LINK Interchange Network Limited

Annual Report

For the year ended 30 June 2006

Registered no. 3565766

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2006

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Chairman's statement

The year ended 30th June 2006 should be seen as a year of major strategic repositioning. The Company recognised that the markets in which it operates have moved on significantly since the last business plan was approved by the Board in May 2004. This recognition came in a Review of Strategy, undertaken by the Company in early 2006, which incorporated the major changes to the market environment and identified the need to reassess LINK's strategic vision and objectives in the light of these changes.

Market changes take a number of forms. The advent of the Single European Payments Area (SEPA) has presented LINK with not only a number of opportunities, but also threats. There are EU and ECB plans to develop a first-stage SEPA by 2008, allowing personal and business banking customers to use pan-European instruments for national payments, and there are already examples of the consolidation of payments businesses across Europe, creating new and major competitors. LINK must address these developments and opportunities in Europe, recognising the need to adapt to operating in a wider and more aggressive competitive landscape.

Economic and regulatory pressures on the payments industry continue to intensify, with demands for greater transparency and, allied with technological developments, demands for faster and cheaper payments products. The UK Faster Payments Service (FPS) initiative, led by the Office of Fair Trading, is one example of this pressure, and it is against this background that APACS came to the payments industry in 2005 to seek a "real-time" processing facility for FPS to provide an immediate payments option to UK banking customers by November 2007.

Based on this Review of Strategy, LINK's Board approved a revised business plan in May 2006. That plan set out a strategic vision which both reflected the changes in the external environment and sought to leverage on the Company's core skills and competencies, developed over 20 years in the payments arena, to take advantage of the opportunities in the changing market. That vision is that LINK be a recognised leader in the delivery of high availability real-time payments processing in Europe, synonymous with service excellence, security and reliability. The plan concluded that to deliver that vision, LINK should focus on a small number of strong initiatives (indeed, four such business streams were identified) related to real-time payments processing, which have the potential to grow both the scale and profitability of the Company, to extend its payments capabilities and competences, and to improve the range of services offered to its Members.

The LINK ATM Scheme remains the Company's primary business and strategic focus. The Company recognises, as it has always done, that its principal responsibility is the maintenance and enhancement of the core ATM switching and related services provided to its Network Members.

Once again, the Company processed a record number of transactions - almost 2.9 billion (2005: 2.5 billion) - and once again, I am pleased to report that it provided 100% switch availability. However, for the seventh year running, the Company did not seek to increase the level of the switch fee and thus achieved only a modest increase in turnover from its core activity. Nevertheless, it remains the major contributor to LINK's revenue and operating profit.

The initiation of the UK Faster Payments Services programme has given LINK the opportunity to pursue its second major business stream and strategic platform. The selection by APACS of a joint venture between LINK and Voca is a very exciting development for the Company, creating a major strategic opportunity.

LINK's role in the joint venture is to provide the real-time processing element of the Faster Payments infrastructure, reusing many of the Company's core competencies, but it will provide LINK with an opportunity to develop direct credit and real-time settlement capability, and a real-time payments processing engine capable of supporting LINK's ambitions to deliver new services and in new markets, such as Europe.

The Company is making a very substantial investment in this initiative, which is due for delivery in November 2007 and thus has no impact on the turnover for the year, because we believe that it is likely over time to provide substantial growth in transactions, revenues and profitability. As such, it will reduce in the longer term LINK's financial dependency on its core switching business. Indeed, if the projections supporting the investment are met, it will become the Company's second core business.

The third strategic direction identified in the new business plan is the development of our market share in mobile banking services. The prepaid mobile phone top-up service was LINK's first strategic diversified payment offering, having been operational since May 2003. Another major ATM Scheme Member has recently linked its ATM estate to this service, which is now also provided to six mobile operators, and the Company continues to enjoy a growing increase in revenue and profit from it. Our strategy will be to extend the service to all Card Scheme Members and to other mobile operators, and to extend the top-up capability at international ATMs throughout Europe.

A key part of this third business stream is the Company's investment in its joint ventures with Morse plc, Mobile ATM Limited and Monitise. I am delighted to report that Mobile ATM Limited has now signed its first banking customer for the MONILINK™ service and LINK looks forward to more such implementations in the near future. These joint ventures have their own business plans and have agreed a product development road-map to increase the services offered to new and existing customers. For LINK, this extends our product range and offers another opportunity to enter the larger European market.

The final strategic direction is the development of the range of services, and thus subsequent growth in revenues, from managed ATM and card services. Avantra (formerly ATMOS) was established in 2005 to develop LINK's diversified products and services. It operates in a very competitive market place, which is also affected by increasing consolidation among independent ATM deployers and the resultant customer buying power.

Avantra's strategy is to increase product penetration of ATM and card-related services provided to financial institutions and retail/public sector customers, including European customers. It will again focus primarily on the delivery of those services which use LINK's core competences and in-house solutions, but will seek partners for those services which require more specific expertise. It is against this background that LINK has acquired an equity interest in PrePay Technologies Limited, a leading UK supplier of stored value solutions, a growing market.

LINK has always been justly proud of its ability to provide robust, reliable and secure services to its Members and customers and has always invested heavily each year to ensure that that remains the case. However, the Company has taken the opportunity of this recent strategic review to reassess its systems and processes.

We are entering a new era, where LINK will need to manage successfully greater scale, complexity and change. From November 2007, on the delivery of the Faster Payments programme, LINK will be the major supplier of two critical UK payments systems, and our aim is to be the first-choice infrastructure provider for payments processing in the UK and, increasingly, in Europe. As a result, therefore, the Company has invested heavily in its medium and long term capability by committing substantial sums on the acquisition of the people and the technology, together with the supporting premises and infrastructure, necessary to enable it to pursue its strategic aims.

In my Statement in the 2005 Annual Report, I reported that the Board had established a Review Committee, under my Chairmanship, to examine our governance model and to recommend any necessary changes. The Committee made its recommendations to the Board during the year, and shortly after the year end, a new governance model was approved. There are a number of key changes.

The separation of the ATM Scheme from the infrastructure company enables LINK to respond to the regulatory requirements of both the UK and EU markets, and positions LINK to participate in wider governance changes for the payments industry as a whole.

There is a new and smaller Board structure, with greater devolved authority to the management of the Company, thus enabling the Company to respond more effectively in the changing competitive environment. Moreover, agreement has been reached that could enable in certain circumstances wider share ownership, and share ownership not restricted to existing Members.

LINK firmly believes that this governance reform is an important foundation for the Company to compete as a commercial and dynamic player in the UK and pan-European payments markets of the future.

It is customary, in a Chairman's Statement, to comment on the overall results for the year ended, in this case, on 30th June 2006. Turnover increased by about 3% to £38.6m (2005: £37.4m), reflecting a period during which the Company has experienced modest growth in its core business, yet awaits the results of the investment in its new strategic directions. Operating profit fell from £12.3m to £8.2m, almost entirely due to the substantial infrastructure investment programme referred to above and the legal and professional costs associated with governance reform.

Whilst financial performance is always, of course, very important, it seems this year to be less vital to measure that performance at one point in time, when set in the context of a fundamental strategic repositioning of the Company for the future. Although short term profitability is lower, the decisions and measures outlined above mean that LINK is in a stronger position going forward.

Those decisions and measures, with the necessary work that has gone with them, have asked in the past twelve months a great deal of LINK's management and staff, who at the same time have continued to provide core services of the highest quality. Once again, it is my pleasure, on behalf of the Board, the Shareholders and the Network Members, to thank them all most sincerely for their efforts.

Peter Presland

Chief Executive's review

I am pleased to report that since my review last year, we have continued to build on our successes and again delivered increased value for our shareholders. In addition to building on our existing strengths as provider of the switching infrastructure and service to our core ATM Scheme business, an increasing number of diversified activities have ensured continued volume and profit potential despite increasingly challenging trading conditions in some markets.

