

3565766.



LINK Interchange Network Limited

Annual report

for the year ended 30 June 2004



Registered no: 3565766

ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2004

	Page
Chairman's statement	1
Chief Executive's review	2-5
Directors' report	6-9
Report of the independent auditors	10
Consolidated profit and loss account	11
Balance sheets	12
Consolidated cash flow statement	13
Notes to the financial statements	14-25

Chairman's statement

I was appointed Chairman of LINK in October 2003 and this is, therefore, my first Statement as the Company's Chairman.

I am pleased to report another successful year for the Company. The Company processed just under 2.4 billion transactions with a settlement value of £84.3 billion, an increase of 18% and 26% respectively on the previous period, reinforcing its clear position as the major provider of cash within the UK economy.

In addition, although the primary contribution was (and will continue to be) derived from the core ATM switching business for Members of the Card Scheme, a number of secondary businesses have begun to provide an increasing share of the Company's income and profitability. As a result, during the period 1 July 2003 - 30 June 2004, operating profit increased to £12.8m (2003: £12.2m) and turnover to £35.0m (2003: £30.0m). Such results are consistent with the Company's adopted business strategy.

LINK recognises that its principal responsibility is the maintenance and enhancement of the ATM switching and related services provided to its Network Members.

To achieve its business objectives, LINK must continue to provide a high quality, modern, secure and reliable service and the Company continues to invest to ensure this remains the case.

Alongside this core objective, however, the Company has developed a diversification programme, which comprises a range of activities which are complementary to, and which draw upon the knowledge, expertise and resources employed in, the core business. The Board has recently reconfirmed its

support for a business plan based on these two strategic goals.

Whilst the primary ATM switching business remains the Company's main focus, LINK's position as the hub in the UK's ATM network is enhanced considerably through extension of the network outside of its primary business. ATMOS, LINK's outsourcing division, remains the UK's leading provider of outsourced ATM acquiring and card issuing services. LINK has also established connections to the Post Office and mobile phone operators, and now provides transaction management services to the Post Office's universal banking services programme and to the prepaid mobile phone topup service now available at over 10,000 ATMs throughout the UK.

These initiatives, together with a number of new products in development have positioned LINK well as the connection between the financial, mobile telephones and public sectors and the Company continues to seek further opportunities to develop new transaction types across a number of devices and channels. The development of such activities outside of its primary business has caused the Company to re-examine its corporate governance model, and a number of important steps were taken in the year to improve the governance of the Company.

The Board approved a roadmap of governance change which inter alia recognises the distinction between the activities of the Company and those of the Network Members Council. This decision, together with my appointment as the Company's first independent Chairman and the establishment of an Executive Committee and an Audit and Risk Committee, will give better definition to roles and responsibilities within the Company, thus improving

overall control, enabling innovation and more closely reflecting the emerging requirements of the regulators.

As one might expect, LINK also played a key role in a number of leading industry initiatives. These included the EMV programme, to ensure that LINK Network Members make the business, technical and organisational changes to accommodate the migration from magnetic stripe to chip based debit and credit cards, and facilitating LINK Members' conversion of their ATM estates to Triple-DES encryption standards in time to meet migration deadlines in 2005.

In summary, LINK remains well placed to build on these initiatives in both existing and new markets, and we look forward to the future with confidence. It is also appropriate to recognise the contribution made by LINK's employees, who continue to show great commitment and enthusiasm to the Company. Much of the Company's growth can be attributed to the quality and hard work of the people within it and we will continue to devote resources to their training and development. On behalf of the Board and our Network Members, I would like to take this opportunity to thank them.



Peter Presland
Chairman

Chief Executive's review

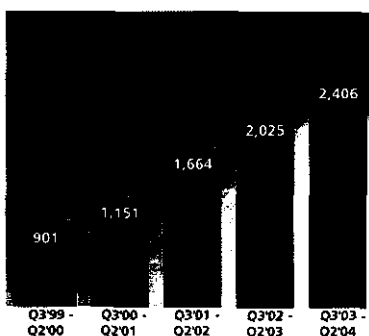
In my last review, I commented upon our desire to seek opportunities for growth in related markets, whilst at the same time consolidating the primary business of providing ATM switching, settlement and fee billing services to the LINK network Members.

LINK remains closely focused on the provision of services to the Card Scheme and the members of the Card Scheme; this is clearly the primary objective of the Company but a significant goal remains to increase the contribution from activities outside the primary business through a measured programme of diversification.

The clear objective is to do this without placing the primary business at risk but in the course of developing new activities provide economies of scale which can help contain operating costs in the core business model. 2003/4 was a year of considerable progress and we achieved a number of key milestones and overcame various challenges in the year which resulted in LINK moving forwards towards the achievement of these aims.

Trading Performance

The Company enjoyed another successful year as LINK retained its position as the world's busiest ATM switch, dispensing (on average) over £1.6 billion to consumers every week. In April 2004, the Company achieved a significant milestone in processing its 10 billionth transaction since its inception in 1986.



During the year LINK processed and settled a total of just under 2.4 billion transactions, an increase of 18% from the previous period, with a settlement value of £84.3 billion (+26%).

