

DataCash Group Plc: DATA / Index: AIM / Sector: Support Services

DATA CASH GROUP PLC ('DataCash' or 'the Group')
FINAL RESULTS

DataCash Group Plc, the AIM listed payments service provider, announces its results for the 12 months to 31 December 2008.

Financial Highlights

- Adjusted Group pre-tax profit* up 35% to £14.6m (2007: £10.8m).
- Adjusted underlying earnings per share of 10.89p (2007: 8.48p).
- Group turnover increased by 37% to £28.04m (2007: £20.45m).
- Debt free cash balance of £16.6m** (18p per issued share) (2007 £17.9m - 19p per issued share).
- Dividend recommendation of 1.4p. Annual dividend payment increased by 28% to 1.8p per share recommended (2007: 1.4p)

* before foreign exchange losses on contingent deferred consideration and impairment and amortisation of intangible assets.

** including escrow and security deposits of £4.2m (£1.2m).

Operational Highlights

- Transactions with a cash value of over £16bn processed through the Group's systems in 2008 (2007: £12bn).
- Acquisition of ACK provider of software to UK card holder present market.
- Acquisition of EasyDebit GmbH a German Payment service Provider.
- Acquisition of The 3rd Man plc a leading UK provider of fraud management to the retail industry completed in January 2009.
- Continued Investment in key infra-structure projects.

Ashley Head, Chairman said "We are pleased with the progress the Group made in 2008 and look forward with confidence to 2009 and being able to capitalise on the investments we have made"

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Chairman's Statement

2008 was another successful year for DataCash Group. We grew revenues and profit strongly, announced three acquisitions and made strategic investments into two complementary businesses. We invested further into our technology and people to increase our system functionality, scalability and reliability and expand our international capabilities. With a good cash position, and the strength of the e-commerce market, we view the future with confidence.

The Group produced annual revenue of £28m (2007 £20.45m), an increase of 37%. Excluding the impact of the acquisitions within the year (ACK Limited and Easydebit GmbH), revenues rose by 32%. Adjusted Pre-tax profits (excluding foreign exchange losses on contingent deferred consideration and impairment and amortisation of intangibles) rose by 35% to £14.6m (2007 £10.8m), and adjusted underlying earnings per share rose by 28% to 10.89p (2007 8.48p).

The Board will recommend a dividend of 1.4p at the annual general meeting, which together with the interim dividend of 0.4p paid in November, makes a total of 1.8p (2008.1.4p), an increase of 29%. Subject to shareholder approval, the Company intends to pay the dividend on 19 June 2009 to those shareholders on the register at the close of business on 8 May 2009.

Our overall payment processing transaction volumes increased substantially and overall the value of the transactions processed increased by approximately 33% to £16bn.

The cash position of the Group remains strong, with approximately £16.6m in net cash at year end (including security deposits of £2.4m and escrow amounts held for payment of deferred consideration totalling £1.8m), after the acquisitions of strategic investments and deferred consideration payments that amounted to £11.41m. The recent fall in interest rates will inevitably impact the return from our treasury activities in 2009, and we continue to look for earnings enhancing acquisitions to expand our geographical reach and/or our product set.

In the summer of 2008 we acquired ACK Limited, a provider of software in to the UK card holder present retail market for a total consideration (net of cash) of £2.16m. We had a well-established relationship with the Company and it fits into our "one stop" shop for payment processing strategy. The combination of DataCash's strength in the Cardholder Not Present market with ACK's reputation and relationships in the Cardholder Present field is proving to be attractive to potential customers. We had deployed more than 6,000 licences by the end of 2008, all of which utilise DataCash's processing service; overall deployments of the ACK licence are now approaching 45,000 units.

In late September 2008 we acquired EasyDebit GmbH, a niche German payment service provider, for an initial consideration of EUR3m. Although only consolidated in the Group results from October, it contributed £708k to revenue and £153k to EBIT. Post acquisition we have renamed the company ExperCash GmbH. We are confident of a further good performance in 2009, although the business normally has a strong second half bias.

