Cardpoint plc

Annual report
and financial statements
30 September 2003

Financial highlights

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Huddersfield HD8 0LA

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Three year review

Three year summary profit and loss account	**2003**	2002	2001
	£000	£000	£000
Turnover	**12,166**	3,104	943
EBITDA	**1,296**	(242)	(886)
Depreciation	**(1,126)**	(417)	(257)
Goodwill amortisation	**(658)**	-	-
Net interest	**(120)**	(98)	(126)
Retained loss for the year	**(608)**	(757)	(1,269)
Three year summary balance sheet			
Tangible fixed assets	**5,035**	2,856	1,265
Intangible fixed assets	**10,688**	-	-
Current assets	**9,114**	914	484
Current liabilities	**(16,834)**	(2,054)	(1,107)
Long term liabilities	**(1,061)**	(216)	(513)
Net assets	**6,942**	1,500	129

Financial calendar

Annual General Meeting	3 February 2004
Interim announcement	May 2004
Preliminary announcement	November 2004

Directors' biographies

Peter Francis Smyth, age 51 - Non-executive Chairman

Peter joined Cardpoint as a non-executive director in January 2001 and became Chairman later in 2001. He is currently part time executive chairman of Cityspace Limited, a media technology company that creates urban digital networks for the delivery of a range of e-government, transport and commercial information and transactional services. From 1997 to 2000 Peter was managing director of More Group UK Limited and a divisional director of Clear Channel International following its acquisition of the former in May 1998.

Mark Richard Mills, age 33 - Chief Executive Officer

Prior to founding Cardpoint in October 1999, Mark had successfully started, developed, acquired and subsequently sold a number of businesses with multiple site operations. The most significant of these was Postal Facilities Limited, which was sold to More Group UK Limited and developed to an estate of 1,200 independent post boxes, situated in petrol stations nationwide. Mark is responsible for the development of the group and continues to manage potential and existing hosts.

David Christopher Hanson, age 45 - Finance Director

Chris qualified as a Chartered Accountant in 1982 and spent 13 years with KPMG. He joined as full time Finance Director in January 2003 and is responsible for the overall financial monitoring and reporting of the group.

John Westwood, age 55 - Non-executive Director

John joined Cardpoint in August 2002 and is a member of the audit committee, the remuneration committee and the nominations committee. As a senior faculty member of the Manchester Business School, John lectures internationally and acts as a consultant and adviser to a wide range of companies. He is also a non-executive director of Matalan plc and non-executive Chairman of The Big Word, an international language management company.

Operating Board (Cardpoint Group plc)

Mark Godfrey Kropacz, age 44 - Chief Operating Officer

Mark joined the group in January 2001 from More Group UK Limited, where he had spent 15 years in a number of senior management roles and latterly as a director of two group companies with responsibility for the management and development of external operations. Mark is responsible for day to day operations, implementation of the development plan and managing relationships with suppliers and hosts.

Nigel John Mills, age 36 - Sales and Marketing Director

Nigel has previously been involved in developing a number of businesses with his brother Mark. At the group he is responsible for the identification and development of suitable sites. In particular he has overall responsibility for the assessment of the likely success of a potential ATM and the fostering of ongoing relationships with clients where the opportunity for multiple site roll-out exists.

Andrew David Alexander Martin, age 38 - Business Development Director

Andrew is a qualified Mechanical Engineer and has a Masters degree from Imperial College London. Andrew has spent most of his career in Sales and Marketing in various continents around the world in senior management roles. Andrew joined Cardpoint from Securicor Cash Services Limited where he was Sales and Marketing Director and where Andrew set up the Securicor Cash Machine business from the initial strategy. Andrew is responsible for the ATM and ETU product strategies.

Roy David Dodd, age 39 - Commercial Director

Roy joined the group on 1 October 2003 and was previously Finance Director of Securicor Cash Services Limited. He qualified as a Chartered Accountant in 1989 with Baker Tilly and is responsible for refining and monitoring the group's commercial arrangements and investigating areas of further cost reduction.

Chief Executive Officer's report

Cardpoint plc has made excellent progress in the year ended 30 September 2003 and has delivered ahead of all business and market expectations.

As part of an ongoing strategy and in order to diversify the product portfolio through complementary businesses, Cardpoint has transformed itself from a pure operator of automated teller machines (ATMs) into a provider and facilitator of electronic payment transactions.

Results

In the year to 30 September 2003, turnover reached £12,166,000, a nearly fourfold increase on the year to 30 September 2002, when turnover was £3,104,000. Cardpoint generated an EBITDA of £1,296,000 during the year, compared to a loss of £242,000 for the previous year, and generated a profit before tax and goodwill of £50,000 (2002: loss of £757,000).

The substantial increase in turnover was generated by a combination of enhanced performance by Cardpoint's existing ATM estate, the addition by way of organic growth of 257 new ATMs to the existing estate, and three significant acquisitions that are outlined below.

The Directors do not propose the payment of a dividend, which is in line with the policy set out in the flotation prospectus.

Acquisitions

In October 2002, Cardpoint acquired the business of Green Machine from ATM Express Limited, and the 105 ATMs are now maturing in line with expectations and contributing to the Group.

In June 2003, Cardpoint acquired Securicor Cash Machine Limited (renamed Cardpoint Cash Machine Limited) and its estate of 1,232 ATMs for an initial cash consideration of £5.0 million and further deferred payments of up to £4.2 million over two financial years. To fund the acquisition, the Group raised £6.0 million of new equity and increased its debt facility with Bank of Scotland to £7.0 million and as at 30 September 2003, £3.5 million of this facility had been drawn down.

Not only did this acquisition remove a significant competitor from the market place, but it also provided the Group with critical mass, a route to faster growth, and greater profitability. Additionally, Cardpoint has benefited from a reduction in operating costs, through a new outsourcing agreement with Securicor Cash Services Limited, and new customer opportunities.

In July 2003, PT Distribution Limited (renamed Cardpoint Merchant Services Limited) was acquired from Project Telecom plc, now part of Vodafone plc, for a cash consideration, including expenses, of £1.7 million. This business owns and operates 3,000 mobile phone top-up terminals situated in retail outlets and has advanced Cardpoint's development as a provider and facilitator of electronic payment transactions.

