

HALF YEARLY REPORT
FOR THE SIX MONTH PERIOD
ENDED 30 JUNE 2006



NETELLER Plc (the “Company” or “NETELLER”) operates the largest independent online money transfer business in the world, with over 3 million customers in 160 countries, 3,500 merchants, and over US \$7 billion in annual transactions. The NETELLER Group specialises in providing innovative and instant payment services where money transfer is difficult or risky due to identity, trust, currency exchange, or distance. Being independent has allowed the Group to support over three thousand retailers and merchants across multiple industries and geographies.

NETELLER is one of the largest companies quoted on the London Stock Exchange’s AIM market, with a ticker symbol of NLR. NETELLER UK Limited is authorised by the Financial Services Authority (FSA) to operate as a regulated e-money issuer (register number: 229737). The Company is headquartered in the Isle of Man. For more information about the Group visit www.netellerplc.com.

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This discussion and analysis contains forward-looking statements relating to future events and future performance. In some cases, forward-looking statements can be identified by terminology such as “may”, “will”, “should” “expects”, “projects”, “plans”, “anticipates”, and similar expressions. These statements represent management’s expectations or beliefs concerning, among other things, future operating results and various components thereof or the economic performance of NETELLER. The projections, estimates and beliefs contained in such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause the actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

HIGHLIGHTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006

All figures in US\$ unless otherwise stated. Percentage changes shown are versus half year 2005 ⁽¹⁾.

KEY OPERATING METRICS

- Average daily receipts: \$4.68 million (up 56 %)
- Average daily sign ups: 3,251 (up 19 %)
- Total half year end customers: 2,909,190 (up 67 %)
- Total active customers in Q2 2006 ⁽²⁾: 535,853 (up 49 % from Q2 2005)

KEY FINANCIALS

- Revenue: \$118.9 million (up 62 %)
- Gross margin: 71.8 % (73.2 % in H1 2005)
- Profit before tax: \$58.0 million (up 43 %)
- Net profit: \$55.9 million (up 51 %)
- EPS: \$0.46 (\$0.31 in H1 2005)

⁽¹⁾ Please refer to page 18 for supplementary 2nd quarter information.

⁽²⁾ Active customer is defined as a customer whose e-wallet account balance has changed during the quarter.

Ron Martin, President & Chief Executive Officer, commented:

“During the first half of 2006, we have invested heavily in the business to improve the quality and depth of our product offering to both customers and merchants, in line with our “Deepen and Extend” strategy. Our trading results and key metrics demonstrate the continued growth that NETELLER is experiencing from enhanced product and service efficiencies and the growth in our merchants’ primary market. We have continued to reduce our exposure to the North American market in line with management’s expectations of the Company’s diversification plan. Whilst the gaming industry is subject to continuing regulatory uncertainty, NETELLER is well placed to report significant progress during the second half of 2006.”

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NETELLER will hold a briefing for invited UK-based analysts at the offices of Citigate Dewe Rogerson, 3 London Wall Buildings, London, EC2M 5SY, later this morning at 9.30 a.m. NETELLER management will also host a conference call on 11 September 2006 at 2.00 pm (BST) for analysts and institutional investors that can be accessed by dialling +1 718 354 1171 (North America) or +44 (0) 20 7138 0818 (UK/Europe). A replay of this call may be heard from 6:00 pm (BST) onwards on 11 September 2006 by dialling +1 718 354 1112 (North America) or +44 (0) 20 7806 1970 (UK/Europe), passcode 8392340 #, and will be available until midnight on 13 September 2006. Transcripts of the call and the Q&A session will be available on the Company’s website, www.netellerplc.com, together with this release and the investor presentation.

PRESIDENT & CEO'S REPORT

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006

Dear Shareholders,

The first half of 2006 represented another period of continued growth and progress in line with our “deepen and extend” strategy despite regulatory developments affecting our main market, the online gaming industry. NETELLER has succeeded in extending the functionality and services associated with its online payment platform, and now has customers in 160 countries through its seven language sites. During the second half of 2006 and beyond, NETELLER intends to develop and launch a series of financial services offerings that leverage the core e-wallet functionality. Customers, merchants and shareholders should all benefit from this.

The following paragraphs highlight NETELLER's recent achievements and developments, and set out strategic objectives for the future.

