

## Chairman's statement

### Introduction

I am pleased to report the results for Payzone plc for the 6 months period ended 31 March 2009.

Since Payzone was formed from the 'merger' of Cardpoint plc ('Cardpoint') and alphyra Holdings Limited ('alphyra') in December 2007, the Group's management has had to respond to a deteriorating economic climate. The weakening of consumer sentiment across Europe has had an impact on transaction volumes in both our mobile phone top-up and ATM businesses.

Despite these challenges, Payzone's management has restructured the business to limit the impact on group EBITDA, which increased 8% to €20.3 million on a pro-forma basis (i.e. six months trading for both businesses), after adjusting for disposals, currency translation effects and certain special items. Payzone's Board regards this as a significant achievement which demonstrates the resilience of our business in a market that has experienced declines in revenues from mobile phone top-ups and ATM transactions.

Since the merger, Payzone has restructured its Board and operational management team, realised cost synergies through the consolidation of operational facilities in the UK and Germany, and continued the development of new products and services for distribution across the Group's network.

In addition, we have re-branded the services offered by the legacy alphyra business as 'Payzone' and the Cardpoint business as 'Cashzone'. The Payzone service involves the deployment and management throughout Europe of a terminal distribution network which processes a variety of electronic transaction services. The main products on the network include mobile phone top-up, utility top-up, bill payment solutions, electronic gift vouchers and Electronic Funds Transfer (EFT) processing. The Cashzone business deploys branded independent ATMs in the convenience sector in both the UK and Germany.

The Board remains committed to establishing a more appropriate long-term capital structure for the Company. As disclosed in March 2009, Payzone has instigated discussions with its finance providers with that end in mind. These discussions are expected to result in changes to the Company's financing arrangements. Payzone will provide a further update as soon as practicable.

### International Financial Reporting Standards

The results for the six months to 31 March 2009 are presented under International Financial Reporting Standards ('IFRS') as required under the AIM Rules for Companies.

Under IFRS the 'merger' was accounted for as a reverse acquisition. As Cardpoint has the power to govern the financial and operating policies of Payzone, it was deemed to be the 'acquirer' of alphyra and Payzone. Therefore the comparative figures presented reflect six months trading from the Cardpoint businesses to 31 March 2008 and include the results from the Alphyra businesses since 5 December 2007. Payzone has elected to present its financial statements in euro.

### Trading and profitability

Total revenues for the period were €583 million compared to revenues for the same period in 2008 of €424 million. These figures exclude revenues from discontinued operations following the disposal of our businesses in Spain, France and Italy in October 2008. Revenues in 2008 only included the alphyra businesses from the date of the merger 5 December 2007, i.e. four months. On a pro forma basis revenues (excluding discontinued revenues) were 8% lower for the six month period ended 31 March 2009 compared to the prior period.

Group EBITDA before special items increased by 24% to €20.3 million in the period. On a pro-forma basis EBITDA decreased by 1%. Excluding the translation effect of foreign exchange (both Sterling and Romanian Ron declined compared to the same period last year) EBITDA increased by 8%.

Through the first half of the 2009 financial year each of the Group's businesses has been focused on improving profitability and cash generation. In our Irish and UK operations this has involved the relocation and removal of certain loss-making mobile phone top-up terminals and ATMs to more profitable, high footfall locations. The removal of such terminals and ATMs, along with lower consumer spending driven by the worsening economic environment, has seen our mature markets experience revenue declines year-on-year. Despite the deteriorating macroeconomic environment, the renewed strategic focus of the business has had positive results in the period with both the gross margin and EBITDA margin improving by 2% and 5% respectively in the UK and Ireland segment.

The re-focused strategy in our UK mobile phone top-up and utility distribution business has led to the rationalisation of certain non-core activities, reducing the operating cost base by 26% in the period. Despite the UK experiencing a decline in mobile phone top-up transaction volumes of 6%, utility and bill payment transactions have increased 11% in the period.

Our UK ATM business has benefited significantly from operational improvements. The business has had a renewed focus on profitable locations with the removal of 840 loss-making machines. The removal of such loss-making machines, along with a market driven decline in withdrawal volumes, has led to a 31% decline in revenues in the period. However, the refocused operations-led strategy has led to a significant improvement in profitability with the gross margin and EBITDA margin increasing by 2% and 8% respectively in the period. Total EBITDA contribution from this business is three times greater than the same period last year.

Our Irish business has had the benefit of launching new products onto its distribution network such as prepaid motorway tolling and bill payment. Despite the fall in mobile phone top-up transaction volumes the introduction of these new differentiating products has helped improve the gross margin by 4% in the period.

Our Northern European business, which includes Germany, the Netherlands and Sweden, has experienced a decline in consumer demand which has led to lower transactions in the period ended 31 March 2009 versus the same period last year. However, the business has maintained its gross margin percentage by compensating mobile phone top-up declines with growth in other revenues such as EFT and cost-restructuring programs which have included the outsourcing of certain operations.

Revenues in our Southern European business were up 33% on the same period last year. This increase was driven by the migration of mobile phone top-up from physical distribution to electronic, the rollout of new terminals and the launch of bill payment and prepaid services. These developments increased transaction volumes by 21% and 7% in our Greek and Romanian businesses respectively.

Management focus on central costs and restructuring through product rationalisation has led to a reduction in central overheads by 23%.