While strong growth in shared ATM transactions has delivered strong financial performance in recent years, falling growth levels and significant investment projects in the coming financial year are expected to slow profit contribution from the primary business. It is therefore imperative that strong secondary revenue streams continue to be developed to leverage the infrastructure of the primary business and provide economies of scale from the diversified businesses. The collection of other products, dominated by the ATMOS outsourcing service, continued to drive forward the programme of measured diversification.

- ATMOS maintained its market leadership position and now manages over 30% of all ATMs connected to the LINK network, a majority of these belong to Independent ATM Deployers.
- Following Royal Bank of Scotland Group's decision to implement the prepay mobile phone top up service at their 8,000 ATMs, transaction volumes have started to reflect the increased availability of the service.
- The connections to the Post Office for switching transactions now provide a significant contribution to overall volumes.
- The branch sharing service provided to MutualPlus Ltd has continued at a steady pace.

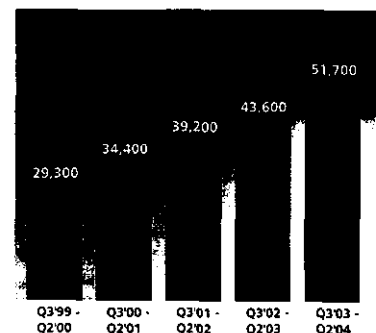
With a number of new products in development, LINK retains its position as a critical component of the UK's payments infrastructure and we are confident that our strategic direction

and positioning will deliver further growth in the coming year.

2003-2004 AT A GLANCE

Card Scheme Switching and Management

The number of ATMs connected to LINK during the period increased by 18.5% to 51,682 and the number of issued LINK-enabled cards in circulation grew by over 7 million to 99.5 million.



The continued growth in shared transactions via the LINK switch resulted in new transaction peaks being recorded during the year:

Peak	Number	Date
Second:	296	28 May 2004
Minute:	17,179	28 May 2004
Hour:	920,577	24 December 2003
Day:	10,593,615	28 May 2004
Week:	52,604,454	w/c 24 May 2004
Month:	220,639,452	May 2004
Highest Daily Cash Withdrawal Amount:	£432,191,341	28 May 2004

Current Transaction Peaks

In recent years strong growth has been experienced in both ATM transaction volumes and values. The outlook for the primary ATM switching and settlement service remains healthy, a prediction that was reinforced by a recent APACS market report which stated that:

"Adults in the UK acquired £266 billion in cash last year (2003), an average of £110 per adult per week. Cash machines dispensed over half of this cash. Two-thirds of adults are now regular users of cash machines. In 2012 it is expected that cash machines will dispense nearly 80% of all cash acquired by individuals." (APACS Annual Review 2003)

Nevertheless, the nature of the marketplace is such that we expect that the overall rate of growth, which up to now has been very high, will decline and this coupled with forecast major expenditure will put some pressure on growth in profits from the core business.

LINK's share of UK ATM transaction volumes is likely to continue to grow from its current level of 60% unless significant changes to the retail charging model occur. As with the previous year, much of the growth in total ATM numbers can be attributed to the growing 'convenience' ATM market. These machines, typically located to provide a service where the provision of a free machine is not economically viable for many deployers, now represent 35% of the total number of ATMs deployed by LINK Members. However, most cash machines deployed by bank and building society Members remain free to use, accounting for some 97% of all UK ATM transactions. It is worth noting that the number of newly-installed surcharge-free machines also increased over the period.

Although there is a logical separation between scheme and infrastructure company, the company puts a considerable amount of effort into supporting the Card Scheme: in effect the administration of the scheme is outsourced to the company.

As in previous years, one of the major card scheme related activities was the independent cost study conducted into the level at which the LINK network's multilateral interchange fees should be set. The recommendation to reduce the level of the interchange fee, payable between ATM acquirers and card issuers, was implemented from 1st January 2004 and the study to set the multilateral fee for 2005 is now well underway.

With effect from 1 April 2004, the Card Scheme instructed all LINK Members to display a notice, either on the machine itself or on-screen, informing users upfront of any surcharge. No LINK member charges its customers for using another member's ATM to withdraw cash from current accounts.

Three new Members connected to the LINK network during the period. National Savings and Investments joined as a Card Issuing Only Member. Omnicash and Cashbox ATM Systems Ltd joined as Independent ATM Deployers, making a total of 51 Network Members.

LINK continued to enjoy close regulatory and working relationships with the Office of Fair Trading and the Bank of England.

ATM and Card Outsourcing

The number of secondary businesses continues to be dominated by the ATMOS acquiring and card issuer outsourcing service. ATMOS maintained its market leadership position and now manages over 30% of all ATMs connected to the LINK network, with the majority for Independent ATM Deployers (nearly 80% of the UK's 18,000 convenience ATMs are managed by ATMOS).

The increasing number of companies looking to outsource all, or part of their

ATM or card operations - particularly financial institutions - meant that ATMOS continued to provide a significant contribution to the primary business. In an increasingly complex marketplace, ATMOS continued to develop the breadth and depth of its offer.

