

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, or the contents of this document, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent adviser duly authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

Applications under the Open Offer may only be made on the accompanying Application Form, which is personal to the Shareholder(s) named thereon and cannot be sold, assigned, transferred or split except to satisfy *bona fide* market claims. If you have sold or otherwise transferred all of your Existing Ordinary Shares prior to the 'ex' date (other than ex the entitlement to participate in the Open Offer), please forward this document together with the accompanying Application Form and Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into the United States of America, Canada, Australia, Japan, the Republic of Ireland or their respective territories or possessions or any other territory outside the United Kingdom unless the Open Offer can lawfully be made to such person in such territory. If you have sold or otherwise transferred only part of your holding of Existing Ordinary Shares you should consult your stockbroker, bank or other agent through whom the sale or transfer was effected and refer to the instructions set out in the section headed "Instructions for transfer and splitting" in the Application Form.

A copy of this document, which comprises a prospectus prepared in accordance with the POS Regulations and the AIM Rules has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the POS Regulations.

The Directors, whose names appear on page 4 of this document, accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Existing Ordinary Shares are admitted to trading on the AIM Market of the London Stock Exchange. Application will be made for the Existing Ordinary Shares to be readmitted, and for the New Ordinary Shares to be admitted, to trading on AIM. AIM is a market designed primarily for emerging or smaller companies, to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. In particular, prospective investors should consider the section entitled "Risk Factors" set out in Part III of this document. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Existing Ordinary Shares or the New Ordinary Shares to the Official List. Further, the London Stock Exchange has not itself examined or approved the contents of this document. The Existing Ordinary Shares or the New Ordinary Shares will not be dealt on any other recognised investment exchange and no other such application will be made.

Cardpoint plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered no. 04098226)

Acquisition of the HBOS Remote Cash Machine Estate

**Firm Placing of 24,000,000 New Ordinary Shares and
Placing and Open Offer of 4,085,791 New Ordinary Shares
at 125p per New Ordinary Share**



**Admission of the Enlarged Share Capital to trading on AIM
Announcement of unaudited interim results for the six months
ended 31 March 2004**

The latest time and date for valid acceptance and payment in full under the Open Offer is 3.00 p.m. on 17 June 2004. The procedure for application and payment is set out in the letter from Evolution Beeson Gregory in Part II of this document and on the accompanying Application Form.

A notice convening an Extraordinary General Meeting of Cardpoint plc to be held at the offices of Evolution Beeson Gregory, 100 Wood Street, London, EC2V 7AN at 10.00 a.m. on 18 June 2004 is set out at the end of this document. The accompanying Form of Proxy for use at the Extraordinary General Meeting should be completed and returned by post or (during normal business hours) by hand to Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, as soon as possible and to be valid must arrive not less than 48 hours before the time fixed for the Extraordinary General Meeting. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting should they so wish.

Evolution Beeson Gregory, which is authorised and regulated by the Financial Services Authority, is acting as the Company's nominated adviser in connection with the Issue. Its responsibilities as Cardpoint's nominated adviser under the AIM Rules are owed solely to London Stock Exchange and are not owed to Cardpoint or to any director of Cardpoint or to any other person in respect of his decision to acquire shares in Cardpoint in reliance on any part of this document. No representation or warranty, express or implied, is made by Evolution Beeson Gregory as to any of the contents of this document in connection with the proposed Issue. Evolution Beeson Gregory is acting for Cardpoint and no one else and will not be responsible to anyone other than Cardpoint for providing advice in relation to the proposed Issue. Evolution Beeson Gregory will not be offering advice and will not be responsible for providing the protections afforded to customers of Evolution Beeson Gregory to recipients of this document in respect of the Issue or any acquisition of shares or securities in Cardpoint.

Rothschild, which is authorised and regulated by the Financial Services Authority, is acting as financial adviser to the Company in respect of the Acquisition and no one else and will not be responsible to anyone other than Cardpoint for providing the protections afforded to clients of Rothschild or for providing advice in relation to the matters contained in this document or any matter concerning the Acquisition.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2004

Record Date for the Open Offer	close of business 24 May 2004
Latest time and date for splitting of Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 15 June 2004
Latest time and date for receipt of Forms of Proxy for the EGM	10.00 a.m. on 16 June 2004
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offer	3.00 p.m. on 17 June 2004
Extraordinary General Meeting	10.00 a.m. on 18 June 2004
Readmission of the Existing Ordinary Shares and Admission and dealings commence in the New Ordinary Shares	8.00 a.m. on 21 June 2004
CREST stock accounts credited in respect of New Ordinary Shares	21 June 2004
Despatch of definitive share certificates in respect of New Ordinary Shares to be held in certificated form by	28 June 2004

ISSUE STATISTICS

Issue Price	125p
Total proceeds of the Issue	£35.1 million
Net proceeds of the Issue	£32.7 million
Number of Ordinary Shares being issued pursuant to the Firm Placing	24,000,000
Number of Ordinary Shares being issued pursuant to the Placing and Open Offer	4,085,791
Number of Ordinary Shares in issue following the Issue	60,772,125
Market capitalisation of Cardpoint at the Issue Price following completion of the Issue	£76.0 million
New Ordinary Shares expressed as a percentage of the Enlarged Share Capital	46.2%

DIRECTORS, SECRETARY AND ADVISERS

Directors	Peter Francis Smyth (<i>Non-Executive Chairman</i>) Mark Richard Mills (<i>Chief Executive Officer</i>) David Christopher Hanson (<i>Finance Director</i>) Dr John Brian Westwood (<i>Non-Executive Director</i>) <i>all of whose business address is the Head Office below</i>
Company Secretary	HL Secretaries Limited
Registered Office	St. James's Court Brown Street Manchester M2 2JF
Head Office	55 Hove Road Lytham St. Annes Lancashire FY8 1XH
Nominated Adviser and Broker	Evolution Beeson Gregory Limited 100 Wood Street London EC2V 7AN
Financial Adviser	N M Rothschild & Sons Limited 82 King Street Manchester M2 4WQ
Solicitors to the Company	Halliwell Landau St. James's Court Brown Street Manchester M2 2JF
Solicitors to the Issue	Osborne Clarke Hillgate House 26 Old Bailey London EC4M 7HW
Auditors	Grant Thornton Heron House Albert Square Manchester M60 8GT
Reporting Accountants	Ernst & Young LLP 100 Barbirolli Square Manchester M2 3EY
Receiving Agent	Capita IRG Plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Principal Bankers	Bank of Scotland PO Box No 39900, Level 7 Bishopsgate Exchange 155 Bishopsgate London EC2M 3YB

DEFINITIONS

“Acquisition”	the proposed acquisition by Cardpoint Remote of the HBOS Remote Estate from HBOS pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 26 May 2004 and made between Cardpoint Remote and HBOS relating to the Acquisition, further details of which are set out in paragraph 9 of Part VII of this document
“Act”	the Companies Act 1985 (as amended)
“Admission”	the re-admission of the Existing Ordinary Shares and the admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with rule 6 of the AIM Rules
“AIM”	the AIM Market of the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange governing admission to, and the operation of, AIM
“APACS”	the Association of Payment Clearing Services
“Application Form”	the personalised application form for use by Qualifying Shareholders in connection with the Open Offer which accompanies this document
“Articles”	the articles of association of the Company which were adopted on 8 May 2003, as amended from time to time
“Bank of Scotland”	the Company’s principal bankers, the Governor and Company of the Bank of Scotland of 155 Bishopsgate, London, EC2M 3YB
“Basic Entitlement”	the number of Open Offer Shares for which a Qualifying Shareholder is entitled to apply, before any excess entitlement, being 1 Open Offer Share for every 8 Existing Ordinary Shares held or deemed to be held by the Qualifying Shareholder at the close of business on the Record Date
“Capita Registrars”	the Company’s registrars, Capita Registrars of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
“Cardpoint” or “the Company”	Cardpoint plc
“Cardpoint Remote”	Cardpoint Remote Limited (Registered Company No. 5101148) whose registered office is the Registered Office
“Cash Machine” or “ATM”	automated teller machine
“certificated” or “in certificated form”	an Ordinary Share which is not in uncertificated form
“Completion”	completion of the Acquisition pursuant to the terms of the Acquisition Agreement
“Conversion Rate”	as defined in paragraph 5 of Part I of this document
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
“CREST Member Account ID”	the identification code or membership number used in CREST to identify a particular member account in CREST
“CREST Participant ID”	the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant
“Daily Official List”	the daily official list of the London Stock Exchange
“Debt Financing”	the facility agreement dated 26 May 2004 made between the Company and Bank of Scotland in connection with the Acquisition, further details of which are set out in paragraph 9 of Part VII of this document

"Deferred Consideration"	up to £35 million payable by Cardpoint Remote to HBOS, subject to the achievement of the Performance Criteria and satisfied by the issue of the Unsecured Loan Notes
"Directors" or "the Board"	the directors of the Company whose names are set out on page 3 of this document
"Enlarged Group"	the Group as enlarged following Completion
"Enlarged Share Capital"	the issued ordinary share capital of the Company upon Admission
"Evolution Beeson Gregory"	Evolution Beeson Gregory Limited, the Company's nominated adviser and broker, a member of the London Stock Exchange and authorised and regulated by the Financial Services Authority
"Existing Ordinary Shares"	the Ordinary Shares in issue at the date of this document
"Extraordinary General Meeting" or "EGM"	the extraordinary general meeting of the Company convened for 10.00 a.m. on 18 June 2004, notice of which is set out at the end of this document
"Firm Placing"	the conditional placing by Evolution Beeson Gregory on behalf of the Company of the Firm Placing Shares at the Issue Price pursuant to the Placing Agreement
"Firm Placing Shares"	the 24,000,000 New Ordinary Shares the subject of the Firm Placing
"Form of Proxy"	the form of proxy for use at the Extraordinary General Meeting which accompanies this document
"FSMA"	the Financial Services and Markets Act 2000 (as amended)
"Group"	the Company and its subsidiaries and subsidiary undertakings at the date of this document
"HBOS"	HBOS PLC (Registered Company No. SC218813) whose registered office is The Mound, Edinburgh EH1 1YZ
"HBOS Remote Estate" or "HBOS Remote Cash Machine Estate"	the business and assets of the remote Cash Machine business of HBOS to be acquired by Cardpoint Remote pursuant to the terms of the Acquisition Agreement
"Host"	the owner or operator of a site where the Company's products may be located
"IADs"	independent ATM deployers
"Initial Consideration"	the cash consideration payable by Cardpoint Remote to HBOS on Completion details of which are set out in Part I and paragraph 9 of Part VII of this document
"interchange fee"	the fee paid by a card issuer to the owner of a Cash Machine for the services provided by the Cash Machine to the card issuer's cardholders being (as of the date of this document) 30.2p per withdrawal and 18.2p per balance enquiry or rejection of a withdrawal
"Issue"	the Firm Placing and the Placing and Open Offer
"Issue Price"	125p per New Ordinary Share
"LINK"	LINK Interchange Network Limited, the company which manages the settlement and switching of transactions between operators of Cash Machines in the UK allowing cardholders to use all Cash Machines
"London Stock Exchange"	London Stock Exchange plc
"LTIP"	Long Term Incentive Plan
"New Ordinary Shares"	the 28,085,791 new Ordinary Shares to be issued by the Company pursuant to the Issue
"Official List"	the Official List of the UK Listing Authority
"Open Offer"	the conditional offer by Evolution Beeson Gregory, as agent for the Company, to Qualifying Shareholders to subscribe for the Open Offer Shares on the terms of and subject to the conditions set out in this document and in the Application Form

"Open Offer Shares"	up to 4,085,791 New Ordinary Shares to be issued pursuant by the Company pursuant to the Open Offer
"Ordinary Shares"	the ordinary shares of 5p each in the capital of the Company
"Performance Criteria"	the assignment of certain numbers of existing HBOS Remote Estate customer contracts or the agreement of new Cardpoint customer contracts in relation to the HBOS Remote Estate, further details of which are set out in Part I and paragraph 9 of Part VII of this document
"PIN"	Personal Identification Number
"Placing"	the conditional placing by Evolution Beeson Gregory of the Open Offer Shares at the Issue Price in accordance with the Placing Agreement
"Placing Agreement"	the conditional agreement dated 26 May 2004 and made between Cardpoint and Evolution Beeson Gregory relating to the Issue, further details of which are set out in paragraph 14 of Part VII of this document
"POS Regulations"	the Public Offers of Securities Regulations 1995 (as amended)
"Qualifying Shareholders"	holders of Existing Ordinary Shares on the register of members of the Company on the Record Date, other than certain overseas Shareholders, to whom the Open Offer is not being extended, as described in Part II of this document
"Qualifying CREST Shareholders"	Qualifying Shareholders whose Ordinary Shares are held in uncertificated form
"Qualifying non-CREST Shareholders"	Qualifying Shareholders whose Ordinary Shares are held in certificated form
"Receiving Agents" or "Capita IRG Plc"	Capita IRG Plc of The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
"Record Date"	the close of business on 24 May 2004
"Remote Cash Machines"	Cash Machines situated away from bank, building society and estate agency branches in locations such as motorway service stations, petrol stations, railway stations, pubs, shopping centres and retail and leisure outlets
"Resolutions"	the resolutions set out in the notice of Extraordinary General Meeting at the end of this document
"Retention Rate"	as defined in paragraph 5 of Part I of this document
"Rothschild"	N M Rothschild & Sons Limited, the Company's financial adviser, which is authorised and regulated by the Financial Services Authority
"Shareholder"	a holder of Ordinary Shares
"Share Option Schemes"	the Cardpoint plc EMI Option Scheme, the Cardpoint plc Unapproved Share Option Scheme 2002 and the Unapproved Share Options further details of which are set out in paragraph 10 of Part VII of this document
"UK"	the United Kingdom of Great Britain and Northern Ireland
"United Kingdom Listing Authority"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"uncertificated" or "in uncertificated form"	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"Unsecured Loan Notes"	variable rate unsecured loan notes to be issued to HBOS in settlement of any Deferred Consideration payable under the terms of the Acquisition Agreement subject to a maximum principal sum of £35,000,000
"US", "USA" or "United States"	the United States of America, each State thereof (including the District of Columbia), its territories, possessions and all areas subject to its jurisdiction

PART I

LETTER FROM THE CHIEF EXECUTIVE OFFICER OF CARDPOINT PLC



(Incorporated and registered in England and Wales under the Act with registered no. 04098226)

Directors:

Peter Francis Smyth (*Non-Executive Chairman*)
Mark Richard Mills (*Chief Executive Officer*)
David Christopher Hanson (*Finance Director*)
Dr John Brian Westwood (*Non-Executive Director*)

Registered office:

St. James's Court
Brown Street
Manchester M2 2JF

26 May 2004

To Qualifying Shareholders and, for information only, to the participants in the Share Option Schemes

Dear Shareholder,

Acquisition of the HBOS Remote Cash Machine Estate

**Firm Placing of 24,000,000 New Ordinary Shares and Placing and Open Offer of
4,085,791 New Ordinary Shares at 125p per New Ordinary Share**

Admission of the Enlarged Share Capital to trading on AIM

Announcement of unaudited interim results for the six months ended 31 March 2004

1. Introduction

On 17 May 2004, your Board announced that the Company was at an advanced stage in negotiations to acquire a number of Cash Machines from HBOS. Today, your Board announced that the Company has conditionally agreed to acquire, subject, *inter alia*, to Shareholder approval, the HBOS Remote Estate, further details of which are set out below. The HBOS Remote Estate, comprises an estate of 816 Cash Machines currently owned and operated by HBOS and situated in locations away from bank and estate agency branches (typically located at retail outlets, petrol stations and railway stations). The consideration payable is up to £75 million, £40 million of which is payable in cash on Completion with the remainder, the Deferred Consideration, payable on or about 14 January 2005 subject to the achievement of the Performance Criteria. Further details of the Deferred Consideration and the Performance Criteria are set out in paragraph 7 of this letter and paragraph 9 of Part VII of this document.

In order to finance the Acquisition, Cardpoint proposes to raise approximately £35 million (before expenses) by way of an issue of a total of 28,085,791 New Ordinary Shares at 125p per share. Of this amount, £30 million is proposed to be raised by way of the Firm Placing and £5 million by way of the Placing and Open Offer. Of the New Ordinary Shares, 24,000,000 will be issued pursuant to the Firm Placing and the balance of 4,085,791 New Ordinary Shares are being offered to Qualifying Shareholders under the Open Offer on the basis of:

1 Open Offer Share for every 8 Existing Ordinary Shares held on the Record Date

Qualifying Shareholders may apply for Open Offer Shares in excess of their Basic Entitlement but such excess applications will only be satisfied to the extent that other Qualifying Shareholders do not apply for their Basic Entitlements in full. Further details of the Firm Placing and the Placing and Open Offer, both of which are fully underwritten by Evolution Beeson Gregory, are set out in paragraph 12 below and in Parts II and VII of this document.

Cardpoint proposes to raise an additional £25 million required to fund the balance of the Initial Consideration and the Enlarged Group's working capital by way of the Debt Financing which is being provided by Bank of Scotland. Any Deferred Consideration that may become payable will be paid to HBOS through an issue of up to £35 million of Unsecured Loan Notes. Further details of the financing of the Acquisition are set out in paragraph 8 below.

The Acquisition is classified as a “reverse takeover” under the AIM Rules by virtue of its size and is conditional upon, *inter alia*, the approval of Shareholders, which is being sought at the Extraordinary General Meeting, the notice for which is set out on pages 74 to 75 of this document. Irrevocable undertakings or letters of intent to vote in favour of the Resolutions have been obtained from holders of 10,724,299 Existing Ordinary Shares representing 32.81 per cent. of the Existing Ordinary Shares in issue, including the Directors’ own holdings of in aggregate, 3,153,156 Ordinary Shares.

This document explains the background to and reasons for the Acquisition and provides you with information in respect of the HBOS Remote Estate, the Firm Placing and the Placing and Open Offer. It also explains why the Board considers that the Acquisition is in the best interests of the Company and its Shareholders, and, accordingly recommends that Shareholders vote in favour of the Resolutions. This document also contains a notice of EGM. You will find accompanying this document an Application Form and a Form of Proxy.

2. Information on Cardpoint

Cardpoint was admitted to AIM in June 2002 at which time it operated an estate of 188 ATMs, commonly known as Cash Machines, in the UK. Through the successful implementation of its stated strategy of aggressive growth, both by organic means and through acquisition, Cardpoint now operates two separate but complementary divisions comprising over 2,100 Cash Machines and 3,500 electronic mobile phone top-up terminals.

Cash Machine Division

The Group currently owns and/or operates an estate of over 2,100 independent Cash Machines representing an eleven-fold increase since the Company’s flotation in June 2002. An important element of this growth has been the Group’s ability to successfully acquire and integrate targeted acquisitions. In October 2002, Cardpoint acquired the business of Green Machine from ATM Express Limited, which consisted of 105 Cash Machines. In June 2003, Cardpoint acquired Securicor Cash Machine Limited and its installed estate of 1,232 Cash Machines. Since acquiring these businesses, for a combined gross consideration of up to £10.5 million, Cardpoint has been able to increase substantially the volume and value of transactions and reduce the operating costs of these Cash Machine estates, thereby greatly improving the profitability of the Group.

The majority of the Group’s Cash Machines are free standing and situated internally at high footfall locations such as motorway service areas, petrol stations, railway stations, pubs, hospitals, shopping centres and large retail and leisure outlets. Typically, the Group enters into five to seven year contracts with individual site owners or corporate hosts. Many of the Group’s Hosts are large corporations which commonly enter into exclusive agreements with Cardpoint for the provision of Cash Machines in all of their locations. Recent examples include five year exclusive contracts with Welcome Break and Roadchef, which envisage the installation of a minimum of 115 and 71 Cash Machines respectively over five years. The development of these relationships and the growth of other key corporate customers such as Moto, Parkdean and Little Chef have been the major factors behind the Group’s organic growth to date.

The majority of Cardpoint’s Cash Machines are fee charging (“charging”) and fully managed by Cardpoint. They generate revenues in the following ways:

- Each withdrawal generates a gross withdrawal fee of between £1.00 and £2.00 which is payable directly by the cardholder at the time of withdrawal. The average withdrawal fee across Cardpoint’s Cash Machine estate has increased consistently since the Company’s launch and the majority of withdrawals generate a fee of between £1.50 and £1.75. The current average fee of £1.66 represents an increase of 7.5 per cent. over the last twelve months.
- An interchange fee payable by the cardholder’s bank or building society, in the case of a balance enquiry or where the request for cash is rejected. This fee is fixed annually by LINK following a cost study review by KPMG and is currently 18.2p per enquiry or rejection.

Cardpoint often pays a proportion of the gross withdrawal fees to the Host. The amount payable depends on the volume of transactions and the level of profitability of individual contracts. However, Cardpoint currently retains most of the income generated by each Cash Machine and has complete discretion regarding the level of the withdrawal fee at each Cash Machine.

A small number of the Group’s Cash Machines operate under a merchant replenishment model, whereby the Host replenishes the Cash Machine using his own bank notes. These Cash Machines incur lower direct costs and, despite lower transaction volumes, generate appropriate returns on capital for Cardpoint.

As a result of its acquisitions and enduring contractual relationships, the Group also operates a small number of machines that do not charge withdrawal fees and which generate revenue entirely on the basis of interchange fees.

As the Group has achieved increasing critical mass in its Cash Machine operations it has been able to lower the cost of its supply base and its processing costs. This reduction in operating costs was substantially aided by the migration of individual operations to “best of breed” suppliers following the integration of the Green Machine business in 2002 and the business of Securicor Cash Machine Limited in 2003.

Electronic Mobile Phone Top-up Division

The division was established following the acquisition in June 2003 of PT Distribution Limited, which at the time operated approximately 2,900 mobile phone top-up terminals. This acquisition was complementary to the Group’s core Cash Machine operations both in terms of Hosts and business processes. The division has broadened the Group’s revenue streams within the overall area of electronic payment processing whilst enabling cross-selling and sharing of sales and marketing resource within the Group. Since its acquisition, the division has grown to approximately 3,400 terminals. The Directors currently anticipate that mobile phone top-up facilities will become available to customers from its Cash Machine network during 2004. The Directors expect that this development will enable the Group to benefit from incremental sales of top-up services to customers able to pay through a bank account, compared to current facilities which generally allow only cash sales.

