

eBay KTA (UK) Limited
(Registered number: 04151418)

Directors' Report and Financial Statements
for the period ended 31 December 2003



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eBay KTA (UK) Limited

Company information:

Registered number:	04151418
Registered office address:	50 Victoria Embankment, London EC4Y0DX
Directors:	Rajiv Dutta Jay Clemens
Company secretary:	TJG Secretaries Limited
Auditors:	PricewaterhouseCoopers LLP

eBay KTA (UK) Limited

Directors' Report for the period ended 31 December 2003

The Directors submit their report and the audited financial statements of eBay KTA (UK) Limited ("the Company") for the period ended 31 December 2003.

The functional currency of eBay KTA (UK) Limited is U.S. Dollars. The financial statements are accordingly presented in U.S. Dollars.

Results and Dividends

The loss for the financial period amounted to \$11.2 million, which has been transferred to reserves. The Directors do not recommend the payment of a dividend.

Review of Business and Future Developments

eBay KTA (UK) Limited is a subsidiary undertaking of eBay Inc., a global internet company incorporated in the USA, which offers an internet based personal trading community. eBay KTA (UK) Limited was incorporated January 31, 2000.

eBay KTA (UK) Limited is a holding company and owns a 62.2% interest in Internet Auction Co., Ltd., a South Korean internet company publicly traded on the KOSDAQ exchange. The Company's consolidated revenues are principally derived from the sale of Internet Auction's services.

The Directors are satisfied with the results for the financial period and are confident that the business will continue to grow and develop in the future.

Charitable and political donations

During the year the group made various charitable donations totalling \$25,253 (2002: \$12,553). The group made no political donations.

Directors and Their Interests

The Directors who served during the period were:

Rajiv Dutta
Jay Clemens

The beneficial interests of the directors in the Ordinary shares of eBay Inc, the Company's ultimate parent undertaking, are shown below.

	At 31 December 2003	At 31 December 2002
Beneficial holdings		
Rajiv Dutta	20,349	2,796

eBay KTA (UK) Limited

Directors' Report for the period ended 31 December 2003 (Continued)

Details of options granted to executive directors, under eBay Inc.'s existing equity compensation plans are set out in the table below. Full details of the executive share option scheme are disclosed in the financial statements of eBay Inc.

Option plan	At 31 December 2002	Granted during the period	Exercised during the period	At 31 December 2003	Exercise price (\$)	Option date
Rajiv Dutta						
1997	44,500	-	44,500	-	1.17	10/7/1998
1998	20,000	-	-	20,000	29.86	30/8/1999
1998	800,000	-	135,500	664,500	20.03	12/1/2001
2001	250,000	-	-	250,000	29.03	12/2/2002
2001	-	250,000	-	250,000	38.78	3/3/2003
Jay Clemens						
1998	100,000	-	-	100,000	29.86	30/8/1999
1998	12,750	-	9,000	3,750	24.28	1/8/2000
1998	75,316	-	59,000	16,316	20.03	12/1/2001
2001	100,000	-	34,000	66,000	29.03	12/2/2002
2001	-	120,000	-	120,000	38.78	3/3/2003

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

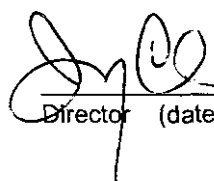
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the year ended 31 December 2003 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board


Director (date)

Auditors' Report to the Members of eBay KTA (UK) Limited

Auditors' Report to the Members of eBay KTA (UK) Limited

We have audited the financial statements, which comprise the group profit and loss account, group and company balance sheets, the group statement of total recognised gains and losses and the related notes.