The mobile phone top-up business operates in a comparable manner to Cardpoint's ATM business, with similar retailer and customer bases making it a strategically appropriate acquisition for the ongoing expansion of the Group. This acquisition also strengthened our field based service team, which installs signage and promotional material for the ATMs and top-up terminals.

Operating review and current developments

At the year end, Cardpoint had 1,875 ATMs and 3,012 top-up terminals. The Company regularly dispenses more than £50 million of cash per month through its ATMs and the mobile phone top-up business distributes a monthly airtime value of £7 million.

During the year, Cardpoint migrated the processing of its transactions across the entire ATM estate to TNS, a processor previously used by Green Machine. As a result, the Group has benefited from improved transaction times and lower processing costs. Given the scaling up of the business, Cardpoint now operates an in-house ATM helpdesk to enhance the service offering to customers.

Since the year end, Cardpoint Merchant Services has announced a new agreement to provide the Thresher Group with up to 1,000 top-up terminals and we expect this part of the business to develop further.

Operating Board and staff

This year saw the creation of an Operating Board comprising the directors of the Group. This Operating Board has been further strengthened with the recent appointments of Andrew Martin and Roy Dodd, both of whom were previously directors of Securicor Cash Services Limited.

Cardpoint has always benefited from a committed team of management and staff. This year, with three acquisitions, the introduction of a new transaction processor, and the implementation of an in-house helpdesk, the whole team pulled together and worked to ensure that our ATMs and top-up terminals were accessible to our customers.

We also wish to formally welcome those new employees who we have recruited or have joined us as a result of an acquisition. The Cardpoint team is now nearly 60 people strong and the Board is confident that the appropriate depth and breadth exists to allow the Group to expand its operations.

The Board sincerely thanks all of our employees for an outstanding effort during the year.

Prospects

Cardpoint has retained its key customers and acquired new ones both organically and via acquisitions. The outsourcing agreement with Securicor Cash Services Limited will see lower operating costs and greater availability of ATMs to customers.

As a result of the funds raised during the year, the increased facility from Bank of Scotland, and the cash flow generated from operations, the Group is well funded for continued growth.

Cardpoint now operates from a broad and profitable platform and will continue to grow organically and through appropriate acquisitions. We look forward to a successful year.

Mark Mills
Chief Executive Officer
20 November 2003

Directors' report

The directors present their annual report on the affairs of the group, together with the audited financial statements, for the year ended 30 September 2003.

Principal activities

The group owns and operates an estate of independent automated teller machines ("ATMs") and prepaid mobile telephone airtime electronic top-up terminals in the UK.

Results and dividend

The results for the year are set out in the profit and loss account on page 12.

The directors do not recommend the payment of a dividend and the loss after tax of £608,000 (2002: £757,000) has been transferred to reserves.

Directors and their interests

The directors at the year-end, together with their beneficial and family interests in the shares of the company, are set out below.

	As at 30 September 2003 Number of ordinary shares	As at 30 September 2002 Number of ordinary shares
Peter Smyth	**(1) 56,666**	(1) 56,666
Mark Mills	**(2) 3,082,240**	(2) 3,082,240
Chris Hanson	**(3) 400,000**	(3) 400,000
John Westwood	-	-

(1) includes 56,666 (2002: 56,666) ordinary shares held by Stamford Trust, of which Peter Smyth is the sole beneficiary.

(2) includes 280,320 (2002: 280,320) ordinary shares held by Contract Accounting Limited of which Mark Mills is the majority shareholder.

(3) includes 150,000 (2002: 150,000) ordinary shares held on trust for Chris Hanson's children.

Following the establishment of, and their appointment to, the Operating Board of Cardpoint Group plc, Mark Kropacz and Nigel Mills resigned as directors of Cardpoint plc on 10 July 2003.

There have been no changes to the directors' shareholdings since 30 September 2003.

In accordance with the company's articles of association, Chris Hanson will retire by rotation and then seek re-election at the forthcoming Annual General Meeting.

Substantial shareholders

In addition to some of those directors listed above, as at 14 November 2003 the company had been notified of the following interests in 3 per cent., or more, of the company's issued share capital, pursuant to section 211 of the Companies Act 1985:

	Number of ordinary shares	**% of issued ordinary share capital**
ProVen VCT plc	**2,321,503**	**7.1%**
Nigel John Mills	**1,799,920**	**5.5%**
David Edward Jones	**1,722,075**	**5.3%**
Singer & Friedlander AIM 3 Venture Capital	**1,252,222**	**3.8%**
John Barker	**1,221,999**	**3.7%**
The Universities Superannuation Scheme Limited	**1,150,000**	**3.5%**

Share options and employee share ownership

Employee involvement in the overall performance of the group has been encouraged by employee share option schemes.

EMI options have been granted over ordinary shares to certain directors and employees of the group under the provisions of the Enterprise Management Incentives ("EMI") legislation contained in Schedule 14 of the Finance Act 2000. The EMI options take the form of a contract between the company and the individual.

Unapproved share options have been granted over ordinary shares to certain directors of the company. These options are embodied in individual contracts between the company and the individual.

The company has also adopted an unapproved share option scheme - The Cardpoint plc Unapproved Share Option Scheme 2002 ("The Unapproved Scheme 2002"). Options under this scheme have been granted to certain directors.

The company intends to grant further EMI options and options under The Unapproved Scheme 2002 to directors and employees of the group in the future. These options will be subject to performance conditions set by the remuneration committee.

Charitable and political donations

The company made charitable contributions of £3,822 during the year (2002: £135). No political contributions were made.

Employee involvement and disabled employees

The group has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the group.

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of an employee becoming disabled, every effort would be made to retrain them in order that their employment with the group could continue.

It is the policy of the group that training, career development and promotion opportunities should be available to all employees.

Payment to suppliers

The group's policy is to comply with the terms of payment agreed with suppliers when terms of business are established. At 30 September 2003 the group's trade creditors represented 25 days of purchases (2002: 58 days). The parent company has no trade creditors.

Relations with shareholders

The group values the views of its shareholders and recognises their interest in the group's strategy and performance, board membership and quality of management. It therefore holds regular meetings with its institutional shareholders to discuss objectives.

The AGM will be used to communicate with private investors and they are encouraged to participate. The Chairman of the audit, nomination and remuneration committees will be available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the annual report and audited financial statements. The group counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands.

The group also has a website which will include links to financial information and press releases. A welcome letter is issued to all new shareholders registering in their own name. Every effort is made to speak or write to any shareholder making an enquiry.