Payzone conducted a goodwill impairment review as at 30 September 2008 which led to an impairment of €149 million, and a charge was made in the full-year accounts to write down the carrying value of goodwill to its recoverable value. A further goodwill impairment review was carried out as at 31 March 2009. The carrying value of goodwill was calculated to exceed its recoverable amount by €77 million, and this amount has also been written off as an additional impairment charge in the interim accounts. The recoverable amount of goodwill was calculated based on its value-in-use which employs a discounted cashflow model.

Losses before tax for the period were €7 million before impairment charges of €77 million and intangible amortisation costs of €7M.

Finance costs include all debt interest costs for the period. These include special items which include costs in relation to the restructuring of the Company's debt and, in our comparatives, the termination of Cardpoint's banking facilities and restructuring of the Company's debt (following the merger).

The Group has performed well in a challenging and changing market and continues to be underpinned by merchant and operator contracts. Our terminal estate, which includes electronic point of sale (EPOS) and ATMs, totalled 136,300 at the end of March 2009. Our terminals are located at a variety of convenience locations throughout the UK and Europe. In Ireland and the UK we continue to expand our product offerings through new product launches such as motorway tolling. EFT, prepaid parking and prepaid utilities, all of which are expected to contribute to future profitability. In Northern Europe we are increasing our market share through product enhancements and new merchant contracts. Southern European growth is still largely driven by market share growth through terminal estate and product expansion as well as the migration of mobile phone top-up from physical cards to electronic distribution.

#### Disposals

On 8 October 2008 Payzone announced the disposal of its French, Italian and Spanish businesses for a total gross consideration of €20 million. Of this sale price €13.2 million was payable in cash and €6.5 million comprised of the assignment of financial guarantees. The purchasing Company was ICom, a 100% subsidiary of Proximanía, which is a publicly quoted French company specialising in airtime product distribution. The funds were partially used to set against the Company's debt.

The disposal of these Payzone subsidiaries fits with our strategy of focusing on markets where Payzone had both a strong market presence and growth potential from offering new services.

We continue to regularly examine all subsidiaries to determine their strategic fit within the Payzone Group and to ensure that we allocate resources to the markets where we anticipate optimal returns. Consequently certain non core assets have been classified as held for resale.

#### Growth

The Group's strategy for growth continues to be that of growing transaction volumes organically through improving the quality of deployment and offering a broader range of products across our existing distribution network. We continue to invest in our core businesses in mobile phone top-ups and electronic payments that have demonstrated robust profitability and which can drive growth. There will be a continued focus in exiting and re-negotiating legacy loss-making contracts as well as the evaluation of outsourcing or in-sourcing of certain activities to bolster profitability for both the ATM and mobile phone top-up terminal estates.

#### Cashflow and borrowings

As reported on 12 March 2009, given the continued challenging market conditions being experienced by the Group's businesses, the Company instigated discussions with its finance providers covering a range of financing options with a view to establishing a more appropriate long term capital structure for the Company. These discussions continue and are expected to result in changes to the Company's existing arrangements.

#### Management structure

There were no changes to the Board during the period.

The Board has met on a regular basis throughout the period to assess and direct the Company through the current operational and financing activities.

#### Outlook

We remain focussed on maintaining the financial stability and profitability of the Company and are confident that, in conjunction with Payzone's various stakeholders, we can achieve a successful outcome from the ongoing restructuring activities.

The management team has made a significant contribution to improving the stability of the Group through restructuring the cost base of the business. Despite some progress there remain challenges in our key markets as the macroeconomic environment has continued to deteriorate. The various restructuring activities which have included cost-cutting, pricing changes and business rationalisation have helped mitigate the majority of these downward pressures, but the business will need to continue to anticipate and change in line with the operating environment.

We are grateful to our shareholders for supporting the Company during a difficult period. We are especially grateful to the management and staff who have also shown great commitment through the first half of 2009.

#### CONSOLIDATED UNAUDITED INCOME STATEMENT

Six Months Ended 31 March 2009

		6 months to 31 March 2009	6 months to 31 March 2008	12 months to 30 September 2008
	Notes	€'000	€'000	€'000
Revenue		583,303	423,899	1,015,153
Cost of sales		(543,873)	(389,229)	(931,943)
Gross profit		39,430	34,670	83,210
Administrative expenses - excluding amortisation of intangible assets and special items		(32,270)	(28,548)	(65,542)
Administrative expenses - special items	6	(75,757)	(153,667)	(178,799)
Administrative expenses - amortisation of intangible assets		(7,164)	(4,690)	(15,218)
Administrative expenses		(115,191)	(186,905)	(259,559)
Operating loss		(75,761)	(152,235)	(176,349)
Finance income		1,123	139	1,374
Finance costs - excluding special items		(15,410)	(10,406)	(25,697)
Finance costs - special items	7	(456)	(2,818)	(4,286)
Finance costs		(15,866)	(13,224)	(29,983)
Share of losses of associates		(408)	(526)	(1,162)
Loss before taxation		(90,912)	(165,846)	(206,120)
Income tax (charge)/credit		(23)	322	2,186
Loss for the period from continuing operations		(90,935)	(165,524)	(203,934)
Discontinued operations				
Loss from discontinued operations		(871)	(925)	(1,990)
Loss retained for the financial period		(91,806)	(166,449)	(205,924)
Profits attributable to minority interest		71	110	462
Attributable to equity holders of the parent		(91,877)	(166,559)	(206,386)
Basic and diluted loss per share (cent per share)	8	(21c)	(89c)	(67c)