Respective Responsibilities of Directors and Auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members, as a body, in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

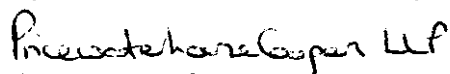
Basis of Audit Opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 31 December 2003 and the loss of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

London, 22 June 2004

eBay KTA (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

Group Profit and Loss Account for the Period Ended 31 December

	<i>Note</i>	2003 \$'000	2002 \$'000
Turnover	1	52,325	29,481
Cost of sales		(15,954)	(12,312)
Gross Profit		36,371	17,169
Distribution costs		(10,911)	(5,134)
Administrative expenses		(28,135)	(29,758)
Loss on ordinary activities before interest and taxation	2	(2,675)	(17,723)
Interest income	4	3,883	2,806
Profit/(Loss) on ordinary activities before taxation		1,208	(14,917)
Tax on profit on ordinary activities	5	(4,850)	(35)
Loss on ordinary activities after taxation		(3,642)	(14,952)
Minority interest		(7,579)	(2,424)
Loss for the financial period	17	(11,221)	(17,376)

There is no difference between the loss on ordinary activities before taxation and the retained loss for the period stated above and their historical cost equivalents.

All turnover and operating losses arise from continuing operations.

eBay KTA (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

Group Statement of Total Recognised Gains and Losses for the Period Ended 31 December

	<i>Note</i>	2003 \$'000	2002 \$'000
Loss for the financial period		(11,221)	(17,376)
Exchange differences on foreign currency translation	17	(1,499)	12,629
Total recognised gains and losses for the financial period		(12,720)	4,747

eBay KTA (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

Group Balance Sheet at 31 December

	<i>Note</i>	2003 \$'000	2002 \$'000
Fixed assets			
Intangible assets	7	120,130	62,228
Tangible assets	9	5,458	3,408
		125,588	65,636
Current assets			
Debtors: falling due after more than one year	11	10,124	4,552
Debtors: falling due within one year	11	7,173	5,513
Investments	12	48,474	43,146
Cash at bank and in hand		409,301	41,212
		475,072	94,423
Creditors: amounts falling due within one year	13	(40,220)	(21,912)
Net current assets		434,852	72,511
Total assets less current liabilities		560,440	138,147
Creditors: amounts falling due after more than one year	14	(1,195)	(3,635)
Net assets		559,245	134,512
Capital and reserves			
Called up share capital	16	560,000	130,000
Additional capital contribution	18	5,783	510
Profit and loss account	17	(43,057)	(30,337)
Total shareholders' funds – equity interest	18	522,726	100,173
Minority interest – equity interest		36,519	34,339
Total capital employed		559,245	134,512

eBay KTA (UK) Limited

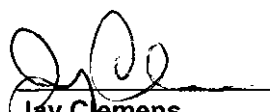
Notes to the Financial Statements for the Year Ended 31 December 2003

Company Balance Sheet at 31 December

	Note	2003 \$'000	2002 \$'000
Fixed assets			
Investments	10	220,350	120,847
Current assets			
Cash at bank and in hand		347,885	9,802
Creditors: amounts falling due with one year	13	(2,227)	(67)
Net current assets		345,658	9,735
Net assets		566,008	130,582
Capital and reserves			
Called up share capital	16	560,000	130,000
Additional capital contribution	18	5,783	510
Profit and loss account	17	225	72
Total shareholders' funds	18	566,008	130,582

The notes on pages 9 to 21 form part of these financial statements.

Approved by the Board on June 16, 2004 and signed on its behalf by:


Jay Clemens

eBay KTA (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

1 Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Principles of consolidation and basis of presentation

The accompanying group financial statements are consolidated and include the financial statements of Internet Auction Co., Ltd., as it is majority-owned and we have dominant influence over the operations of the company. All significant inter-company balances and transactions have been eliminated in consolidation. The consolidated accounts include 100% of the assets and liabilities of this majority-owned subsidiary and the ownership interests of minority investors are recorded as minority interests.

Foreign Currency

Our foreign subsidiary uses its local currency as its functional currency. The results of our foreign subsidiary are translated at the weighted average of monthly exchange rates. The balance sheet of our foreign subsidiary is translated at year-end exchange rates. The resulting exchange differences are recorded through reserves and are recognised in the profit and loss account.

Turnover

Turnover represents the revenue from the sale of services by Internet Auction Co., Ltd., the majority owned subsidiary of eBay KTA (UK) Limited to unrelated third-party customers.

Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Depreciation

Depreciation is provided on all tangible fixed assets to write off the cost less estimated residual value over an asset's estimated useful life on a straight-line basis.

eBay KTA (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

Fixed assets are depreciated at the following rates:

Computer equipment	-	33% per annum
Leasehold improvement	-	over the term of the lease
Computer software	-	100% per annum
Office furniture	-	33% per annum

Acquisitions

On acquisition of a company, fair values reflecting conditions at the date of acquisition are attributed to separable assets and liabilities. Where the fair value of consideration paid exceeds the fair value of the identifiable assets and liabilities acquired the difference is treated as goodwill and is amortised through the consolidated profit loss account over management's estimate of its useful life being 5 years for the goodwill which has arisen to date.

Deferred taxation

Deferred taxation is accounted for on an undiscounted basis at expected tax rates on all differences arising from the inclusion of items of income and expenditure in taxable computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of sustainable taxable profits from which the underlying timing differences can be deducted.

Cash flow statement

In accordance with Financial Reporting Standard Number 1 (Revised 1996) ("Cashflow Statements"), the Company has not published a cashflow statement as it qualifies as a wholly owned subsidiary.

2 Operating loss

Period ended 31 December 2003 \$'000	Period ended 31 December 2002 \$'000
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The operating loss is stated after charging/(crediting):

Depreciation	3,412	4,678
Amortization	19,495	19,039
Foreign exchange (gain)/loss	149	(6)
Auditors' remuneration – audit	-	12
- non audit	-	-
Operating lease costs - land and buildings	193	321
- other	-	10

eBay KTA (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

Auditor's remuneration of \$20,000 for 2003 is paid by eBay Inc., ultimate parent company.

Included within operating lease costs is an imputed charge in relation to an up front rental deposit paid to the lessor. The rental deposit interest income earned by the lessor is in lieu of rental payments.

3 Directors and employees

The Directors have not received any emoluments for their services to the Company in respect of the periods ended 31 December 2003 and 2002.

	Period ended 31 December 2003 \$'000	Period ended 31 December 2002 \$'000
Employee costs consist of:		
Wages and salaries	7,579	9,350
Social Security	229	228
Pension	189	182
Total	7,997	9,760

The average number of employees during the period was as follows:

	Period ended 31 December 2003	Period ended 31 December 2002
Management	1	2
Administration and operations	185	193
Total	186	195

eBay KTA (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

4 Interest income

	Period ended 31 December 2003 \$'000	Period ended 31 December 2002 \$'000
Imputed interest income on rental deposits (see note 2)	193	-
Interest income on cash and investments	3,690	2,806
Total	3,883	2,806

5 Tax on ordinary activities

	Period ended 31 December 2003 \$'000	Period ended 31 December 2002 \$'000
Current tax:		
UK Corporation tax on profits of the period	66	35
A foreign subsidiary tax on profits of the period	6,472	-
Total current tax	6,538	35
Deferred tax:		
A foreign subsidiary origination and reversal of timing differences	(1,688)	-
Tax on profit on ordinary activities	4,850	35

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

Profit on ordinary activities before tax

Loss on ordinary activities multiplied by standard rate in the UK 30% (2002: 30%)	362	(4,475)
Effects of:		
Expenses not deductible for tax purposes	5,815	-
Temporary differences	(187)	-
Effect of different tax rate for a subsidiary in Korea	(77)	-
Loss carry forward applied to a subsidiary in Korea	(83)	4,510
Other	708	-
Current tax charge for the period	6,538	35

eBay KTA (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

There was \$nil deferred tax assets recognized as of 31 December 2002 as it was not considered likely that such deferred assets would be realised. The details of deferred tax assets as of 31 December 2003, which are now recognized as there is increased evidence for their recovery, are as follow:

	Period ended 31 December 2003 \$'000	Period ended 31 December 2002 \$'000
Accrued income	(264)	(154)
Intangible assets	311	568
Allowance for doubtful debts	212	295
Accrued expenses	151	130
Loss on impairment of long-term available-for-sale securities	1,093	1,163
Development costs	(53)	(99)
Write-off of trade debtors	237	(44)
Other	1	226
Total	1,688	2,085

6 Profit of holding company

The profit of the holding company was approximately \$153,000 (2002: \$83,000).

The directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not presented a profit and loss account for the company alone.

eBay KTA (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

7 Intangible assets

	Goodwill \$'000
Cost	
At 1 January 2003	99,332
Additions/adjustments in the period	77,573
Currency rate effect	(335)
31 December 2003	176,570
Amortization	
At 1 January 2003	(37,104)
Charge for the period	(19,495)
Currency rate effect	159
At 31 December 2003	(56,440)
Net Book Amount	
At 31 December 2003	120,130
Net Book Amount	
At 31 December 2002	62,228

The goodwill arising on the acquisition of Internet Auction Co is being amortised on a straight-line basis over 5 years. This period is the period over which the directors estimate that the values of the underlying business acquired is expected to exceed the value of the underlying assets.

The goodwill additions in the period relate principally to goodwill arising on additional shares purchased in order to increase its ownership in Internet Auction Co Ltd to 62.2% (2002: 50.01%).

eBay KTA (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

8 Acquisitions

The following table summarizes the purchase price for the tender offer closed on 10 December 2003. The acquisition of the additional common shares was accounted for using the purchase method of accounting.

	\$'000
Fixed assets	
Tangible assets	5,444
Current Assets	
Debtors	22,697
Investments	67,093
Cash at bank and in hand	<u>42,167</u>
	131,957
Creditors: amounts due within one year	36,309
Creditors: amounts falling due after more than one year	<u>1,471</u>
Fair value of net assets	99,621
Percentage of assets acquired	12.19%
Net assets acquired	12,144
Goodwill acquired	81,759
Total consideration	<u>93,903</u>
Satisfied by:	
Cash	91,673
Acquisition Costs	<u>2,230</u>
	<u>93,903</u>

eBay KTA (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

9 Tangible Assets

	Computer equipment \$'000	Software \$'000	Leasehold improvements \$'000	Furniture & Fixture \$'000	Vehicles \$'000	Total \$'000
Cost						
At 1 January 2003	7,440	4,553	508	390	100	12,991
Additions	4,047	788	381	324	-	5,540
Disposals	(233)	(2,840)	(502)	(313)	(21)	(3,909)
Currency rate effect	(63)	(58)	(5)	(3)	-	(129)
31 December 2003	11,191	2,443	382	398	79	14,493
Depreciation						
At 1 January 2003	(4,380)	(4,386)	(467)	(308)	(42)	(9,583)
Charge for the year	(2,858)	(511)	16	(33)	(26)	(3,412)
Disposals	368	2,840	403	115	18	3,744
Currency rate effect	37	57	5	117	-	216
At 31 December 2003	(6,833)	(2,000)	(43)	(109)	(50)	(9,035)
Net Book Amount						
At 31 December 2003	4,358	443	339	289	29	5,458
Net Book Amount						
At 31 December 2002	3,060	167	41	82	58	3,408

10 Fixed asset investments

	2003 Company \$'000	2002 Company \$'000
Shares in group undertakings	220,350	120,847
Total	220,350	120,847

The company's only investment is a 62.2% investment in Internet Auction Co Ltd, a South Korean Company publicly traded on the KOSDAQ exchange. During 2003, an additional 12.2% shares were acquired which resulted in an increase of \$92 million in shares in group undertakings. In addition, a capital contribution of \$5.3 million was made in Internet Auction Co Ltd. in conjunction with forgiveness of debt.

eBay KTA (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

11 Debtors

	2003 \$'000	2002 \$'000
Debtors: amounts falling due within one year		
Trade debtors	5,799	4,311
Prepaid expenses	183	511
Other debtors	1,191	691
	7,173	5,513
Debtors: amounts falling due after one year	10,124	4,552
Total	17,297	10,065

Debtors: amounts falling due after one year consists primarily of \$7.9 million and \$3.9 million of long-term deposits and \$1.7 million and \$nil of long-term deferred tax assets as of 31 December 2003 and 2002, respectively.