Twenty years of market focused technology development and relationship building underpin LINK's current position as one of the world's largest real time, on-line transaction processors. LINK has consistently innovated through technology and customer relationship development to create new 'win-win' solutions across financial services, retail, mobile and public sectors.

Network connectivity is now in place to all major UK financial institutions, mobile network operators and Post Office Limited, reflecting LINK's unique strength as a neutral and trusted intermediary at the hub of a seamless community for processing shared real-time payments transactions.

LINK has refined its overall strategy throughout the course of the year. The vision for LINK remains to be a major, real time transaction processor operating in the wider European market based on four principal strategies:-

- Continued support of the ATM scheme.
- Development of the real-time core element of the Faster Payments service.
- Development of mobile banking technology.
- Continued development of the outsourcing business.

A major factor influencing thinking is the rapidly developing pan-European market driven by the requirements of SEPA.

The LINK infrastructure's multi-currency and multi-scheme capability once again delivered 100% switch availability to LINK ATM Scheme Members. The importance of ensuring excellent service delivery in all areas of the operation has again been demonstrated by substantial investment in infrastructure, premises, processes and technology refresh programmes. This investment will ensure that LINK maintains its reputation both in the core business and in developing markets, where our offer is being extended by focusing on the principle of enabling and supporting the move to extended payment systems that support multiple and faster payment products.

Perhaps the most significant development during the year was the decision by APACS to appoint LINK to provide the 'real time' processing element for the banking industry's Faster Payments Service, which will provide an immediate payments facility to UK banking customers by November 2007. The primary focus for the development is to enable consumers to make almost instantaneous payments and will also allow corporate customers to make and receive payments in near real time. LINK has formed a joint venture company with Voca - Immediate Payments Limited - to provide the capability. This venture brings together the two key UK payments processing organisations in partnership.

The Faster Payments Service is of critical importance to LINK's growth strategy. The 'real time' processing element of the Faster Payments infrastructure, provided by LINK, will deliver a number of new and potential revenue streams for the Company by creating further product development and market penetration opportunities.

The other two key areas of strategic development, Avantra (our wholly owned payments services outsourcing division) and MONILINK™ (the mobile banking and payments solution developed in partnership with Morse plc), both made significant progress during the year.

- Avantra remains the clear UK market leader in the provision of ATM outsourcing services, managing over 26,000 ATMs and providing a targeted portfolio of payments products including prepaid and debit card issuing solutions, gateways to international schemes, and international processing solutions.
- The MONILINK™ mobile banking application offers exciting potential for providing retail

banks with real time, mobile access to financial accounts. HSBC and first direct have become the first banks to offer their customers the next generation of mobile phone banking through MONILINK™, providing 'on demand', 24 hour access to banking services including mini-statements, balance enquiries and mobile top up through their mobile handset. Other banks are expected to commit to the service before the end of the year.

Outlook and future challenges

The strong trend towards faster, cheaper payments in a consolidating European payments market that favours large volume real time online processors provides opportunities for LINK (albeit set in the context of a tougher competitive environment).

Switching transactions for the ATM Scheme will remain LINK's core business and continue to provide a major contribution to LINK's revenue and profitability. However as volume growth in the primary switching business continues to slow, and global competition accelerates, it is increasingly important that we modernise our operations, drive improvements in efficiency (lowest cost through scale) and maintain/improve our quality of service while becoming more customer focused.

The outlook for the existing mobile phone top up and Post Office network banking services are positive, with stable cost bases and consistent growth in revenue. Responsive and customer focused product developments based on the 'real time' processing infrastructure provide further evidence of LINK's growth agenda. New initiatives under development will significantly broaden our customer base and extend the reach of our business into new markets.

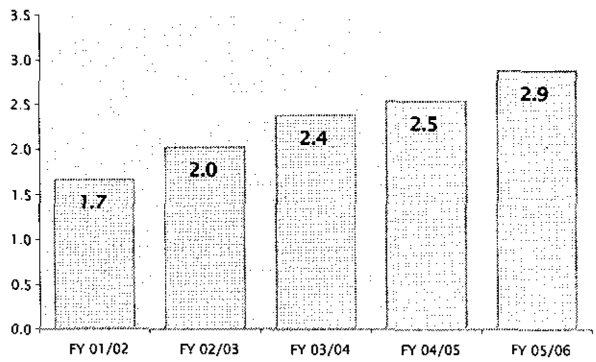
In addition to ongoing internal product development, I commented last year that opportunities for growth may arise from strategic alliances. To leverage opportunities in the fast-emerging prepaid cards market LINK acquired a 27.5% investment in PrePay Technologies Limited, a leading provider of stored value programmes in the UK.

A consolidating European payments market favours large volume real time online processors, and provides further opportunities for LINK although tough competitive and regulatory challenges exist. As part of its commitment to the goals of SEPA, LINK has continued to establish a strong presence in the international payments industry. Founder of the European Switches Forum, LINK is working with the European Payments Council, the European Central Bank and the European Commission to develop the structures needed for 'borderless' transactions as envisaged by SEPA. The Company continues to explore, evaluate and execute international transaction processing opportunities whilst extending its multi-currency capability and connections.

All of these initiatives will broaden our customer base and extend the reach of our business into both existing and new domestic and international markets. The additional services use the central technology which operates the back-end ATM switching, enabling the provision of very high quality service and the development of marked economies of scale to the operation which directly benefits current ATM scheme members.

Trading performance

Table 1
LINK Interchange Network Limited, Transaction Volumes (billions)



LINK again enjoyed a successful year, sustaining overall growth, delivering a consistently excellent quality of service to our customers and building a solid base within the company to launch future transformation. During the year the Company processed and settled a record total of almost 2.9 billion transactions, an increase of 16% over the previous period.

As predicted the growth rate in the primary ATM switching business has continued to slow. The strategic plan recognises this and sees LINK evolving from a business dependent almost entirely on ATM Scheme switching to a diversified real time payment processor with income from an increasing number of sources.

- Avantra has continued to maintain its strong market leadership position in the provision of ATM outsourcing services with one new customer implementing its services during the period. Avantra manages nearly 40% of all ATMs connected to the LINK network; a majority of these belong to Independent ATM Deployers but an increasing number of financial institutions are expressing an interest in outsourcing some, or all, of their ATM and/or card operations to Avantra.

- LINK's mobile phone e-top up service is now available at over 26,000 LINK-connected cash machines following the addition of HSBC to the service during the period. Other leading banks are committed to providing the mobile top up service by the end of the year. A record number of top up transactions, 10.3 million, were again processed during the period (2005: 5.3 million), with a value of £129 million (2005: £64.2 million). Around a million mobile top ups are currently made each month.

- Switching transactions at Post Office branches for basic bank accounts now delivers around 3.5 million transactions each month, an increase of 50% over the corresponding period in 2004/5.

- Gateways services, connecting LINK Members to the international card schemes accounted for 67 million transactions routed to VISA and MasterCard via LINK during the period.

- The branch sharing service provided to MutualPlus Ltd continues to deliver an innovative solution to its participating institutions.

LINK now faces the challenge of further transformational change in all our businesses. The drive for efficiency and diversified growth will have a major impact on cash and profits; a step change is already underway to capitalise on the company's competencies in outstanding transaction and expert people networks.

We have maintained and improved our service delivery performance to customers while launching and selling new products and services, primarily through Avantra, to begin to counteract the slow down in growth in the primary ATM Scheme switching business. Key investments have already been made to strengthen the processing operation and reflect strategic requirements, to deliver future growth and our long-term vision.

The Company has continued to reinforce and improve its industry position during a period of increasing global competition. Delivery of the 'real time' processing element of the Faster Payments scheme will ensure that profitable growth will continue. We are confident that our strategic direction and positioning will deliver further measured growth in the coming year.

