VOCALINK

Link Interchange Network Limited
Annual Report 2008

Registered No. 3565766

VOCALINK

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Directors and Secretary

Directors

M J Ellis

R H Parker

Auditors

KPMG LLP

Secretary

T Ensor-Clinch

Registered Office

Drake House, Three Rivers Court

Homestead Road, Rickmansworth

WD3 1FX

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Directors' Report

The directors present the annual report and the audited financial statements for the period ended 31 December 2008.

Business Review

At 1 January 2008, the Company's business activity was transferred to VocaLink Limited at book value of £23,359,515 as part of the restructuring of the VocaLink Group.

Financial review

The results of the Company for the period are set out on page 9 and show a profit after taxation of £1,153,356 (2007: £3,001,395).

Dividends

The directors have not declared a dividend in the year (2007: £Nil).

Charitable Contributions

The Company did not give any charitable or political contributions.

Directors

The names of the current directors of the Company are shown on page 3. During the year the following changes occurred.

Name	**Appointed**	**Resigned**
P M Gerrard	-	30 April 2008
S Rattigan	-	30 September 2008
R Parker	3 March 2008	-
M J Ellis	15 September 2008	-
T Ensor-Clinch (as Secretary)	3 March 2008	-

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Directors' interests in shares of the Company

The directors did not have any interest in the shares of the Company or in the ultimate parent company during the year.

Directors' disclosure of relevant information to auditors

In the case of each person who was a director of the Company at the time when the directors' report was approved, the following applied:

a) Each director confirmed that as far as he or she was aware individually, there was no relevant audit information of which the Company's auditors were unaware, and

b) Each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors were aware of that information.

Auditors

KPMG LLP have indicated their willingness to continue in office as auditors and a resolution for their re-appointment will be proposed at the forthcoming annual general meeting.

By order of the Board

M J Ellis
Director

30 July 2009

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Statement of directors' responsibilities

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 financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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 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 Company and to prevent and detect fraud and other irregularities.

By order of the Board

M J Ellis
Director

30 July 2009

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Independent auditors' report to the members of Link Interchange Network Limited

We have audited the financial statements (the "financial statements") of Link Interchange Network Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses 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 Directors' 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 6.

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.

In addition we 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 Directors' 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 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.

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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 Company's affairs as at 31 December 2008 and of the Company's result 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 1 Canada Square, London
Registered Auditor
30 July 2009

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Profit and loss account

For the year ended 31 December

	Notes	2008 £	Before exceptional items 2007 £	Exceptional items 2007 £	**After exceptional items 2007 £**
Turnover	2	**-**	62,088,231	-	**62,088,231**
Administrative expenses	6, 7	**(142,841)**	(51,196,339)	(4,158,917)	**(55,355,256)**
Operating profit / (loss)		**(142,841)**	10,891,892	(4,158,917)	**6,732,975**
Merger costs		**-**	-	(1,474,780)	**(1,474,780)**
Profit / (loss) on ordinary activities before finance charge	5	**(142,841)**	10,891,892	(5,633,697)	**5,258,195**
Interest receivable and similar income		**1,296,197**	269,016	-	**269,016**
Profit on ordinary activities before tax		**1,153,356**	11,160,908	(5,633,697)	**5,527,211**
Tax on profit on ordinary activities	8	**-**	(2,525,816)	-	**(2,525,816)**
Profit for the financial year on ordinary activities after taxation		**1,153,356**	8,635,092	(5,633,697)	**3,001,395**

All items dealt with in arriving at profits relate to continuing operations.

The Company has no recognised gains and losses other than those included in the above results and therefore no separate statement of total recognised gains and losses has been presented.

