CARDPOINT LIMITED 04098226

FORMERLY CALLED

(Cardpoint plc)

Annual report and financial statements

30 September 2007

Contents

Three year review

Three year summary profit and loss account

	2007	Restated 2006	Restated 2005
	£000	£000	£000
Turnover	**88,525**	97,871	61,052
EBITDA before exceptional items and charges for share based payments	**21,681**	19,769	8,946
Depreciation	**(7,668)**	(6,626)	(4,052)
Goodwill amortisation and impairment	**(33,868)**	(30,378)	(14,578)
Exceptional items	**(4,568)**	(1,961)	-
Charge for share based payments	**(1,626)**	(1,492)	(690)
Net interest	**(5,791)**	(4,875)	(1,370)
Loss on ordinary activities before taxation	**(31,840)**	(25,563)	(11,744)
Profit before tax, goodwill amortisation, exceptional items and share based payments	**8,222**	8,268	3,524
Adjusted earnings per share (before goodwill amortisation and exceptional items)	**5.72p**	6 40p	4 31p

Three year summary balance sheet

	2007	2006	2005
Intangible fixed assets	**78,499**	101,025	124,411
Tangible fixed assets	**37,181**	30,352	32,011
Current assets	**14,586**	18,482	24,150
Current liabilities	**(26,662)**	(33,386)	(41,516)
Long term liabilities	**(76,552)**	(63,199)	(61,563)
Provisions	**(2,136)**	-	-
Net assets	**24,916**	53,274	77,493

Financial calendar

Extraordinary General Meeting 12 November 2007

Directors and advisers

Bob Thian, age 64 – Executive 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

Paul Saxton, age 43 – Group Chief Operating Officer

Paul joined Cardpoint plc in December 2006 Previously, he held the positions of Retail Managing Director at Bradford and Bingley Plc, President of Nomi SA and Director of International at B&Q Plc

Philip Lanigan, age 43 – Group Finance Director

Philip joined Cardpoint plc on 2 April 2007 and was appointed as a Director on 16 April 2007 and is responsible for the Group's financial management, controls and reporting systems He qualified as a Chartered Accountant in 1988 with Price Waterhouse and is also a Chartered Tax Advisor Prior to commencing with Cardpoint, Philip was Finance Director for a number of private equity backed companies His last two appointments were with NES Group Limited and NNC Holdings Limited

Peter Smyth, age 55 – Deputy Chairman

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 a member of the Audit and Remuneration Committees

David Mills, age 63 – Senior Independent Non-executive Director

David is the Senior Independent Non-Executive Director of Cardpoint plc He is also the Chairman of MyHomeMove plc, the home conveyancing company, a Trustee of the Royal Association for Disability and Rehabilitation, and a Vice-President of Vitalise David chairs and advises smaller growing companies and gives strategic advice to major companies needing significant change as well as those growing organically David was the Chief Executive of the Post Office and a director of Royal Mail Holdings plc for four years before joining Cardpoint Prior to the Post Office, David spent 40 years with first Midland Bank plc and then HSBC Bank plc in the UK directing, managing and controlling the Personal Banking Sector He also conceived and established First Direct David is a Fellow of the Chartered Institute of Bankers and a Distinguished Sloan Fellow of the London Business School He is a member of the Remuneration Committee

Lee Ginsberg, age 50 – Non-executive Director

Lee is presently Finance Director and Company Secretary of Domino's Pizza UK & Ireland plc He was previously Finance Director at Health Club Holding Limited, formally Holmes Place plc, and had an 18 month reign as Deputy Chief Executive & Finance Director of the public company Lee's decisive step from the fitness world to the UK and Ireland's leading pizza delivery business was prompted by Domino's increasing brand strength and growing popularity as part of consumers' in-home portfolio Born and educated as a chartered accountant in South Africa, Lee moved to the UK in 1993 after being transferred to a new post within the Anglo American Group He is the Chairman of the Audit Committee and a member of the Remuneration Committee

David Golden, age 67 – Non-executive Director

David is presently Chairman of Altrix Healthcare plc and MPSL Group of companies and he is also Non-Executive Director of Southern Water Services Limited He was formerly the director responsible for Capital Program outsourcing and delivery at BNFL and Northwest Water Group Controller at AMEC plc and Deputy Chairman of William Hare Limited, and he is a Justice of the peace David is Chairman of the Remuneration Committee

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Chairman's Statement

I am pleased to report Cardpoint's results for the year ended 30 September 2007, a period of significant restructuring and repositioning for the business The Company disposed of its non-core operations to focus on the business of owning and operating Automated Teller Machines ("ATM") The Company also has been active in the continuing consolidation of the Independent ATM Deployment ("IAD") market with the £12 9 million acquisition of the ATM business of Travelex UK Limited and Travelex ATMs Limited in April 2007 On 28 September, we announced the proposed merger with alphyra Holdings Limited ("alphyra") to create a leading European consumer payments and cash distribution group The merger is expected to complete on 5 December 2007

Cardpoint performed well in challenging market conditions In common with other IADs revenues per ATM were down on prior year The usage of a charging cash machine is a convenience purchase, and the tightening UK consumer economic environment and the poor summer weather reduced transaction volumes

Revenues from the ATM business for the year were £87 0 million (2006 £84 1 million), up 3 5%, including a £7 9 million contribution from Travelex EBITDA* increased 9 7% to £21 7 million (2006 £19 8 million) as the removal of loss making machines and control over direct costs contributed to an improvement in the margins earned by the Company The increased depreciation charges, higher share based payments and costs of financing the debt resulted in profit before tax** decreasing by 2 7% to £6 6 million (2006 £6 8 million) Adjusted earnings per share** decreased to 5 72 pence per share (2006 6 40 pence per share), impacted by the increased number of shares in issue

During the year, Cardpoint has focussed on improving the quality of its estate both in terms of improving locations to target high retail footfall, as well as increasing the proportion of Through-The-Wall ("TTW") machines as their 24 hour availability delivers a significantly higher transaction volume than other types of cash machine We now operate cash machines for most of the UK's petrol station operators, large convenience retailers and leisure industry operators and are continuing to expand our estate at key transport locations

The Company has several hundred sites signed up for ATMs However, the rate at which these were installed was disappointing in the early part of the financial year falling short of our expectations The installation rate has improved over the past three months and is increasing, but it still takes significantly longer to install a TTW machine than other types of machine

The integration of the Travelex estate has progressed well and the business contributed £1 2 million of EBITDA since its acquisition We have been successful in reducing operating costs by transferring a number of services onto Cardpoint contractual terms Prior to the acquisition the estate incurred attack loss costs significantly higher than that experienced by Cardpoint I am pleased to report that through a series of security enhancement measures, we are starting to experience an improved trend in the costs of criminal attack on this estate

Our German business units continued to make progress over the past twelve months We added an additional 94 machines to our estate over the past twelve months and now have approximately 900 machines in Germany All of these machines are now operational through sponsorship arrangements with GE Money Bank (Germany) and these arrangements have been re-negotiated and now run until 2013

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

G2 Integrated Solutions Limited, a company which provides cashless payment and access control systems, was sold to G4Tech in October 2006 for £3 2 million In March 2007, Cardpoint Merchant Services Limited, which provides the service for mobile phone top ups, was sold to alphyra UK Limited for an initial consideration of £0 7 million with further consideration contingent on future sales A decision was taken in January 2007 to close the loss-making Netherlands business