2005-2006 at a glance

ATM Scheme switching and management

ATM Scheme Membership is open to every ATM operator and card issuer in the UK and enables provision of 'universal' access to cash for consumers across the entire UK network for consumers.

ATMs continue to be the primary channel for cash withdrawal in the UK. LINK Interchange Network Limited ('the Company') provides the switching infrastructure for all LINK ATM Scheme transactions, receiving a small fee for each transaction from the bank or building society issuing the card used in the ATM.

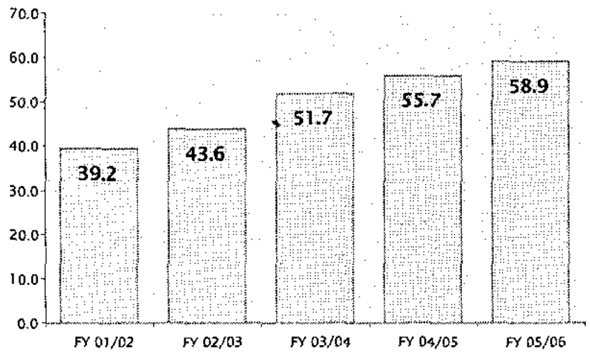
It is the Company's technical infrastructure and associated processes that enable the ATM Scheme to provide ATM sharing, transaction authorisation and settlement services to its Members.

The LINK network currently accounts for two thirds of total UK ATM transaction traffic - with almost all the remaining share representing bank customers using their own bank's machines. There are 49 ATM Scheme Members, of which 35 are Financial Institutions and 14 are non-financial institutions, mostly Independent ATM Deployers.

ATM numbers

The number of ATMs connected to LINK during the period increased to 58,900 (2005: 55,746) and the number of issued LINK-enabled cards in circulation was 100 million (2005: 102 million).

Table 2
Number of ATMs connected to the LINK network (thousands)



Although growth in ATM numbers has accelerated in recent years, this can be largely attributed to the growing number of 'convenience' ATMs which now accounts for nearly 40% of total UK ATMs. However, the number of ATM transactions that attract a surcharge remains very low, at around 4% of the total.

ATM Scheme - transaction volumes

Strong growth in both transaction volumes and values continued, with the share of total UK ATM traffic passing via the LINK switch now approximately 66%. The continued growth in shared transactions via LINK resulted in new transaction peaks again being recorded during the year:

New Transaction Peaks

Peak	Number	Date
Second:	301	28 Apr 06
Hour:	996,689	23 Dec 05
Day:	11,233,675	28 Apr 06
Week:	56,243,834	w/c 24 Apr 06
Month:	233,751,515	May 06

ATM Scheme governance

The LINK ATM Scheme is governed by its Members, with additional input from a Committee of Consumer Representatives. The Scheme is overseen by the Bank of England. The LINK ATM Scheme sets the rules, practices and procedures that define the terms of trade between participating service providers (the Scheme Members). The aim of the Scheme is to achieve mutual benefit for card-issuing banks and building societies, their customers, and ATM operators.

The restructuring of the relationship between the ATM Scheme and the LINK processing company is expected to be completed in Summer 2006, after which time the two will be separately governed.

LINK's innovative approach to developing new payment mechanisms and addressing consumer concerns was recognised by the Office of Fair Trading's Payment Systems Task Force in a report published in April 2006. The report endorsed a number of changes that LINK is making to the governance of the Scheme and Company. One effect of the changes is to give the Company commercial freedom to innovate, while the LINK ATM Scheme can focus on Member and consumer needs.

The LINK ATM Scheme has always recognised that the services that it delivers to its Members should be as cost-effective as possible, and again has not increased the level of its processing fee, despite achieving 100% 365-days a year switch availability for several years.

Consumer surcharging

The ATM Scheme has always acted where it believes that better, more transparent policies are required in the interest of the consumer. For example, the Scheme obliges Members to provide clear and accurate signage where any surcharge is paid by the customer.

With effect from 1 July 2005 all surcharging machines have been required to clearly display notices warning of the surcharge prior to the start of the transaction. For the minority of ATMs that have not met rules relating to warnings on the ATM casing and on signs pointing towards ATMs, operators have been fined and have undertaken to bring machines into compliance.

96% of ATM transactions remained free-of-charge to consumers. Charging is at the discretion of the ATM provider (Financial Institutions and Independent ATM Deployers). LINK does not install ATMs itself or impose any charges on the consumers who use them. The LINK ATM Scheme maintains and enforces fair rules for technical standards and the level of interchange fee payable between Members.

Future prospects for the ATM network
The outlook for the primary ATM switching and settlement service remains very positive. Around two thirds of all the cash acquired in the UK is dispensed from ATMs and the most popular method of obtaining cash to make purchases is from ATMs (source: APACS).

However, the UK ATM market is maturing, with the rate of growth in volume of transactions easing off; it is prudent to assume that growth will plateau.

Diversified activities

PrePay Technologies Ltd - strategic investment

Prepaid cards provide new opportunities for LINK customers in the financial and public sectors to replace existing paper-based payment systems with stored value plastic cards. To leverage opportunities in this emerging market LINK acquired a 27.5% investment in PrePay Technologies Limited ("PPT"), a leading provider of stored value programmes to high street retailers and credit unions in the UK. LINK is currently working with PPT to develop prepaid solutions for a number of applications.

Avantra

Avantra is LINK's outsourcing division, and was established to develop LINK's extended payments services offer. Avantra is focused on the evolving requirements of financial institutions, the public sector, retailers and independent ATM deployers.

Avantra represents 30% of LINK's business and this level of contribution is anticipated to continue to grow. Avantra's revenue in FY 2006 was £12.5m (£11.3m 2005). It has a diversified customer base, with 72% of revenue coming from the retail (IAD) sector, 25% from financial institutions and 3% from the public sector. Key initiatives underway include:

- Development of a Faster Payments managed service offering to enable banks, agencies and corporates to connect, via a gateway, to the Faster Payments network. There is interest from banks in using Avantra's gateway connectivity (rather than direct connections) to the core faster payments infrastructure, providing a more flexible method of serving agency banks and high value corporate segments.
- Development of a managed ATM service offering to be delivered through partnership.
- Development of a strategy for ATM driving in Europe.
- Development of a roadmap for debit cards and prepaid cards (as for ATMs).
- Enhancement of VISA and MasterCard gateway services.
- Strategic investment in Prepay Technologies Ltd to penetrate the lucrative prepaid cards market.
- Investigation of possible partnerships for POS processing and device driving in Europe.

Outsourced ATM service
Avantra is firmly established as the leading UK outsourcing processor of ATM transactions, with over 40% of all ATMs connected to the LINK network under Avantra's direct management.

The provision of outsourced ATM services enables Financial Institutions and independent deployers to better focus on their core competencies, reduce in-house operational costs and develop new revenue generating opportunities.

Avantra's current ATM outsourcing offer is founded on device driving, processing and helpdesk services; however as competition continues to intensify within the financial services industry, IADs and FI deployers are looking to outsource a growing number of service areas within the ATM value chain.

Gateways to international payment networks (VISA and MasterCard)
LINK's gateway connections to the MasterCard and VISA payments networks enable the processing of international ATM and POS transactions, under the rules and certification of the VISA and MasterCard Schemes.

Card issuing service - prepaid card outsourcing
As noted above LINK has recently completed a strategic investment in PrePay Technologies Ltd ("PPT"), a UK market leader in the provision of stored value card programmes to high street retailers.

This deal provides Avantra with exclusive access to prepaid card issuing opportunities with financial institutions and the public sector, and competitive access to the retail sector. All technology and support infrastructure required to run a prepaid card programme is provided by PPT - including authorisations of transactions initiated by these cards.