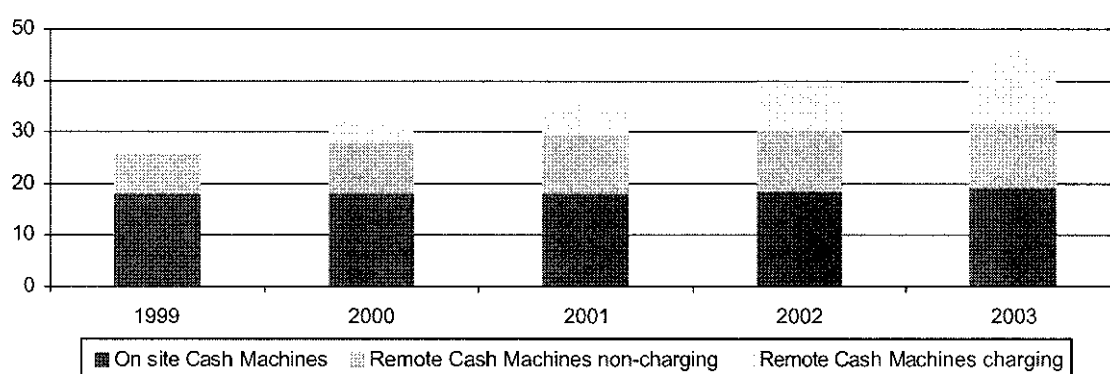
3. Industry overview

The UK Cash Machine Market

As predicted by the Directors at the time of the Company’s flotation in June 2002, the Cash Machine market in the UK has continued to experience considerable growth. At the end of 2003, there were 46,461 Cash Machines in the UK which represents an increase of 14 per cent. in 2003 and 89 per cent. over a five year period. Much of this growth has resulted from consumer’s increasing demand for cash in convenient locations, not bank or building society branches, generally referred to as “Remote Cash Machines”. By the end of 2003, Remote Cash Machines accounted for approximately 58 per cent. of the total number of UK Cash Machines, compared with approximately 23 per cent. in 1998.

To date, most banks and building societies have been unwilling to charge users of their Cash Machines a withdrawal fee and have relied upon interchange fees as the sole source of revenue. The increased penetration into the UK Cash Machine market of charging Cash Machines has been driven by IADs, who in aggregate owned or operated approximately 31 per cent. of the total number of Cash Machines in 2003. However, transactions at IAD Cash Machines represented only three per cent. of the total volume of transactions in 2003, reflecting *inter alia*, the lower footfall, more limited availability and lower customer familiarity associated with many IAD Cash Machines. Table 1 shows the number and classification of Cash Machines in the UK for the period 1999 to 2003.

Table 1: Number of Cash Machines in the UK ('000)

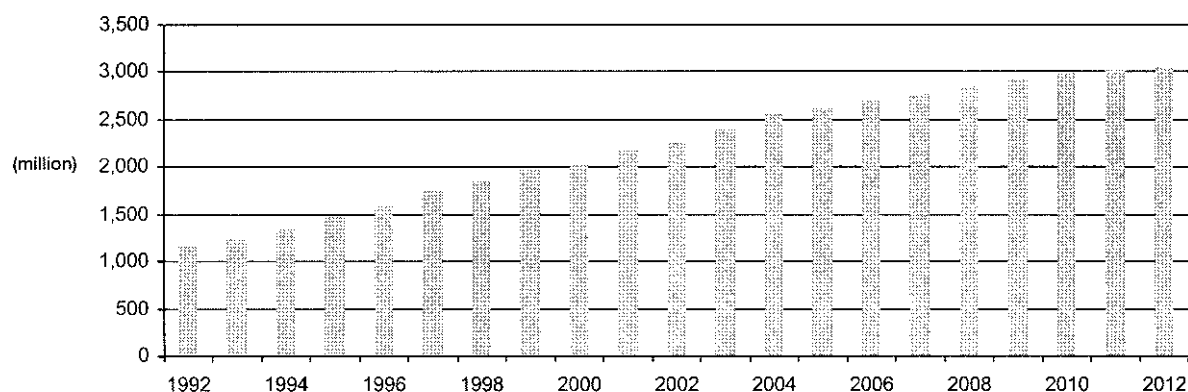


Source: APACS

APACS has forecast that, during the ten years to 2012, the volume of cash withdrawals from UK Cash Machines will increase by over 30 per cent. to approximately 3 billion withdrawals annually despite the increased use of credit and debit cards. Over the same period, the proportion of cash in circulation obtained from Cash Machines is forecast to increase to 74 per cent. from 51 per cent. in 2002.

Table 2 shows the actual and projected number of cash withdrawals from UK Cash Machines over the period 1992 to 2012.

Table 2: Number of cash withdrawals from UK Cash Machines



Source: APACS

APACS estimates that approximately 31.6 million adults in the UK regularly use Cash Machines. In addition, there were estimated to be 158 million plastic cards in circulation by the end of 2003 that carried Cash Machine functionality. Cash Machine usage is forecast to increase as a result of:

- the direct payment of state benefits into recipients' bank accounts;
- the continued trend away from the payment of cash wages;
- increased demand for services allowing cardholders to change or unlock their PIN at any Cash Machine, particularly following the migration of cardholder identification from signature based to the "Chip and PIN" system which is expected to be completed in the UK by the end of 2005;
- the issuing of an estimated 2.7 million Cash Machine compatible cards by National Savings and Investments; and
- consumer preferences for Cash Machine withdrawals as opposed to the use of "cash back" facilities and over-the-counter and cheque cashing facilities at bank branches.

In addition to the forecast growth in the use of Cash Machines, there has been an increase in the willingness of cardholders to use Cash Machines operated by parties other than their own bank or building society. The proportion of transactions involving Cash Machines not already owned by the card issuer increased to 57 per cent. in 2003. The Directors believe that this trend will continue and, as a result, the large difference in utilisation rates between Cash Machines owned by banks and building societies and those owned and operated by IADs may narrow. In 2003, the average number of withdrawals per day at Cash Machines owned by banks and building societies was 196 compared to 15 withdrawals per day at IAD Cash Machines.

The Group's competitors consist primarily of other IADs including Moneybox plc, Bank Machine, TRM and Hanco. Cardpoint currently operates over 2,100 Cash Machines, representing approximately a 13 per cent. share of the total IAD estate in the UK. The Directors believe that, following completion of the Acquisition, the Enlarged Group will continue to be the IAD market leader in the UK by number of fully managed Cash Machines and will become the market leader by number of transactions, both in aggregate and per Cash Machine.

The European Cash Machine Market

The Cash Machine market in mainland Europe is less mature than the UK Cash Machine market and there are significantly fewer Cash Machines deployed away from traditional bank and building society branch sites. However, the Directors believe that the European market is likely to experience similar growth in the deployment of Remote Cash Machines as in the UK. Recently, Cardpoint established its first Cash Machine in Germany. Germany currently has approximately 50,500 Cash Machines, of which approximately 5,500 are situated at remote locations. Initially, Cardpoint intends to focus its continental European activities on the German market, which is larger than the UK market and significantly less mature.

The UK Mobile Phone Top-up market

There are approximately 49 million mobile phone subscribers in the UK, of whom approximately 69 per cent. are "pay-as-you-go" customers. The total number of pay-as-you-go subscribers increased by approximately 175 per cent. over the three year period to 2003. A significant proportion of these subscribers regularly "top-up" their

account through payments made at electronic terminals situated at locations such as convenience stores, newsagents, motorway service areas and petrol stations. The pay-as-you-go market is forecast to remain an important part of the UK mobile telephony market into the future.

4. Information on the HBOS Remote Estate

Cardpoint Remote is acquiring 816 Remote Cash Machines which are currently owned and operated by HBOS. All of these Cash Machines are "through-the-wall" machines in locations such as service stations, convenience stores, train stations and shopping villages. A contract in respect of these Cash Machines typically exists between the site owner and HBOS of, initially, between 2 and 5 years. Approximately 67 per cent. of the Cash Machines within the HBOS Remote Estate has been installed as part of multi-site contracts with large corporate customers. HBOS has recently undertaken a major equipment upgrade across its entire estate.

The HBOS Remote Estate is predominantly located in mature locations and generates significantly higher transaction volumes than the existing Cardpoint Cash Machine estate. Unlike Cardpoint, HBOS does not charge cardholders for the use of its Remote Cash Machines; all revenues are currently generated through interchange fees payable by the cardholder's bank or building society.

Historically, HBOS has not prepared detailed financial information on the HBOS Remote Estate. As part of their detailed due diligence into the Acquisition, the Directors have been able to establish that in the 12 months ended 31 December 2003 the HBOS Remote Estate comprised an average of 778 Cash Machines which generated an estimated 87.8 million cardholder transactions and which would have generated turnover of £25.7 million based on prevailing interchange fees. The HBOS Remote Estate is managed as part of HBOS's wider Cash Machine estate and it is therefore not possible to extract meaningful information relating to the operating costs of and profits generated by the HBOS Remote Estate. The Directors estimate that the unaudited value of the net assets of the HBOS Remote Estate as at 31 December 2003 was £14.8 million.

Shareholders' attention is drawn to the paragraph entitled "Financial Effects of the Acquisition" below for further details of the potential revenue contribution of the HBOS Remote Estate to the Enlarged Group.

The table below shows the average historic monthly transaction volumes per Cash Machine in the HBOS Remote Estate for the year ended 31 December 2003 compared with Cardpoint's Cash Machine estate for the 12 months to 31 March 2004. It can be seen that average transaction volumes generated by the Cash Machines within HBOS Remote Estate are typically ten times those for the Cardpoint Cash Machine estate.

	Cardpoint Cash Machines	HBOS Cash Machines
Average number of transactions per month per Cash Machine	949	9,400

The Directors believe that the comparatively high number of transactions generated by the Cash Machines within the HBOS Remote Estate when compared with Cardpoint's operating data reflects four principal factors:

- *Quality of sites:* the HBOS Remote Estate been installed for an average of more than 4 years. This reflects the fact that banks and building societies began installing remote Cash Machines prior to the existence of IADs. Consequently they were able to secure prime sites which benefit from high levels of footfall and therefore transactions.
- *"Through-the-wall" Cash Machines which are available 24 hours, 365 days per annum:* through-the-wall machines are usually situated on the exterior of the site and benefit from high levels of customer familiarity which increases usage.
- *Service speed:* through-the-wall Cash Machines are typically able to process at a faster rate than a freestanding machine.
- *Free usage:* under HBOS ownership, the Remote Cash Machines being acquired have not charged a withdrawal fee.

Following Completion, the Directors' will seek to convert a proportion of the HBOS Remote Estate to a charging model which subject, *inter alia*, to the number of Cash Machines converted and the number of transactions retained post-conversion, would result in the generation of materially higher revenues than have historically been generated by the HBOS Remote Estate. An illustration of the possible effects of conversion of a proportion of the HBOS Remote Estate to a charging model is set out in paragraph 5 and Table 3 below.

5. Background to and reasons for the Acquisition

Cardpoint was admitted to AIM in June 2002 with the stated intention of growing its then existing estate of 188 Cash Machines. This strategy has been actively pursued and the Group currently operates an estate of over 2,100 Cash Machines. The Directors believe that the acquisition of the HBOS Remote Estate represents an opportunity to:

- significantly increase the scale of the Group's business;
- materially improve profitability and cash flow; and
- establish Cardpoint as the market leader in the IAD market in the UK.

Upon Completion, Cardpoint will own the first significant Cash Machine estate to be sold by a UK bank. It will allow the Company to apply the success of the charging model to a portfolio of Cash Machines capable of generating a level of transactions which would otherwise be difficult for an IAD to attain other than through acquisition, due to the historic presence of banks and building societies in prime locations in the marketplace.

Immediately upon Completion, Cardpoint intends to commence integrating the business of the HBOS Remote Estate with its existing operations, which will involve *inter alia*:

- minimal changes to signage other than removal of HBOS branding and compliance with LINK Operating Rules;
- reducing operating costs; and
- converting a number of the Cash Machines within the HBOS Remote Estate to the existing and proven charging model operated by Cardpoint. An illustrative example of the impact of converting the HBOS Remote Estate to a charging model is set out in Table 3 below.

The Directors believe that the Acquisition will present opportunities for the Enlarged Group to continue to improve its operating margins by reducing operating costs.

More importantly, however, the Directors believe that there will be continued consolidation of the ownership of the numerous Remote Cash Machine estates operated in the UK marketplace. Cardpoint now has significant experience of successfully integrating Remote Cash Machine estates which coupled with the fact that Cash Machines owned and/or operated by the Enlarged Group following Completion will generate more Cash Machine transactions than any of Cardpoint's principal competitors is a strong competitive advantage for the Enlarged Group.

Illustration of the effects of converting the HBOS Remote Estate to a charging model

On Completion, Cardpoint will acquire the assets of 816 cash machines. Cardpoint will seek to apply the charging model to those Cash Machines that are capable of sustaining the necessary level of transactions.

In order to convert the maximum number of machines to the charging model, Cardpoint will seek that Hosts either assign their existing contracts to Cardpoint or enter into new contracts with Cardpoint. The Directors believe that the increased revenue generated by a charging Cash Machine will allow Cardpoint to offer increased revenues to site owners. This will be a key factor in persuading them of the benefits of a change to the charging model.

Cardpoint has already successfully replaced 163 non-charging Cash Machines provided by banks and located at sites of the motorway service operators, Moto, Welcome Break and Roadchef, with Cardpoint Cash Machines charging, on average, £1.75 per withdrawal at these sites.

The technical process of converting a Cash Machine from a non-charging to a charging machine is relatively simple and inexpensive. Whilst the Directors believe that the key factors for the high number of transactions of the HBOS Remote Estate are primarily location and type of machine, they recognise that the conversion to a charging model, together with removing the brand familiarity of a high street bank, is likely to reduce the number of transactions. However, as the revenue per charging Cash Machine for a withdrawal is typically almost five times the value of the alternative interchange fee, there is considerable scope for improving the operating contribution of a charging Cash Machine despite the possibility of a reduction in the number of transactions it achieves.

Set out below is an illustration of what the HBOS Remote Estate might have achieved in the twelve months to 31 December 2003 based on the following assumptions:

- The HBOS Remote Estate comprises 778 Cash Machines, being the average number of Remote Cash Machines operated by HBOS during the year ended 31 December 2003, of which 389 (50 per cent.) are assumed to convert to the charging model ("the Conversion Rate");
- For those Cash Machines that are converted to the charging model, the number of transactions is assumed to reduce to 42.5 per cent. of that achieved under the ownership of HBOS ("the Retention Rate");
- Revenue from charging Cash Machines assumes an average fee payable for cash withdrawals of £1.50, which is less than the current average withdrawal fee of Cardpoint's existing estate. Turnover from LINK balance enquiries, Mastercard and VISA withdrawal fees is based on the actual interchange fees payable for the year ended 31 December 2003; and
- Revenue from non-charging Cash Machines is based on the actual LINK, Mastercard and VISA withdrawal and balance enquiry fees per average Cash Machine within the HBOS Remote Estate for the year ended 31 December 2003.

Table 3 below compares the illustrative revenue and transaction numbers of the HBOS Remote Estate for the year ended 31 December 2003 calculated on the basis of the assumptions set out above together with, for comparison, the average revenue and transaction numbers achieved by the HBOS Remote Estate for the year ended 31 December 2003 based on interchange fees only. Also, for comparison, the table sets out the revenue and transaction numbers per Cash Machine achieved by the Cardpoint Cash Machines during the 12 months ended 31 March 2004.

Table 3: Illustrative revenue and transaction numbers following conversion of the HBOS Remote Estate

	HBOS Cash Machines year ended 31 December 2003				Cardpoint Cash Machines 12 months ended 31 March 2004
	Non- charging machines only	Non- charging machines	Charging machines	Total	
Revenue (£)	25,675,000	12,837,500	19,482,000	32,319,500	17,531,000
Average number of Cash Machines	778	389	389	778	1,529
Total number of transactions	87,756,000	43,878,000	18,648,000	62,526,000	17,407,000
Average number of transactions per Cash Machine	112,797	112,797	47,938	80,368	11,385
Average revenue per Cash Machine (£)	33,001	33,001	50,082	41,542	11,466

Notes

1. The Cardpoint Cash Machine figures are based on the actual figures for the six months ended 30 September 2003 and the six months ended 31 March 2004 and include only nine months of contribution from the acquisition of Securicor Cash Machine Limited (acquired in June 2003).

The above table illustrates that based on the assumptions set out above, the HBOS Remote Estate would have generated turnover of £32.3 million. In addition, average revenue per Cash Machine would have been £41,542 compared to £11,486 for the existing Cardpoint Cash Machine estate.

The above table is for illustrative purposes only and is not an indication of future performance of the HBOS Remote Estate or the Enlarged Group. The purpose of the table is to demonstrate how the HBOS Remote Estate could generate incremental revenues under a charging model despite a reduction in the overall number of transactions.

6. Financial effects of the Acquisition

The consideration payable for the HBOS Remote Estate is up to £75 million, £40 million of which is payable in cash on Completion with the remainder, the Deferred Consideration payable on or about 14 January 2005 subject to the achievement of the Performance Criteria. The Acquisition consideration and working capital requirements of the Enlarged Group are being funded by the proceeds of the Issue, a new acquisition debt and working capital facility of £25 million being provided by Cardpoint's principal bankers, Bank of Scotland, and up to £35 million in Unsecured Loan Notes.

The unaudited pro forma statement of net assets of the Enlarged Group, showing the effects of the Acquisition, the Firm Placing and the Placing and Open Offer is set out in Part VI of this document and shows net assets of £38.8 million following Completion, assuming that the maximum consideration payable of £75 million is paid. Goodwill representing the difference between the fair value of the consideration and the fair value of the net assets acquired of approximately £61.8 million will arise as a result of the Acquisition, assuming that the maximum consideration payable of £75 million is paid. This will be amortised over five years and will have a material impact on the reported profitability of the Group. Shareholders are reminded that the amortisation of goodwill is purely an accounting adjustment and does not necessarily reflect the underlying profitability of the business nor its actual cash flows. Consequently, Shareholders should consider the anticipated effect on normalised earnings per Ordinary Share which, *inter alia*, ignores the impact of goodwill.

Prior to any management action to convert a meaningful proportion of the HBOS Remote Estate to the charging model, the Acquisition would, in the Directors' belief, be cash flow positive although it would be earnings dilutive. However, as the strategy of the Enlarged Group is to convert a meaningful proportion of the HBOS Remote Estate to the charging model, Shareholders are encouraged to consider the effect of the Acquisition following the planned integration.

Whilst it is difficult to predict with certainty the contribution of the Acquisition, given that it has not previously operated as a charging estate, the Directors believe that they will be able to achieve a Conversion Rate and Retention Rate that will result in a material increase in the turnover of the Enlarged Group in future financial years. On this basis, and given that the Directors expect to be able to continue to reduce relative operating costs as a result of the increased scale of the Enlarged Group, the Directors expect the Acquisition to be significantly earnings enhancing (on the basis of normalised earnings per share) in its first full year.¹

7. Principal terms of the Acquisition

By an agreement dated 26 May 2004, Cardpoint Remote has conditionally agreed to acquire the HBOS Remote Estate subject, *inter alia*, to Shareholder approval. The consideration for the Acquisition is up to £75 million, £40 million of which is payable in cash on Completion with the remainder, the Deferred Consideration, payable on or about 14 January 2005 subject to the achievement of the Performance Criteria.

Deferred Consideration

The Deferred Consideration comprises a maximum payment of £35 million. This consideration, if payable, will be satisfied by the issue to HBOS of Unsecured Loan Notes redeemable by no later than January 2008. Further details of the terms and conditions attaching to the Unsecured Loan Notes are set out in paragraph 9 of Part VII of this document.

Performance Criteria

The amount of Deferred Consideration payable is dependent upon the achievement of certain Performance Criteria. The key determinant is the number of customer contracts assigned to Cardpoint in the period between Completion and 31 December 2004. The maximum amount of Deferred Consideration payable of £35 million will only become payable if contracts relating to all 816 Cash Machines are assigned to Cardpoint Remote, or alternatively new contracts are entered into in respect of such machines by 31 December 2004. In addition, the amount of Deferred Consideration payable is subject to downward adjustment dependent upon the outcome of certain transitional arrangements between HBOS and Cardpoint Remote in the period between Completion and 31 December 2004.

Further details of the Acquisition Agreement are set out in paragraph 9 of Part VII of this document.

8. Financing of the Acquisition

The maximum consideration of £75 million, comprising £40 million of Initial Consideration and up to £35 million of Deferred Consideration is being financed as follows:

- proceeds from the issue of the New Ordinary Shares, of approximately £32.7 million (net of expenses);
- a bank facility of £25 million provided by Bank of Scotland (this represents an increase of £18 million on Cardpoint's existing facilities); and
- Unsecured Loan Notes of up to £35 million to be issued to HBOS as required under the terms of the Acquisition Agreement. Further details of the Unsecured Loan Notes are set out in paragraph 9 of Part VII of this document.

The balance of any funds raised and/or headroom under the Debt Financing will be used as required for the Enlarged Group's working capital.

¹ This statement should not be interpreted to mean that Cardpoint's future earnings per share will necessarily be greater than or equal to the historical reported earnings per share.

9. Financial information on Cardpoint

The Company has today announced its unaudited interim results for the six months ended 31 March 2004. These results clearly demonstrate the success of the Company's strategy of organic and acquisitive growth with turnover of £13.8 million for the first six months of the year (2003: £2.9 million) exceeding that for the previous financial year as a whole. Gross profit generated reached £3.8 million (2003: £0.4 million) and operating profit prior to the amortisation of goodwill increased to £0.4 million compared to a loss of £0.3 million in the six months to 31 March 2003.

Tables 4 and 5 demonstrate the strong development and progression of the Company's activities and revenues.