PERFORMANCE IN FIRST HALF 2006

NETELLER demonstrated continued growth in customers, merchants and payment volumes during the first half of 2006. Our customer base grew from 1,745,602 at 30 June 2005 to 2,909,190 at 30 June 2006, with average daily sign-ups of 3,251 (3,609 in Q1 and 2,898 in Q2). Active customers in Q2 2006 were 535,853 compared with 359,467 in Q2 2005 and 146,015 in Q2 2004. We achieved our 3 millionth customer sign-up on 1 August. Increased sign-ups in line with typical seasonal trends have been evident throughout July and August. In the first half of 2006, average daily receipts from customers grew 56 %, from \$3.0 million to \$4.68 million (\$4.69 million in Q1 and \$4.66 million in Q2) which compares to \$3.0 million in the same period in 2005. Total customer receipts during the first half of 2006 were \$846.7 million (compared to \$541.5 million in the first half of 2005) and overall transactions processed by NETELLER totalled \$5.1 billion (compared to \$7.3 billion for the full year of 2005).

The growth in transaction volumes and customers has resulted in a 62 % increase in revenue in the first half of 2006 to \$118.9 million, which compares to \$73.5 million in the same period in 2005. Europe provides an increasing proportion of our business, accounting for more than 20 % of daily sign-ups and approximately 13 % of revenue before interest. Gross margin decreased slightly to 71.8 % from 73.2 % for the same period in 2005. Direct costs were higher due to higher staff costs in our contact centre and IT teams, as well as a slightly higher bad debt level compared to the full year 2005. Profit before tax was \$58.0 million, an increase of 43 % from \$40.6 million in H1 2005, while profit after tax increased 51 % to \$55.9 million, up from \$37.0 million. EPS for the period was \$0.46, an increase of 48 % compared to \$0.31 for the first half of 2005. The Company ended the first half of 2006 with \$136 million of cash.

The expanded customer base has been accompanied by growth in the merchant base, which exceeded 3,500 as at 30 June 2006. In this period we added several major merchants, particularly in Europe, including Paddy Power, Pokershare.com, Unibet, UK Betting, Nordicbet, Betworks and PKR.com. We continue to attract new online gaming merchants and to target selected non-gaming merchants by providing trusted, secure and innovative payment services with improving geographic coverage and product functionality.

CONTINUING GEOGRAPHIC EXPANSION

Earlier in the year, we shared NETELLER's product roadmap for the first half of 2006. We have made substantial progress in relation to the roadmap targets, many of which extend our offering geographically. We announced on 8 May the launch of localised versions of our e-wallet offering in Germany, France, Spain and Italy. The language-specific sites were combined with local payment options and native speaking 24/7 contact centre support. These launches have contributed to the increased European sign-ups and revenue highlighted above.

On 14 August, we announced the addition of funding options using Visa Delta and Visa Electron debit cards. As part of NETELLER's commitment to superior online transaction security, “Verified by Visa” and MasterCard “SecureCode” card protection programmes were implemented in August to reduce the likelihood of identity theft and other fraudulent usage of credit and debit cards.

Asia represents a challenging new market frontier for NETELLER's merchant base. We have made progress in Asia, primarily in payment services for China and Japan. In April, Quick Access (a subsidiary acquired in January 2005) successfully launched the first fully localised e-wallet service for China, including local currency functionality. Only a few of NETELLER's merchants are targeting the Chinese market, although interest in this

emerging market is growing. NETELLER is well positioned to assist merchants to develop the impressive potential of the Chinese market in the coming years. In Japan, the world's second largest economy, we are extending the range and convenience of localised payment options. Funding via Internet banking has been added and card-based options are presently being refined based on experience in recent months. Growth in sign-ups and revenues has occurred and this is expected to accelerate following completion of product initiatives in the fourth quarter.

A suite of payment options is now being added for Australia, which is already an important market with good upside potential for NETELLER.

The Netbanx operation, acquired in October 2005, continues to perform well, providing debit and credit card processing services to more than 1,600 merchants, principally in the UK. The business is expanding its operations to extend the range of services available to NETELLER's existing online merchants.

PRODUCT DEVELOPMENTS & MARKETING INITIATIVES

In the first half of 2006 we made investments in our bench strength for both products and marketing. Rohit Joshi was promoted to Executive Vice President of Products and Dan Starr was hired as Executive Vice President of Marketing. Both have aggressively built and driven their respective functions since coming on board. Rohit joined us in the summer of 2005 and has built a tightly integrated product management, development, and delivery capability for the Company. Dan joined us in January 2006 and has expanded the marketing team to 100 people globally. We are now starting to see the fruits of both of these investments.

As part of our strategy of deepen and extend, we have again made strong improvements to our product offering for both customers and merchants. At GIGSE 2006, the pre-eminent showcase for many of our merchants, we previewed a dramatically improved new merchant product toolset. The toolset, called Net Direct 4.1, enhances the customer and merchant experience while increasing the volume and velocity of funds transferred. Also included as part of this major release was the first phase of our merchant business intelligence centre, which provides important real-time access for merchants into their business with NETELLER. This release has been enthusiastically received by our merchants.