The first of LINK's prepaid card products are set to be launched and include a local authority benefits cash card and a prepaid debit card for a bank (both delivered via Avantra).

Card issuing service – debit card outsourcing
The card issuing service provides existing and potential debit card issuers (mainly smaller UK financial institutions) with a range of outsourced services including processing (including authorisation of ATM and POS transactions), card and PIN issuing and card/PIN management. Avantra currently issues ATM-enabled cards to a number of card issuing customers including National Savings & Investments. It is currently investigating partnership opportunities to provide Chip and PIN issuing capability (utilising the existing LINK processing infrastructure) by 2007.

Mobile phone top up
LINK's switching infrastructure is leveraged to provide ATM-initiated mobile top up transactions to cardholders of several High Street Banks and Building Societies. The service allows prepaid mobile airtime to be instantly topped up at participating ATMs 24/7 and offers a fully secure, 'win-win-win' solution:-

- Consumers can integrate ATM based top up into their behaviour and have more choice.
- Financial services providers can enhance their ATM strategy and build brand value.
- Mobile operators can offer more choice for their consumers and reduce their cost base.

HSBC linked their ATM estate into the service in the second quarter of 2006, giving a significant boost to transaction volumes and consumer uptake; the annual volume of mobile top up transactions increased during the period to over 5 million. The service has now reached critical mass, and other major high street banks are committed to providing the service by the end of 2007.

The service is forecast to continue to deliver a significant boost to LINK's revenue and profit in future years through customer acquisition, product enhancements (e.g. internet and international top up) and increasing market share. There is ample opportunity for growth, with the ATM channel anticipated to build significant share in the top up market in the foreseeable future.

Post Office network banking
Connections between LINK and the Post Office Counter automation systems allow the customers of Members to use Post Office Limited's branch counters network for basic bank account transactions.

The network banking service currently accounts for around 3.5m transactions each month, being based on bilateral arrangements between the eight high street banks (for LINK card cash withdrawals) and seventeen banks (for basic bank account transactions).

LINK's expectation is that modest growth will continue. LINK and Post Office Limited are also working to identify how additional infrastructure support can be provided for banking services.

Branch sharing

Branch sharing was LINK's first non-ATM service. It allows customers of participating financial institutions to use each other's branch networks for certain across-the-counter transactions free of charge. LINK provides the infrastructure that enables secure and reliable counter transactions to be processed across the branch counter systems of participating financial institutions.

The service is currently supplied to two customers via MutualPlus Ltd. LINK's current contracts with MutualPlus will expire in September 2007 and focus during the year has been on maintaining cost efficiency.

International developments

During the year LINK continued to develop increasing European significance and impact. European Union pressure for a single payments market in Europe, supported by the European Payments Council's Single Euro Payments Area (SEPA) initiative, are resulting in an increasingly competitive environment with a trend to consolidation in the payments industry.

LINK continues to proactively explore and evaluate European opportunities where it can add differentiated value, whilst extending its euro / multi-currency, real time processing capability and connections.

New ventures

Faster payments service

Following the OFT's recent report on banking innovation, there has been growing consumer, press, regulators and government interest in accelerating the clearing of credit and debit bank payments. LINK's existing infrastructure positions the Company as an ideal provider of fast payments and a dedicated internal team has been created to progress this significant opportunity.

LINK's 'faster payments engine' will enable straight through transaction processing of electronic payments for financial institutions, third parties (i.e. multinationals and corporates) and other payment networks. The infrastructure delivers a 'future proof' and scalable strategic solution that consolidates the cost of setting up and/or running alternative payments channels.

The near real time transaction processing capability is universal - from multiple points of origination (including ATM/self service, mobile, branch, land line, retail/point of sale) to multiple points of destination. Operational overheads can be reduced and account to account transfer times are capable of achieving unprecedented speed for "any value" C2C or C2B credits.

Significant progress has already been made. A joint venture company (Immediate Payments Ltd) has been formed and the detailed specification for the infrastructure has been agreed. The core project team is established and programmes are underway to ensure delivery of the Faster Payments Service by November 2007.

MONILINK™

The MONILINK™ mobile banking application, developed jointly with Morse plc through our Mobile ATM Limited joint venture, will provide end-users with real time, on demand access to their personal financial information - including mini statements, balance enquiries and prepay airtime top up - using their mobile handset. The application also features bank strength encryption and has resulted in the development of a two factor authentication system for secure payments.

MONILINK™ further strengthens LINK's position as a real time payments interface between banks and mobile network operators. HSBC and first direct are now live on the service offering a range of transactions, and more banks are scheduled to join in 2006 and early 2007.

Optimisation of the operation

LINK delivers efficiency, effectiveness and service excellence for its customers through a combination of:

- Commercial customer focus.
- Balancing objectives and benefits across multiple interest groups.
- Enhanced responsiveness, agility and cost effectiveness.

The delivery model enables LINK to advance its strategy in a competitive environment, increasingly demanding effective management of complexity and change. As cost, speed and volume are major drivers of vendor selection, it is essential for LINK to build relationships, advance commercial attractiveness, manage costs and to continue to build technology expertise. This supports both the core business and diversification activities.

Operational performance

LINK's processing scale and capability ensures that customers benefit from exceptional levels of availability, scalability and response time with consistently high performance. LINK's commitment to world class standards and expertise in managing a robust, reliable infrastructure was once again reflected in a 100% switch availability.

The Company invests significant sums annually in new technology and develop partnerships to deliver superior customer value. Several major operational projects and initiatives were commenced or completed during the year to enhance the processing capability, management and security of both hardware and software systems.

We have part-implemented a centralised backup and archiving solution for our hardware systems, upgraded Tandem hardware platforms, introduced new technologies for diversified new services into our Data Centres, and installed the central elements of a new consolidated communications infrastructure that will transform the performance of network connections to / from LINK Members' systems. Work also commenced on building a continuous processing model that will prevent any unplanned downtime, not simply minimise it.

The Company again successfully assessed its Disaster Recovery capability in a test of all services, demonstrating LINK's ability to continue to operate in the event of a major disaster.

The complexity of LINK's operational platform and product set, plus the number and variety of systems, devices and new technologies it needs to manage, continues to increase at a significant pace. Consequently, the Company has invested in a new enterprise management suite that facilitates a consolidated view of the IT infrastructure from a single console. This allows operational staff to monitor and control the performance of services across all platforms, allowing early identification of causes and possible business impact of component failures or service degradation.

Enabling win-win partnerships

In a highly competitive environment where cost, increasing pace of change and volume are major drivers, it is increasingly vital for LINK to build strong relationship networks, develop commercial skills, manage costs and to stay abreast of technology developments while retaining its culture of integrity, and work to create mutual benefit for shareholders, customers and staff.

As we lay the foundations for future growth and operating two key payment systems, it is essential for LINK that our HR policy proactively manages and enhances our employees' skill set and corporate culture to reflect the values upon which our business is based.

Financial performance and outlook

LINK has consistently delivered profit and dividends to Members and its growth has been entirely self-funded. The Company has a healthy balance sheet. After paying dividends of £5.4 million during the year, net cash balances at 30 June 2006 were £5.5 million (2005: £10.7million).

Financial performance at the operating level was broadly in line with plan. The financial highlights are:

- o Turnover increased to £38.6 million (2005: £37.4 million) as the Company continued to grow its secondary revenue streams in line with its strategic goals.

- o Operating profit was £8.2 million (2005: £12.3 million). This is the result of the series of significant investments noted elsewhere in this report.

- o LINK's share of Mobile ATM Limited's losses is £0.4 million (2005: £0.6 million), again reflecting the level of investment in this promising venture.