Corporate governance

The board of directors fully supports the underlying principles of corporate governance contained in the Combined Code, notwithstanding that it is not required to comply with such recommendations. It has sought to comply with the provisions of the Code, in so far as is practicable and appropriate for a public company of its size and nature, and recognises its overall responsibility for the company's systems of internal control and for monitoring their effectiveness.

The main features of the company's corporate governance procedures, which does not constitute full compliance with the Combined Code, are as follows:

- The board has two independent non-executive directors who take an active role in board matters;
- The company has an audit committee, a nominations committee and a remuneration committee, each of which consists of the non-executive directors, and meets regularly with executive directors in attendance. The audit committee has unrestricted access to the group's auditors;
- All business activity is organised within a defined structure with formal lines of responsibility and delegation of authority, including a schedule of "matters referred to the board"; and
- Regular monitoring of key performance indicators and financial results together with comparison of these against expectations.

Financial instruments

The group's objectives, policies and strategies for the role of derivatives and other financial instruments in creating and changing the risks of the group in its activities are set out below:

- *Treasury policies and financial risk* - procedures have been established to manage surplus funds and interest rate risk. Treasury policies are subject to board approval and are implemented on a day to day basis;
- *Management of funds* - surplus funds are intended to finance the development and growth of the group and the effective management of the surpluses is based upon policies determined by the board. Surplus funds are invested through the use of short-term deposits. It is not the group's policy to invest in financial derivatives, other than to effect a hedge against an existing exposure; and
- *Interest rate, liquidity and foreign currency risks* - the board keeps under review the existing policies for the management of these risks which are as follows:

  (i) Interest rate risk - the group makes effective use of short-term deposits and may enter into forward rate agreements where the board considers it appropriate;

  (ii) Liquidity risk - surplus funds are invested on a short-term basis and therefore such funds are available at less than 24 hours notice; and

  (iii) Currency risk - although no significant foreign currency transactions have taken place during the year, the directors will put in place controls to address any such exposures as they arise.

Going concern

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates which are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and group will continue in business.

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

The directors are also responsible for ensuring that the directors' report is prepared in accordance with company law in the United Kingdom, and includes information required by AIM Rules. The maintenance and integrity of the company's website is the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Auditors

Grant Thornton have indicated their willingness to continue as auditors and offer themselves for reappointment in accordance with Section 385 of the Companies Act 1985.

On behalf of the board

DC Hanson. DC Hanson

D C Hanson
Director
20 November 2003

Report on remuneration

The remuneration committee comprises both of the non-executive directors of the company. It considers all aspects of the executive directors' remuneration and administers the group's share option schemes.

The remuneration of non-executive directors is considered by the board following recommendations by the executive directors.

Policy on executive directors' remuneration

Executive remuneration packages are designed to attract, motivate and retain directors of the calibre necessary to maintain the group's position as a growing business and to reward them for enhancing shareholder value and return. The performance measurement of the executive directors and the determination of their annual remuneration package is undertaken by the committee.

There are three main elements of their remuneration package:

- Basic annual salary;
- Annual bonus payment; and
- Share option incentives.

Each executive director's basic salary is reviewed annually by the committee. In deciding upon appropriate levels of remuneration the committee has regard to rates of pay for similar jobs in comparable companies as well as internal factors such as performance. Executive directors' salaries were last reviewed in January 2003.

The committee establishes the objectives which must be met for a cash bonus to be paid. The committee believes that the award of any bonus should be tied to the interests of the group's shareholders and that the principal measure of those interests is shareholder value, including improvement in earnings.

Details of directors' remuneration

The emoluments of the directors for the year are set out below. This information forms part of the audited financial statements.

	Salary	Benefits	Bonus	Fees	Total excluding pension	Pension	Total 2003	Total 2002
	£	£	£	£	£	£	£	£
Executive								
Mark Mills	134,400	1,096	50,400	-	185,896	6,000	191,896	215,583
Chris Hanson	74,250	-	37,800	13,597	125,647	3,375	129,022	37,652
Mark Kropacz (to 10 July 2003)	74,645	1,116	34,193	-	109,954	2,971	112,925	135,786
Nigel Mills (to 10 July 2003)	76,911	716	34,193	-	111,820	2,971	114,791	158,991
Non-executive								
Peter Smyth	-	-	-	26,403	26,403	-	26,403	14,833
John Westwood	-	-	-	15,000	15,000	-	15,000	1,250
	360,206	2,928	156,586	55,000	574,720	15,317	590,037	564,095

In addition to fees as directors DCH Consultancy, which is owned by Chris Hanson, received £27,470 during the year for additional services. These fees are inclusive of expenses and, where relevant, VAT.

Service contracts

All the executive directors have agreements with the company, which are terminable by either party giving the other between 3 and 6 months written notice.

Pension arrangements

Each of the full time executive directors is eligible to be a member of the group's defined contribution stakeholder pension scheme. The company contributes 5 per cent. of each executive director's basic salary to this arrangement and the cost is charged to the profit and loss account as incurred.

Share options

The board believes that share ownership strengthens the link between personal interests and those of shareholders and encourages long-term improvement in the group's performance. All options to be granted in the future will be subject to performance conditions on exercise.

The committee is responsible for supervising the company's share option arrangements.

Details of the share options granted to directors are set out below:

	1 October 2002	Granted	30 September 2003	Exercise price	Exercise period
The Cardpoint plc EMI scheme					
Mark Mills	150,000	-	150,000	43p	Jun 2005 - Jun 2012
Mark Mills	-	(*) 18,066	(*) 18,066	59.5p	Jul 2006 - Jul 2013
Chris Hanson	-	(*) 100,000	(*) 100,000	37.5p	Dec 2005 - Dec 2012
Chris Hanson	-	(*) 68,066	(*) 68,066	59.5p	Jul 2006 - Jul 2013
Unapproved options					
Peter Smyth	100,000	-	100,000	5p	Feb 2005 - Feb 2012
Mark Mills	250,000	-	250,000	5p	Feb 2005 - Feb 2012
The Cardpoint Unapproved Share Option Scheme 2002					
Mark Mills	133,333	-	133,333	5p	Oct 2004 - Oct 2011
Mark Mills	(*) 250,000	-	(*) 250,000	43p	Feb 2005 - Feb 2012
Mark Mills	-	(*) 81,934	(*) 81,934	59.5p	Jul 2006 - Jul 2013
Chris Hanson	-	(*) 31,934	(*) 31,934	59.5p	Jul 2006 - Jul 2013
John Westwood	-	(*) 50,000	(*) 50,000	37.5p	Dec 2005 - Dec 2012

(*) These options have been granted subject to the satisfaction of performance criteria relating to the achievement of budgeted levels of profitability as specified by the remuneration committee.