Outlook

The Company has been transitioned over the past year into a focussed ATM operator seeking to maximise profit rather than revenue from its estate This has delivered growth despite the more challenging economic climate and competitive environment in which we operate There is a strong pipeline of retail sites awaiting the installation of a TTW, with growth expected to come from increasing the size of our high quality estate and the longer installation cycle for TTWs determining the speed of that growth

The merger with alphyra, to create Payzone plc, will present a number of additional growth opportunities alphyra has a strong presence in the retail market and the complementary nature of its services presents a significant opportunity for Cardpoint to deploy additional machines in its core UK and German markets as well as offering openings in new European markets There are also cost synergies in putting the two businesses together

Finally, I would like to express my thanks to the Cardpoint management team for their unstinting efforts over the past year

Bob Thian
Chairman
1 November 2007

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

* Before goodwill amortisation and exceptional items

Financial Review

Group results

Turnover, excluding businesses discontinued or sold, was up £3 0 million (3 5%) including turnover of £7 9 million from the ATMs acquired from Travelex Revenue from the existing Cardpoint estate was down £5 0 million (5 9%) on the prior year due to the Group's focus on improving the quality of its estate by removing a number of poorly performing machines which delivered revenue but contributed little profit, and the loss of the contract with Esso which ceased in March 2007 The businesses sold or discontinued in the current financial year contributed £1 5m (2006 £13 8m) to turnover in the financial year

Operating profit before exceptional items, depreciation, goodwill amortisation and impairment and charges for share based payments (EBITDA) increased by 9 7% to £21 7 million with the ATMs acquired from Travelex contributing £1 2 million to Group EBITDA Profit before tax, goodwill amortisation, and exceptional items fell to £6 6 million compared to £6 8 million in 2006 due to the increased depreciation charges, debt costs and share based payments

These measures of performance are considered before goodwill amortisation, which is presently written off over five years The policy is prudent but the varying amounts of amortisation have the effect of distorting a like for like comparison of pre-tax profit in assessing the financial performance of the company

The results were satisfactory given the tougher trading conditions experienced over the past year The Group has worked hard to improve the quality of the estate and control the direct costs of the business This has assisted in improving the margins of the business with operating margins increasing from 13 3% to 14 3%

A number of organisational changes have been made over the past year to improve the operational efficiency of the business and ensure that we achieve the cost benefits from operating an estate of 6,000 machines These include changes in management structure, reporting responsibilities and process to better focus our resource on improving the profitability of the estate This reorganisation was instrumental in ensuring the smooth integration of Travelex into the Group The Group has grown by acquisition and there remains further scope to rationalise costs and achieve further cost synergies as long term contracts inherited as part of the acquired businesses expire over the next two years

During the year, careful management of our cash requirements has enabled the Group to improve its direct costs for use of bank notes despite the increase in bank base rates In addition, the work undertaken on security measures over the past two years has continued to benefit the Group with a reduced cost from criminal attacks on our machines

After goodwill amortisation and impairment of £33 9 million (2006 £30 4 million), the result for the year was a loss before tax of £31 8 million compared to a loss of £25 6 million in 2006, the increase being a result of the exceptional charges (£4 6 million) incurred in the period (2006 £2 0 million)

Interest charges and taxation

Interest charges show a significant increase from £4 9 million to £5 8 million The financing costs include the amortisation of debt issue costs of £0 2 million (2006 £0 1 million) The increase is attributable to the increases in UK interest rates over the past 18 months and the additional debt taken on to finance the Travelex acquisition Group borrowings are at variable interest rates although 45% of the term loan is covered by interest rate hedging arrangements

The tax charge for the year arises in Germany where the increasing profitability of the business exceeds the value of the tax losses that can be utilised in each fiscal year In the UK no tax charge arises for the year and there are in excess of £40 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 and exceptional items have decreased from 6 40p last year to 5 72p, a change of 0 68p per share 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 28 88p compared to a loss of 24 35p last year This increase in the loss per share is primarily due to higher levels of depreciation, goodwill amortisation and financing charges this year, together with an increase in the number of shares in issue As in previous years the Company does not propose to pay a dividend although the Board will keep this situation under review as the underlying profitability of the business continues to improve

Exceptional items

The profit and loss account includes exceptional items of £4 6m of which £3 0m relates to the costs incurred on the reorganisation and restructuring of the Group as well as changes to the Board which occurred during the year Other exceptional costs include those incurred in relation to unsolicited takeover approaches and abortive acquisition costs

The loss on fixed asset disposals arose on the sale of the estate of ATMs sited on Esso petrol station forecourts The assets which comprised approximately 140 machines were disposed of in March 2007 following the loss of the contract in a re-tender exercise in 2006 The loss on the disposal of the Electronic Top Up business (£0 4 million) and the termination of the Netherlands operation (£1 0 million) is partially offset by the profit on the sale of the G2IS business (£0 5 million)

Cash flow and capital expenditure

The cash inflow from operating activities for the year was £12 2 million compared to £12 9 million in the previous year Capital expenditure was £10 5 million compared to £6 0 million the previous year The majority of capital expenditure was on ATM installations in the UK and Germany, with an increasing proportion being TTWs

Cash outflows on servicing the Group's debt increased by £1 1 million to £5 9 million New bank facilities were arranged with Bank of Scotland and Royal Bank of Scotland at the time of the Travelex acquisition, and £16 7 million was drawn down to fund the acquisition and repay the debts acquired with the acquisition

Shareholders' funds and financing

Shareholders' funds have reduced from £53 3 million to £24 9 million as the amortisation of goodwill more than offsets profits generated by the business Group borrowings have increased from £62 8 million to £73 4 million as further funding was raised to complete the acquisition of the Travelex ATM estate

The Group's banking facilities with Bank of Scotland and Royal Bank of Scotland were finalised in April 2007 to fund the acquisition of the Travelex ATM estate and provide working capital facilities to the enlarged group The facilities consist of a medium term loan of up to £85 million which is repayable over 7 years, a £5 million revolving credit facility and an additional loan facility of £8 million to fund capital expenditure At 30 September 2007 total facilities amounted to £96 million of which £83 million was being utilised

International Financial Reporting Standards

International Financial Reporting Standards ('IFRS') are now mandatory for UK listed companies and the London Stock Exchange has mandated 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 Company 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

PN Lanigan

Philip Lanigan
Finance Director
1 November 2007

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 2007

Principal activities

During the year the Group owned and operated an estate of independent automated teller machines ("ATMs") in the UK and Europe The non-core activities of the mobile phone top-up and the electronic purse payment and permissioning businesses were disposed of during the year

Business review

The results for the year are set out in the profit and loss account on page 20 The directors do not recommend the payment of a dividend (2006 £nil) and the loss after tax of £32,082,000 (2006 restated £25,609,000) has been transferred to reserves

A review of the Group's operations is provided in the Chairman's Statement and Financial Review on pages 6 to 10

Proposed merger with alphyra Holdings Limited

On 28 September 2007, the Board announced that they had agreed the terms of a merger of Cardpoint with alphyra Holdings limited ("alphyra") to create a leading European consumer payments and cash distribution group The parent company of the enlarged Group will be a newly incorporated company named Payzone plc ("Payzone") and will be headquartered and domiciled in Ireland

