

Registered no: 03565766

LINK Interchange Network Limited

Annual report

for the year ended 30 June 2003



Annual report for the period ended 30 June 2003

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CHAIRMAN'S STATEMENT

It gives me pleasure to report that the year to 30 June 2003 was another successful period for the Company. During the year the overall volume of transactions managed by LINK increased again to a total of over 2,025 million with a value of £66,728 million.

The LINK ATM network remains of critical importance to the national payments infrastructure. LINK consolidated its position as the busiest ATM transaction switch in the world, with total volumes increasing by 22% over the previous year.

Much of the continued growth in ATM traffic is still driven by the demand for cash, with some 73% of all personal payments being made in cash (source:APACS).

The Company's reputation for high quality of service was reinforced by once again achieving 100% network availability during the period.

Our excellent operational performance was matched by the financial record; and our confidence in the future is reflected in the 67% increase in the dividend.

The 'best in class' changes we adopted in response to the Cruickshank review of 2000 led to further important steps being taken to improve LINK's governance.

We shall continue to review the structure of the Company to enable it to respond positively to the considerable changes that are taking place in the payment systems market.

In addition to the growth of the core ATM switching and settlement service, several developments during the year clearly demonstrated LINK's ability to expand the range of functionality and transaction types that can be handled for the benefit of Network Members, financial institutions generally and other potential customers:

- ▶ ATMOS, LINK's outsourcing division, retained its position as the leading player in the ATM outsourcing market.
- ▶ An ATM mobile phone top up service was developed and launched with the major mobile phone operating companies.
- ▶ A Network Banking Service, that enables millions of bank customers to obtain cash at Post Office Counters, was launched.

These initiatives clearly demonstrate the potential of the Company's position to leverage the synergies of the network, adding value to all parties.

In conclusion, I would like to pay tribute to the commitment and dedication of the Company's employees, which has again been pivotal to the achievements of the year. The Company will continue to devote resources to the training and development of staff to help them realise their full potential.

The Company's performance has surpassed all expectations in recent years and this year has been no exception. I believe that the Company is well placed to make further progress in both

existing and new markets and I look forward to the future with confidence.

P J Sutcliffe
Chairman

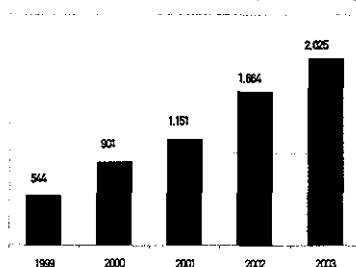
CHIEF EXECUTIVE'S REVIEW

I am pleased to report that LINK has enjoyed another successful year. The Company retained its position as the largest processor of shared ATM transactions in the world and the UK's leading shared cash machine network, dispensing over £5.7 billion to consumers each month.

The increased scale of the LINK operation is reflected in several new performance records in the year:

- ▶ Transaction volumes increased by 22% from 1,664 million in 2001/2002 to 2,025 million in 2002/2003.

LINK Transaction Volumes (in millions)



- ▶ In May 2003 a new monthly record was set of 195 million transactions with £6,374 million dispensed.
- ▶ On 30 May 2003 a new daily transaction peak of 9.1 million with a value of £361 million was recorded.
- ▶ The total value of cash dispensed in the year increased by 22% to £66,728 million.

Encouragingly, future prospects remain positive given a number of important indicators. 71% of cash in use in the UK is delivered

via ATMs and almost 55% of all cash withdrawals are shared*

**the LINK network is the most popular cash acquisition channel by far and the proportion of ATM withdrawals compared to other sources of cash is predicted to continue to grow to year 2010 - source:APACS*

New services were launched during the period that clearly signal our intention to develop the ATM channel for new transaction types and to become a leading player in the wider financial transaction management services industry.

The Company developed and implemented a Network Banking service for the Post Office and a mobile phone top up service as noted below.