Peter Smyth
Chairman of the remuneration committee
20 November 2003

Grant Thornton

Report of the independent auditors

to the members of Cardpoint plc

We have audited the financial statements of Cardpoint plc for the year ended 30 September 2003 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and notes 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 opinion we have formed.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

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

We read other information contained in the annual report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. This other information comprises the directors' report, the Chief Executive Officer's statement, the report on remuneration, the financial highlights and the three year review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 affairs of the company and the group as at 30 September 2003 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton
Chartered Accountants
Registered Auditors
Manchester
20 November 2003

Consolidated profit and loss account

for the year ended 30 September 2003

	Note	2003 £000	2002 £000
Turnover	2		
Continuing operations		**5,824**	3,104
Acquisitions		**6,342**	-
		12,166	3,104
Cost of sales		**(9,602)**	(2,728)
Gross profit		**2,564**	376
Administrative expenses		**(3,052)**	(1,035)
Operating (loss)/profit			
Continuing operations		**(604)**	(659)
Acquisitions		**116**	-
		(488)	(659)
Net interest	4	**(120)**	(98)
Loss on ordinary activities before taxation	2	**(608)**	(757)
Tax on loss on ordinary activities	5	**-**	-
Loss for the financial year	19	**(608)**	(757)
(Loss)/earnings per ordinary share			
Basic and fully diluted	7	**(2.50)p**	(5.39)p
Basic before goodwill charges	7	**0.21p**	(5.39)p
Diluted before goodwill charges	7	**0.19p**	(5.39)p

The group has no recognised gains or losses for the year other than those stated above and therefore no separate statement of total recognised gains and losses has been presented.

The accompanying notes are an integral part of this consolidated profit and loss account.

Consolidated balance sheet

at 30 September 2003

	Note	2003 £000	2002 £000
Fixed assets			
Intangible assets	*10*	**10,688**	-
Tangible assets	*11*	**5,035**	2,856
		15,723	2,856
Current assets			
Stocks	*12*	**885**	14
Debtors	*13*	**4,174**	155
Cash at bank and in hand		**4,055**	745
		9,114	914
Creditors: amounts falling due within one year	*14*	**(16,834)**	(2,054)
Net current liabilities		**(7,720)**	(1,140)
Total assets less current liabilities		**8,003**	1,716
Creditors: amounts falling due after more than one year	*15*	**(1,061)**	(216)
Net assets		**6,942**	1,500
Capital and reserves			
Called up share capital	*18*	**1,634**	927
Share premium account	*19*	**7,823**	2,480
Merger reserve	*19*	**354**	354
Profit and loss account	*19*	**(2,869)**	(2,261)
Equity shareholders' funds	*20*	**6,942**	1,500

The accompanying notes are an integral part of this balance sheet.

The financial statements were approved by the board of directors on 20 November 2003 and were signed on its behalf by:

Mark Mills
Chief Executive Officer

Chris Hanson
Finance Director

Company balance sheet

at 30 September 2003

	Note	2003 £000	2002 £000
Fixed assets			
Investments	8	**8,070**	8,058
Current assets			
Debtors	13	**8,904**	2,863
Cash at bank and in hand		**4**	6
		8,908	2,869
Creditors: amounts falling due within one year	14	**(1)**	-
Net current assets		**8,907**	2,869
Total assets less current liabilities		**16,977**	10,927
Capital and reserves			
Called up share capital	18	**1,634**	927
Share premium account	19	**15,343**	10,000
Profit and loss account	19	**-**	-
Equity shareholders' funds	20	**16,977**	10,927

The accompanying notes are an integral part of this balance sheet.

The financial statements were approved by the board of directors on 20 November 2003 and were signed on its behalf by:

Mark Mills
Chief Executive Officer

DC Hanson.

Chris Hanson
Finance Director

DC Hanson.

Consolidated cash flow statement

for the year ended 30 September 2003

	Note	2003 £000	2002 £000
Net cash inflow/(outflow) from operating activities	21	**3,708**	(66)
Return on investments and servicing of finance			
Interest received		**46**	19
Finance lease interest paid		**(59)**	(117)
Other interest payable		**(107)**	-
Net cash outflow from returns on investments and servicing of finance		**(120)**	(98)
Taxation paid		**(4)**	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(2,103)**	(1,312)
Proceeds from disposal of tangible fixed assets		**69**	2
Net cash outflow from capital expenditure and financial investment		**(2,034)**	(1,310)
Acquisitions and disposals			
Purchase of acquired businesses	9	**(8,182)**	-
Net cash acquired with subsidiaries	9	**1,097**	-
Net cash outflow from acquisitions and disposals		**(7,085)**	-
Net cash outflow before financing		**(5,535)**	(1,474)
Financing			
Issue of share capital (net of issue costs)		**5,643**	2,128
Receipts from borrowings	23	**3,500**	-
Capital element of finance lease rentals	23	**(298)**	(265)
Net cash inflow from financing		**8,845**	1,863
Increase in cash in the year	22	**3,310**	389

The accompanying notes are an integral part of this cash flow statement.

Notes to the consolidated financial statements

1 Accounting policies

a) Basis of preparation

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

The principal accounting policies of the group have remained unchanged from the previous year and are set out below. The directors have reviewed the accounting policies in accordance with FRS 18 and consider them to be the most appropriate to the group.

b) Basis of consolidation

The group financial statements consolidate the accounts of the company and its subsidiary undertakings drawn up to 30 September 2003. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting.

On the acquisition of a business, fair values are attributed to the group's share of the separable assets. Where the fair value of consideration given and associated costs exceed the fair values attributable to these assets the difference is treated as goodwill and capitalised in the balance sheet in the year of acquisition.