The merger is conditional upon the passing of the appropriate resolutions of Cardpoint shareholders at the Extraordinary General meeting on 12 November 2007 and Scheme Meeting on 12 November 2007 Irrevocable undertakings to vote in favour of the resolutions have been received from shareholders in respect of 53 74% of the existing issued share capital The acquisition of Cardpoint will be effected by means of a scheme of arrangement between Cardpoint and the Cardpoint shareholders under section 425 of the Companies Act 1985 In addition to shareholder approval noted above the scheme requires the approval of the Court The other conditions to the merger have been set out in the documents issued to shareholders and are available on the company's website www cardpointplc com

On 28 September 2007, Cardpoint, Payzone and alphyra entered into a framework agreement which governs the parties' respective obligations in relation to the implementation of the merger and co-operation between the parties to effect the merger

At 30 September 2007, the Company had incurred fees and expenses associated with the merger and creation of Payzone of £3 2 million These costs have not been included as a liability at 30 September 2007 as they will be recharged to Payzone on completion of the transaction, and have therefore been treated as a contingent liability in the accounts Under the terms of the framework agreement a break fee of £1 0 million is payable by Cardpoint under certain circumstances and they are set out in the contingent liability note 33 The framework agreement includes for the payment to Cardpoint of £3 5 million by way of break fee in the event that alphyra breach their obligations and as a direct result of the breach the merger does not complete by 31 January 2008

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 2007 Number of ordinary shares	As at 30 September 2006 or date of appointment if later Number of ordinary shares
Bob Thian	**2,400,000**	-
Paul Saxton	-	-
Philip Lanigan	-	-
Peter Smyth	[(1)] **56,666**	[(1)] 56,666
David Mills	**55,000**	-
Lee Ginsberg	-	-
David Golden	-	-

[(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 17 to 18

Michael Hepher resigned as a director on 9 October 2006 Mark Mills resigned from the Board on 16 October 2006 and Bob Thian was appointed as a director on the same day

David Mills and David Golden were appointed to the Board on 23 November 2006 Lee Ginsberg was appointed as a director on 4 December 2006 and John Westwood resigned on the same day

Paul Saxton and Philip Lanigan were both appointed to the Board on 16 April 2007

Robin Gregson resigned as a director on 31 May 2007

Paul Saxton and Lee Ginsberg have announced that they will be resigning from the Board with effect from 31 December 2007

There have been no changes to the directors' shareholdings since 30 September 2007

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

Substantial shareholders

As at 26 October 2007 the Company had been notified of the following interests in 3 per cent , or more, of the Company's issued share capital, pursuant to section 211 of the Companies Act 1985

	Number of ordinary shares	% of issued ordinary share capital
JO Hambro Capital Management (North Atlantic Value LLP)	**20,890,000**	18 65
Artemis Investment Management	**17,084,165**	15 20
Goldman Sachs Asset Management	**11,282,710**	10 08
Cycladic Capital LLP	**10,766,265**	9 58
Insight Investment Management	**8,202,531**	7 30
Rit Capital Partners plc	**5,233,673**	4 66
SVG Capital	**4,920,000**	4 38
F&C Asset Management plc	**4,443,096**	3 95

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 £2,350 during the year (2006 £10,000) 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 2007 the Group's trade creditors represented 56 days of purchases (2006 31 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 Group also has a website (www cardpointplc com) which includes links to financial information and press releases A welcome letter is issued to all new shareholders registering in their own name Every effort is made to speak or write to any shareholder making an enquiry

Corporate governance

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

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

- The Board has four independent non-executive directors all of whom take an active role in Board matters,
- The Company has an audit committee and a remuneration committee, both of which meet 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 The constitution of each committee is as follows
  - Audit – Lee Ginsberg (Chairman) and Peter Smyth
  - Remuneration – David Golden (Chairman), Peter Smyth, David Mills and Lee Ginsberg
- 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

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 Group 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 Group 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 Group's operations

The existence of these financial instruments exposes the Group to a number of financial risks, which are described in more detail below The main risks arising from the Group'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 Group's exposure to those risks, in particular the Group's exposure to interest rate risk, the Group 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 Group's policies for managing fair value interest rate risk are to use a combination of both fixed and floating facilities where approximately 45% 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, and

  (iii) Currency risk – the Group has operations in Germany which generates funds from trading and requires capital investment in Euros This matching substantially reduces the Group's exposure to currency translation risks As a result the Group 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 Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The financial statements are required by law to give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of 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 directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website Legislation in the United Kingdom governing the preparation and dissemination of 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

P N Lanigan

Philip Lanigan
Finance Director
1 November 2007

Directors' remuneration report

The remuneration committee comprises the four 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

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	Total excluding pension	Pension	Total 2007	Total 2006
	£	£	£	£	£	£	£	£
Executive								
Bob Thian (from 16/10/06)	63,330	-	-	197,108	260,438	-	260,438	-
Paul Saxton (from 16/04/07)	76,260	-	-	-	76,260	6,875	83,135	-
Philip Lanigan (from 16/04/07)	70,340	-	-	-	70,340	6,417	76,757	-
Mark Mills (up to 16/10/06)	-	-	-	-	-	-	-	366,485
Robin Gregson (up to 31/05/07)	128,688	1,770	-	-	130,458	12,900	143,358	349,366
Chris Hanson	-	-	-	-	-	-	-	353,000
Non-executive								
Peter Smyth	-	-	-	41,519	41,519	-	41,519	24,000
David Mills (from 23/11/06)	-	-	-	41,364	41,364	-	41,364	-
David Golden (from 23/11/06)	-	-	-	59,068	59,068	-	59,068	-
Lee Ginsberg (from 04/12/06)	-	-	-	41,331	41,331	-	41,331	-
Michael Hepher (up to 09/10/06)	-	-	-	-	-	-	-	58,750
John Westwood (up to 04/12/06)	-	-	-	3,750	3,750	-	3,750	15,000
	338,618	1,770	-	384,140	724,528	26,192	750,720	1,166,601

Compensation for loss of office was paid during the year to Mark Mills (£966,000) and Robin Gregson (£434,300)

Service contracts

All the executive directors have agreements with the Company, which are terminable by either party giving the other between 6 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

	As at 1 October 2006 or date of appointment if later	Granted during the year	As at 30 September 2007	Exercise price	Exercise period
Unapproved options					
Bob Thian	-	1,600 000	1,600,000	5 00p	Oct 2006 to Oct 2016
Bob Thian	-	800,000	800,000	75 00p	Oct 2006 to Oct 2016
Peter Smyth	100,000	-	100,000	5 00p	Feb 2005 to Feb 2012
Paul Saxton	333,333	-	333,333	94 25p	Dec 2009 to Dec 2016
Paul Saxton	333,333	-	333,333	94 25p	Dec 2010 to Dec 2016
Paul Saxton	333,334	-	333,334	94 25p	Dec 2011 to Dec 2016
Philip Lanigan	333,333	-	333,333	93 83p	April 2010 to April 2017
Philip Lanigan	333,333	-	333,333	93 83p	April 2011 to April 2017
Philip Lanigan	333,334	-	333,334	93 83p	April 2012 to April 2017

The mid-market price of the Company's ordinary shares on 30 September 2007 was 96 0p The highest and lowest mid-market prices during the year were 104 0p and 66 0p respectively

David Golden
Chairman of the remuneration committee
1 November 2007

Grant Thornton logo

Report of the independent auditor 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 2007 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and Company balance sheets, the consolidated cash flow statement, and notes 1 to 33 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted 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 and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements The information given in the Directors' report includes that specific information presented in the Chairman's statement and the Financial review that is cross referred from the business review section of the Directors' report