# CONSOLIDATED UNAUDITED BALANCE SHEET

As at 31 March 2009

		As at 31 March 2009	As at 31 March 2008	As at 30 September 2008
	Notes	€'000	€'000	€'000
Assets				
Non-current assets				
Property, plant and equipment		36,846	83,569	71,992
Goodwill and intangible assets		147,158	316,178	303,323
Investment in associated companies		-	640	-
Derivative financial instrument and available for sale financial assets		-	124	697
Deferred tax		418	1,457	572
Total non-current assets		184,422	401,968	376,584
Current assets				
Inventories		6,008	24,160	18,782
Trade and other receivables		46,990	87,207	91,636
Restricted cash		15,295	13,154	17,072
Cash and cash equivalents	11	30,299	24,762	43,348
Total current assets		98,592	149,283	170,838
Assets of disposal groups held for sale		102,519	-	30,044
Total assets		385,533	551,251	577,466
Current liabilities				
Borrowings	9	(291,868)	(291,171)	(14,951)
Trade and other payables		(117,439)	(192,096)	(199,701)
Current tax liabilities		(286)	(1,233)	(1,267)
Provisions		(383)	(15,442)	(7,833)
Total current liabilities		(409,976)	(499,942)	(223,752)

Liabilities of disposal groups held for sale		(61,465)	-	(21,041)
Non-current liabilities		(471,441)	(499,942)	(244,793)
Deferred tax liability		(9,684)	(18,540)	(16,914)
Borrowings	9	(839)	(1,971)	(278,462)
Provisions		(2,524)	(5,343)	(6,993)
Derivative financial instrument		(5,387)	(902)	-
Total non-current liabilities		(18,434)	(26,756)	(302,369)
Total liabilities		(489,875)	(526,698)	(547,162)
Net assets		(104,342)	24,553	30,304

# CONSOLIDATED BALANCE SHEET - continued

As at 31 March 2009

		As at 31 March 2009	As at 31 March 2008	As at 30 September 2008
	Note	€'000	€'000	€'000
Equity				
Called up share capital	10	6,003	4,263	6,003
Share premium account	10	346,520	314,886	346,840
Reverse acquisition reserve	10	12,036	12,036	12,036
Hedging reserve	10	(5,387)	(902)	573
Translation reserve	10	(64,556)	(37,938)	(27,881)
Retained (losses)	10	(399,646)	(268,057)	(307,884)
Equity attributable to equity holders of the parent		(105,030)	24,288	29,687
Minority interest	10	688	265	617
Total equity		(104,342)	24,553	30,304

# CONSOLIDATED UNAUDITED CASH FLOW STATEMENT

Six Months Ended 31 March 2009

		Six months ended 31 March 2009	Six months ended 31 March 2008	Year ended 30 September 2008
	Notes	€'000	€'000	€'000
Cash (outflow)/inflow from continuing operating activities				
Loss before taxation		(90,912)	(165,846)	(206,120)
Depreciation of property plant and equipment		13,179	12,017	22,996
Amortisation of intangible assets		7,164	4,690	15,218
Goodwill impairment		76,531	143,081	149,173
Share of losses for associates		408	526	1,162
Finance income		(1,123)	(139)	(1,374)
Finance costs		15,866	13,224	29,983
Loss on sale of property, plant and equipment		(1,859)	-	(78)
(Profit) on business closures and disposals		(3,665)	-	-
Share based payment expense		115	3,840	3,840
Net Cash (outflow)/inflow from discontinued operations		15,704 (871)	11,393 (114)	14,800 24
Operating cashflows before movements in working capital and provisions				
Decrease in inventories		14,833	11,279	14,824
Decrease/(increase) in receivables		2,008	4,402	8,247
(Decrease) in payables		19,092	1,159	(15,376)
(Decrease)/increase in provisions		(31,726)	(45,095)	(2,640)
		(5,557)	14,192	4,892
Cash (outflow)/inflow from operating activities		(1,350)	(14,063)	9,947
Income tax paid		(911)	(189)	(738)
Interest paid		(11,393)	(10,169)	(26,315)
Net cash flow (used in) operating activities		(13,654)	(24,421)	(17,106)

Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	-	10,982	10,982
Acquisition of property, plant and equipment	(6,042)	(3,069)	(16,771)
Acquisition of intangible assets	(1,908)	(3,133)	(4,320)
Funding of associate	-	-	(1,100)
Payments in relation to closure of business	(419)	-	-
Proceeds from sale of subsidiaries, net of cash disposed of	7,376	-	-
Proceeds from sale of property, plant and equipment	-	-	295
Proceeds from sale of financial asset	2,072	-	-
Interest received	1,123	139	1,374
Net cash flow from/(used in) investing activities	2,202	4,919	(9,540)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares, net of costs	(338)	9,251	42,948
Proceeds from issuance of preference shares	-	-	5,323
Repayment of borrowings	(15,235)	(267,648)	(283,771)
Proceeds from borrowings	12,800	290,981	295,000
Net cash flow (used in)/from financing activities	(2,773)	32,584	59,500

# CONSOLIDATED UNAUDITED CASH FLOW STATEMENT - continued

Six Months Ended 31 March 2009

		Six months ended 31 March 2009	Six months ended 31 March 2008	Year ended 30 September 2008
	Notes	€'000	€'000	€'000
Net (decrease)/increase in cash and cash equivalents		(14,225)	13,082	32,854
Cash and cash equivalents at beginning of period		44,252	12,440	12,440
Exchange gains and losses on cash and cash equivalents		(1,565)	(760)	(1,042)
Cash and cash equivalents at end of period	11	28,462	24,762	44,252