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Balance sheet

As at 31 December	Notes	2008 £	2007 £
Fixed assets			
Tangible assets	9	-	30,936,916
Investments	10	2,036,625	2,179,466
		2,036,625	33,116,382
Current assets			
Debtors	11	24,655,712	11,062,117
Cash at bank and in hand		-	7,533,321
		24,655,712	18,595,438
Creditors: Amounts falling due within one year	12	-	(11,736,270)
Net current assets		24,655,712	6,859,168
Total assets less current liabilities		26,692,337	39,975,550
Creditors: Amounts falling due after more than one year	13	-	(14,436,569)
Total net assets		26,692,337	25,538,981
Share capital and reserves			
Called up share capital	17	118,119	118,119
Share Premium	18	1,459,839	1,459,839
Special Reserve	18	250,000	250,000
Capital Redemption Reserve	18	4,711,316	4,711,316
Profit and loss account	18	20,153,063	18,999,707
Shareholder funds		26,692,337	25,538,981

These financial statements were approved by the Board of Directors on 30 July 2009 and signed on its behalf by:

M J Ellis
Director

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Notes to the financial statements

1 Accounting policies

Accounting Convention

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom Accounting Standards in United Kingdom. A summary of the more important accounting policies is set out below.

Basis of Preparation

The accounts have been prepared on a going concern basis. The ability of the Company to continue as a going concern is dependent upon the continuing financial support of the ultimate parent undertaking, VocaLink Holdings Limited. The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern, on the basis that VocaLink Holdings Limited has indicated that they will continue to provide this support. In the opinion of the directors the going concern basis is appropriate for the preparation of these financial statements.

Income Recognition

Charges for the Company's transaction switching and connectivity services are recognised in the month of processing, excluding VAT.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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Tangible Fixed Assets

Tangible fixed assets are stated at cost net of depreciation together with any incidental expenses of acquisition.

All systems and programming development expenditure has been written off when incurred except where such costs have met the criteria stipulated under Statement of Accounting Practice 13 'Accounting for research and development'. In these instances such expenditure is capitalised as fixed and amortised over the shorter of its estimated useful life and the contract period, commencing in the year in which the development becomes functional.

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

Investments

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

Cash Flows

As a wholly owned subsidiary of the VocaLink Holdings Limited group, the Company has taken advantage of the exemption provided by Financial Reporting Standard 1 'Cash Flow Statements' paragraph 5(a), which states that 'subsidiary undertakings' where 90 percent or more of the voting rights are controlled within the group, provided that consolidated financial statements in which the subsidiary undertakings are included are publicly available are exempt from preparing a cash flow statement.

Financial Instruments – Equity

Financial instruments issued by the Company are treated as equity (i.e. forming part of shareholder funds) only to the extent that they meet the following two conditions:

- They include no contractual obligations upon the Company 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.
- 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.

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Employee Share Options

Until the scheme was closed on 28 June 2007, LINK operated a cash settled share based payments scheme where the fair value of the amount payable to the employees was recognised as an expense with a corresponding increase in liabilities. In line with FRS20 'Share-based payment', the fair value was initially measured at grant date and spread over the period during which the employees became unconditionally entitled to payment. The fair value was measured using an option pricing model taking into account the terms and conditions upon which the options were granted. The liability was re-valued at each balance sheet date with any changes to fair value being recognised in the profit and loss account.

Own shares held by ESOP trust

During the term of cash settled share based payment scheme, transactions involving the Company-sponsored ESOP trust were treated as being those of the Company and were therefore reflected in the Company's financial statements. In particular, the trust's purchases of shares in the Company were debited directly to equity.

Pension Costs

The Company operated a defined contribution scheme. The assets of the scheme were held separately from the Company in an independent administrated fund. The pension costs charged represented the contributions payable by the Company to the fund.

2 Turnover

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

3 Directors Emoluments

	2008 £	2007 £
Emoluments	-	3,232,250
Company Pension contributions to Money Purchase Schemes	-	74,507
Amounts paid to third parties in respect of directors services	-	432,306
Total	-	3,739,063

There were no emoluments or contributions to the defined benefit pension scheme for the period as all employees were employed by VocaLink Limited from 1 January 2008. Total emoluments and contribution to the Money Purchase Schemes of the highest paid director for the previous year were £1,951,599 and £21,285 respectively.

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4 Employee Information

As part of the transfer of business to VocaLink Limited on 1 January 2008, all employees were also employed by VocaLink Limited as from this date.