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements This other information comprises only the Chairman's statement, the Financial review, the Directors' report, Directors' remuneration report and the three year review We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements Our responsibilities do not extend to any other information

Basis of audit opinion

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

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

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 the parent Company's affairs as at 30 September 2007 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

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants
Registered Auditors
Manchester
1 November 2007

Consolidated profit and loss account

for the year ended 30 September 2007

	Note	2007 Before goodwill amortisation and exceptional items £000	2007 Goodwill amortisation and exceptional items £000	2007 Total £000	Restated 2006 Before goodwill amortisation and exceptional items £000	Restated 2006 Goodwill amortisation and exceptional items £000	Restated 2006 Total £000
Turnover	2						
Continuing operations		79,089	-	79,089	84,070	-	84,070
Acquisitions		7,938	-	7,938	-	-	-
		87,027	-	87,027	84,070	-	84,070
Discontinued operations		1,498	-	1,498	13,801	-	13,801
		88,525	-	88,525	97,871	-	97,871
Cost of sales	3	(56,884)	-	(56,884)	(67,401)	-	(67,401)
Gross profit		31,641	-	31,641	30,470	-	30,470
Administrative expenses	3						
Goodwill amortisation and impairment		-	(33,868)	(33,868)	-	(30,378)	(30,378)
Exceptional items	4	-	(3,171)	(3,171)	-	(1,961)	(1,961)
Share based payments		(1,626)	-	(1,626)	(1,492)	-	(1,492)
Other administrative expenses		(17,628)	-	(17,628)	(17,327)	-	(17,327)
Total administrative expenses		(19,254)	(37,039)	(56,293)	(18,819)	(32,339)	(51,158)
Operating profit/(loss)							
Continuing operations		11,940	(35,800)	(23,860)	11,202	(31,821)	(20,619)
Acquisitions		477	(1,083)	(606)	-	-	-
		12,417	(36,883)	(24,466)	11,202	(31,821)	(20,619)
Discontinued operations		(30)	(156)	(186)	449	(518)	(69)
		12,387	(37,039)	(24,652)	11,651	(32,339)	(20,688)
Exceptional item loss on disposal and termination of discontinued operations	4	-	(948)	(948)	-	-	-
Exceptional item loss on disposal of fixed assets (continuing operations)	4	-	(449)	(449)	-	-	-
Net interest	6	(5,791)	-	(5,791)	(4,875)	-	(4,875)
Profit/(loss) on ordinary activities before taxation	2	6,596	(38,436)	(31,840)	6,776	(32,339)	(25,563)
Tax on loss on ordinary activities	7			(242)			-
Loss on ordinary activities after taxation				(32,082)			(25,563)
Equity minority interests	26			-			(46)
Loss for the financial year transferred to reserves	24			(32,082)			(25,609)
Loss per ordinary share							
Basic and fully diluted	9			(28.88)p			(24 35)p
Basic and fully diluted – continuing operations	9			(27.86)p			(24 21)p

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

Consolidated statement of total recognised gains and losses

for the year ended 30 September 2007

	Note	**2007** **£000**	Restated 2006 £000
Loss for the financial year		**(32,082)**	(25,609)
Currency differences on foreign currency net investments	*24*	**289**	(26)
Total recognised gains and losses for the year		**(31,793)**	(25,635)

Consolidated balance sheet
at 30 September 2007

	Note	**2007**	2006
		£000	£000
Fixed assets			
Intangible assets	*13*	**78,499**	101,025
Tangible assets	*14*	**37,181**	30,352
		115,680	131,377
Current assets			
Stocks	*15*	**455**	1,471
Debtors	*16*	**5,455**	8,967
Cash at bank and in hand	*17*	**8,676**	8,044
		14,586	18,482
Creditors: amounts falling due within one year	*18*	**(26,662)**	(33,386)
Net current liabilities		**(12,076)**	(14,904)
Total assets less current liabilities		**103,604**	116,473
Creditors: amounts falling due after more than one year	*19*	**(76,552)**	(63,199)
Provisions for liabilities	*21*	**(2,136)**	-
Net assets		**24,916**	53,274
Capital and reserves			
Called up share capital	*23*	**5,620**	5,274
Share premium account	*24*	**89,842**	88,379
Merger reserve	*24*	**354**	354
Profit and loss account	*24*	**(71,005)**	(40,838)
Shareholders' funds	*25*	**24,811**	53,169
Minority interests	*26*	**105**	105
		24,916	53,274

The accompanying notes are an integral part of this balance sheet

The financial statements were approved by the Board of directors on 1 November 2007 and were signed on its behalf by

PN Lanigan

Bob Thian
Chairman

Philip Lanigan
Finance Director

Company balance sheet
at 30 September 2007

	Note	2007 £000	2006 £000
Fixed assets			
Investments	10	**98,584**	98,584
Current assets			
Debtors	16	**4,398**	2,614
Creditors: amounts falling due within one year	18	-	(25)
Net current assets		**4,398**	2,589
Net assets		**102,982**	101,173
Capital and reserves			
Called up share capital	23	**5,620**	5,274
Share premium account	24	**97,362**	95,899
Profit and loss account	24	-	-
Shareholders' funds	25	**102,982**	101,173

The accompanying notes are an integral part of this balance sheet

The financial statements were approved by the Board of directors on 1 November 2007 and were signed on its behalf by

PN Lanigan

Bob Thian
Chairman

Philip Lanigan
Finance Director

Consolidated cash flow statement

for the year ended 30 September 2007

	Note	2007 £000	2006 £000
Net cash inflow from operating activities	27	**12,156**	12,881
Return on investments and servicing of finance			
Interest received		**268**	160
Interest paid		**(6,167)**	(4,938)
Net cash outflow from returns on investments and servicing of finance		**(5,899)**	(4,778)
Taxation received		**-**	4
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(10,513)**	(5,966)
Proceeds from disposal of tangible fixed assets		**841**	93
Net cash outflow from capital expenditure and financial investment		**(9,672)**	(5,873)
Acquisitions and disposals			
Purchase of acquired businesses	11	**(4,654)**	-
Net cash acquired with subsidiaries	11	**3,004**	-
Proceeds from sale of businesses	12	**3,827**	-
Net cash disposed of with subsidiaries	12	**(581)**	-
Payments in relation to closure of business		**(478)**	
Payments in relation to businesses acquired in prior periods, including costs		**-**	(6,034)
Net cash inflow/(outflow) from acquisitions and disposals		**1,118**	(6,034)
Net cash outflow before financing		**(2,297)**	(3,800)
Financing			
Issue of share capital , including payment of share issue expenses		**1,809**	(860)
Receipts from borrowings	28	**16,696**	4,241
Repayment of borrowings	28	**(16,303)**	(202)
Net cash inflow from financing		**2,202**	3,179
Decrease in cash in the year	28	**(95)**	(621)

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
During the year the Group has changed its accounting policy with respect to share based payments following the mandatory adoption of FRS 20 "Share based payments" Share based payments are now accounted for using the fair value approach as prescribed by FRS 20 (see accounting policy below) The 2007 results have been prepared on this basis and the 2006 results have been restated to reflect this change in policy The impact of this change on the prior year financial statements is disclosed in note 24 to the 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 2007 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 - 14 3% to 33 3% per cent per annum

g) ***Investments***

Investments in subsidiaries 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 2007 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 Goodwill is reviewed for impairment at the end of the first financial year following acquisition and subsequently when necessary if 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***

