# Cardpoint plc

## Annual report and accounts 2006

TUESDAY
*APWWAO0P*
A11 20/03/2007 64
COMPANIES HOUSE

**Cardpoint is the market leader in the independent cash machine sector with operations in the UK, Germany and the Netherlands.**

**Cardpoint's cash machines process over 260,000 transactions each day.**

**We also operate cash machines for banks and building societies. In the UK we operate cash machines for the Bradford and Bingley and Norwich and Peterborough Building Societies. In Germany we have a partnership with GE Money Bank and also operate machines for Hanseatic Bank.**

Cash machines

**5,400**

We have 4,475 cash machines across the UK, 725 in Germany and 200 in the Netherlands.

**£2.3bn**

Our cash machines dispense over £2.3 billion per year.

**8m**

Our cash machines handle in excess of 8 million transactions per month.

# Highlights

| Turnover £000 | EBITDA £000 | Adjusted EPS (p) |
| --- | --- | --- |

- turnover up 60% to £97.9m, including Moneybox contribution (2005: £61.1m);
- underlying profit before tax up 135% to £8.3m (2005: £3.5m);
- EBITDA up 121% to £19.8m (2005: £8.9m);
- adjusted earnings per share up 46% to 7.82p (2005: 5.35p);
- integration of Moneybox, realising synergies in excess of £3m;
- strengthening of the Board and Management following the appointment of Bob Thian as Chairman; and
- significant expansion in Germany and renewal of agreements with GE Money Bank until 2013.

# Three year review

## Three year summary profit and loss account

| | 2006 £000 | 2005 £000 | 2004 £000 |
|---|---|---|---|
| Turnover | **97,871** | 61,052 | 36,812 |
| EBITDA | **19,769** | 8,946 | 4,523 |
| Depreciation | **(6,626)** | (4,052) | (2,331) |
| Goodwill amortisation | **(30,378)** | (14,578) | (4,834) |
| Exceptional items | **(1,961)** | – | – |
| Charge for share based payments | **(870)** | (405) | (99) |
| Net interest | **(4,875)** | (1,370) | (315) |
| Loss on ordinary activities before taxation | **(24,941)** | (11,459) | (3,056) |
| Profit before tax, goodwill amortisation, exceptional items and share based payments | **8,268** | 3,524 | 1,877 |
| **Adjusted earnings per share** | **7.82p** | 5.35p | 4.40p |
| **Three year summary balance sheet** | | | |
| Intangible fixed assets | **101,025** | 124,411 | 49,881 |
| Tangible fixed assets | **30,352** | 32,011 | 16,817 |
| Current assets | **18,482** | 24,150 | 6,720 |
| Current liabilities | **(33,386)** | (41,516) | (26,026) |
| Long term liabilities | **(63,199)** | (61,563) | (11,000) |
| Net assets | **53,274** | 77,493 | 36,392 |

# Financial calendar

| | |
|---|---|
| Annual General Meeting | January 2007 |
| Interim announcement | May 2007 |
| Preliminary announcement | November 2007 |

# Chairman's review

I am pleased to report good progress for Cardpoint during the year ended 30 September 2006 with significant increases being reported in turnover, profit* and adjusted earnings per share*. Major achievements include the integration of Moneybox plc and the subsequent disposal of its non core subsidiary G2IS.

Revenues for the year were £97.9 million (2005: £61.1 million), up 60%, including a £47.3 million contribution from Moneybox. EBITDA* increased 121% to £19.8 million (2005: £8.9 million) and profit before tax* increased 135% to £8.3 million (2005: £3.5 million). Adjusted earnings per share* increased 46% to 7.82p per share (2005: 5.35p per share).

Our financial performance confirms that our customers happily pay a modest charge to withdraw cash from convenient locations and that our business model is sustainable. Whilst we have increased the signage to forewarn our customers of the charge, this has had a minimal effect on the business.

Cardpoint's strategy is to grow our ATM network and the volume of transactions organically through improving the quality and deployment of the estate in the United Kingdom and the EU, particularly in Germany. In addition, we will pursue value enhancing acquisitions.

The acquisition of Moneybox was strategically important. It increased our scale in the UK, reducing unit costs, enhanced prospects, especially in Germany, and broadened our range of retailers and services.

Cardpoint's organic business has also performed well and continues to be underpinned by a number of long-term contracts. We now operate cash machines for most of the UK's petrol station operators, large convenience retailers and leisure industry operators. In addition, our focus during the year has been to install Through The Wall ("TTW") machines, as these 24-hour-devices attract high usage levels and are popular with our existing retailers, including those secured from the Moneybox acquisition.

Cardpoint continues to operate ATMs on behalf of the Bradford and Bingley and Norwich and Peterborough Building Societies. The arrangements are long term and profitable and allow us to develop business models attractive to other financial institutions.

Our German business units have made encouraging progress with over 720 cash machines in total and 225 cash machines now operational through our arrangement with Hanseatic Bank, including some TTWs. The German ATM market is still immature with a lower level of withdrawals than the UK, but both the number of independently operated ATMs and the transactions per machine are trending up.

In addition to the organically grown Cardpoint estate, the German business acquired with Moneybox operates some 500 cash machines in collaboration with GE Money Bank GmbH. There are two key aspects to this business where we operate in partnership with GE and we have renewed these agreements until 2011 and 2013, providing security and enhanced prospects for the business in the future.

G2IS, a subsidiary we acquired through Moneybox, was sold to G4Tech in October 2006 for £3.2 million. This is an excellent result for Cardpoint as the business did not complement the ATM business and had low profitability.

The UK mobile pre-pay business sells circa £4 million of airtime per month from electronic terminals located in convenience stores and off-licences. However we have not been able to scale this business satisfactorily and are reviewing its future within the group.

**Outlook**

This is a successful business in good health and poised to grow. Our objective in the coming year is to continue to improve the deployment, quality and security of our estate; the focus on increasing the number of TTWs and improving the location of machines both lead to higher yields. Through the implementation of this structured approach, I am confident that further income can be generated, additional savings realised and shareholder value enhanced.

The current year has begun well, with encouraging trading during October. We have a good sales pipeline of machines under order, particularly of the higher yielding TTWs, and we expect to extract further synergies from the Moneybox acquisition. As a result, I believe that the company is well placed to make further progress in profitability during the coming year.

Finally, I would like to express my thanks to Mark Mills and the Cardpoint management team for their considerable achievements over the last seven years. I am sure Mark would like to join me in thanking our dedicated staff, customers, suppliers, shareholders and our bankers for their continuing support. I look forward to accelerating growth for the group and I am confident we can build on the strong foundations already established in the business for the benefit of our customers, shareholders, staff and all concerned with the company.

**Bob Thian**
**Chairman**
23 November 2006

* before goodwill amortisation, charges for share based payments and exceptional items

Our cash machines handle more than 8 million transactions each month.

We offer a range of services from our cash machines, including cash withdrawals, balance enquiries, mobile telephone pre-payment and PIN changes.

Our 4,475 cash machines throughout the UK are in convenient locations, including petrol stations, convenience stores, railway stations and leisure outlets. They dispense more than £2.3 billion per annum.

We have 725 cash machines in Germany and 200 in the Netherlands and the acquisition of Moneybox has brought benefits of a significant increase in scale in these growth markets.

# Finance Director's review

**Group results**
Turnover for the year of £97.9 million, which included a £47.3 million contribution from Moneybox, represents a 60% increase compared to the 2005 figure of £61.1 million and demonstrates the progress made by the group and another year of continued growth. The G2IS business, which was acquired last year with Moneybox, was sold on 19 October 2006. This business contributed £8.3 million of turnover during the year and has been classified within discontinued operations in the accounts as it was sold shortly after the end of the financial year.

Operating profit before exceptional items, depreciation, goodwill amortisation and charges for share based payments (EBITDA) increased by £10.8 million (121%) to £19.8 million. EBITDA excluding the contribution from Moneybox and before central costs, increased from £9.2 million to £11.1 million, an increase of 21%. Moneybox contributed £10.5 million to group EBITDA, before central costs. Profit before tax, goodwill amortisation, charges for share based payments and exceptional items was £8.3 million compared to £3.5 million in 2005, an increase of 135%.

These results demonstrate the significant progress made by the group during the year, particularly as they are after absorbing an increase in interest payable of £3.5 million, due to the increased level of borrowings which financed the Moneybox acquisition. These measures of performance are considered before goodwill amortisation, which is presently written off over five years. This policy is prudent but the varying amounts of amortisation have the effect of distorting a comparison of pre-tax profit in assessing the financial performance of the company.

The results reflect a strong finish to the financial year which benefited from satisfactory trading as well as a release of surplus accruals for direct costs, particularly for theft from ATMs. These costs had been accrued during the year based on the level of losses sustained in previous years. However we have made significant operational changes to improve security and reduce the level of losses from theft during the year and as these continued to reduce towards the end of the year, we were able to reflect this improvement in the results for the year. The group also benefited from reduced interest costs compared to budget following careful management of both working capital and capital expenditure. The depreciation charge also benefited from reduced capital expenditure as well as reductions resulting from the fair value adjustments which were required to write down the value of assets acquired with Moneybox.

