. Miscellaneous

- 15.1 There has been no significant change in the financial or trading position of the Group since 31 December 2003, the date to which the last audited accounts of members of the Group were drawn up.
- 15.2 The total costs and expenses relating to the Placing (including those fees and commissions referred to in paragraph 10 above) payable by the Company are estimated to amount to approximately £3.5 million (excluding VAT). The net proceeds of the Placing receivable by the Company will be approximately £26.5 million.
- 15.3 Deloitte & Touche and Deloitte & Touche IOM have given and have not withdrawn their written consents to the inclusion in this document of their respective reports and the references to those reports and to their names in the form and context in which they are included and they have authorised the contents of their reports for the purposes of regulation 13(1)(g) of the Regulations.
- 15.4 In the opinion of the Directors, the minimum amount which must be raised for the purposes mentioned in paragraph 3 of the Fourth Schedule to the Companies Act 1931 and in paragraph 21 of Schedule 1 to the Regulations by the allotment of Ordinary Shares pursuant to the Placing is as follows:

15.4.1 Purchase price of property	£Nil
15.4.2 Preliminary expenses and commissions	£3.5 million
15.4.3 Repayment of money borrowed in respect of 15.4.1 and 15.4.2 above	£Nil
15.4.4 Working capital	£26.5 million

There are no amounts to be provided in respect of the matters aforesaid otherwise than out of the proceeds of the Placing.

- 15.5 In making any investment decision in respect of the Placing, no information or representation should be relied on in relation to the Placing, the Group or the Placing Shares, other than as contained in this document. No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised. Neither the delivery of this document nor any subscription made under it shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Company since the date of this document or that the information in this document is correct as of any time subsequent to the date of this document.
- 15.6 Canaccord has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 15.7 Durlacher has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.
- 15.8 No person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- 15.8.1 received, directly or indirectly, from the Company within the 12 months preceding the date of application for Admission; or
 - 15.8.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission, any of the following:
 - 15.8.2.1 fees totalling £10,000 or more;
 - 15.8.2.2 securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
 - 15.8.2.3 any other benefit with a value of £10,000 or more at the date of Admission.
- 15.9 Copies of the material contracts listed in paragraph 12 above and of the written consents referred to in paragraphs 15.3, 15.6 and 15.7 above have been delivered to the Financial Supervision Commission in the Isle of Man together with a copy of this Prospectus.
- 15.10 For the purposes of paragraph 6 of the Fourth Schedule to the Companies Act 1931 the subscription list will open at 1.00 pm on 8 April 2004.
- 15.11 Save as disclosed in this document, no amount or benefit has been paid or given within the 2 years preceding the date of this document, or is intended so to be given, to any promoter.
- 15.12 Save as disclosed in this document, there are no investments by the Group in progress which are significant.
- 15.13 Save as disclosed in this document, the Directors are not aware of any exceptional factors which have influenced the Group's recent activities.

16. Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Company and at the offices of Berwin Leighton Paisner, Adelaide House, London Bridge, London EC4R 9HA for a period of 14 days from the date of this document:

- 16.1 the memorandum of association of the Company and the Articles;
- 16.2 the reports by Deloitte & Touche and Deloitte & Touche IOM set out in Parts III and IV of this document;
- 16.3 the rules of the Share Option Plan;
- 16.4 the service agreements and letters of appointment referred to in paragraph 8 above;

16.5 the material contracts referred to in paragraph 12 above; and

16.6 the letters of consent referred to in paragraph 15.3, 15.6 and 15.7 above.

17. Availability of Admission Document

Copies of this document will be available to the public during normal business hours on any weekday (Saturdays and public holidays excepted) free of charge from the Company's registered office and from the offices of Canaccord Capital (Europe) Limited, 1st Floor, Brook House, 27 Upper Brook Street, London W1K 7QF and shall remain available for at least one month after the date of Admission.

Dated 8 April 2004