The results and cash flows relating to a business are included in the consolidated profit and loss account and the consolidated cash flow statement from the date of acquisition and up to the date of disposal.

c) Turnover

Turnover represents the net amount receivable by the group in respect of the provision, authorisation and facilitation of electronic payment transactions, excluding VAT.

d) Taxation

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantially enacted at the balance sheet date.

e) Tangible fixed assets and depreciation

Depreciation is calculated to write down the cost of all tangible fixed assets by equal annual instalments over their expected useful lives. The rate generally applicable is:

Office equipment and machines, including ATMs and top-up terminals - 20 to 33.3% per cent. per annum.

f) Investments

Investments are included at cost less amounts written off.

1 Accounting policies (continued)

g) Goodwill

Purchased goodwill is capitalised and is amortised in equal instalments over its useful economic life up to a maximum of 20 years. The purchased goodwill in the balance sheet at 30 September 2003 is being amortised over a period of five years.

The profit or loss on the disposal of a business includes the attributable amount of any goodwill relating to that business not previously charged through the profit and loss account.

Capitalised goodwill in respect of subsidiaries is included within intangible fixed assets. In accordance with FRS 10, the value of goodwill will be subject to review at the end of the first financial year following acquisition and may be subject to review at the end of the accounting period in which events or changes of circumstance indicate that the carrying value may not be recoverable.

h) Stocks

Stocks are valued at the lower of cost and net realisable value.

i) Leased assets

Assets held under finance leases and hire purchase contracts are capitalised and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

j) Pensions

The group operates a defined contribution stakeholder pension scheme for the benefit of employees. Company contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

k) Financial instruments

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. Income and expenditure arising in the financial statements is recognised on the accruals basis, and credited or charged to the profit and loss account in the financial period to which it relates.

l) Employee share schemes

In accordance with UITF 17 "Employee Share Schemes", any difference between the exercise price of share options granted and the market value of the underlying ordinary shares at the date of grant is charged to the profit and loss account over the period to which the relevant performance criteria relate.

2 Turnover and loss on ordinary activities before taxation

The group's turnover and loss on ordinary activities before taxation are attributable to the principal activities of the group and arise wholly within the United Kingdom.

The loss on ordinary activities before taxation is stated after charging:

	2003	2002
	£000	£000
Auditors' remuneration:		
- audit fees	**27**	18
- non audit fees	**10**	5
Depreciation of tangible fixed assets:		
- owned assets	**912**	203
- assets held under finance leases and hire purchase contracts	**214**	214
Amortisation of goodwill	**658**	-
Operating lease rentals:		
- land and buildings	**23**	14
- plant and machinery	**409**	-
Loss on disposal of fixed assets	**3**	-

In addition to the above, fees of £50,558 were paid to Grant Thornton, the company's auditors, during the year ended 30 September 2003 in respect of their work on acquisitions (note 9). These fees have been capitalised within goodwill. Further fees of £80,128 were paid to Grant Thornton in respect of their work on the placing and readmission to AIM on 23 June 2003 and have been debited to the share premium account. These fees are inclusive of expenses and, where relevant, VAT.

3 Employees

Staff costs during the year were as follows:

	2003	2002
	£000	£000
Wages and salaries	**1,076**	794
Social security costs	**118**	48
Pension costs	**21**	3
	1,215	845

The average number of employees of the group during the year, including directors, was as follows:

	2003	2002
	Number	Number
Administration and management	**25**	11

Remuneration in respect of directors is covered in the report on remuneration on pages 9 to 10.

4 Net interest

	2003	2002
	£000	£000
Interest on bank loans and overdrafts	**107**	-
Hire purchase and finance lease interest	**59**	117
Bank interest receivable	**(46)**	(19)
	120	98

5 Tax on loss on ordinary activities

a) *Charge in the year*

There is no corporation tax charge for the year (2002: £Nil) due to the losses incurred. Trading losses of approximately £7.5m are available to carry forward and offset against future trading profits.

b) *Factors affecting the tax charge in the year*

The difference between the actual tax charge for the year and the expected tax charge based on the standard rate of corporation tax in the United Kingdom of 30% (2002: 30%) is explained below:

	2003	2002
	£000	£000
Loss on ordinary activities before tax	**(608)**	(757)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%)	**(182)**	(227)
Effects of:		
Expenses not deductible for tax purposes	**130**	-
Depreciation in excess of capital allowances	**347**	(196)
Short term timing differences	**69**	73
Trading losses	**(364)**	350
Current tax charge for the year	**-**	-

A potential deferred tax asset of £2,413,000 (2002: £668,000) (see note 17) has not been recognised in the financial statements. This asset will be recoverable to the extent that suitable profits arise in the future.

6 Loss for the financial year

Cardpoint plc has taken advantage of section 230(4) of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The loss for the financial year as dealt with in the accounts of the company was £Nil (2002: loss of £87).

7 (Loss)/earnings per ordinary share

Basic loss per ordinary share and adjusted earnings per ordinary share (before amortisation of goodwill) are calculated as follows:

	2003 (Loss)/ profit £000	**2003** Weighted average ordinary shares in issue '000	**2003** (Loss)/ earnings per ordinary share Pence	2002 Loss £000	2002 Weighted average ordinary shares in issue '000	2002 Loss per ordinary share Pence
Basic loss per share	**(608)**	**24,321**	**(2.50)**	(757)	14,047	(5.39)
Amortisation of goodwill	**658**	**-**	**-**	-	-	-
Adjusted earnings/(loss) per share	**50**	**24,321**	**0.21**	(757)	14,047	(5.39)

The share options are anti-dilutive in respect of the basic earnings per share calculation. A diluted adjusted earnings per share has been calculated for 2003 as follows:

	Profit £000	**2003 Weighted average ordinary shares in issue '000**	**Earnings per ordinary share Pence**
Adjusted earnings per share	**50**	**24,321**	**0.21**
Dilutive effect of share options	**-**	**1,587**	**-**
Diluted adjusted earnings per share	**50**	**25,908**	**0.19**

Adjusted earnings/(loss) per share is shown by reference to earnings before goodwill amortisation, since the directors consider that this gives a more meaningful measure of the underlying performance of the group.

8 Fixed asset investments

Company	**Shares in group undertakings £000**
Cost and net book amount	
At 1 October 2002	8,058
Additions	12
At 30 September 2003	**8,070**

The addition to investments in the year relates to additional share capital issued by Cardpoint Group plc (formerly Cardpoint Holdings Limited) on its re-registration as a public company.