Where the Group enters into a lease that transfers substantially all the risks and rewards of ownership of an asset to the lessee, the lease is treated as a finance lease 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) ***Share based payments***

The Group issues equity-settled share based payments to certain directors and employees The fair value, determined at the date of the grant, is recognised as an expense in the profit and loss account with a corresponding credit to the profit and loss account reserve The total amount to be expensed over the vesting period is determined with reference to the fair value of options granted, excluding the impact of any non-market vesting conditions Non-market vesting conditions are included in the assumptions about the number of options expected to vest At each balance sheet date the Group revises its estimate of the number of options expected to vest and recognises the impact of revisions to original estimates in the profit and loss account with a corresponding adjustment to equity The proceeds received from share options, net of any directly attributable issue costs, are credited to share capital and the share premium account when the options are exercised

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

	2007	2006
	£000	£000
United Kingdom	**77,094**	88,117
Europe	**11,431**	9,754
	88,525	97,871

The loss on ordinary activities before taxation is stated after charging

	2007	Restated 2006
	£000	£000
Auditors' remuneration		
- audit fees		
- audit of parent company and Group consolidated financial statements	**25**	25
- non-audit fees		
- audit of subsidiary company financial statements	**50**	72
- tax services	**36**	33
- services relating to corporate finance transactions	**126**	325
- other services	**3**	3
Depreciation of tangible fixed assets		
- owned assets	**7,668**	6,626
Amortisation and impairment of goodwill	**33,868**	30,378
Research and development expenditure	**-**	11
Operating lease rentals		
- land and buildings	**293**	553
- plant and machinery	**394**	1,394
Loss on disposal of fixed assets	**725**	211
Charges in respect of equity settled share based payments	**1,626**	1,492

The services relating to corporate finance transactions in the current year relate to work in respect of the proposed merger with alphyra The services relating to corporate finance transactions in the prior year relate to advice in respect of the reorganisation of the Group following the acquisition of Moneybox plc

3 Continuing and discontinued operations

In October 2006, the Group disposed of the electronic purse payment and permissioning systems business, G2 Integrated Solutions Limited (see note 12) In March 2007, the Group sold Cardpoint Merchant Services Limited, which provides the service for mobile phone top ups (see note 12) The Group also closed the Netherlands business in January 2007 (see note 4) The results in respect of all of the above three businesses have been classed as discontinued operations in both the current and prior years In April 2007, the Group acquired the entire issued share capital of Travelex UK ATMs Limited and the ATM business and assets of Travelex UK Limited (together "Travelex ATMs") The results in respect of Travelex ATMs have been disclosed as acquisitions in the current year

	2007			
	Acquisitions	**Continuing operations**	**Discontinued operations**	**Total**
	£000	**£000**	**£000**	**£000**
Cost of sales	**6,814**	**48,954**	**1,116**	**56,884**
Amortisation and impairment of goodwill	**1,083**	**32,629**	**156**	**33,868**
Exceptional items	**-**	**3,171**	**-**	**3,171**
Share based payments	**-**	**1,626**	**-**	**1,626**
Other administrative expenses	**647**	**16,569**	**412**	**17,628**
Total administrative expenses	**1,730**	**53,995**	**568**	**56,293**

	Restated 2006		
	Continuing operations	Discontinued operations	Total
	£000	£000	£000
Cost of sales	60,302	7,099	67,401
Amortisation of goodwill	30,004	374	30,378
Exceptional items	1,817	144	1,961
Share based payments	1,492	-	1,492
Other administrative expenses	11,074	6,253	17,327
Total administrative expenses	44,387	6,771	51,158

4 Exceptional items

	2007 £000	2006 £000
Operating exceptional items		
Reorganisation and restructuring costs (i)	**3,045**	1,542
Costs in relation to unsolicited takeover approaches and abortive acquisition costs	**126**	41
Other exceptional costs (ii)	**-**	378
	3,171	1,961
Non-operating exceptional items		
Profit on disposal of G2 Integrated Solutions Limited (see note 12)	**(462)**	-
Loss on disposal of Cardpoint Merchant Services Limited (see note 12)	**431**	-
Loss on termination of the Netherlands business	**979**	-
Loss on disposal of fixed assets	**449**	-
	1,397	-
Total exceptional costs	**4,568**	1,961

(i) Reorganisation and restructuring costs relate to the expenditure on the integration of current and prior year acquisitions into the enlarged Group's ATM estate

(ii) Other exceptional costs in the prior year 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 £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

	2007 £000	Restated 2006 £000
Wages and salaries	**5,240**	9,562
Social security costs	**498**	1,054
Pension costs	**99**	148
Share based payments	**1,626**	1,492
	7,463	12,256

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

	2007 Number	2006 Number
Administration and management	**157**	285

Remuneration in respect of directors was as follows

	2007 £000	2006 £000
Emoluments and benefits in kind	**725**	908
Pension contributions	**26**	61
Compensation for loss of office	**1,400**	198
	2,151	1,167

The remuneration of the highest paid director was £260,438 (2006 £366,485) Further details on directors' remuneration are provided in the Directors' remuneration report on pages 17 to 18

6 Net interest

	2007 £000	2006 £000
Interest on bank loans and overdrafts	**5,849**	4,937
Amortisation of issue costs of bank loan	**210**	98
Bank interest receivable	**(268)**	(160)
	5,791	4,875

7 Tax on loss on ordinary activities

a) ***Charge in the year***

	2007 £000	2006 £000
Foreign tax		
Current tax on income for the period	**242**	-

Trading losses in excess of £40m 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% (2006 30%) is explained below

	2007 £000	Restated 2006 £000
Loss on ordinary activities before tax	**(31,840)**	(25,563)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 30%)	**(9,552)**	(7,669)
Effects of		
Expenses not deductible for tax purposes	**6,323**	4,793
Depreciation in excess of capital allowances	**3,250**	2,067
Short term timing differences	**108**	13
Trading losses	**(1,127)**	796
Difference in tax rates on deferred tax	**1,240**	-
Current tax charge for the year	**242**	-

A potential deferred tax asset of £21,871,000 (2006 £20,241,000) (see note 22) 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 and hence the result for the year was £nil

9 (Loss)/earnings per ordinary share

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

	(Loss)/ profit £000	**2007 Weighted average ordinary shares in issue '000**	**(Loss)/ earnings per ordinary share Pence**	(Loss)/ profit £000	Restated 2006 Weighted average ordinary shares in issue '000	(Loss)/ earnings per ordinary Share Pence
Basic loss per share	**(32,082)**	**111,074**	**(28.88)**	(25,609)	105,181	(24 35)
Goodwill amortisation and impairment	**33,868**	-	**30.49**	30,378	-	28 89
Exceptional items	**4,568**	-	**4.11**	1,961	-	1 86
Adjusted earnings per share	**6,354**	-	**5.72**	6,730	-	6 40

The basic loss per share can be analysed into that derived from continuing and discontinued operations as set out below For the purposes of this analysis, results from the acquired operations are included within continuing operations

	Loss £000	**2007 Weighted average ordinary shares in issue '000**	**Loss per ordinary share Pence**	Loss £000	Restated 2006 Weighted average ordinary shares in issue '000	Loss per ordinary share Pence
Basic loss per share						
- continuing operations	**(30,948)**	**111,074**	**(27.86)**	(25,467)	105,181	(24 21)
- discontinued operations	**(1,134)**	-	**(1.02)**	(142)	-	(0 14)
	(32,082)	-	**(28.88)**	(25,609)	-	(24 35)