An important recent development initiative has focused on a simplified member sign-up process. In the past, a member had to complete a seven step authorisation process in order to open a NETELLER account. As a result of significant investment in the Company's real-time identity verification technology, this has been streamlined to two steps, whilst still adhering to the FSA's "know-your-customer" requirements and industry best practice. We have already seen a material increase in successful account creations compared with the more complicated seven-step process and we expect to see continuing benefits from this simplified process in the second half of 2006. Secondly, with Net Direct 4.1, we have included enhanced error messaging, which gives our customers resolution paths for any errors they encounter while trying to transact with NETELLER on a merchant site. Within a few clicks from the merchant sites, customers can view their NETELLER balance and increase instaCASH limits. Customers are given a personalized experience when receiving the NETELLER error message, including their language of choice, local customer service numbers and VIP front of the line service for our best customers. Customers can even engage in a live chat with a NETELLER customer service representative without leaving the merchant site.

From a marketing perspective, we have continued to roll out our Credit Card Decline Programme, which provides a directed method for customers to fund when their credit card is declined on a merchant site. In addition, we have now signed up 80% of our top 200 merchants onto our Direct Accept Programme. The financial impacts of this are discussed later, but the programme, which provides no-charge funding for customer e-wallets, has the long term benefits of driving more volume for merchants while increasing customer retention for NETELLER.

The first half of 2006 also saw NETELLER's first significant marketing campaigns to drive customer retention and increase fees generated from the e-wallet service. The 2006 summer global promotion "Play into Summer" was launched in early June and ran to the end of August, to coincide with the FIFA World Cup and the World Series of Poker. The promotion provided opportunities for NETELLER's customers to win many prizes, ranging from cars and international vacations to music downloads. Sixty thousand existing customers registered for the highly successful promotion, and it contributed to the figures referred in our current trading update and outlook.

The marketing and product roadmaps for the second half of 2006 contain further innovative developments and programmes which should benefit both customers and merchants. These will include the full roll out of the simplified sign up process, improvements to our VIP programme including higher limits and promotions, the launch of a new "refer-a-friend" programme, and a "Live Your Fantasy" promotion. To complement the new e-wallet products added for Germany, France, Spain, Italy, and China in the first half of the year, further localisation initiatives are planned for Sweden, Denmark, Turkey, Poland, Brazil and Australia in the second half.

STRATEGY

The e-wallet is the central element of NETELLER's worldwide online payment platform and processing capabilities. The success of the e-wallet in serving the online gaming sector has been evident in our performance to date, and we will vigorously continue to deepen and extend our product and service offerings to customers and merchants within this sector. The Board has also recognised that it is desirable to extend the use of the e-wallet through diversification into new merchant verticals and by enhancing the offering to our customers. We will do this by adding additional products and services to the core e-wallet functionality, which will improve customers' ability to move and manage their funds both online and offline. We expect that this will enhance customer LTV (lifetime value) and create multiple customer acquisition channels.

The Board is pleased to announce that, as part of the diversified market strategy, it has appointed a highly regarded specialist from the banking industry, David Gagie, as President of Financial Services. David was formerly Managing Director of LloydsTSB's Consumer Lending and Current Account businesses in the UK, and has also acted as Chairman of the MasterCard UK board. David is now working closely with me and the Board to develop a financial services business that fits within the Group's strategic vision. We will be sharing more information on this important initiative in the coming months.

APPOINTMENTS

Gord Herman was appointed as Executive Chairman following the Company's AGM on 11 May 2006, replacing Steve Lawrence. The Board thanks Steve for his significant contributions as Chairman and as a founder of NETELLER, and looks forward to his continuing contribution as a non-executive director.

On 1 September, the Company announced the appointment of HSBC Bank Plc to act as the Company's nominated adviser and joint broker. Canaccord Adams Limited has served NETELLER well and continues to act as the Company's joint broker. This change reflects the Board's belief that, as NETELLER's shareholder base and operations become more global, it is prudent to work with a globally-recognised advisory firm with a broad international presence.

REGULATORY ENVIRONMENT

NETELLER is subject to and continuously monitors varied regulations in the jurisdictions that it operates in. The Company also monitors significant legislative developments pertaining to its primary merchant base comprised of online gaming firms. The Company has an internal anti-money laundering and anti-terrorist financing programme to ensure compliance with legislation in the countries in which it is domiciled. NETELLER undertakes a rigorous due diligence process prior to acceptance of new merchants. This screening process applies information and intelligence from internal and external sources, including regulatory bodies, to mitigate risks associated with merchant conduct or solvency.

* * *

FINANCIAL REVIEW

Active customer base

As NETELLER has grown and matured, the existing, active customer base rather than sign-ups has become the primary driver of revenue. Accordingly, the Company is commencing disclosure of the active customer base to enable investors to better understand and model the business.