After goodwill amortisation of £30.4 million (2005: £14.6 million), the result for the year was a loss before tax of £24.9 million compared to a loss of £11.5 million in 2005, the increase being a result of the higher goodwill charge arising from the Moneybox acquisition which more than offset the increase in underlying profitability of the group.

**Interest charges and taxation**
Interest charges show a significant increase from £1.4 million to £4.9 million, with the majority of the increase being due to interest on the additional borrowings which financed the acquisition of Moneybox. Interest cover, at the EBITDA level excluding goodwill amortisation, continues to be at a satisfactory level at 4 times. Group borrowings are at variable interest rates although 60% of the term loan is covered by interest rate hedging arrangements as described in more detail in the notes to the accounts. No tax charge arises for the year and there are in excess of £35 million of tax losses carried forward which has the benefit that no significant amounts of UK corporation tax are likely to be paid in the foreseeable future.

**Earnings per share and dividends**
Adjusted earnings per share before goodwill amortisation have increased from 5.35p last year to 7.82p, a significant uplift of 46%. We believe this measure of earnings per share is a fairer reflection of the group's performance compared to a consideration of basic earnings per share, which is affected by goodwill amortisation and shows a loss per share of 23.76p compared to a loss of 17.18p last year. This increase in the loss per share is entirely due to higher levels of goodwill amortisation this year. As in previous years the company does not propose to pay a dividend although the directors will keep this situation under review as the underlying profitability of the group continues to improve.

**Exceptional items**
The profit and loss account includes exceptional items of £1.96 million of which £1.5 million relates to reorganisation and restructuring costs. These predominantly relate to the acquisition of Moneybox and the reorganisation of the group which was required to integrate and combine Moneybox with Cardpoint. These costs also cover certain changes to the board of directors which occurred during the year.

Other exceptional costs include £293,000 relating to insurance claims for cash losses from ATMs operated by the group where valid insurance cover was in place, but the underwriter refused to honour the claims in line with the policy conditions. Whilst we successfully pursued the total amount of the claim we are left with this balance where we are taking further legal action to recover the outstanding monies from our insurance broker and we are advised that we have a strong case in our favour. This category also includes £41,000 of costs relating to unsolicited takeover approaches and £85,000 in respect of losses incurred in Germany following the business failure of a cash in transit supplier.

**Cash flow and capital expenditure**

The cash inflow from operating activities for the year was £12.9 million, a significant increase compared to cashflow of £6.1 million in the previous year, even though it was affected by large creditor payments following the Moneybox acquisition. Capital expenditure was £6.0 million compared to £4.5 million the previous year. The majority of capital expenditure was on ATM installations in the UK and Germany, as well as equipment upgrades in Germany.

Cash outflow in respect of acquisitions made in previous years of £7.1 million relates to the acquisition of Moneybox and some final costs from the HBOS acquisition. As Moneybox was acquired towards the end of the previous financial year, certain elements of the consideration and costs of the acquisition were accrued at the end of last year, for payment this year. This amounted to £5.6 million, of which £1.0 million is included in the financing section of the cash flow statement.

New bank facilities were arranged with Bank of Scotland at the time of the Moneybox acquisition and a drawdown of additional funds of £4.2 million was made during the year to finance the balance of consideration payable this year in respect of the acquisition.

Net cash outflow was £0.6 million compared to an inflow of £5.9 million in 2005 and excluding payments relating to prior periods' acquisitions, there was an increase in cash for the year of £2.0 million.

**Shareholders' funds and financing**

Shareholders' funds have reduced from £77.1 million to £53.2 million as the amortisation of goodwill more than offsets profits generated by the business. Group borrowings have increased by £4.1 million to £70.8 million as further funding was required to settle outstanding liabilities relating to the Moneybox acquisition.

The balance sheet includes adjustments of approximately £7 million in relation to the assessment of the fair values of the assets and liabilities acquired with Moneybox and follows the provisional assessment of these values included in the 2005 accounts. These have been revisited during the current financial year where a comprehensive review of the assets and liabilities of the Moneybox group was carried out before being adjusted to fair value by reference to the more prudent accounting principles followed by Cardpoint compared to those followed by Moneybox.

Net debt is £62.8 million after including cash of £8.0 million of which £0.8 million, whilst being generated by the group, is held in a trust account pending payment to the mobile phone networks.

The group's banking facilities with Bank of Scotland were finalised in July 2005 to finance the Moneybox acquisition and provide working capital facilities to the enlarged group. The facilities consist of a medium term loan of up to £70 million which is repayable over five years, a £4 million revolving credit facility and an overdraft facility of £1 million. At 30 September 2006 total facilities were £75 million of which £70.9 million was being utilised. These facilities together with the group's strong operational cash flow indicate that the group has sufficient facilities available to fund its operations and allow for future organic expansion.

At 30 September 2006 gearing was 118% and this level is due to the additional borrowings which financed the Moneybox acquisition. However, the group's underlying profitability and strong cash flow should reduce the level of borrowing in the future and help ensure that the level of borrowing remains under control and is at a reasonable level in relation to net assets.

**International Financial Reporting Standards**

International Financial Reporting Standards ('IFRS') is now mandatory for UK listed companies and the London Stock Exchange intends to mandate IFRS for AIM companies for periods beginning on or after 1 January 2007. The first accounting period where IFRS would apply to Cardpoint would therefore be the year ended 30 September 2008.

The group is currently assessing the changes that will be required under IFRS in order to plan the transition from UK Accounting Standards. This includes a detailed comparison of the group's existing accounting policies with IFRS and an evaluation of the impact on the financial statements in terms of presentation and reported performance.

***Robin Gregson***
**Finance Director**
23 November 2006

# Board of Directors

**Robert Peter Thian, age 63**
**Chairman**
Bob is currently Chairman of Southern Water Limited and also of Whatman plc, the listed filtration and separations company, where he has been responsible for the restructuring and recovery of the group since his appointment as Chairman in November 2002. Prior to this, he was Group CEO of The Stationery Office and before that, Group CEO of North West Water. Earlier in his career, he held senior positions in the pharmaceutical industry with Glaxo and Abbott Laboratories.

**Robin Anthony Gregson, age 46**
**Finance Director**
Robin qualified as a chartered accountant in 1984 and spent 14 years with Deloitte & Touche where he was responsible for major corporate clients. In 1996 he joined CD Bramall Plc, the motor retail group where he became group finance director. During his eight years with the group it experienced significant growth to become the UK's second largest motor retail group prior to being sold to Pendragon Plc in February 2004. Robin joined Cardpoint in September 2004 and is responsible for the group's financial management, controls and reporting systems.

**Peter Francis Smyth, age 54**
**Senior Non-executive Director**
Peter joined Cardpoint as a non-executive director in January 2001 and was Chairman from later in 2001 until September 2005. He is currently part time executive chairman of Roundstone TV Limited, non-executive Chairman of Screen Technology Group plc and non-executive Chairman of Cityspace Limited. 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. He is also Chairman of the audit, remuneration and nominations committees.

**John Westwood, age 58**
**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 non-executive Chairman of The Big Word, an international language management company.

# Directors' report

The directors present their annual report on the affairs of the group and the company, together with the audited financial statements, for the year ended 30 September 2006.

**Principal activities**

During the year the group owned and operated an estate of independent automated teller machines ("ATMs") and prepaid mobile telephone airtime electronic top-up terminals in the UK and Europe. It also developed, sold, distributed and supported computer controlled electronic purse payment and permissioning systems, a business which has been disposed of since the year end.

**Business review**

The results for the year are set out in the profit and loss account on page 19. The directors do not recommend the payment of a dividend and the loss after tax of £24,987,000 (2005: £11,426,000) has been transferred to reserves.

Further information relating to the results for the year is provided in the Chairman's review and Finance Director's review on pages 4 to 9.

**Post balance sheet event**

On 19 October 2006, the group disposed of its electronic purse payment and permissioniong systems business for an initial cash consideration of £3,100,000, with further contingent consideration of up to £100,000 receivable subject to the satisfaction of certain criteria.

**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. All directors served throughout the year unless otherwise indicated.

| | **As at 30 September 2006 Number of ordinary shares** | As at 30 September 2005 Number of ordinary shares |
|---|---|---|
| Michael Hepher | **80,000** | 30,000 |
| Mark Mills | **1,941,403** | 1,811,170 |
| Robin Gregson | **2,816** | – |
| Peter Smyth | **(1)56,666** | (1)56,666 |
| John Westwood | **–** | – |

(1) Shares held by the Stamford Trust, of which Peter Smyth is the sole beneficiary.

Details of directors' share options are provided in the Directors' remuneration report on pages 16 to 17.