8 Fixed asset investments (continued)

At 30 September 2003 the group held investments in the allotted share capital of the following subsidiary undertakings, all of which are registered in England and Wales:

Subsidiary undertaking	Principal activity	Percentage of ordinary share capital held	Country of incorporation
Cardpoint Group plc (formerly Cardpoint Holdings Limited)	Intermediate holding company	100%	United Kingdom
Cardpoint Services Limited (formerly Cash Card Services Limited)	Ownership and operation of an independent estate of ATMs	100%	United Kingdom
Cardpoint Nederland Limited (formerly Cash Card Machines Limited)	Non trading	76%	United Kingdom
Cardpoint Cash Machine Limited (formerly Securicor Cash Machine Limited)	Non trading	100%	United Kingdom
Cardpoint Merchant Services Limited	Ownership and operation of an estate of mobile phone top-up terminals	100%	United Kingdom
PT Distribution Limited	Non trading	100%	United Kingdom

9 Acquisitions

The acquisitions of the group in the year were as follows:

On 2 October 2002 the group acquired the business and assets of ATM Express Limited, trading as Green Machine, for a total consideration of £1,258,000. The consideration was satisfied by the issue of 1,147,886 shares at a value of £407,000 and cash of £851,000.

On 20 June 2003 the group acquired the entire issued share capital of Securicor Cash Machine Limited for an initial cash consideration of £5,000,000. Further consideration will be payable up to a maximum of £4,200,000 contingent upon the achievement of certain performance targets. The directors have provided for deferred and contingent consideration of £2,000,000, based on the performance of the business in the year ended 30 September 2003 and the budgeted performance for the year ending 30 September 2004, of which £350,000 had been paid at 30 September 2003.

On 1 July 2003 the group acquired the entire issued share capital of PT Distribution Limited for a consideration of £1,546,000 satisfied in cash.

9 Acquisitions (continued)

All acquisitions have been accounted for using the acquisition method of accounting, and goodwill arising on consolidation has been capitalised and will be amortised over a period of 5 years. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the group:

	Green Machine £000	Securicor Cash Machine Limited £000	PT Distribution Limited £000	Total £000
Tangible fixed assets	680	1,787	251	2,718
Stocks	-	1,787	4	1,791
Debtors	-	662	2,229	2,891
Cash at bank and in hand	-	-	1,097	1,097
Creditors	-	(1,205)	(3,781)	(4,986)
Net assets/(liabilities) acquired	680	3,031	(200)	3,511
Fair value adjustments	-	(4,618)	-	(4,618)
Fair value to the group	680	(1,587)	(200)	(1,107)
Purchased goodwill capitalised	690	8,787	1,869	11,346
	1,370	7,200	1,669	10,239
Satisfied by:				
Cash	851	5,000	1,546	7,397
Issue of shares	407	-	-	407
Deferred and contingent consideration	-	2,000	-	2,000
Acquisition costs	112	200	123	435
	1,370	7,200	1,669	10,239

The fair value adjustments made in respect of Securicor Cash Machine Limited are summarised as follows:

	£000
Write-down of tangible fixed assets to depreciated replacement cost	(982)
Write-down of stocks (uninstalled ATMs) to replacement cost	(799)
Provision against onerous leasing contracts	(2,732)
Provision against other onerous contracts	(63)
Accrued pre-acquisition expenses	(42)
	(4,618)

The loss after taxation of Green Machine for the period from 1 January 2002, the beginning of the financial year, to 2 October 2002, the date of acquisition, was £900,000. The loss after taxation for the 11 month period ended 31 December 2001 was £1,275,000.

The profit after taxation of Securicor Cash Machine Limited for the period from 1 October 2002, the beginning of the financial year, to 20 June 2003, the date of acquisition, was £3,155,000. The loss after taxation for the year ended 30 September 2002 was £694,000.

9 Acquisitions (continued)

The loss after taxation of PT Distribution Limited for the period from 1 January 2003, the beginning of the financial year, to 1 July 2003, the date of acquisition, was £54,000. The profit after taxation for the year ended 31 December 2002 was £1,233,000.

The businesses acquired during the year made the following contributions to, and utilisations of, group cash flow.

	2003 £000
Net cash inflow from operating activities	1,997
Returns on investments and servicing of finance	14
Increase in cash	2,011

Analysis of net outflow of cash in respect of the acquisitions was as follows:

	2003 £000
Initial cash consideration	(7,397)
Contingent consideration paid	(350)
Acquisition costs	(435)
	(8,182)
Net cash acquired with subsidiaries	1,097
Net cash outflow from acquisitions	(7,085)

10 Intangible assets

Group	Purchased goodwill £000
Cost	
At 1 October 2002	-
Additions (see note 9)	11,346
At 30 September 2003	**11,346**
Amortisation	
At 1 October 2002	-
Charge for the year	658
At 30 September 2003	**658**
Net book amount	
At 30 September 2003	**10,688**
Net book amount	
At 30 September 2002	-

11 Tangible fixed assets

Group	Office equipment and machines including ATMs £000
Cost	
At 1 October 2002	3,557
Additions	1,641
Acquired on acquisition of businesses (see note 9)	3,138
Disposals	(93)
At 30 September 2003	**8,243**
Depreciation	
At 1 October 2002	701
Charge for the year	1,126
Acquired on acquisition of businesses (see note 9)	1,402
On disposals	(21)
At 30 September 2003	**3,208**
Net book amount	
At 30 September 2003	**5,035**
Net book amount	
At 30 September 2002	2,856

The net book amount of plant and equipment includes an amount of £401,000 (2002: £615,000) in respect of assets held under finance lease and hire purchase contracts. Depreciation charged on these assets during the year was £214,000 (2002: £214,000).