An active customer is defined as a customer whose e-wallet account balance has changed during the quarter. The change in balance may be due to adding, removing, transferring or receiving funds.

The active customer count was 535,853 in Q2 2006, 359,467 in Q2 2005 and 146,015 in Q2 2004, representing year-on-year growth rates of 49 % and 146 % respectively. The regional distribution of these active customers for Q2 2006 was 460,676 in North America (up 43 % from the corresponding period in 2005), 58,013 in Europe (100 % over the corresponding period in 2005) and 17,164 in Asia/Rest of World (up 101 % from the same period in 2005).

Sign-ups

On 1 August 2006, NETELLER reached a key milestone by surpassing three million customers worldwide. The historical, accelerating sign-up trend continues. The one millionth customer signed up at approximately four years, increasing to two million in the fifth year and, within seven months of the sixth year, topped three million. Our three millionth customer is in Germany, one of our fastest growing markets due, in part, to recent localisation launches in Europe. Average daily sign-ups during the first half of 2006 were 3,251, up 19 % from 2,732 during the same period in 2005.

Revenue

Revenue for the half year of \$118.9 million was up 62 % from \$73.5 million for half year 2005. Fee revenue, which includes charges paid by individual and merchant customers, increased 56 % from \$71 million to \$111 million. Interest revenue of \$8 million was up 210 % over half year 2005.

Although North America accounts for the majority of revenue, the rate of revenue growth is highest in Europe and Asia. During the first half of 2006, Europe accounted for approximately \$14.5 million in revenue before interest or \$22.5 million including interest. Asia accounted for \$3.7 million in revenue during the first half of 2006. North America and a token amount from the other regions made up the remaining revenue. Revenue per active customer represented \$113 in Q2 2006, compared with \$109 in Q2 2005.

Gross Margin

Rapid growth over the past two years has led to a rise in support costs with a move to new premises and increased head count, particularly in contact centre operations. This has resulted in a marginally reduced gross margin of 71.8 %, compared to 73.5 % for the year ended 31 December 2005.

Our contact centre operations are based in Calgary, Canada, where salaries have inflated by 12 % over the past year due to an increasingly competitive labour market. Although the Calgary job market remains very robust, the Company believes that the recent salary rate increase is sufficient to sustain appropriate staff levels. Direct costs were also exposed in the first half of 2006 to the strengthening of the Canadian Dollar by over 9 % against our reporting currency, the US Dollar. The contact centre added further capabilities such as the credit card decline team, the Viper (VIP) team and outbound calling staff which increased overall staff levels to provide additional levels of support to our customers. These additional costs replaced costs which were allocated in 2006 to General and Admin expenses. The current level of expenditure is not expected to increase as a % of revenue for the remainder of the year.

Deposit and withdrawal fees increased from 5.1 % of revenue to 6.5 % of revenue from the first half of 2005 to the first half of 2006. The main cause of the increase is the increasing use of deposit and withdrawal options in Europe where banking solutions have been more expensive. The Company is implementing solutions to reduce the banking fees in Europe by early 2007.

Bad debts and collections increased 62 % to \$15.0 million in the first half of 2006, representing 12.6 % of revenues (in line with 12.6 % reported for the corresponding period in 2005). The Company is continuing to enhance its procedures for managing bad debt. This expense item is anticipated to decline marginally as a percent of revenue during the remainder of the year.

General and Administrative (G&A) Expense

In 2006, the Company strengthened its talent pool, including a number of key management positions. This has been necessary to accommodate future growth and effective execution of strategy. During the first half of 2006, a wholly owned subsidiary, NT Services Ltd, moved into a larger and more suitable building, providing the required space and facilities for future growth. In early 2006, the Company introduced an Employee Profit Share Plan for the majority of its employees to improve retention and motivation in a very competitive labour market. These factors plus a significant reallocation of costs from direct costs (as highlighted in our Q1 2006 trading update) have contributed to an increase in general and administrative expense to 17 % of revenue, up from 12.5 % in the same period in 2005.

Recruitment during the first half of the year has staffed NETELLER to a point where significant additional staff will not be necessary during the remainder of the year. As revenue is expected to grow during the seasonally busy second half of the year, general and administration expense for the full year is expected to reduce marginally as a percentage of revenue.

Share option expense is included in the general and administrative expense. For the first six months of 2006, the share option expense was \$2.6 million compared to \$1.2 million in the same period of 2005. The expense is calculated based on the trinomial model of option valuation, which is impacted by the number of options outstanding and the volatility of the shares, both of which increased in the first half of 2006 compared to the prior year.

Income tax expense

The provision for income taxes for half year 2006 was \$2.1 million, with an effective tax rate of 3.7 %. The effective rate is lower than the same period in 2005 (9.0 %) and for the full year 2005 (6.4 %). In the first half of 2006, the Company received a favourable ruling on prior period reassessments, allowing the Company to recover taxes that had been previously expensed.