Chris Hanson resigned on 30 September 2006 and Michael Hepher resigned on 9 October 2006. Mark Mills resigned on 16 October 2006 and Bob Thian was appointed as a director on the same day.

There have been no changes to the directors' shareholdings since 30 September 2006.

At the forthcoming Annual General Meeting, in accordance with the company's articles of association, Peter Smyth will retire by rotation and then seek re-election. Bob Thian, having been appointed since the previous Annual General Meeting, will also retire and seek election as a director.

The company has agreed to indemnify its directors against third party claims which may be brought against them and has put in place a directors' and officers' insurance policy.

# **Directors' report** continued

### Substantial shareholders
In addition to some of those directors listed above, as at 16 November 2006 the company had been notified of the following interests in 3%, 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 |
|---|---|---|
| Artemis Investment Management Limited | **15,334,165** | 14.5 |
| JO Hambro Capital Management | **13,721,000** | 13.0 |
| Goldman Sachs Group Inc | **11,016,635** | 10.4 |
| Cycladic Capital Management | **10,766,265** | 10.2 |

### Share options and employee share ownership
Employee involvement in the overall performance of the group has been encouraged by employee share option schemes.

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 has also adopted an approved share option scheme – The Cardpoint plc Company Share Ownership Plan 2004. Options under this scheme have been granted to certain employees. These options will be subject to performance conditions set by the remuneration committee.

The company has also adopted an unapproved share option scheme – The Cardpoint plc Long Term Incentive Plan 2006. Options under this scheme have been granted to certain directors and employees. These options will be subject to performance conditions set by the remuneration committee.

The company has also established The Cardpoint plc Share Incentive Plan, a share purchase scheme which has been approved by HM Revenue & Customs. This scheme allows employees to purchase shares in the company which are held in an employee benefit trust to which free shares are issued by the company to match those purchased by the employees.

### Charitable and political donations
The company made charitable contributions of £10,000 during the year (2005: £1,550). 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 through regular staff briefings.

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 2006 the group's trade creditors represented 31 days of purchases (2005: 26 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, nominations 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 company 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 (www.cardpointplc.com) 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 company is not required to comply with the corporate governance requirements contained in the Combined Code. However the board of directors supports the underlying principles of corporate governance and 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. The board of directors also 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 both of whom 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 Peter Smyth and John Westwood, and meets regularly with executive directors in attendance by invitation. The audit committee has unrestricted access to the group's auditors and ensures that auditor independence has not been compromised;
- 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.

### Internal control

The board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the group's assets and for reviewing its effectiveness. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material loss and misstatement.

The control framework within the group is as follows:

- A strong culture of internal control across all areas of operation;
- *An organisational structure with clearly defined lines of responsibility, delegation of authority and reporting* requirements;
- Defined expenditure authorisation limits.

# Directors' report continued

Major technical, commercial and financial risks are formally assessed during the annual business planning process, which takes place in the last quarter of the financial year. There is a formal schedule of matters requiring authorisation by the board including, for example, major capital expenditure and new business initiatives.

There is a comprehensive system of financial reporting and the annual budget which is a key component of the business plan, is reviewed in detail and approved by the board. The Finance Director presents a report to the board each month detailing the results of each principal business unit, variances against budget and key performance data.

The principal system for evaluating and managing risk is the regular meeting of the board members with operational management, the purpose of which is to monitor and control operations. Performance is reviewed, risks identified, financial and other implications assessed and corrective actions agreed as required. The results and output of these meetings is presented by individual board members to the board for review and comparison to the company's objectives for the year.

**Financial risk management objectives and policies**
The company is financed by share capital and bank loans, revolving credit and overdraft facilities and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below. The main risks arising from the company's financial instruments are market risk, cash flow interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous years.

In order to manage the company's exposure to those risks, in particular the company's exposure to interest rate risk, the company has entered into a number of derivative transactions.

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 any surplus 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;

- *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 and market risk – this risk relates solely to interest rate risk. The company's policies for managing fair value interest rate risk are to use a combination of both fixed and floating facilities where approximately 60% of borrowings which consist of term loans are subject to an interest rate hedging agreement to provide an opportunity to benefit from lower interest rates but also protect against higher interest rates in the form of an interest rate cap.

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

  (iii) Currency risk – the group has operations in Germany and the Netherlands which both generate funds from trading and require capital investment in Euros. This matching substantially reduces the group's exposure to currency translation risks. As a result the company does not enter into any arrangements to manage the minimal exposure in this area;

(iv) Credit risk – the group's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited. The principal credit risk arises therefore from its trade debtors although the majority of the group's debtors are payments which are guaranteed to be received as they are paid on a daily basis via the Bank of England settlement system. However for those operations which have additional trade debtors, credit risk is managed as the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by credit controllers on a regular basis in conjunction with debt ageing and collection history.

**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 financial statements.

**Statement of directors' responsibilities**
The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

*In so far as the directors are aware:*

- There is no relevant audit information of which the company's auditors are unaware; and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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 UK LLP 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*

**Robin Gregson**
**Finance Director**
23 November 2006

# Directors' remuneration report

The remuneration committee comprises the two 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 set 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 with effect from 1 October 2005.

The committee establishes the objectives which must be met for bonuses to be paid. The committee believes that the award of any bonus should be related to target performances associated with shareholders' interests.

**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 £ | Performance related bonus £ | Fees £ | Compensation for loss of office £ | Total excluding pension £ | Pension £ | Total 2006 £ | Total 2005 £ |
|---|---|---|---|---|---|---|---|---|---|
| **Executive** | | | | | | | | | |
| Mark Mills | 329,400 | 5,585 | – | – | – | 334,985 | 31,500 | 366,485 | 485,000 |
| Robin Gregson | 172,000 | 1,366 | 160,000 | – | – | 333,366 | 16,000 | 349,366 | 271,955 |
| Chris Hanson (resigned 30 September 2006) | 142,000 | – | – | – | 198,000 | 340,000 | 13,000 | 353,000 | 186,058 |
| **Non-executive** | | | | | | | | | |
| Michael Hepher | – | – | – | 58,750 | – | 58,750 | – | 58,750 | 411 |
| Peter Smyth | – | – | – | 24,000 | – | 24,000 | – | 24,000 | 24,000 |
| John Westwood | – | – | – | 15,000 | – | 15,000 | – | 15,000 | 15,000 |
| | 643,400 | 6,951 | 160,000 | 97,750 | 198,000 | 1,106,101 | 60,500 | 1,166,601 | 982,424 |

The fees of Michael Hepher include VAT.

**Service contracts**
All the executive directors have agreements with the company, which are terminable by either party giving the other between six and 12 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 10 per cent. of each executive director's basic salary to this arrangement or their own personal pension plan 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 performance conditions will be based upon total shareholder returns relative to a basket of twenty comparable companies or such other criteria as the Remuneration Committee deems to be appropriate.

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 2005 | Granted | 30 September 2006 | 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 |
| **Unapproved options** | | | | | |
| Peter Smyth | 100,000 | – | 100,000 | 5p | Feb 2005 - Feb 2012 |
| Mark Mills | 250,000 | – | 250,000 | 5p | Feb 2005 - Feb 2012 |
| Robin Gregson | – | 250,000 | 250,000 | 5p | Dec 2008 - Dec 2015 |
| **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 |
| Mark Mills | (*) 100,000 | – | (*) 100,000 | 93.5p | Dec 2006 - Dec 2013 |
| Mark Mills | (*) 175,000 | – | (*) 175,000 | 5p | Dec 2007 - Dec 2014 |
| Robin Gregson | 250,000 | – | 250,000 | 5p | Dec 2007 - Dec 2014 |
| Robin Gregson | (*) 125,000 | – | (*) 125,000 | 5p | Dec 2007 - Dec 2014 |
| Michael Hepher | (*) 200,000 | – | (*) 200,000 | 119p | Sep 2008 - Sep 2015 |
| John Westwood | (*) 50,000 | – | (*) 50,000 | 37.5p | Dec 2005 - Dec 2012 |
| **Long Term Incentive Plan** | | | | | |
| Mark Mills | – | (*) 335,196 | (*) 335,196 | 5p | Mar 2009 - Mar 2016 |
| Robin Gregson | – | (*) 156,425 | (*) 156,425 | 5p | Mar 2009 - Mar 2016 |

(*) 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 or the performance conditions referred to above.

In addition to the options detailed above, Mark Mills has been granted a right to subscribe for up to 1,000,000 ordinary shares at the price of 5p per share in the event of the company being sold.

The mid-market price of the group's ordinary shares on 30 September 2006 was 64p. The highest and lowest mid-market prices during the year were 134.5p and 64p respectively.