12 Current asset investments

	2003 Group \$'000	2002 Group \$'000
Other investments	48,474	43,146
Total	48,474	43,146

Other investments includes certified deposits and government securities.

13 Creditors: amounts falling due within one year

	2003 Group \$'000	2002 Group \$'000
Trade creditors	21,591	14,252
Accruals	2,442	2,199
Amounts due to group undertakings	1,220	20
Foreign income tax payable	4,725	-
Deferred revenue	7,369	3,883
Other creditors	2,873	1,558
Total	40,220	21,912

eBay KTA (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

	2003 Company \$'000	2002 Company \$'000
Amounts due to group undertakings	1,105	-
Accruals	1,122	67
Total	2,227	67

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

14 Creditors: amounts falling due after more than one year

	2003 \$'000	2003 \$'000
Amount due to Group Undertakings	654	654
Other creditors	541	2,981
Total	1,195	3,635

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

15 Operating lease commitments

The group had annual commitments under non-cancellable operating leases as set out below:

	2003 Land and buildings \$'000	2003 Other \$'000	2002 Land and buildings \$'000	2002 Other \$'000
Operating leases which expire:				
Within 1 year	-	-	156	-
Between 2 to 5 years	300	-	-	-
After more than 5 years	-	-	-	-
Total	300	-	156	-

eBay KTA (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

16 Called up share capital

	2003 Group and Con \$'000	2002 Group and Con \$'000
Authorised		
560,000,000 ordinary shares of \$1 each for Group and Company (2002: 130,000,000)	560,000	130,000
Called up, issued and fully paid		
560,000,000 ordinary shares of \$1 each for Group and Company (2002: 130,000,000)	560,000	130,000

17 Profit and loss account

	2003 Group \$'000	2002 Group \$'000
At beginning of period	(30,337)	(25,590)
Exchange differences on foreign currency translation	(1,499)	12,629
Loss for the period	(11,221)	(17,376)
At end of period	(43,057)	(30,337)

	2003 Company \$'000	2002 Company \$'000
At beginning of period	72	(11)
Retained profit for the period	153	83
At end of period	225	72

eBay KTA (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

18 Reconciliation of movements in shareholders' funds

Group accounts	Called up share capital \$'000	Additional capital contribution \$'000	Profit & loss account \$'000	Total shareholders' funds \$'000
At beginning of period	130,000	510	(30,337)	100,173
Issue of ordinary shares	430,000	-	-	430,000
Additional capital contributed by the ultimate parent company	-	5,273	-	5,273
Net exchange adjustment	-	-	(1,499)	(1,499)
Loss in period	-	-	(11,221)	(11,221)
At end of period	560,000	5,783	(43,057)	522,726

Company accounts	Called up share capital \$'000	Additional capital contribution \$'000	Profit & loss account \$'000	Total shareholders' funds \$'000
At beginning of period	130,000	510	72	130,582
Issue of ordinary shares	430,000	-	-	430,000
Additional capital contributed by the ultimate parent company	-	5,273	-	5,273
Profit in period	-	-	153	153
At end of period	560,000	5,783	225	566,008

19 Ultimate and immediate parent companies

The company is a subsidiary undertaking of eBay Inc., a company incorporated in Delaware, USA. Copies of the eBay Inc. financial statements may be obtained from:

eBay Inc.
2145 Hamilton Avenue
San Jose CA
USA 95125

The immediate parent company is eBay International A.G. which owns approximately 77% of the

eBay KTA (UK) Limited

Notes to the Financial Statements for the Year Ended 31 December 2003

outstanding share capital of eBay KTA (UK) Limited. The remaining 23% of the outstanding share

capital is owned by eBay Belgium Holdings S.A. Both eBay International A.G. and eBay Belgium Holdings S.A. are owned 100% by eBay Inc.

20 Related party transactions

The Company has taken advantage of the exemption under Financial Reporting Standard 8 from disclosing transactions with other group companies as more than 90% of the voting rights are controlled within the group.