As previously announced, in January we completed the acquisition of The 3rd Man plc, one of the UK's leading risk and fraud management solutions for the retail industry. This acquisition complements our business both from a technology perspective as well as providing access into new markets, especially the retail industry.

The Group made strategic investments into UKash (£3.9m) and Iridium (£320k) during the year. UKash is one of the leading Pre-paid solution businesses in the UK, Upon conversion of our preference shares we could have an ownership of approximately 16% of UKash. Iridium is a UK PSP that focuses on the SME part of the market, whereas our sales force is focussed more on the larger merchants.

Our joint venture businesses in China and Cyprus were both profitable in 2008, and are expected to develop further in 2009.

We continue to invest into our technology, with the desire to add scalability, reliability and products. With our new data centres we have achieved six sigma reliability with full contingency. The DataCash Global Gateway (DGG) provides single access to all of the Group's services, a range of alternative payment instruments and local debit and credit schemes acquired through a host of international banks.

I would like to take this opportunity to thank all our staff for their commitment and efforts in 2008. During the year, Gavin Breeze, the original founder of DataCash, left the group to pursue his other interests. We thank him for his enormous contribution to the business and look forward to hearing about his next idea!

Andrew Dark, who became Chief Executive of the Group in January 2006, left the business at the end of March 2009, to become CEO of a private equity backed business. We thank Andrew for his efforts on the Group's behalf and wish him every success for the future. We have recruited a new Chief Executive, Joseph Blass, who, we believe, has the management experience and drive to take the business forward, and we look forward to reporting on progress during the year.

We believe that the Group is well-placed to take advantage of the market turbulence that the economic downturn has created. We are pleased with the progress the Group made in 2008 and look forward with confidence to 2009 and being able to capitalise on the investments we have made.

Ashley Head
Executive Chairman

Datacash Group PLC
Consolidated Income Statement
For the year ended 31 December
2008

	Unaudited 2008 £000	Audited 2007 £000
Revenue	28,037	20,451
Administrative expenses	(14,205)	(10,451)
Operating profit before impairment and amortisation	13,832	10,000
Impairment and amortisation of intangible assets	(8,013)	(5,022)
Total operating profit	5,819	4,978
Finance income	968	910
Finance cost - notional interest on deferred consideration	(280)	-
Foreign exchange losses on deferred consideration		
- Unsettled loss	(356)	-
- Settled loss	(722)	-
Compensation for loss of acquisition	-	941
Share of profit/(loss) of joint ventures	72	(7)
Profit before taxation	5,501	6,822
Taxation	(2,861)	(2,508)
Profit for the year	2,640	4,314
Attributable to equity holders of the company	2,640	4,314
Basic earnings per share	2.89p	4.73p
Diluted earnings per share	2.86p	4.69p

Datacash Group PLC
Consolidated Balance Sheet
As at 31 December 2008

	Unaudited 2008 £000	Audited 2007 (restated) £000
Non current assets		
Intangible assets	13,544	14,193
Goodwill	57,672	51,517
Property, plant and equipment	2,357	1,790
Investments in joint ventures	87	(13)
investments	3,902	-
Deferred tax asset	-	146
	<u>77,562</u>	<u>67,633</u>
Current assets		
Trade and other receivables	5,161	5,217
Cash and cash equivalents	16,641	17,942
	<u>21,802</u>	<u>23,159</u>
Total assets	99,364	90,792
Current liabilities		
Trade and other payables	(4,747)	(3,510)
Current tax liabilities	(2,117)	(1,734)
Deferred contingent consideration	(4,307)	(2,125)
	<u>(11,171)</u>	<u>(7,369)</u>
Net current assets	10,631	15,790
Non current liabilities		
Deferred tax liability	(3,196)	(3,434)
Deferred contingent consideration	(1,706)	(1,762)
Other liabilities	-	(262)
	<u>(4,902)</u>	<u>(5,458)</u>
Total liabilities	(16,073)	(12,827)
Net assets	83,291	77,965
Capital and reserves		
Share capital	923	919
Share premium account	10,986	10,640
Own shares	(1,512)	(685)
Foreign currency translation reserve	4,035	(224)
Share option reserve	1,365	1,152
Other reserve	63,603	94,676
Retained earnings	3,891	(28,513)
Total equity attributable to the equity holders of the parent	83,291	77,965