Earnings per share (EPS)

Half year basic EPS based on weighted average shares outstanding of 120,455,213 increased 48 % to \$0.46, compared to prior half year at \$0.31. Fully diluted EPS for the half year ended 30 June 2006 was \$0.46 compared to prior year of \$0.30, an increase of 53 %.

During June 2006, the Company purchased 500,000 of its own shares for cancellation. In July 2006, a further 300,000 shares were purchased for cancellation. These purchases, for a total cost of £4.6 million, were part of the Company's ongoing opportunistic buy back programme authorised at the Company's Annual General Meeting in May 2006 for up to 6.1 million shares, representing 5 % of the Company's issued share capital.

Current trading and outlook

During the first two months of the third quarter, NETELLER has experienced seasonal trends observed in previous years. July was a relatively flat month with unaudited revenue of approximately \$19.9 million and August revenue increased to approximately \$22.2 million (revenue for the same months in 2005 was \$13.8 million and \$14.7 million respectively). During the month of July, NETELLER introduced a simpler two-step sign-up process. Sign-ups for the two-month period ended 31 August averaged 3,055 per day. The Company ended August with 3,098,634 signed-up customers.

While the business has been growing, NETELLER has also been successful in contracting with several major gaming sites for the Direct Accept offering. The conversion of merchants to Direct Accept makes funding a NETELLER wallet free to customers as the fee is paid by the merchant. The fees charged for Direct Accept are lower than instaCASH so revenue per dollar receipted is expected to decline marginally during the remainder of the year. It is desirable to move merchants to Direct Accept based on experience indicating that lower margins for instant funding using Direct Accept are more than offset by the positive impact on active customer count and transfer volumes.

NETELLER is committed to utilising its substantial resources to enhance shareholder value. We are continuously identifying and evaluating potential acquisition opportunities which meet our strategic objectives, whilst also assessing continuance of the Company's share buy back programme.

NETELLER has performed well during a challenging period for our key merchants within the online gaming industry. Our employees deserve considerable credit for their efforts during the first half of 2006. Whilst the gaming industry is subject to continuing regulatory uncertainty, we are well placed to report significant progress in the second half of the year.

RON MARTIN
President & CEO
11 September 2006

INDEPENDENT REVIEW REPORT TO NETELLER PLC

We have reviewed the accompanying consolidated balance sheet of NETELLER Plc at 30 June 2006 and the related consolidated statements of income, cash flows and changes in equity for the six month period then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our review.

This report is made solely to the Company, in accordance with the International Standard on Review Engagements (ISRE) 2400. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

We conducted our review in accordance with the International Standard on Review Engagements (ISRE) 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying financial statements do not give a true and fair view in accordance with International Financial Reporting Standards.

KPMG Audit LLC
Chartered Accountants
Douglas
Isle of Man

11 September 2006

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006 (UNAUDITED)

	Six month period ended 30 June 2006 US\$	Six month period ended 30 June 2005 US\$
Revenue	118,894,549	73,484,674
Cost of sales		
Customer support	(8,157,987)	(5,037,403)
Website maintenance	(2,626,359)	(1,590,533)
Deposit and withdrawal fees	(7,748,267)	(3,804,087)
Bad debts and collections	(15,004,884)	(9,275,496)
Gross profit	85,357,052	53,777,155
Operating expenses		
General and administrative	(20,770,021)	(9,150,334)
Management bonus	(1,949,710)	(1,795,622)
Foreign exchange gain	303,452	163,484
Depreciation and amortisation	(4,936,957)	(2,277,109)
Loss on investment	-	(75,000)
Profit before tax	58,003,816	40,642,574
Income tax expense	(2,126,407)	(3,675,208)
Net profit for the period	55,877,409	36,967,366
Basic earnings per share (Note 6)	\$ 0.46	\$ 0.31
Fully diluted earnings per share (Note 6)	\$ 0.46	\$ 0.30

CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2006 (UNAUDITED)

	30 June 2006 US\$ (Unaudited)	31 December 2005 US\$ (Audited)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	135,921,390	114,570,429
Restricted cash (Note 3)	28,829,015	16,116,858
Qualifying Liquid Assets held for European customers (Note 4)	48,066,791	31,595,306
Receivable from customers	2,586,000	1,947,000
Trade and other receivables	1,771,910	250,958
Prepaid expenses and deposits	5,236,350	1,390,453
	222,411,456	165,871,004
NON-CURRENT ASSETS		
Capital assets	18,032,360	9,524,848
Intangible assets	28,630,947	26,803,576
Goodwill	16,574,367	16,020,663
	285,649,130	218,220,091
LIABILITIES		
CURRENT		
Trade and other payables	5,204,924	5,493,711
Payable to European customers (Note 4)	41,266,868	28,891,291
Income taxes payable	4,976,397	3,559,783
Conditional consideration payable	2,598,746	2,608,001
	54,046,935	40,552,786
NON-CURRENT LIABILITIES		
Conditional consideration payable	-	2,604,741
	54,046,935	43,157,527
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	39,777	39,794
Share premium	50,488,152	48,410,150
Capital redemption reserve	94	-
Equity reserve on share option issuance	6,151,686	3,576,870
Translation reserve	(56,836)	(1,497,326)
Accumulated profits	174,979,322	124,533,076
	231,602,195	175,062,564