**Peter Smyth**
**Chairman of the Remuneration committee**
23 November 2006

Grant Thornton

**Report of the independent auditors to the members of Cardpoint plc**
We have audited the group and parent company financial statements ("the financial statements") of Cardpoint plc for the year ended 30 September 2006 which comprise the consolidated profit and loss account, the statement of total recognised gains and losses, the balance sheets, the consolidated cash flow statement and notes 1 to 32. 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 opinions we have formed.

**Respective responsibilities of directors and auditors**
The directors' responsibilities for preparing the annual report and the financial statements in accordance with United Kingdom law and accounting standards (United Kingdom Generally Accounting Practice) 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 International Standards on Auditing (UK and Ireland).

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

We read 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 only the three year review, the Chairman's review, the Finance Director's review, the directors' report and the directors' remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**Basis of audit opinion**
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and parent company's affairs as at 30 September 2006 and of the group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements for the year ended 30 September 2006.

Grant Thornton UK LLP

**Grant Thornton UK LLP**
**Chartered accountants**
**Registered auditors**
Manchester
23 November 2006

# Consolidated profit and loss account

for the year ended 30 September 2006

| | Note | 2006 Before goodwill amortisation, exceptional items and share based payments £000 | 2006 Goodwill amortisation, exceptional items and share based pyments £000 | 2006 Total £000 | 2005 Before goodwill amortisation, exceptional items and share based payments £000 | 2005 Goodwill amortisation, exceptional items and share based payments £000 | 2005 Total £000 |
|---|---|---|---|---|---|---|---|
| **Turnover** | 2 | | | | | | |
| Continuing operations | | **89,599** | | **89,599** | 61,052 | – | 61,052 |
| Discontinued operations | | **8,272** | **–** | **8,272** | – | – | – |
| | | **97,871** | **–** | **97,871** | 61,052 | – | 61,052 |
| Cost of sales | 3 | **(67,401)** | **–** | **(67,401)** | (47,916) | – | (47,916) |
| **Gross profit** | | **30,470** | **–** | **30,470** | 13,136 | – | 13,136 |
| Administrative expenses | 3 | | | | | | |
| Amortisation of goodwill | | **–** | **(30,378)** | **(30,378)** | – | (14,578) | (14,578) |
| Exceptional items | 4 | **–** | **(1,961)** | **(1,961)** | – | – | – |
| Other | | **(17,327)** | **(870)** | **(18,197)** | (8,242) | (405) | (8,647) |
| Total administrative expenses | | **(17,327)** | **(33,209)** | **(50,536)** | (8,242) | (14,983) | (23,225) |
| **Operating profit/(loss)** | | | | | | | |
| Continuing operations | | **12,854** | **(33,065)** | **(20,211)** | 4,894 | (14,983) | (10,089) |
| Discontinued operations | | **289** | **(144)** | **145** | – | – | – |
| | | **13,143** | **(33,209)** | **(20,066)** | 4,894 | (14,983) | (10,089) |
| Net interest | 6 | **(4,875)** | **–** | **(4,875)** | (1,370) | – | (1,370) |
| **Profit/(loss) on ordinary activities before taxation** | 2 | **8,268** | **(33,209)** | **(24,941)** | 3,524 | (14,983) | (11,459) |
| Tax on loss on ordinary activities | 7 | | | **–** | | | – |
| **Loss on ordinary activities *after taxation*** | | | | **(24,941)** | | | (11,459) |
| Equity minority interests | 24 | | | **(46)** | | | 33 |
| **Loss for the financial year transferred to reserves** | 22 | | | **(24,987)** | | | (11,426) |
| **(Loss)/earnings per ordinary share** | | | | | | | |
| Basic and fully diluted | 9 | | | **(23.76)p** | | | (17.18)p |
| Basic and fully diluted – continuing operations | 9 | | | **(23.90)p** | | | (17.18)p |
| Adjusted (before goodwill amortisation, exceptional items and share based payments) | 9 | | | **7.82p** | | | 5.35p |
| Diluted adjusted (before goodwill amortisation, exceptional items and share based payments) | 9 | | | **7.51p** | | | 5.10p |

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

# Statement of total recognised gains and losses

for the year ended 30 September 2006

| | Note | 2006 £000 | 2005 £000 |
|---|---|---|---|
| Loss for the financial year | | **(24,987)** | (11,426) |
| Currency differences on foreign currency net investments | 22 | **(26)** | 217 |
| **Total recognised gains and losses for the year** | | **(25,013)** | (11,209) |

# Consolidated balance sheet

at 30 September 2006

| | Note | 2006 £000 | 2005 £000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 12 | **101,025** | 124,411 |
| Tangible assets | 13 | **30,352** | 32,011 |
| | | **131,377** | 156,422 |
| **Current assets** | | | |
| Stocks | 14 | **1,471** | 4,060 |
| Debtors | 15 | **8,967** | 11,369 |
| Cash at bank and in hand | 16 | **8,044** | 8,721 |
| | | **18,482** | 24,150 |
| **Creditors:** amounts falling due within one year | 17 | **(33,386)** | (41,516) |
| **Net current liabilities** | | **(14,904)** | (17,366) |
| **Total assets less current liabilities** | | **116,473** | 139,056 |
| **Creditors:** amounts falling due after more than one year | 18 | **(63,199)** | (61,563) |
| **Net assets** | | **53,274** | 77,493 |
| **Capital and reserves** | | | |
| Called up share capital | 21 | **5,274** | 5,256 |
| Share premium account | 22 | **88,379** | 88,154 |
| Merger reserve | 22 | **354** | 354 |
| Profit and loss account | 22 | **(40,838)** | (16,630) |
| **Shareholders' funds** | 23 | **53,169** | 77,134 |
| Minority interests | 24 | **105** | 359 |
| | | **53,274** | 77,493 |

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

The financial statements were approved by the board of directors on 23 November 2006 and were signed on its behalf by:

**Bob Thian**
**Chairman**

**Robin Gregson**
**Finance Director**

# Company balance sheet
at 30 September 2006

| | Note | 2006<br>£000 | 2005<br>£000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 10 | **98,584** | 98,584 |
| **Current assets** | | | |
| Debtors | 15 | **2,614** | 251 |
| Cash at bank and in hand | | **-** | 9,490 |
| | | **2,614** | 9,741 |
| **Creditors:** amounts falling due within one year | 17 | **(25)** | (7,395) |
| **Net current assets** | | **2,589** | 2,346 |
| **Total assets less current liabilities** | | **101,173** | 100,930 |
| **Capital and reserves** | | | |
| Called up share capital | 21 | **5,274** | 5,256 |
| Share premium account | 22 | **95,899** | 95,674 |
| Profit and loss account | 22 | **-** | – |
| **Shareholders' funds** | 23 | **101,173** | 100,930 |

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

The financial statements were approved by the board of directors on 23 November 2006 and were signed on its behalf by:

**Bob Thian**
**Chairman**

**Robin Gregson**
**Finance Director**

# Consolidated cash flow statement

for the year ended 30 September 2006

| | Note | 2006 £000 | 2005 £000 |
|---|---|---|---|
| **Net cash inflow from operating activities** | 25 | **12,881** | 6,089 |
| **Return on investments and servicing of finance** | | | |
| Interest received | | **160** | 181 |
| Finance lease interest paid | | **–** | (2) |
| Other interest payable | | **(4,938)** | (1,533) |
| **Net cash outflow from returns on investments and servicing of finance** | | **(4,778)** | (1,354) |
| **Taxation received** | | **4** | – |
| **Capital expenditure and financial investment** | | | |
| Purchase of tangible fixed assets | | **(5,966)** | (4,458) |
| Proceeds from disposal of tangible fixed assets | | **93** | 595 |
| **Net cash outflow from capital expenditure and financial investment** | | **(5,873)** | (3,863) |
| **Acquisitions and disposals** | | | |
| Purchase of acquired businesses | 11 | **–** | (85,958) |
| Payments in relation to businesses acquired in prior periods, including costs | | **(6,034)** | – |
| Payment of deferred and contingent consideration | | **–** | (7,595) |
| Net cash acquired with subsidiaries | | **–** | 5,489 |
| **Net cash outflow from acquisitions and disposals** | | **(6,034)** | (88,064) |
| **Net cash outflow before financing** | | **(3,800)** | (87,192) |
| **Financing** | | | |
| Issue of share capital, including payment of share issue expenses | | **(860)** | 52,584 |
| Receipts from borrowings | 26 | **4,241** | 66,065 |
| Repayment of borrowings | 26 | **(202)** | (25,555) |
| Capital element of finance lease rentals | 26 | **–** | (31) |
| **Net cash inflow from financing** | | **3,179** | 93,063 |
| **(Decrease)/increase in cash in the year** | 26 | **(621)** | 5,871 |

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.

**Changes in accounting policies**

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

- FRS 21 "Events after the balance sheet date"
- FRS 25 "Financial Instruments: Disclosure and Presentation".

The directors consider that the adoption of these accounting standards has had no impact on either the current or prior year financial statements. Otherwise, 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's circumstances.