Datacash Group PLC**Consolidated Cash Flow Statement**

For the year ended 31 December 2008

	Unaudited 2008 £000	Audited 2007 (restated) £000
Net cash inflow from continuing operations	16,167	10,593
Interest received	968	910
Compensation for loss of acquisition	-	941
Tax paid	(3,502)	(2,890)
Net cash inflow from operating activities	13,633	9,554
Cash flow from investing activities		
Acquisition of subsidiaries (net of cash)	(4,412)	(875)
Payment of deferred consideration on prior year acquisition	(3,101)	-
Investment in joint ventures	-	(277)
Purchase of investments	(3,902)	-
Purchase of property, plant and equipment	(1,253)	(1,220)
Purchase of intangible assets	(445)	(116)
Net cash outflow from investing activities	(13,113)	(2,488)
Cash flow from financing activities		
Net proceeds from issue of share capital	350	459
Repayment of loan	-	(2,989)
Purchase of own shares	(827)	(685)
Equity dividends paid	(1,372)	(1,193)
Net cash outflow from financing activities	(1,849)	(4,408)
Net cash (outflow)/inflow	(1,329)	2,658
Cash and cash equivalents at start of period	17,942	15,284
Exchange gains on cash	28	-
Cash and cash equivalents at the end of the period	16,641	17,942

DataCash Group plc

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Share Capital	Share Premium Account	Foreign Currency Translation Reserve	Share Option Reserve	Own Shares	Other Reserve	Retained earnings	Total Equity
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 January 2007	908	10,192	(121)	1081	-	95,116	(31,816)	75,360
Exchange differences on translation of overseas operations	-	-	(103)	-	-	-	-	(103)
Tax effect in equity of share options	-	-	-	-	-	-	182	182
Net income recognised directly in equity	-	-	(103)	-	-	-	182	79
Profit for the year	-	-	-	-	-	-	4,314	4,314
Total recognised income and expense for 2007	-	-	(103)	-	-	-	4,496	4,393
Share-based payments	-	-	-	71	-	-	-	71
Merger reserve on acquisition of subsidiary	-	-	-	-	-	(440)	-	(440)
Dividends Paid	-	-	-	-	-	-	(1,193)	(1,193)
Own shares	-	-	-	-	(685)	-	-	(685)
Issue of shares	11	448	-	-	-	-	-	459
At 31 December 2007	919	10,640	(224)	1,152	(685)	94,676	(28,513)	77,965
Exchange differences on translation of overseas operations	-	-	4,259	-	-	-	-	4,259
Tax effect in equity of share options	-	-	-	-	-	-	63	63

Net income recognised directly in equity	-	-	4,259	-	-	-	63	4,322
Profit for the year	-	-	-	-	-	-	2,640	2,640
Total recognised income and expense for 2008	<u>-</u>	<u>-</u>	<u>4,259</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,703</u>	<u>6,962</u>
Share-based payments	-	-	-	213	-	-	-	213
Dividends paid	-	-	-	-	-	-	(1,372)	(1,372)
Own shares	-	-	-	-	(827)	-	-	(827)
Issue of shares	4	346	-	-	-	-	-	350
Reserves transfer	-	-	-	-	-	(31,073)	31,073	-
At 31 December 2008	<u>923</u>	<u>10,986</u>	<u>4,035</u>	<u>1,365</u>	<u>(1,512)</u>	<u>63,603</u>	<u>3,891</u>	<u>83,291</u>

DataCash Group PLC

Notes to the financial statements

1. BASIS OF PREPARATION

The financial information contained in this document does not constitute statutory financial statements as defined by section 240 of the Companies Act 1985 for the years ended 31 December 2008 or 2007.