Prospects for our core business of providing ATM switching services to our network customers are encouraging. However, we continue to seek opportunities for growth in related markets by adding functionality, providing outsourcing services, providing infrastructure support to other payment schemes and developing new services.

Of direct significance is the announcement by APACS that from 2005, UK credit and debit card transactions at point of sale will be authorised by the customer keying in their PIN (personal identification number) rather than by signature. LINK will provide the means by which cardholders can change or unlock their PIN on any of their LINK-enabled cards at participating

ATMs connected to the LINK network.

Although the provision of PIN change and unlock services has tactical benefit, strategically the move to retail transaction authentication by PIN as part of the UK Chip and PIN programme plays to LINK's core strengths and increases the attractiveness of the retail processing market.

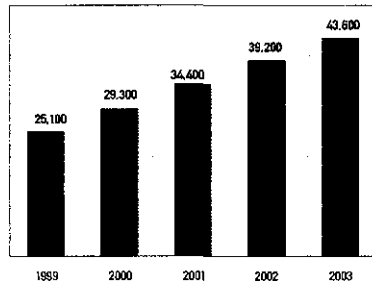
In summary, it has been a year when various developments of significance occurred. However none has fundamentally challenged our strategy to differentiate ourselves through maintaining our focus on offering excellent customer service, world-class transaction management services and unparalleled value for money for the benefit of our own security and in the interests of our Network Members.

CARD SCHEME

A total of four new Members connected to the LINK network during the period (one financial institution and three non-financial organisations), making a total of 49 Network Members.

The number of ATMs connected to the network increased by 11% to over 43,600 and the number of LINK-enabled cards in circulation grew to over 92 million.

Number of ATMs connected to the LINK Network



Regulatory intervention has increased with the international schemes under pressure around the world. The LINK network has always co-operated fully with the regulatory bodies. Once again we commissioned an independent study into the level at which its multilateral interchange fees (the 'wholesale' fees which are paid by a card-issuing institution to the owner of the ATM which provides services to the card holder) should be set.

This study ensures that the interchange fee is, and continues to be, a true reflection of Members' costs in accordance with LINK's Individual Exemption under the Competition Act. The recommendations contained in the study were implemented to the satisfaction of Network Members early in 2003.

Although all decisions regarding charges to customers rests solely with the individual Members of LINK, the Company continues to monitor ATM customer charging developments.

The continued growth in the number of 'convenience' ATMs, which now account for 24% of the total number of machines deployed by LINK Members, has been a feature of the year.

These ATMs levy a charge for cash withdrawals, typically £1.50, and are provided in locations where an ATM cannot otherwise be justified.

They give customers the option of gaining access to their cash at new locations where they would not otherwise be able to do so. Over 98% of ATM transactions are free to consumers, however, and virtually all cash machines deployed by Bank and Building Society Members of the network remain charge-free.

No LINK Member charges its customers for using another Member's ATM to withdraw cash from current accounts.

COMPANY PRODUCTS AND SERVICES

A number of developments took place during the period that once again clearly demonstrated the breadth of LINK's capability to expand the range of functionality across the network, and to develop and implement low-cost transaction management services for the benefit of our existing and potential customers.

ATMOS

ATMOS, LINK's outsourcing division, remains Europe's biggest provider of outsourced transaction management services and the last year has seen an increased pace in the move to outsourcing of non-core processing activities.

There are an increasing number of financial institutions, ATM deployers and card issuers

wishing to benefit from the less complex business model, and consequent potential cost savings, offered by outsourcing their ATM and card operations. Equally, there is an increasing number of financial institutions who wish to start issuing cards. ATMOS benefits from the economies of scale that LINK can leverage and represents a highly competitive solution, evidenced by its significant market share.

In June 2003 the number of ATMs under ATMOS management was 9,645. During the period ATMOS acquired two new customers; a full outsourced ATM processing and card management system is to be provided to Bradford & Bingley plc while a new Independent ATM Deployer selected ATMOS to provide ATM management services.