Table 4: Turnover for the six month periods ending 31 March 2002 - 31 March 2004 (£'000)

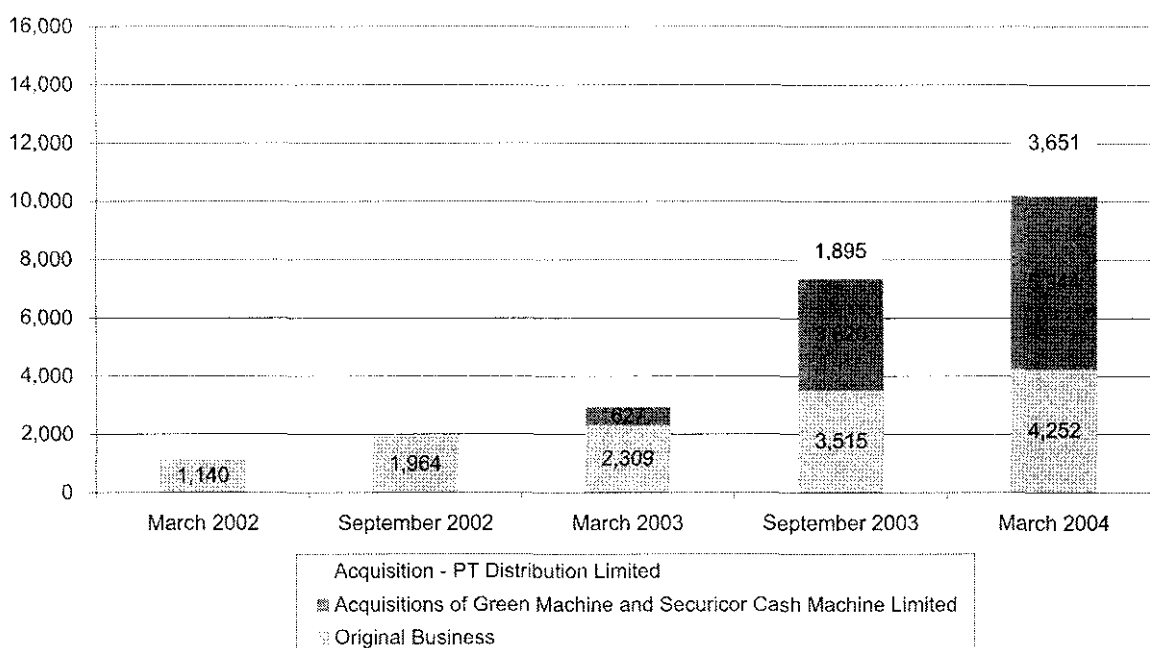
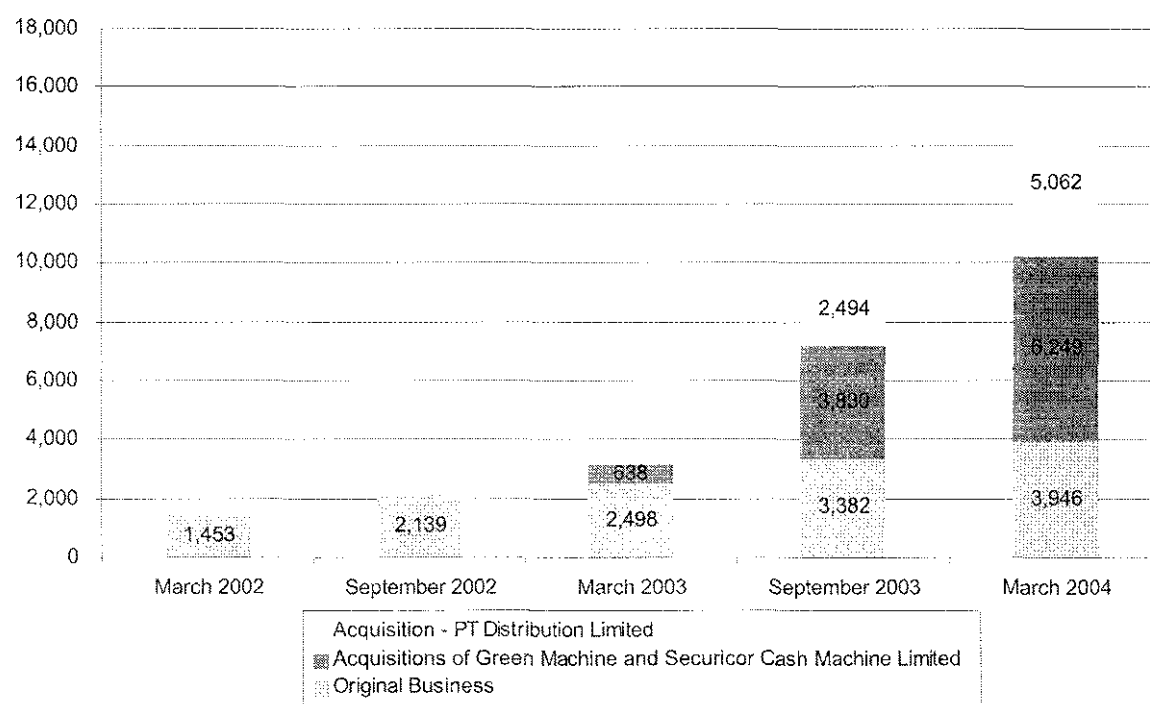


Table 5: Total number of transactions for the six month periods ending 31 March 2002 - 31 March 2004 (£'000)



The Directors draw your attention to the full text of the unaudited interim results which is included in Part IV of this document, together with the comparative table covering the three years ended 30 September 2003 set out in Part V of this document.

10. Current trading and prospects

The acquisition of the HBOS Remote Estate will provide the Enlarged Group with a considerable opportunity to build on Cardpoint's existing profitable business. The Directors believe that the opportunity to acquire a Cash Machine estate with such significant transaction numbers, capable, in part, of conversion to the charging model, greatly enhances the Group's prospects. The focus of the Enlarged Group will initially be to maximise the revenue generation of the HBOS Remote Estate whilst retaining the momentum of the Group's organic growth in the UK and in Germany. As a leading consolidator in a growth industry which is expected to consolidate further, the prospects for the Enlarged Group are extremely encouraging.

As set out in the interim statement announced today and included in Part IV of this document, Cardpoint continues to demonstrate the strength of its business model by reporting increased profitability and cash flow generation.

Cardpoint operates in a growth sector and by increasing critical mass the Company is not only able to grow the overall group turnover but also improve the operating margin as a result of the operational gearing of the business model.

Following Completion, the Company will own and/or operate nearly 3,000 Cash Machines. This positions the Company well to take advantage of service and revenue opportunities in areas such as electronic mobile phone top-up and PIN change services.

11. Directors and senior management

Brief biographies of the Directors of Cardpoint and the operating board are set out below. Paragraph 7 of Part VII of this document contains further details of current and past directorships and certain other important information regarding the Directors.

Peter Smyth, aged 51 - Non-Executive Chairman

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

Mark Mills, aged 33 - Chief Executive Officer

Prior to founding Cardpoint in October 1999, Mark successfully started, developed, acquired and subsequently sold a number of businesses with multiple site operations. The most significant of these was Postal Facilities Limited, which was sold to More Group UK Limited and developed to an estate of 1,200 independent post boxes, situated in petrol stations nationwide. Following the successful flotation of Cardpoint in June 2002, Mark is responsible for the development of the Group.

Chris Hanson ACA, aged 46 - Finance Director

Chris qualified as a Chartered Accountant in 1982 and spent 13 years with KPMG. Chris joined the Group part-time in November 2001 and became full time finance director in January 2003 having previously gained extensive experience as a finance director of two public companies. Chris was instrumental in the acquisition of Green Machine and Securicor Cash Machine Limited and has overall responsibility for the Group's financial controls.

John Westwood, aged 55 - Non-Executive Director

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

Operating Board

The day to day management of the Company is the responsibility of the operating board, which comprises the Executive Directors above and the following individuals:

Mark Kropacz, aged 45 - Chief Operating Officer

Mark joined the Group in January 2001 from More Group UK Limited, where he had spent 15 years in a number of senior management roles and latterly as a director of two group companies with responsibility for the management and development of external operations. Mark is responsible for day-to-day operations, implementation of the development plan and managing relationships with suppliers and was responsible for the successful integration of Green Machine, Securicor Cash Machine Limited and PT Distribution Limited's businesses into the Group.

Nigel Mills, aged 37 - Sales and Marketing Director

Nigel co-founded the business together with his brother Mark and has previously been involved in developing a number of businesses with him. He is responsible for the identification and assessment of suitable sites with particular responsibility for developing relationships with corporate hosts where the opportunity for multiple site deployment exists. Nigel oversees a national sales manager and sales team focused on securing individual quality sites utilising mapping software developed to identify suitable Cash Machine locations.

Roy Dodd, aged 39 - Commercial Director

Roy joined the Group in October 2003 and was previously Finance Director of Securicor Cash Services Limited. He qualified as a Chartered Accountant in 1989 with Baker Tilly and is responsible for refining and monitoring the Group's commercial arrangements and investigating areas of further cost reduction. Roy is also responsible for operational controls, information technology and analysis.

Andrew Martin, aged 38 - Business Development Director

Andrew is a qualified Mechanical Engineer and has a Masters degree from Imperial College London. Andrew has spent most of his career in Sales and Marketing and has occupied a number of senior management roles with several international companies. Andrew joined Cardpoint from Securicor Cash Services Limited where he was Sales and Marketing Director and where he set up Securicor Cash Machine Limited from the initial strategy. Andrew is responsible for the day-to-day operations of Cardpoint's German business.

Employee incentivisation

The Company relies upon the dedication and hard work of all of its staff to grow the business. Since its flotation in June 2002 the Company has achieved rapid growth which has resulted in substantial Shareholder returns. The Company has established a number of share option schemes to ensure that staff and Shareholder interests are aligned. There are currently 4,457,735 options outstanding which represents 7.3 per cent. of the Enlarged Share Capital.

The Remuneration Committee recognises that as the business grows rapidly it becomes increasingly more demanding to continue to deliver such sustained outperformance. Consequently, the Company intends to establish a Long Term Incentive Plan to link the long term reward of key executives of the Enlarged Group with the value delivered to shareholders. Vesting of awards under the LTIP will depend upon the achievement of testing performance criteria measured over a period of between three and five years for each award. The precise performance levels for each award will be determined by the Remuneration Committee, having regard to the market conditions prevailing at the time the award is made.

Initially, it is intended that Mark Mills be awarded a right to subscribe for 1,000,000 Ordinary Shares which is exercisable at a price of 5p per Ordinary Share at any time between the third and fifth anniversary of grant. The exercise of this right will be subject to the terms of the LTIP which, *inter alia*, will require that the exercise of any right granted thereunder will be conditional upon the price of an Ordinary Share being £2.50 or more (as derived from the AIM appendix of the Daily Official List) at the close of business for 40 business days in the period within which such right is exercisable. Employees that receive awards under the LTIP will not receive further options under the Share Option Schemes. It is intended that the majority of employees will continue to receive options under the Share Options Schemes in accordance with the Company's current remuneration policy.

12. Details of the Firm Placing, Placing and Open Offer

The Issue, which is fully underwritten by Evolution Beeson Gregory, will raise approximately £35 million (before expenses) comprising £30 million by way of the Firm Placing and £5 million under the Placing and Open Offer.

Firm Placing

The Firm Placing will raise £30 million (before expenses), which represents approximately 86 per cent. of the total funds being raised by the Company pursuant to the Issue. Evolution Beeson Gregory, as agent for the Company, has conditionally agreed to use its reasonable endeavours to place 24,000,000 New Ordinary Shares firm with institutional and other investors at the Issue Price. The Firm Placing has been fully underwritten by Evolution Beeson Gregory. The Firm Placing Shares are not available for subscription under the Open Offer.

The Board feels that given the size of the fundraising compared to the Company's current market capitalisation it is necessary to disapply statutory pre-emption rights in order to attract new institutional investors who are capable of supporting the Company at this stage of its development.

Placing and Open Offer

The Board wishes to allow existing Shareholders to participate in the equity fundraising. Accordingly, Qualifying Shareholders are being given the opportunity to participate in the Issue by way of the Open Offer. Evolution Beeson Gregory, on behalf of the Company, is offering Qualifying Shareholders an aggregate of 4,085,791 Open Offer Shares at 125p per share, payable in full on application, on the following basis:

1 Open Offer Share for every 8 Existing Ordinary Shares

held on the Record Date, and so in proportion for any other number of Existing Ordinary Shares then held. Qualifying Shareholders who so wish may apply for further Open Offer Shares in excess of their Basic Entitlement (although such Open Offer Shares will only be allotted to the extent that not all Qualifying Shareholders apply for their Basic Entitlement in full).

Fractional entitlements to Open Offer Shares will not be allotted to Qualifying Shareholders and no cash payment will be made in lieu of fractional entitlements which will be aggregated and allotted to placees under the Firm Placing for the benefit of the Company. Accordingly, the entitlement of Qualifying Shareholders under the Open Offer will be rounded down to the nearest whole number of Open Offer Shares.

Applications in excess of the Basic Entitlement will only be subscribed to the extent that applications by other Qualifying Shareholders are made for less than their Basic Entitlement and may therefore be scaled down. Allocation of Open Offer Shares in respect of those excess applications will be made entirely at the discretion of Evolution Beeson Gregory and the Directors.

Evolution Beeson Gregory, as agent for the Company, has conditionally agreed to use all reasonable endeavours to place the 4,085,791 Open Offer Shares at the Issue Price with institutional and other investors, subject to a right of recall to the extent required to satisfy valid applications under the Open Offer.

To the extent that Evolution Beeson Gregory is unable to procure placees for the Open Offer Shares at the Issue Price, Evolution Beeson Gregory will subscribe itself, as principal, at the Issue Price for any of the Open Offer Shares for which valid applications are not received from Qualifying Shareholders under the Open Offer. Further details on the Placing Agreement are set out in paragraph 14 of Part VII of this document.

Shareholders should note that the Open Offer is not a rights issue and that Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of Qualifying Shareholders who do not apply under the Open Offer. Entitlements under the Open Offer are not transferable unless to satisfy a *bona fide* market claim and the Application Form, not being a document of title, cannot be traded.

The latest time and date for valid application and payment in full for Open Offer Shares under the Open Offer is 3.00 p.m. on 17 June 2004.

Application will be made for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence in the New Ordinary Shares on 21 June 2004.

Further information relating to the Open Offer, including the procedure for application and payment, is set out in Part II of this document.

The attention of Shareholders who have registered addresses outside the United Kingdom or who are citizens or residents of countries other than the United Kingdom is drawn to the paragraph headed "Overseas Shareholders" set out in the letter from Evolution Beeson Gregory in Part II of this document. The Open Offer is not being made to certain overseas Shareholders. A guide to the general tax position of Qualifying Shareholders resident in the United Kingdom is set out in the paragraph headed "Taxation" in Part II of this document. Any person who is in any doubt as to their tax position or who is subject to tax in a jurisdiction other than that the United Kingdom should consult an appropriate professional adviser immediately.

General

The New Ordinary Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions hereafter declared, made or paid on the Ordinary Shares following Admission.

The Issue is conditional, *inter alia*, upon:

- the passing of the Resolutions to be proposed at the EGM;
- the Placing Agreement having become unconditional in all respects (save only in respect of any condition relating to the Acquisition Agreement becoming unconditional in all respects and Admission) on or before 8.00 a.m. on 21 June 2004 (or such later time and/or date as Evolution Beeson Gregory and the Company may agree, (being not later than 8.00 a.m. on 31 July 2004), and not having been terminated in accordance with its terms prior to Admission;
- the Acquisition Agreement having become unconditional in all respects (save in respect of any condition relating to the Placing Agreement becoming unconditional in all respects and Admission); and
- Admission.

13. Extraordinary General Meeting

You will find set out at the end of this document a notice convening the Extraordinary General Meeting of the Company to be held at the offices of Evolution Beeson Gregory, 100 Wood Street, London, EC2V 7AN at 10.00 a.m. on 18 June 2004. The following Resolutions will be proposed at the EGM:

An ordinary resolution will be proposed for the purposes of:

- (a) approving the Acquisition; and
- (b) authorising the Directors, pursuant to section 80 of the Act, to allot up to 50,000,000 New Ordinary Shares.

A special resolution will be proposed for the purposes of:

- (a) empowering the Directors, pursuant to section 95 of the Act, to allot the New Ordinary Shares and to allot equity securities (as defined in the Act) for cash without complying with the statutory pre-emption rights, to the extent specified in the resolution; and
- (b) increasing the borrowing powers of the Directors under the Articles to accommodate the Debt Financing.

14. CREST

Qualifying Shareholders with a CREST Participant ID and CREST Member Account ID will be able to take up Open Offer Shares in uncertificated form subject to their providing appropriate information in the Application Form. For Qualifying Shareholders who wish to receive Open Offer Shares in certificated form, definitive share certificates will be despatched as soon as practicable following Admission and in any event by 28 June 2004. Pending receipt of certificates in respect of such Open Offer Shares, transfers will be certified against the register of members.

15. Overseas Shareholders

The attention of overseas Shareholders is drawn to the additional information set out in paragraph 6 of Part II of this document.

16. Action to be taken

In Respect of the EGM - Form of Proxy

Shareholders will find accompanying this document a Form of Proxy for use at the EGM.

Whether or not you propose to attend the EGM, Shareholders are requested to complete and sign the Form of Proxy and return it by post or (during normal business hours) by hand to Capita Registrars of The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible and, in any event, so as to arrive no later than 48 hours before the time of the EGM. The return of a Form of Proxy will not prevent a Shareholder from attending the EGM and voting in person if he or she so wishes.

Shareholders who are CREST members should refer to their CREST sponsors regarding the action to be taken in connection with this document.

In respect of the Open Offer - Application Form

If you wish to take up your Basic Entitlement or more or less than your Basic Entitlement under the Open Offer, you should complete, sign and return the accompanying Application Form in accordance with the procedure set out in Part II of this document and on the Application Form and return it, together with the appropriate payment, by post or (during normal working hours) by hand to, Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible and, in any event, so as to arrive no later than 3.00 p.m. on 17 June 2004. A pre-paid envelope accompanies this document for your convenience for use in the UK only.

Qualifying Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Open Offer.

Further details regarding the Open Offer are set out in the letter from Evolution Beeson Gregory in Part II of this document and in the Application Form accompanying this document.

17. Additional information

Your attention is drawn to the additional information set out in Parts II to VII of this document and the Application Form.

18. Recommendation

Your Directors consider that, having been advised so by Rothschild (the financial adviser to the Company), the Acquisition is in the best interests of the Company and its Shareholders as a whole. In providing advice to the Directors, Rothschild has taken into account the Directors' commercial assessment of the Acquisition.

Accordingly, your Directors unanimously recommend Shareholders to vote in favour of the Resolutions as they have irrevocably undertaken to do in respect of their own shareholdings amounting to 3,153,156 Existing Ordinary Shares (representing approximately 9.68 per cent. of the existing issued ordinary share capital of the Company).

In addition, the Company has received irrevocable undertakings from certain other Shareholders holding, in aggregate, 4,301,050 Existing Ordinary Shares, representing approximately 31.16 per cent. of the existing issued ordinary share capital of the Company, to vote in favour of the Resolutions. The Company also has received letters of intent from certain other Shareholders holding, in aggregate, 3,270,093 Existing Ordinary Shares, representing approximately 10.00 per cent. of the existing issued ordinary share capital of the Company, to vote in favour of the Resolutions. Consequently, the Company has received irrevocable undertakings or letters of intent to vote in favour of the Resolutions from Shareholders holding, in aggregate, 10,724,299 Existing Ordinary Shares, representing approximately 32.81 per cent of the existing issued ordinary share capital of the Company.

Yours faithfully

Mark Mills

Chief Executive Officer

PART II
LETTER FROM EVOLUTION BEESON GREGORY



To all Qualifying Shareholders, and, for information only, to participants in the Share Option Schemes

26 May 2004

Dear Shareholder,

Acquisition of the HBOS Remote Cash Machine Estate

**Firm Placing of 24,000,000 New Ordinary Shares and Placing and Open Offer of up to
4,085,791 New Ordinary Shares at 125p per New Ordinary Share**

Admission of the Enlarged Share Capital to trading on AIM

1. Introduction

As explained in the letter from your Chief Executive Officer, which constitutes Part I of this document, your Board has conditionally agreed to acquire, subject, *inter alia*, to Shareholder approval, the HBOS Remote Estate. The consideration payable is up to £75 million, £40 million of which is payable in cash on Completion with the remainder, the Deferred Consideration, payable on or about 14 January 2005, subject to the achievement of the Performance Criteria.

In order to part finance the Acquisition, Cardpoint proposes to raise approximately £35 million (before expenses) by way of an issue of 28,085,791 New Ordinary Shares at the Issue Price pursuant to the Issue. Of this gross amount, £30 million (before expenses) is proposed to be raised by way of the Firm Placing and the remaining £5 million (before expenses) is proposed to be raised by making Ordinary Shares available for subscription by way of the Placing and Open Offer. The remaining funding for the Acquisition is to be obtained by way of the Debt Financing and the issuance of up to £35 million of Unsecured Loan Notes to satisfy any Deferred Consideration that may become payable.

The Issue consists of the Firm Placing of 24,000,000 New Ordinary Shares and the Open Offer of up to 4,085,791 New Ordinary Shares. Pursuant to the terms of the Placing Agreement, Evolution Beeson Gregory has conditionally agreed to use its reasonable endeavours, as agent for the Company, to place the Firm Placing Shares with institutional and other investors at the Issue Price and to subscribe itself as principal for the Firm Placing Shares to the extent that the same are not subscribed for under the Firm Placing. The Firm Placing Shares are not available for subscription under the Open Offer.

Evolution Beeson Gregory has also conditionally agreed to use its reasonable endeavours, as agent for the Company, to place the Open Offer Shares with institutional and other investors at the Issue Price, subject to a right of recall to the extent required to satisfy valid applications under the Open Offer. The Open Offer has been fully underwritten by Evolution Beeson Gregory.

The Issue Price of 125p per Open Offer Share, represents a discount of 8.4 per cent. to the closing middle market price of 136.5p per Existing Ordinary Share as derived from the AIM Appendix of the Daily Official List on 14 May 2004, being the last trading date prior to which trading in the Existing Ordinary Shares was suspended.

Your attention is drawn to the letter from your Chief Executive Officer set out in Part I of this document, which sets out the background to and reasons for the Acquisition and the Issue and to Parts III to VII of this document. This letter and the accompanying Application Form contain the formal terms and conditions of the Open Offer.

2. The Open Offer

Evolution Beeson Gregory, as agent for and on behalf of the Company, hereby invites Qualifying Shareholders to apply, on and subject to the terms and conditions set out below and in the Application Form, for Open Offer Shares at the Issue Price, payable in full on application and free of all expenses on the basis of:

- (a) 1 Open Offer Share for every 8 Existing Ordinary Shares held on the Record Date, and so in proportion to any other number of Existing Ordinary Shares then held (the "Basic Entitlement"); and

- (b) further Open Offer Shares in excess of their Basic Entitlement (although such Open Offer Shares will only be allotted to the extent that not all Qualifying Shareholders apply for their Basic Entitlement in full).

Fractional entitlements to Open Offer Shares will not be allotted to Qualifying Shareholders and no cash payment will be made in lieu of fractional entitlements which will be aggregated and allotted to placees under the Firm Placing for the benefit of the Company. Accordingly, the entitlement of Qualifying Shareholders under the Open Offer will be rounded down to the nearest whole number of Open Offer Shares.

Qualifying Shareholders who so wish may apply for Open Offer Shares in excess of their Basic Entitlement. Applications in excess of the Basic Entitlement will only be subscribed to the extent that applications by other Qualifying Shareholders are made for less than their Basic Entitlement and may therefore be scaled down. Allocation of Open Offer Shares in respect of those excess applications will be made entirely at the discretion of Evolution Beeson Gregory and the Directors.

Qualifying Shareholders should be aware that the Open Offer is not a rights issue and Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply under the Open Offer.

Application will be made to the London Stock Exchange for admission of the Open Offer Shares to trading on AIM. The Open Offer Shares will, when issued and fully paid, rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid thereon following Admission.