# CONSOLIDATED UNAUDITED STATEMENT OF RECOGNISED INCOME AND EXPENSE

Six Months Ended 31 March 2009

		Six months ended 31 March 2009	Six months ended 31 March 2008	Year ended 30 September 2008
		€'000	€'000	€'000
Exchange differences on translating foreign operations		(36,675)	(37,412)	(27,355)
Cash flow hedges		(5,960)	(1,206)	269
Net loss recognised directly in equity		(42,635)	(38,618)	(27,086)
Loss for the period		(91,806)	(166,449)	(205,924)
Total recognised income and expense for the period		(134,441)	(205,067)	(233,010)
Attributable to:				
Equity holders of the parent		(134,512)	(205,177)	(233,472)
Minority interest		71	110	462
Total recognised income and expense for the period		(134,441)	(205,067)	(233,010)

# NOTES TO THE FINANCIAL INFORMATION

1 Going concern

This financial information has been prepared on a going concern basis. The validity of this assumption is dependent on the group achieving operating profitability for the years ending 30 September 2009 and 30 September 2010 and the continued support of the group's bankers.

During the period ended 31 March 2009 the group incurred a loss (after impairment charges) of €91,877K (2008: €166,559K). At the period end the group has cash and cash equivalents of €30,299K (2008: €24,762K).

The directors have reviewed the forecast trading results of the group for a period of three years from the date of approval of this financial information. The directors recognise that there are significant external factors which could negatively impact on trading performance and cash flow generation during that period.

The business has seen and, indeed, anticipated in its planning some softening in demand for prepaid mobile phone top-ups in some of its markets. In the current economic climate this softening could accelerate. In addition the business has seen some tightening of credit from suppliers which it has been able to absorb. Further tightening of credit would put additional pressure on cash flow. The depreciation in the value of Sterling has had an impact given that a large proportion of cash flow is generated in the UK.

However, the directors believe that the Group operates robust business models across its divisions, which are strongly cash generative. Furthermore the directors are satisfied that management has already taken and will continue to take steps to allow the group to achieve operating profitability notwithstanding the current economic climate. In addition the Group has various mechanisms and opportunities to ensure that it can react to changes in the geographic territories in which it operates. These include:

- Redeploying profit generating assets
- Leveraging IT efficiencies across the Group
- Further reducing variable costs
- Disposal of businesses not considered a strategic fit for the group

The directors are satisfied that in view of the group's existing bank relationships, the expected trading and disposal program, and the associated cash flow performance, the Group should have the necessary resources to meet its expected financial obligations. Accordingly, they believe it is appropriate for the financial statements to be prepared on a going concern basis.

## 2 General information

The principal activity of Payzone Plc and its subsidiary undertakings (the group) is the deployment of a network of Payzone owned terminals and ATM machines, which process a variety of electronic transaction services. The main products on the network include electronic phone top up, utility top up, EFT processing and ATM cash withdrawal. The group operates in 18 countries across Europe, with the group headquarters based in Dublin. There are circa 700 people employed within the group.

The company is a public limited liability company incorporated and domiciled in the Republic of Ireland. The address of its registered office is 4 Heather Road, Sandyford Industrial Estate, Dublin 18.

The company has its primary listing on the AIM stock exchange in London.

## 3 Basis of preparation

This financial information has been prepared in accordance with the group's accounting policies under IFRS. Full details of the accounting policies adopted by the group are set out in note 5. The accounting policies are those that will be applied in preparing the financial statements for the year ending 30 September 2009.

The preparation of this financial information in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial reporting period and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions, actual results ultimately may differ from those estimates. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial report are disclosed in note 4.

This financial information is for the six months ended 31 March 2009.

The following provides a brief outline of the likely impact on future financial statements of relevant IFRS which have not been early adopted in this financial information:

IFRS 8 - Operating segments (effective for accounting periods beginning on or after 1 January 2009). IFRS 8 sets out the requirements for disclosure of financial and descriptive information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. The IFRS replaces IAS 14 Segment Reporting. The expected impact is still being assessed in detail by management, but it appears likely that the manner, in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The Group will apply IFRS 8 from 1 October 2009.

IAS 23 - (Amendment), Borrowing Costs (effective for annual periods beginning on or after 1 January 2009). The Amendment to IAS 23 requires that an entity shall capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The previous version of IAS 23 allowed an option as to whether this expenditure was capitalised or directly expensed. The group will apply IAS 23 (Amendment) from 1 October 2009 but does not expect this amendment to have a major impact on the group.

IAS 1 (Revised) Presentation of Financial Statements - The main objective of the amendment to IAS 1 was to aggregate information in the financial statements on the basis of shared characteristics. The amendment also introduces a 'Statement of Comprehensive Income'.

The amendment is effective for annual periods beginning on or after 1 January 2009, and will result in a revised layout of some aspects of the group's financial statements when adopted from its effective date. The group will apply IAS 1 (Revised) from 1 October 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.

IFRS 2 'Vesting conditions and cancellations - Amendment to IFRS 2 Share-based Payment', (effective for annual periods beginning on or after 1 January 2009). The amendment addresses two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The group will apply IFRS 2 (Amendment) from 1 October 2009, and is currently considering the likely impact.

IAS 32 (Amendment) and IAS 1 (Amendment) 'Puttable financial instruments and obligations arising on liquidation', (effective for annual periods beginning on or after 1 January 2009). The amendments require some puttable financial instruments and some financial instruments that impose on the entity an obligation to deliver to another party a pro rata share of net assets of the entity only on liquidation to be classified as equity. The group will apply the IAS 32 and IAS 1 (Amendment) from 1 October 2009, but it is not likely to have an impact on the group's accounts.