### b) Basis of consolidation

The group financial statements consolidate the accounts of the company and its subsidiary undertakings drawn up to 30 September 2006. 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, which excludes VAT and sales between group companies, represents the amounts derived from the provision of goods and services falling within the group's ordinary activities. Turnover in the period is recognised on the same day as a transaction occurs.

### d) Research and development

Product research and development expenditure is written off in the period in which it is incurred.

### e) 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.

### f) 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 – 14.3% to 33.3% per annum

### g) Investments
Investments are included at cost less amounts written off.

### h) 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 2006 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.

### i) Cash
Cash, for the purposes of the consolidated cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts repayable on demand.

### j) Stocks
Stocks are stated at the lower of cost and net realisable value. Provision is made for any obsolete, slow moving or defective items where appropriate.

### k) Debt
Debt is initially stated at the amount of the net proceeds after the deduction of arrangement fees. Debt arrangement fees are released to the profit and loss account over the term of the debt facility. The carrying amount is increased by the finance cost in respect of the financial period and reduced by the payments made in the period.

### l) 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.

### m) 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.

### n) 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.

### o) 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.

### p) Foreign currency
Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves. All other exchange differences are dealt with through the profit and loss account.

**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. An analysis of turnover by geographical market (by origin) is as follows:

| | 2006 £000 | 2005 £000 |
|---|---|---|
| United Kingdom | **88,117** | 59,229 |
| Europe | **9,754** | 1,823 |
| | **97,871** | 61,052 |

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

| | 2006 £000 | 2005 £000 |
|---|---|---|
| Auditors' remuneration: | | |
| – audit fees | | |
| – audit of parent company and group consolidated financial statements | **25** | 22 |
| – non-audit fees | | |
| – audit of subsidiary company financial statements | **72** | 60 |
| – tax services | **33** | 14 |
| – services relating to corporate finance transactions | **325** | – |
| – other services | **3** | – |
| Depreciation of tangible fixed assets: | | |
| – owned assets | **6,626** | 3,865 |
| – assets held under finance leases and hire purchase contracts | **–** | 187 |
| Amortisation of goodwill | **30,378** | 14,578 |
| Research and development expenditure | **11** | 46 |
| Operating lease rentals: | | |
| – land and buildings | **553** | 159 |
| – plant and machinery | **1,394** | 1,513 |
| Loss on disposal of fixed assets | **211** | 21 |
| Charges in respect of equity settled share based payments | **870** | 405 |

The services relating to corporate finance transactions relate to advice in respect of the reorganisation of the group following the acquisition of Moneybox plc.

The results disclosed as discontinued operations relate to the electronic purse payment and permissioning systems business which was disposed of on 19 October 2006, as disclosed in note 32. The contribution of this business to the results of the prior financial year is not considered to be material.

**3 Cost of sales and administrative expenses**

| | 2006 Continuing operations £000 | 2006 Discontinued operations £000 | 2006 Total £000 | 2005 Total £000 |
|---|---|---|---|---|
| Cost of sales | **64,698** | **2,703** | **67,401** | 47,916 |
| Amortisation of goodwill | **30,378** | **–** | **30,378** | 14,578 |
| Exceptional items | **1,817** | **144** | **1,961** | – |
| Other administrative expenses | **12,917** | **5,280** | **18,197** | 8,647 |
| Total administrative expenses | **45,112** | **5,424** | **50,536** | 23,225 |

## 4 Exceptional items

Exceptional items included within administrative expenses are summarised below:

| | 2006 £000 | 2005 £000 |
|---|---|---|
| Reorganisation and restructuring costs (i) | **1,542** | – |
| Other exceptional costs (ii) | **419** | – |
| *Total exceptional costs* | **1,961** | – |

(i) Reorganisation and restructuring costs relate to the reorganisation of the group and integration of Moneybox plc as well as including changes to the board of the directors which occurred during the year.

(ii) Other exceptional costs include £293,000 relating to insurance claims for cash losses from ATMs operated by the group where valid insurance cover was in place, but the underwriter refused to honour the claims in line with the policy conditions. The group is taking legal action to recover the outstanding monies from its insurance broker and has been advised there is a strong case in favour of the group. This category also includes £41,000 of costs relating to unsolicited takeover approaches and £85,000 in respect of losses incurred in Germany following the business failure of a cash in transit supplier.

## 5 Directors and employees

Staff costs during the year were as follows:

| | 2006 £000 | 2005 £000 |
|---|---|---|
| Wages and salaries | **9,562** | 4,493 |
| Social security costs | **1,054** | 466 |
| Pension costs | **148** | 124 |
| | **10,764** | 5,083 |

There were no staff costs during the year in respect of the parent company.

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

| | 2006 Number | 2005 Number |
|---|---|---|
| Administration and management | **285** | 122 |

The number of employees of the group as at 30 September, including directors, was as follows:

| | 2006 Number | 2005 Number |
|---|---|---|
| *Administration and management* | **265** | 323 |

Remuneration in respect of directors was as follows:

| | 2006 £000 | 2005 £000 |
|---|---|---|
| Emoluments and benefits in kind | **908** | 944 |
| Pension contributions | **61** | 38 |
| Compensation for loss of office | **198** | – |
| | **1,167** | 982 |

The remuneration of the highest paid director was £366,485 (2005: £485,000).

## 6 Net interest

| | 2006 £000 | 2005 £000 |
|---|---|---|
| Interest on bank loans and overdrafts | **5,035** | 1,549 |
| Hire purchase and finance lease interest | **–** | 2 |
| Bank interest receivable | **(160)** | (181) |
| | **4,875** | 1,370 |

## 7 Tax on loss on ordinary activities

### a) Charge in the year

There is no corporation tax charge for the year (2005: £Nil) due to the losses incurred. Trading losses in excess of £35 million 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% (2005: 30%) is explained below:

| | 2006 £000 | 2005 £000 |
|---|---|---|
| Loss on ordinary activities before tax | **(24,941)** | (11,459) |
| Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005: 30%) | **(7,482)** | (3,438) |
| Effects of: | | |
| Expenses not deductible for tax purposes | **4,606** | 1,426 |
| Depreciation in excess of capital allowances | **2,067** | 1,422 |
| Short term timing differences | **13** | 5 |
| *Trading losses* | **796** | *585* |
| Current tax charge for the year | **–** | – |

A potential deferred tax asset of £20,241,000 (2005: £13,519,000) (see note 20) has not been recognised in the financial statements. This asset will be recoverable to the extent that suitable profits arise in the future.

## 8 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 parent company has not traded during the year.

## 9 (Loss)/earnings per ordinary share

Basic loss per ordinary share and adjusted earnings per ordinary share (before amortisation of goodwill, exceptional items and share based payments) are calculated below. Adjusted earnings per share is shown by reference to earnings before goodwill amortisation, exceptional items and charges for share based payments since the directors consider that this gives a more meaningful measure of the underlying performance of the group.

| | 2006 (Loss)/ profit £000 | 2006 Weighted average ordinary shares in issue '000 | 2006 (Loss)/ earnings per ordinary share Pence | 2005 (Loss)/ profit £000 | 2005 Weighted average ordinary shares in issue '000 | 2005 (Loss)/ earnings per ordinary share Pence |
|---|---|---|---|---|---|---|
| Basic loss per share | **(24,987)** | **105,181** | **(23.76)** | (11,426) | 66,520 | (17.18) |
| Amortisation of goodwill, exceptional items and charges for share based payments | **33,209** | **–** | **–** | 14,983 | – | – |
| Adjusted earnings per share | **8,222** | **105,181** | **7.82** | 3,557 | 66,520 | 5.35 |

The basic loss per share can be analysed into that derived from continuing and discontinued operations as follows:

| | 2006 (Loss)/ profit £000 | 2006 Weighted average ordinary shares in issue '000 | 2006 (Loss)/ earnings per ordinary share Pence | 2005 (Loss)/ profit £000 | 2005 Weighted average ordinary shares in issue '000 | 2005 (Loss)/ earnings per ordinary share Pence |
|---|---|---|---|---|---|---|
| Basic loss per share | | | | | | |
| – continuing operations | **(25,137)** | **105,181** | **(23.90)** | (11,426) | 66,520 | (17.18) |
| – discontinued operations | **150** | **–** | **0.14** | – | – | – |
| | **(24,987)** | **105,181** | **(23.76)** | (11,426) | 66,520 | (17.18) |

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

| | 2006 Profit £000 | 2006 Weighted average ordinary shares in issue '000 | 2006 Earnings per ordinary share Pence | 2005 Profit £000 | 2005 Weighted average ordinary shares in issue '000 | 2005 Earnings per ordinary share Pence |
|---|---|---|---|---|---|---|
| Adjusted earnings per share | **8,222** | **105,181** | **7.82** | 3,557 | 66,520 | 5.35 |
| Dilutive effect of share options | | **4,294** | **–** | – | 3,193 | – |
| Diluted adjusted earnings per share | **8,222** | **109,475** | **7.51** | 3,557 | 69,713 | 5.10 |