LINK's growth strategies are designed to deliver value and maintain market leadership. A consolidating European payments market favours large volume real time online processors, and provides further opportunities for LINK although tough competitive and regulatory challenges exist. This will leverage and focus the Company's core competencies to take advantage of opportunities in the market.

In recognition of the healthy financial position and the Board of Directors' confidence in future performance, the total dividend for FY2005 was increased by 10% - the 20th consecutive annual increase. Although margins are under pressure as ATM transaction volume growth reduces, these still equate to 33% of revenue. LINK is in a strong position to further develop its business and maintain targeted and profitable growth.

I am confident that the Company remains well positioned to continue to grow and develop its business successfully.

J T Hardy

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2006

The Directors present their report and the audited financial statements for the year ended 30 June 2006. The comparative figures represent the results of the Company and the Group for the year ended 30 June 2005.

Principal activity

The principal activity of the Company and the Group is the provision of transaction management services to the financial sector.

Results and dividends

The Group's profit after taxation for the financial period is £5,494,552 (2005: £7,086,309). Dividends paid and payable are:

	Amount per share	Date paid	2006	2005
	£		£	£
Final 2004	20.39	26/11/2004	-	2,000,259
Interim 2005	45.88	31/05/2005	-	4,500,828
Final 2005	21.41	26/11/2005	2,100,321	-
Interim 2006	33.63	30/06/2006	3,299,103	-
			5,399,424	6,501,087

The Board has not proposed any dividends, other than those shown above, prior to the approval of the accounts.

A review of the level of business and likely future developments is included in the Chief Executive's review.

Directors and their interests

No Directors had any interest in the 'A' ordinary or 'B' ordinary shares of the Company during the year ended 30 June 2006. Three Directors held 'E' share options granted in 2004 and two Directors had holdings of 'E' ordinary shares at 30 June 2006.

Each Member of the Company is permitted to nominate a non-executive Director and an alternate to the Board of Directors. The Directors of the Company and their respective institutions, including changes up to 1 September 2006, are listed overleaf. The date of appointment or resignation is shown only for changes that have occurred after 1 July 2005.

Directors & Members	Date of appointment	Date of resignation	Alternate	Date of appointment	Date of resignation
Non-executive Chairman					
P E Presland					
Chief Executive					
J T Hardy					
Commercial Director & Company Secretary *					
P M Gerrard					
Planning & Business Development Director					
K A Shields					
Abbey National plc					
G A Mott		22/08/05			
Alliance & Leicester plc					
S Style			W J Luczywo (Neé Monk)		
AIB Group (UK) plc					
N J Donegan			M B Coffey		
Bank of Scotland (No Director appointed)					
Barclays Bank plc					
B M Davis			J Warren		
Bradford & Bingley plc					
J R Brown					
Bristol & West plc / Bank of Ireland					
D Williams					
V Brennan					
		30/08/05	J K Bustin		30/08/05
	09/02/06				
Britannia Building Society					
M Sims	28/06/06		K L Oakes		
M Chizlett		04/07/06			
Clydesdale Bank plc					
P Myers			S P Wright		

Directors & Members	Date of appointment	Date of resignation	Alternate	Date of appointment	Date of resignation
Co-operative Bank plc					
J R Hughes			M Atkin	24/01/06	
Coventry Building Society					
B S Day		15/11/05			
J A Thomson	01/01/06				
Derbyshire Building Society					
D G Hughes		24/02/06	J A Gaunt		
Halifax plc					
J Capper			I Headford		
Lloyds Bank plc					
M A Timms		31/03/06	N Berkett		31/03/06
R J Whatford	31/03/06		N N Audlham-Gardner	31/03/06	
HSBC Bank plc					
J Rendle			M Constantine		24/09/05
			D Nibloe	01/10/05	
Nationwide Building Society					
T N Reseigh					
Northern Rock plc					
D N Bradley		03/01/06	J Hannant		
R Finch	03/01/06				
The Royal Bank of Scotland					
R Bulloch			M E Treanor		28/06/06
Yorkshire Building Society					
C S G Cole			I J Bullock		

* On 31/05/06 P M Gerrard was appointed company secretary and A J Wilson resigned.

IFRS

The Company is not required to report under International Financial Reporting Standards (IFRS). In preparation for the future convergence of accounting standards a high level impact analysis has been undertaken. Based on this analysis the Directors do not envisage that the adoption of IFRS at this stage would have a material impact on the figures in the financial statements although additional disclosures may be required.

Research and development

The Company is currently undertaking research and development in areas allied to the current activities.

Donations

Charitable contributions of £7,695 (2005: £19,508) were made during the year.

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and parent company financial statements in accordance with UK Accounting Standards.

The Group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the Group and the parent company and of the profit or loss for that period.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

P M Gerrard
Company Secretary
19 September 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LINK INTERCHANGE NETWORK LIMITED

We have audited the Group and parent company financial statements (the "financial statements") of LINK Interchange Network Limited for the year ended 30 June 2006 which comprise Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, and the related Notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 30 June 2006 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP.

KPMG LLP
Chartered Accountants
Registered Auditors
Leeds LS1 4DW
19 September 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2006

		30 June 2006	30 June 2005 (Restated)
		£	£
Turnover	2	**38,556,453**	37,441,443
Cost of sales		**(18,360,015)**	(15,766,735)
Gross profit		**20,196,438**	21,674,708
Other operating expenses		**(11,967,806)**	(9,406,694)
Operating profit		**8,228,632**	12,268,014
Share of operating loss			
Joint venture		**(409,730)**	(563,914)
Associate		**(47,575)**	-
Exceptional costs	5	**-**	(1,280,708)
Interest receivable & similar income			
Group		**443,884**	497,170
Joint venture		**8,419**	13,360
Associate		**2,475**	-
Profit on ordinary activities before taxation	6	**8,226,105**	10,933,922
Tax on profit on ordinary activities	7	**(2,731,553)**	(3,847,613)
Profit for financial year		**5,494,552**	7,086,309

All amounts above relate to continuing operations of the Company. There is no difference between the profit on ordinary activities before taxation and the retained profit for the year, as stated above, and their historical cost equivalents.

BALANCE SHEETS
AT 30 JUNE 2006

	Notes	Group 2006 £	Group 2005 (Restated) £	Company 2006 £	Company 2005 (Restated) £
Fixed assets					
Tangible assets	10	**14,842,364**	11,036,791	**14,842,364**	11,036,791
Investments	11,12	**15**	-	**2,179,466**	1,089,466
Investment in joint ventures:					
Share of gross assets		**980,219**	645,078	-	-
Share of gross liabilities		**(1,690,312)**	(1,105,611)	-	-
Investments in associates:					
Share of net assets & goodwill		**3,477,973**	-	-	-
		17,610,259	10,576,258	**17,021,830**	12,126,257
Current assets					
Debtors	13	**8,161,171**	5,998,134	**11,850,635**	7,221,084
Cash at bank and in hand		**5,547,544**	10,722,794	**5,275,305**	10,448,001
		13,708,715	16,720,928	**17,125,940**	17,669,085
Creditors:					
Amounts falling due within one year	14	**(10,428,525)**	(6,474,397)	**(10,532,966)**	(6,581,100)
Net current Assets		**3,280,190**	10,246,531	**6,592,974**	11,087,985
Total assets less current liabilities		**20,890,449**	20,822,789	**23,614,804**	23,214,242
Creditors:					
Amounts falling due after one year	15	-	-	**(936,909)**	(936,909)
Net assets		**20,890,449**	20,822,789	**22,677,895**	22,277,333
Capital and reserves					
Called-up share capital	17	**98,100**	125,568	**98,100**	125,568
Share premium account	18	**4,754,364**	4,754,364	**4,754,364**	4,754,364
Special reserve	18	250,000	250,000	250,000	250,000
Profit and loss account	18	15,787,985	15,692,857	17,575,431	17,147,401
		20,890,449	20,822,789	22,677,895	22,277,333
Shareholders' funds					
Equity interest		20,890,449	20,795,321	22,677,895	22,249,865
Non-equity interest	14,17	-	27,468	-	27,468
Total		20,890,449	20,822,789	22,677,895	22,277,333