Employee costs (including Executive Directors)

	2008 £	2007 £
Wages and salaries	-	16,865,264
Social Security	-	2,055,191
Other pension costs	-	1,150,603
Other	-	-
	-	20,071,058
Reorganisation costs and associated pension benefits	-	3,034,826
Total employee costs	-	23,105,884

	No.	No.
Number of persons employed	-	256

5 Operating Profit

Operating profit on continuing operations is stated after charging	2008 £	2007 £
Depreciation		
Charge for year on owned assets	-	2,637,980
Amortisation for year on owned assets	-	1,697,692
Impairment of fixed asset investments	142,841	-
Rental of premises	-	493,758
	142,841	4,829,430

6 Exceptional Items

There are no exceptional items in 2008. Included within 2007 administrative expenses is £4,148,917 being the costs of integrating and reorganising Voca Limited and LINK Interchange Network Limited during 2007 and after the merger. Merger costs of £1,474,780 in 2007 comprise the deal costs incurred in connection with the merger.

7 Auditors' Remuneration

The auditors' remuneration in 2008 of £2,500 was borne by VocaLink Limited (2007: £10,000 borne by VocaLink Holdings Limited).

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8 Taxation

	2008 £	2007 £
The taxation charge on the profit for the year comprises		
Current tax	-	(3,795,480)
Total current tax	-	(3,795,480)
Deferred tax		
Origination and reversal of timing differences	-	58,777
Capital allowances in excess of depreciation	-	1,361,439
Adjustment in respect of prior years	-	(150,552)
Total deferred tax	-	1,269,664
Tax on profit on ordinary activities	-	(2,525,816)

The actual tax charge for the current and previous year varies from the standard rate of 28% for the reasons set out in the following reconciliation

Profit on ordinary activities before tax	1,153,356	5,527,211
Tax on profit on ordinary activities at UK standard rate of 28% (2007 – 30%)	(322,940)	(1,658,163)
Effects of:		
Capital allowances in excess of depreciation	-	(386,939)
Short term timing differences	-	55,297
Expenses not deductible for tax purposes	(39,995)	(1,805,675)
Utilisation of tax losses surrendered for no consideration	362,935	-
Current tax charge for year	-	(3,795,480)

9 Tangible Fixed Assets

	Freehold Land & Buildings £	Operational Hardware & Software £	Office Equipment £	Motor Vehicles £	Assets under Construction £	Total
Cost at 1 January 2008	9,014,916	21,471,133	5,538,422	215,836	14,500,233	50,740,540
Additions	-	-	-	-	-	-
Transferred to group undertakings	(9,014,916)	(21,471,133)	(5,538,422)	(215,836)	(14,500,233)	(50,740,540)
31 December 2008	-	-	-	-	-	-
Depreciation						
At 1 January 2008	2,455,954	13,055,450	4,175,683	116,537	-	19,803,624
Charge for the year	-	-	-	-	-	-
Transferred to group undertakings	(2,455,954)	(13,055,450)	(4,175,683)	(116,537)	-	(19,803,624)
31 December 2008	-	-	-	-	-	-
Net book value						
31 December 2008	-	-	-	-	-	-
31 December 2007	6,558,962	8,415,683	1,362,739	99,299	14,500,233	30,936,916

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10 Fixed Asset Investments

	£
Cost	
At 1 January 2008	2,179,466
Additions	-
Charge for impairment provision	(142,841)
At 31 December 2008	2,036,625

The significant subsidiary companies of the group, all of which are wholly owned and incorporated in the United Kingdom, 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
CATSEC 401 Limited	1 £1 ordinary shares	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

The impairment provision of £142,841 reflects the reduction in carrying value of the investment in Electronic Funds Transfer Limited to the net asset value of the subsidiary.

11 Debtors

	2008 £	2007 £
Trade debtors	-	2,232,697
Amounts owed by group undertakings	24,655,712	3,309,687
Amounts due from Joint Ventures	-	376,640
Prepayments & accrued income	-	5,143,093
	24,655,712	11,062,117

12 Creditors: Amounts falling due within one year

	2008 £	2007 £
Trade creditors	-	65,186
Amounts due to group undertakings	-	3,088,882
Corporation tax	-	(816,126)
Other taxation and social security	-	1,317,331
Accruals and deferred income	-	5,625,976
Other creditors	-	110,013
Deferred tax	-	1,345,008
Bank loans	-	1,000,000
	-	11,736,270

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13 Creditors: Amounts falling due after more than one year