In an increasingly competitive marketplace, ATMOS continues to offer a value-for-money outsourcing proposition.

ATMOS still manages the ATM operations of most of the "convenience" ATM deployers and is actively pursuing new opportunities including supporting the growth of customers into overseas markets, card management services and authorisation, and the development of new added-value services.

Network Banking

During the period LINK successfully implemented a Network banking service for the Post Office as part of the UK government's universal banking services programme.

The programme is delivering electronic payment of State benefits and will help to reduce fraud and address some of the Government's concerns over financial exclusion.

LINK is now switching electronic Network Banking transactions between Post Office Counters and bank and building society systems, enabling account holders to acquire cash and obtain balance enquiry transactions at Post Office counters as well as from LINK ATMs.

Mobile Phone Top-up

LINK has implemented a technical solution that will enable customers of all the major UK mobile operators to add airtime to prepay mobile phones at LINK-branded ATMs.

The top up facility enables consumers to purchase prepaid minutes at ATMs 24 hours a day, 7 days a week.

Connections to all the major UK mobile operators are now in place, and LINK is working closely with card issuers and ATM owners to provide a broad-based service through LINK ATMs over the coming months.

Branch Sharing

LINK continues to offer a low cost branch sharing service for institutions wishing to share their branch networks for over-the-counter banking transactions under the name of MutualPlus.

The service is currently supplied to Yorkshire and Britannia Building Societies, but the potential remains for other institutions to join and broaden their distribution.

OPERATIONAL PERFORMANCE

Infrastructure Development

We continue to develop our secure fault-tolerant infrastructure to reflect the transaction volume growth experienced and the continued broadening of our service offering.

During the year we made some notable operational enhancements to the core ATM switching service including the continued implementation of increased PIN security by Triple-DES encryption.

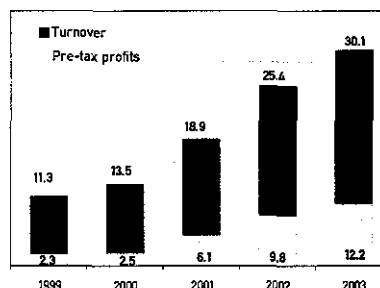
System Availability

Our commitment to high service standards was once again reflected in network availability of 100% for the period - a world-class performance that demonstrates the exceptional reliability of our switching infrastructure.

FINANCIAL PERFORMANCE AND OUTLOOK

Our solid operational performance and efficiency was reflected in the financial record. Operating profits for the year increased to £12.2 million, compared to £9.4 million for the previous period.

*Annual pre-Tax Profits and Turnover
(in £ millions)*



Capital expenditure of £2.8 million includes £1.1 million of building costs that may be recoverable from Customs and Excise, depending upon the outcome of a case before the European Court.

Net cash increased by £2.3 million, demonstrating the company's ability to generate a healthy free cash flow, which is the key factor in value creation.

This significantly strengthened the balance sheet and leaves the company well-positioned to continue its growth and development. In recognition of the Board's confidence in the Company's performance the proposed final dividend is £2m, making £5m for the year (2002: £3m).

J T Hardy
Chief Executive

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2003

The directors present their report and the audited financial statements for the year ended 30 June 2003. The comparative figures represent the results of the company and the group for the year ended 30 June 2002.

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 £8,562,481 (2002: £6,789,278). An interim dividend of £30.59 (2002: Nil) per ordinary share was paid on 30 May 2003 amounting to £3,000,879. A final dividend of £20.39 (2002: £30.59) per ordinary share, amounting to £2,000,259 is proposed and, if approved, will be paid on 28 November 2003.

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 2003 (with the exception of 'E' share options granted in 2002).

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 23 September 2003, are listed overleaf. The date of appointment or resignation is shown only for changes that have occurred after 1 July 2002.