The financial statements on pages 6 to 21 were approved and authorised for issue by the Board of Directors on 19 September 2006 and were signed on its behalf by:

P E Presland **P M Gerrard**

CONSOLIDATED CASH FLOW STATEMENT

	Notes	**Year ended 30 June 2006 £**	Year ended 30 June 2005 £
Net cash inflow from continuing operating activities	20	**10,910,838**	14,481,176
Returns on investments and servicing of finance			
Interest Received		**443,884**	497,170
Net cash inflow from returns on investments and servicing of finance		**443,884**	497,170
Taxation			
UK corporation tax paid		**(2,959,989)**	(4,636,819)
Capital expenditure			
Payments to acquire tangible fixed assets		**(4,009,244)**	(1,728,573)
Payments to acquire investments		**(3,561,852)**	-
Receipts from sale of tangible fixed assets		**100,537**	103,732
Net cash outflow from capital expenditure		**(7,470,559)**	(1,624,841)
Investment in joint venture		**(700,000)**	(250,000)
Net cash outflow from investments		**(700,000)**	(250,000)
Net cash inflow before financing		**224,174**	8,466,686
Equity dividends paid		**(5,399,424)**	(6,501,087)
Cash (outflow)/inflow before management of liquid resources and financing		**(5,175,250)**	1,965,599
Issue of ordinary share capital		**-**	7,449
(Decrease)/Increase in cash in the year		**(5,175,250)**	1,973,048
Reconciliation to net cash			
Net cash at start of year		**10,722,794**	8,749,746
(Decrease)/Increase in net cash		**(5,175,250)**	1,973,048
Net cash at end of year		**5,547,544**	10,722,794

The only significant non-cash movement in fixed assets is the capitalisation of software licences totalling £2.1 million.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

1. PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. A summary of the more important Group accounting policies, which have been applied consistently, is set out below.

New Accounting Policies

In these financial statements the following new standards have been adopted for the first time:

- FRS 21 'Events after balance sheet date';
- FRS 25 'Financial instruments: disclosure and presentation';
- FRS 28 'Corresponding amounts'.

The corresponding amounts in these financial statements are, other than those covered by the exception permitted by FRS 25, restated in accordance with the new policies. The financial instruments policy set out below provides further details of the 2006 and 2005 basis and the change booked on 1 July 2005.

The impact of FRS 21 is described in the dividends policy Note below.

The implementation of FRS 28 has had no significant effect on the Group's existing disclosures.

Classification of financial instruments issued by the Group

Following the adoption of FRS 25, financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- They include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

- Where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

Dividends

Following the adoption of FRS 21, dividends payable are accounted for in the accounting period in which they are proposed and declared.

Dividends payable are treated as a charge on reserves and accounted for through the reconciliation of movements in shareholders' funds rather than in the profit and loss account as previously.

The comparative figures for the year ended 30 June 2005 have been restated to reflect this change in accounting policy.

The effect of FRS 21 and FRS 25 changes explained above on the reported assets of the Group is as follows:

Movement in net assets	**30 June 2006**	30 June 2005	30 June 2004
	£	£	£
As previously reported under UK GAAP	20,917,917	18,722,468	18,229,859
Dividends payable accounted for on a proposed and declared basis	-	2,100,321	2,000,259
Reclassification of shares as debt	(27,468)	-	-
As reported under revised UK GAAP	20,890,449	20,822,789	20,230,118

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary undertakings made up to 30 June 2006.

The results of subsidiaries and the net assets and trade of companies acquired during the year are included in the consolidated profit and loss account. Intra-Group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary or net assets and trade of a company, all of the subsidiary's or company's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and resulting gains and losses, that arise after the Group has gained control of the subsidiary or net assets and trade of a company are charged, or credited, to the post acquisition profit and loss account.

Research and development

Development expenditure relating to specific projects is carried forward where the ultimate commercial viability has been assessed with reasonable certainty. Where the commercial viability is not reasonably certain, development expenditure is written off as incurred.

Expenditure on pure and applied research is written off as incurred.

Tangible fixed assets

Fixed assets are shown at original historical cost together with any incidental expenses of acquisition. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis over its estimated useful life as follows:

Computers and similar equipment	1½ - 6 years
Motor vehicles	3 years - 25% residual value
Office equipment and furniture	3 - 5 years
Freehold buildings	5 - 50 years
Leasehold buildings	5 years
Freehold land	Not depreciated
Assets under construction	Not depreciated

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

Turnover

Turnover comprises the value of fees levied in the normal course of business, excluding VAT.

Deferred taxation

Deferred tax is accounted for using the full provision method. Deferred tax assets are only recognised when their recoverability is assessed as being more likely than not.

Pension costs

The Company operates a defined contribution scheme. The assets of the scheme are held separately from the Company in an independently administered fund. The pension cost charged in the year represents the contributions payable by the Company to the fund.

Employee Share options

The Company operates a cash-settled share-based payment scheme. Provision is made each year to accrue the expected settlement amount over the life of each option period, with the movement in provision charged to employee costs.

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998, when FRS 10 *Goodwill and intangible assets* was adopted, is capitalised. Goodwill is amortised to nil by equal annual instalments over its estimated useful life.

2. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

All turnover and profit before tax is attributable to the provision of transaction management and settlement services.

3. DIRECTORS' EMOLUMENTS

	Year ended 30 June 2006	Year ended 30 June 2005
	£	£
Aggregate emoluments (including benefits-in-kind)	**856,458**	666,574
Company pension contributions to money purchase schemes	**44,990**	45,297
	901,448	711,871

The above emoluments relate to all Directors from the later of 1 July, or date of appointment, up to 30 June in the relevant year.

During the year, one Director exercised E share options and two Directors had E shares bought-back.

Retirement benefits are accruing to two Directors under the Company's money purchase pension scheme and one Director under a self-invested personal pension.

Highest Paid Director	**Year ended 30 June 2006**	Year ended 30 June 2005
	£	£
Aggregate emoluments (including benefits-in-kind)	**361,568**	286,717
Company pension contributions to money purchase schemes	**22,440**	23,585
	384,008	310,302

4. EMPLOYEE INFORMATION

The average number of people (including the Executive Directors) employed by the Group, during the year, was:

	Year ended 30 June 2006	Year ended 30 June 2005
	Number	Number
Administrative and technical	**200**	174

	Year ended 30 June 2006	Year ended 30 June 2005
	£	£
Staff costs (for the above persons):		
Wages and salaries	**9,386,513**	7,704,663
Social security costs	**1,137,009**	884,288
Other pension costs	**640,026**	559,954
	11,163,548	9,148,905

Wages and salaries includes a charge of £200,959 for the cash-settled share-based payment scheme (2005: £755,208). The pension cost represents contributions payable by the Company.

The company maintains an employee share ownership trust which administers 'E' shares relating to the Revenue approved share option scheme which is open to executive Directors and employees of the company. At 30 June 2006 the Trust held 606,000 shares carried at £nil (2005: 537,000 shares held). These shares are intended to be used as part satisfaction of options in issue.

The cost of this share option scheme is charged through the profit and loss account over the period to vesting and is disclosed in the staff costs.

5. EXCEPTIONAL COSTS

There were no exceptional costs in the year to 30 June 2006. In the year to 30 June 2005, profit before tax is stated after charging for an exceptional item of £1,280,708. This relates to the professional and operational costs of a proposed business venture with Transaction Network Services Limited. Following a decision by the Office of Fair Trading to refer the proposed venture to the Competition Commission for investigation the parties involved decided to withdraw.