285,649,130

218,220,091

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006 (UNAUDITED)

	Share capital – ordinary shares	Share capital – deferred shares	Total share capital	Share premium	Equity reserve on share option issuance	Translation reserve on foreign operations	Capital redemption reserve	Accumulated profits	Total
Balance as at 1 January 2005 (Audited)	21,708	18,000	39,708	46,651,224	380,742	-	-	33,021,259	80,092,933
Issue of ordinary shares during the period	62	-	62	1,237,663	-	-	-	-	1,237,725
Equity reserve on option issuance	-	-	-	-	1,168,044	-	-	-	1,168,044
Translation reserve on foreign operations	-	-	-	-	-	(219,183)	-	-	(219,183)
Net profit for the period	-	-	-	-	-	-	-	36,967,366	36,967,366
Balance as at 30 June 2005 (Unaudited)	21,770	18,000	39,770	47,888,887	1,548,786	(219,183)	-	69,988,625	119,246,885
Issue of ordinary shares during the period	24	-	24	521,263	-	-	-	-	521,287
Equity reserve on option issuance	-	-	-	-	2,028,084	-	-	-	2,028,084
Translation reserve on foreign operations	-	-	-	-	-	(1,278,143)	-	-	(1,278,143)
Net profit for the period	-	-	-	-	-	-	-	54,544,451	54,544,451
Balance as at 1 January 2006 (Audited)	21,794	18,000	39,794	48,410,150	3,576,870	(1,497,326)	-	124,533,076	175,062,564
Issue of ordinary shares during the period	77	-	77	2,078,002	-	-	-	-	2,078,079
Repurchase of ordinary shares during the period	(94)	-	(94)	-	-	-	94	(5,431,163)	(5,431,163)
Equity reserve on option issuance	-	-	-	-	2,574,816	-	-	-	2,574,816
Translation reserve on foreign operations	-	-	-	-	-	1,440,490	-	-	1,440,490
Net profit for the period	-	-	-	-	-	-	-	55,877,409	55,877,409
Balance as at 30 June 2006 (Unaudited)	21,777	18,000	39,777	50,488,152	6,151,686	(56,836)	94	174,979,322	231,602,195

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006 (UNAUDITED)

	Six months ended 30 June 2006 (Unaudited) US\$	Six months ended 30 June 2005 (Unaudited) US\$
OPERATING ACTIVITIES		
Profit before tax	58,003,816	40,642,574
Adjustments for:		
Depreciation and amortisation	4,936,957	2,277,109
Unrealised foreign exchange loss (gain)	(1,782,746)	264,362
Loss on investment	-	75,000
Share option expense	2,574,816	1,168,044
Operating cash flows before movements in working capital	63,732,843	44,427,089
Increase in receivable from customers	(611,874)	(137,663)
Increase in trade and other receivables	(1,520,953)	(867,454)
Increase in prepaid expenses and deposits	(3,845,897)	(338,818)
Decrease in trade and other payables	(272,164)	972,283
Cash generated by operations	57,481,955	44,055,437
Income tax paid	(709,793)	(15,244,719)
Net cash from operating activities	56,772,162	28,810,718
INVESTING ACTIVITIES		
Increase in payable to European customers	12,375,577	-
Purchase of capital and intangible assets	(15,134,675)	(12,014,394)
Increase in restricted cash accounts	(12,712,157)	(7,992,307)
Increase in Qualifying Liquid Assets held for European customers	(16,471,485)	-
Acquisition of subsidiary	-	(5,402,436)
Net cash used in the investing activities	(31,942,740)	(25,409,137)
FINANCING ACTIVITIES		
Conditional consideration payable	(2,605,999)	5,132,791
Proceeds on issuance of shares, net of share issuance costs	2,078,079	1,237,725
Repurchase of ordinary shares	(5,431,164)	-
Net cash generated from financing activities	(5,959,084)	6,370,516
INCREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	18,870,338	9,772,097
NET EFFECT OF FOREIGN EXCHANGE ON: CASH AND CASH EQUIVALENTS TRANSLATION OF FOREIGN OPERATIONS	1,040,133	(554,000)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	114,570,429	76,969,314
CASH AND CASH EQUIVALENTS, END OF PERIOD	135,921,390	85,968,228

In addition to the increase in cash and cash equivalents during the period, restricted cash increased by US\$12,712,157, and Qualifying Liquid Assets held for European customers increased by US\$16,471,485.