The industry-wide introduction of EMV and chip cards provided an opportunity to leverage the Company's existing knowledge and infrastructure to offer a financially viable chip card outsourcing service. The service is positioned at those issuers who find the cost of migrating to chip prohibitive and will include a multi-applications service as and when demand is generated.

During the period ATMOS implemented a full card management service for a number of financial institutions, offering hotcard management (via helpdesk) and PIN change/PIN unblock in addition to card authorisation and processing services. The launch of the service positions the Company to be able to approach other large card issuers and lays the foundations for future growth in the chip card issuing market. ATMOS is currently working with a joint venture partner to develop innovative outsourcing solutions that will benefit both existing and potential customers wishing to outsource the management of their ATM and/or card operations. The development of its strategy will, where appropriate, require LINK to establish relationships with both industry and service partners.

Mobile Phone Top-Up

The Mobile Phone Top Up service at ATMs has been available since 2003 to customers of Vodafone, O2, Orange, T-Mobile, Virgin Mobile and Tesco Mobile at selected ATMs deployed by financial

institutions and independent deployers. Prepay customers can use selected ATMs to purchase handset airtime electronically using the LINK network with the top up amount debited from their bank account.

Transaction volumes have increased significantly as the roll out gathers momentum and by the end of the period over 10,000 cash machines offered the service, including participating ATMs of Royal Bank of Scotland Group, Co-Operative Bank and Moneybox Corporation, with several more financial institutions committed to providing the service in the coming year.

Gateways

LINK is certified by Mastercard and VISA to provide transaction processing services for member issued and acquired ATM (and VISA POS) transactions. A new customer for the service, Irish bank Permanent TSB, was acquired during the period.

Branch Sharing

The branch sharing service has been operational for almost three years and was LINK's first non-ATM service. The service, currently provided to MutualPlus Ltd, provides a low-cost means of allowing financial institutions to 'share' their branches for selected over-the-counter transactions. LINK remains optimistic that the concept offers potential to play a significant role in the development of retail banking.

NEW VENTURES

MobileATM™

Previous industry attempts to provide banking services to users of mobile telephony have experienced limited success because of constraints on

availability and technology. LINK is jointly developing MobileATM™, a range of services that will bring a range of ATM and other 'm-commerce' functions to mobile handsets, with Morse plc, a FTSE 350 systems integrator.

MobileATM™ combines the expertise of LINK's network connectivity (to all UK card issuing financial institutions and mobile network operators) with Morse's mobile technology to offer a universal, practical proposition. The initial range of services will be launched in the coming year.

Pooling

Pooling is viewed by LINK as the next evolutionary stage of the ATM acquiring industry in the UK. The nature of the growth of the ATM network has created an oversupply of cash machines in the country in certain locations. Having a single body to decide on ATM locations, and to drive and operate these ATMs, is the next logical step in the ATM deployment market. A dedicated resource has been created within LINK to drive the project forward and to assess the market appetite in collaboration with Members and economic advisers.

International Developments

LINK's stated intention is also to extend its market reach internationally, within the capacity and competencies of the organisation. To this end the Company developed important links in international markets during the period.

OPTIMISATION OF THE OPERATION

LINK continually challenges the effectiveness of its operational infrastructure to protect the delivery of a secure, reliable service to the primary Card Scheme business, and ensure that

the management of the increasingly diversified business streams is achieved well within acceptable tolerances. The growing demands of business change have prompted a number of activities that will align the Company's structure, people, processes and systems to the strategic requirements of the business.

Corporate Governance

It has previously been identified that the relationship between the Card Scheme and the Company needs greater clarity as a result of the formal 'logical separation' which is being pursued, designed to enhance both the stability, security and cost-effectiveness of the Scheme, and the capabilities of the Company in undertaking diversified activities.

To address these issues the Board approved a roadmap of governance change in three phases in order to protect the interests of shareholders and allow the diversified Company to deliver enhanced shareholder value. An Executive Committee of the LINK Board was created and we were pleased to welcome Peter Presland as the Company's new independent Non-executive Chairman following Peter Sutcliffe's decision to stand down. We are all very grateful for the tremendous support which Peter provided over the years.

To ensure that the Card Scheme reacts appropriately to the changes in the governance of the Company, an independent chairman, Dr Ken Andrew, was appointed as independent chairman of the Network Members Council. I would also like to congratulate Karl Shields on his appointment to the LINK Executive Committee as Director of Strategy and Planning.

Processes and Systems

Following the appointment of Steve Smith as Head of Relationship Management, a proactive customer-focused sales approach has been adopted to develop new business in financial, independent, public and international sectors through the extensive network of relationships LINK has with customers and world-wide industry contacts. The Company continued to ensure that HR policy proactively manages and develops the core skills base and culture of the organisation, in order to protect its core competence and to drive the strategy of undertaking measured diversification. Staff numbers increased by 11% to 176.

Infrastructure Development

LINK continued to develop its secure, fault-tolerant infrastructure and IT processes to reflect the transaction growth experienced and the continued broadening of its service offering. During the year notable enhancements were made to the core ATM switching service including a dedicated test system.