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before tax is stated after charging:

	Year ended 30 June 2006 £	Year ended 30 June 2005 £
Depreciation	2,200,169	2,465,185
Amortisation of goodwill	38,748	-
Auditors' remuneration:		
Audit services, of which the parent Company was £41,008 (2005: £35,133)	47,646	41,595
Non-audit services	1,011,722	644,140
Loss/(Profit) on sale of fixed assets	36,043	(26,061)
Research & Development	495,965	72,269

7. TAXATION

	Year Ended 30 June 2006 £	Year Ended 30 June 2005 £
Analysis of charge in year at 30% (2005 - 30%)		
Current tax at 30% (2005 - 30%)	2,546,679	3,884,757
Share of joint venture tax	55,001	1,986
Under provision of tax in prior years	-	14,002
Total current tax	2,601,680	3,900,745
Origination and reversal of timing differences	335,321	83,582
Adjustment in respect of prior years	1,304	7,013
Share of joint venture	(206,752)	(143,727)
Total deferred tax	129,873	(53,132)
Tax on profit on ordinary activities	2,731,553	3,847,613
Factors affecting current tax charge in year		
Profit on ordinary activities before tax	8,226,105	10,933,922
Standard rate of 30% (2005 - 30%)	2,467,832	3,280,177
Effects of:		
Depreciation in excess of capital allowances	(352,401)	(22,159)
Short term timing differences	17,080	(61,423)
Losses carried forward in joint venture	189,669	143,727
Expenses not deductible for tax purposes	283,786	553,164
Joint venture tax rate difference	(14,275)	(2,022)
Deferred tax asset not recognised	(3,540)	(4,721)
Under provision of tax in prior years	-	14,002
Losses of associate	13,530	-
Current tax charge for year	2,601,681	3,900,745

8. PROFIT FOR THE FINANCIAL YEAR

As permitted by section 230 of the Companies Act 1985, the parent Company's profit and loss account has not been included in these financial statements. The parent Company's profit after taxation for the financial period was £5,827,454 (2005: £7,493,819).

9. DIVIDENDS

	Amount per share	Date paid	**Year Ended 30 June 2006**	Year Ended 30 June 2005
	£		**£**	£
Final 2004	20.39	26/11/2004	-	2,000,259
Interim 2005	45.88	31/05/2005	-	4,500,828
Final 2005	21.41	26/11/2005	**2,100,321**	-
Interim 2006	33.63	30/06/2006	**3,299,103**	-
			5,399,424	6,501,087

Dividend disclosure reflects FRS 21 (as detailed in Note 1) which was introduced during the year.

10. TANGIBLE FIXED ASSETS

Group

	Freehold land and buildings	Operational hardware and software	Office equipment and furniture	Motor vehicles	Assets under construction	Total
	£	£	£	£	£	£
Cost						
At 1 July 2005	8,660,703	14,037,227	3,908,100	560,899	-	27,166,929
Additions	99,178	4,388,617	332,174	103,487	1,218,866	6,142,322
Disposals	-	(2,233,134)	(1,387)	(239,637)	-	(2,474,158)
At 30 June 2006	**8,759,881**	**16,192,710**	**4,238,887**	**424,749**	**1,218,866**	**30,835,093**
Depreciation						
At 1 June 2005	1,466,565	11,211,285	3,244,554	207,734	-	16,130,138
Charge for the year	434,353	1,226,571	411,055	128,190	-	2,200,169
Eliminated in respect of disposals	-	(2,209,283)	-	(128,295)	-	(2,337,578)
At 30 June 2006	**1,900,918**	**10,228,573**	**3,655,609**	**207,629**	-	**15,992,729**
Net book value						
At 30 June 2006	**6,858,963**	**5,964,137**	**583,278**	**217,120**	**1,218,866**	**14,842,364**
At 30 June 2005	7,194,138	2,825,942	663,546	353,165	-	11,036,791

Company

	Leasehold land and buildings	Operational hardware and software	Office equipment and furniture	Motor vehicles	Assets under construction	Total
	£	£	£	£	£	£
Cost						
At 1 July 2005	8,483,811	14,037,227	3,814,171	560,899	-	26,896,108
Additions	99,178	4,388,617	332,174	103,487	1,218,866	6,142,322
Disposals	-	(2,233,134)	(1,387)	(239,637)	-	(2,474,158)
At 30 June 2006	**8,582,989**	**16,192,710**	**4,144,958**	**424,749**	**1,218,866**	**30,564,272**
Depreciation						
At 1 June 2005	1,289,673	11,211,285	3,150,625	207,734	-	15,859,317
Charge for the year	434,353	1,226,571	411,055	128,190	-	2,200,169
Eliminated in respect of disposals	-	(2,209,283)	-	(128,295)	-	(2,337,578)
At 30 June 2006	**1,724,026**	**10,228,573**	**3,561,680**	**207,629**	-	**15,721,908**
Net book value						
At 30 June 2006	**6,858,963**	**5,964,137**	**583,278**	**217,120**	**1,218,866**	**14,842,364**
At 30 June 2005	7,194,138	2,825,942	663,546	353,165	-	11,036,791

11. FIXED ASSET INVESTMENTS

	Group				Company
	Joint venture	Associate	Investments	Loan to joint venture	Shares in Group undertakings
	£	£	£	£	£
Cost					
At 01/07/05	10,000	-	-	-	1,089,466
Additions	-	3,561,837	15	-	1,100,000
Inter-group Transfer	-	-	-	-	(10,000)
At 30/06/06	**10,000**	**3,561,837**	**15**	**-**	**2,179,466**
Share of post acquisition reserves					
At 01/07/05	(470,533)	-	-	-	-
Retained loss for the year	(249,560)	(45,116)	-	-	-
At 30/06/06	**(720,093)**	**(45,116)**	**-**	**-**	**-**
Goodwill amortisation					
At 01/07/05	-	-	-	-	-
Amortisation for the year	-	(38,748)	-	-	-
At 30/06/06	**-**	**(38,748)**	**-**	**-**	**-**
Net book value at 30/06/06	**(710,093)**	**3,477,973**	**15**	**-**	**2,179,466**
Net book value at 30/06/05	(460,533)	-	-	-	1,089,466
Loans					
Net book value at 30/06/06	**-**	**-**	**-**	**1,590,000**	**-**
Net book value at 30/06/05	-	-	-	890,000	-

Included within cost of associate is goodwill of £2,286,124 that is being amortised over 10 years.

The significant subsidiary companies of the Group, all of which are wholly owned and incorporated in Great Britain, are as follows:

Name of undertaking	Description of shares held	Business activity
LINK Financial Services Limited	100 £1 ordinary shares	Recruitment services
LINK Retail Services Limited	100 £1 ordinary shares	Office services & development
Catsec 401 Limited	1 £1 ordinary share	Dormant
Electronic Funds Transfer Limited	3,679,410 £1 ordinary shares	Dormant
LINK Interchange Network (Trustee) Limited	2 £1 ordinary shares	Dormant
LINK Group Holdings Limited	2 £1 ordinary shares	Holding company

12. INVESTMENTS OTHER THAN SUBSIDIARY UNDERTAKINGS (GROUP)

Name of undertaking	Description of shares held	Business activity
Mobile ATM Limited	10,000 £1 ordinary shares	Mobile banking services
PrePay Technologies Limited	1,551,381 £1 preferred ordinary shares	Stored value & prepaid services

Mobile ATM Limited is a joint venture between LINK Group Holdings Limited and Monitise Group Limited (a subsidiary of Morse plc) with each holding a 50% share. The aggregate capital and reserves at 30 June 2006 were £(1.4) million, and the loss before tax for the year amounted to £0.8 million.

PrePay Technologies Limited, an associate of LINK Group Holdings Limited, has a financial year-end of 30 September. LINK Group Holdings Limited owns 27.5% of the share capital of PrePay Technologies Limited.