Directors & Members	Date of appointment	Date of resignation	Alternate	Date of appointment	Date of resignation
Non-executive Chairman P J Sutcliffe Chief Executive J T Hardy Commercial Director P M Gerrard	10/09/03				
Abbey National plc T C Sawyer			G A Mott		
Alliance & Leicester plc S Styles			M J P O'Connell W J Monk	09/01/03	30/12/02
AIB Group (UK) plc P F Moloney			M B Coffey		
Bank of Scotland N A Bascombe		13/06/03	A W Edwards		
Barclays Bank plc J J Gillman			S Sjuve B M Davies	03/02/03	08/01/03
Bradford & Bingley plc J F Barker			L M Ross		19/02/03
Bristol & West plc J E Goddard-Jones D J Harris	01/05/03	30/04/03	J K Bustin		
Britannia Building Society K L Oakes			G E Brown		
Clydesdale Bank plc T A McComb			D Robson		
Co-operative Bank plc H Billman			C Brandwood		
Coventry Building Society B S Day			K F Binder		13/12/02

Directors & Members	Date of appointment	Date of resignation	Alternate	Date of appointment	Date of resignation
Derbyshire Building Society D G Hughes			J A Gaunt		
Halifax plc J Capper			M R Bullough		
HFC Bank plc D Magrath					
Lloyds Bank plc D R Gagie P J Martin	17/07/03	17/07/03	P G E Ayliffe		
HSBC Bank plc I G Sadler			J Jones		
National Westminster Bank plc D J Malley		07/10/02			
Nationwide Building Society J T Curtis		20/05/03	P B Feldman		
Northern Rock plc I W Campbell			J Hannant	01/07/02	
The Royal Bank of Scotland G A Gourlay			M E Treanor		
Yorkshire Building Society C S G Cole	29/07/02		B T Wells		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.

Donations

Charitable contributions of £6,530 (2002: £11,263) 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 2003. 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



M E Cryan FCIS

Secretary

23 September 2003

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

We have audited the financial statements on pages 10 to 24.

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.

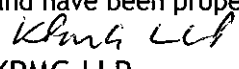
Basis of audit opinion

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 affairs of the Company and the Group as at 30 June 2003 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

23 September 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2003

	Notes	Year ended 30 June 2003 £	Year ended 30 June 2002 £
Turnover	2	30,073,879	25,413,159
Cost of sales		(10,618,440)	(9,523,878)
Gross profit		19,455,439	15,889,281
Other operating expenses		(7,305,003)	(6,541,342)
Operating profit		12,150,436	9,347,939
Exceptional items:			
Sale of property	5	-	423,860
Interest receivable & similar income		266,609	70,070
Interest payable & similar charges		(216,289)	(50,024)
Profit on ordinary activities before taxation	5	12,200,756	9,791,845
Tax on profit on ordinary activities	6	(3,638,275)	(3,002,567)
Profit for the financial year		8,562,481	6,789,278
Dividends	8	(5,001,138)	(3,000,879)
Retained profit for the year		3,561,343	3,788,399
Retained profits at 1 July		8,521,656	4,733,257
Retained profit for the year		3,561,343	3,788,399
Retained profits at 30 June		12,082,999	8,521,656