The Company's new Head of Operations, Craig Broom, developed an operational policy and process framework to ensure a consistent and repeatable management process for managing the delivery of services and technology across all areas of the business. Internal teams were restructured during the period to accommodate LINK's vision of consolidating its position as the UK ATM switch and through measured growth becoming a leading diversified transaction management company.

Operational Performance

LINK's commitment to world class standards and expertise in managing a robust, reliable infrastructure was once again reflected in its industry-leading switch availability. The Company also successfully carried out two full-scale

disaster recovery tests during the year, to demonstrate its ability to continue to operate in the event of a major disaster.

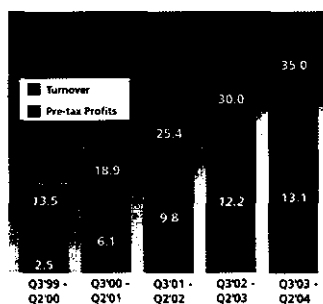
Industry Initiatives

During the period, all Members' host to LINK connections were upgraded to Triple DES and Members are reporting that their ATM-to-host Triple DES upgrades are on plan to be achieved within the mandated time frame (April 2005).

The migration from magnetic stripe to chip based debit and credit cards is having an enormous impact on the ATM and cards industries. LINK played a leading role in helping ATM deployers to make the fundamental technical changes to accommodate the new standard in time to meet migration deadlines.

FINANCIAL PERFORMANCE AND OUTLOOK


The growth experienced by the company has again been reflected in the financial record.



- Turnover increased by 17% in the year, as the company continued to develop and grow its business
- Operating profits for the year increased to £12.8 million, compared to £12.2 million for the previous period.
- In accordance with the Boards progressive dividend policy, the total regular dividends for the year are £6m, compared to £5m for 2003.

- In recognition of the Boards confidence in the Company's performance and healthy financial position the Board approved a £2m special dividend making the total dividend £8m for the year.
- Net cash generated increased to £9.1 million (not including dividends paid), up from £8.3 million, once again demonstrating a healthy cash flow after investing in the infrastructure of the business.

The company remains well-positioned to continue its growth and development.


J T Hardy
Chief Executive

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2004

The directors present their report and the audited financial statements for the year ended 30 June 2004. The comparative figures represent the results of the company and the group for the year ended 30 June 2003.

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 £9,025,413 (2003: £8,562,481).

Dividends paid and proposed are:

	2004			2003		
	Amount per share £	Total dividend £	Date paid / payable	Amount per share £	Total dividend £	Date paid
Interim	40.78	4,000,518	28/05/04	30.59	3,000,879	30/05/03
Special	20.39	2,000,259	19/12/03	Nil	Nil	
Final	20.39	2,000,259	26/11/04	20.39	2,000,259	28/11/03
Total		<u>8,001,036</u>			<u>5,001,138</u>	

Both the level of business and the year end financial position were satisfactory.

Directors and their interests

No director had any interest in the shares of the Company during the year ended 30 June 2004 (with the exception of 'E' share options granted in 2002 and 2004).

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 5 October 2004, are listed overleaf. The date of appointment or resignation is shown only for changes that have occurred after 1 July 2003.

Directors & Members	Date of appointment	Date of resignation	Alternate	Date of appointment	Date of resignation
Non-executive Chairman					
P J Sutcliffe		15/12/03			
P E Presland	23/09/03				
Chief Executive					
J T Hardy					
Commercial Director					
P M Gerrard	10/09/03				
Planning & Business Development Director					
K Shields	18/05/04				
Abbey National plc					
T C Sawyer			G A Mott		01/07/03
G A Mott	01/07/03				
Alliance & Leicester plc					
S Styles			W J Monk		
AIB Group (UK) plc					
P F Moloney			M B Coffey		
Bank of Scotland					
			A W Edwards		08/04/04
Barclays Bank plc					
J J Gillman		30/09/03	B M Davis		30/09/03
B M Davis	30/09/03		S Newman	16/10/03	
Bradford & Bingley plc					
J F Barker		04/03/04	L M Ross		
J Pearson	13/05/04				
Bristol & West plc					
D Williams	01/06/04		J K Bustin		
D J Harris		31/05/04			
Britannia Building Society					
K L Oakes			G E Brown		27/7/04
Clydesdale Bank plc					
T A McComb			D Robson		

Directors & Members	Date of appointment	Date of resignation	Alternate	Date of appointment	Date of resignation
Co-operative Bank plc H Billman J R Hughes	12/05/04	16/03/04	G Brandwood		
Coventry Building Society B S Day					
Derbyshire Building Society D G Hughes			J A Gaunt		
Halifax plc J Capper			M R Bullough I Headford	16/04/04	16/04/04
HFC Bank plc D Magrath		16/09/04			
Lloyds Bank plc D R Gagie P J Martin	14/07/03	17/07/03	P G E Ayliffe N Berkett	10/10/03	01/10/03
HSBC Bank plc I G Sadler J Rendle	01/04/04	31/12/03	J Jones J Rendle M Constantine	30/10/03 01/04/04	30/10/03 01/04/04
Nationwide Building Society P B Feldman	01/07/03		P B Feldman		01/07/03
Northern Rock plc I W Campbell D N Bradley	03/09/03	04/09/03	J Hannant		
The Royal Bank of Scotland G A Gourlay R Bulloch	06/05/04	15/03/04	M E Treanor		
Yorkshire Building Society C S G Cole			B T Wells I J Bullock	30/03/04	10/07/03