Qualifying Shareholders may only apply for Open Offer Shares on the accompanying Application Form which is personal to the Qualifying Shareholder(s) named therein and may not be assigned, transferred or split except to satisfy *bona fide* market claims in relation to transfers of Existing Ordinary Shares made through the market prior to the date on which the Existing Ordinary Shares are marked ex-entitlement in respect of the Open Offer. Qualifying Shareholders who have sold or otherwise transferred all or part of their registered holdings of Existing Ordinary Shares through the market prior to the date on which the Existing Ordinary Shares are marked ex-entitlement in respect of the Open Offer are advised to consult their stockbroker, solicitor, bank manager or other agent or adviser duly authorised under FSMA through or by whom the sale or transfer was effected as soon as possible and are referred to the instructions regarding split applications set out in the Application Form. It may be that benefits arising under the Open Offer may be claimed for Qualifying Shareholders by the purchaser or transferee under the rules of the London Stock Exchange.

The Application Form represents a right to apply for Open Offer Shares. It is not a document of title and cannot be traded. Any Open Offer Shares which are not applied for under the Open Offer will be taken up in the Placing in accordance with the provisions of the Placing Agreement.

The Issue is conditional, *inter alia*, upon:

- (a) the passing of all of the Resolutions at the EGM;
- (b) the Placing Agreement having become unconditional in all respects (save only in respect of any condition relating to the Acquisition Agreement becoming unconditional in all respects and Admission) on or before 8.00 a.m. on 21 June 2004 (or such later time and/or date as Evolution Beeson Gregory and the Company may agree, being not later than 8.00 a.m. on 31 July 2004 and not having been terminated in accordance with its terms prior to Admission;
- (c) the Acquisition Agreement having become unconditional in all respects (save only in respect of any condition relating to the Placing Agreement becoming unconditional in all respects and Admission); and
- (d) Admission.

A summary of the principal terms and conditions of the Placing Agreement is set out in paragraph 14 of Part VII of this document.

3. Procedure for application under the Open Offer

If you are in any doubt as to the action to be taken, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under FSMA.

The accompanying Application Form shows the number of Existing Ordinary Shares registered in your name on the Record Date and also shows your Basic Entitlement to Open Offer Shares under the Open Offer. The Application Form incorporates further terms of the Open Offer and must be used if you wish to apply for Open Offer Shares. You may apply for your Basic Entitlement or more or less than your Basic Entitlement should you so wish. Valid applications up to your Basic Entitlement will be accepted in full. Valid applications for more than your Basic Entitlement will be treated as valid applications for your Basic Entitlement but the application for the excess will be satisfied only to the extent that applications by other Qualifying Shareholders are made for less than their Basic Entitlement. Allocation of Open Offer Shares in respect of these excess applications will be entirely at the absolute discretion of Evolution Beeson Gregory and the Directors. Any monies paid in respect of applications for Open Offer Shares in excess of Basic Entitlements that are scaled down will be returned to the applicant (at the applicant's risk) by crossed cheque without interest. The instructions and other terms set out in the accompanying Application Form form part of the terms of the Open Offer.

Application Forms should be completed, signed and returned by post in the reply paid envelope provided (in the UK only) or by hand (during normal business hours) to Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU with a sterling cheque or bankers' draft drawn on a bank or building society in the United Kingdom which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques and bankers' drafts to be cleared through the facilities provided for members of either of those companies.

Such cheques or bankers' drafts must bear the appropriate sorting code in the top right hand corner and must be for the full amount payable on application. Application Forms and payments in full must be received no later than 3.00 p.m. on 17 June 2004, after which time Application Forms will not be valid. However, the Company and Evolution Beeson Gregory reserve the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 3.00 p.m. on 17 June 2004 from an authorised person (as defined in FSMA) specifying the number of Open Offer Shares concerned and undertaking to lodge the relevant Application Form in due course.

Once submitted, applications are irrevocable. Cheques should be made payable to Capita IRG Plc - A/C - CARDPOINT and crossed "A/C Payee Only". It is a condition of application that cheques will be honoured on first presentation and the Company may elect not to treat as valid those applications in respect of which cheques are not so honoured. Any monies paid in excess of the amount due in respect of an application made will be returned without interest by crossed cheque in favour of the applicant through the post (at the applicant's risk) as soon as is practicable thereafter.

Cheques and bankers' drafts are liable to be presented for payment upon receipt. The application monies will be held in a separate bank account and any interest earned on such monies will be retained for the benefit of the Company. If the conditions of the Open Offer are not fulfilled by 8.00 a.m. on 21 June 2004 (or such later time and/or date, being not later than 8.00 a.m. on 31 July 2004, as Evolution Beeson Gregory and the Company may agree) the Open Offer will lapse and application monies will be returned without interest by crossed cheque in favour of the applicant(s) through the post as soon as is practicable thereafter.

All documents and remittances sent by post by or to an applicant (or as the applicant may direct) will be sent at the applicant's own risk. By completing and delivering an Application Form, you (as the applicant(s)):

- (a) agree that all applications, contracts and obligations resulting from such application shall be governed by, and construed in accordance with, English law; and
- (b) confirm that, in making the application, you have not relied on any information or representation other than such as may be contained in this document or the Application Form and you accordingly agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any such information or representation.

The Company and Evolution Beeson Gregory reserve the right to treat any application not strictly complying with the terms and conditions of the application as nevertheless valid in whole or in part.

If you do not wish to apply for any Open Offer Shares you should not complete the accompanying Application Form. You are nevertheless requested to complete, sign and return the accompanying Form of Proxy for use at the Extraordinary General Meeting.

Any enquiries about the Open Offer should be addressed to Capita IRG Plc, telephone number 0870 162 3100.

4. Money Laundering Regulations

It is a term of the Open Offer that, in order to ensure compliance with the Money Laundering Regulations 1993 (as supplemented or amended by the Money Laundering Regulations 2001 and the Money Laundering Regulations 2003) ("Regulations"), Capita IRG Plc may, at its absolute discretion, require verification of identity from any person lodging an Application Form who (i) tenders payment by way of a cheque or bankers' draft on an account in the name of a person or persons other than the Shareholder named on the Application Form; or (ii) appears to Capita IRG Plc to be acting on behalf of some other person. In the former case, verification of the identity of the application may be required. In the latter case, verification of the identity of any person on whose behalf the applicant appears to be acting may be required. If by 3.00 p.m. on 17 June 2004, Capita IRG Plc has not received evidence satisfactory to it as foresaid, the Company may, in its absolute discretion, reject the relevant Application Form in which event the applicant's remittance may be returned without interest to the account of the drawee bank from which such monies were originally debited.

As a guide, if the value of the Open Offer Shares applied for by a Qualifying Shareholder exceeds €15,000 the verification of the identity requirements of the Regulations will apply and verification of the identity of the applicant may be required. A failure to provide the necessary evidence of identity satisfactory to Capita IRG Plc may result in the rejection of the application or delays in the despatch of a share certificate or the crediting of CREST stock accounts. In order to avoid this, you should ideally make payment by means of a cheque drawn by the Shareholder named on the Application Form. If this is not practicable and a cheque drawn by a third party, building society cheque or bankers' draft is to be used you should:

- (a) write the name and address of the Shareholder (or one of the joint holders) named on the Application Form on the back of the cheque, building society cheque or bankers' draft and record the date of birth of the Shareholder;
- (b) if a building society cheque or bankers' draft is being used, ask the building society or bank to endorse on the cheque the name and account number of the person whose building society or bank account is being debited; and
- (c) if you are making the application as agent for one or more persons, indicate on the Application Form whether you are a United Kingdom or European Community regulated person or institution (for example a bank or stockbroker) and specify your status. If you are not a United Kingdom or European Community regulated person or institution, you should contact Capita Registrars. If the Application Form is delivered by hand, you should ensure that you have with you evidence of identity bearing your photograph (for example your passport).

5. Taxation

The following is a summary of certain UK tax consequences of the ownership of the Ordinary Shares for Shareholders who are resident in the UK, as well as Shareholders who are not resident in the UK, and may not apply to certain classes of persons (including, in particular, dealers in securities and financial institutions). This summary is based on current UK tax law and Inland Revenue practice and is for general information only and does not discuss any tax legislation which may be pending, unless explicitly mentioned. It assumes that the persons referred to in this section are beneficially entitled to the Ordinary Shares as an investment. **It does not purport to be a complete analysis of all the potential tax effects relevant to a decision to invest in the Ordinary Shares and prospective investors are urged to consult their tax advisers regarding the applicable tax consequences of acquiring, holding and disposing of the Ordinary Shares based upon their particular circumstances.**

5.1 *Taxation of dividends for UK resident Shareholders*

Under current UK tax legislation no UK tax will be withheld from any dividend paid by the Company.

An individual Shareholder who is resident in the UK (for the purposes of UK tax law) is currently generally entitled to a tax credit in respect of a dividend received. Since April 1999 the tax credit for an individual Shareholder has been 10 per cent. of the aggregate of the dividend plus the related tax credit. Tax credits are no longer repayable by the Inland Revenue to individual Shareholders who are not liable to income tax in respect of their dividend income. Individual Shareholders whose income is within the lower or basic rate bands are liable to tax at 10 per cent. on their dividend income. That means that the tax credit continues to satisfy their income tax liability in respect of dividends. Individuals who pay tax at the higher rate should pay income tax on the dividend plus the tax credit at a rate equal to what is to be known as the Schedule F upper rate (currently 32.5 per cent.). Individuals who pay income tax at the Schedule F upper rate will be able to set off the tax credit against the liability to income tax.

The trustees of certain trusts may also have further tax to pay on dividends.

UK resident corporate Shareholders, subject to certain very limited exceptions, are not liable to UK corporation tax in respect of dividends received from the Company.

Pension funds and most UK corporate Shareholders are not, however, entitled to claim a refund of tax credits from the Inland Revenue.

5.2 *Taxation of dividends for non-UK resident Shareholders*

Subject to special provisions which apply to Commonwealth citizens, citizens of the Republic of Ireland, residents of the Isle of Man or the Channel Islands, nationals of a State of the European Economic Area and certain others, the right of a Shareholder not resident in the UK for tax purposes to the benefit of a tax credit in respect of a dividend received and to claim payment of any part of the tax credit in respect of a dividend received will depend, in general, on the existence and terms of any double tax convention or agreement between the UK and the country in which the Shareholder is resident. Shareholders who are not resident in the UK for tax purposes should consult their own tax advisers concerning their tax liabilities on dividends received, whether they are entitled to claim any part of the tax credit and, if they are so entitled, the procedure for doing so.

5.3 *Taxation of capital gains for UK resident Shareholders*

A disposal of all or part of the Ordinary Shares by a person who is resident or ordinarily resident in the UK for tax purposes may give rise to a liability to taxation on chargeable gains ("CGT") depending on individual circumstances. Individuals, personal representatives and trustees may be entitled to taper relief which may operate to reduce the chargeable gains subject to CGT. Companies are not entitled to taper relief, but are entitled to indexation relief which may reduce the taxable chargeable gains. Indexation relief cannot be used to create or increase a loss. The Finance Act 2002 introduced new provisions which operate to remove from the scope of taxation on chargeable gains for UK companies certain gains (or losses) arising on disposals of shares where such shares constitute part of a substantial holding (defined as at least 10 per cent. of the ordinary share capital) in a company subject to a number of conditions.

5.4 *UK stamp duty and stamp duty reserve tax*

Except in relation to depository receipt arrangements and clearance systems, where special rules apply:

- (i) no stamp duty or stamp duty reserve tax ("SDRT") will be payable on the issue and allotment of Ordinary Shares by the Company;
- (ii) the conveyance or transfer on sale of Ordinary Shares following the allotment of shares and issue of the definitive share certificate will normally be subject to stamp duty at a rate of 0.5 per cent. of the amount of value of the consideration paid for the conveyance or transfer rounded up to the nearest £5. Where an agreement to purchase Ordinary Shares is not, before the seventh day of the month following the month in which the agreement was entered into (extended to 60 days from the date of agreement by a concession from the Inland Revenue), completed by a duly stamped transfer in favour of the purchaser, a charge to SDRT will arise at a rate of 0.5 per cent. of the amount of value of the consideration. The system of rounding up to the nearest £5 does not apply to SDRT. Any SDRT paid can be reclaimed if a duly stamped instrument is entered into within six years of the agreement and the appropriate stamp duty paid (although if this does not take place within the 60 day period referred to above, a liability to interest and penalties may arise);
- (iii) where the sale transaction takes place in CREST, generally SDRT will be automatically deducted and no stamp duty will arise;
- (iv) UK stamp duty and stamp duty reserve tax apply to UK resident and to non-UK resident Shareholders in the manner set out above.

6. **Overseas Shareholders**

The provisions of this paragraph 6 are intended as a guide only and any Shareholder who is resident in any jurisdiction other than the United Kingdom ("overseas Shareholder") is advised to consult a professional adviser immediately.

The making of the Open Offer to persons not resident in the United Kingdom may be affected by the laws or regulatory requirements of relevant jurisdictions. No person receiving a copy of this document and/or any Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such Application Form could lawfully be used without compliance with any unfulfilled registration or other legal requirements. **It is the responsibility of any person outside the United Kingdom wishing to apply for Open Offer Shares under the Open Offer to satisfy himself as to the full observance of the laws of the relevant territory which may be required and compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territory.**

The Company reserves the right, in its absolute discretion, to treat an application under the Open Offer as invalid in a particular case if it believes acceptance may violate applicable legal or regulatory requirements. In particular, overseas Shareholders should note the following:

(a) *Republic of Ireland*

The Open Offer Shares have not been and will not be registered under the European Communities (Transferable Securities and Stock Exchange) Regulations 1992 of the Republic of Ireland and the Open Offer is not being made in the Republic of Ireland. The Open Offer Shares may not be offered or sold, directly or indirectly, within the Republic of Ireland. This document does not constitute an offer to sell or the solicitation of an offer to acquire Open Offer Shares in the Republic of Ireland and no document in relation to the Open Offer Shares has been or will be lodged for registration with the Registrar of Companies in the Republic of Ireland.

(b) *United States and Canada*

The Open Offer Shares have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and the relevant exemptions are not being obtained from the Securities Commission of any province of Canada.

The Open Offer Shares are not being offered for sale and may not be, directly or indirectly, offered, sold, transferred or delivered in or into the United States or Canada or to or for the benefit of any US persons or residents of Canada. Application Forms will therefore not be sent to Shareholders who have registered addresses in the United States or Canada, nor will applications be accepted from anyone who does not, *inter alia*, represent and warrant as to non-United States and non-Canadian beneficial ownership in the Application Form.

For the purposes of this document "US person" has the meaning given in Regulation S promulgated under the Securities Act; and "resident of Canada" means a citizen, national or resident of Canada, the estate of any such person, a partnership, corporation or other entity created or organised in or under the laws of Canada, or any estate or trust, the income of which is liable to Canadian tax regardless of its source.

(c) *Australia*

No prospectus in relation to the Open Offer or the Open Offer Shares has been lodged with, or registered by, the Australian Securities and Investments Commission.

The Open Offer is not being made in the Commonwealth of Australia, its states, territories or possessions ("Australia") nor will this document or any advertisement or other offering material in relation to the Open Offer Shares be distributed directly or indirectly in or into Australia. The Open Offer Shares have not been nor will be available for subscription or purchase by any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of any such corporation or entity located outside Australia). Application Forms will therefore not be sent to Shareholders who have registered addresses in Australia, nor will applications be accepted from anyone who does not, *inter alia*, represent and warrant as to non-Australian beneficial ownership in the Application Form.

(d) *Japan and other territories*

Shareholders resident in Japan and other overseas territories should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to apply for Open Offer Shares pursuant to the Open Offer and should note the representations and warranties in the Application Form.

Applications will not be accepted from anyone who does not give the warranty on the Application Form that (i) they are not a US person or resident in the US, Australia, the Republic of Ireland, Canada or Japan (except where proof satisfactory to the Company has been provided to the Company that they are exempt from, or the execution or despatch of an Application Form would be pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or the relevant Australian, Irish, Canadian or Japanese legislation) and (ii) they are not a person otherwise prevented by legal or regulatory restrictions from applying for the Open Offer Shares under the Open Offer and (iii) they are not acting on behalf of a US person or resident of the US, Australia, the Republic of Ireland, Canada or Japan and will not hold or acquire any Open Offer Shares for the account of any such person or with a view to the offer, sale, re-sale, transfer, delivery or distribution, directly or indirectly, of such Open Offer Shares to or for the benefit of such person(s).

This document is being sent for information only to those Shareholders who are unable to comply with the requirements of the laws of the overseas territory to which they are subject and will not constitute any offer or invitation to such persons to subscribe for or purchase Open Offer Shares.

The Company and Evolution Beeson Gregory nonetheless reserve the right to make Open Offer Shares available to overseas Shareholders notwithstanding any statement contained in this document, if they are advised to their satisfaction that any such Shareholder can properly accept an offer or invitation to subscribe for Open Offer Shares without observance by the Company or Evolution Beeson Gregory of any requirement which they (in their sole discretion) regard as unduly burdensome.

7. CREST

Although the Open Offer will be processed outside CREST, for the purposes of calculating entitlements on the Record Date, CREST and non-CREST shareholdings will be treated independently and a separate Application Form will be issued in respect of each. If a Qualifying Shareholder has, therefore, both an uncertificated and a certificated shareholding in the Company there will be two separate Application Forms despatched in respect of such holdings.

Qualifying non-CREST Shareholders who validly subscribe for Open Offer Shares will be allotted Open Offer Shares in certificated form. Any such Shareholders wishing to hold their Open Offer Shares in uncertificated form will therefore need to comply separately with the relevant CREST procedures for the conversion of such Open Offer Shares into uncertificated form following receipt of their share certificates.

Qualifying CREST Shareholders who validly subscribe for Open Offer Shares will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to the Open Offer Shares arises as a result of holding Ordinary Shares in uncertificated form at the Record Date. Notwithstanding any other provision of this document, the Company reserves the right to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST, or of any part of CREST, or on the part of the facilities and/or systems, operated by Capita Registrars, in connection with CREST. The right may also be exercised if the correct details in respect of *bona fide* market claims (such as CREST Member Account ID and CREST Participant ID details) are not provided in Box 11 as requested on the Application Form.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken with this document and the Open Offer.

8. Settlement and Dealings

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will take place and that trading in the New Ordinary Shares will commence on AIM on 21 June 2004. For those Qualifying Shareholders who do not hold their Existing Ordinary Shares in CREST, it is expected that definitive certificates for the Open Offer Shares (which will be in registered form) will be despatched as soon as practicable following Admission and in any event by not later than 28 June 2004. In the case of joint holders, despatch will be to the address of the joint holder whose name stands first in the register of members of the Company in respect of the joint holding concerned. Temporary documents of title will not be issued and, pending the despatch of definitive certificates, transfers will be certified against the register of members. For those Qualifying Shareholders who hold Existing Ordinary Shares in CREST, the relevant CREST stock account is expected to be credited on 21 June 2004.

9. Further Information

Your attention is drawn to the letter from the Chief Executive Officer of Cardpoint set out in Part I of this document and the further information in Parts III to VII of this document and to the terms and conditions set out in the Application Form which accompanies this document.

Yours faithfully

for and on behalf of Evolution Beeson Gregory Limited

Michael Brennan

Director, Corporate Finance

PART III

RISK FACTORS

Existing and/or potential investors should carefully consider the risks described below before making a decision to invest in the Company. If any of the following risks actually occur, the Group's business, financial condition, results or future operations could be materially affected. In such circumstances, the price of the Ordinary Shares could decline and you could lose all or part of your investment. This document contains forward-looking statements that involve risks and uncertainties. The Group's results could actually differ materially from those anticipated in the forward looking statements as a result of many factors, including the risks faced by the Group, which are described below and elsewhere in this document.

Ability to convert the HBOS Remote Estate to the charging model

The strategy of the Enlarged Group in respect of the integration of the Acquisition represents a fundamental change in the operation of the HBOS Remote Estate. Any failure to convert a meaningful proportion of the HBOS Remote Estate to the charging model or a material reduction in the anticipated Retention Rate could have a significant impact on the returns generated by the Enlarged Group's operations.

Limited financial history of the HBOS Remote Estate

The HBOS Remote Estate has historically generated Cash Machine transactions based on an operating model that does not charge cardholders for withdrawals. Only limited historical financial information is available for the HBOS Remote Estate none of which provides any indication as to the performance of the HBOS Remote Estate operating under a charging model.

Fees

The Group's business plan and future success relies on its ability to charge card users a fee on any monies withdrawn from its Cash Machines. There is no assurance that future legislative or regulatory change will not prohibit or introduce limits on charging for withdrawals or other services provided by Cash Machines. In the event of such an introduction or limitation the Group would no longer be able to operate under the circumstances detailed in Part I of this document.

Similarly, any reduction to or prohibition on the Group's ability to charge interchange fees on transactions such as balance enquiries may have an adverse effect on the Group's ability to generate revenue.

The Group may face competition from competitors with much greater capital

The Group's business is based on established technologies and therefore can be replicated by a competitor that has not yet entered the market or is presently resistant to expansion. The Group may face significant competition, both actual and potential, including that from competitors, such as large retail banks, which have greater capital and technological resources in the provision of services than that of the Group, which are able to provide products which are more effective, economically viable or advanced than those provided by the Group, or which undertake an aggressive pricing policy. Despite contractual arrangements with specific hosts there is no assurance that the Group will be able to compete successfully in such a market place.

When the Group's contracts with the owners of the sites expire, competitors may bid aggressively in order to win the contracts, especially at key sites. The Group may not be able to retain the right to continue locating its Cash Machines at these sites on the same terms.

Supply chain dependence

The Group's business is dependent on LINK, Transaction Network Services Limited ("TNS") and Securicor for both its ability to receive interchange fees and to process transactions, and therefore is sensitive to any increase in charges levied by these businesses or changes to their policies.

In addition, the Group's revenue relies upon the operation of the LINK network. A failure of the network would have a materially adverse effect on the Group's ability to generate revenue.

Legislative and regulatory change

Legislative or regulatory changes could require unanticipated expenditure, for example to upgrade or replace Cash Machines or Cash Machine software to comply with new regulations.

Market saturation

The Group's expansion plans may be materially affected by the increased deployment of Cash Machines by other companies. If the market becomes saturated with similar products, especially in the Group's target areas, then the effectiveness of the rollout will be extremely diminished.

Technological change and the development of E Purses

The integration of E Purses which are cards that store money electronically, into society would negate some of the reasons for cash withdrawal. In the event of such integration the use of the Group's Cash Machines in their current format could be severely reduced. Any such occurrence would have a materially adverse effect on the Group's future financial results and its ability to operate its business.