# Notes to the consolidated financial statements *continued*

## 10 Fixed asset investments

| Company | Shares in group undertakings £000 |
|---|---|
| **Cost and net book amount** | |
| At 1 October 2005 and 30 September 2006 | **98,584** |

At 30 September 2006 the group held investments in the allotted share capital of a number of subsidiary undertakings. To avoid a statement of excessive length, non-trading subsidiary undertakings have not been disclosed. A complete list of subsidiaries is filed with the Annual Return at Companies House.

| Subsidiary undertaking | Principal activity | Percentage of ordinary share capital held Group | Company | Country of incorporation |
|---|---|---|---|---|
| Cardpoint Group plc | Intermediate holding company | 100% | 100% | United Kingdom |
| Cardpoint Services Limited | Ownership and operation of an independent estate of ATMs | 100% | – | United Kingdom |
| Cardpoint Merchant Services Limited | Ownership and operation of an estate of mobile phone top-up terminals | 100% | – | United Kingdom |
| Cardpoint Remote Limited | Ownership and operation of an independent estate of ATMs | 100% | – | United Kingdom |
| Cardpoint GmbH | Ownership and operation of an independent estate of ATMs | 100% | – | Germany |
| Cardpoint Technical Services Limited | Maintenance and repair of ATMs | 100% | – | United Kingdom |
| Moneybox Limited | Intermediate holding company | 100% | 100% | United Kingdom |
| Moneybox Holdings Limited | Intermediate holding company | 100% | – | United Kingdom |
| Moneybox Corporation Limited | Ownership and operation of an independent estate of ATMs | 100% | – | United Kingdom |
| Moneybox Netherlands BV | Ownership and operation of an independent estate of ATMs | 51% | – | Netherlands |
| Moneybox Deutschland GmbH | Ownership and operation of an independent estate of ATMs | 100% | – | Germany |
| G2 Limited | Intermediate holding company | 100% | – | United Kingdom |
| Transacsys Limited | Intermediate holding company | 94% | – | United Kingdom |
| *Girovend Holdings Limited** | *Intermediate holding company* | *100%* | – | *United Kingdom* |
| G2 Integrated Solutions Limited* | Development, sale, distribution and support of computer controlled electronic purse payment and permissioning systems | 100% | – | United Kingdom |
| Gironet International Limited* | Development, sale, distribution and support of computer controlled electronic purse payment and permissioning systems | 100% | – | United Kingdom |

* The group has disposed of these subsidiary undertakings since the year end (see note 32).

## 11 Acquisitions

### Prior year acquisition

During the year ended 30 September 2005, the group acquired the entire issued share capital of Moneybox plc for an estimated total consideration of £90.5 million including costs of £2.1 million. Provisional estimates of the fair values of the assets and liabilities acquired and goodwill arising on the transaction were included in the financial statements for the year ended 30 September 2005. Those estimates were provisional due to the close proximity of the acquisition to the group's financial year end. During the year ended 30 September 2006 in the light of further information becoming available with respect to the fair values of tangible fixed assets and stock, the recoverability of debtor balances and the identification of additional liabilities, the directors have amended their provisional estimates of the fair values of assets and liabilities acquired and the goodwill arising on the acquisition as follows:

| | £000 |
|---|---|
| Tangible fixed assets | (3,241) |
| Stocks | (2,577) |
| Debtors | (752) |
| Creditors | (722) |
| | (7,292) |
| Minority interests (see note 24) | 300 |
| Increase in purchased goodwill capitalised (see note 12) | **(6,992)** |

## 12 Intangible fixed assets

### Group

| | Purchased *goodwill* £000 |
|---|---|
| **Cost** | |
| At 1 October 2005 | 144,481 |
| Adjustments (see note 11) | 6,992 |
| **At 30 September 2006** | **151,473** |
| **Amortisation** | |
| At 1 October 2005 | 20,070 |
| Charge for the year | 30,378 |
| **At 30 September 2006** | **50,448** |
| **Net book amount** | |
| **At 30 September 2006** | **101,025** |
| **Net book amount** | |
| At 30 September 2005 | 124,411 |

# Notes to the consolidated financial statements continued

## 13 Tangible fixed assets

| Group | ATMs and other equipment £000 |
|---|---|
| **Cost** | |
| At 1 October 2005 | 41,320 |
| Additions | 8,037 |
| Transfer to current assets | 417 |
| Fair value adjustment (see note 11) | (3,241) |
| Disposals | (565) |
| **At 30 September 2006** | **45,968** |
| **Depreciation** | |
| At 1 October 2005 | 9,309 |
| Charge for the year | 6,626 |
| Transfer to current assets | (58) |
| Disposals | (261) |
| **At 30 September 2006** | **15,616** |
| **Net book amount** | |
| **At 30 September 2006** | **30,352** |
| **Net book amount** | |
| At 30 September 2005 | 32,011 |

## 14 Stocks

| | Group | |
|---|---|---|
| | **2006 £000** | 2005 £000 |
| Raw materials and consumables | **1,080** | 1,532 |
| Work in progress | **–** | 42 |
| Finished goods | **391** | 2,486 |
| | **1,471** | 4,060 |

## 15 Debtors

| | Group | | Company | |
|---|---|---|---|---|
| | **2006 £000** | 2005 £000 | **2006 £000** | 2005 £000 |
| Trade debtors | **4,121** | 3,956 | **–** | – |
| Amounts owed by group undertakings | **–** | – | **2,595** | 199 |
| Prepayments and accrued income | **2,852** | 5,172 | **–** | – |
| Corporation tax recoverable | **–** | 4 | **–** | 4 |
| Other debtors | **1,994** | 2,237 | **19** | 48 |
| | **8,967** | 11,369 | **2,614** | 251 |

## 16 Cash at bank and in hand

**Group**

Included within cash at bank and in hand is an amount of £786,826 (2005: £1,183,112) held in a trust account. The monies held in this account, which is administered by the group's payment collection agent, are designated for payment to suppliers.

## 17 Creditors: amounts falling due within one year

| | Group | | Company | |
|---|---|---|---|---|
| | **2006** | 2005 | **2006** | 2005 |
| | **£000** | £000 | **£000** | £000 |
| Trade creditors | **11,145** | 10,411 | **–** | – |
| Amounts owed to group undertakings | **–** | – | **–** | 1,753 |
| Bank overdrafts (see note 19) | **–** | 56 | **–** | – |
| Bank loans (see note 19) | **7,403** | 4,903 | **–** | – |
| Other loans (see note 19) | **220** | 220 | **–** | – |
| Corporation tax | **3** | 3 | **–** | – |
| Social security and other taxes | **614** | 1,115 | **–** | – |
| Accruals and deferred income | **7,144** | 11,037 | **–** | – |
| Other creditors | **6,857** | 13,771 | **25** | 5,642 |
| | **33,386** | 41,516 | **25** | 7,395 |

## 18 Creditors: amounts falling due after more than one year

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | **£000** | £000 |
| Bank loans (see note 19) | **63,016** | 61,178 |
| Other loans (see note 19) | **183** | 385 |
| | **63,199** | 61,563 |

Borrowings are repayable as follows:

| | Group | |
|---|---|---|
| | **2006** | 2005 |
| | **£000** | £000 |
| Within one year | | |
| – Bank overdraft | **–** | 56 |
| – Bank loans | **7,403** | 4,903 |
| – Other loans | **220** | 220 |
| | **7,623** | 5,179 |
| After one and within two years | | |
| – Bank loans | **8,403** | 7,403 |
| – Other loans | **183** | 220 |
| | **8,586** | 7,623 |
| After two and within five years | | |
| – Bank loans | **54,613** | 29,209 |
| – Other loans | **–** | 165 |
| | **54,613** | 29,374 |
| After more than five years | | |
| – Bank loans | **–** | 24,566 |
| | **70,822** | 66,742 |

## 19 Financial instruments

An explanation of the group's objectives, policies and strategies for the role of derivatives and other financial instruments in creating and managing the risks of the group in its activities can be found on page 14 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:

| | 2006 Sterling £000 | 2006 Euro £000 | 2006 Total £000 | 2005 Sterling £000 | 2005 Euro £000 | 2005 Total £000 |
|---|---|---|---|---|---|---|
| Floating rate financial assets | **5,666** | **859** | **6,525** | 7,571 | 147 | 7,718 |
| Financial assets earning no interest | **809** | **710** | **1,519** | 211 | 792 | 1,003 |
| | **6,475** | **1,569** | **8,044** | 7,782 | 939 | 8,721 |

The financial assets earning no interest are immediately accessible by the company.

Interest on Sterling floating rate financial assets is linked to the Bank of England base rate and interest on Euro floating rate financial assets is linked to EURIBOR.