Introduction of the Euro

It is widely acknowledged that European & Economic Monetary Union (EMU) has had, and will continue to have, significant ramifications for business in general and the financial services and retail sectors, particularly if the UK enters EMU. A preliminary assessment of the impact of EMU on LINK's business has been undertaken and, in common with many of its member financial institutions, LINK will need to make changes to certain systems. However, in contrast to many financial institutions, if the UK plans to enter EMU, it is expected that any system changes within LINK will result in relatively modest levels of expenditure. LINK has developed outline project plans so that it is adequately prepared in advance of any decision on UK entry to EMU.

Research and development

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

Future Developments

The company is engaged in initial exploratory talks with a third party regarding the merging of outsourcing activities.

Donations

Charitable contributions of £10,573 (2003: £6,530) were made during the year.

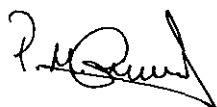
Statement of Directors' responsibilities

The Directors are required by UK company law to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the company and group as at the end of the financial year, and of the profit or loss of the group for that year.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 30 June 2004. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

By order of the board



P M Gerrard
Company Secretary
19 October 2004

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

We have audited the financial statements on pages 11 to 25.

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 are responsible for preparing the Directors' report and, as described on page 9, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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


Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company and the Group's affairs as at 30 June 2004 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG LLP
Chartered Accountants
Registered Auditors
1 The Embankment
Neville Street
Leeds
LS1 4DW

19 October 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Year ended 30 June 2004 £	Year ended 30 June 2003 £
Turnover	2	35,023,915	30,073,879
Cost of sales		(12,476,113)	(10,618,440)
Gross profit		22,547,802	19,455,439
Other operating expenses		(9,735,856)	(7,305,003)
Operating profit		12,811,946	12,150,436
Share of operating loss of joint venture		(61,425)	-
Interest receivable & similar income		366,808	266,609
Interest payable & similar charges		-	(216,289)
Profit on ordinary activities before taxation	5	13,117,329	12,200,756
Tax on profit on ordinary activities	6	(4,091,916)	(3,638,275)
Profit for the financial year		9,025,413	8,562,481
Dividends	8	(8,001,036)	(5,001,138)
Retained profit for the year		1,024,377	3,561,343
Retained profits at 1 July		12,082,999	8,521,656
Retained profit for the year		1,024,377	3,561,343
Retained profits at 30 June		13,107,376	12,082,999

All amounts above relate to continuing operations of the company.

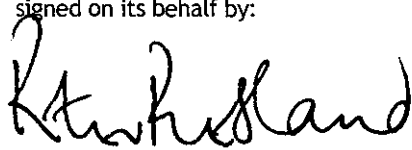
The company has not recognised gains and losses other than those included in the profits above and therefore no separate statement of total recognised gains and losses has been presented.

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.

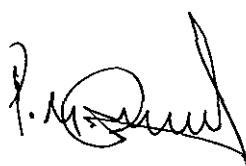
BALANCE SHEETS AT 30 JUNE 2004

	Notes	Group 2004 £	2003 £	Company 2004 £	2003 £
Fixed assets					
Tangible assets	9	11,839,777	12,376,875	11,839,777	12,376,875
Investments	10, 11	-	-	1,089,466	1,079,466
Investments in joint ventures:					
Share of gross assets		657,417	-	-	-
Share of gross liabilities		(708,842)	-	-	-
		<u>11,788,352</u>	<u>12,376,875</u>	<u>12,929,243</u>	<u>13,456,341</u>
Current assets					
Debtors	12	5,789,145	4,582,513	7,134,502	5,941,376
Cash at bank and in hand		8,749,746	7,611,390	8,458,971	7,285,456
		<u>14,538,891</u>	<u>12,193,903</u>	<u>15,593,473</u>	<u>13,226,832</u>
Creditors: amounts falling due within one year	13	(8,097,384)	(7,365,296)	(8,308,914)	(7,465,871)
Net current assets		<u>6,441,507</u>	<u>4,828,607</u>	<u>7,284,559</u>	<u>5,760,961</u>
Total assets less current liabilities		<u>18,229,859</u>	<u>17,205,482</u>	<u>20,213,802</u>	<u>19,217,302</u>
Creditors: amounts falling due after more than one year	14	-	-	(936,909)	(936,909)
Net assets		<u>18,229,859</u>	<u>17,205,482</u>	<u>19,276,893</u>	<u>18,280,393</u>
Capital and reserves					
Called-up share capital	16	118,119	118,119	118,119	118,119
Share premium account	17	4,754,364	4,754,364	4,754,364	4,754,364
Special reserve	17	250,000	250,000	250,000	250,000
Profit and loss account	17	13,107,376	12,082,999	14,154,410	13,157,910
		<u>18,229,859</u>	<u>17,205,482</u>	<u>19,276,893</u>	<u>18,280,393</u>
Shareholders' funds (equity interest)		<u>18,209,840</u>	<u>17,185,463</u>	<u>19,256,874</u>	<u>18,260,374</u>
Shareholders' funds (non-equity interest)		<u>20,019</u>	<u>20,019</u>	<u>20,019</u>	<u>20,019</u>
Total shareholders' funds (including non-equity interests)		<u>18,229,859</u>	<u>17,205,482</u>	<u>19,276,893</u>	<u>18,280,393</u>