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2006 (UNAUDITED)

1. Basis of presentation

The principal operating currency of the Group is US dollars and accordingly the financial statements have been prepared in US dollars. The interim results for the period ended 30 June 2006 are unaudited and do not constitute statutory accounts within the meaning of the Companies Acts 1931 to 2004. The statutory accounts of NETELLER PLC for the year ended 31 December 2005 have been filed with the Registrar of Companies and contain an unqualified audit report. Further copies can be obtained from the Registered Office of the Company, 4th Floor, Standard Bank Building, 1 Circular Road, Douglas, Isle of Man, IM1 1AF.

2. Significant accounting policies

The interim results for the period ended 30 June 2006 have been prepared in accordance with the accounting policies adopted in the accounts for the year ended 31 December 2005 and in accordance with IAS 34 "Interim Financial Reporting".

3. Restricted Cash

The Company holds trust accounts with its principal banker, which are segregated from operating funds. Balances in the trust accounts are maintained at a sufficient level to fully offset amounts owing to NETELLER merchants and customers. There exists a legal right of offset between the balances owing to the customers and merchants and the cash balances segregated in the trust accounts. As such only the net balance of surplus cash is disclosed on the balance sheet as Restricted Cash. The Company, as a matter of policy, holds amounts of excess cash in the trust accounts to ensure intraday balance movements do not result in a shortfall in the cash position.

At 30 June 2006, the Group has the following balances:

	Trust Account Funds US\$	Balance Owing US\$	Restricted Cash US\$
Customers	131,935,637	120,079,404	11,856,233
Merchants	116,961,662	99,988,880	16,972,782
	<u>248,897,299</u>	<u>220,068,284</u>	<u>28,829,015</u>

At 31 December 2005, the Group had the following balances:

	Trust Account Funds US\$	Balance Owing US\$	Restricted Cash US\$
Customers	108,680,447	97,522,961	11,157,486
Merchants	112,010,026	107,050,654	4,959,372
	<u>220,690,473</u>	<u>204,573,615</u>	<u>16,116,858</u>

4. Qualifying liquid assets held for European customers

In compliance with the Financial Services Authority rules and regulations, the Group holds Qualifying Liquid Assets at least equal to the amounts owing to European customers. These amounts are maintained in accounts which are segregated from operating funds.

The Group has the following balances:

	As at 30 June 2006 US\$	As at 31 December 2005 US\$
Qualifying Liquid Assets held for European customers	48,066,791	31,595,306
Payable to European customers	(41,266,868)	(28,891,291)
	<u>6,799,923</u>	<u>2,704,015</u>

5. Share capital

	Six months ended 30 June 2006 £	Year ended 31 December 2005 £
Authorised: 200,000,000 ordinary shares of £0.0001 per share	20,000	20,000
1,000,000 deferred shares of £0.01 per share	10,000	10,000
Issued and fully paid	US\$	US\$
120,202,954 ordinary shares of £0.0001 per share (At 31 December 2005: 120,268,153 ordinary shares of £0.0001 per share)	21,777	21,794
1,000,000 deferred shares of £0.01 per share	18,000	18,000
Total share capital	<u>39,777</u>	<u>39,794</u>

Holders of the ordinary shares are entitled to receive dividends and other distributions, to attend and vote at any general meeting, and to participate in all returns of capital on winding up or otherwise.

Holders of the deferred shares are not entitled to vote at any annual general meeting of the Company, and are only entitled to receive the amount paid up on the shares after the holders of the ordinary shares have received the sum of £1,000,000 for each ordinary share held by them and shall have no other right to participate in assets of the Company.

6. Earnings per share

From continuing operations

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30 June 2006 US\$	Six months ended 30 June 2005 US\$
Earnings		
Earnings for the purposes of basic and diluted earnings per share being net profit attributable to equity share holders of the parent	55,877,409	36,967,366
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	120,455,213	119,881,367
Effect of dilutive potential ordinary shares due to employee share options	1,655,095	1,750,522
Weighted average number of ordinary shares for the purpose of diluted earnings per share	122,110,308	121,631,889
Basic earnings per share	\$0.46	\$0.31
Fully diluted earnings per share	\$0.46	\$0.30

7. Share-based payments

The Group's share option plan was adopted pursuant to a resolution passed on 7 April 2004. Under this plan, the Board of Directors of the Company may grant share options to eligible employees including directors to subscribe for ordinary shares of the Group.