### 3 Basis of preparation - continued

IFRS 3 (Revised), 'Business combinations', (effective for annual periods beginning on or after 1 July 2009). The standard continues to apply the acquisition method to business combinations, with some significant changes. These changes include a requirement that all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to non-controlling interests. All transactions costs will be expensed. The group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 October 2009.

IAS 27 (Revised), 'Consolidated and separate financial statements', (effective for annual periods beginning on or after 1 July 2009). IAS 27 (Revised) requires the effect of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 October 2009.

IFRIC 15 'Agreements for construction of real estates' (effective from 1 January 2009). The interpretation clarifies whether IAS 18, 'Revenue' or IAS 11, 'Construction contracts' should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. IFRIC 15 is not relevant to the group's operations as all revenue transactions are accounted for under IAS 18 and not IAS 11.

IFRIC 17 'Distributions of Non-cash assets to owners' (effective for annual periods beginning on / after 1 July 2009). This interpretation applies to transactions in which an entity distributes assets (other than cash) as dividends to its owners acting in their capacity as owners. The IFRIC addresses when an entity should recognise a dividend payable and how an entity should measure the dividend payable. The group will apply IFRIC 17 from its effective date. This is currently not relevant to the group's operations.

IFRIC 18, 'Transfers of Assets from Customers' (effective for transfers of assets from customers received on or after 1 July 2009). The interpretation is still subject to EU endorsement. This interpretation applies to agreements in which an entity receives from a customer an item of property, plant and equipment (or an amount of cash which must be used to construct or acquire an item of property, plant and equipment) that the entity must use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services, or do both. IFRIC 18 is currently not relevant to the group's activities.

IFRS 1 (Revised), 'First-time Adoption of International Financial Reporting Standards', (effective from 1 January 2009). The current IFRS 1 has been amended many times to accommodate first time adoption requirements of new and amended IFRSs, resulting in a more complex and less clear standard. This revised version retains the substance of the original standard but with a changed structure. The revised IFRS 1 is not applicable to the group as it has already adopted IFRS, however it would be applicable to other entities in the group should they transition to IFRS at a future date.

Amendments to IFRS 1 'First-time adoption of IFRS' and IAS 27 'Consolidated and separate financial statements - cost of an investment in a subsidiary, jointly controlled entity or associate', (effective for annual periods beginning on or after 1 January 2009). First-time adopters are permitted to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in their separate financial statements. The amendment also removed the definition of the cost method from IAS 27 and replaced it with a requirement to present dividends - as income in the separate financial statements of the investor. The group will apply these amendments from 1 October 2009 but they are currently not applicable to the group.

Improvements to IFRS, (most of the amendments effective for annual periods beginning on or after 1 January 2009). The improvements to IFRS represent a number of 'non-urgent' amendments to IFRSs that involve accounting changes for presentation, recognition and measurement, and terminology or editorial changes with minimal effect of accounting. The Group will apply these improvements from their relative effective dates and is currently assessing the impact on the Group's financial statements.

### 4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year together with critical judgements in respect of the financial year are outlined below:

#### (a) Going concern

The group has prepared the financial information on a going concern basis. Further details are described in note 1 supporting the basis.

#### (b) Estimated impairment of goodwill

The group tests at least annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in

note 5. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, and these calculations require the use of estimates. Estimating a 'value-in-use' amount requires sufficient judgement to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) Capitalisation of development costs

Costs incurred on development projects are recognised as intangible assets when the criteria in the development expenditure accounting policy in note 5 are achieved. A degree of judgement is involved in assessing the achievement of the criteria.

(d) Establishing useful lives for amortisation purposes of property, plant and equipment and intangible assets

The group has intangible assets (other than goodwill) of €46.6 million and property, plant and equipment of €36.8 million as at 31 March 2009. The amortisation charges and depreciation charges are dependent on the estimated lives allocated to each type of intangible asset.

The directors regularly review these asset lives and change them as necessary to reflect current thinking on remaining lives and the expected pattern of consumption of the future economic benefits embodied in the asset. Changes in asset lives can have a significant impact on depreciation and amortisation charges for the period.

Details of the useful lives of the various classes of property, plant and machinery and intangible assets are included in note 5.

(e) Fair value of business combinations

Goodwill only arises in business combinations. The amount of goodwill initially recognised is the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition.

The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement and estimates.

Allocation of the purchase price affects the results of the Group as finite lived intangible assets are amortised, whereas indefinite lived intangible assets, including goodwill, are not amortised and could result in differing amortisation charges based on the allocation to indefinite lived and finite lived intangible assets.

On acquisition, the identifiable intangible assets may include customer bases and brands. The fair value of these assets is determined by discounting estimated future net cash flows generated by the asset, assuming no active market for the assets exist. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets, and consequently the level of recognised goodwill.

(f) Cardpoint as acquirer

The acquisition of the entire share capital of Cardpoint and alphyra by Payzone plc has been accounted for as a reverse acquisition of the combined Payzone and alphyra group by Cardpoint plc. The determination of the acquirer in this transaction is seen as a critical judgement as any change in this judgement can have a significant impact on the accounting for the business combination. Management gave detailed consideration to the terms, conditions, facts and circumstances surrounding the transaction together with the guidance in IFRS 3 in relation to identifying the acquirer in a business combination. Ultimately Cardpoint plc was seen as the acquirer as it was judged to control alphyra due to its:

- power to govern the financial and operating policies of alphyra;
- power to appoint or remove the majority of the members of the board of directors or equivalent governing body of the other entity; and
- power to cast the majority of votes at meetings of the board of directors.