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 2003

	Notes	Group 2003 £	2002 £	Company 2003 £	2002 £
Fixed assets					
Tangible assets	9	12,376,875	12,755,872	12,376,875	5,720,980
Investments	10	-	-	1,079,466	1,079,466
		<u>12,376,875</u>	<u>12,755,872</u>	<u>13,456,341</u>	<u>6,800,446</u>
Current assets					
Debtors: amounts falling due within one year	11	4,582,513	4,035,589	5,941,376	12,227,837
Cash at bank and in hand		7,611,390	5,268,584	7,285,456	4,855,436
		<u>12,193,903</u>	<u>9,304,173</u>	<u>13,226,832</u>	<u>17,083,273</u>
Creditors: amounts falling due within one year	12	(7,365,296)	(8,415,906)	(7,465,871)	(8,565,806)
Net current assets		<u>4,828,607</u>	<u>888,267</u>	<u>5,760,961</u>	<u>8,517,467</u>
Total assets less current liabilities		<u>17,205,482</u>	<u>13,644,139</u>	<u>19,217,302</u>	<u>15,317,913</u>
Creditors: amounts falling due after more than one year	13	-	-	(936,909)	(936,909)
Net assets		<u>17,205,482</u>	<u>13,644,139</u>	<u>18,280,393</u>	<u>14,381,004</u>
Capital and reserves					
Called-up share capital	15	118,119	118,119	118,119	118,119
Share premium account	16	4,754,364	4,754,364	4,754,364	4,754,364
Special reserve	16	250,000	250,000	250,000	250,000
Profit and loss account	16	12,082,999	8,521,656	13,157,910	9,258,521
		<u>17,205,482</u>	<u>13,644,139</u>	<u>18,280,393</u>	<u>14,381,004</u>
Shareholders' funds (equity interest)		<u>17,185,463</u>	<u>13,624,120</u>	<u>18,260,374</u>	<u>14,360,985</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>17,205,482</u>	<u>13,644,139</u>	<u>18,280,393</u>	<u>14,381,004</u>

The financial statements on pages 10 to 24 were approved by the board of directors on 23 September 2003 and were signed on its behalf by:

P J Sutcliffe



G A Mott



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

	Notes	Year ended 30 June 2003 £	Year ended 30 June 2002 £
Net cash inflow from continuing operating activities	18	14,538,427	12,144,420
Returns on investments and servicing of finance			
Interest paid		(216,289)	(50,024)
Interest received		266,609	70,070
Net cash inflow from returns on investments and servicing of finance		50,320	20,046
Taxation			
UK corporation tax paid		(3,423,520)	(2,531,238)
Capital expenditure			
Payments to acquire tangible fixed assets		(2,889,813)	(4,779,035)
Receipts from sales of tangible fixed assets		69,150	1,352,664
Net cash outflow from capital expenditure		(2,820,663)	(3,426,371)
Net cash inflow before financing		8,344,564	6,206,857
Equity dividends paid		(6,001,758)	(1,500,930)
Cash inflow before management of liquid resources and financing		2,342,806	4,705,927
Increase in cash in the year		2,342,806	4,705,927
Reconciliation to net cash			
Net cash at start of year		5,268,584	562,657
Increase in net cash		2,342,806	4,705,927
Net cash at end of year	19	7,611,390	5,268,584

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2003

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 2003.

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.

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

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
Office equipment and furniture	3 - 5 years
Freehold buildings	10 - 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.

Operating leases

The cost of operating leases is charged to the profit and loss account on a straight line basis over the lease term.

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.

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 2003 £	Year ended 30 June 2002 £
Aggregate emoluments (including benefits-in-kind)	212,002	216,932
Company pension contributions to money purchase schemes	19,219	26,485
	<u>231,221</u>	<u>243,417</u>

The above emoluments relate entirely to the highest paid director. No 'E' share options were granted during the year. No share options were exercised in the year.

Retirement benefits are accruing to only one director under the company's money purchase pension scheme (2002: one).

4. EMPLOYEE INFORMATION

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

	Year ended 30 June 2003 Number	Year ended 30 June 2002 Number
Administrative and technical	<u>148</u>	<u>125</u>

	Year ended 30 June 2003 £	Year ended 30 June 2002 £
Staff costs (for the above persons):		
Wages and salaries	5,131,615	4,277,283
Social security costs	573,903	439,652
Other pension costs	385,223	306,389
	<u>6,090,741</u>	<u>5,023,324</u>

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 2003 £	Year ended 30 June 2002 £
Depreciation	3,145,553	2,726,014
Auditors' remuneration:		
Audit services, of which the parent company was £18,650 (2002: £18650)	19,650	19,650
Non-audit services	927,299	626,691
Bank interest receivable	(266,609)	(70,070)
Bank interest payable	-	50,024
Other interest payable	216,289	-
Profit on sale of fixed assets	(17,123)	(455,991)
Research & development	352,695	105,183

The exceptional profit on the sale of property for the prior year relates to the sale of the company's former office premises.