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

	Profit £000	**2007 Weighted average ordinary shares in issue '000**	**Earnings per ordinary share Pence**	Profit £000	Restated 2006 Weighted average ordinary shares in issue '000	Earnings per ordinary Share Pence
Adjusted earnings per share	**6,354**	**111,074**	**5.72**	6,730	105,181	6 40
Dilutive effect of share options	-	**3,126**	**(0.16)**	-	4,294	(0 25)
Adjusted earnings per share	**6,354**	**114,200**	**5.56**	6,730	109,475	6 15

10 Fixed asset investments

Company

	Shares in group undertakings £000
Cost and net book amount	
At 1 October 2006 and 30 September 2007	98,584

At 30 September 2007 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 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
Travelex ATMs Limited	Ownership and operation of an independent estate of ATMs	100%	-	United Kingdom

11 Acquisitions

On 16 April 2007 the Group acquired the entire issued share capital of Travelex UK ATMs Limited and the ATM business and assets of Travelex UK Limited (together "Travelex ATMs") for a total cash consideration of £3,023,000

The acquisition has been accounted for using the acquisition method of accounting and goodwill arising has been capitalised and will be amortised over a period of 5 years The book values of identifiable assets and liabilities and their provisional fair value to the Group are shown in the table below

	Book value £000	Fair value adjustment £000	**Provisional fair value £000**
Tangible fixed assets	11,457	(4,315)	**7,142**
Stocks	1,909	(1,860)	**49**
Debtors	554	-	**554**
Cash at bank and in hand	3,004	-	**3,004**
Loans and overdrafts	(9,968)	-	**(9,968)**
Creditors	(4,773)	(470)	**(5,243)**
Provisions	-	(2,724)	**(2,724)**
	2,183	(9,369)	**(7,186)**
Purchased goodwill capitalised (see note 13)			**11,840**
Acquisition costs			**(1,631)**
			3,023
Satisfied by			
Cash consideration			**3,023**

The fair value adjustments processed in these financial statements are significant in relation to the net assets of Travelex Whilst the directors have taken all possible actions and made all necessary enquiries to establish that the adjustments are fair and reasonable, there is an inherent level of uncertainty in making the judgments necessary to assess these values at the time of preparing the financial statements Accordingly the fair value adjustments made at 30 September 2007 are provisional and if necessary will be amended in the next financial statements with a corresponding adjustment to goodwill

The provisional fair value adjustments made in respect of the acquisition can be summarised as follows

	£000
Write-down of ATMs following impairment review	4,315
Write-down of stocks to estimated realisable value	1,860
Provision for onerous contract losses	2,724
Provision for unrecorded liabilities	470
	9,369

The acquired business made the following contributions to, and utilisations of, Group cash flow

	£000
Net cash inflow from operating activities	482
Net cash outflow from capital expenditure	(684)
Decrease in cash	(202)

Analysis of net outflow of cash in respect of the acquisition was as follows

	£000
Cash consideration	3,023
Acquisition costs	1,631
Net cash outflow in respect of acquisitions	4,654

The summary profit and loss account of Travelex ATMs for the period from 1 January 2007, the beginning of its financial year, to 16 April 2007, the date of acquisition was as follows

	£000
Turnover	5,179
Cost of sales	(5,100)
	79
Administrative expenses	(2,311)
Net interest payable	(404)
Loss on ordinary activities before taxation	(2,636)
Tax on loss on ordinary activities	-
Loss on ordinary activities after taxation	(2,636)

The loss after taxation for the year ended 31 December 2006 was £7,141,000

12 Disposals

During the year the Group disposed of its interest in G2 Integrated Solutions Limited ("G2IS") Group profits for the year to 30 September 2007 do not include any profits earned by G2IS up to the date of its disposal on 16 October 2006

	£000
Net assets disposed of	
Tangible fixed assets	756
Stocks	932
Debtors	2,618
Cash at bank and in hand	581
Creditors	(2,397)
	2,490
Profit on disposal	462
	2,952
Satisfied by	
Cash consideration	2,952

During the year the Group also disposed of its interest in Cardpoint Merchant Services Limited ("CMS") Group profits for the year to 30 September 2007 include a loss of £84,000 incurred by CMS up to the date of its disposal on 5 March 2007

	£000
Net assets disposed of	
Tangible fixed assets	63
Debtors	745
Goodwill (see note 13)	498
	1,306
Loss on disposal	(431)
	875
Satisfied by	
Cash consideration	875

The Company received an initial consideration of £720,000 and has received further contingent payments of £212,000 up to 30 September 2007 The costs of the disposal amounted to £57,000 The maximum total consideration payable is £1,420,000

13 Intangible fixed assets

Group	**Purchased Goodwill £000**
Cost	
At 1 October 2006	151,473
Additions (see note 11)	11,840
Disposals (see note 12)	(1,879)
At 30 September 2007	**161,434**
Amortisation	
At 1 October 2006	50,448
Charge for the year	31,243
Impairment	2,625
Disposals (see note 12)	(1,381)
At 30 September 2007	**82,935**
Net book amount	
At 30 September 2007	**78,499**
Net book amount	
At 30 September 2006	101,025

14 Tangible fixed assets

Group	**ATMs and other equipment £000**
Cost	
At 1 October 2006	45,968
Additions	10,513
Transfer to current assets	(1,590)
Acquisition (see note 11)	7,142
Exchange difference	303
Disposals	(2,848)
Disposal of businesses (see note 12)	(3,172)
At 30 September 2007	**56,316**
Depreciation	
At 1 October 2006	15,616
Charge for the year	7,668
Transfer to current assets	(631)
Exchange difference	117
Disposals	(1,282)
Disposal of businesses (see note 12)	(2,353)
At 30 September 2007	**19,135**
Net book amount	
At 30 September 2007	**37,181**
Net book amount	
At 30 September 2006	30,352

15 Stocks

	Group	
	2007 £000	2006 £000
Raw materials and consumables	**455**	1,080
Finished goods	-	391
	455	1,471

16 Debtors

	Group		Company	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Trade debtors	**2,393**	4,121	**-**	-
Amounts owed by Group undertakings	**-**	-	**4,384**	2,595
Prepayments and accrued income	**1,028**	2,852	**-**	-
Other debtors	**2,034**	1,994	**14**	19
	5,455	8,967	**4,398**	2,614

17 Cash at bank and in hand

Group
Included within cash at bank and in hand is an amount of £nil (2006 £786,826) 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

18 Creditors: amounts falling due within one year

	Group		Company	
	2007	2006	**2007**	2006
	£000	£000	**£000**	£000
Trade creditors	**9,838**	11,145	**-**	-
Bank overdrafts (see note 20)	**727**	-	**-**	-
Bank loans (see note 20)	**4,658**	7,403	**-**	-
Other loans (see note 20)	**183**	220	**-**	-
Corporation tax	**246**	3	**-**	-
Social security and other taxes	**199**	614	**-**	-
Accruals and deferred income	**6,048**	7,144	**-**	-
Other creditors	**4,763**	6,857	**-**	25
	26,662	33,386	**-**	25

19 Creditors: amounts falling due after more than one year

	Group 2007 £000	2006 £000
Bank loans (see note 20)	**76,552**	63,016
Other loans (see note 20)	**-**	183
	76,552	63,199