12 Stocks

	Group		**Company**	
	2003 £000	2002 £000	**2003 £000**	2002 £000
ATM stock including parts	**882**	14	-	-
Consumables	**3**	-	-	-
	885	14	-	-

13 Debtors

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Trade debtors	**2,306**	13	**-**	-
Amounts owed by group undertakings	**-**	-	**8,900**	2,863
Prepayments and accrued income	**1,038**	125	**-**	-
Corporation tax	**4**	-	**4**	-
Other debtors	**826**	17	**-**	-
	4,174	155	**8,904**	2,863

14 Creditors: amounts falling due within one year

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Trade creditors	**6,024**	1,034	**-**	-
Bank loans and overdrafts (see note 16)	**3,500**	-	**-**	-
Corporation tax	**34**	-	**-**	-
Social security and other taxes	**139**	27	**-**	-
Obligations under finance leases (see note 15)	**184**	297	**-**	-
Accruals	**5,519**	678	**-**	-
Other creditors	**814**	18	**1**	-
Deferred and contingent consideration	**620**	-	**-**	-
	16,834	2,054	**1**	-

15 Creditors: amounts falling due after more than one year

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Obligations under finance leases	**31**	216	**-**	-
Deferred and contingent consideration	**1,030**	-	**-**	-
	1,061	216	**-**	-

Obligations under finance leases are secured on the assets to which they relate and are repayable as follows:

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Within one year	**184**	297	**-**	-
After one and within two years	**31**	185	**-**	-
After two and within five years	**-**	31	**-**	-
	215	513	**-**	-

16 Financial instruments

An explanation of the group's objectives, policies and strategies for the role of derivatives and other financial instruments in creating and changing the risks of the group in its activities can be found on page 7 of the directors' report. Disclosure dealt with in this note excludes short term debtors and creditors where permitted by FRS 13.

Interest rate risk profile of financial assets

The interest rate risk profile of the group's financial assets was as follows:

	Fixed rate financial assets £000	**Floating rate financial assets £000**	**Financial assets earning no interest £000**	**Total £000**
Sterling				
As at 30 September 2003	**-**	**4,047**	**8**	**4,055**
As at 30 September 2002	-	590	155	745

Interest rate risk profile of financial liabilities

The interest rate risk profile of the group's financial liabilities was as follows:

	Fixed rate financial liabilities £000	**Floating rate financial liabilities £000**	**Financial liabilities on which no interest paid £000**	**Total £000**
Sterling				
As at 30 September 2003	**215**	**3,500**	**-**	**3,715**
As at 30 September 2002	513	-	-	513

The fixed rate financial liabilities comprise obligations under finance leases. The maturity profile of these financial liabilities is disclosed in note 15. Interest on the floating rate financial liabilities is based on LIBOR.

Fair values of financial assets and liabilities

The fair value based upon the market value or discounted cash flows of the financial instruments detailed above was not materially different from the book values as at 30 September 2003.

Borrowing facilities

The group is a party to a revolving facility agreement under which Bank of Scotland plc will make available to the group up to £7,000,000 to be repaid no later than 1 August 2006. Bank of Scotland plc can, on review, extend the repayment date or confirm the repayment date. The first review is to take place on 1 August 2004. Interest is payable at the aggregate of LIBOR, the Mandatory Costs Rate and 2.25 per cent. per annum. The facility is a revolving credit facility and sums drawn down and repaid may be redrawn provided the group is not in breach of the other provisions of the facility agreement. The facility agreement contains financial covenants, general covenants and other obligations and undertakings and if the group fails to comply with these then Bank of Scotland plc may withdraw its facilities and/or terminate its obligation to fund and require repayment of sums due to it. This facility is secured by debentures giving Bank of Scotland plc security over the group's assets. As at 30 September 2003 £3,500,000 of this facility had been drawn down.

17 Deferred taxation

The potential deferred tax asset (at a tax rate of 30%), which has not been recognised in the financial statements, is set out below. This asset will be recoverable to the extent that suitable profits arise in the future.

	Group		Company	
	2003	2002	**2003**	2002
	£000	£000	**£000**	£000
Accelerated capital allowances	**49**	(263)	**-**	-
Trading losses	**2,257**	832	**-**	-
Other timing differences	**107**	99	**-**	-
	2,413	668	**-**	-

18 Called up share capital

	2003	2002
	£000	£000
Authorised		
200,000,000 (2002: 200,000,000) ordinary shares of 5p each	**10,000**	10,000
Allotted, issued and paid		
32,686,334 (2002: 18,536,914) ordinary shares of 5p each	**1,634**	927

The company made the following issues of shares during the year:

On 2 October 2002, 1,049,295 ordinary shares were issued at 35.5 pence per share in consideration for the business and assets of Green Machine. A further 98,591 shares were issued on 28 August 2003 at 35.5p in settlement of the deferred consideration. The difference between the total consideration in respect of these share issues of £407,500 and the nominal value of £57,394 has been credited to the share premium account.

On 2 October 2002, 1,666,667 ordinary shares were issued at 30 pence per share. The difference between the proceeds of £500,000 and the nominal value of £83,333 has been credited to the share premium account.

On 23 June 2003, 11,334,867 ordinary shares were issued at 53 pence per share in order to finance the acquisition of Securicor Cash Machine Limited. The difference between the proceeds of £6,007,480 and the nominal value of £566,743 has been credited to the share premium account.

The total expenses associated with the above share issues and deducted from the share premium account amounted to £865,000.

A number of share options have been granted to directors and these are detailed in the report on remuneration. In addition, options over 965,523 ordinary shares have been granted to employees under the Cardpoint plc EMI Scheme. These options are exercisable between June 2005 and July 2013 at exercise prices of between 37.5p and 59.5p. Unapproved options over a further 1,073,879 ordinary shares have been granted to certain employees and these options are exercisable between October 2004 and July 2013 at exercise prices of between 5p and 59.5p.

In total, as at 30 September 2003, there were options outstanding over 3,272,735 ordinary shares (2002: 2,142,735).

19 Share premium account and reserves

Group

	Share premium account £000	Merger reserve £000	Profit and loss account £000
At 1 October 2002	2,480	354	(2,261)
Retained loss for the financial year	-	-	(608)
Issue of shares	6,208	-	-
Share issue expenses	(865)	-	-
At 30 September 2003	**7,823**	**354**	**(2,869)**

Company

	Share premium account £000	Merger reserve £000	Profit and loss account £000
At 1 October 2002	10,000	-	-
Issue of shares	6,208	-	-
Share issue expenses	(865)	-	-
At 30 September 2003	**15,343**	-	-

20 Reconciliation of movements in equity shareholders' funds

Group

	2003 £000	2002 £000
Retained loss for the financial year	**(608)**	(757)
New share capital subscribed (net of expenses)	**6,050**	2,128
	5,442	1,371
Opening equity shareholders' funds	**1,500**	129
Closing equity shareholders' funds	**6,942**	1,500

Company

	2003 £000	2002 £000
New share capital subscribed (net of expenses)	**6,050**	2,128
Opening equity shareholders' funds	**10,927**	8,799
Closing equity shareholders' funds	**16,977**	10,927