	2008 £	2007 £
Amounts due to group undertakings	-	936,569
Bank loans	-	13,500,000
	-	14,436,569

14 Loans and other borrowings

	Notes	2008 £	2007 £
Bank loans and overdrafts		-	14,500,000
Maturity of net debt			
In one year or less, or on demand	12	-	1,000,000
In more than one year, but not more than two years	13	-	750,000
In more than two years, but not more than five years	13	-	12,750,000
		-	14,500,000

15 Deferred Tax

	2008 £	2007 £
Accelerated capital	-	(1,474,388)
Short term timing differences	-	129,380
	-	(1,345,008)

Movements in the provision for deferred taxation have been as follows:	Company £
At 1 January 2008	(1,345,008)
Transferred to group undertakings	1,345,008
At 31 December 2008	-

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16 Financial commitments and contingencies

(a) Operating leases

At 31 December 2008 the Company was committed to making the following payments during the next year in respect of operating leases.

	2008 Land and Buildings £	2007 Land and Buildings £
Lease expiring		
Within one year	-	130,000
Between two and five years	-	-
Over five years	-	227,484
	-	357,484

(b) Contingent liability

On 19 January 2007, Mobile VPT Limited raised a claim against MONILINK Limited, LINK Interchange Network Limited, Monitise International Limited and Morse plc (the business partners) on the basis of an alleged patent infringement. The formal claim was registered with the High Court on 27 February 2007, and we do not anticipate court hearings to commence before the end of 2009.

In response to this claim, the business partners have obtained an opinion from Counsel who advises the defendants that 'it is unlikely there is a claim which is both valid and infringed'. On this basis, the directors of MONILINK Limited believe that a material liability is unlikely and so no provision has been raised.

17 Called up share capital

	2008 £	2007 £
Authorised		
7,500,000 ordinary shares of £1 each	1,000,000	1,000,000
Allotted, called up and fully paid		
118,119 ordinary 'A' shares of £1 each	118,119	118,119

Dividend

The non-equity shares at 31 December 2008 are not entitled to any dividend.

18 Reserves

	Profit & Loss account £	Share Premium £	Special Reserve £	Capital Redemption £
At 1 January 2008	18,999,707	1,459,839	250,000	4,711,316
Profit for the financial year	1,153,356	-	-	-
At 31 December 2008	20,153,063	1,459,839	250,000	4,711,316

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19 Reconciliation of movements in shareholder funds

	2008 £	2007 £
Profit for the year	1,153,356	3,001,395
Conversions of 'B' and 'E' shares to ordinary 'A' shares	-	20,019
Transferred from 'E' shares to capital redemption reserve	-	7,449
Net increase in shareholder funds for the year	1,153,356	3,028,863
Opening shareholder funds	25,538,981	22,510,118
Shareholder funds at end of year	26,692,337	25,538,981

20 Related party disclosures

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.

21 Employee share option scheme

The Company maintained a cash settled share option scheme which was open to the executive Directors and employees of LINK Interchange Network Limited. This share option scheme was wound-up and fully settled on 29 June 2007.

A charge of £Nil (2007: £1.2m) has been recognised in the profit and loss account during the year in relation to the above scheme. The profit and loss account charges have been calculated in accordance with the requirements of FRS 20.

	2008 Weighted Average Exercise Price (p)	2008 Number of Options	2007 Weighted Average Exercise Price (p)	2007 Number of Options
Outstanding at the beginning of the period	-	-	156.2	1,726,050
Granted during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	(156.2)	(1,726,050)
Lapsed during the period	-	-	-	-
Outstanding at the end of the period	-	-	-	-

The estimate of the fair value of services received is measured based on the Black Scholes model. The inputs into the model are as follows:

Date of grant	**May 02**	**Jun 04**	**Sep 06**
Share price	260.0	260.0	260.0
Exercise price	1.0	150.0	202.5
Risk free rate (p.a.)	5.2%	6.1%	4.9%

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22 Ultimate Parent Undertaking

At 31 December 2008 the Company's ultimate parent undertaking is VocaLink Holdings Limited, a company registered in England. A copy of that company's financial statements can be obtained from The Company Secretary, Drake House, Three Rivers Court, Homestead Road, Rickmansworth, WD3 1FX.