### Interest rate risk profile of financial liabilities

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

| | 2006 Sterling £000 | 2006 Euro £000 | 2006 Total £000 | 2005 Sterling £000 | 2005 Euro £000 | 2005 Total £000 |
|---|---|---|---|---|---|---|
| Floating rate financial liabilities | **69,531** | **888** | **70,419** | 65,169 | 968 | 66,137 |
| Financial liabilities on which no interest is paid | **403** | **-** | **403** | 605 | – | 605 |
| | **69,934** | **888** | **70,822** | 65,774 | 968 | 66,742 |

### 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 2006.

### Borrowing facilities

The group has banking facilities under which Bank of Scotland plc will make available up to £70,000,000 under a secured senior term loan, up to £4,000,000 under a revolving facility agreement and up to £1,000,000 under an overdraft facility. At 30 September 2006, £70,000,000 had been drawn down under the term loan of which £7,500,000 is due to be paid within one year and the balance in instalments up to 26 August 2011, £888,000 had been drawn down under the revolving facility which is due to be repaid by 26 August 2011 and nothing was outstanding under the overdraft facility. The term loan and revolving facility agreements contain financial covenants and other obligations where, if the group fails to comply therewith, Bank of Scotland plc may withdraw its facilities and/or terminate its obligation to fund and require repayment of sums due to it.

Interest is payable at the aggregate of LIBOR (or EURIBOR for amounts borrowed in Euros), the mandatory costs rate and 2.25% per annum on both the term loan and revolving facility and at the aggregate of the Bank of Scotland plc base rate and 2.25% per annum on the overdraft facility. All the facilities are secured by a debenture giving Bank of Scotland plc security over certain assets of the group.

**19 Financial instruments** (continued)
In addition the group has an interest free term loan, repayable in equal monthly instalments up to June 2008. It is secured by a chattel mortgage over specific ATM assets to which it relates. As at 30 September 2006, £403,000 was outstanding under this loan.

The company's policies for managing interest rate risk are to use a combination of both fixed and floating facilities where approximately 60% of borrowings which consist of term loans are subject to an interest rate hedging agreement. This provides an opportunity to benefit from lower interest rates but also protect against higher interest rates in the form of an interest rate cap. The hedging arrangement represents an interest rate swap with a rate of 4.85% unless three month LIBOR exceeds 5% when the rate is 0.15% below three month LIBOR, up to a cap of 5.5%. The capital value of the hedging arrangement is on a reducing balance basis in line with the projected repayments on the medium term bank loan.

At 30 September 2006 the fair value of the hedging arrangement is not considered to be material.

***20 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 | |
|---|---|---|
| | **2006 £000** | 2005 £000 |
| Capital allowances | **7,754** | 3,199 |
| Tax losses | **12,449** | 10,224 |
| Other timing differences | **38** | 96 |
| | **20,241** | 13,519 |

**21 Called up share capital**

| | **2006 £000** | 2005 £000 |
|---|---|---|
| **Authorised** | | |
| 240,000,000 (2005: 240,000,000) *ordinary shares of 5p each* | **12,000** | 12,000 |
| **Allotted, issued and paid** | | |
| 105,486,350 (2005: 105,115,504) ordinary shares of 5p each | **5,274** | 5,256 |

On various dates during the year the company issued ordinary shares, for cash, to satisfy the exercise of share options by members of staff. The total number of such shares issued was 240,000. The total proceeds were £112,000 and the difference between those proceeds and the nominal value of £12,000 has been credited to the share premium account.

In addition, a number of shares have been issued under a Share Incentive Plan. The total number of shares issued in the year was 130,846. The total proceeds were £131,234 and the difference between those proceeds and the nominal value of £6,542 has been credited to the share premium account.

A number of share options have been granted to directors and these are detailed in the directors' remuneration report. In addition, options over 825,111 ordinary shares have been granted to employees under the Cardpoint plc EMI Scheme. These options are exercisable between June 2006 and May 2014 at exercise prices of between 5p and 125p. Unapproved options over a further 1,905,651 ordinary shares have been granted to certain employees and these options *are exercisable between October 2005 and December 2015 at exercise prices of between 5p and 125p. Options over a* further 288,640 shares have been granted to certain employees under the Cardpoint CSOP. These options are exercisable between December 2008 and December 2015 at an exercise price of 71.75p. Options over a further 892,769 shares have been granted to certain employees under a Long Term Incentive Plan. These options are exercisable between March 2009 and March 2016 at an exercise price of 5p.

In total, as at 30 September 2006, there were options outstanding over 6,537,125 ordinary shares (2005: 5,077,735).

## 22 Share premium account and reserves

**Group**

| | Share premium account £000 | Merger reserve £000 | Profit and loss account £000 |
|---|---|---|---|
| At 1 October 2005 | 88,154 | 354 | (16,630) |
| Retained loss for the financial year | – | – | (24,987) |
| Credit for equity settled share based payments | – | – | 805 |
| Foreign currency differences | – | – | (26) |
| Issue of share capital | 225 | – | – |
| **At 30 September 2006** | **88,379** | **354** | **(40,838)** |

**Company**

| | Share premium account £000 | Merger reserve £000 | Profit and loss account £000 |
|---|---|---|---|
| At 1 October 2005 | 95,674 | – | – |
| Issue of share capital | 225 | – | – |
| **At 30 September 2006** | **95,899** | **–** | **–** |

## 23 Reconciliation of movements in shareholders' funds

**Group**

| | 2006 £000 | 2005 £000 |
|---|---|---|
| Retained loss for the financial year | **(24,987)** | (11,426) |
| Credit for equity settled share based payments | **805** | 405 |
| Foreign currency differences | **(26)** | 217 |
| Issue of share capital (net of expenses) | **243** | 51,546 |
| | **(23,965)** | 40,742 |
| *Opening shareholders' funds* | **77,134** | *36,392* |
| **Closing shareholders' funds** | **53,169** | 77,134 |

**Company**

| | 2006 £000 | 2005 £000 |
|---|---|---|
| Issue of share capital (net of expenses) | **243** | 51,546 |
| Opening shareholders' funds | **100,930** | 49,384 |
| **Closing shareholders' funds** | **101,173** | 100,930 |

## 24 Minority interests

**Group**

| | £000 |
|---|---|
| At 1 October 2005 | 359 |
| Minority share of adjustments to goodwill (see note 11) | (300) |
| Minority share of loss for the financial period | 46 |
| **At 30 September 2006** | **105** |

The above minority interests relate to a 49% holding in Moneybox Netherlands BV and a 6% holding in Transacsys Limited.

## 25 Reconciliation of operating loss to net cash inflow from operating activities

| | 2006 £000 | 2005 £000 |
|---|---|---|
| Operating loss | **(20,066)** | (10,089) |
| Depreciation | **6,626** | 4,052 |
| Loss on disposal of fixed assets | **211** | 21 |
| Amortisation of goodwill | **30,378** | 14,578 |
| Equity settled share based payments | **870** | 405 |
| Foreign currency differences | **(26)** | 217 |
| Increase in stocks | **(463)** | (342) |
| Decrease/(increase) in debtors | **1,598** | (1,965) |
| Decrease in creditors | **(6,247)** | (788) |
| **Net cash inflow from operating activities** | **12,881** | 6,089 |

## 26 *Reconciliation of net cash flow to movement in net debt*

| | 2006 £000 | 2005 £000 |
|---|---|---|
| (Decrease)/increase in cash in the year | **(621)** | 5,871 |
| Cash outflow from finance leases | **–** | 31 |
| Receipts from borrowings | **(4,241)** | (66,065) |
| Repayment of borrowings | **202** | 25,555 |
| **Movement in net debt arising from cash flows** | **(4,660)** | (34,608) |
| *Loans acquired with subsidiary undertaking* | **–** | *(13,160)* |
| Other non-cash movements | **(97)** | (16) |
| **Movement in net debt** | **(4,757)** | (47,784) |
| Opening net debt | **(58,021)** | (10,237) |
| **Closing net debt** | **(62,778)** | (58,021) |

## 27 Analysis of changes in net debt

| | At 1 October 2005 £000 | Cash flow £000 | Other non-cash movements £000 | At 30 September 2006 £000 |
|---|---|---|---|---|
| Cash at bank and in hand | 8,721 | (677) | – | **8,044** |
| Bank overdrafts | (56) | 56 | – | **–** |
| | 8,665 | (621) | – | **8,044** |
| Bank loans | (66,081) | (4,241) | (97) | **(70,419)** |
| Other loans | (605) | 202 | – | **(403)** |
| | (58,021) | (4,660) | (97) | **(62,778)** |

Non-cash movements relate to the release of deferred bank facility arrangement fees.

# Notes to the consolidated financial statements continued

## 28 Operating lease commitments

Operating lease payments amounting to £891,000 (2005: 2,087,000) are due within one year. The leases to which these amounts relate expire as follows:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | **Land and buildings** | **Other** | Land and buildings | Other |
| Within one year | **35** | **456** | 17 | 883 |
| Between one and five years | **307** | **93** | 392 | 795 |
| | **342** | **549** | 409 | 1,678 |

## 29 Capital commitments

The group and company had no capital commitments at 30 September 2006 (2005: £Nil).