The financial statements on pages 11 to 25 were approved by the board of directors on 19 October 2004 and were signed on its behalf by:



P E Presland



P M Gerrard

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2004

	Notes	Year ended 30 June 2004 £	Year ended 30 June 2003 £
Net cash inflow from continuing operating activities	19	15,687,858	14,538,427
<i>Returns on investments and servicing of finance</i>			
Interest paid		-	(216,289)
Interest received		366,808	266,609
Net cash inflow from returns on investments and servicing of finance		366,808	50,320
<i>Taxation</i>			
UK corporation tax paid		(4,184,866)	(3,423,520)
<i>Capital expenditure</i>			
Payments to acquire tangible fixed assets		(2,106,661)	(2,889,813)
Receipts from sales of tangible fixed assets		26,253	69,150
Net cash outflow from capital expenditure		(2,080,408)	(2,820,663)
Investment in joint venture		(650,000)	-
Net cash outflow from investments		(650,000)	-
Net cash inflow before financing		9,139,392	8,344,564
Equity dividends paid		(8,001,036)	(6,001,758)
Cash inflow before management of liquid resources and financing		1,138,356	2,342,806
Increase in cash in the year		1,138,356	2,342,806
<i>Reconciliation to net cash</i>			
Net cash at start of year		7,611,390	5,268,584
Increase in net cash		1,138,356	2,342,806
Net cash at end of year	20	8,749,746	7,611,390

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1. PRINCIPAL ACCOUNTING POLICIES

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.

Basis of consolidation

The consolidated financial statements include the financial statements of the company and all its subsidiary undertakings made up to 30 June 2004.

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 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

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.

1. **PRINCIPAL ACCOUNTING POLICIES (continued)**

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.

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 to the financial sector.

3. **DIRECTORS' EMOLUMENTS**

	Year ended 30 June 2004 £	Year ended 30 June 2003 £
Aggregate emoluments (including benefits-in-kind)	486,575	212,002
Company pension contributions to money purchase schemes	29,903	19,219
	<u>516,478</u>	<u>231,221</u>

The above emoluments relate to all directors from the later of 1 July 2003 or date of appointment up to 30 June 2004.

E share options were granted during the year. No share options were exercised in the year.

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 2004 £	Year ended 30 June 2003 £
Aggregate emoluments (including benefits-in-kind)	309,164	212,002
Company pension contributions to money purchase schemes	20,787	19,219
	<u>329,951</u>	<u>231,221</u>

4. EMPLOYEE INFORMATION

The monthly average number of persons (including the Executive Directors) employed by the group during the year was:

	Year ended 30 June 2004	Year ended 30 June 2003
	Number	Number
Administrative and technical	165	148

	Year ended 30 June 2004 £	Year ended 30 June 2003 £
Staff costs (for the above persons):		
Wages and salaries	7,373,325	5,131,615
Social security costs	722,540	573,903
Other pension costs	476,018	385,223
	8,571,883	6,090,741

Wages and salaries includes a provision of £750,000 for the cash-settled share-based payment scheme (2003 £nil). The pension cost charged represents contributions payable by the company to the fund.

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before tax is stated after charging:

	Year ended 30 June 2004 £	Year ended 30 June 2003 £
Depreciation	2,638,569	3,145,553
Auditors' remuneration:		
Audit services, of which the parent company was £29,000 (2003: £18,650)	30,000	19,650
Non-audit services	773,087	927,299
Bank interest receivable	(366,808)	(266,609)
Other interest payable	-	216,289
Profit on sale of fixed assets	(4,106)	(17,123)
Research & development	63,349	352,695

6. TAXATION

	Year ended 30 June 2004 £	Year ended 30 June 2003 £
Analysis of charge in year at 30% (2003- 30%)		
Current tax at 30% (2003 - 30%)	4,356,804	3,894,862
Under/(over) provision of tax in prior years	43,571	(190,562)
Total current tax	4,400,375	3,704,300
Deferred tax		
Origination and reversal of timing differences	(256,774)	(75,975)
Adjustment in respect of prior years	(51,685)	9,950
Total deferred tax	(308,459)	(66,025)
Tax on profit on ordinary activities	4,091,916	3,638,275
 Factors affecting current tax charge in year		
Profit on ordinary activities before tax	13,117,329	12,200,756
Tax on profit on ordinary activities at UK standard rate of 30% (2003 - 30%)	3,935,199	3,660,227
Effects of:		
Depreciation in excess of capital allowances	31,774	75,975
Short term timing differences	225,000	-
Expenses not deductible for tax purposes	164,832	152,890
Consolidation adjustment	(1)	5,770
Under/(over) provision of tax in prior years	43,571	(190,562)
Current tax charge for year	4,400,375	3,704,300

7. 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 £8,997,536 (2003: £8,900,527).