(g) Determination of special items

Significant judgement is exercised in making such an assessment.

(h) Determination of functional currency

The group is headquartered in Ireland and has significant operations in the UK and Europe and accordingly principally operates in two different currencies. Reflecting its economic operating environment the group has determined that the Euro is Payzone plc's functional currency for the preparation of the consolidated financial statements. However, the functional currency of the accounting acquirer Cardpoint plc is sterling. The group's presentation currency is Euro.

## 5 Accounting policies

The principal accounting policies applied in the preparation of this financial information are set out below. These policies have been applied consistently to all periods presented, unless stated otherwise.

### Basis of consolidation

Payzone Plc is the legal parent and acts as a holding company. In respect of the business combination effected last year, Cardpoint plc is the accounting acquirer. The group accounts consolidate the accounts of Payzone plc and entities controlled directly and indirectly by Payzone plc (its subsidiaries) drawn up to September each year. Control is achieved where the group has the power to govern the financial and operating policies of an entity in which it invests, so as to obtain benefits from its activities. This usually accompanies a shareholding of more than one half of the voting rights.

The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.



(a) Subsidiaries

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquired identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair value at the acquisition date.

The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered and are also considered to be an indicator of impairment of the transferred asset.

In cases of business combinations involving entities under common control, the assets and liabilities of the acquired subsidiaries are initially included in the consolidated financial statements at their book values at the date of acquisition, applying 'merger accounting' principles to the transaction.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost, including any goodwill attributable to the interest acquired.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associates.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(c) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Property, plant and equipment

Property, plant and equipment are stated at historical cost being, expenditure directly attributable to the acquisition of the asset, less accumulated depreciation.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The charge for depreciation is calculated to write down the cost of property, plant and equipment to their estimated residual values by equal annual installments over their expected useful lives, which are as follows:

Terminals and ATMs	15% - 20%
Fixtures and fittings and equipment	rates between 15% and 33.3%
Computer equipment	rates between 20% and 33.3%
Property and leasehold renovations	12.5%
Motor vehicles	rates between 20% and 33.3%
Leased assets	over the unexpired term of the lease or estimated useful life, if shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The assets' carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount or their fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the plan to

sell and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

#### Investment in subsidiaries

Investments in subsidiaries held by the company are carried at cost less impairment.

### 5 Accounting policies - continued

#### Intangible assets

##### (a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of associates is included in 'investments in associates' and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the disposed of entity.

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose.

##### (b) Trademarks, licences and brands

Acquired trademarks, licences and brands are shown at historical cost. Trademarks and licenses have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of trademarks and brands over their estimated useful lives (6 years).

##### (c) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Costs associated maintaining computer software programmes and software are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate portion of the relevant overheads.

An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

- (i) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (ii) An intention to complete the intangible asset and use or sell it.
- (iii) An ability to use or sell the intangible asset.
- (iv) How the intangible asset will generate probable future economic benefits.
- (v) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- (vi) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditure which does not meet these criteria are recognised as an expense as incurred.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding 6 years).

##### (d) Customer-related intangible assets

Customer-related intangible assets recognised as part of a business combination are initially recognised at fair value and are subsequently carried at original cost less accumulated amortisation.

Acquired customer- and merchant-related intangible assets are amortised on a straight line basis over their estimated useful lives (not exceeding 6 years).

#### Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal

of the impairment at each reporting date.

#### Derivative financial instruments and hedge activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- (a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); (b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (c) Hedges of a net investment in a foreign operation (net investment hedge).

The group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The group has only a cash flow hedge in place which is accounted for as follows:

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast interest payment that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment) the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of sales in case of inventory or in depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out (FIFO) basis. Cost in the case of goods for resale, is defined as the aggregate cost of acquiring such inventories from third parties. Net realisable value is based on normal selling price, less further costs expected to be incurred to disposal.

#### Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

#### Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within current liabilities on the balance sheet. For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short-term deposits maturing within 3 months which are subject to insignificant risk of changes in value; less bank overdrafts.

#### Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

## 5 Accounting policies - continued

Convertible Preference shares are classified as financial liabilities when the group may be required to deliver cash or another financial asset in the event of the occurrence or non-occurrence of uncertain future events that are beyond the control of both the group and the preference shareholder, such as a change in control.

### Provisions

A provision is a liability of an uncertain timing or amount. A provision is recognised when the group has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the obligation can be made.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract (onerous contracts). A provision for onerous contracts is recognised when, for example, the group has entered a binding lease for rental of premises that is no longer used by the group or a binding agreement with a customer which is loss-making and therefore a provision is recognised for the unavoidable costs associated with that contract (i.e. lower of costs of fulfilling the contract and the costs of terminating the contract).

Provisions for restructuring costs and legal claims are recognised when: the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs and the related income tax effects) is included in equity attributable to the Company's equity holders.

### Foreign currency

#### (a) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). Payzone plc's functional currency is Euro. Cardpoint plc's functional currency is Sterling. The presentation currency for these financial statements is Euro.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

#### (c) Group companies

The results and financial position of all the group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is partly disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or

loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

#### Current and deferred income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

#### 5 Accounting policies - continued

##### Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as property, plant and equipment or intangible assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the income statement over the period of the leases to produce a constant rate of charge on the remaining balance of liability.

All other leases are operating leases. Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Rentals received for terminals from retail agents under operating leases are credited to income on a straight line basis over the lease term.