Borrowings are repayable as follows

	Group 2007 £000	2006 £000
Within one year		
- Bank overdraft	**727**	-
- Bank loans	**4,658**	7,403
- Other loans	**183**	220
	5,568	7,623
After one and within two years		
- Bank loans	**6,193**	8,403
- Other loans	**-**	183
	6,193	8,586
After two and within five years		
- Bank loans	**34,192**	54,613
After more than five years		
- Bank loans	**36,167**	-
	82,120	70,822

20 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 15 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

	2007			2006		
	Sterling	**Euro**	**Total**	Sterling	Euro	Total
	£000	**£000**	**£000**	£000	£000	£000
Floating rate financial assets	**6,337**	**1,543**	**7,880**	5,666	859	6,525
Financial assets earning no interest	**796**	**-**	**796**	809	710	1,519
	7,133	**1,543**	**8,676**	6,475	1,569	8,044

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

	2007			2006		
	Sterling	**Euro**	**Total**	Sterling	Euro	Total
	£000	**£000**	**£000**	£000	£000	£000
Floating rate financial liabilities	**81,937**	**-**	**81,937**	69,531	888	70,419
Financial liabilities on which no interest is paid	**183**	**-**	**183**	403	-	403
	82,120	**-**	**82,120**	69,934	888	70,822

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 2007

Borrowing facilities

The Group has banking facilities under which Bank of Scotland plc and Royal Bank of Scotland plc will make available up to £93,000,000 under a secured senior term loan and up to £5,000,000 under a revolving facility agreement At 30 September 2007, £83,000,000 had been drawn down under the term loan of which £5,000,000 is due to be paid within one year and the balance in instalments up to March 2014 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

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 2007, £183,000 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 45% 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 3 month LIBOR exceeds 5% when the rate is 0 15% below 3 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 2007 the fair value of the hedging arrangement is not considered to be material

21 Provisions for liabilities

Group	**Onerous contract £000**
At 1 October 2006	-
On acquisition (see note 11)	2,724
Utilised in the year	(588)
At 30 September 2007	**2,136**

22 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 2007 £000	2006 £000
Capital allowances	**9,533**	7,754
Tax losses	**12,228**	12,449
Other timing differences	**110**	38
	21,871	20,241

23 Called up share capital

	2007 £000	2006 £000
Authorised		
240,000,000 (2006 240,000,000) ordinary shares of 5p each	**12,000**	12,000
Allotted, issued and paid		
112,392,564 (2006 105,486,350) ordinary shares of 5p each	**5,620**	5,274

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 5,633,340 The total proceeds were £966,000 and the difference between those proceeds and the nominal value of £282,000 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 72,874 The total proceeds were £63,000 and the difference between those proceeds and the nominal value of £4,000 has been credited to the share premium account

A further subscription for 1,200,000 shares was made during the year with proceeds of £780,000 and a nominal value of £60,000, with the difference being credited to the share premium account

24 Share premium account and reserves

Group	Share premium account £000	Merger reserve £000	Profit and loss account £000
At 1 October 2006	88,379	354	(40,838)
Loss for the financial year	-	-	(32,082)
Credit for equity settled share based payments	-	-	1,626
Foreign currency differences	-	-	289
Issue of share capital	1,463	-	-
At 30 September 2007	**89,842**	**354**	**(71,005)**

Company	Share premium account £000	Merger reserve £000	Profit and loss account £000
At 1 October 2006	95,899	-	-
Issue of share capital	1,463	-	-
At 30 September 2007	**97,362**	-	-

Share based payments

The Group has adopted FRS 20 "Share Based Payments" in the financial statements The mandatory adoption of this standard in full represents a change in accounting policy and the 2006 results have been restated to reflect this change in policy The effect of the prior year adjustment set out below

	2006 As previously reported £000	Prior year Adjustment £000	2006 As Restated £000
Consolidated profit and loss account			
Loss on ordinary activities before taxation	(24,941)	(622)	(25,563)

There is no impact of the prior year adjustment on the balance sheet as the credit for equity settled share based payments is added back to the profit and loss account reserve, as set out in the accounting policies section

The adoption of FRS 20 has resulted in a charge in administrative expenses of £1,626,000 (2006 £1,427,000)

The Group's equity settled share based payments comprise the grant of nil-cost options granted under the Group's share option schemes Details of the share options subject to equity settled share based payments are set out below In accordance with FRS 20, the Group has recognised an expense to the profit and loss account representing the fair value of outstanding equity settled share based payment awards to employees which have not vested as at 1 October 2006 for the year ended 30 September 2007

Those fair values were charged to the profit and loss account over the relevant vesting period adjusted to reflect actual and expected vesting levels The Group has calculated the fair market value of the nil-cost options as being based on the market value of a Company share at the date of grant adjusted to reflect the fact that an employee is not entitled to receive dividends over the relevant holding period

A summary of the fair value and pricing model inputs for all the share option awards that fall under the FRS 20 accounting charge is set out below

Date of grant	Number granted	Share price on grant date pence	Exercise price pence	Fair value on grant date pence	Vesting period years	Expected life years	Risk free rate %	Volatility %
Unapproved Scheme options								
10 Jul 03	213,868	62 50	59 50	30 60	3	5	3 82	49 47
7 Oct 03	146,840	79 00	5 00	75 03	3	5	4 58	46 01
22 Dec 03	623,049	93 50	93 50	42 76	3	5	4 67	44 96
26 May 04	425,000	125 00	125 00	66 46	3	5	5 16	44 09
30 Dec 04	400,000	115 50	115 50	50 86	3	5	4 53	42 80
30 Dec 04*	1,150,000	115 50	5 00	78 29	3	5	4 53	42 80
29 Sep 05	200,000	119 00	119 00	50 53	3	5	4 21	41 31
19 Dec 05	250,000	72 00	5 00	67 99	3	5	4 24	51 26
28 Dec 05	21,360	71 75	71 75	35 24	3	5	4 15	51 11
16 Oct 06	800,000	81 75	5 00	77 78	3	5	4 49	50 57
16 Oct 06	400,000	81 75	75 00	42 67	3	5	4 85	50 57
16 Oct 06	400,000	81 75	75 00	42 67	3	5	4 85	50 57
16 Oct 06	800,000	81 75	5 00	77 85	3	5	4 85	50 57
18 Dec 06	333,333	96 25	94 25	48 17	3	5	4 94	49 91
18 Dec 06	333,333	96 25	94 25	52 27	4	6	4 87	49 91
18 Dec 06	333,334	96 25	94 25	55 87	5	7	4 82	49 91
2 Apr 07	333,333	94 25	93 83	46 34	3	5	5 24	48 61
2 Apr 07	333,333	94 25	93 83	50 39	4	6	5 17	48 61
2 Apr 07	333,334	94 25	93 83	53 96	5	7	5 11	48 61
EMI Scheme options								
10 Jul 03	456,132	62 50	59 50	30 60	3	5	3 82	49 47
7 Oct 03	253,160	79 00	5 00	75 03	3	5	4 58	46 01
22 Dec 03	211,951	93 50	93 50	42 76	3	5	4 67	44 96
CSOP options								
28 Dec 05	313,640	71 75	71 75	35 24	3	5	4 15	51 11
LTIPs								
29 Mar 06*	1,577,821	92 00	5 00	63 15	3	3	4 47	49 86
24 May 07	1,764,852	94 00	92 25	36 20	3	3	5 40	48 03