8. DIVIDENDS

	Amount per share £	2004 Total dividend £	Amount per share £	2003 Total dividend £
Interim	40.78	4,000,518	30.59	3,000,879
Special	20.39	2,000,259	Nil	Nil
Final	20.39	2,000,259	20.39	2,000,259
Total		8,001,036		5,001,138

9. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £	Computers and similar equipment £	Office equipment and furniture £	Motor vehicles £	Total £
Cost					
At 1 July 2003	8,515,640	11,451,486	3,203,376	473,034	23,643,536
Additions	108,715	1,561,054	497,887	176,727	2,344,383
Disposals	-	-	-	(88,586)	(88,586)
Expensed	(82,250)	(138,515)	-	-	(220,765)
At 30 June 2004	8,542,105	12,874,025	3,701,263	561,175	25,678,568
Depreciation					
At 1 July 2003	643,767	8,164,966	2,254,412	203,516	11,266,661
Charge for the year	408,965	1,637,095	487,967	104,542	2,638,569
Eliminated in respect of disposals	-	-	-	(66,439)	(66,439)
At 30 June 2004	1,052,732	9,802,061	2,742,379	241,619	13,838,791
Net book value At 30 June 2004	7,489,373	3,071,964	958,884	319,556	11,839,777
At 30 June 2003	7,871,873	3,286,520	948,964	269,518	12,376,875

9. TANGIBLE FIXED ASSETS (continued)

Company	Leasehold land and buildings £	Computers and similar equipment £	Office equipment and furniture £	Motor vehicles £	Total £
Cost					
At 1 July 2003	8,338,748	11,451,486	3,109,447	473,034	23,372,715
Additions	108,715	1,561,054	497,887	176,727	2,344,383
Disposals	-	-	-	(88,586)	(88,586)
Expensed	(82,250)	(138,515)	-	-	(220,765)
At 30 June 2004	8,365,213	12,874,025	3,607,334	561,175	25,407,747
Depreciation					
At 1 July 2003	466,875	8,164,966	2,160,483	203,516	10,995,840
Charge for the year	408,965	1,637,095	487,967	104,542	2,638,569
Eliminated in respect of disposals	-	-	-	(66,439)	(66,439)
At 30 June 2004	875,840	9,802,061	2,648,450	241,619	13,567,970
Net book value					
At 30 June 2004	7,489,373	3,071,964	958,884	319,556	11,839,777
At 30 June 2003	7,871,873	3,286,520	948,964	269,518	12,376,875

10. **FIXED ASSET INVESTMENTS**

Company

The investment in subsidiary undertakings is summarised below:

£

Cost and net book value at 1 July 2003 and 30 June 2004

1,079,466

The subsidiary companies, 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	Leasing & construction
LINK Retail Services Limited	100 £1 ordinary shares	Office services & development
Catsec 401 Limited	1 £1 ordinary share	Property owner
ATM UK Limited	1 £1 ordinary "A" share	Dormant
ATMOS ATM Management Limited	1 £1 ordinary share	Dormant
Catsec 403 Limited	1 £1 ordinary share	Dormant
Electronic Funds Transfer Limited	3,679,410 £1 ordinary shares	Dormant
Matrix Financial Services Limited *	2 £1 ordinary shares	Dormant
Electronic Funds Transfer (Clearings) Limited	7 £1 ordinary shares	Dormant
Electronic Funds Transfer (Point of Sale) Limited	6 £1 ordinary shares	Dormant
LINK Interchange Network (Trustee) Ltd	2 £1 ordinary shares	Dormant

- Shares owned by LINK Financial Services Limited.

11. **INVESTMENTS OTHER THAN SUBSIDIARY UNDERTAKINGS**

Name of undertaking	Description of Shares Held	Business Activity
Mobile ATM Limited	10,000 £1 ordinary shares	Mobile Initiated Transactions

Mobile ATM limited is a joint venture between LINK and Morse plc with each holding a 50% share. The aggregate capital and reserves at 30 June 2004 were (£102,850), and the loss for the year amounted to (£122,850).

12. DEBTORS

	Group		Company	
	30 June 2004	30 June 2003	30 June 2004	30 June 2003
	£	£	£	£
Amounts falling due within one year				
Trade debtors	371,988	775,716	374,735	775,716
Amounts owed by subsidiary undertakings	-	-	1,371,167	1,398,607
Loan to joint venture	640,000	-	640,000	-
Prepayments and accrued income	4,247,889	3,585,987	4,252,890	3,590,987
Deferred tax recoverable (Note 15)	529,268	220,810	495,710	176,066
	<u>5,789,145</u>	<u>4,582,513</u>	<u>7,134,502</u>	<u>5,941,376</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	30 June 2004	30 June 2003	30 June 2004	30 June 2003
	£	£	£	£
Trade creditors	510,714	1,082,700	423,156	1,076,624
Corporation tax	2,432,326	2,216,818	2,436,163	2,216,818
Other taxation and social security	93,705	156,053	202,121	263,505
Accruals and deferred income	2,310,380	1,909,466	2,497,215	1,908,665
Employee share scheme	750,000	-	750,000	-
Proposed dividend	2,000,259	2,000,259	2,000,259	2,000,259
	<u>8,097,384</u>	<u>7,365,296</u>	<u>8,308,914</u>	<u>7,465,871</u>