Risk of potential future acquisitions

In the future, as part of its growth strategy, the Group may acquire other companies or businesses. Acquisitions by the Group may require the use of significant amounts of cash, dilutive issues of equity securities and the incurrence of debt, each of which could materially and adversely affect the Group's business, results of operations, financial condition or the market price of Ordinary Shares. In addition, acquisitions involve numerous risks, including difficulties in the assimilation of the operations of any acquired business or company and the diversion of management's attention from other business concerns. While there are currently no commitments or agreements with respect to any acquisition, if such an acquisition does occur, there can be no assurance that the Group's business, results of operations or financial condition would not be materially and adversely affected thereby.

Future sales of Cash Machine estates to a competitor of the Group could restrict the Group's ability to acquire further Cash Machines. This may restrict the Group's ability to grow its business.

European subsidiaries

The access of the Group to the German ATM market is reliant on the support of Wincor Nixdorf, TNS and its German sponsor bank. This reliance may restrict the Group's freedom to operate if for any reason, these companies cease to act as the Group's partners. In addition, if the Group's contracts with these companies are not renewed on similar terms this may prevent or materially and adversely affect the Group's ability to operate in Germany.

Trading market for the Ordinary Shares

The market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Enlarged Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Enlarged Group's sector and other events and factors outside of the Company's control.

In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares.

Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise their investment in the Company than in a company whose shares are quoted on the Official List.

PART IV

UNAUDITED INTERIM RESULTS OF CARDPPOINT FOR THE SIX MONTHS ENDED 31 MARCH 2004

Chairman's Statement

I am delighted to report on six successful months of trading by Cardpoint, in which the business has grown both organically and through acquisition. It also gives me pleasure to announce today, the acquisition of 816 cash machines from HBOS plc for up to £75.0 million.

The acquisition of the remote cash machines from HBOS plc is a transformational deal for the Company. It is the first substantial estate to be sold by a bank or a building society to an independent operator and it will establish Cardpoint as the market leader, both in terms of number of fully managed cash machines and by number of transactions, within the independent market place. Further details of the acquisition are set out in an explanatory circular which has been sent to shareholders today.

Returning to our existing operations, the six months ended 31 March 2004, saw significant progress in both our cash machine and mobile telephone top up business. Turnover reached £13.8 million (2003: £2.9 million), which is more than the entire year ended September 2003 when we reported £12.2 million. Gross profit for the six months amounted to £3.8 million compared with £0.4 million for the corresponding period of 2003.

The UK cash machine business now offers two business models: the original, "full service", whereby Cardpoint installs, owns and maintains machine availability in a host site, and a "merchant replenishment" model where the host site acquires a cash machine and is responsible for providing bank notes.

During the period, Cardpoint was awarded two five year exclusive full service contracts with Welcome Break and Road Chef in competitive situations, with a combined estimated turnover value of £18 million over five years. In addition, the Company installed its first cash machine in Germany following the establishment of a German based operation. This start-up business in an immature market should provide a valuable dimension to the Company as we expand our business models and markets to become a true transaction aggregator.

There has been significant progress in the electronic top up ("ETU") business, which now has 3,500 installed ETUs, including the installation of 1,000 terminals into Thresher off-licences and the addition of the "3" pre-pay mobile network.

With the acquisition of new premises and the final integration of Green Machine, Securicor Cash Machine and PT Distribution, all of our operations are now concentrated into one centre of customer excellence.

We continue to focus our effort towards increasing yield per device by driving more footfall and transactions to our retailers. By increasing margins, where possible, we have already been able to enhance all our key metrics, including our average charge per withdrawal on our cash machines to £1.66.

We are looking forward to the second, and traditionally busier, half of the year with enthusiasm and optimism as we embark on another transformational period of growth.

Peter Smyth

Chairman

26 May 2004

Independent Review Report to Cardpoint plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 March 2004 which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement and the related notes. We have read the other information contained in the interim report which comprises only the Chairman's Statement and considered whether it contains any apparent misstatements or material inconsistencies with the financial information. Our responsibilities do not extend to any other information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the requirement that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual financial statements except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 "Review of Interim Financial Information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom auditing standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2004.

Grant Thornton
Chartered Accountants
Registered Auditors
Manchester
26 May 2004

Consolidated Profit and Loss Account
For the 6 months ended 31 March 2004

		Unaudited 6 months ended 31 March 2004 £'000	Unaudited 6 months ended 31 March 2003 £'000	Audited Year ended 30 September 2003 £'000
	Notes			
Turnover - continuing operations	3	13,847	2,936	12,166
Cost of sales		(10,073)	(2,487)	(9,602)
Gross profit		3,774	449	2,564
Administrative expenses				
Amortisation of goodwill		(1,135)	(58)	(658)
Other		(3,415)	(769)	(2,394)
Total administrative expenses		(4,550)	(827)	(3,052)
Operating loss - continuing operations		(776)	(378)	(488)
Net interest		(50)	(60)	(120)
Loss on ordinary activities before taxation		(826)	(438)	(608)
Tax on loss on ordinary activities	4	-	-	-
Loss for the financial period		(826)	(438)	(608)
(Loss)/earnings per ordinary share				
Basic and diluted	5	(2.53)p	(2.06)p	(2.50)p
Basic before goodwill charges	5	0.95p	(1.79)p	0.21p
Diluted before goodwill charges	5	0.87p	(1.79)p	0.19p

There were no recognised gains and losses other than those shown in the profit and loss account.

The notes on pages 36 and 37 form an integral part of this financial information.

Consolidated Balance Sheet
As at 31 March 2004

		Unaudited 6 months ended 31 March 2004 £'000	Unaudited 6 months ended 31 March 2003 £'000	Audited As at 30 September 2003 £'000
	Notes			
Fixed assets				
Tangible assets		6,139	3,558	5,035
Intangible assets		9,553	632	10,688
		15,692	4,190	15,723
Current assets				
Stocks		309	6	885
Debtors		2,318	346	4,174
Cash at bank and in hand	6	2,923	858	4,055
		5,550	1,210	9,114
Creditors: amounts falling due within one year		(14,987)	(1,897)	(16,834)
Net current liabilities		(9,437)	(687)	(7,720)
Total assets less current liabilities		6,255	3,503	8,003
Creditors: amounts falling due after more than one year		(139)	(1,609)	(1,061)
Net assets		6,116	1,894	6,942
Called up share capital	7	1,634	1,063	1,634
Share premium account	7	7,823	3,176	7,823
Merger reserve	7	354	354	354
Profit and loss account	7	(3,695)	(2,699)	(2,869)
Equity shareholders' funds		6,116	1,894	6,942

The notes on pages 36 and 37 form an integral part of this financial information.

Consolidated Cash Flow Statement
For the 6 months ended 31 March 2004

		Unaudited 6 months ended 31 March 2004 £'000	Unaudited 6 months ended 31 March 2003 £'000	Audited Year ended 30 September 2003 £'000
	Notes			
Net cash inflow from operating activities	8	997	292	3,708
Returns on investments and servicing of finance				
Net interest paid		(38)	(24)	(61)
Finance lease interest paid		(12)	(36)	(59)
Cash outflow from returns on investments and servicing of finance		(50)	(60)	(120)
Taxation paid		-	-	(4)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(1,456)	(977)	(2,103)
Proceeds from disposal of tangible fixed assets		48	53	69
Net cash outflow from capital expenditure and financial investment		(1,408)	(924)	(2,034)
Acquisitions and disposals				
Purchase of acquired businesses		-	(998)	(8,182)
Deferred consideration		(59)	-	-
Net cash acquired with subsidiaries		-	-	1,097
Net cash outflow from acquisitions and disposals		(59)	(998)	(7,085)
Net cash outflow before financing		(520)	(1,690)	(5,535)
Financing				
Issue of share capital (net of issue costs)		-	460	5,643
Receipts from borrowings		-	1,500	3,500
Repayment of borrowings		(500)	-	-
Capital element of finance lease rentals		(112)	(157)	(298)
Net cash (outflow)/inflow from financing		(612)	1,803	8,845
(Decrease)/increase in cash in the period		(1,132)	113	3,310

The notes on pages 36 and 37 form an integral part of this financial information.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. INTERIM FINANCIAL INFORMATION

The interim financial information covers the period from 1 October 2003 to 31 March 2004, is unaudited and does not constitute statutory financial statements. The financial information for the year ended 30 September 2003 has been extracted from the audited financial statements of Cardpoint plc. The financial statements for the year ended 30 September 2003 received an unqualified audit report and have been filed with the Registrar of Companies.

2. PRINCIPAL ACCOUNTING POLICIES

The interim financial information has been prepared on the same basis and using the same accounting policies as used in the financial statements for the year ended 30 September 2003.

3. TURNOVER

Of the turnover for the period ended 31 March 2004, £9,595,000 was derived from businesses acquired during the year ended 30 September 2003 (6 months ended 31 March 2003: £627,000 and year ended 30 September 2003: £6,342,000).

4. TAX ON LOSS ON ORDINARY ACTIVITIES

There is no corporation tax charge for the period (2003: £nil) due to the losses incurred. Trading losses of approximately £5.1m (2003: £3.2m) are available to carry forward and offset against future trading profits.

5. (LOSS)/EARNINGS PER ORDINARY SHARE

The basic and fully diluted loss per ordinary share is calculated by dividing the loss for the period after tax of £826,000 (31 March 2003: £438,000) by the weighted average number of ordinary shares in issue during the period of 32,686,334 (31 March 2003: 21,223,030). The adjusted earnings per ordinary share is calculated by reducing the loss for the period by the goodwill amortisation of £1,135,000 (31 March 2003: £58,000). The company's share options are anti-dilutive in respect of the basic earnings per share calculation. A diluted adjusted earnings per ordinary share is calculated by adjusting the weighted average ordinary shares in issue by 2,895,428 (31 March 2003: nil) potentially dilutive ordinary shares.

6. CASH AT BANK AND IN HAND

Included within cash at bank and in hand is an amount of £1,241,000 (31 March 2003: £nil) held in a client account. The monies held in this account, which is administered by the group's payment collection agent, are designated for payment to clients.

7. RESERVES

	Unaudited Share Capital £'000	Unaudited Share Premium £'000	Unaudited Merger Reserve £'000	Unaudited Profit and loss account £'000
At 1 October 2003	1,634	7,823	354	(2,869)
Loss for the financial period	-	-	-	(826)
At 31 March 2004	<u>1,634</u>	<u>7,823</u>	<u>354</u>	<u>(3,695)</u>

8. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Unaudited 6 months ended 31 March 2004 £'000	Unaudited 6 months ended 31 March 2003 £'000	Audited Year ended 30 September 2003 £'000
Operating loss	(776)	(378)	(488)
Depreciation	862	430	1,126
Loss on disposal of fixed assets	5	10	3
Amortisation of goodwill	1,135	58	658
Decrease in stocks	13	8	121
Decrease/(increase) in debtors	1,856	(191)	(1,124)
(Decrease)/increase in creditors	(2,098)	355	3,412
Net cash inflow from operating activities	<u>997</u>	<u>292</u>	<u>3,708</u>

9. ANALYSIS OF CHANGE IN NET (DEBT)/FUNDS

	Audited At 30 September 2003 £'000	Unaudited Cash flow £'000	Unaudited 31 March 2004 £'000
Cash at bank and in hand	4,055	(1,132)	2,923
Bank loans	(3,500)	500	(3,000)
Obligations under finance leases	(215)	112	(103)
	<u>340</u>	<u>(520)</u>	<u>(180)</u>

10. INTERIM REPORT

This Interim Report was approved by the Directors on 26 May 2004. A copy of the Interim Report will be posted to shareholders and will also be available from the Company's registered office at St James's Court, Brown Street, Manchester M2 2JF.

PART V

COMPARATIVE TABLE ON CARDPOINT

The financial information contained in this Part V does not constitute statutory accounts within the meaning of section 240 of the Act. The information for the years ended 30 September 2001, 30 September 2002 and 30 September 2003 is extracted without material adjustment from the audited consolidated financial statements of Cardpoint, on which the audit opinions were unqualified.

1 PROFIT AND LOSS ACCOUNTS

	Notes	Year ended 30 September		
		2001 £000	2002 £000	2003 £000
Turnover				
Continuing operations		943	3,104	5,824
Acquisition		-	-	6,342
	5.1	943	3,104	12,166
Cost of sales		(1,187)	(2,728)	(9,602)
Gross (loss)/profit		(244)	376	2,564
Other operating charges		(899)	(1,035)	(3,052)
Operating (loss)/profit				
Continuing operations		(1,143)	(659)	(604)
Acquisitions		-	-	116
		(1,143)	(659)	(488)
Net interest payable and similar charges	5.2	(126)	(98)	(120)
Loss on ordinary activities before taxation	5.1	(1,269)	(757)	(608)
Tax on loss or ordinary activities	5.3	-	-	-
Loss for the financial year	5.16	(1,269)	(757)	(608)
Loss per ordinary share				
Basic and fully diluted		(20.73)p	(5.39)p	(2.50)p
Basic before goodwill charges		(20.73)p	(5.39)p	0.21p
Diluted before goodwill charges		(20.73)p	(5.39)p	0.19p

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

2 BALANCE SHEETS

		As at 30 September		
	Notes	2001 £000	2002 £000	2003 £000
Fixed assets				
Intangible	5.7	-	-	10,688
Tangible	5.8	1,265	2,856	5,035
		<u>1,265</u>	<u>2,856</u>	<u>15,723</u>
Current assets				
Stock	5.9	5	14	885
Debtors	5.10	123	155	4,174
Cash at bank and in hand		356	745	4,055
		<u>484</u>	<u>914</u>	<u>9,114</u>
Creditors: amounts falling due within one year	5.11	(1,107)	(2,054)	(16,834)
Net current liabilities		<u>(623)</u>	<u>(1,140)</u>	<u>(7,720)</u>
Total assets less current liabilities		642	1,716	8,003
Creditors: amounts falling due after more than one year	5.12	(513)	(216)	(1,061)
Net assets		<u>129</u>	<u>1,500</u>	<u>6,942</u>
Capital and reserves				
Called up share capital	5.15	591	927	1,634
Share premium account	5.16	688	2,480	7,823
Merger reserve	5.16	354	354	354
Profit and loss account	5.16	(1,504)	(2,261)	(2,869)
Equity shareholders' funds	5.16	<u>129</u>	<u>1,500</u>	<u>6,942</u>

3 CASH FLOW STATEMENTS

	Notes	Year ended 30 September		
		2001 £000	2002 £000	2003 £000
Net cash (outflow)/inflow from operating activities	5.17	(54)	(66)	3,708
Returns on investments and servicing of finance				
Hire purchase interest paid		(130)	(117)	(59)
Bank interest received		4	19	46
Other interest payable		-	-	(107)
		<hr/>	<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance		(126)	(98)	(120)
		<hr/>	<hr/>	<hr/>
Taxation				
UK corporation tax paid		-	-	(4)
		<hr/>	<hr/>	<hr/>
Capital expenditure				
Purchase of tangible fixed assets		(528)	(1,312)	(2,103)
Proceeds from disposal of tangible fixed assets		-	2	69
		<hr/>	<hr/>	<hr/>
Net cash outflow from capital expenditure		(528)	(1,310)	(2,034)
		<hr/>	<hr/>	<hr/>
Acquisitions and disposals				
Purchase of acquired businesses		-	-	(8,182)
Net cash acquired with subsidiaries		-	-	1,097
		<hr/>	<hr/>	<hr/>
Net cash outflow from acquisitions and disposals		-	-	(7,085)
		<hr/>	<hr/>	<hr/>
Net cash flow before financing		(708)	(1,474)	(5,535)
		<hr/>	<hr/>	<hr/>
Financing				
Issue of shares (net of issue costs)		1,126	2,128	5,643
Receipts from borrowings		-	-	3,500
Capital element of finance lease payments		(222)	(265)	(298)
		<hr/>	<hr/>	<hr/>
Net cash inflow from financing		904	1,863	8,845
		<hr/>	<hr/>	<hr/>
Increase in cash	5.18	<u>196</u>	<u>389</u>	<u>3,310</u>

4 ACCOUNTING POLICIES

Basis of preparation

- 4.1 The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.
- 4.2 The principal accounting policies of the Group have remained unchanged throughout the period except for the mandatory requirement to adopt FRS 19, 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.

Basis of consolidation

- 4.3 The Group financial statements consolidate the financial statements of the Company and of its subsidiary undertakings for the three years ended 30 September 2003. Profits or losses on intra-group transactions are eliminated in full. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting.

- 4.4 On the acquisition of a business, fair values are attributed to the Group's share of the separable assets. Where the fair values 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.
- 4.5 The results and cashflows 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.

Turnover

- 4.6 Turnover is the net amount receivable by the Group in respect of the provision, authorisation and facilitation of electronic payment transactions, excluding VAT.

Taxation

- 4.7 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.
- 4.8 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 profits from which the future reversal of the underlying timing differences can be deducted.
- 4.9 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.

Tangible fixed assets and depreciation

- 4.10 Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is calculated to write down the cost of all tangible fixed assets by equal annual instalments over their expected useful economic lives. The rates generally applicable are:
- Office equipment and machines, including ATMs and top-up terminals 20% to 33.3% per annum

Goodwill

- 4.11 Purchased goodwill is capitalised and is amortised in equal instalments over its useful economic life up to a maximum of 20 years. The purchased goodwill in the balance sheet at 30 September 2003 is being amortised over a period of 5 years.
- 4.12 The profit or loss on disposal of a business includes the attributable amount of any goodwill relating to that business not previously charged through the profit and loss account.
- 4.13 Capitalised goodwill in respect of subsidiaries is included within intangible fixed assets. In accordance with FRS10, the value of goodwill will be subject to review at the end of the first financial year following acquisition and may be subject to review at the end of the accounting period in which events or changes of circumstance indicate that the carrying value may not be recoverable.

Stocks

- 4.14 Stocks are included at the lower of cost and net realisable value.

Leased assets

- 4.15 Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet 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.
- 4.16 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.

Pensions

- 4.17 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.

Financial instruments

- 4.18 Financial instruments 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.

Employee share schemes

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

5 NOTES TO THE FINANCIAL INFORMATION

5.1 Turnover and loss on ordinary activities before taxation

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

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

	Year ended 30 September		
	2001	2002	2003
	£000	£000	£000
Depreciation:			
- owned	39	203	912
- held under finance leases and hire purchase contracts	218	214	214
Amortisation of goodwill	-	-	658
Operating lease rentals:			
- land and buildings	11	14	23
- plant and machinery	-	-	409
Loss on disposal of fixed assets	-	-	3
Auditors' remuneration			
- audit services	8	18	27
- non-audit services	73	5	10
	<u>73</u>	<u>5</u>	<u>10</u>

In addition to the above, fees of £51,000 were paid to Grant Thornton, the Company's auditors, during the year ended 30 September 2003 in respect of their work on acquisitions. These fees have been capitalised within goodwill. Further fees of £80,000 were paid to Grant Thornton in respect of their work on the placing and readmission to AIM on 23 June 2003 and have been debited to the share premium account. These fees are inclusive of expenses and, where relevant, VAT.

Fees of £56,000 were paid to Grant Thornton, the Company's auditors, during the year ended 30 September 2002 in respect of their work on the Company's admission to AIM on 10 June 2002 and have been debited to the share premium account. These fees are inclusive of expenses and, where relevant, VAT.

5.2 Net interest payable and similar charges

	Year ended 30 September		
	2001 £000	2002 £000	2003 £000
Hire purchase interest	(130)	(117)	(59)
Interest on bank loans and overdrafts	-	-	(107)
Bank interest receivable	4	19	46
	<u>(126)</u>	<u>(98)</u>	<u>(120)</u>

5.3 Tax on loss on ordinary activities

Charge in the year

There is no corporation tax charge for the year (2002: £Nil, 2001: £Nil) due to the losses incurred. Trading losses of approximately £7.5m are available to carry forward and offset against future trading profits.

Factors affecting the tax charge in the year

The difference between the actual tax charge for the year and the expected tax charge based on the standard rate of corporation tax in the United Kingdom of 30% (2002: 30%, 2001: 30%) is explained below:

	Year ended 30 September		
	2001 £000	2002 £000	2003 £000
Loss on ordinary activities before tax	<u>(1,269)</u>	<u>(757)</u>	<u>(608)</u>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2002: 30%, 2001: 30%)	(381)	(227)	(182)
Effects of:			
Expenses not deductible for tax purposes	4	-	130
Depreciation in excess of capital allowances	(58)	(196)	347
Short term timing differences	-	73	69
Trading losses	<u>435</u>	<u>350</u>	<u>(364)</u>
Current tax charge for the year	<u>-</u>	<u>-</u>	<u>-</u>

A potential deferred tax asset of £2,413,000 (2002: £668,000, 2001: £422,000) has not been recognised in the financial statements. This asset will be recoverable to the extent that suitable profits arise in the future.

5.4 (Loss)/earnings per ordinary share

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

	2001			2002			2003		
	Weighted average		Loss per ordinary share	Weighted average		Loss per ordinary share	Weighted average		(Loss)/earnings per ordinary share
	Loss	in issue		Loss	in issue		(Loss)/profit	in issue	
	£000	'000	Pence	£000	'000	Pence	£000	'000	Pence
Basic loss per share	(1,269)	6,122	(20.73)	(757)	14,047	(5.39)	(608)	24,321	(2.50)
Amortisation of goodwill	-	-	-	-	-	-	658	-	-
Adjusted (loss)/earnings per share	<u>(1,269)</u>	<u>6,122</u>	<u>(20.73)</u>	<u>(757)</u>	<u>14,047</u>	<u>(5.39)</u>	<u>50</u>	<u>24,321</u>	<u>0.21</u>

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

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

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

5.5 Directors and employees

Staff costs, including directors, were as follows:

	Year ended 30 September		
	2001	2002	2003
	£000	£000	£000
Wages and salaries	502	794	1,076
Social security costs	42	48	118
Pension costs	-	3	21
	<u>544</u>	<u>845</u>	<u>1,215</u>
Directors' emoluments	<u>282</u>	<u>564</u>	<u>590</u>
	<u>Number</u>	<u>Number</u>	<u>Number</u>
The average number of employees during the period was:	<u>10</u>	<u>11</u>	<u>25</u>

5.5 Directors and employees (continued)

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

	Salary	Benefits	Bonus	Total excluding Fees pension		Pension	Total 2003	Total 2002	Total 2001
	£	£	£	£	£	£	£	£	£
Executive									
Mark Mills	134,400	1,096	50,400	-	185,896	6,000	191,896	215,583	104,167
Chris Hanson	74,250	-	37,800	13,597	125,647	3,375	129,022	37,652	-
Mark Kropacz (to 10 July 2003)	74,645	1,116	34,193	-	109,954	2,971	112,925	135,786	42,458
Nigel Mills (to 10 July 2003)	76,911	716	34,193	-	111,820	2,971	114,791	158,991	78,333
Jim Cafferky	-	-	-	-	-	-	-	-	57,083
Non executive									
Peter Smyth	-	-	-	26,403	26,403	-	26,403	14,833	-
John Westwood	-	-	-	15,000	15,000	-	15,000	1,250	-
	<u>360,206</u>	<u>2,928</u>	<u>156,586</u>	<u>55,000</u>	<u>574,720</u>	<u>15,317</u>	<u>590,037</u>	<u>564,095</u>	<u>282,041</u>

In addition to fees as directors DCH Consultancy, which is owned by Chris Hanson, received £27,470 (2002: £34,148, 2001: £Nil) during the year for additional services. These fees are inclusive of expenses and, where relevant, VAT.