6. TAXATION

	Year ended 30 June 2003 £	Year ended 30 June 2002 £
Analysis of charge in year at 30% (2002 - 30%)		
Current tax at 30% (2002 - 30%)	3,894,862	2,993,456
Over provision of tax in prior years	(190,562)	-
Total current tax	3,704,300	2,993,456
Deferred tax		
Origination and reversal of timing differences	(75,975)	(37,651)
Adjustment in respect of prior years	9,950	46,762
Total deferred tax	(66,025)	9,111
Tax on profit on ordinary activities	3,638,275	3,002,567
Factors affecting current tax charge in year		
Profit on ordinary activities before tax	12,200,756	9,791,845
Tax on profit on ordinary activities at UK standard rate of 30% (2002 - 30%)	3,660,227	2,937,554
Effects of:		
Depreciation in excess of capital allowances	75,975	37,651
Expenses not deductible for tax purposes	152,890	(35,596)
Consolidation adjustment	5,770	53,847
Over provision of tax in prior years	(190,562)	-
Current tax charge for year	3,704,300	2,993,456

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 £8,900,527 (2002: £7,422,944).

8. DIVIDENDS

The company has paid an interim dividend of £30.59 per 'A' ordinary share amounting to £3,000,879 and has proposed a final dividend of £20.39 per 'A' ordinary share amounting to £2,000,259 (2002 total dividend: £3,000,879).

9. TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £	Computers and similar equipment £	Office equipment and furniture £	Motor vehicles £	Total £
Cost					
At 1 July 2002	7,318,651	10,434,896	2,701,787	524,515	20,979,849
Additions	1,196,989	1,016,590	501,589	103,415	2,818,583
Disposals	-	-	-	(154,896)	(154,896)
At 30 June 2003	8,515,640	11,451,486	3,203,376	473,034	23,643,536
Depreciation					
At 1 July 2002	207,682	6,017,729	1,805,820	192,746	8,223,977
Charge for the year	436,085	2,147,237	448,592	113,639	3,145,553
Eliminated in respect of disposals	-	-	-	(102,869)	(102,869)
At 30 June 2003	643,767	8,164,966	2,254,412	203,516	11,266,661
Net book value					
At 30 June 2003	7,871,873	3,286,520	948,964	269,518	12,376,875
At 30 June 2002	7,110,969	4,417,167	895,967	331,769	12,755,872

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 2002	109,691	10,434,896	2,607,858	524,515	13,676,960
Additions	8,229,057	1,016,590	501,589	103,415	9,850,651
Disposals	-	-	-	(154,896)	(154,896)
At 30 June 2003	8,338,748	11,451,486	3,109,447	473,034	23,372,715
Depreciation					
At 1 July 2002	27,442	6,017,729	1,718,063	192,746	7,955,980
Charge for the year	439,433	2,147,237	442,420	113,639	3,142,729
Eliminated in respect of disposals	-	-	-	(102,869)	(102,869)
At 30 June 2003	466,875	8,164,966	2,160,483	203,516	10,995,840
Net book value					
At 30 June 2003	7,871,873	3,286,520	948,964	269,518	12,376,875
At 30 June 2002	82,249	4,417,166	889,796	331,769	5,720,980

Certain freehold land and buildings owned by the company were leased under operating leases to subsidiary undertakings of the company. These subsidiary undertakings then leased these assets back to the company. Income and costs incurred in respect of these transactions are eliminated on consolidation.