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

	Group		Company	
	30 June 2004	30 June 2003	30 June 2004	30 June 2003
	£	£	£	£
Amounts due to subsidiary undertakings	-	-	936,909	936,909

15. 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 2004	30 June 2003	30 June 2004	30 June 2003
	£	£	£	£
Accelerated capital allowances	<u>(529,268)</u>	<u>(220,810)</u>	<u>(495,710)</u>	<u>(176,066)</u>

Movements in the provision for deferred taxation of the group and the company have been as follows:

	Group £	Company £
At 1 July 2003	(220,810)	(176,066)
Profit and loss account	(308,458)	(319,644)
At 30 June 2004	<u>(529,268)</u>	<u>(495,710)</u>

16. CALLED UP SHARE CAPITAL

	2004 £	2003 £
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
	<u>1,040,000</u>	<u>1,040,000</u>
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	18
2,000,100 'E' ordinary shares of £0.01 each	20,001	20,001
	<u>118,119</u>	<u>118,119</u>

The rights of the non-equity 'B' shares ("non-equity shares") and 'E' ordinary shares at 30 June 2004 were as follows:

(a) **DIVIDENDS**

The non-equity shares and 'E' ordinary shares are not entitled to any dividend.

(b) **CAPITAL**

In the event of a winding up, the non-equity 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 non-equity shares.

The 'E' ordinary 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.

(c) **VOTING**

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

17. RESERVES

Group	Profit and loss account £	Share premium £	Special reserve £
At 1 July 2003	12,082,999	4,754,364	250,000
Retained profit for the year	1,024,377	-	-
At 30 June 2004	<u>13,107,376</u>	<u>4,754,364</u>	<u>250,000</u>
Company	Profit and loss account £	Share premium £	Special reserve £
At 1 July 2003	13,157,910	4,754,364	250,000
Retained profit for the year	996,500	-	-
At 30 June 2004	<u>14,154,410</u>	<u>4,754,364</u>	<u>250,000</u>

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit for the financial year	9,025,413	8,562,481
Dividends	(8,001,036)	(5,001,138)
Net additions to shareholders' funds	<u>1,024,377</u>	<u>3,561,343</u>
Shareholders' funds at 1 July	17,205,482	13,644,139
Shareholders' funds at 30 June	<u>18,229,859</u>	<u>17,205,482</u>

19. CASH FLOW FROM OPERATING ACTIVITIES

The reconciliation of operating profit to net cash inflow from operating activities is:

	Year ended 30 June 2004 £	Year ended 30 June 2003 £
Operating profit	12,750,521	12,150,436
Depreciation of tangible fixed assets	2,638,569	3,145,553
Profit on sale of tangible fixed assets	(4,106)	(17,123)
(Increase) in operating debtors and prepayments	(258,174)	(546,924)
Increase/(Decrease) in operating creditors and accruals	499,623	(193,515)
Share of loss of associate	61,425	-
Net cash inflow from continuing operating activities	<u>15,687,858</u>	<u>14,538,427</u>

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

	At 1 July 2003 £	Cash flow £	At 30 June 2004 £
Cash at bank and in hand	7,611,390	1,138,356	8,749,746

21. CAPITAL COMMITMENTS

At 30 June 2004 capital expenditure of £Nil (2003: £Nil) was contracted but not provided for in the accounts of the company and £Nil (2003: £Nil) in the group.

At 30 June 2004 the company had no annual commitments under non-cancellable operating leases.

22. 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 of £314,994, relating to setting up the infrastructure of this Company.

23. ULTIMATE PARENT UNDERTAKING

The directors do not consider that the company has an ultimate parent undertaking. The company's equity and non-equity 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.

24. CONTINGENT ASSET

VAT has been recovered during prior financial years on the construction of freehold land and buildings and is reflected as such in the accounts. HM C&E have challenged the right to recover this VAT and have raised an assessment for this VAT, which has been paid to them through LINK Retail Services Ltd. The VAT paid to HM C&E has been capitalised as an additional cost to the freehold land and buildings. The directors believe they are entitled to recover this sum and are appealing this assessment, the result of which is unlikely to be determined for some time.

25. POST BALANCE SHEET EVENT

LINK has agreed in principle to merge the card issuing and ATM transaction management element of its business with the corresponding business of Transaction Network Services Ltd ("TNS"), through the formation of a new company ("Newco"). LINK will hold 75% of the share capital of Newco and TNS will have 25%. Newco's business, will in the first instance, comprise the provision of a comprehensive transaction management and network gateway service to UK Card Issuers, ATM Acquirers and POS Acquirers. This is expected to occur in the financial year 2005, subject to the satisfactory conclusion of negotiations.