## 30 Contingent assets and liabilities

The group had no material contingent liabilities at 30 September 2006 (2005: £Nil).

There is an unlimited bank cross guarantee arrangement between the members of the group headed by Cardpoint plc. The maximum potential liability to the company at 30 September 2006 was £70,888,000 (2005: £66,697,000).

As disclosed in note 4, during the year the group suffered a loss of £293,000 relating to insurance claims for cash losses from ATMs operated by the group where valid insurance cover was in place, but the underwriter refused to honour the claims in line with the policy conditions. The group is taking legal action to recover the outstanding monies from its insurance broker and has been advised there is a strong case in favour of the group. No account has been taken in the financial statements of any potential benefit arising from this action.

## 31 Related party transactions

*During the year, open market rent of £18,000 (2005: £18,000) was paid to John Mills, the father of M R Mills, and* £106,000 (2005: £90,000) to Airport Properties Limited, a company in which M R Mills has an interest, in respect of certain properties occupied by the group. At 30 September 2006, £71,000 (2005: £60,000) was prepaid in relation to this rent.

## 32 Post balance sheet event

On 19 October 2006, the group disposed of its electronic purse payment and permissioning systems business for an initial cash consideration of £3,100,000, with further contingent consideration of up to £100,000 receivable subject to the satisfaction of certain criteria.

# Officers and advisers

**Registered and Head Office**
Transaction House
Skyways Commercial Campus
Amy Johnson Way
Blackpool
Lancashire FY4 3RS

**German Office**
Hanauer Landstrasse 146
60314 Frankfurt am Main
Germany

**Netherlands Office**
De Ruyterkade 6
1013 AA Amsterdam
Postbus 46
1000 AA Amsterdam
The Netherlands

**Company Secretary**
R A Gregson

**Registration Number**
04098226

**Advisers**

**Solicitors**
Halliwells LLP
St James's Court
Brown Street
Manchester M2 2JF

Ashurst
Oberlindau 76-78
60323 Frankfurt am Main
Germany

**Nominated Adviser and Broker**
Panmure Gordon & Co.
155 Moorgate
London
EC2M 6XB

**Financial Adviser**
N M Rothschild
82 King Street
Manchester
M2 4WQ

**Principal Bankers**
Bank of Scotland
Corporate Banking
155 Bishopsgate
London
EC2M 3YB

**Public Relations Consultants**
Financial Dynamics
26 Southampton Buildings
London WC1A 2PB

**Auditors**
Grant Thornton UK LLP
Heron House
Albert Square
Manchester M60 8GT

**Registrars**
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the annual general meeting of the Company will be held at the offices of Cardpoint plc, 5th Floor, 75 Farringdon Road, London EC1M 3JY on 23 January 2007 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 2006 and the auditors' report thereon.
2. To reappoint the retiring auditors, Grant Thornton UK LLP, and to authorise the directors to determine the auditors' remuneration.
3. To re-elect Peter Smyth as a director who retires in accordance with the Company's articles of association.
4. To ratify the appointment of Bob Thian as a director of the Company.
5. To ratify the appointment of David Golden as a director of the Company.
6. To ratify the appointment of David Mills as a director of the Company.
7. To ratify the appointment of Lee Ginsberg as a director of the Company.

**Special Business**

To consider and, if thought fit, pass the following resolutions, of which resolution 8 will be proposed as an ordinary resolution and resolution 9 as a special resolution:

8. **THAT** for the purposes of and pursuant to section 80 of the Companies Act 1985 (the "Act") the directors be and they are hereby 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 £2,000,000 (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.

9. **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 8 above 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 or equity securities up to an aggregate nominal amount of the greater of £265,000 or 5% of the current issued share capital of the Company.

Registered Office:
Transaction House
Skyways Commercial Campus
Amy Johnson Way
Blackpool
Lancashire
FY4 3RS

Dated 20 December 2006

By order of the Board

R A Gregson

Company Secretary

**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 21 January 2007. 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.

**Cardpoint plc**

# Proxy for use at Annual General Meeting

Please insert full name — I/ We..........................................................................................................
(Please use block letters)

and address — of..........................................................................................................

being member(s) of Cardpoint plc (the "company"), hereby appoint the Chairman of the Annual General Meeting (the "AGM")

*or (see note 1)*..........................................................................................................

as my/our proxy to vote for me/us and on my/our behalf at the AGM of the company to be held at 10.00 am on 23 January 2007 at the offices of Cardpoint plc, 5th Floor, 75 Farringdon Road, London EC1M 3JY and at any adjournment thereof.

I/we request such proxy to vote on the following resolutions as mentioned below (see note 2).

| **ORDINARY BUSINESS** | | **For** | **Against** |
|---|---|---|---|
| **Resolution 1** | To receive and consider the financial statements for the period ended 30 September 2006 and the reports of the directors and auditors thereon. | | |
| **Resolution 2** | To re-appoint the retiring auditors of Grant Thornton UK LLP as auditors of the company and authorise the directors to determine their remuneration. | | |
| **Resolution 3** | To re-elect Peter Smyth as a director of the company. | | |
| ***Resolution 4*** | *To ratify the appointment of Bob Thian as a director of the company.* | | |
| **Resolution 5** | To ratify the appointment of David Golden as a director of the company. | | |
| **Resolution 6** | To ratify the appointment of David Mills as a director of the company. | | |
| **Resolution 7** | To ratify the appointment of Lee Ginsberg as a director of the company. | | |
| **SPECIAL BUSINESS**<br>**Ordinary Resolution** | | | |
| **Resolution 8** | To authorise the directors to allot relevant securities (for the purposes of and pursuant to section 80 (1) of the Companies Act 1985 ("the Act") up to an aggregate nominal amount of £2,000,000. | | |
| **Special Resolution**<br>**Resolution 9** | To authorise the directors of the company to allot equity securities for otherwise than on a pre-emptive basis on the circumstances as set out in the notice of the AGM. | | |

Signature .......................................................................... (see note 3) Dated this ....................day of ...............................2007
Joint holders (if any) (see note 5)

Name .......................................................................... Name..........................................................................

Name .......................................................................... Name..........................................................................

**Notes:**

1. If you wish to appoint some other person as your proxy please insert his/her name and address, initial and strike out the words "the Chairman of the Annual General Meeting (the "AGM")". A proxy need not be a member of the company. Appointing a proxy will not preclude you from personally attending and voting at the meeting (in substitution for your proxy vote) if you subsequently decide to do so. If no name is entered, the return of this form, duly signed, will authorise the Chairman of the meeting to act as your proxy.
2. Please indicate with an X in the appropriate box how you wish your vote to be cast. Unless otherwise instructed the proxy will exercise his/her discretion as whether, and if so how he/she will vote unless instructed otherwise, the proxy may also vote or abstain from voting as he or she thinks fit on any other business which may properly come before the meeting (including amendments to resolutions).
3. This form of proxy must, in the case of an individual, be signed by the appointer or his/her attorney or, in the case of a corporation, be given under its common seal or signed on its behalf by an attorney or a duly authorised officer or, if it is subject to the Companies Act 1985 (as amended), in accordance with section 36A thereof.
4. To be valid this form of proxy and any power of attorney or other authority under which it is executed (or a duly notarised copy thereof) must be lodged with the registrars of the company, Capita Registrars, Proxy Department, P.O. Box 25, Beckenham, Kent, BR3 4BR not less than 48 hours before the time appointed for the meeting, or adjourned meeting at which it is to be used.
5. In the case of joint holders of a share the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the statutory register of members in respect of the share.
6. Any alteration in this form of proxy must be initialled by the person in whose hand it is signed or executed.
7. As permitted by regulation 41 of the Uncertificated Securities Regulations 2001, only those persons whose names are entered on the register of the company at 10.00 am on 21 January 2007 shall be entitled to attend and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and/or vote at the meeting.

Second Fold

BUSINESS REPLY SERVICE
Licence No. MB 122

1

**CAPITA IRG Plc**
**Proxy Department**
**PO Box 25**
**Beckenham**
**Kent**
**BR3 4BR**

First Fold

Third Fold

**www.cardpointplc.com**

**UK office**
Transaction House
Skyways Commercial Campus
Amy Johnson Way
Blackpool
Lancashire FY4 3RS
United Kingdom

Tel: +44(0) 1253 361300
Fax: +44(0) 1253 361301

**German office**
Hanauer Landstrasse 146
60314 Frankfurt am Main
Germany

Tel: +49(0) 694 056 4911
Fax: +44(0) 845 280 3056

**Netherlands office**
De Ruyterkade 6
1013 AA Amsterdam
Postbus 46
1000 AA Amsterdam
The Netherlands

Tel: +31 20 5206180
Fax: +31 20 5206189