10. **FIXED ASSET INVESTMENTS**

Company

The investment in subsidiary undertakings is summarised below:

	£
Cost and net book value at 1 July 2002 and 30 June 2003	<u>1,079,466</u>

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. DEBTORS

	Group		Company	
	30 June 2003	30 June 2002	30 June 2003	30 June 2002
	£	£	£	£
Amounts falling due within one year				
Trade debtors	775,716	228,254	775,716	228,254
Amounts owed by subsidiary undertakings	-	-	1,398,607	7,879,962
Assets held for resale	-	-	-	1,202,594
Prepayments and accrued income	3,585,987	3,652,551	3,590,987	2,820,051
Deferred tax recoverable (Note 14)	220,810	154,784	176,066	96,976
	<u>4,582,513</u>	<u>4,035,589</u>	<u>5,941,376</u>	<u>12,227,837</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	30 June 2003	30 June 2002	30 June 2003	30 June 2002
	£	£	£	£
Trade creditors	1,082,700	1,302,902	1,076,624	1,228,707
Amounts due to subsidiary undertakings	-	-	-	212,435
Corporation tax	2,216,818	2,002,063	2,216,818	2,002,066
Other taxation and social security	156,053	265,307	263,505	277,765
Accruals and deferred income	1,909,466	1,844,755	1,908,665	1,843,954
Proposed dividend	2,000,259	3,000,879	2,000,259	3,000,879
	<u>7,365,296</u>	<u>8,415,906</u>	<u>7,465,871</u>	<u>8,565,806</u>

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

	Group		Company	
	30 June 2003	30 June 2002	30 June 2003	30 June 2002
	£	£	£	£
Amounts due to subsidiary undertakings	-	-	936,909	936,909

14. 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 2003	30 June 2002	30 June 2003	30 June 2002
	£	£	£	£
Accelerated capital allowances	<u>(220,810)</u>	<u>(154,784)</u>	<u>(176,066)</u>	<u>(96,976)</u>

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

	Group £	Company £
At 1 July 2002	(154,784)	(96,976)
Profit and loss account	(66,026)	(79,090)
At 30 June 2003	<u>(220,810)</u>	<u>(176,066)</u>

15. CALLED UP SHARE CAPITAL

	2003 £	2002 £
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 2003 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.

16. RESERVES

Group

	Profit and loss account £	Share premium £	Special reserve £
At 1 July 2002	8,521,656	4,754,364	250,000
Retained profit for the year	3,561,343	-	-
At 30 June 2003	12,082,999	4,754,364	250,000

Company

	Profit and loss account £	Share premium £	Special reserve £
At 1 July 2002	9,258,521	4,754,364	250,000
Retained profit for the year	3,899,389	-	-
At 30 June 2003	13,157,910	4,754,364	250,000

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the financial year	8,562,481	6,789,278
Dividends	(5,001,138)	(3,000,879)
Net additions to shareholders' funds	3,561,343	3,788,399
Shareholders' funds at 1 July	13,644,139	9,855,740
Shareholders' funds at 30 June	17,205,482	13,644,139

18. CASH FLOW FROM OPERATING ACTIVITIES

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

	Year ended 30 June 2003 £	Year ended 30 June 2002 £
Operating profit	12,150,436	9,347,939
Depreciation of tangible fixed assets	3,145,553	2,726,014
Profit on sale of tangible fixed assets	(17,123)	(32,131)
(Increase) in operating debtors and prepayments	(546,924)	(819,382)
(Decrease) in operating creditors and accruals	(193,515)	921,980
Net cash inflow from continuing operating activities	14,538,427	12,144,420

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

	At 1 July 2002 £	Cash flow £	At 30 June 2003 £
Cash at bank and in hand	5,268,584	2,342,806	7,611,390

20. CAPITAL COMMITMENTS

At 30 June 2003 capital expenditure of £Nil (2002: £79,212) was contracted but not provided for in the accounts of the company and £Nil (2002: £79,212) in the group.

At 30 June 2003 the company had no annual commitments under non-cancellable operating leases.

21. 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.

22. 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.

23. 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. 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.