5.6 Acquisitions

The acquisitions of the Group in the year ended 30 September 2003 were as follows:

- On 2 October 2002 the Group acquired the business and assets of ATM Express Limited, trading as Green Machine, for a total consideration of £1,258,000. The consideration was satisfied by the issue of 1,147,886 shares at a value of £407,000 and cash of £851,000.
- On 20 June 2003 the Group acquired the entire issued share capital of Securicor Cash Machine Limited for an initial cash consideration of £5,000,000. Further consideration will be payable up to a maximum of £4,200,000 contingent upon the achievement of certain performance targets. The directors have provided for deferred and contingent consideration of £2,000,000, based on the performance of the business in the year ended 30 September 2003 and the budgeted performance for the year ending 30 September 2004, of which £350,000 had been paid at 30 September 2003.
- On 1 July 2003 the Group acquired the entire issued share capital of P T Distribution Limited for a consideration of £1,546,000 satisfied in cash.

5.6 Acquisitions (continued)

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

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

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

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

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

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

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

5.6 Acquisitions (continued)

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

	Year ended 30 September		
	2001 £000	2002 £000	2003 £000
Net cash inflow from operating activities	-	-	1,997
Returns on investments and servicing of finance	-	-	14
	<u>-</u>	<u>-</u>	<u>2,011</u>
Increase in cash	<u>-</u>	<u>-</u>	<u>2,011</u>

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

	Year ended 30 September		
	2001 £000	2002 £000	2003 £000
Initial cash consideration	-	-	(7,397)
Contingent consideration paid	-	-	(350)
Acquisition costs	-	-	(435)
	<u>-</u>	<u>-</u>	<u>(8,182)</u>
Net cash acquired with subsidiaries	-	-	1,097
	<u>-</u>	<u>-</u>	<u>(7,085)</u>
Net cash outflow from acquisitions	<u>-</u>	<u>-</u>	<u>(7,085)</u>

The Group had no acquisitions in the years ended 30 September 2001 or 30 September 2002.

5.7 Intangible assets

	Purchased goodwill £000
Cost	
At 1 October 2000, 30 September 2001 and 2002	-
Additions (see 5.6)	11,346
	<u>11,346</u>
At 30 September 2003	<u>11,346</u>
Amortisation	
At 1 October 2000, 30 September 2001 and 2002	-
Charge for the year	658
	<u>658</u>
At 30 September 2003	<u>658</u>
Net book amount	
At 30 September 2001 and 2002	-
	<u>-</u>
At 30 September 2003	<u>10,688</u>

5.8 Tangible fixed assets

	Plant and equipment £000
Cost	
At 30 September 2000	674
Additions	875
	<hr/>
At 30 September 2001	1,549
Additions	2,010
Disposals	(2)
	<hr/>
At 30 September 2002	3,557
Additions	1,641
Acquired on acquisition of businesses	3,138
Disposals	(93)
	<hr/>
At 30 September 2003	8,243
	<hr/>
Depreciation	
At 30 September 2000	27
Charge for the period	257
	<hr/>
At 30 September 2001	284
Charge for the period	417
	<hr/>
At 30 September 2002	701
Acquired on acquisition of businesses	1,402
On disposals	(21)
Charge for the period	1,126
	<hr/>
At 30 September 2003	3,208
	<hr/>
Net book value	
At 30 September 2001	1,265
	<hr/>
At 30 September 2002	2,856
	<hr/>
At 30 September 2003	5,035
	<hr/>

The net book value of plant and equipment as at 30 September 2003 includes amounts of £401,000 (30 September 2002: £615,000, 2001: £694,000) in respect of assets held under finance leases and hire purchase contracts. Depreciation charged on those assets during the period ended 30 September 2003 was £214,000 (30 September 2002: £214,000, 2001: £218,000).

5.9 Stock

Stock comprises equipment for installation with ATMs.

5.10 Debtors

	As at 30 September		
	2001 £000	2002 £000	2003 £000
Unpaid share capital	45	-	-
Trade debtors	-	13	2,306
Other debtors	1	-	826
Prepayments and accrued income	42	125	1,038
Other taxes and social security	26	17	-
Corporation tax	-	-	4
Directors' loan account	9	-	-
	<u>123</u>	<u>155</u>	<u>4,174</u>

5.11 Creditors: amounts falling due within one year

	As at 30 September		
	2001 £000	2002 £000	2003 £000
Obligations under finance leases and hire purchase contracts	129	297	184
Trade creditors	624	1,034	6,024
Bank loans and overdrafts	-	-	3,500
Other taxation and social security	29	27	139
Accruals and deferred income	321	678	5,519
Corporation tax	-	-	34
Other creditors	4	18	814
Deferred and contingent consideration	-	-	620
	<u>1,107</u>	<u>2,054</u>	<u>16,834</u>

5.12 Creditors: amounts falling due after more than one year

	As at 30 September		
	2001 £000	2002 £000	2003 £000
Obligations under finance leases and hire purchase contracts	513	216	31
Deferred and contingent consideration	-	-	1,030
	<u>513</u>	<u>216</u>	<u>1,061</u>

Obligations under finance leases and hire purchase contracts are repayable as follows:

- within one year	129	297	184
- after one and with two years	297	185	31
- after two and within five years	216	31	-
	<u>642</u>	<u>513</u>	<u>215</u>

Obligations under finance leases and hire purchase contracts are secured on the relevant assets.

5.13 Financial instruments

Disclosure dealt with in this note excludes short term debtors and creditors where permitted by FRS 13.

Interest rate risk profile of financial assets

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

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

Interest rate risk profile of financial liabilities

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

	Fixed rate financial liabilities £000	Floating rate financial liabilities £000	Financial liabilities earning no interest £000	Total £000
Sterling				
At 30 September 2002	513	-	-	513
At 30 September 2003	215	3,500	-	3,715

The fixed rate financial liabilities comprise obligations under finance leases. The maturity profile of these financial liabilities is disclosed in 5.12. Interest on the floating rate financial liabilities is based on LIBOR.

Fair values of financial assets and liabilities

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

Borrowing facilities

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

5.14 Deferred taxation

Deferred tax assets computed at the end of each period at a corporation tax rate of 30% are summarised below but have not been recognised.

	As at 30 September		
	2001 £000	2002 £000	2003 £000
Accelerated capital allowances	(47)	(263)	49
Short term timing differences	-	99	2,257
Trading losses	469	832	107
	<u>422</u>	<u>668</u>	<u>2,413</u>

5.15 Share capital

	As at 30 September		
	2001 £000	2002 £000	2003 £000
Authorised			
Number of ordinary shares (number)	20,000,000	200,000,000	200,000,000
Nominal value per ordinary share	5 pence	5 pence	5 pence
Nominal value - total (£000)	<u>1,000</u>	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid			
Number of ordinary shares	11,810,294	18,536,914	32,686,334
Nominal value per ordinary share	5 pence	5 pence	5 pence
Nominal value - total (£000)	<u>591</u>	<u>927</u>	<u>1,634</u>

2001

The reported share capital reflects the reconstruction of the Group which has been accounted for under merger accounting principles. The principal effect of this method is to show the Group's results and balance sheets as if the effect of the reconstruction had applied throughout the period both prior to the reconstruction taking effect and subsequently.

Under the reconstruction Cardpoint Holdings Limited, the original holding company of the Group, became a wholly owned subsidiary of Cardpoint plc on 22 March 2001. The principal movements in the Group's issued share capital, including those issued to effect the reconstruction, are summarised below.

On 16 March 2000, the authorised and issued share capital of 1,000 ordinary £1 shares for Cardpoint Holdings Limited was sub-divided into 100,000 shares of one pence each and the authorised share capital was increased to 5 million shares of one pence each.

During the period ended 30 September 2000, Cardpoint Holdings Limited issued 153,560 ordinary shares of one pence each for a consideration of £482,699 less costs of issues of £7,308, and on 27 October 2000 issued a further 15,031 ordinary share of one pence each for a total cash consideration of £415,156, bringing the total number of shares issued to 268,591 ordinary one pence shares.

The Company was incorporated on 27 October 2000 with an authorised share capital of £50,000 comprising 50,000 ordinary shares of £1 each. On 22 March 2001, the Company passed an ordinary resolution to sub-divide the existing share capital into 1,000,000 ordinary shares of five pence each, and to increase the authorised share capital from £50,000 to £1,000,000 by the creation of a further 19,000,000 ordinary shares of five pence each.

At incorporation the Company issued 2 ordinary shares of £1 each at par, which were subsequently sub-divided into 40 ordinary shares of five pence each and on 22 March 2001 10,743,600 ordinary shares of five pence each in the Company were issued in exchange for the whole of the issued share capital of Cardpoint Holdings Limited.

On 19 September 2001 the Company issued a further 666,653 ordinary shares of five pence each for a total consideration of £499,996 and on 30 September 2001 issued a further 400,001 ordinary shares of five pence each for a consideration of £300,001. Total costs associated with the issues amounted to £58,848.

5.15 Share capital (continued)

2002

On 4 February 2002 the Company issued 66,667 ordinary shares of five pence each for a total consideration of £50,000.

On 31 March 2002, 363,000 ordinary shares of five pence each were then issued by the Company for a total consideration of £181,500. A further 400,000 ordinary shares of five pence each were issued for a total consideration of £20,000.

On 25 April 2002 the Company issued 83,000 ordinary shares of five pence each for a total consideration of £41,500.

On 8 May 2002, a written resolution of the company was passed which increased the authorised share capital of the company to £10,000,000 by the creation of an additional 180,000,000 ordinary shares. On the same day, a written resolution of the Company was passed by which the Company adopted new Articles of Association.

On 10 June 2002, the company announced a placing of 5,813,953 ordinary shares at 43p per share raising £2,500,000, and Admission of the whole of the then issued share capital to trading on the Alternative Investment Market of the London Stock Exchange plc. The expenses associated with this exercise amounted to £660,000, inclusive of VAT and expenses.

2003

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

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

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

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

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

In total, as at 30 September 2003, there were options outstanding over 3,272,735 ordinary shares (2002: 2,142,735, 2001: Nil).

5.16 Reconciliation of movements in equity shareholders' funds/(deficit) and reserves

	Share capital £000	Share premium account £000	Merger reserve £000	Profit and loss account £000	Total £000
At 30 September 2000	537	-	(61)	(235)	241
Share issue	54	688	415	-	1,157
Retained loss for the period	-	-	-	(1,269)	(1,269)
At 30 September 2001	591	688	354	(1,504)	129
Share issue	336	2,457	-	-	2,793
Share issue expenses	-	(665)	-	-	(665)
Retained loss for the period	-	-	-	(757)	(757)
At 30 September 2002	927	2,480	354	(2,261)	1,500
Share issue	707	6,208	-	-	6,915
Share issue expenses	-	(865)	-	-	(865)
Retained loss for the period	-	-	-	(608)	(608)
At 30 September 2003	1,634	7,823	354	(2,869)	6,942

Merger reserve movements arise as a result of the accounting entries required to reflect the treatment of the Group as if it had always been a single entity.

5.17 Net cash (outflow)/inflow from operating activities

	Year ended 30 September		
	2001 £000	2002 £000	2003 £000
Operating loss	(1,143)	(659)	(488)
Depreciation	257	417	1,126
Loss on disposal of fixed assets	-	-	3
Amortisation of goodwill	-	-	658
(Increase)/decrease in stock	(5)	(9)	121
Increase in debtors	(17)	(32)	(1,124)
Increase in creditors	854	217	3,412
Net cash outflow from operating activities	(54)	(66)	3,708

5.18 Reconciliation of net cash flow to movement in net (debt) / funds

	Year ended 30 September		
	2001 £000	2002 £000	2003 £000
Increase in cash	196	389	3,310
Cash inflow / (outflow) from financing	222	265	(3,202)
Change in net debt resulting from cash flow	418	654	108
Inception of hire purchase agreements	(348)	(136)	-
Movement in net debt	70	518	108
Opening net (debt)/funds	(356)	(286)	232
Closing net (debt)/funds	(286)	232	340

5.19 Analysis of net (debt)/funds

	Cash £000	Bank loans £000	Hire purchase agreements £000	Total net (debt)/ funds £000
At 30 September 2000	160	-	(517)	(357)
Cashflow	196	-	222	418
Non-cash movements	-	-	(347)	(347)
At 30 September 2001	356	-	(642)	(286)
Cashflow	389	-	265	654
Non-cash movements	-	-	(136)	(136)
At 30 September 2002	745	-	(513)	232
Cashflow	3,310	(3,500)	298	108
At 30 September 2003	4,055	(3,500)	(215)	340

5.20 Capital commitments

	As at 30 September		
	2001 £000	2002 £000	2003 £000
Contracted for but not provided	-	-	-

5.21 Contingent liabilities

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

The Group and Company had no other contingent liabilities at 30 September 2003 (2002: £Nil, 2001: £Nil).

5.22 Related party transactions

Amounts due in respect of loans to directors

	As at 30 September		
	2001 £000	2002 £000	2003 £000
Amount outstanding			
M R Mills	4,500	-	-
N J Mills	4,500	-	-
	<u>9,000</u>	<u>-</u>	<u>-</u>
Maximum liability during the period			
M R Mills	4,500	4,500	-
N J Mills	4,500	4,500	-
	<u>9,000</u>	<u>9,000</u>	<u>-</u>

Amounts due in respect of loans to Direct Cash Loans Limited:

M R Mills and N J Mills are both directors of Direct Cash Loans Limited. The amount of £25,000, which was also the maximum advance during the period, was advanced and repaid during the year ended 30 September 2002.

Other matters:

During the year ended 30 September 2003, rent of £14,400 (2002: £14,400, 2001: £11,100) was paid to St Annes Glass, a business owned by the father of M R and N J Mills.

PART VI

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE ENLARGED GROUP

The unaudited pro forma statement of net assets of the Enlarged Group, following the proposed acquisition of the HBOS Remote Estate, is set out below and has been prepared to illustrate the effect of the proposed transaction on the net assets of Cardpoint as at 31 March 2004, as if it had occurred on that date. This statement has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the net assets of the Enlarged Group.

	Cardpoint as at 31 March 2004 £000	<i>Placing Note 2 £000</i>	<i>Acquisition Notes 3 & 4 £000</i>	Unaudited pro forma £000
Fixed assets				
Tangible fixed assets	6,139	-	14,792	20,931
Intangible fixed assets	9,553	-	61,808	71,361
	<u>15,692</u>	<u>-</u>	<u>76,600</u>	<u>92,292</u>
Current assets				
Stocks	309	-	-	309
Debtors	2,318	-	-	2,318
Cash held on trust	1,241	-	-	1,241
Cash at bank and in hand	1,682	32,700	(29,600)	4,782
	<u>5,550</u>	<u>32,700</u>	<u>(29,600)</u>	<u>8,650</u>
Creditors: amounts due within one year				
Bank loans	(3,000)	-	(3,000)	(6,000)
Other creditors	(11,987)	-	-	(11,987)
	<u>(9,437)</u>	<u>32,700</u>	<u>(32,600)</u>	<u>(9,337)</u>
Net current liabilities	<u>(9,437)</u>	<u>32,700</u>	<u>(32,600)</u>	<u>(9,337)</u>
Total assets less current liabilities	<u>6,255</u>	<u>32,700</u>	<u>44,000</u>	<u>82,955</u>
Creditors: amounts due after more than one year				
Bank loan	-	-	(9,000)	(9,000)
Unsecured Loan Note	-	-	(35,000)	(35,000)
Other creditors	(139)	-	-	(139)
	<u>(139)</u>	<u>-</u>	<u>(35,000)</u>	<u>(35,139)</u>
Net assets	<u><u>6,116</u></u>	<u><u>32,700</u></u>	<u><u>-</u></u>	<u><u>38,816</u></u>

Notes:

- The net assets of Cardpoint as at 31 March 2004 have been extracted, without material adjustment, from the unaudited interim results of Cardpoint set out in Part IV of this document.
- The net proceeds of the Placing of £32.7 million, after deducting estimated expenses of £2.4 million.
- It has been assumed that the HBOS Remote Estate is acquired for the maximum consideration payable comprising Initial Consideration of £40 million, Deferred Consideration of up to £35 million together with the estimated expenses of the acquisition of £1.6 million.
- Goodwill arising on the acquisition of HBOS Remote Estate has been calculated as follows:

	£000
Consideration	75,000
Estimated expenses	1,600
Net assets acquired	<u>(14,792)</u>
Goodwill	<u><u>61,808</u></u>

- No adjustments have been made to take account of any changes in the financial position of Cardpoint since 31 March 2004, nor in respect of the HBOS Remote Estate.

PART VII

ADDITIONAL INFORMATION

1 The Company

- 1.1 The Company was incorporated and registered in England and Wales on 27 October 2000 under the Act as a public company limited by shares with the name Hallco 528 plc and with registration number 4098226. On 13 November 2000, the Company changed its name to Cardpoint plc. On 29 March 2001, the Company obtained a trading certificate pursuant to section 117 of the Act.
- 1.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 1.3 The Company's registered office is at St James's Court, Brown Street, Manchester, M2 2JF and its head office and principal place of business is at 55 Hove Road, Lytham St Annes, Lancashire FY8 1XH.

2 Subsidiaries

- 2.1 The Company has a wholly owned subsidiary, which in turn has seven wholly owned subsidiaries and sub-subsidiaries which are registered in England and Wales with registered addresses at St James's Court, Brown Street, Manchester, M2 2JF and one wholly owned subsidiary registered in Scotland with registered address at 1-4 Atholl Crescent, Edinburgh, EH3 8LQ details of which are as follows:

Company	Date of Incorporation	Activity	Issued Share Capital
Cardpoint Group plc (Registration No. 3605427)	28 July 1998	Holding Company	268,591 ordinary shares of 1p each
Cardpoint Remote Limited (Registration No. 5101148)	14 April 2004	Non-trading	2 ordinary shares of £1 each
Cardpoint Nederland Limited (Registration No. 3879474)	18 November 1999	Non-trading	100 ordinary shares of £1 each
Cardpoint Services Limited (Registration No. 3823774)	11 August 1999	Ownership and operation of an independent estate of ATMs	2 ordinary shares of £1 each
Cardpoint Merchant Services Limited (Registration No. 4782700)	30 May 2003	Ownership and operation of an estate of mobile phone top-up terminals	2 ordinary shares of £ 1 each
PT Distribution Limited (Registration No. 3775959)	19 May 1999	Non-trading	100,000 ordinary shares of £1 each
Cardpoint Cash Machine Limited (Registration No. 1336901)	2 November 1977	Non-trading	100 ordinary shares of £1 each
Cash Limited (Registration No. SC210576)	1 September 2000	Non-trading	2 ordinary shares of £1 each
Cardpoint Deutschland Limited (Registration No. 5077765)	18 March 2004	Non-trading	2 ordinary shares of £1 each

3 Share Capital

- 3.1 On incorporation, the authorised share capital of the Company was £50,000 divided into 50,000 shares of £1 each, two of which were issued credited as fully paid to the subscribers to the Company's memorandum of association.

- 3.2 On 22 March 2001, each ordinary share of £1 each was sub-divided into 20 ordinary shares of 5p each.
- 3.3 On 22 March 2001, pursuant to a share exchange agreement made between (1) Mark Mills and others and (2) the Company, the Company acquired the entire issued share capital of Cardpoint Group plc (formerly Cardpoint Holdings Limited) in consideration for the allotment of 10,743,600 Ordinary Shares.
- 3.4 On 8 May 2002, the authorised share capital of the Company was increased from £1,000,000 to £10,000,000 by the creation of an additional 180,000,000 Ordinary Shares.
- 3.5 On 3 February 2004, by or pursuant to resolutions of the Company passed on that date:
- 3.5.1 the Directors were generally and unconditionally authorised pursuant to section 80 of the Act to exercise all and any powers of the Company to allot relevant securities (as defined in section 80 of the Act) up to an aggregate nominal amount equal to £1,000,000. The authority expires (unless previously renewed, varied, or revoked by the Company in general meeting) at the earlier of the conclusion of the annual general meeting of the Company next following the passing of the resolution and 15 months from the date of the resolution. The Company may, at any time prior to the expiry of the authority, make an offer or agreement which would or might require relevant securities to be allotted after expiry of the authority and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority had not expired; and
- 3.5.2 the Directors were given power pursuant to section 95 of the Act (with such power expiring at the same time as the authority referred to in paragraph 3.5.1 above (the "Section 80 Authority")) to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the Section 80 Authority as if section 89(1) of the Act did not apply to any such allotment save that the power was limited to:
- (a) the allotment of equity securities pursuant to a rights issue or similar offer to shareholders of the Company where the interests of all shareholders of the Company were proportionate or as nearly as practical to the numbers of Ordinary Shares held by them; and
- (b) the allotment (otherwise than pursuant to paragraph 3.5.1(a) above) for cash of equity securities up to an aggregate nominal amount of the lesser of £200,000 or 10 per cent. of the issued share capital of the Company.
- 3.6 The Company's authorised and issued share capital, at the date of this document is and immediately following the Issue will be as follows:

	At the date of this document		Following the Issue	
	Amount	Number of Ordinary Shares	Amount	Number of Ordinary Shares
Authorised	£10,000,000	200,000,000	£10,000,000	200,000,000
Issued and fully paid	1,634,317	32,686,334	3,038,606	60,772,125

- 3.7 The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employee's share scheme as defined in section 743 of the Act) will apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 3.5.2 above.
- 3.8 The Company does not have in issue any securities not representing share capital and there are no outstanding debentures or convertible securities issued or proposed to be issued by the Company.

4 Memorandum and Articles of Association

Memorandum of Association

- 4.1 The objects of the Company are set out in full in clause 3 of its Memorandum of Association and include the carrying on of business as a general commercial company.

Articles of Association

- 4.2 The Articles of Association of the Company (the "Articles") which were adopted pursuant to a written resolution of the Company passed on 8 May 2002 contain provisions, *inter alia*, to the following effect:

4.2.1 *Voting Rights*

Subject to any rights or restrictions attached to the shares (including as a result of unpaid calls) and/or as mentioned below, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative and is entitled to have a vote shall have one vote and on a poll every member who is present in person or by proxy and entitled to vote shall have one vote for every share of which he is the holder. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then not earlier than 14 days after service of such notice the shares in question may be disenfranchised.