21 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities

	2003	2002
	£000	£000
Operating loss	**(488)**	(659)
Depreciation	**1,126**	417
Loss on disposal of fixed assets	**3**	-
Amortisation of goodwill	**658**	-
Decrease/(increase) in stocks	**121**	(9)
Increase in debtors	**(1,124)**	(32)
Increase in creditors	**3,412**	217
Net cash inflow/(outflow) from operating activities	**3,708**	(66)

22 Reconciliation of net cash flow to movement in net funds

	2003	2002
	£000	£000
Increase in cash in the year	**3,310**	389
Cash outflow from finance leases	**298**	265
Receipts from borrowings	**(3,500)**	-
Change in net funds resulting from cash flows	**108**	654
Inception of finance leases	**-**	(136)
Movement in net funds/(debt) in the year	**108**	518
Opening net funds/(debt)	**232**	(286)
Closing net funds	**340**	232

23 Analysis of changes in net funds

	At At 1 October 2002	Cash flow	Non cash movements	**At 30 September 2003**
	£000	£000	£000	**£000**
Cash at bank and in hand	745	3,310	-	**4,055**
Bank loans	-	(3,500)	-	**(3,500)**
Obligations under finance leases	(513)	298	-	**(215)**
	232	108	-	**340**

24 Operating lease commitments

The company had annual commitments under non-cancellable operating leases as follows:

	2003	2002
	£000	£000
Plant and machinery		
Expiring between 2 and 5 years	**2,461**	-

25 Capital commitments

The group and company had no capital commitments at 30 September 2003 (2002: £Nil).

26 Contingent liabilities

Deferred and contingent consideration of £2,000,000 has been provided in respect of the acquisition of Securicor Cash Machine Limited, based on actual performance of the business to 30 September 2003 and budgeted performance in the year to 30 September 2004. At 30 September 2003, deferred and contingent consideration amounting to £350,000 had been paid. The directors estimate that £620,000 will be payable in the year to 30 September 2004 with the balance payable in the year to 30 September 2005. The maximum potential deferred and contingent consideration payable is £4,200,000.

The group and company had no other contingent liabilities at 30 September 2003 (2002: £Nil).

27 Related party transactions

During the year rent of £14,400 (2002: £14,400) was paid to John Mills, the father of Mark and Nigel Mills.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at the office of Halliwell Landau, St James's Court, Brown Street, Manchester M2 2JF on 3 February 2004 at 10.00 am, for the following purposes:

Ordinary Business

1. To receive and consider the report of the directors and the audited financial statements for the year to 30 September 2003 and the auditors' report thereon.

2. To reappoint the retiring auditors, Grant Thornton, and to authorise the directors to determine the auditors' remuneration.

3. To re-elect Chris Hanson as a director who retires in accordance with the Company's articles of association.

Special Business

To consider and, if thought fit, pass the following resolutions, resolution 4 which will be proposed as an ordinary resolution and resolution 5 as a special resolution:

4. **THAT**, the directors be and they are hereby empowered for the purposes of and pursuant to section 80 of the Companies Act 1985 (the "Act"), the directors of the Company be and they are hereby generally and unconditionally authorised and empowered to exercise all the powers of the Company to allot the relevant securities (as detailed in section 80(2) of the Act) up to an aggregate nominal amount of £1,000,000 (in substitution to any subsisting authorities under the Act) to such persons at such times and upon such terms and conditions as they may determine (subject always to the articles of association of the Company) provided this authority and power shall, unless renewed, varied or revoked, expire at the conclusion of the next annual general meeting or 15 months from the date of the passing of this resolution (whichever is the earlier) and provided further that the Company may before the expiry of such period make any offer, agreement or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the directors of the Company may then allot relevant securities pursuant to any such offer, agreement or arrangement as if the authority or power hereby conferred had not expired.

5. **THAT**, for the purposes of and pursuant to section 95(1) of the Act, the directors of the Company be and they are hereby authorised and empowered to allot equity securities (within the meaning of section 94 of the Act) pursuant to the general authority and power conferred by the resolution numbered 4 as if section 89(1) of the Act did not apply to any such allotment (in substitution to any other subsisting authorities under the Act) provided that this authority and power shall, unless renewed, varied or revoked, expire at the conclusion of the next annual general meeting or 15 months from the date of the passing of this resolution (whichever is the earlier) of the Company and provided further that this authority and power shall be limited to:

   (a) the allotment of equity securities pursuant to a rights issue or similar offer to ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate or as nearly as practical (and taking into account any prohibitions against or difficulties concerning the making of an offer or allotment to shareholders whose registered address or place of residence is overseas and subject to such exclusions as the directors of the Company may deem necessary or expedient to deal with fractional entitlement or record dates) to the respective numbers of ordinary shares held by them; and

(b) the allotment (otherwise than pursuant to paragraph (a) above) for cash of equity securities up to an aggregate nominal amount of the greater of £200,000 or 10% of the issued share capital of the Company.

Registered Office:
St James's Court
Brown Street
Manchester
M2 2JF

By order of the Board

HL Secretaries Limited
Company Secretary

Dated 20 November 2002

NOTES:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the Annual General Meeting is at 10.00 am on 30 January 2004. If the meeting is adjourned, the time by which a person must be entered on the register of members in order to have the right to attend or vote at the adjourned meeting is 48 hours before the date fixed for the adjourned meeting. Changes to entries on the register of members after the relevant time will be disregarded in determining the rights of any person to attend or vote at the meeting.

2. To be effective, the form of proxy (together with any power of attorney or other written authority under which it is signed or notarially certified copy of such power or written authority) must be lodged at the offices of the company's registrars Capita Registrars, Proxy Department, P.O.Box 25, Beckenham, Kent BR3 4BR not later than 48 hours before the time appointed for the holding of the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) not less than 24 hours before the time appointed for the taking of the poll at which it is to be used.

3. Every member who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote in his/her stead. A proxy need not be a member of the company. Appointment of proxies does not preclude members from attending and voting at the Meeting in person should they wish to do so.

4. The register of directors' interests in the share capital of the company maintained under section 325 of the Companies Act 1985 will be available for inspection during normal business hours on any week day at the registered office of the company from the date of this notice until the Annual General Meeting and on the day of the Annual General Meeting at the place of the meeting from 15 minutes prior to its commencement until its conclusion.

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