The statutory financial statements for the year ended 31 December 2008 will be finalised and signed on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The financial information for the year ended 31 December 2007 is derived from the statutory accounts for that year. The auditor reported on those statutory accounts which have been delivered to the Registrar of Companies. The audit report was unqualified, did not include references to matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 237(2) or (3) of the Companies Act 2005.

This announcement is prepared applying International Financial Reporting Standards and IFRIC interpretations ('IFRS') as adopted by the European Union, with those parts of the Companies Act 1985 applicable to companies reporting under IFRS and using accounting policies that are consistent with those as stated in the previous year's financial statements.

The comparative financial information in the balance sheet and the cash flow statement has been restated to include security cash deposits of £1,226,000 at 31 December 2007 (2006: £4,004,000) as cash and cash equivalents as opposed to other receivables.

This preliminary announcement was approved by the Board of directors on 20 April 2009. Copies of this announcement are available from the Company its website, www.datacash.com.

2 Dividends

	2008	2007
Ordinary :	£000	£000
Final paid in respect of the year ended 31 December 2007 – 1.1p (2006 – 1.0p)	1,006	917
Interim dividend paid in respect of the year ended 31 December 2008 – 0.4p (2007 – 0.3p)	366	276
	<hr/>	<hr/>
	1,372	1,193

A final dividend of 1.4p is proposed for the year ended 31st December 2008.

A dividend of 1.4p will be proposed for approval at the Annual General Meeting and has not been included as a liability in these financial statements.

3 Impairment and amortisation of intangible assets

In accordance with the group's accounting policies, intangible assets are amortised over their useful economic lives and goodwill is not amortised. Goodwill is subject to annual impairment reviews.

The charge for the year comprises amortisation of intangible assets of £5.24m (2007: £2.77m) and impairment of goodwill of £2.77m (2007: £2.25m).

The amortisation of intangibles consists of £3,380k customer contracts, £1,833k software and £27k development costs.

The impairment of goodwill during the year was entirely attributable to Eurocommerce as a result of the

downturn in the airline industry.

4 Adjusted earnings reconciliation

	2008 £000	2007 £000
Profit before taxation per the income statement	5,501	6,822
Adjustments:		
- Impairment and amortisation of intangible assets	8,013	5,022
- Unsettled foreign exchange loss on deferred consideration	356	-
- Settled foreign exchange loss on deferred consideration	722	
- Compensation for loss of acquisition	-	(941)
Adjusted profit before taxation	<u>14,592</u>	<u>10,793</u>
Taxation per income statement	(2,861)	(2,508)
Tax effect of adjustments detailed above	<u>(1,769)</u>	<u>(549)</u>
Adjusted taxation	(4,630)	(3,057)
Adjusted profit for the year	<u>9,962</u>	<u>7,736</u>

The Directors believe that the adjusted profit for the year and the adjusted earnings per share figure assists in the presentation of the group's underlying performance.

5 Taxation

The group's effective tax rate for the year based on profit before taxation per the income statement is 52.0% (2007: 36.8%).

The group's effective tax rate for the year based on the adjusted profit before taxation, as detailed in note 4 above, is 31.7% (2007: 28.3%).

6 Earnings per Share

The basic and diluted earnings per share is calculated using the profit for the year as set out in the income statement. The adjusted earnings per share is calculated using the adjusted profit for the year as detailed in note 4 above.

Basic earnings per share has been calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the period, determined in accordance with IAS 33 Earnings per share.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue on the assumption of conversion of all the potentially dilutive ordinary shares for which all the conditions have been met.