4.2.2 *Variation of Rights*

Subject to the Act and every other statute for the time being in force concerning companies and affecting the Company (the "Statutes"), if at any time the capital of the Company is divided into different classes of shares, all or any of the rights and privileges attached to any class of share may be varied or abrogated either (i) in such a manner (if any) as may be provided by the rights attaching to such class or (ii) in the absence of any such provision, with the consent in writing of the holders of at least 75 per cent. of the nominal amount of the issued shares of the relevant class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of the relevant class. At any such separate meeting the holders present in person or by proxy of one third of the issued shares of the class in question shall be a quorum. Unless otherwise provided by the rights attaching to any shares, these rights shall be deemed to be varied by the creation or issue of further shares ranking in any respect in priority thereto.

4.2.3 *Alteration of Capital*

The Company may from time to time by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, sub-divide all or any of its shares into shares of a smaller amount and cancel any shares not taken or agreed to be taken by any person.

The Company may, subject to the Statutes, by special resolution reduce its share capital, any capital redemption reserve and any share premium account. Subject to and in accordance with the provisions of the Statutes, the Company may purchase its own shares (including redeemable shares).

4.2.4 *Transfer of Shares*

The Ordinary Shares are in registered form and may be in certificated or uncertificated form. Shares in uncertificated form may be transferred otherwise than by written instrument in accordance with the Statutes and relevant subordinate legislation. Transfers of shares in certificated form may be effected by instrument in writing in any usual or common form or in any other form acceptable to the Directors. Any instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the Register of Members.

The Directors may refuse to register the transfer of a share which is in respect of a share which is not fully paid, or which is in favour of more than four transferees or which is in respect of more than one class of shares or which has not been presented for registration duly stamped accompanied by the share certificates for the shares to which the transfer relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

Where in respect of any shares any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then the Company may prohibit transfers of such shares otherwise than following a sale shown to the satisfaction of the Directors to be of the full legal and beneficial ownership of such shares at arm's length. The registration of transfers may be suspended by the Directors for any period not exceeding 30 days in a year.

4.2.5 *Dividends and other distributions*

Subject to the provisions of the Statutes, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but not exceeding the amount recommended by the Directors. The Directors may pay interim dividends if it appears to them that they are justified by the profits of the Company. Except as otherwise provided by the Articles or the rights attached to any shares issued by the Company, the holders of shares are entitled *pari passu* amongst themselves to share in the whole of the profits of the Company paid out as dividends and the whole of any surplus in the event of liquidation of the Company. A liquidator may, with the sanction of an extraordinary resolution, divide the assets among the members in specie. The Directors may, with the sanction of an ordinary resolution, offer the shareholders or any class of them (other than those not entitled to the relevant dividend or dividends) the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole or part of any dividend or dividends which are the subject of the ordinary resolution.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in shares of the Company fails to comply with any notice given by the Company under Section 212 of the Companies Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal amount of the issued shares of the relevant class, the Company may withhold dividends on such shares.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. Any dividend which is unclaimed for a period of 12 years from the date on which the dividend became due for payment shall be forfeited and cease to remain owing by the Company.

4.2.6 *Borrowing Powers*

Subject to the provisions of the Act and as provided in the Articles, the Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or any third party. The Directors shall restrict the borrowings of the Company and the borrowings of any other companies within the Group so as to secure that the aggregate amount for the time being outstanding (after adjustments provided for in the Articles) at any one time owing by the Group in respect of monies borrowed, determined in accordance with the Articles, shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to the greater of £10,000,000 or four times the aggregate of the nominal amount paid up on the Company's issued share capital and the total amount standing to the credit of the capital and revenue reserve of the Group as shown in the latest audited balance sheet of the Group but adjusted as may be necessary to take account of such deductions as are specified in the Articles.

4.2.7 *Constitution of Board of Directors*

The minimum number of Directors shall not be less than two and unless and until otherwise determined by the Company in general meeting shall not be more than eight. No shareholder qualification is required of any Director.

4.2.8 *Retirement of Directors by rotation*

The Articles do not contain any provision to exclude the operations of section 293(2) of the Act and, accordingly, special notice will be required of any resolution appointing or approving the appointment of a Director who has attained the age of 70.

At every annual general meeting of the Company one third of the Directors or the number nearest to but not exceeding one third shall retire by rotation and be eligible for re-election. The Directors to retire will be those who have been longest in office or, in the case of those who were appointed or re-appointed on the same day, will (unless they otherwise agree) be determined by lot.

4.2.9 *Remuneration of Directors*

The fees to be paid to the Directors shall be determined by the Remuneration Committee of the Company from time to time.

Each Director may also be paid all travelling, hotel and other expenses properly incurred by him in connection with his attendance at meetings of the Directors of the Company or otherwise in the discharge of his duties as a Director. Any Director who holds any executive office or who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, lump sum, participation in profits or otherwise as the Directors determine.

4.2.10 *Permitted interests of Directors*

Subject to the provisions of the Statutes, a Director is not disqualified by his office from contracting with the Company in any manner, nor is any contract in which he is interested liable to be avoided, and any Director who is so interested is not liable to account to the Company for any profit realised by the contract, by reason of the Director holding that office or of the fiduciary relationship thereby established.

A Director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director and may act in a professional capacity for the Company (other than as auditor) on such terms as to tenure of office, remuneration or otherwise as the Directors may determine. A Director may also hold office as a director or other officer or be otherwise interested in any other company of which the Company is a member or in which the Company is otherwise interested and shall not be liable to account to the Company for any remuneration or other benefits received by him from that company.

4.2.11 *Restrictions on voting by Directors*

Save as provided below, a Director shall not vote on or in respect of any contract or arrangement or any other proposal in which he has an interest which is to his knowledge a material interest otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting.

A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote and be counted in the quorum in respect of any resolution concerning any of the following matters:

- (a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (b) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (c) any proposal concerning an Placing of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which Placing he is or is to be interested as a holder of securities or as a participant in the undertaking or sub-underwriting thereof;
- (d) any proposal concerning any other company in which he does not to his knowledge hold directly or indirectly an interest in shares representing one per cent or more of any class of the equity share capital or voting rights;

- (e) any arrangement for the benefit of employees of the Company and its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; and
- (f) any contract for the purchase or maintenance of insurance against any liability of any Directors.

5 Directors' and other interests

- 5.1 The interests of the Directors (all of which are beneficial) in the issued share capital of the Company as at 25 May 2004 (being the latest practicable business day prior to the publication of this document), such interests being those which are required to be notified by each Director to the Company under the provisions of section 324 or 328 of the Act or which are required to be entered in the register of interests required to be maintained pursuant to section 325 of the Act or which are interests of persons connected with the Director within the meaning of section 346 of the Act, the existence of which is known or which could, with reasonable diligence, be ascertained by a Director were as follows:

Director	Prior to the Issue		Following the Issue ⁴	
	Number of Ordinary Shares	Percentage of issued Ordinary Share Capital	Number of Ordinary Shares	Percentage of issued Ordinary Share Capital
Peter Smyth	56,666 ¹	0.17	63,749	0.10
Mark Mills	2,816,490 ²	8.64	3,168,551	5.21
Chris Hanson	280,000 ³	0.86	315,000	0.52
John Westwood	Nil	Nil	Nil	Nil

1 All of which are held by Stamford Trust of which Peter Smyth is the sole beneficiary.

2 Includes 280,320 Ordinary Shares held by Contract Accounting Limited of which Mark Mills is the majority shareholder.

3 Includes 70,000 Ordinary Shares held on trust for Chris Hanson's children.

4 On the basis that the Proposals have been approved and assuming the Basic Entitlement under the Open Offer is taken up by each of the above mentioned.

- 5.2 In addition, the following Directors have been granted options over the following number of Ordinary Shares. Further details of the Share Option Schemes are set out in paragraph 10 of this Part VII.

	The Cardpoint plc EMI Option Scheme	Unapproved Options	The Cardpoint Unapproved Share Option Scheme 2002
	Number of Ordinary Shares		
Peter Smyth	-	100,000 ²	-
Mark Mills ⁸	150,000 ¹	250,000 ³	133,333 ³
	18,066 ⁶	-	250,000 ⁴
	-	-	81,934 ⁶
			100,000 ⁷
Chris Hanson	100,000 ⁵	-	31,934 ⁶
	68,066 ⁶	-	100,000 ⁷
John Westwood	Nil	Nil	50,000 ⁵

1 Exercisable at 43p per share at any time from 10 June 2005 to 9 June 2012.

2 Exercisable at 5p at any time from 25 February 2005 until 25 February 2012.

3 Exercisable at 5p at any time from 26 October 2004 to 26 October 2011.

4 Exercisable at 43p per share at any time from 10 June 2005 to 9 June 2012 and subject to the satisfaction of performance criteria.

5 Exercisable at 37.5p per share at any time from 4 December 2005 to 3 December 2012 and subject to the satisfaction of performance criteria.

6 Exercisable at 59.5p per share at any time from 10 July 2006 to 9 July 2013 and subject to the satisfaction of performance criteria.

7 Exercisable at 93.5p per share at any time from 22 December 2006 to 21 December 2013 and subject to the satisfaction of performance criteria.

8 In addition pursuant to the LTIP Mark Mills has been granted a right to subscribe for up to 1,000,000 Ordinary Shares at the price of 5p per Ordinary Share in the circumstances where the Ordinary Shares are trading at a price in excess of £2.50 per Ordinary Share for a specified period.

- 5.3 In addition to the above, options over 1,380,634 Ordinary Shares have been granted to employees under the Cardpoint plc EMI Option Scheme, 893,768 under the Cardpoint plc Unapproved Share Option Scheme and 750,000 further unapproved options which are exercisable between three and ten years from grant, all at at prices ranging from 5p to 93.5p per Ordinary Share.

6 Substantial Shareholders

- 6.1 Insofar as is known to the Company and in addition to the interests of the Directors disclosed in paragraph 5.1 above, the following persons are at the date of this document, or will, following the Issue, be interested directly or indirectly in 3 per cent. or more of the issued Ordinary Share capital of the Company:

Director	Prior to the Issue		Following the Issue ¹	
	Number of Ordinary Shares	Percentage of issued Ordinary Share Capital	Number of Ordinary Shares	Percentage of issued Ordinary Share Capital
Pro Ven VCT plc	2,790,954	8.54	3,139,823	5.17
Nigel Mills	1,483,430	4.54	1,668,859	2.75
Old Mutual Securities	1,210,000	3.70	1,361,250	2.24
Singer & Friedlander AIM 3	1,158,247	3.54	1,303,028	2.14

¹ On the basis that the Proposals have been approved and assuming the Basic Entitlement under the Open Offer is taken up by each of the above mentioned.

- 6.2 Save as disclosed in paragraph 5 above and in this paragraph 6, and in so far as the Company has the information, the Directors are not aware of any person or persons who either alone or, if connected jointly following the completion of the Issue is or will be interested (within the meaning of the Act) directly or indirectly in 3 per cent. or more of the issued Ordinary Share capital of the Company.
- 6.3 Save as disclosed in paragraph 5 above and in this paragraph 6, and in so far as the Company has the information, the Directors are not aware of any person or persons who either alone or, if connected jointly following the completion of the Issue will (directly or indirectly) exercise or could exercise control over the Company.

7 Additional information on the Directors

7.1 Other than directorships of Group companies, the Directors hold or have held the following directorships or are or have been partners in the following partnerships within the five years prior to the date of this document:

Director	Current	Past
Peter Smyth	Cityspace Limited	Allied Outdoor Advertising Limited Arley Properties Limited Barrett, Petrie, Sutcliffe Limited Barrett Petrie Sutcliffe Londo Clear Channel UK Limited First Radio Sales Limited Independent Radio Sales Limited Katz Radio Sales Limited Katz Television Sales Ltd Katz UK Limited Louis Barnett & Son Limited Multimark Limited Postal Facilities Limited Postar Limited Postermobile Limited Regentfile Limited Teamrelay Limited Town & City Posters Advertising Limited Town & City Posters (Services) Limited Trace Motion Limited
Mark Mills	Airport Properties Limited Availability Limited Availability.co.uk Limited Cheap Limited Contract Accounting Limited Direct Cash Loans Limited Ebonhall Limited Insurance and Legal Services Limited Internet Legal and Insurance Services Limited	Premier Autogas Limited Grystone Limited
Chris Hanson	None	JWE Telecom plc Midland Phones (Holdings) Limited
John Westwood	Almeida Capital Limited Hotel-E-com (Europe) Limited Link Up Mitaka Limited Matalan plc Microsens Biophage Limited Safetalk Limited Sumo Filtration Limited	None

7.2 Save as disclosed in this document, none of the Directors has:

- 7.2.1 any unspent convictions in relation to indictable offences;
- 7.2.2 had any bankruptcy order made against him or entered into any voluntary arrangements;
- 7.2.3 been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;

- 7.2.4 been a partner in any partnership with has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
 - 7.2.5 been the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;
 - 7.2.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
 - 7.2.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.
- 7.3 Mark Mills was a Director of Telecom Publications Limited when the company was placed into members voluntary liquidation in April 1993. The shortfall to creditors was less than £10,000.
- 7.4 Mark Mills was a Director of Prestige Communication Corporation Limited when it was placed into members voluntary liquidation in December 1992. Thereafter, this became a creditors voluntary liquidation. The shortfall involved was less than £27,000.
- 7.5 Chris Hanson was a director of John Brunton plc when it was placed into administrative receivership in July 1993. Chris Hanson was initially seconded from KPMG to John Brunton plc and later became a director with a view to assisting with a turn around of the business. When it became apparent that this was not possible, John Brunton plc was placed into administrative receivership owing approximately £935,000.
- 7.6 Save as disclosed in this document, no Director has or has had any interest in any transaction which is or was significant in relation to the business of the Group and which was effected during the current or immediately proceeding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.

8 Directors' Service Contracts and Remuneration

- 8.1 On 1 May 2001, Mark Mills entered into a service agreement with the Company. The service agreement was revised with effect from 10 June 2002 for an initial fixed term of 12 months and thereafter terminable on not less than 6 months' written notice given by either party to the other at any time. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by the Director. The basic annual salary payable to Mark Mills is currently £140,000 per annum to be reviewed annually (without any obligation to increase it) together with other benefits including a performance related bonus of up to 100 per cent. of Mark Mills' salary. In addition, the Company pays a contribution of 5 per cent. of his basic salary per annum to his personal pension scheme. The service agreement contains restrictive covenants for a period of 12 months following termination of his employment.
- 8.2 On 2 January 2003, Chris Hanson entered into a service contract with the Company for an initial fixed term of 6 months and thereafter terminable on not less than 6 months' written notice given by either party to the other at any time. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by the Director. The basic annual salary payable to Chris Hanson is currently £105,000 per annum to be reviewed annually (without any obligation to increase it) together with other benefits including a performance related bonus of up to 100 per cent. of Chris Hanson's salary. In addition, the Company pays a contribution of 5 per cent. of his basic salary per annum to his personal pension scheme. The service agreement contains restrictive covenants for a period of 12 months following termination of his employment
- 8.3 On 30 May 2002, Peter Smyth entered into a letter of appointment with the Company. The letter of appointment will continue until terminated on not less than 6 months' written notice given by either party to the other at any time. The letter of appointment contains provisions for early termination, *inter alia*, in the event of a breach by the Director. The basic salary payable to Peter Smyth is £24,000 per annum to be reviewed annually (without any obligation to increase it).
- 8.4 On 27 August 2002, John Westwood entered into a letter of appointment with the Company. The letter of appointment will continue unless terminated on not less than 6 months' written notice given by either party to the other at any time. The letter of appointment contains provisions for early termination, *inter alia*, in the event of a breach by the Director. The basic salary payable to John Westwood is £15,000 per annum to be reviewed annually (without any obligation to increase it).

- 8.5 There is no arrangement under which any Director has waived or agreed to waive future emoluments.
- 8.6 Save as disclosed in this paragraph 8, there are no existing or proposed service or consultancy agreements between any Director and the Group.
- 8.7 In the year ended 30 September 2003, the total aggregate remuneration paid and benefits-in-kind granted to the Directors was £590,037. The amounts payable to the Directors by the Group under the arrangements in force at the date of this document in respect of the year ending 30 September 2004 are estimated to be £315,000 (excluding any discretionary payments which may be made under these arrangements).
- 8.8 On completion of the Acquisition, Mark Mills and Chris Hanson will be paid a bonus of £150,000 and £50,000 respectively in recognition of completing such an important acquisition and the additional work and commitment that it has required.

9 Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group within the two years immediately preceding the date of this document and are, or may be, material:

- 9.1 The Placing Agreement, further details of which are contained in paragraph 14 of this Part VII.
- 9.2 The Acquisition Agreement pursuant to which Cardpoint Remote has conditionally agreed to acquire the HBOS Remote Estate from HBOS. The consideration for the Acquisition comprises both the Initial Consideration to be satisfied in cash and the Deferred Consideration, to be satisfied by the issue of Unsecured Loan Notes. The initial consideration of £40 million is payable on Completion. The Deferred Consideration is calculated by reference to the Performance Criteria being the number of HBOS Remote Estate customer contracts that have been assigned and/or novated to Cardpoint Remote on 31 December 2004. Cardpoint Remote will pay further sums in respect of each contract assigned and/or novated by reference to the nature and number of the contracts assigned and/or novated. Under the Acquisition Agreement, HBOS has given certain warranties and indemnities in relation to the HBOS Remote Estate and its tax position. The maximum consideration for the Acquisition is £75 million less certain costs and expenses incurred in the migration of the HBOS Remote Estate. The Acquisition Agreement is conditional on, amongst other things, Shareholders passing the resolution approving the Acquisition, as set out in the notice of EGM accompanying this document. If the conditions contained within the Acquisition Agreement are not satisfied by 31 August 2004, the Acquisition Agreement will terminate.
- 9.3 On Completion, Cardpoint Remote and HBOS will enter into a transitional services agreement pursuant to which HBOS has agreed to perform certain obligations and provide certain services to Cardpoint Remote in order to enable it to operate the HBOS Remote Estate. This Agreement contains certain performance criteria in relation to the services to be provided by suppliers of HBOS and in the event that these service levels are not attained over an agreed period of time Cardpoint Remote has the right to require that the relevant supplier contract is terminated.
- 9.4 Upon completion of the calculation of the Deferred Consideration referred to at paragraph 9.2 above, Cardpoint Remote will issue the Unsecured Loan Notes to HBOS for the aggregate sum of the Deferred Consideration payable pursuant to the Acquisition Agreement. The Unsecured Loan Notes are redeemable on or before January 2008 and are subject to an interest rate of 2% above base rate for the first four months following issue, rising to 7 per cent. above base after the expiry of 10 months from the date of issue. The rights of HBOS under the Unsecured Loan Notes are subordinated to those of the Bank of Scotland under the Facility Agreement referred to below at paragraph 9.5.
- 9.5 An agreement (the "Facility Agreement") dated 26 May 2004 and made between Cardpoint and certain other members of the Group (the "Borrowers") and Bank of Scotland pursuant to which Bank of Scotland is to make available (a) to Cardpoint Remote a term loan facility of £18,000,000 (the "Term Facility") to be applied towards financing the Acquisition and general corporate purposes and (b) to the Borrowers a revolving credit facility of £6,000,000 (the "Revolving Facility") to be applied towards repaying the Group's existing indebtedness to Bank of Scotland and general corporate purposes. The Term Facility is repayable in instalments over 5 years from the date of the first drawdown. The Revolving Facility is available (in a reducing amount from the date being 5 years after first drawdown) for a period of 7 years from the date of first drawdown. The Term Facility and the Revolving Facility (the "Facilities") bear interest at a margin over LIBOR (EURIBOR in the case of borrowings in euros) and mandatory costs. This margin will vary depending upon certain financial covenant ratios being achieved. The Facilities will be secured by debentures and cross-guarantees granted by the Borrowers. The Facility Agreement contains usual representations and warranties. Certain fees are payable to Bank of Scotland for the provision of the Facilities.

- 9.6 An acquisition agreement dated 20 June 2003 (the "Securicor Agreement") pursuant to which Cardpoint Services Limited acquired the entire issued share capital of Securicor Cash Machine Limited (now Cardpoint Cash Machine Limited). The consideration which has been paid to date in respect of this acquisition is £5,408,915. Further deferred consideration of up to £1,591,085 is estimated to be payable, subject to the ATM estate which was within Securicor Cash Machine Limited (now Cardpoint Cash Machine Limited) at the time of entering into the Securicor Agreement, achieving certain transaction targets in the year ending 30 September 2004. A further £500,000 is payable if the size of the Cardpoint Group estate does not reach 2,100 ATMs at any time on or before 30 September 2004.
- 9.7 On completion of the Securicor Agreement, Cardpoint Services Limited and Securicor Cash Centres Limited also entered into an outsourcing arrangement comprising two outsourcing agreements. The first agreement relates to Securicor Cash Centres Limited providing certain services to the Cardpoint Group in respect of its estate of ATMs including replenishment, first line maintenance, second line maintenance and cash forecasting and management. The second agreement covers arrangements in relation to the installation of ATMs and the de-installation of existing ATMs. The outsourcing arrangements were for a period of four years although there is a review mechanism after two years. The outsourcing arrangements cover the entire existing estate of Cardpoint Services Limited as well as all future ATMs installed by that company. The outsourcing agreements set out certain performance targets in relation to the services to be provided.
- 9.8 On completion of the Securicor Agreement, Cardpoint Services Limited, Securicor Cash Services Limited and Securicor Cash Machine Limited (now Cardpoint Cash Machine Limited) entered into a transitional services agreement pursuant to which Securicor Cash Services Limited agreed to perform certain obligations and provide certain services to Cardpoint Services Limited and/or Securicor Cash Machine Limited (now Cardpoint Cash Machine Limited) in order to enable them to operate the ATM estate that was acquired pursuant to the Securicor Agreement.
- 9.9 A nominated adviser and broker agreement dated 30 May 2002 made between (1) the Company, (2) the Directors excluding Peter Smyth and John Westwood, (3) Peter Smyth and (4) Evolution Beeson Gregory pursuant to which the Company appointed Evolution Beeson Gregory to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company agreed to pay Evolution Beeson Gregory an annual fee of £35,000 plus VAT for its services as nominated adviser and broker. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with applicable laws and regulations. The agreement is for a fixed term of 12 months and subject to termination on 30 days' notice by either party thereafter.
- 9.10 A placing and open offer agreement dated 29 May 2003 made between (1) Evolution Beeson Gregory and (2) the Company pursuant to which Evolution Beeson Gregory agreed as agent for the Company to use its reasonable endeavours to procure subscribers for and make an open offer in respect of in aggregate 11,334,867 Ordinary Shares in June 2003 ("2003 Placing") and to the extent that subscribers were not obtained Evolution Beeson Gregory agreed to subscribe for such shares. Under the terms of the agreement the Company agreed to pay Evolution Beeson Gregory a corporate advisory fee of £225,000 plus an amount equal to 5 per cent. of the proceeds of the 2003 Placing plus any applicable VAT. The agreement contains certain warranties and indemnities given by the Company to Evolution Beeson Gregory in relation to the Group and its business.
- 9.11 An acquisition agreement dated 1 July 2003 and made between (1) Project Telecommunications Limited and (2) Cardpoint Merchant Retail Limited (now Cardpoint Merchant Services Limited), pursuant to which Cardpoint Merchant Retail Limited acquired the entire issued share capital of PT Distribution Limited, a company which provided airtime top-ups to mobile telephones as applied electronically through fixed stand alone terminals. The total consideration paid under this agreement was £1,546,000 and was satisfied in cash.
- 9.12 An acquisition agreement dated 1 October 2002 and made between (1) ATM Express Limited and (2) the Company, pursuant to which the Company acquired the business and assets of ATM Express Limited in relation to the business of full service ATM cash dispensing in the independent service operator sector. The total consideration paid under this agreement was £1,258,000 of which £851,000 was satisfied in cash and the remaining £407,000 was satisfied by the issue of 1,147,886 Ordinary Shares.
- 9.13 A placing agreement dated 30 May made between (1) Evolution Beeson Gregory, (2) the Directors excluding Peter Smyth (3) Peter Smyth and (4) the Company pursuant to which Evolution Beeson Gregory agreed as agent for the Company to use its reasonable endeavours to procure subscribers for Ordinary Shares pursuant to the placing of 5,813,953 Ordinary Shares in June 2002 ("2002 Placing") and to the extent that subscribers were not obtained Evolution Beeson Gregory agreed to subscribe for such shares. Under the terms of the agreement the Company agreed to pay Evolution Beeson Gregory a corporate advisory fee of £75,000 plus an amount equal to 5 per cent. of the proceeds of the 2002 Placing

plus any applicable VAT. In addition, the Company issued a warrant to Evolution Beeson Gregory to subscribe for such number of Ordinary Shares as had an aggregate subscription price of £50,000 at 43p per share at any time during the period of three years from 23 June 2003. The agreement contains certain warranties and indemnities given by the Company and the Directors to Evolution Beeson Gregory in relation to the Group and its business.