* The above awards are based upon achievement of total shareholder return ("TSR") performance targets over a three year period set against the TSR achieved by a comparator group of companies As a result, the Monte Carlo pricing model was deemed to be the most appropriate pricing model to be used to calculate the fair values under these awards All other awards are not subject to any performance measure and the Black-Scholes pricing model has been used for these awards

Expected volatility
The volatility of the Company's share price on each date of grant was calculated as the average of the standard deviations of daily continuously compounded returns on the Company's stock, calculated back from the date of grant to 7 June 2002, which was the date of admission

Risk-free rate
The risk-free rate is the yield to maturity on the date of grant of a UK Gilt Strip, with term to maturity equal to the expected life of the option

Expected life
It was assumed that options would be exercised within a two year period following the date when they first vest

The number and weighted average exercise price of the options under the Company's share option schemes are as follows

	2007		2006	
	Number of options	**Weighted average exercise price pence**	Number of options	Weighted average exercise price pence
Outstanding on 1 January	**6,537,125**	**34.94**	5,077,735	46 34
Granted	**6,164,852**	**67.95**	1,944,390	15 64
Lapsed	**(525,352)**	**104.79**	(245,000)	106 66
Exercised	**(3,433,340)**	**16.77**	(240,000)	46 67
Outstanding on 30 September	**8,743,285**	**61.15**	6,537,125	34 94
Exercisable on 30 September	**885,000**	**80.32**	1,882,735	28 24

Options were exercised on a regular basis during the year and the average share price for the year was 92 60 pence

The options outstanding at 30 September 2007 had a weighted average remaining contractual life of 1 49 years The exercise price of these options ranged from 5 0 pence to 125 0 pence

25 Reconciliation of movements in shareholders' funds

Group

	2007 £000	Restated 2006 £000
Loss for the financial year	**(32,082)**	(25,609)
Credit for equity settled share based payments	**1,626**	1,427
Foreign currency differences	**289**	(26)
Issue of share capital (net of expenses)	**1,809**	243
	(28,358)	(23,965)
Opening shareholders' funds	**53,169**	77,134
Closing shareholders' funds	**24,811**	53,169

Company

	2007 £000	2006 £000
Issue of share capital (net of expenses)	**1,809**	243
Opening shareholders' funds	**101,173**	100,930
Closing shareholders' funds	**102,982**	101,173

26 Minority interests

Group

	£000
At 1 October 2006	105
Minority share of loss for the financial period	-
At 30 September 2007	**105**

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

27 Reconciliation of operating loss to net cash inflow from operating activities

	2007 £000	Restated 2006 £000
Operating loss	**(24,652)**	(20,688)
Depreciation	**7,668**	6,626
Loss on disposal of fixed assets	**276**	211
Amortisation and impairment of goodwill	**33,868**	30,378
Equity settled share based payments	**1,626**	1,492
Increase in stocks	**(54)**	(463)
Decrease in debtors	**1,348**	1,598
Decrease in creditors	**(7,336)**	(6,273)
Decrease in provisions for liabilities	**(588)**	-
Net cash inflow from operating activities	**12,156**	12,881

28 Reconciliation of net cash flow to movement in net debt

	2007 £000	2006 £000
Decrease in cash in the year	**(95)**	(621)
Receipts from borrowings	**(16,696)**	(4,241)
Repayment of borrowings	**16,303**	202
Movement in net debt arising from cash flows	**(488)**	(4,660)
Loans acquired with subsidiary undertaking	**(9,968)**	-
Other non-cash movements	**(210)**	(97)
Movement in net debt	**(10,666)**	(4,757)
Opening net debt	**(62,778)**	(58,021)
Closing net debt	**(73,444)**	(62,778)

29 Analysis of changes in net debt

	At 1 October 2006 £000	Cash flow £000	Other non-cash movements £000	Loans acquired with subsidiary £000	**At 30 September 2007 £000**
Cash at bank and in hand	8,044	632	-	-	**8,676**
Bank overdrafts	-	(727)	-	-	**(727)**
	8,044	(95)	-	-	**7,949**
Bank loans	(70,419)	(613)	(210)	(9,968)	**(81,210)**
Other loans	(403)	220	-	-	**(183)**
	(62,778)	(488)	(210)	(9,968)	**(73,444)**

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

30 Operating lease commitments

Operating lease payments amounting to £269,000 (2006 £891,000) are due within one year The leases to which these amounts relate expire as follows

	2007 Land and buildings	**2007 Other**	2006 Land and buildings	2006 Other
Within one year	**2**	**16**	35	456
Between one and five years	**237**	**14**	307	93
	239	**30**	342	549

31 Capital commitments

The Group and Company had no capital commitments at 30 September 2007 (2006 £Nil)

32 Proposed merger with alphyra

On 28 September 2007, the Board announced that they had agreed the terms of a merger of Cardpoint with alphyra Holdings limited ("alphyra") to create a leading European consumer payments and cash distribution group The parent company of the enlarged Group will be a newly incorporated company named Payzone plc ("Payzone") and will be headquartered and domiciled in Ireland

The merger is conditional upon the passing of the appropriate resolutions of Cardpoint shareholders at the Extraordinary General meeting on 12 November 2007 and Scheme Meeting on 12 November 2007 Irrevocable undertakings to vote in favour of the resolutions have been received from shareholders in respect of 53 74% of the existing issued share capital The acquisition of Cardpoint will be effected by means of a scheme of arrangement between Cardpoint and the Cardpoint shareholders under section 425 of the Companies Act 1985 In addition to shareholder approval noted above the scheme requires the approval of the Court The other conditions to the merger have been set out in the documents issued to shareholders and are available on the company's website www cardpointplc com

On 28 September 2007, Cardpoint, Payzone and alphyra entered into a framework agreement which governs the parties' respective obligations in relation to the implementation of the merger and co-operation between the parties to effect the merger

At 30 September 2007, the Company had incurred fees and expenses associated with the merger and creation of Payzone of £3 2 million These costs have been not included as a liability at 30 September as they will be recharged to Payzone on completion of the transaction, and have therefore been treated as a contingent liability in the accounts Under the terms of the framework agreement a break fee of £1 0 million is payable by Cardpoint under certain circumstances and they are set out in the contingent liability note 33 The framework agreement includes for the payment to Cardpoint of £3 5 million by way of break fee in the event that alphyra breach their obligations and as a direct result of the breach the merger does not complete by 31 January 2008

If the merger is completed on or before 31 January 2008, Bob Thian is entitled to a compensation amount of £1,030,000 to compensate him for the financial loss connected with Cardpoint failing to implement in full the terms of his appointment in September 2006 If completion does not occur before 1 February 2008, Cardpoint will award Bob Thian an option at nil cost over such number of Cardpoint shares as has a market value equal to £1,030,000 The options will be exercisable for a period of one year from the date of the grant Philip Lanigan is entitled to a payment of £91,000 on the merger becoming unconditional

33 Contingent assets and liabilities

The Group had no material contingent liabilities at 30 September 2007 (2006 £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 2007 was £77,916,000 (2006 £70,888,000)

Proceedings have been instituted against Cardpoint claiming breach of contract, breach of warranty and misrepresentation Various provisions of the agreement with the other party allowed Cardpoint to terminate the agreement on written notice in the event that LINK required Cardpoint to cease provision of its services The agreement was terminated on the basis of these provisions The Directors' believe that the claimant's chance of success to be extremely remote

Details of the contingent liability in respect of the proposed merger with alphyra are set out in note 32 above