No consideration is payable on the grant of an option. Options may generally be exercised to the extent that it has vested. Options vest equally over a three year term following date of grant. The exercise price is determined by the Board of Directors of the Group, and shall not be less than the market value at the date of grant. The Group plan provides for a grant price to equal the average quoted market price of the Company shares on the three days prior to the date of grant. Share options are forfeited if the employee leaves the Group before the options vest. A participant of the share option plan has 30 days following the date of grant to surrender the option and if surrendered, the option will not be deemed granted.

On 9 January 2006, the Company granted 80,000 share options to an employee to acquire ordinary shares at an exercise price of £7.78 per share, expiring on 9 July 2009.

On 14 April 2006, the Company granted 1,970,000 share options to eligible employees including directors to acquire ordinary shares at an exercise price of £8.06 per share, expiring on 14 October 2009.

On 16 May 2006, the Company granted 200,000 share options to an employee to acquire ordinary shares at an exercise price of £6.88 per share, expiring on 16 November 2009.

7. Share-based payments (continued)

Equity-settled share option plan

	Six months ended 30 June 2006	Six months ended 30 June 2006	Year ended 31 December 2005	Year ended 31 December 2005
	Weighted average exercise price	Options	Weighted average exercise price	Options
Outstanding at the beginning of period	£4.94	5,898,580	£2.09	2,712,000
Granted during the period	£7.95	2,250,000	£6.63	3,736,600
Forfeited during the period	£4.47	(501,618)	£3.78	(81,867)
Exercised during the period	£2.70	(434,801)	£2.06	(468,153)
Outstanding at the end of period	£6.03	7,212,161	£4.94	5,898,580
Exercisable at the end of the period	£4.5572	1,643,382	£2.13	395,459

The weighted average price at the date of exercise for share options exercised during the period was £2.70. The options outstanding at the end of the period had a weighted average remaining contractual life of 2.45 years (31 December 2005: 2.51 years).

The options granted are priced using a trinomial lattice model to reflect factors including employee exercise behaviour, option life and option forfeitures. The inputs into the model are as follows:

	Six months ended 30 June 2006	Year ended 31 December 2005
Average share price	£5.34	£3.67
Weighted average exercise price	£7.95	£6.69
Expected volatility	56%	55%
Expected life	3 years	3 years
Risk free interest rate	4.5%	4.7%
Expected dividends	-	-
Employee exit rate	9%	11%

Expected volatility was determined by calculating the historical volatility of the Group's share price from the time of issue to the date of grant. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The Group recognised total expenses of US\$2,574,816 (2005: US\$1,168,044) related to the equity-settled share-based payments transactions in the period.

ADDITIONAL FINANCIAL INFORMATION

THE ADDITIONAL INFORMATION PRESENTED BELOW HAS BEEN PREPARED FOR INFORMATION PURPOSES ONLY. PLEASE
NOTE THAT THIS INFORMATION IS OUTSIDE OF THE SCOPE OF THE INDEPENDENT REVIEW OPINION

	Q2- 2006	Q1 – 2006	Q2 – 2005	Q2 2006 vs Q1 2006	Q2 2006 vs Q2 2005
	US\$	US\$	US\$	% change	% change
Revenue	61,003,026	57,891,523	39,291,120	5 %	55 %
Direct Costs	18,215,995	15,321,501	10,376,466	19 %	76 %
Gross profit	42,787,031	42,570,022	28,914,654	1 %	48 %
General and Admin	9,386,773	8,808,432	4,398,552	7 %	112 %
Operating income	33,400,258	33,761,590	24,516,102	-1 %	36 %
Other income (expense)					
Foreign exchange gain	768,950	(465,498)	96,053	-265 %	701 %
Management bonus	-	(1,949,710)	(17,613)		
Depreciation and Amortisation	(2,527,670)	(2,409,288)	(1,363,911)	5 %	85 %
Stock option expense	(1,379,661)	(1,195,155)	(693,044)	15 %	99 %
Loss on investment	-	-	(75,000)		
Income before tax	30,261,877	27,741,939	22,462,587	9 %	35 %
Income taxes	929,316	1,197,090	1,859,682	-22 %	-50 %
Net income after tax	29,332,561	26,544,849	20,602,905	11 %	42 %
Basic EPS	\$ 0.24	\$ 0.22	\$ 0.17	9 %	41 %
Daily sign ups	2,898	3,609	2,604	-20 %	11 %
Total customers (at period end)	2,909,190	2,645,502	1,745,602	10 %	67 %
Total active customers (in quarter)	535,853	553,802	359,467	-3 %	49 %
Average daily receipts from customers	4,663,174	4,692,661	3,152,212	-1 %	48 %
Total customer receipts	424,348,841	422,339,463	286,851,292	0 %	48 %