10 Summary of Principal Features of the EMI Options and unapproved share options

- 10.1** The number of ordinary shares placed under option on any day after Admission under these Share Option Schemes or any other employee's share scheme (as defined in section 743 of the Act) adopted by the Company or any agreement pursuant to which an eligible employee is granted an option to subscribe for ordinary shares in the Company (the "Schemes") shall not when added to the aggregate of the number of ordinary shares issued or placed under option under any of the Schemes in the period of 10 years ending immediately prior to the relevant Date of Grant exceed 10 per cent of the ordinary share capital of the Company in issue immediately prior to that date.

10.2 The Cardpoint plc EMI Option Scheme

Options (the "EMI Options") have been granted, subject to Inland Revenue approval where necessary, 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 Finance Act 2000 ("Schedule 14") the details of which are set out at paragraph 5 of this Part IV. The EMI Options take the form of an individual contract (the "EMI Option Agreement") between the Company and each of the Directors or employees. Under the terms of certain existing EMI Option Agreements granted to the Directors any unexercised EMI Options will lapse on Admission. The Company intends to grant further EMI Options to Directors and employees of the Group in the future.

10.2.1 Tax Treatment

The EMI Options are to be granted over the ordinary shares (the "Option Shares") of the Company. Provided the EMI Option is not capable of being exercised more than 10 years after the date of grant there will be no income tax or NIC liability on the occasion of the grant of the option.

If the option exercise price is set at below the market value of the Option Shares as at the date of grant the employees will be liable to income tax at the date of exercise on the discount, i.e. the difference between the option exercise price and the market value of the Option Shares as at the date of the option grant or, if lower, the market value of the Option Shares as at the date of exercise. In addition as the Option Shares will be readily convertible assets as result of having a ready market, NIC will be due on this amount and both the income tax and any employee NIC due will have to be account for under the PAYE system.

Under the terms of the EMI Option Agreement the Company is entitled to be indemnified by the employees for all employer's NIC liability arising on exercise. The employees would be entitled to a tax deduction on the amount so indemnified.

On the sale of the Option Shares the employee will be liable to capital gains tax on chargeable gains after any taper relief on the difference between the market value of the Option Shares at the date of disposal and the price paid for the acquisition of those shares subject to a credit for any income tax liability which may have already arisen on the exercise of the option. For taper relief purposes the period of ownership of the Option Shares starts from the date of grant of the EMI Option.

10.2.2 Employee Eligibility

Any employee of the Company or the Group who works either at least 25 hours per week or commits 75 per cent. of his working time to the business of the Company or the business of the Group and who does not already beneficially own either directly or indirectly through his associates more than 30 per cent. of the Ordinary Share capital of the Company may be granted an EMI Option.

10.2.3 Individual Limit on Participation

An individual employee's participation under the EMI Option Scheme is limited so that the aggregate market value of the shares placed under the EMI Option, and of shares granted under any share option scheme approved by the Inland Revenue under Schedule 9 of the Income and Corporation Taxes Act 1988 (except those granted under a savings-related share option scheme) valued at the date of the grant of the EMI Option which is held by that employee, cannot exceed £100,000.

10.2.4 *Company Limit*

The maximum value of unexercised qualifying options (valued as at the date of grant) that may exist under an EMI Option Scheme is restricted to £3 million.

10.2.5 *Performance Targets*

Performance targets will be incorporated into EMI Option Agreements granted following Admission.

10.2.6 *Exercise*

The EMI Options to be granted will become exercisable on or after the third anniversary of the date of grant provided the director or employee holding the EMI Option is still in continuous employment with the Company or the Group at that date. Any unexercised EMI Options will lapse on the cessation of employment except in the circumstances specifically prescribed under the Option Agreement. Early exercise may also be permitted in a Company takeover. In the event of a Company reorganisation the employees may be offered replacement options in the appropriate company involved in the reorganisation provided the relevant conditions set out in Schedule 14 are met.

10.2.7 *Non transferability of options*

The EMI Options are non-transferable, except on death to the personal representatives of the employee. An EMI Option shall lapse immediately if it is purportedly transferred mortgaged, charged or assigned.

10.2.8 *Variation of share capital*

For these purposes "variation" of share capital includes any capitalisation, rights issue, subdivision, consolidation or reduction or any other variation in the Ordinary Share Capital of the Company occurring after the date of grant. Upon a Variation of the Ordinary Share Capital of the Company, the Directors may adjust either the number of Ordinary Shares an employee is entitled to acquire under the EMI Option Agreement or adjust the exercise price in a manner they consider fair and reasonable, provided this is confirmed in writing from the Company's auditors and provided any such Variation is approved in advance by the Inland Revenue.

10.2.9 *Alterations*

Subject to procuring advance approval from the Inland Revenue the Directors may alter the provisions of the EMI Option Agreement provided any such variations is in writing and is signed by or on behalf of each party and it does not breach the provisions of Schedule 14.

10.2.10 *Disqualifying Events*

Schedule 14 sets out specific events which are to be treated as disqualifying events. The consequence of a disqualifying event occurring prior to the exercise of the EMI Options will be the loss of the qualifying status and the tax benefits under the EMI legislation unless the options are exercised within 40 days of the date of the occurrence of the disqualifying event. Under the terms of the proposed EMI Option Agreements where certain disqualifying events occur the Board may permit exercise within the 40 day timescale or such longer period as they shall determine. Failure to exercise the option within the stipulated period would cause the option to lapse on the expiry of such period.

10.3 **Unapproved Share Options**

Options have been granted over Ordinary Shares to certain directors of the Company. The details of these options (the "Unapproved Options") are set out in paragraph 5 of this Part VII. The Unapproved Options have not been granted pursuant to any statutory provisions and therefore do not enjoy the tax reliefs available under certain statutory schemes. These options are embodied in individual contracts between the Company and the Director in question. The Unapproved Options were granted for nil consideration and with no performance targets attached to them.

10.3.1 *Tax Treatment*

Income tax will be due on exercise on the difference between the market value of the option shares and the price paid for them. As the option shares will be readily convertible assets, NIC will also be due and both the income tax and any employee NIC will have to be accounted for under the PAYE system. Under the terms of the Unapproved Options agreement for the option grantee agrees to indemnify the Company for all employer's NIC liability on the exercise of the Unapproved Option.

Capital gains tax subject to taper relief will be due on disposal of the option shares on the growth in value between the date of exercise and the date of disposal. For taper relief purposes the; period of ownership of the option shares starts from the date of exercise of the Unapproved Options.

10.3.2 *Exercise and Lapse*

The Unapproved Options may be exercised at any time on or after the third anniversary of the date of grant in tranches of not less than such number of ordinary shares as is equal to 25 per cent. of the Unapproved Option shares.

The Unapproved Options will lapse on the expiry of the tenth anniversary of the date of grant or on the cessation of full time employment. Early exercise is permitted in special circumstances such as a Company takeover.

10.3.3 *Non transferability of options*

The Unapproved Options are non-transferable and are personal to the option holder. The Unapproved Options shall lapse immediately if they are purportedly transferred, assigned or disposed of except on death. The Unapproved Options may only be transferred on death to the option holder's personal representatives who are entitled to exercise the Unapproved Options during the period of six months from the date of death.

10.3.4 *Variations of share capital*

For these purposes "Variation" means any alteration of the share capital of the Company which consists of or includes the creation or removal of a right or the imposition, variation or removal of a restriction attaching to any shares in the Company; any conversion of shares in the share capital of the Company and any other alteration to the share capital of the Company including a capitalisation issue or rights issue or a sub-division, consolidation or reduction in the capital of the Company.

Upon a Variation, the board of directors may vary either the number of shares the option holder is entitled to acquire on exercise of the Unapproved Options or adjust the exercise price provided written confirmation is received from the Company's auditors that the course of action be in their opinion fair and reasonable.

10.3.5 *Alterations*

Any alteration to the terms of the individual option agreement will only be effective if agreed by both parties in writing.

10.3.6 It is not intended that any further Unapproved Options will be granted to Directors or employees of the Company.

10.4 **The Cardpoint plc Unapproved Share Option Scheme 2002**

The Company has adopted an unapproved share option scheme - The Cardpoint plc Unapproved Share Option Scheme 2002. Options have been granted to certain Directors. The details of these options (the "Unapproved Share Options") are set out in paragraph 5 of this Part VII. The Unapproved Options have not been granted pursuant to any statutory provisions and therefore do not enjoy the tax reliefs available under certain statutory schemes. The Unapproved Share Options were granted for nil consideration and all options granted under this scheme following Admission are subject to performance criteria set by the remuneration committee.

10.4.1 *Tax Treatment*

Income tax will be due on exercise on the difference between the market value of the option shares and the price paid for them. As the option shares will be readily convertible assets, NIC will also be due and both the income tax and any employee NIC will have to be accounted for under the PAYE system. Under the terms of the Unapproved Share Options agreement the option grantee agrees to indemnify the Company for all employer's NIC liability on the exercise of the Unapproved Share Option.

Capital gains tax subject to taper relief will be due on disposal of the option shares on the growth in value between the date of exercise and the date of disposal. For taper relief purposes the period of ownership of the option shares starts from the date of exercise of the Unapproved Share Options.

10.4.2 *Exercise and Lapse*

Subject to the satisfaction of any applicable condition of exercise, the Unapproved Options may be exercised at any time on or after the third anniversary of the date of grant in tranches of not less than such number of ordinary shares as is equal to 25 per cent. of the Unapproved Option shares. Unapproved Share Options may be exercised before the third anniversary of the date of grant if the remuneration committee considers it appropriate, acting in the best interests of the Company and the option holder, that the option should be so exercisable.

The Unapproved Share Options will lapse on the expiry of the tenth anniversary of the date of grant or on the cessation of full time employment. Early exercise is permitted in special circumstances such as a Company takeover.

10.4.3 *Non transferability of options*

The Unapproved Options are non-transferable and are personal to the option holder. The Unapproved Options shall lapse immediately if they are purportedly transferred, assigned or disposed of except on death. The Unapproved Options may only be transferred on death to the option holder's personal representatives who are entitled to exercise the Unapproved Options during the period of six months from the date of death.

10.4.4 *Variations of share capital*

For these purposes "Variation" means any alteration of the share capital of the Company which consists of or includes the creation or removal of a right or the imposition, variation or removal of a restriction attached to any shares in the Company; any conversion of shares in the share capital of the Company and any other alteration to the share capital of the Company including a capitalisation issue or rights issue or a sub-division, consolidation or reduction in the capital of the Company.

Upon a Variation, the board of directors may vary either the number of shares the option holder is entitled to acquire on exercise of the Unapproved Options or adjust the exercise price provided written confirmation is received from the Company's auditors that the course of be in their opinion fair and reasonable.

10.4.5 *Alterations*

Any alteration to the terms of the individual option agreement will only be effective if agreed by both parties in writing.

11 **Working Capital**

The Directors are of the opinion that, having made due and careful enquiry and taking into account the net proceeds of the Issue and the existing bank and other facilities available to the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document.

12 **Litigation**

There are no legal or arbitration proceedings in which any Group company is involved or of which any Group company is aware are pending or threatened by or against any Group company which may have or have had in the twelve months preceding the date of this document a significant effect on the Group's financial position.

13 **Significant Change**

There has been no significant change in the financial or trading position of the Group since 31 March 2004, being the date to which the Group's latest unaudited interim accounts set out in Part IV of this document were prepared.

14 **Arrangements relating to the Placing**

14.1 Pursuant to the Placing Agreement, Evolution Beeson Gregory has agreed, as agent for the Company, to:

- (a) use its reasonable endeavours to procure subscribers for the Firm Placing Shares at the Issue Price;
- (b) use its reasonable endeavours to procure subscribers for the Open Offer Shares at the Issue Price, subject to a right of recall to satisfy valid applications under the Open Offer; and
- (c) make the Open Offer to Qualifying Shareholders.

In the event that Evolution Beeson Gregory is unable to procure subscribers for any of the New Ordinary Shares, it has agreed to subscribe itself, as principal, for such New Ordinary Shares at the Issue Price.

Under the Placing Agreement:

- 14.1.1 the Company has agreed to pay Evolution Beeson Gregory an amount equal to 3.5 per cent. of the proceeds of the Issue (plus any applicable VAT);
 - 14.1.2 the Company has agreed to pay all other costs and expenses of the Issue and related arrangements together with any VAT on all such costs and expenses;
 - 14.1.3 the Company has given certain warranties and indemnities to Evolution Beeson Gregory as to the accuracy of information in this document and as to other matters in relation to the Enlarged Group and its business.
- 14.2 The Placing Agreement may be terminated by Evolution Beeson Gregory before Admission in certain circumstances, including for material breach of the warranties referred to above.

15 General

- 15.1 It is estimated that the total expenses payable by the Company in connection with the Issue will amount to approximately £2.4 (including VAT).
- 15.2 Evolution Beeson Gregory has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 15.3 Rothschild has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 15.4 Grant Thornton has given and not withdrawn its written consent to the inclusion in this document of its name and the references thereto in the form and context in which they appear.
- 15.5 Save as set out in this document, there are no patents or intellectual property rights, licences or particular contracts which are of fundamental importance to the Group's business.
- 15.6 There have been no interruptions in the business of the Group which may have or have had in the 12 months preceding publication of this document a significant effect on the financial position of the Group.
- 15.7 The Issue Price represents a premium of 120p over the nominal value of 5p per Ordinary Share. The Share premium arising on the Issue amounts to £33,702,949 in aggregate.
- 15.8 The Ordinary Shares are in registered form. No temporary documents of title will be issued.
- 15.9 In the Directors' opinion the minimum amount to be raised pursuant to the Issue for the purposes set out in paragraph 21(a) of Schedule 1 to the POS Regulations is £35 million which will be applied as follows:
- | | | |
|-------|---|--------------|
| (i) | purchase price of property | £nil |
| (ii) | commissions and expenses payable under the Placing | £1.2 million |
| (iii) | repayment of monies borrowed in respect of (i) and (ii) above | £nil |
| (iv) | working capital | £nil |
- There are no amounts to be provided in respect of the matters mentioned above otherwise than out of the Issue or from the Company's existing resources.
- 15.10 Save as disclosed in this document there have been no payments by the Group to promoters in the two years prior to the date of this document and no fees have been paid in the 12 months preceding the date of this document (other than to trade suppliers) in the sum of £10,000 or more in cash or in kind.
- 15.11 Save as disclosed in this document no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- 15.11.1 received, directly or indirectly from the Group within the 12 months preceding the date of this document; or
 - 15.11.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Group on or after Admission any of the following:
 - fees totalling £10,000 or more;
 - securities of the Company where these have a value of £10,000 or more calculated by reference to the Placing Price; or
 - any other benefit with the value of £10,000 or more at the date of this document.
- 15.12 Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Group's activities.

15.13 Save as disclosed in this document, there are no investments in progress which are significant to the Group.

15.14 The financial information contained in Parts IV and V of this document does not constitute statutory accounts within the meaning of section 240 of the Act. A copy of the audited accounts of the Company for the three year period ended 30 September 2003 has been delivered to the Registrar of Companies in England and Wales. The auditors report on those accounts was unqualified and did not contain any statement under section 237 of the Act.

16 Availability of Prospectus

Copies of this document will be available free of charge during normal business hours on any week day (Saturdays, Sundays and public holidays excepted) until the date following one month after the date of Admission at the registered head office of the Company and at the offices of Evolution Beeson Gregory, 100 Wood Street, London, EC2V 7AN.

Dated 26 May 2004

CARDPOINT PLC

(Incorporated in England and Wales under the Act with registered number 04098226)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary meeting of Cardpoint plc (the "Company") will be held at the offices of Evolution Beeson Gregory, 100 Wood Street, London, EC2V 7AN at 10.00 a.m. on 18 June 2004, for the purpose of considering and, if thought fit, passing the following resolutions of the Company of which resolution 1 will be proposed as an ordinary resolution and resolution 2 will be proposed as a special resolution:

ORDINARY RESOLUTION

Resolution 1

THAT subject to and conditional upon the Placing Agreement (as defined in the prospectus of the Company dated 26 May 2004 (the "Prospectus")) becoming unconditional in all respects (save in respect of any condition therein relating to the resolutions to be passed at this meeting and Admission (as defined in the Prospectus) becoming effective):

- (a) the acquisition of the HBOS Remote Estate (as defined in the Prospectus) by Cardpoint Remote Limited, a subsidiary of the Company, on and subject to the terms and conditions of the Acquisition Agreement (as defined in the Prospectus) be and is hereby approved and the board of directors of the Company (or any duly constituted committee thereof) be authorised to waive, amend, vary, increase or extend any such terms and conditions and to make the Acquisition (as defined in the Prospectus) and do all such things as are necessary or desirable in connection with the acquisition of the HBOS Remote Estate;
- (b) for the purposes of and pursuant to section 80 (1) of the Companies Act 1985 (the "Act") and in substitution for all existing authorities and powers, the directors of the Company be and they are hereby authorised generally and unconditionally to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 (2) of the Act) up to an aggregate nominal amount of £2,500,000 to such persons at such times and upon such terms and conditions as they may determine (subject always to the articles of association of the Company) provided this authority and power shall, unless renewed, varied or revoked, expire at the conclusion of the next annual general meeting of the Company or 15 months from the date of the passing of this resolution (whichever is the earlier) and provided further that the Company may before the expiry of such period make any offer, agreement or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the directors of the Company may then allot relevant securities pursuant to any such offer, agreement or arrangement as if the authority or power hereby conferred had not expired.

SPECIAL RESOLUTION

Resolution 2

THAT subject to and conditional upon the Placing Agreement becoming unconditional in all respects (save in respect of any condition therein relating to the resolutions to be passed at this meeting and Admission becoming effective):

- (a) for the purposes of and pursuant to section 95(1) of the Act and in substitution for all existing authorities and powers, the directors of the Company be and they are hereby authorised and empowered to allot equity securities (within the meaning of section 94 of the Act) for cash pursuant to the general authority and power conferred by the resolution numbered 1 in this notice of meeting as if section 89(1) of the Act did not apply to any such allotment provided that this authority and power shall, unless renewed, varied or revoked, expire at the conclusion of the next annual general meeting of the Company or 15 months from the date of the passing of this resolution (whichever is the earlier) and provided further that this authority and power shall be limited:
 - (i) to the allotment of equity securities pursuant to a rights issue or similar pre-emptive offer to ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate or as nearly as practical (and taking into account any prohibitions against or difficulties concerning the making of an offer or allotment to shareholders whose registered address or place of residence is overseas and subject to such exclusions as the directors of the Company may deem necessary or expedient to deal with fractional entitlements or legal and practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory) to the respective numbers of ordinary shares held by them;

- (ii) to the allotment of 28,085,791 New Ordinary Shares pursuant to the Issue (as those terms are defined in the Prospectus; and
 - (iii) to the allotment (otherwise than pursuant to paragraphs (i) and (ii) above) for cash of equity securities up to an aggregate nominal amount of the lesser of £500,000 and 15 per cent. of the issued share capital of the Company; and
- (b) the borrowing powers of the directors of the Company shall be increased and the Company's articles of association be amended by the deletion of "£10,000,000" in article 112.2 and the insertion of "£100,000,000" in its place.

REGISTERED OFFICE:

St. James's Court
Brown Street
Manchester
M2 2JF

BY ORDER OF THE BOARD

HL Secretaries Limited
Company Secretary

DATED 26 May 2004

NOTES:

- (1) A member of the Company may appoint one or more proxies to attend and, on a poll, to vote instead of the member. A proxy of a member need not also be a member.
- (2) The instrument appointing a proxy, and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of that power or authority must be deposited with the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than 48 hours before the time for holding the meeting. A Form of Proxy accompanies this document for use by members.
- (3) Completion of the Form of Proxy will not preclude a member from attending and voting in person.
- (4) Any corporation which is a member of the Company may authorise a person (who need not be a member of the Company) to act as its representative to attend, speak and vote (on a show of hands or a poll) on its behalf.
- (5) In the case of joint holders of a share the vote of the senior who tenders the vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the statutory register of members in respect of the share.
- (6) As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, only those holders of ordinary shares in the Company who are registered on the Company's share register as at 10.00 a.m. on 16 June 2004 shall be entitled to attend the Extraordinary General Meeting and to vote in respect of the number of shares registered in their names at that time. Changes to entries on the share register after 10.00 a.m. on 16 June 2004 shall be disregarded in determining the rights of any person to attend and/or vote at the Extraordinary General Meeting.