	2008	2007
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Weighted average number of 1p ordinary shares in issue during the year is set out below:

For basic earnings per share	91,472,062	91,195,129
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Dilutive effect of share options	<u>907,727</u>	<u>719,171</u>
For diluted earnings per share	<u>92,379,790</u>	<u>91,914,300</u>
Basic earnings per share	2.89p	4.73p
Diluted earnings per share	2.86p	4.69p
Adjusted basic earnings per share	10.89p	8.48p
Adjusted diluted earnings per share	10.78p	8.42p

7 Reconciliation of profit for the year to net cash inflow from operating activities

	Year ended 31 December 2008 £000	Restated Year ended 31 December 2007 £000
Profit for the year	2,640	4,314
Taxation	2,861	2,508
Finance income	(968)	(910)
Finance costs	280	-
Compensation for loss of acquisition	-	(941)
Impairment and amortisation of goodwill and intangibles	8,013	5,022
Depreciation	860	482
Profit from sale of property plant and equipment	1	5
(Profit)/loss on joint ventures	(72)	7
Share option charge	213	71
Exchange movements	1078	(102)
Changes in trade and other receivables	517	(657)
Changes in trade and other payables	744	794
Net cash inflow from continuing operations	16,167	10,593

8 Acquisitions in the year

On 12 June 2008, the company acquired 100% of the issued share capital of ACK Limited for a cash consideration of £2,951,000 and estimated deferred consideration of £177,000. Total goodwill arising on the acquisition is £1,496,000. The fair values of net assets acquired are based on provisional assessments pending final determination of certain assets and liabilities.

	Carrying values pre acquisition	Fair value adjustments	Fair value
	£000	£000	£000
Intangible assets	-	1,142	1,142
Property, plant and equipment	19	-	19
Trade and other receivables	188	-	188
Cash and cash equivalents	786	-	786
Trade and other payables	(113)	-	(113)
Deferred tax liabilities	-	(320)	(320)
Net Assets acquired	880	822	1,702
Goodwill			1,496
Consideration			3,198
Consideration satisfied by:			
Cash			2,451
Cash held in escrow for payment of deferred consideration			500
Directly attributable costs			70
Deferred contingent consideration			177
			3,198

The goodwill arising on acquisition of ACK Limited represents the value of anticipated future operating synergies from the combination.

From the date of the acquisition to 31 December 2008 ACK contributed £344,000 revenue and £140,000 in profit. If the acquisition of ACK Limited had been completed on the first date of the financial year, group revenues for the year would have increased by £481,000 and group profit attributable to equity holders of the parent would have increased by £172,000.

Deferred consideration has been discounted at 6%. The range of potential contingent consideration is from £700k to nil.

8 On 9 September 2008, the company acquired 100% of the issued share capital of Easydebit GmbH for a cash consideration of €4,972,000 (£4,234,000) and estimated deferred consideration of €2,311,000 (£2,251,000). Total goodwill arising on the acquisition is £4,956k. The fair values of net assets acquired are based on provisional assessments pending final determination of certain assets and liabilities.

	Carrying values pre acquisition	Fair value adjustments	Fair value
	£000	£000	£000
Intangible assets	-	1,837	1,837
Property plant and equipment	135	-	135
Trade and other receivables	273	-	273
Cash and cash equivalents	158	-	158
Trade and other payables	(118)	-	(118)
Deferred tax liabilities	(124)	(551)	(675)
Net Assets acquired	324	1,286	1,610
Goodwill			4,956
Consideration			6,566
Consideration satisfied by:			
Cash			2,417
Cash held in escrow for payment of deferred consideration			1,817
Directly attributable costs			81
Deferred consideration			2,251
			6,566

The goodwill arising on acquisition of Easydebit GmbH represents the value of anticipated future operating synergies from the combination.

From the date of acquisition to 31 December 2008 the acquisition contributed £709k to revenue and £154k in profit. If the acquisition of Easydebit limited had been completed on the first date of the financial year, group revenues for the period would have increased by £1,966,000 and group profit attributable to equity holders of the parent would have increased by £369,000.

The range of potential contingent consideration is from €4,284,000 to €nil.