##### Employee benefits

###### (a) Pension obligations

The pension entitlements of employees arise under defined contribution plans. Contributions to the group's defined contribution pension plans are charged to the income statement as incurred.

###### (b) Bonus plans

The group recognises a liability and an expense where contractually obliged or where there is a past practice that has created a constructive obligation of making bonus payments.

###### (c) Share based compensation

The group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The group accounts for the cancellation or settlement of a share based payment award as an acceleration of vesting, and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

###### (d) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

#### 5 Accounting policies - continued

## Revenue

Revenue comprises the fair value of consideration receivable in respect of services and prepaid credits for cellular phones, utilities sold to third parties and ATM transactions exclusive of value added tax. Revenue of the group is earned from prepaid cellular top-up and prepaid utilities sold to third parties, installation and maintenance services, electronic payment services, debit and credit card processing and ATM transactions. Revenue is recognised in the period earned by rendering of services or sale of products.

Revenue from prepaid credits for cellular top up and utilities is recognised on a gross basis where the group acts as a principal in relation to these transactions, due to the fact that the group bears the majority of risk, principally inventory risk, in relation to such transactions.

Where such inventory risk is not borne by the group only commission earned is recorded as revenue. However, in cases where the credit risk is maintained by the group the receivable and corresponding liability are recognised.

Revenue in respect of maintenance contracts is deferred and recognised ratably over the period of the contract.

Annual service charges consist of subscriber billings for service not yet rendered. These are deferred and taken into income as earned. The maximum period for which subscribers are billed in advance is generally one year.

## Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments. Arising from the group's internal organisational structure and its system of internal financial reporting, segmentation by geographical location (geography) is regarded as being the predominant source and nature of the risks and returns facing the group and is thus the primary basis for segmentation under IAS 14 'Segment Reporting'. Business segmentation is the secondary segment reporting format.

## Deferred revenues

Deferred revenue comprises service and maintenance charges billed in advance of provision of services.

## Cost of sales

Cost of sales includes agents' commission, the cost of mobile top-ups where Payzone acts as principal in their purchase and sale, consumables, communications, maintenance, depreciation and external processing charges levied by banks. Other costs are allocated to administrative costs.

## Finance income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

## Finance costs

Finance costs comprise interest on borrowings, interest component of finance leases, bank charges and amortised debt transaction costs.

Interest payable on borrowings and the interest expense component of finance lease payments is calculated using the effective interest rate method.

## 5 Accounting policies - continued

### Special items

Special items are material non-recurring items that derive from events or transactions that fall within the ordinary activities of the group and which individually or, if of a similar type, in aggregate, are separately disclosed by virtue of their size or incidence. Such items include non-current assets impairment, restructuring costs, gains/losses on business disposals and closures, costs incurred as a result of business combinations effected that do not qualify for recognition as assets, share option charges arising from the acceleration of vesting periods as a result of business combinations, borrowing costs incurred as a result of a business combination that do not qualify to be treated as a reduction of the liability.

Judgement is used by the group in assessing the particular items which should be disclosed in the income statement and related notes as special items.

## 6 Administrative expenses - special items

		6 month period ended 31 March 2009 €'000	6 month period ended 31 March 2008 €'000	Year ended 30 September 2008 €'000
Goodwill impairment	(a)	76,531	143,081	149,173
Restructuring		2,050	8,478	19,873
(b)				
(Profit)/loss on disposal of subsidiaries	(c)	(3,665)	-	3,646
Increase in bad debt provision	(d)	2,700	-	-

(Profit) on disposal of financial asset	(e)	(1,859)	-	-
Share option charge	(f)	-	2,108	2,015
Legal action with former directors	(g)	-	-	4,092
		75,757	153,667	178,799

(a) Goodwill impairment

The Group tests for impairment annually and also if there is an indication that assets might be impaired. The Group identified the difficult trading conditions and the weakening of sterling against the Euro as indicator of impairment and performed an impairment review across all Cash Generating Units (CGUs).

The recoverable amount of the CGUs is determined based on a value-in-use computation. Where the value-in-use exceeds the carrying value of the CGU the asset is not impaired; where the carrying amount exceeds the value in use an impairment is recognised. Estimates used in this process are key judgmental estimates in the financial statements.

The CGUs represent the lowest level within the group at which goodwill is monitored for internal management purposes and are not larger than the primary and secondary segments determined in accordance with IAS 14'Segment Reporting'.

The cash flow forecasts employed for the value-in-use computation are extracted from management's budgets and forecasts for a five-year period approved by senior management and the Board of Directors.

A growth rate of 2%-3% has been used in determining value-in-use beyond the period covered by the budgets and forecasts. This assumption is made based on the trading conditions which the Group expects to experience.

The recoverable amount stemming from this exercise represents the present value of the future cash flows inclusive of the terminal value discounted at an appropriate discount rate to the CGU being assessed for impairment; discount rates of 11.8% - 12.3% were used.

6 Administrative expenses - special items - continued

Applying the above techniques, an impairment of goodwill of €76.5 million (2008: 6 months: €143.1 million 2008: 12 months (€149.17 million)) has been recognised.

The values applied to each of the key assumptions are derived from a combination of internal and external factors based on historical experience and take into account the stability of cash flows typically associated with these businesses. Key assumptions include managements':

- estimates of future profitability;
- trade working capital investment needs and;
- expected capital expenditure in the normal course of business.

(b) Restructuring costs

Restructuring costs relate to redundancy costs associated with the rationalisation and restructuring of various group activities after the disposal of Spain, France and Italy. During 2008, restructuring costs related to the costs, incurred in the closure of Cardpoint offices in Blackpool and Frankfurt and include rebranding, consultancy, and redundancy costs in relation to the integration of both businesses since 5 December.