13. DEBTORS

	Group		Company	
	Year Ended 30 June 2006	Year Ended 30 June 2005	**Year Ended 30 June 2006**	Year Ended 30 June 2005
	£	£	**£**	£
Trade debtors	**486,558**	770,502	**485,503**	773,247
Amounts owed by subsidiary undertakings	**-**	-	**5,302,655**	1,245,092
Investment in joint venture	**1,590,000**	890,000	**-**	890,000
Prepayments & accrued income	**5,982,393**	3,898,663	**5,987,393**	3,903,664
Deferred tax recoverable	**102,220**	438,969	**75,084**	409,081
	8,161,171	5,998,134	**11,850,635**	7,221,084

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	30 June 2006	30 June 2005 (Restated)	**30 June 2006**	30 June 2005 (Restated)
	£	£	**£**	£
Trade creditors	**403,851**	441,661	**403,851**	441,659
Corporation tax	**1,280,817**	1,694,267	**1,278,247**	1,694,138
Other taxation and social security	**352,411**	163,184	**460,013**	271,099
Accruals and deferred income	**7,761,788**	3,630,027	**7,761,197**	3,628,946
Employee Share Scheme	**602,190**	545,258	**602,190**	545,258
Shares classed as liabilities	**27,468**	-	**27,468**	-
	10,428,525	6,474,397	**10,532,966**	6,581,100

As more fully explained in Note 1:
classifications of financial liabilities are determined on different bases in 2006 and 2005 due to the transitional provisions of FRS 25;
dividends are recognised on a proposed and declared basis as required by FRS 21.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	30 June 2006	30 June 2005	**30 June 2006**	30 June 2005
	£	£	**£**	£
Amounts due to subsidiary undertakings	**-**	-	**936,909**	936,909

16. DEFERRED TAXATION

The amounts recognised as a deferred tax asset in the financial statements of the Group and the Company within debtors are as follows:

	Group		Company	
	***30 June* 2006**	*30 June* 2005	***30 June* 2006**	*30 June* 2005
	£	£	**£**	£
Accelerated capital allowances	***(112,949)***	245,504	***(112,949)***	245,504
Short-term timing differences	**215,169**	193,465	**188,157**	163,577
	102,220	438,969	75,208	409,081

Movements in the provision for deferred taxation of the Group and the Company have been as follows:

	Group	Company
	£	£
At 1 July 2005	438,969	409,081
Profit and loss account	(336,749)	(333,997)
At 30 June 2006	102,220	75,084

17. *CALLED UP SHARE CAPITAL*

	2006	2005
	£	£
Authorised		
999,982 ordinary 'A' shares of £1 each	**999,982**	999,982
18 non-equity ordinary 'B' shares of £1 each	**18**	18
4,000,000 'E' ordinary shares of £0.01 each	**40,000**	40,000
	1,040,000	1,040,000
Allotted, called up and fully paid		
98,100 ordinary 'A' shares of £1 each	**98,100**	98,100
18 non-equity ordinary 'B' shares of £1 each	**-**	18
2,744,956 'E' ordinary shares of £0.01 each	**-**	27,450
	98,100	125,568
Shares classified as liabilities		
18 non-equity ordinary 'B' shares of £1 each	**18**	-
2,744,956 'E' ordinary shares of £0.01 each	**27,450**	-
	27,468	-

As more fully explained in Note 1, classifications within shareholders' funds are determined on different bases in 2006 and 2005 due to the transitional provisions of FRS 25.

The rights of the non-equity shares at 30 June 2006 were as follows:

DIVIDENDS

The non-equity shares are not entitled to any dividend.

CAPITAL

In the event of a winding up, the B shares have a priority over any payment of any nature to the holders of any other shares. This is limited to the amounts paid up on the B shares.

The E shares do not carry any entitlement to a distribution or return of assets other than on a reduction of capital or voluntary winding up, equal to an amount of 10% of the value attributable to the equity shares in the Company in excess of £59 million.

VOTING

The holders of the non-equity shares have no right to receive notice of any general meetings, to attend such meetings or to vote at such meetings.

18. RESERVES

	Profit and loss account	Share premium	Special reserve
	£	£	£
Group			
At 1 July 2005	13,592,536	4,754,364	250,000
Prior year adjustment re FRS 21 (see note 1)	2,100,321	-	-
At 1 July 2005 Restated	15,692,857	4,754,364	250,000
Profit for the financial year	5,494,552	-	-
Dividends on ordinary shares	(5,399,424)	-	-
At 30 June 2006	**15,787,985**	**4,754,364**	**250,000**
Company			
At 1 July 2005	15,047,080	4,754,364	250,000
Prior year adjustment re FRS 21 (see note 1)	2,100,321	-	-
At 1 July 2005 Restated	17,147,401	4,754,364	250,000
Profit for the financial year	5,827,454	-	-
Dividends on ordinary shares	(5,399,424)	-	-
At 30 June 2006	**17,575,431**	**4,754,364**	**250,000**

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2006	2005
	£	£
At 1 July	**20,822,789**	18,229,859
Prior year adjustment re FRS 21 (see note 1)	-	2,000,259
At 1 July as restated	**20,822,789**	20,230,118
Adjustment re FRS 25 (see note 1)	**(27,468)**	-
Profit for the financial year	**5,494,552**	7,086,309
Dividends on ordinary shares	**(5,399,424)**	(6,501,087)
Issue of share capital	-	7,449
At 30 June	**20,890,449**	20,822,789

20. CASH FLOW FROM OPERATING ACTIVITIES

	Year Ended 30 June 2006	Year Ended 30 June 2005
	£	£
Operating profit	**8,228,632**	12,268,014
Depreciation of tangible fixed assets	**2,200,169**	2,465,185
Amortisation of goodwill	**38,748**	-
Exceptional Item	**-**	(1,280,708)
Loss/(Profit) on sale of tangible fixed assets	**36,043**	(26,060)
Increase in operating debtors and prepayments	**(1,799,786)**	(49,288)
Increase in operating creditors and accruals	**2,207,032**	1,104,033
Net cash inflow from continuing operating activities	**10,910,838**	14,481,176

21. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET CASH

	30 June 2005	Cashflow	**30 June 2006**
	£	£	**£**
Cash at bank and in hand	10,722,794	(5,175,250)	**5,547,544**

22. CAPITAL COMMITMENTS

At 30 June 2006 the Company had no capital commitments and no annual commitments under non-cancellable operating leases.

23. POST BALANCE SHEET EVENTS

The company obtained a revolving credit facility, in July 2006, allowing the company to borrow up to £25,500,000. Cross-guarantees have been given between LINK Group companies to support this borrowing.

Under the terms of the LINK Interchange Network Limited Employee Share Option Scheme (an HMRC approved scheme) rules, the Company granted options over 822,711 E shares on 13 September 2006. The shares have a nominal value of £0.01 each.

24. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption available under the terms of Financial Reporting Standard No. 8 not to disclose related party transactions with Group undertakings which have been eliminated on consolidation.

The Group has acted as an agent for Mobile ATM Limited, a joint venture company, and passed on costs relating to setting up the infrastructure of this company. In addition, LINK Group Holdings has a loan of £1,590,000 as at 30 June 2006 (£890,000 at 30 June 2005). The loan is repayable on demand, but it is the intention of the shareholders that these loans represent long term funding.

The Company has reimbursed the Chairman £17,600 for the provision, at cost, of third party services for the benefit of the Company.

25. ULTIMATE PARENT UNDERTAKING

The Directors do not consider that the Company has an ultimate parent undertaking. The Company's shares are held by various financial institutions which are members of the LINK network. At no point in the period did any of the shareholders own sufficient shares in the Company to exercise a controlling interest.