The 2008 costs also included the write down of certain assets which did not meet the criteria of fair value adjustments on the reverse acquisition of alphyra by Cardpoint.

(c) (Profit)/loss on disposal of subsidiaries

The group successfully completed the sale of France, Spain and Italy in October 2008 (Spain and Italy) and March 2009 (France). Following the completion of the sale a profit on disposal of €4.2m was recorded. The group sold its gift card business OLG to Branded Payment Solutions Limited in October 2008. Following completion of the sale a loss on disposal of €600k was recorded.

During 2008, the group provided for a loss on disposal of €3.6 million, to write the carrying value of the subsidiaries held for resale to their recoverable amount.

(d) Increase in bad debt provision

During the period, the group's bad debt provision was increased by €2.7m to reflect exposure to a downturn in the Romanian economy. The group is in the process of recovering value through guarantees but as the legal process will take sometime to resolve the group has provided for the risk.

(e) (Profit) on disposal of financial assets

On January 6, 2009 the group sold its holding in Orbiscom to Mastercard, for a profit of €1.9m.

(f) Share option charge

The share option charges result from the acceleration of the vesting period of Cardpoint share options as a result of the reverse acquisition of alphyra by Cardpoint.

(g) Legal action with former directors

On the 16 October 2008 the company settled with the two former directors who had taken legal action against the company in relation to an unfair dismissal case and removal from office. Costs of €4.1 million were incurred in respect of settlements, legal and related costs.

## 7 Finance costs - special items

	6 month period ended 31 March 2009 €'000	6 month period ended 31 March 2008 €'000	Year ended 30 September 2008 €'000
Bank arrangement fees	456	2,385	3,853
Easy termination of derivative financial instruments	-	433	433
	456	2,818	4,286

Special items include fees incurred in relation to the renegotiation of the group's facility agreement including related consulting and legal fees.

In 2008, the costs also included fees in relation to the early termination of Cardpoint's banking arrangements, which include penalties on the early termination of derivative financial instruments.

## 8 Earnings per share

### Basic and diluted

Basic earnings per share are calculated by dividing the (loss) attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the period.

	6 month period ended 31 March 2009	6 month period ended 31 March 2008	Year ended 30 September 2008
Loss attributable to equity holders of the company (€'000)	(91,877)	(166,559)	(206,386)
Weighted average number of ordinary shares in issue ('000)	440,693	186,431	306,798
Basic and diluted loss per share (cent per share) *	(21c)	(89c)	(67c)

\* None of the group's contingently issuable shares were dilutive as they would have decreased the loss per share in all periods.

## 9 Classification of borrowings as current liabilities

As a result of a breach of banking covenants as at 31 March 2009 IAS 1 'Presentation of Financial Statements' requires the group's debt to be classified as current. Negotiations with the bankers were ongoing at the time and the bankers subsequently agreed to waive the default existing at 31 March 2009.

## 10 Reconciliation of changes in equity

	Share capital e'000	Share premium e'000	Other reserve e'000	Reverse acquisition reserve e'000	Hedging reserve e'000	Translation reserve e'000	Retained losses e'000	Minority interests e'000	Total e'000
At 1 October 2007	8,296	132,617	522	-	304	(526)	(105,338)	155	36,030
Ordinary shares issued in Cardpoint plc Exchange	244	868							1,112
differences on translating foreign operations						(43,895)			(43,895)
Transfer to reverse acquisition reserve	(8,540)	(133,485)	(522)	136,064		6,483			-



Ordinary shares issued in Payzone plc Credit for equity settled share based payments	4,263	314,886	8)	(124,02					195,121	
Cash flow hedge:										
- Fair value loss in period				)	(902				(902)	
- Transfer to finance costs				)	(304				(304)	
Loss for the financial period						(166,559)	110		(166,449)	
At 31 March 2008	4,263	314,886	-	12,036	)	(902	(37,938	(268,057)	265	24,553
Ordinary shares issued in Payzone plc Share issue costs	1,740	33,068								34,808
Exchange differences on translating foreign operations		(1,114)								(1,114)
Credit for equity settled share based payments						(35)	10,057			10,022
Cash flow hedge:										
- Fair value gain in period				0	1,51					1,510
Loss for the financial period							(39,827)	352		(39,475)
At 30 September 2008	6,003	346,840	-	12,036	573	(27,881	(307,884)	617		30,304

10 Reconciliation of changes in equity - continued

	Share capital	Share premium	Other reserve	Reverse acquisition reserve	Hedging reserve	Translation reserve	Retained losses	Minority interests	Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
At 30 September 2008	6,003	346,840	-	12,036	573	(27,881)	(307,884)	617	30,304
Cash flow hedge:									
- Fair value loss in period					(5,960)				(5,960)
Credit for equity settled share based payments							115		115
Share issue costs		(320)							(320)
Loss for the financial period							(91,877)	71	(91,806)
Exchange differences on translating foreign operations						(36,675)			(36,675)
At 31 March 2009	6,003	346,520	-	12,036	(5,387)	(64,556)	(399,646)	688	(104,342)

11 Cash and cash equivalents

	As at 31 March 2009	As at 31 March 2008	As at 30 September 2008
	€'000	€'000	€'000
Cash and cash equivalents	30,299	24,762	43,348
Cash held in disposal group held for sale	1,097	-	1,659
Bank overdraft in disposal group held for sale	(2,934)	-	(755)
	28,462	24,762	44,252